Shenzhen International Holdings Limited
深圳國際控股有限公司

(incorporated in Bermuda with limited liability)
(Stock Code: 00152)
(the "Company")

OVERSEAS REGULATORY ANNOUNCEMENT

The document attached hereto is the 2018 Annual Results Preliminary Announcement released by Shenzhen Expressway Company Limited, a subsidiary of the Company.

Hong Kong, 22 March 2019

As at the date of this announcement, the board of directors of the Company consists of Messrs. Gao Lei, Li Hai Tao, Zhong Shan Qun, Liu Jun and Hu Wei as executive directors, Messrs. Xie Chu Dao and Liu Xiao Dong as non-executive directors and Messrs. Ding Xun, Nip Yun Wing, Dr. Yim Fung, JP and Professor Cheng Tai Chiu, Edwin as independent non-executive directors.

深圳高速公路股份有限公司

SHENZHEN EXPRESSWAY COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00548)

2018 Annual Results Preliminary Announcement

I. Important Notice

1.1 2018 Annual Results Preliminary Announcement of the Company is extracted from the full Annual Report 2018 of the Company. For detailed information, investor shall read the full Annual Report to be published on the website of SSE at http://www.sse.com.cn and HKEx at http://www.hkexnews.com.hk.

All the information to accompany preliminary announcement of results for the financial year required under Appendix 16 to the Listing Rules was included in the 2018 Annual Results Preliminary Announcement published on the website of HKEx.

The 2018 annual financial statements of the Company were prepared in accordance with CASBE, and also were complied with the disclosure requirements under the Hong Kong Companies Ordinance and the Listing Rules.

Unless otherwise stated, the amounts stated in this announcement are in RMB.

1.2 Basic Information of the Company

Type of shares	A Share	H Share
Abbreviation	Shenzhen Expressway	Shenzhen Expressway
Stock code	600548	00548
Listing exchanges	SSE	HKEx
Contacts and details	Secretary of the Board	Securities Officer
Name	LUO Kun	GONG Xin, XIAO Wei
Telephone	(86) 755-8285 3331	(86) 755-8285 3338
Fax	(86) 755-8285 3400	
E-mail	secretary@sz-expressway.com	

II. Proposed Profit Distribution

The Board recommended the payment of a final dividend of RMB0.71(proposal) (tax included) per share in cash to all shareholders (2017: RMB0.30 per share), based on the total share capital of 2,180,770,326 as at the end of 2018 and totaling RMB1,548,346,931.46, among which, the special dividend distributed for the income received from the disposal of the assets of the Three Projects is RMB0.35. The aforesaid proposal shall be subject to approval by shareholders at the 2018 Annual General Meeting of the Company. The date of the annual general meeting, the record date for dividend payment, dividend payment procedures and payment date, and the book closure period for H Shares will be notified separately. It is expected that the dividend will be distributed on or before 19 July 2019.

III. Principal Financial Data and Information of the Shareholders

3.1 Principal Financial Data

During the Reporting Period, the Group recorded revenue of RMB5,807,108,000, representing a YOY increase of 20.07%. Due to the consolidation of Coastal Company as business combination involving entities under common control, the data of the same period of the previous year needs to be adjusted retroactively. After restatement, revenue recorded a YOY increase of 11.45%; the Group recorded net profit attributable to owners of the Company ("net profit") of RMB3,440,051,000 (2017(restated): RMB1,383,988,000), representing a YOY increase of 148.56%. After excluding the effect of the net gains on disposal of assets of the Three Projects, the demolition and relocation compensation income of Meilin Checkpoint Renewal Project, and the investment income arising from the transfer of the whole equity interests and debts of Yuelong Company recognised during the current year, the net profit recorded a YOY increase of 23.55%.

Unit: RMB

	As at 31 Dec 2018	As at 31 Dec 2017		Change as compared to the end of last year (%)	As at 31 Dec 2016	
		Before	After	After	Before	After
Total assets	**41,100,850,328.23**	37,473,826,542.60	44,014,984,643.90	-6.62	32,384,844,447.16	39,233,800,375.23
Owners' equity attributable to owners of the Company	**17,387,090,943.28**	13,618,079,670.58	13,633,010,893.87	27.54	12,674,475,959.27	14,219,747,778.45
	2018	**2017**		**Change as compared to the last year (%)**	**2016**	
		Before	**After**	**After**	**Before**	**After**
Revenue	**5,807,108,031.78**	4,836,620,833.89	5,210,398,467.52	11.45	4,532,209,156.54	4,867,002,492.10
Net profit attributable to owners of the Company	**3,440,050,607.33**	1,426,402,801.01	1,383,988,489.41	148.56	1,169,353,230.77	1,061,102,823.04
Net profit attributable to owners of the Company - excluding non-recurring items	**1,537,875,136.33**	1,468,896,951.98	1,472,409,216.13	4.45	1,004,716,957.76	1,004,716,957.76
Net cash flows from operating activities	**3,222,228,582.62**	2,660,705,790.47	2,975,225,227.75	8.30	2,126,610,026.45	2,379,217,132.07
Return on equity - weighted average (%)	**22.85**	10.88	9.47	Increase13.38 pct.pt	9.35	7.53
Earnings per share - basic (RMB/share)	**1.577**	0.654	0.635	148.56	0.536	0.487
Earnings per share - diluted (RMB/share)	**1.577**	0.654	0.635	148.56	0.536	0.487

During the Reporting Period, due to the change of accounting policy and the consolidation of Coastal Company into the Group as a jointly controlled entity and according to relevant requirements under the Accounting Standards for Business Enterprises, the Company adjusted the data of consolidated financial statements for the previous years retrospectively. For details, please refer to the relevant content in Note III\34 and Note VI to the financial report.

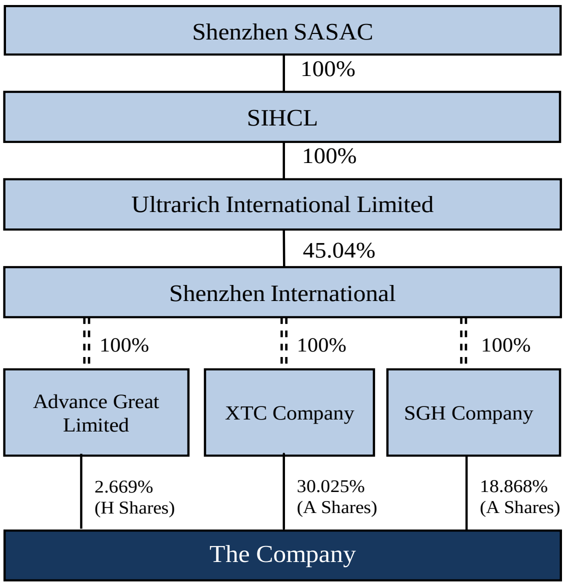
3.2 Information of the Total Number of Shareholders and the Top Ten Shareholders

As at the end of the Reporting Period, based on the shareholders' registers provided by the share registrars and the transfer offices of the Company in the PRC and Hong Kong, the information of the total number of shareholders and the top ten shareholders of the Company were as follows:

Unit: share

Total number of shareholders as at the end of 2018	The Company had 16,999 shareholders in total, including 16,764 holders of A Shares and 235 holders of H Shares.				
Total number of shareholders as at the end of the last month prior to the Reporting Date	The Company had 19,215 shareholders in total, including 18,982 holders of A Shares and 233 holders of H Shares.				
Top ten shareholders as at the end of 2018					
Name of shareholder	Nature of shareholders	Percentage	Number of shares held	Number of restricted circulating shares held	Number of shares pledged or frozen
HKSCC NOMINEES LIMITED[1]	Overseas legal person	33.48%	730,141,099	–	Unknown
Xin Tong Chan Development (Shenzhen) Company Limited	Domestic non-state-owned legal person	30.03%	654,780,000	–	None
Shenzhen Shen Guang Hui Highway Development Company	Domestic non-state-owned legal person	18.87%	411,459,887	–	None
China Merchants Expressway Network & Technology Holdings Company Limited	State-owned legal person	4.00%	87,211,323	–	None
Guangdong Roads and Bridges Construction Development Company Limited	State-owned legal person	2.84%	61,948,790	–	None
Hong Kong Central Clearing Company Limited	Domestic non-state-owned legal person	0.82%	17,932,947	–	Unknown
PICC Property and Casualty Company Limited – Tradition-Return Portfolio	Domestic non-state-owned legal person	0.56%	12,161,143	–	Unknown
AU SIU KWOK	Overseas natural person	0.50%	11,000,000	–	Unknown
ZHANG PING YING	Domestic natural person	0.28%	6,023,400	–	Unknown
HUANG HAO WEI	Domestic natural person	0.26%	5,629,218	–	Unknown
Connected relationship or concerted action relationship among the abovementioned shareholders	XTC Company and SGH Company are connected persons under the same control of Shenzhen International. There is no connected relationship among the state-owned shareholders in the above table. The Company did not notice any connected relationship among the other abovementioned shareholders or any connected relationship among the abovementioned state-owned shareholders and other shareholders.				
Note: The H Shares held by HKSCC NOMINEES LIMITED were held on behalf of various clients.					

3.3 The Ownership and the Relation of Control Between the Company and the De-facto Controller

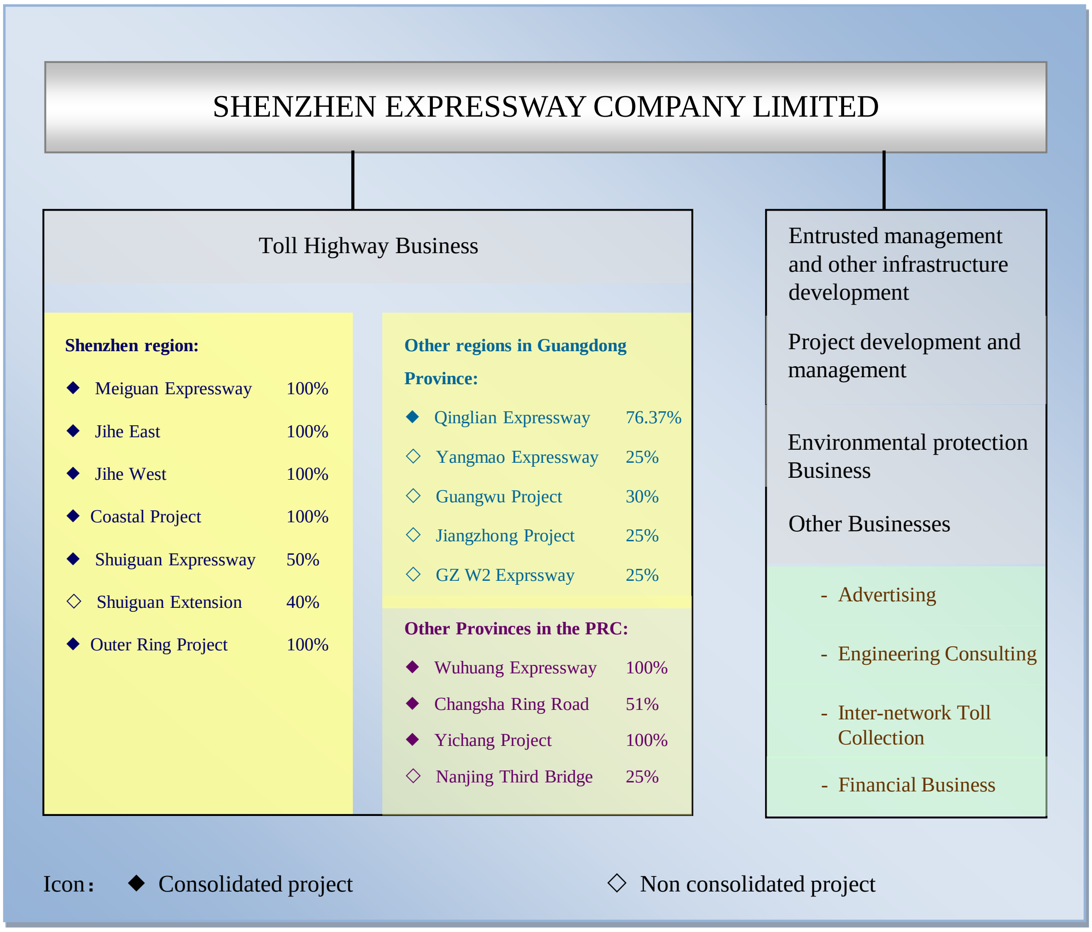


IV. Report of the Directors

In order to achieve the Company's strategic goal of transformation and upgrading, in addition to upgrading and consolidating the core business of toll highway, the Group adheres to a market-oriented, specialised and industrialised approach to adjust and integrate its internal organisational structure and functions. It has gradually established various business platforms for investment, environmental protection, operation, construction and advertising, which include the Investment Company, a company principally engages in the business of expanding infrastructure construction market as well as joint comprehensive development of land; the Operation Development Company, a company principally engages in the provision of highway operation, maintenance management services and intelligent transportation business; the Environmental Company, a company principally engages in the expansion of businesses relating to the general environmental protection industry; the Construction Development Company, a company principally engages in the provision of project construction management services; and the Advertising Company, a company principally engages in the advertising resources rental and development business. Through the aforesaid platform companies, the Group will give full play to its own competitive advantages in operation of infrastructure as well as infrastructure management and integrated management, so as to expand its business sectors to construction and operation services of urban and transport infrastructure and joint comprehensive development of land. The Group will also actively extend its business scope to the upstream and downstream of the industrial chain and develop transportation planning, design consulting, operation maintenance, intelligent transportation system, advertising service, finance and other service-oriented businesses. In addition, the Group prudently seeks opportunities for cooperation with leading and branded enterprises in the environmental protection industry to enter the relevant environmental protection business sector from a high starting point, thereby gradually developing the Group's professional competitive strengths in certain environmental protection segments and striving for greater rooms for the development of the Group's operation.

4.1 Business Review

At the current this stage, the Group's revenues and profits are mainly derived from toll highway operations and investments, and the profit contribution of environmental protection business is gradually emerging. In addition, the Group provides outstanding construction management and highway operation management services for the government and other enterprises. Building on the relevant management experiences and resources and relying on its core business, the Group has launched businesses such as project development and management, advertising, engineering consulting, inter-network toll collection and financial businesses, etc. As of the Reporting Date, the principal business of the Group is set out as follows:



In 2018, the Group earnestly managed the toll highway and the entrusted management business and steadily developed new types of business such as environmental protection business. During the Reporting Period, the Group recorded revenue of approximately RMB5,807 million, representing a YOY increase of 11.45%, of which toll revenue of approximately RMB5,066 million, entrusted management services revenue of approximately RMB246million, real estate development revenue of approximately RMB286million, advertising and other business revenue of approximately RMB209 million accounted for 87.24%,4.24%,4.92% and3.60% of the total revenue of the Group, respectively.

(I) Toll Highway Business

1. Analysis of Operating Environment

(1) Economic environment

In 2018, China's GDP grew by 6.6% year-on-year, down by 0.3 percentage points from 2017. The overall economic operation was basically stable. However, under the macro background of controlling leverage, as the credit environment of the real economy continued to tighten, domestic demand has weakened in the second half of the year. At the same time, due to the changes in the international trade environment, the growth rate of import and export has declined. The economy faced downward pressure under the impact of the shrinking of internal and external demand. In 2018, the regional GDP of Guangdong Province and Shenzhen recorded a YOY growth of 6.8% and 7.6 % respectively, which were higher than the national average. The economic growth remained stable, which was conducive to the general growth of the regional transportation and logistics demand via highway. Under the combined effect of various factors in the macro and regional economic environments, the Group's overall operational performance in toll highway projects remained stable during the Reporting Period. Source of data: Government statistics information website

(2) Policy environment

The policies for the toll highway industry had no significant changes in 2018.

Based on the original toll-by-weight policy for trucks, the Provisions on the Administration of Use of Roads by Over-limit Transportation Vehicles (Order of the Ministry of Transport 2016 No. 62) (the "Over-limit Administrative Provisions") have been implemented nationwide starting from late September 2016. The implementation of the Administrative Provisions has posed certain negative impact on traffic volume of Lorries and toll revenue of the Group. However, it has a positive effect on the comprehensive governing of over-limit and overloaded vehicles, maintaining the safety of roads and bridges, decreasing the number of traffic accidents, reducing highway maintenance fee and lengthening the useful life of highways.

In recent years, in order to promote structural reform of supply side and facilitate the reduction of costs and improvement of efficiency in the logistics industry, the State Council and the traffic management departments at all levels of the State have issued a series of policies and measures: the State Council has selected some expressways to participate in the pilot projects for differentiated charges in different time periods staring from late August 2017, aiming to scientifically and reasonably determine the level of vehicle tolls. From 00:00 on 1 July 2017, Guangdong Province has implemented a preferential policy (the "Preferential Policy") by offering a 15% discount on truck toll for 43 expressways in the province, provided that the prevailing basic toll rate and charging rules of centralised toll collection for freight vehicles remain unchanged. Since the highway projects under the Group currently have not been included in the above pilot scope or implementation scope of the Preferential Policy, there has been no effect on toll revenue of the Group. In addition, some provinces have implemented preferential toll policies successively to provide different range of discounted rates for legally loaded trucks by using electronic payment method. Such policies have varied effects on toll revenues of the Group's toll highway projects in different regions. In the first half of 2018, the State Council clearly proposed to promote the abolition of provincial boundary highway toll stations as one of the important measures to reduce the logistics cost of the real economy. The implementation of this policy will have no substantial impact on the Company's toll revenue, but it can promote the efficiency of traffic. There is a positive impact on reducing the Company's labor costs and management costs, etc. The Group will closely monitor the development trend of industry policies, and maintain a positive and effective communication with the government with a view to safeguarding the interests of the Company and shareholders. Moreover, the Standardisation Scheme implemented by Guangdong Province and the nationwide policies of Toll Free Scheme on Holidays and Green Passage Toll Free Policy in recent years still posed negative impact on toll revenues of the projects. However, the impact on YOY changes of projects' revenues has been eliminated generally.

2. Business Performance and Analysis

In 2018, the traffic volume and toll revenue of most of the highway projects in which the Group operated and invested continued to grow. Basic operational statistics of each project during the Reporting Period are as follows:

Toll highway[2]	Average daily mixed traffic volume (number of vehicles in thousand)[1]			Average daily toll revenue (RMB'000)		
	2018	2017	YOY	2018	2017	YOY
Guangdong Province – Shenzhen Region:						
Meiguan Expressway	**100**	92	9.0%	**351**	336	4.3%
Jihe East	**289**	271	6.6%	**2,076**	1,962	5.8%
Jihe West	**222**	215	3.2%	**1,794**	1,729	3.8%
Coastal Expressway[3]	**90**	82	10.5%	**1,273**	1,093	16.5%
Shuiguan Expressway[4]	**219**	216	1.8%	**1,738**	1,763	-1.4%
Shuiguan Extension[4]	**80**	75	6.4%	**329**	314	4.6%
Guangdong Province – Other Regions:						
Qinglian Expressway	**43**	41	5.5%	**2,084**	2,017	3.4%
Yangmao Expressway	**51**	50	1.2%	**1,771**	1,819	-2.7%
Guangwu Project	**39**	35	10.1%	**869**	832	4.4%
Jiangzhong Project	**149**	142	4.5%	**1,313**	1,249	5.1%
GZ W2 Expressway	**74**	71	3.9%	**1,653**	1,343	23.1%
Other Provinces in the PRC:						
Wuhuang Expressway	**53**	51	5.2%	**1,055**	1,005	5.0%
Yichang Project[5]	**50**	N/A	N/A	**1,119**	N/A	N/A
Changsha Ring Road[6]	**36**	32	12.0%	**395**	373	5.7%
Nanjing Third Bridge	**34**	33	5.4%	**1,341**	1,270	5.7%

Notes:

(1) Traffic volume which is toll free during holidays is not included in the figures of average daily mixed traffic volume.

(2) According to the agreement signed between the Group and Shenzhen Transport Commission, Yanba Expressway, Yanpai Expressway and Nanguang Expressway should become toll free from 00:00 on 7 February 2016. During the Reporting Period, the Company calculated and recognised the revenue according to the method specified in the agreement.

(3) Coastal Company has been included into the consolidated financial statements of the Group since 8 February 2018. In addition, according to the agreement of implementation of toll adjustment for Lorries by Coastal Project signed between Shenzhen Transport Commission and Coastal Company, all types of trucks passing through the Coastal Project will be charged 50% of the normal toll fees standard from 1 March 2018 to 31 December 2020, and Shenzhen Transport Commission compensates to Coastal Company for RMB302 million.

(4) In September 2018, Shuiguan Expressway and Shuiguan Extension made adjustment to the traffic volume statistics caliber after January 2017, which caused a significant change to the traffic volume data. The toll revenue statistics continue to use the original caliber. The adjustment has no effect on the actual traffic volume and toll revenue of the above two projects.

(5) As the Group completed the acquisition of 100% equity interests in Yichang Company in June 2017, Yichang Company has been consolidated into the consolidated financial statements of the Group since 15 June 2017.

(6) Shenchang Company has been included into the consolidated financial statements of the Group since 1 April 2017. The main business of Shenchang Company is operation and management of Changsha Ring Road.

The effect of factors such as economic environment and policy changes on highway projects varied, and the operational performances varied among different highway projects due to differences in the functional positioning, operation date of respective projects and economic development along the highways. The operational performances of toll highways were also affected, positively or negatively, by factors such as changes in surrounding competitive or synergistic road networks, repairs to connected or parallel roads and implementation of urban traffic organisation plans as well as other modes of transportation. In addition, the construction or maintenance works of the projects may also have impact on their then operational performances.

(1) Guangdong Province - Shenzhen region:

During the Reporting Period, the total toll revenue of toll highway projects of the Group in Shenzhen region recorded a YOY growth. With the continuous improvement of the transportation network in Shenzhen, coupled with the cancellation of toll collection of certain expressways and regional roads, the traffic distribution and composition of the road network in Shenzhen have also changed to a certain extent. Toll-free policy has been implemented for Yanpai Expressway, Yanba Expressway and Nanguang Expressway from 00:00 on 7 February 2016. During the Reporting Period, the Company calculated and recognised revenues from these highway projects according to the method specified in the agreement. According to the relevant contents of the adjustment agreement, Shenzhen Transport Commission confirmed the early recovery of the remaining toll road rights of the Three Projects in the fourth quarter of 2018 and cash compensation has been paid to the Company in this regard as specified in the adjustment agreement. Since 24:00 on 31 December 2018, the Company no longer owned toll road rights of the Three Projects. For details, please refer to the Company's announcement dated 12 November 2018. During the Reporting Period, confirmation and payment of remaining compensation amount of the Three Project were completed, transfer of related assets and maintenance arrangements were underway.

As the major express passage for inter-provincial west-to-east traffic of Shenzhen, the traffic volume of Jihe Expressway is saturated. In addition, after implementation of the toll-free policy of the connected Three Projects and Phase II of Qingping Expressway, there was an induced-increase effect on its traffic volume, resulting in traffic congestion during peak hours and hence triggered slight diversion effect. Due to the slope landslide of Longgang to Hengping Section, the west-east lane of Shuiguan Expressway has been closed for maintenance and construction since 5 September 2018; the toll-free policy of Phase II of Qingping Expressway has brought slight diversion effect on the traffic volume of Shuiguan Expressway; the implementation of Over-limit Administrative Provisions has posed some negative impact on the freight volume and increase of toll revenue of Shuiguan Expressway. Under the combined effects of the above factors, average toll revenue of Shuiguan Expressway recorded YOY decrease during the Reporting Period.

During the Reporting Period, as the Group completed the acquisition of 100% equity interests in Coastal Company, and Coastal Project has been consolidated into the consolidated financial statements of the Group since 8 February 2018the policy on toll adjustment of Lorries has been implemented since 1 March 2018, the driving effect of which on the growth of freight volume of Coastal Project is gradually emerging. With the continuous enhancement of surrounding road network and the scheduled opening of the connecting lane of Dongbin Tunnel Shahe West Section in 2019, it is expected that the traffic volume of Coastal Project, as an important passage for diverting the port's traffic, will increase steadily in the future.

In addition, the super typhoon "Mangosteen" struck in September 2018. The natural disaster did not result in significant safety accident and losses on the part of the Group, but it has some negative effect on the toll revenue of Shenzhen sections during the Reporting Period.

(2) Guangdong Province - Other regions:

After the opening of Yunzhan section (Yunfu - Zhanjiang) of the Shanzhan Expressway at the end of 2017, Shenmao Express Rail Link Jiangzhan section (Jiangmen – Zhanjiang) and Phase II of Xinyang Section of Yunzhan Expressway opened in July and the end of September 2018 respectively. Affected by the diversion of these sections and the continuous impact of the implementation of the stringent policy governing over-limit and overloaded vehicles, the natural growth factor of the traffic volume of Yangmao Expressway was dampened, and its average daily toll revenue recorded a YOY decrease during the Reporting Period. During the year, due to the combined effects of changes in road network, reconstruction of connected roads and further implementation of traffic administration measures, though the average daily traffic volume of GZ W2 Expressway basically remained a YOY stable, the traffic volume of the whole journey increased significantly, which made its daily toll revenue kept a relatively high YOY growth. The traffic diversion effect of the opening of surrounding road network on the Guangwu Project still existed, but it has been gradually surpassed by the natural growth of traffic, and the average daily toll revenue showed a steady YOY growth. The Guangzhongjiang Expressway opened at the end of 2017 has a slight diversion effect on the Jiangzhong Project, but it was influenced by the positive effect of road network penetration to a larger extent, which has resulted in slight YOY increase in the average daily traffic volume and toll revenue of Jiangzhong Project.

The diversion effect of Guangle Expressway and Erguang Expressway on Qinglian Expressway has basically stabilised, but the Guisan Expressway, which was opened at the end of October 2017, diverted some of the transit traffic volume from the Qinglian Expressway to the adjacent provincial boundaries. Besides, the construction of Qingxi Bridge and connected engineering and Yuewang Expressway (Yueyang-Wangcheng) were completed successively at the end of September 2018. So far, the construction of "Guangqing-Qinglian-Yuelin-Suiyue-Lintong-Lannan" expressway was completed in full, the effect of which as a north-south traffic artery from Southern China to Central China will be further highlighted and drive the traffic volume on Qinglian Expressway. During the Reporting Period, the average daily toll revenue of Qinglian Expressway remained stable as compared with the same period of the previous year.

(3) Other provinces

During the Reporting Period, due to the combined effects of factors such as growth of vehicle ownership in surrounding cities, the commencement of operation of Zhuankou Yangtze River Bridge and the significant effect of precision marketing, the operational performance of Wuhuang Expressway was generally stable. Due to the positive impact of factors such as peripheral and regional economic development and the implementation of preferential policies for transportation within the province, the average daily traffic volume and toll revenue of Nanjing Third Bridge recorded a single-digit YOY growth. As affected by various factors such as implementation of toll-by-weight policy, diversion of newly opened sections in the surrounding areas, implementation of traffic control policies and the functional changes in the business districts along the highway, the toll revenue of Changsha Ring Road basically remained the same as that in the corresponding period of last year despite the continuous growth of organic traffic volume. With the resumption of traffic of the tunnel of Erguang Expressway, which was previously closed for construction, since mid-2017, the division effect on Yichang Expressway has gradually emerged. Coupled with the continuous impacts of the implementation of policies on traffic control and those governing over-limit and overloaded vehicles, as well as the negative impacts of snowstorms at the beginning and end of the year, the toll revenue of Yichang Expressway basically remained the same as that in the corresponding period of last year.

3. Business Management and Upgrade

◆ Apply Innovative Technology and Enhance Service Efficiency

With rapid development of the internet of logistics and information technology, intelligent transportation has become the development trend of general management of modern traffic. In recent years, the Group has commenced strategic cooperation with professional research institutions and technical teams to integrate technological resources and actively promote the research and implementation of intelligent transportation, with a view to providing traffic volume guidance, traffic jam governing, traffic information and other functions in the region through the research and application of technologies, including vehicle identification technology, highly-precise map, artificial intelligence and integration of traffic related big data. During the Reporting Period, the Group signed a strategic cooperation framework agreement with Baidu Netcom Science and Technology Co., Ltd. The two parties intended to integrate resources to carry out extensive cooperation in intelligent transportation, smart environmental protection and upgrade of company's information technology, etc., and to jointly promote intelligent transportation infrastructure construction, management and services. During the Reporting Period, both parties have launched application ofartificial intelligence (AI) in the strategic consultation and planning of projects, during which AI has been applied in scenario planning based on engineering segment and operation segment. In late June 2018, the Group's Shenzhen e Traffic APP Integrated Service Platform ("Shenzhen e Traffic") with its own intellectual property rights has officially launched, and it was the first to achieve senseless payment and actual operation in Guangdong Province. At the end of the Reporting Period, senseless payment has been launched in six expressways, including Jihe, Coastal, Meiguan, Shuiguan, Longda and Qinglian. Shenzhen e Traffic integrates a number of technical modules such as license plate recognition, electronic invoice, aggregation payment, cloud platform, mobile payment data platform, etc., and supports various mainstream payment methods such as WeChat and Alipay, etc.. Car owners can realise senseless payment pass function by binding their license plates with payment accounts, and can also make payment by code scanning. This business will integrate consulting services, rescue services, news broadcasting, point malls, advertising media and many other functions, through which the Group not only can improve the quality and efficiency of operational services and reduce operating costs, but also open up new market businesses by exporting intelligent transportation technologies and services. During the Reporting Period, Shenzhen e Traffic has initially secured business investment and cooperation of approximately RMB20 million from China Merchants Bank and Tencent.

During the Reporting Period, the Group took significant engineering projects such as Outer Ring Project as vehicles to promote the application of innovative technology in construction projects. By monitoring the construction sites and special equipment, the Group has realised visualised demonstration and real-time monitoring of the production process, thereby providing effective support to ensure production safety. By recording the information on thousands of general structures and engineering metals through QR code system, we have improved the efficiency of handling enquiries and enabled convenient data transfer for subsequent operation and maintenance. During the year, the Group also commenced tasks such as the development of a BIM consolidated management platform, business integration and preparation of technological standards. The aim of these tasks was to, by promoting the application of the BIM consolidated management platform, realise the sharing and transfer of construction data and information in the whole life cycle of design, construction and maintenance, thereby achieving synergic management of multiple organisations including the entities responsible for building, construction and supervision, which will in turn enhance the production efficiency and reduce the consolidated cost.

During the Reporting Period, the Group continued to optimise standardised operation management modules as well as reformed and upgraded the software and hardware of its tolling system to improve operational service quality and work efficiency through delicacy management. Meanwhile, the Group has also made full use of the database of the ETC system to establish a standardised terminal operation module and an audit management mechanism, regularly fighting against toll evasion, supervising the green passageway and inspecting vehicle overloading so as to minimise the loss of toll revenue.

◆ Deepen the Marketing of Road Network and Actively Attract Traffic

Relying on the database for traffic distribution of the road networks and vehicle models across Guangdong Province, and by way of site inspections, route comparison and data analysis, the Group continuously tracked the changes of road networks and traveling directions of the vehicles in the region, and formulated and implemented targeted marketing and promotional measures to promote the advantages of road networks and projects through various ways, thereby attracting more drivers to use the roads of the Group and facilitating the growth of the toll revenue. During the Reporting Period, the Company formulated the overall marketing plan of the Coastal Project, and coordinated and communicated with entities in connected road sections and ports nearby, to conduct the marketing and promotional activities step by step and actively promote the 50% discount policy for trucks passing through the Coastal Project. With the further promotion of the discount policy, the traffic volume of trucks has increased significantly. Through various methods including leveraging traffic radio stations and new media in Guangdong, Hunan and Hubei Provinces, WeChat official accounts and distribution of driving guides, Qinglian Company actively promoted the advantages of Qinglian Expressway in terms of its routes, access and tourism resources along the expressway upon connection with surrounding road networks with a view to establishing its route feature of "Golden Tourism Corridor" with full efforts and commencing tourism cooperation to drive the growth of traffic volume by implementing comprehensive and multi-level marketing measures. By adopting mobile applications and traditional media, Magerk Company carried out multifaceted promotion on the advantages of Wuhuang Expressway in terms of its routes, service and price, with a view to attracting traffic. Through methods including various media advertisement, collaboration with tourist attractions and cross-section marketing, Yichang Expressway exploited the growth potential of traffic volume and enhanced its operation performance. Leveraging on the neighbouring well-connected road networks such as Jiangluo Expressway, Jiangzhong Expressway commenced promotion on road networks to boost traffic volume. Capitalising on the opportunities arising from implementation of traffic control measures of neighbouring road networks, the traffic volume of GZ W2 Expressway was also boosted by various channels including multifaceted promotion and guidance by signage.

◆ Strengthen the Maintenance and Management of Highway Property and Improve Road Conditions

The Company conducted regular quality checks on highways and bridges, and frequent inspections on highway administration. It has also built up a joint-action mechanism between road assets and traffic operational information. The aforementioned arrangements enabled the Company to take timely measures to remove and rectify the unsafe factors in highways or take maintenance measures to better ensure the quality, safety and free traffic of highways. During the Reporting Period, the Group finalised special treatment projects including the bridge deficiency improvement project and single pier bridge reinforcement project for expressways under direct management in Shenzhen, and the highway bridges and culverts of Qinglian Expressway; and projects such as the maintenance and reinforcement project for the extra-large bridge at Nantou village under the Coastal Project, and the maintenance project for the collapse on the ramp at Baoshi station of Nanguang Expressway. In addition, according to the actual situation and needs, the Group has carried out various small special projects such as slope reinforcement and toll station expansion so as to ensure the safety and clear passage for highways. During the Reporting Period, the Group also used the high slope at Baguang Village of Yanba Expressway as a pilot project to commence the application of optical-fiber sensing technology in the monitoring of slopes on bridges and tunnels in construction projects, which has promoted the research and application of online monitoring and warning technology. The Company has established a regular assessment and dynamic adjustment mechanism for planning highway maintenance, which would help to continuously improve and optimise the technical maintenance plan, thereby ensuring the excellent technical conditions of highways and extending the service life of the highways, thus effectively reducing the overall highway maintenance cost. Furthermore, in response to the lashing of super typhoon "Mangosteen" in Guangdong Province in September 2018, the Group actively arranged protective measures in advance, closely monitored and adopted responsive measures during the typhoon, and swiftly inspected and removed the safety pitfalls afterwards. These actions have ensured the safety and clear passage of the road network and minimized the loss caused by the natural disaster.

4. Business Development

The Group invested RMB6.5 billion and bore the relevant operating costs, related taxes and risks for 25 years of operating income from Section A (including Phase I and Phase II) of Outer Ring Project. SZCDGC, which is established and wholly-owned by the Shenzhen Government, would bear or raise money for the excess portion. As at the end of the Reporting Period, the land resumption and housing demolition and relocation work has been basically completed. The total length of Phase I of Section A of the Outer Ring is about 50.74 kilometers. The construction of roadbed, culvert and bridge pile foundation has commenced in full force. The total length of Phase II of the Section A of Outer Ring is about 9.35 kilometers. The construction of main structure of the housing construction has commenced in full force; and the civil engineering, bridge pile foundation and pavement have been carried out simultaneously. For details of the Outer Ring Project, please refer to the relevant contents of the Company's announcement dated 18 March 2016 and the circular dated 25 April 2016.

The proposal about the Company's acquisition of 100% equity interests in the project company of Guangshen Coastal Expressway Shenzhen Section was approved by the general meeting of Shenzhen International and the Company on 5 February 2018 and 8 February 2018, respectively. Pursuant to the acquisition agreement, the Company acquired 100% equity interests in Coastal Project at a consideration of RMB1,472 million. The transaction was completed during the Reporting Period. Coastal Expressway is an important core passage going through the north-south of the Pearl River Delta region. It is also an important corridor connecting Guangzhou, Shenzhen and Hong Kong within the Guangdong-Hong Kong-Macau Greater Bay Area. It enjoys an excellent geographical location and an economically viable neighborhood region. With the steady development of the regional economy along the Coastal Project and the constant improvement of its surrounding road networks, the operating performance of Coastal Project will enter a period of rapid growth. In the long run, the acquisition of 100% equity interests in Coastal Company by the Company at a reasonable price is in line with the development strategy and in the interests of the Company as a whole as it will help to enhance the allocation efficiency of the Company's highway assets, stabilise the business scale of its core business of toll highway, thereby laying a foundation for the profit growth of the core business of the Company in the future. For details, please refer to the announcements of the Company dated 8 December 2017, 11 December 2017, 8 February 2018 and 28 February 2018, and the circular of the Company dated 23 January 2018. As at the end of the Reporting Period, Coastal Phase II has completed approximately 93% of land resumption, approximately 90% of housing demolition and relocation in aggregate, as well as the construction bidding for the roadbed, culvert, electromechanical and pavement, etc. in some contract sections. Currently, the construction of beam, pile foundation and pavement engineering of the project is underway.

To match the overall work plan and arrangement of the government's expressway construction and improve road safety and quality and the traffic environment, the Board of Directors have approved the preliminary work of the Group's preliminary design of the Jihe Expressway reconstruction and expansion project in January 2018. During the Reporting Period, the Company actively promoted researches on the organizational model of the Jihe Expressway reconstruction and expansion project. As at the end of the Reporting Period, the tender for the preliminary design has been completed.

The Company holds 25% equity interests in Guangdong Yangmao Expressway Co., Ltd. ("Yangmao Company"). Upon approval by the Board of Directors of the Company, the Company signed a capital contribution agreement with other shareholders of Yangmao Company on 5 June 2018. According to the capital contribution agreement, the three shareholders of Yangmao Company will contribute a total of RMB3,024 billion (including RMB756 million by the Company) according to the proportion of shares held by them, respectively, to be used as the capital for Yangmao Expressway reconstruction and expansion project. Yangmao Expressway will be reconstructed and expanded according to the eight-lane standard. The total investment amount of the reconstruction and expansion project is about RMB8.64 billion. For details, please refer to the announcement of the

Company dated 5 June 2018. Yangmao Expressway has a total length of approximately 79.76 kilometers, and a favorable geographical position. After operating for more than ten years, it has shown a steadily growing operating performance. It has brought a good return on investment to the Company. As the economy along Yangmao Expressway grows, its transportation demand will continue to increase. The reconstruction and expansion of Yangmao Expressway can further leverage its line position and enhance its commercial value, which is in line with the Company's development strategy and overall interests. As at the end of the Reporting Period, the land acquisition as well as demolition and relocation work of Yangmao reconstruction and expansion project were steadily progressing as planned. The preliminary design of the project has been approved by traffic department, and the tendering work for construction and supervision and part of the temporary construction have been completed.

(II) Environmental Protection Business

As clearly stated in the Group's latest development strategies, in order to explore a broader space for the Group's long-term development, the Group will proactively explore the investment prospects and opportunities of the general environmental protection industry that takes water environment remediation and solid waste treatment as the main content while consolidating and enhancing the core business of toll highway. The Group has established Environmental Company as a market-oriented platform for expanding businesses in relation to the general environmental protection industry.

The Group subscribed 15% of the equity interests in Water Planning Company in 2017. Water Planning Company is one of the first comprehensive survey and design organisation in the PRC to commence integrated water design. It possesses 7 A-grade qualifications in areas such as water conservancy industry, municipal water supply and drainage, comprehensive engineering survey and surveying etc. It is one of the top 500 PRC enterprises in the field of survey and design, and one of the top 50 PRC enterprises in the field of water conservancy survey and design. During the Reporting Period, Water Planning Company seized the development opportunity arising from the government's vigorous development of Guangdong-Hong Kong-Macau Greater Bay Area to optimise the market layout and extend the business chain on a continuous basis. The accumulated newly signed contracts were more than 900 in 2018, signifying sufficient business orders and increasing market share. During the year, projects such as safety rectification and water supply of water diversion project, water environment remediation and integrated urban development, survey and design of water quality protection project, integrated remediation of dirty and smelly rivers and channels and temporary sewage treatment, etc. have commenced in Guangdong-Hong Kong-Macau Greater Bay Area and various peripheral provinces and cities. By investing in Water Planning Company at a reasonable price, the Company would be able to achieve reasonable investment return, at the same time expanding into the water environmental remediation field from a high starting point. This will help the Company to acquire resources for technological research and development in respect of water environmental remediation and urban water planning, expand market channels, achieve complementary advantages along the industrial chain with related cooperating parties, thereby assisting the Company to rapidly enhance its competitiveness in market of water environmental remediation.

In 2017, Environmental Company, a wholly-owned subsidiary of the Group, acquired 20% equity interests in Derun Environment. Derun Environment is a comprehensive environmental enterprise with majority owned subsidiaries including Chongqing Water and Sanfeng Environment, etc., and with major business segments including water supply and sewage treatment, waste incineration power generation and environmental restoration, etc. Chongqing Water is mainly engaged in urban water supply and sewage treatment. Occupying a dominant position in the city's water supply and sewage treatment market, Chongqing Water has stable earnings and abundant cash flow. Sanfeng Environment is a large-scale environmental protection group integrating investment, construction, integrated equipment and operation management in domestic waste incineration power generation field. It is mainly engaged in the investment of waste incineration power generation projects, EPC

(Engineering Procurement Construction), equipment manufacturing and operation management of the whole industry chain service, with a complete set of core technologies such as waste incineration and flue gas purification, and third-generation tube-type membrane treatment and other technologies. During the Reporting Period, Derun Environment focused on developing the markets in Chongqing and the peripheral areas and actively pushed forward the construction of projects on hand. During the year, Derun Environment was newly awarded the "Phase I of Yiju Waterfront" project in Wuhou District, Chengdu, in which it will mainly be responsible for integrated remediation of river channels and construction of ancillary landscape and structures. By acquiring the equity interests of Derun Environment, the Group, on the one hand, would be able to expand the Company's environmental protection business and obtain a reasonable return on investment. On the other hand, it can carry out in-depth cooperation with domestic leading enterprises. For details of the profits of Derun Environment during the Reporting Period, please refer to the relevant content in "Financial Analysis" below and note VII\2 to the Financial Statements in this announcement.

With the approval of the executive board of directors of the Company, at the end of October 2018, Environmental Company jointly established Shenzhen Expressway Suez Environmental Company Limited (深圳高速蘇伊士環境有限公司) with SITA Asia under the Suez Group. The company has a registered capital of RMB100 million and were held as to 51% equity interests by Environmental Company. The establishment of the company will play to the strengths of both parties and effectively push forward the business expansion and cooperation of both parties in the fields of industrial environmental protection and others.

With the approval of the Board, the Investment Company and CCCC Tianjin Dredging Co., Ltd. have jointly established a consortium to participate in the investment, construction and management of the Nanmen River Comprehensive Treatment Project in Shenzhen-Shanwei Special Cooperation Zone. As at the end of the Reporting Period, the preliminary approval of the project land pre-examination was being carried out in an orderly manner. The works that met the operating conditions were basically completed, and more than 66% of the overall image progress has been completed. The scientific and comprehensive water treatment of those river channels, which has improved the surrounding environment in the past, will also contribute to establishing a comprehensive anti-flooding system along the streams of Nanmen River, thereby effectively protecting regions along the river channels.

With the approval of the Board, the Group entered into an "Equity Acquisition Agreement in respect of Nanjing Wind Power Technology Co., Ltd" (《關於南京風電科技有限公司的股權併購協議》) (the "Acquisition Agreement") in March 2019, pursuant to which the Group acquired 51% controlling equity interests in Nanjing Wind Power by ways of equity transfer and capital increase at a consideration of RMB510 million. Nanjing Wind Power is a high-tech company specialising in wind power, a type of renewable new energy. The company is principally engaged in the research, integration, production, installation, sales and maintenance of wind power generation system, as well as investment and operation of wind farms. As Nanjing Wind Power possesses the technological capacity to self-develop and produce large scale wind power generating units, as well as the experience and ability to develop, construct, operate and manage wind farms, the market prospect for business development of Nanjing Wind Power is promising. Clean energy, being an emerging sector in the general environmental protection industry, will be a new industrial development direction that the Group has decided to place strong emphasis on in its development strategies. By acquiring the controlling equity interests in Nanjing Wind Power at a reasonable consideration, the Group would be able to achieve complementary advantages with Nanjing Wind Power, rapidly expand into the new energy sector, optimise industrial structure of the Group, and enhance competitiveness of the Group in the sustainable development market. For details, please refer to the relevant contents of the Company's announcement dated 15 March 2019.

Along with the progress of the market-based reform of municipal sanitation services, the government has constantly promoted the market model of engaging third party companies for operation by procuring their sanitation services, which further expanded the market scale of municipal sanitation services. During the Reporting Period, Environment Company regarded sanitation integration as a critical aspect in its research and business expansion. Leveraging modern technological tools such as mechanization, electrification, informatisation and intelligence, the Company will demonstrate its regional advantages and resources advantages to expand into the sanitation market as and when appropriate. It will gradually establish a comprehensive service system integrating cleaning, classification, transportation and treatment of household waste. On this basis, the Group will also expand into upstream and downstream industrial chain, and tap into the segmented areas of waste collection and classification, and incineration power generation. In addition, during the Reporting Period, the Group also proactively conducted site visits and negotiations in respect of research and investment projects regarding treatment of industrial sewage and waste and remediation of water environment. In conjunction with the regional expansion strategy, the Group will participate in comprehensive urban development and construction, thereby strategically expanding into the area of construction and operation of environmental protection projects such as sanitation integration, integrated management of solid waste, comprehensive water environment remediation and waste power generation.

(III) Entrusted Management and the Development of Other Infrastructure

Relying on the core business of toll highway and building on relevant management experience and resources, the Group has continuously launched or engaged in the business of entrusted management. The entrusted management business comprises the entrusted construction management business and the entrusted operation management business (also known as entrusted construction business and entrusted management business). Leveraging its expertise and experience accumulated in the relevant areas throughout these years, the Group has realised reasonable revenues and returns from the receipt of management fee and/or bonus according to the calculation methods as agreed with the entrusting parties through provision of services relating to construction management and toll highway operation management. In addition, the Group also attempts to use its own financial resources and financing capability to participate in the construction and development of local infrastructure so as to obtain reasonable revenues and returns.

1. Entrusted Construction Business

During the Reporting Period, the Company has had entrusted construction projects including Outer Ring Project, Cargo Organisation Adjustment Project, Longhua Municipal Section Project in Shenzhen region, as well as Wangguan Comprehensive Resettlement Project Phase II, Entrusted Construction Project on Hengwu Road and Hengliu Road and Entrusted Construction Project of Guizhou Logistics Harbour of Shenzhen International in Longli, Guizhou, etc. At this stage, the major work of the Group in entrusted construction business is to strengthen the safety and quality management of the projects under construction, coordinate and supervise the collection of revenue from each of the entrusted construction projects, push forward the completion and acceptance of the completed projects and proactively promote the development and cooperation in new markets and new projects.

During the Reporting Period, all the work of the entrusted construction projects has been carried out in good order. In particular, for the relevant information on the progress of Outer Ring Project, please refer to the relevant content in above description of “Business Development” in this chapter. The first batch of Cargo Organisation Adjustment Projecthas 4 toll stations,, among which Luotian, Langtian and Tangtou toll stations have been completed and commenced operation in August 2018, while Baguang toll station has been completed and commenced operation at the end of 2018. Longhua Municipal Section Project started construction in September 2018 and approximately 15% of the construction has been completed as at the end of the Reporting Period. As at the end of the

Reporting Period, the acceptance, completion settlement and audit of the construction of Wangguan Comprehensive Resettlement Project Phase II in Longli, Guizhou have been completed. The main work of Entrusted Construction Project on Hengwu Road and Hengliu Road in Longli County was completed and accepted. The Entrusted Construction Project of Guizhou Logistics Harbour of Shenzhen International has been completed and delivered for use. Furthermore, the completion settlement and government audit of Meiguan Toll Station, Dezheng Road Project, Coastal Phase I, auxiliary project of Longda Municipal Section and Guanlan Renmin Road-Meiguan Expressway Joints Project were underway.

2. Entrusted management business

On 28 December 2018, the Company entered into an entrusted management agreement with Baotong Company, pursuant to which Baotong Company entrusted the Company to manage its 89.93% equity interest in Longda Company. The term of the entrusted management agreement commenced on 1 January 2019 and will expire on 31 December 2019. As such, starting from 1 January 2019, the section of highway that actually requires the management of Longda Company was the toll highway of approximately 4.4 kilometers in the north of Songgang section of Longda Expressway. For details, please refer to the Company’s announcement dated 28 December 2018.

For details of the profits as well as incomes and expenses of various entrusted management businesses during the Reporting Period, please refer to the content in “Financial Analysis” below and the relevant content in Note V\42 to the Financial Statements in this announcement.

3. Development and Management of Other Infrastructure

As at the end of the Reporting Period, land levelling and related auxiliary works for 6 plots of land in Shenzhen-Shanwei Special Cooperation Zone have been basically completed, among which approximately 67% of the physical progress of 1 plot of land have been completed, while pre-construction works for 2 other plots of land were still under preparation, and the whole project is scheduled to be fully completed by the end of 2019.

Duohua Bridge Project is about 2.2 km long in total, the major construction work of the project is the construction of Duohua Bridge. It is a municipal project invested by the government of Longli County, Guizhou through Guilong Holdings, its platform company. The investment budget of the project is approximately RMB900 million and the construction period of the project is expected to be approximately 3 years. On 29 March 2018, Longli County Government, Guilong Holdings and Guishen Company signed an investment cooperation agreement for the project. According to the investment cooperation agreement, Guishen Company is responsible for raising construction funds, and Guilong Holdings will pay project fee to Guishen Company according to the contract. For details, please refer to the announcement of the Company dated 29 March 2018. As at the end of the Reporting Period, the construction of bridge pile foundation of the project has commenced and various works were progressing as planned.

During the Reporting Period, the Board of the Company has approved the Investment Company to invest in Fuyong and Songgang Long-term Rental Apartment Project and to establish a joint venture with Shenzhen Yijia Apartment Management Co., Ltd. (深圳市壹家公寓管理有限公司) as the principal entity for the cooperation under the long-term rental apartment business. Shenzhen Expressway Yijia Apartment Management Co., Ltd. (深高速壹家公寓管理有限公司) was incorporated in September 2018 in Shenzhen with a register capital of RMB10 million, which was held as to 60% by the Investment Company. As at the end of the Reporting Period, Shenzhen Expressway Yijia Apartment has been proactively developing its corporate governance structure and preparing for the renovation of the above two Long-term Rental Apartment Projects.

For details of the profits as well as incomes and expenses of various entrusted management businesses during the Reporting Period, please refer to the relevant content in “Financial Analysis” below.

(IV) Development of New Industries

With the relevant management experience and resources and in accordance with the deployment of new development strategies, the Group prudently explores new business types such as comprehensive development of land and urban renewal, while paying close attention to and seising the opportunities for the cooperation between the advantageous areas and the existing business-related areas as business development and expansion beyond its core business as well as a beneficial supplement to revenue.

1. Development and Management of Land Projects

(1) Guilong Development Project

With the improvement of Guilong Road and the infrastructure in peripheral regions and the development of the whole Guilong Economic Zone, it is expected that the land in Longli Country will have great potential for appreciation. At the end of the Reporting Period, the Group has successfully won the bid for the Longli Project Land with an area of approximately 2890 mu, including the 2655 mu for Guilong Project and 235mu for the Duohua Bridge Project.

In order to effectively reduce the risk of fund recovery from Guilong Project and realise expected or even more incomes from the project, Guishen Company actively participated in the land tenders within the development area of Guilong Project. At the end of the Reporting Period, Guishen Company has successfully won the bid for the land of Guilong Project with an area of approximately 2,655 mu (approximately 1,770,000 square meters) in aggregate, with a total transaction amount of approximately RMB896 million, of which 800 mu has been transferred, 1,045 mu is under secondary development and the remaining land will be used for secondary development or transfer as at the end of the Reporting Period. Guishen Company has set up certain wholly-owned subsidiaries to hold and manage the land use rights of the land parcels mentioned above. In addition, at the end of 2018, the Board of the Company has approved Guishen Company to participate in the bidding of Guilong land of approximately 115 mu.

Guishen Company is adopting a rolling development strategy by phases. Focusing on the Interlaken Town Project, it has conducted secondary self-development for certain land parcels acquired, which has an area of 1,045 mu (approximately 697,000 square meters). During the construction of the Interlaken Town Project, Guishen Company fully demonstrated the artisanal spirit of Shenzhen Expressway and diligently delivered high-end and quality works. As such, the Interlaken Town Project has established a favourable brand image in the local market with its unique architectural style, beautiful landscape and good living environment. As at the end of the Reporting Period, a total of 147 sets of houses of Phase I Stage I of Interlaken Town Project (approximately 112 mu, equivalent to 75,000 square meters) have been completed, 144 sets of which have been delivered for use. Currently, a total of 169 sets of houses of Phase I Stage II (approximately 134 mu, equivalent to 89,000 square meters) have been fully delivered to use. As at the end of the Reporting Period, the Interlaken Town Phase II Development Project (approximately 389 mu, equivalent to 260,000 square meters) launched 238 sets of houses during Phase II Stage I, of which 237 sets have been sold and payments have been received. The completion acceptance of such houses was completed in October 2018, and handover will commence at the end of this year. The Phase II Stage II project is mainly for commercial supporting property. During the Reporting Period, 39 sets out of the 71 commercial properties provided have been contracted for sale and payments have been received. The main structural works of such project have been basically completed, and the project is expected to be completed and delivered in the first half of 2019. During the Reporting Period, the Phase III Development Project (approximately 229 mu, equivalent to

153,000 square meters) has been put into construction, of which Stage I project would provide 271 sets of houses opened for sale in July 2018, and 105 sets have been sold and payments have been received at the end of 2018. The project is expected to be completed before the end of 2020. In addition, Guishen Company is now conducting works in relation to the planning and design for the development of the remaining land.

In order to accelerate the return of funds and realise the market value of the land, the Company's executive Board approved in May 2018 that the Group transfer 100% equity interests and creditor's rights in Guizhou Yuelong Investment Co., Ltd. by public listing. That company owns about 296 mu of Guilong land. During the Reporting Period, the transfer has been officially listed by the Shenzhen United Assets and Equity Exchange to determine the transferee and sign the equity and creditor transfer contract, the transaction price is about RMB180.80 million. As at the end of the Reporting Period, the transaction has been completed. In addition, in July 2018, the Board approved the Group's overall transfer 100% equity interests and creditor's rights in Guizhou Shengbo, Guizhou Hengfengxin, Guizhou Henghongda and Guizhou Yehengda ("Four Companies") by public listing with the listing price being not less than the sum of the assets assessment results of the Four Companies, and also being not less than RMB550.80 million. The main assets of these Four Companies are holding about 810 mu of Guilong land. As at the end of the Reporting Period, the transfer has been officially listed by the Shenzhen United Assets and Equity Exchange to determine the transferee. Related follow-up issues such as signing of the equity and creditor transfer contract were underway.

With continuous economic development in the region where Guilong Project is located, the value of the region continued to grow and thus created a booming sales situation in the property market. By operating and implementing the preliminary work of Interlaken Town Project, Guishen Company has explored and accumulated some experience in the management and operation of property development projects, thereby developing a business development model suitable for the property market in such region. In order to seise the opportunities in the market and effectively lower the risks in relation to the collection of receivables from Duohua Bridge Project, during the Reporting Period, the Board has approved Guishen Company (or the project company it established for holding lands) to participate in the bidding of land of approximately 1,000 mu which was listed for sale and proposed to be sold in batches by the government of Longli County. As at the end of the Reporting Period, Guishen Company has completed the bidding of land of 235 mu (approximately 157,000 square meters), with a total transaction amount of approximately RMB117.71 million.

On the above basis, Guishen Company will, through means such as timely market transfer, cooperation or self-development based on the overall market conditions and development opportunities, realise the market value of the lands it holds and the Group's investment income as soon as possible, at the same time prevent the contractual and market risks in relation to the lands in an effective way.

(2) Meilin Checkpoint Renewal Project

Pursuant to the relevant agreement and the approval of the general meeting of the Company, the Company and Shenzhen International (through XTC Company, its wholly-owned subsidiary) jointly contributed capital to establish United Land Company. Being the reporting entity and implementing entity of Meilin Checkpoint Renewal Project, the Company and XTC Company own 49% and 51% equity interests of United Land Company respectively. Meilin Checkpoint Renewal Project occupies a land area of approximately 96,000 square meters, which shall be used for residential and commercial purposes, and a capacity building area of not more than 486,400 square meters (including public facilities). United Land Company has acquired the land use right of the land as planned. For details, please refer to the Company’s announcements dated 8 August 2014, 10 September 2014 and 8 October 2014 and the circular dated 17 September 2014. Enjoying a good location, the land price of Meilin Checkpoint Renewal Project has certain advantages over the market price of the surrounding land, including higher investment value and more rooms for appreciation.

Given that the preliminary work of Meilin Checkpoint Renewal Project was basically completed, the Company has commenced the relevant development and construction work as planned. In order to promptly recover the investment capital of the Group, avoid idle capital, enhance overall efficiency of capital utilisation of the Group, reduce consolidated capital cost of the Group and improve the overall corporate efficiency and shareholders’ returns, with the approval of the Board of the Company, XTC Company, the Company and United Land Company entered into the Capital Reduction Agreement on 2 February 2018. The three parties, upon negotiation, unanimously agreed that the Company and XTC Company shall reduce their capital contribution in United Land Company in proportion to their shareholdings simultaneously. After the completion of the capital reduction, the registered capital of United Land Company was decreased from RMB5 billion to RMB500 million. The Company and XTC Company continue to hold the equity interests in United Land Company in proportion to their existing shareholdings and entitled to shareholders’ rights and interests. For details, please refer to the Company’s announcements dated 25 January 2018 and 2 February 2018.

In addition, in the context of major changes in the market environment and large differences in compensation time points and benchmarks for different compensation targets, Meiguan Company and United Land Company signed a supplementary agreement based on the principle of fairness in April 2018. According to the supplementary agreement, United Land Company has increased the compensation to Meiguan Company with 9,120 square meters of office building for Meiguan Company’s property involved in the Meilin Checkpoint Renewal Project. This transaction increased the Company’s net profit attributable to shareholders in 2018 by approximately RMB169 million. However, considering the factors such as the confirmation and verification of the cost, the time value of the currency and the future development model, etc., this transaction had a slight impact on the Group’s total revenue from Meilin Checkpoint Renewal Project. For details, please refer to the announcement of the Company dated 27 April 2018.

In order to ensure the quality of the project, improve the project management level and overall return, and achieve the project’s expected goals, United Land Company introduced a professional real estate developer as a strategic investor by way of capital injection (the “Capital Injection”). During the Reporting Period, United Land Company has confirmed Vanke as a strategic investor through public listing on the Shenzhen United Assets and Equity Exchange and by using competitive negotiation to conduct a review. On 28 September 2018, XTC Company, the Company, Vanke and United Land Company entered into the capital injection agreement in respect of the Capital Injection, pursuant to which the price of the capital injection will be RMB2.9 billion. Following the completion of the Capital Injection, Vanke held 30% equity interests in United Land Company; and the equity interests held by XTC Company and the Company are diluted to 35.7% and 34.3% respectively. Hence, the long-term equity investment and capital reserve of the Company is increased by approximately RMB921 million. For details of the Capital Injection, please refer to the Company's announcements dated 25 July 2018, 28 September 2018, 13 November 2018 and the circular dated 22 October 2018.

The Meilin Checkpoint Renewal Project will be developed in three phases. Among which, Phase I of the project will comprise residential units with an estimated saleable area of approximately 75,000 square meters and affordable housing with an area of approximately 42,000 square meters; Phase II of the project will comprise residential units with an estimated saleable area of approximately 68,000 square meters; Phase III of the project will comprise residential units with an estimated saleable area of approximately 63,000 square meters and a complex building of office and business apartment with an area of approximately 190,000 square meters. In addition, the project has reserved approximately 34,500 square meters as commercial supporting property in its overall planning. As at the end of the Reporting Period, the main work of Phase 1 of the project is under construction and has obtained the pre-sales permit for the project; Phase II of the project is still applying for construction with its construction drawing; Phase III of the project is still applying for construction with its proposal and is planned to obtain the "construction work planning permit" in the first half of 2019.

(V) Other Businesses

The Group subscribed for the additional shares issued by Bank of Guizhou in 2015 and 2016 respectively. As at the end of the Reporting Period, the Group held a total of 426,000,000 shares of Bank of Guizhou. The equity interests held by the Group accounted for approximately 3.44% of the total share capital of Bank of Guizhou. As Bank of Guizhou has a good cash dividend capability and huge rooms for development, the subscription for additional shares in Bank of Guizhou can optimise the Company's asset allocation and bring a good synergy to the Company's follow-up infrastructure investment and business operation in the relevant areas. For details of the investment income from Bank of Guizhou, please refer to relevant content in "Financial Analysis" below.

The Company has engaged in the businesses of billboard leasing, advertising agency, design production and related businesses alongside the toll highways and at the toll stations through Advertising Company, its wholly-owned subsidiary. In addition to operating and disseminating the self-owned media resources along the expressways, Advertising Company has also further developed outdoor media businesses of main urban roads and provided brand building and promotion plans for customers in recent years.

Consulting Company, held as to 24% by the Company, is a professional engineering consulting company with independent legal status. Its business scope covers pre-consultation, survey and design, tendering agency, cost consulting, engineering supervision, engineering experiment and testing, maintenance consulting, etc., with the qualification and capability of providing consulting services to the whole process of investment and construction of engineering project.

Guangdong UETC, held as to 12.86% by the Company, is principally engaged in electronic clearing business of the toll highways in Guangdong Province, including investment, management and services of electronic toll and clearing systems, and the sales of related products.

During the Reporting Period, each of the above businesses proceeded smoothly and has met the Group's expectation in general. Due to the limitation on the scales or investment modes, the contributions from these businesses currently only account for a very small proportion of the Group's revenue and profit. For details of other businesses during the Reporting Period, please refer to the relevant content in note V\15 and note V\47 to the Financial Statement in this announcement.

4.2 Financial Analysis

In 2018, the Group recorded net profit attributable to owners of the Company ("net profit") of RMB3,440,051,000 (2017(restated): RMB1,383,988,000), representing a YOY increase of 148.56%. After excluding the effect of the net gains on disposal of assets of the Three Projects, the demolition and relocation compensation income of Meilin Checkpoint Renewal Project, and the investment income arising from the transfer of the whole equity interests and debts of Yuelong Company recognised during the current year, the net profit recorded a YOY increase of 23.55%, which was mainly due to the growth of toll revenue recorded by the toll highways previously operated and invested by the Group during the Reporting Period and the revenue contributed by newly acquired projects such as Derun Environment, Yichang Expressway, etc..

For descriptions of recognising the net gains on disposal of assets of the Three Projects, the demolition and relocation compensation income of Meilin Checkpoint Renewal Project, and the investment income arising from the transfer of the whole equity interests and debts in Yuelong Company, please refer to Point (II) "Description on Material Changes in Profits from Non-main Business" below.

(I) Analysis of Main Business

Analysis of Changes in Related Items in the Income Statement and Cash Flow Statement

Unit:'000 Currency: RMB

Item	Amount for the current period	Amount for the corresponding period of last year	Change (%)
Revenue	5,807,108	5,210,398	11.45
Cost of services	2,858,212	2,710,789	5.44
Selling expenses	19,417	20,134	-3.56
General and administrative expenses	209,645	183,667	14.14
Financial expenses	1,055,006	742,311	42.12
Investment income	555,594	528,851	5.06
Income tax expenses	966,447	379,490	154.67
Net cash flows from operating activities	3,222,229	2,975,225	8.30
Net cash flows from investing activities	957,939	-5,554,378	N/A
Net cash flows from financing activities	-3,483,902	-613,645	N/A

1. Analysis of Income and Cost

During the Reporting Period, the Group recorded revenue of RMB5,807,108,000, representing a YOY increase of 20.07%. Due to the consolidation of Coastal Company as business combination involving entities under common control, the data of the same period of the previous year needs to be adjusted retroactively. After restatement, revenue recorded a YOY increase of 11.45%. In particular, toll revenue amounted to RMB5,066,387,000, accounting for 87.24% of the Group's revenue, which is the main source of revenue of the Group. The detailed analysis of revenue is as follows:

Unit:'000 Currency: RMB

Revenue item	2018	Percentage of total (%)	2017	Percentage of total (%)	Change	Description
Revenue from main business –toll highways	5,066,387	87.24	4,683,632	89.89	8.17	①
Revenue from other businesses – entrusted management services	246,261	4.24	75,368	1.45	226.75	②
Revenue from other businesses – real estate development	285,672	4.92	317,418	6.09	-10.00	③
Revenue from other businesses – advertising and others	208,787	3.60	133,980	2.57	55.83	④
Total revenue	**5,807,108**	**100.00**	**5,210,398**	**100.00**	**11.45**	

Description:

①During the Reporting Period, the Group recorded a YOY increase of 8.17% in toll revenue, in which the increased toll revenue of RMB215,243,000 during the Reporting Period was resulted from the consolidation of Shenchang Company and Yichang Company into the Group's financial statement since 1 April 2017 and 16 June 2017 respectively. The toll revenue of other ancillary toll highways recorded a YOY increase of 3.85%, which was mainly due to the organic growth of traffic volume and the further improvement of road networks. In addition, pursuant to the agreement on toll adjustments for the Three Projects signed by the Company with the Transport Commission, the Company recognised compensation for the toll revenue from the Three Projects of RMB727,485,000 according to the agreement during the Reporting Period. Detailed analysis of the operational performance of various projects during the Reporting Period is set out in the "Business Review" above. Breakdown of revenue by specific component is set out in Point (1) below.

②During the Reporting Period, the revenue from entrusted management services recorded a YOY increase of 226.75%, mainly due to the addition of entrusted construction management projects during the Reporting Period and the progress of construction of some original projects, resulting in an increase in revenue from the entrusted management services.

③During the Reporting Period, the revenue from real estate development recorded a YOY decrease of 10%, mainly due to the decrease in the number of delivered units of Guilong Development Project.

④During the Reporting Period, the revenue from advertising and others recorded a YOY increase of 55.83%, mainly due to the addition of the compensation service income for operating cost of new toll stations of the Three Projects.

(1) Breakdown of main business by industry, product and region

Unit:'000 Currency: RMB

Breakdown of main business by industry						
Industry	Revenue	Cost of services	Gross profit margin (%)	YOY change in revenue (%)	YOY change in cost of services (%)	YOY change in gross profit margin (%)
Toll highway	5,066,387	2,389,981	52.83	8.17	1.90	Increase 2.90pct.pt
Breakdown of main business by product						
Product	Revenue	Cost of services	Gross profit margin (%)	YOY change in revenue (%)	YOY change in cost of services (%)	YOY change in gross profit margin (%)
Qinglian Expressway	760,696	431,765	43.24	3.35	1.43	Increase 1.07 pct.pt
Jihe East	757,873	333,493	56.00	5.83	11.21	Decrease 2.13 pct.pt
Jihe West	654,955	119,351	81.78	3.76	6.77	Decrease 0.51pct.pt
Shuiguan Expressway	634,407	467,038	26.38	-1.40	7.76	Decrease 6.26 pct.pt
Wuhuang Expressway	385,241	228,638	40.65	5.03	-0.31	Increase 3.18 pct.pt
Nanguang Expressway	372,215	80,936	78.26	6.02	-54.78	Increase 29.24 pct.pt
Yanpai Expressway	192,583	23,989	87.54	2.36	-69.99	Increase 30.04 pct.pt
Yanba Expressway	163,004	115,214	29.32	-15.00	-9.13	Decrease 4.57 pct.pt
Meiguan Expressway	128,092	78,947	38.37	4.34	6.35	Decrease 1.16 pct.pt
Coastal Expressway	464,815	258,983	44.28	16.50	14.96	Increase 0.74 pct.pt
Subtotal	**4,513,881**	**2,138,355**	**52.63**	**3.85**	**-2.15**	**Increase 2.91 pct.pt**
Yichang Expressway	408,474	200,777	50.85	N/A	N/A	Increase 1.50 pct.pt
Changsha Ring Road	144,033	50,850	64.70	N/A	N/A	Increase 5.52 pct.pt
Total	**5,066,387**	**2,389,981**	**52.83**	**8.17**	**1.90**	**Increase 2.90 pct.pt**
Breakdown of main business by region						
Region	Revenue	Cost of services	Gross profit margin (%)	YOY change in revenue (%)	YOY change in cost of services (%)	YOY change in gross profit margin (%)
Guangdong Province	4,128,640	1,909,717	53.74	3.75	-2.37	Increase 2.90 pct.pt
Hubei Province	385,241	228,638	40.65	5.03	-0.31	Increase 3.18 pct.pt
Hunan Province	552,506	251,627	54.46	N/A	N/A	Increase 1.93 pct.pt
Total	**5,066,387**	**2,389,981**	**52.83**	**8.17**	**1.90**	**Increase 2.90 pct.pt**

Description on the breakdown of main business by industry and product:

During the Reporting Period, the overall gross profit margin of the Group's ancillary toll roads was 52.83%, representing a YOY increase of 2.90 percentage points. Among which, the gross profit margin of Nanguang Expressway and Yanpai Expressway for the period increased as a result of reversal of the whole balance of provision for remaining road maintenance responsibility at the end of the year, while the gross profit margin of other road sections increased or decreased due to changes in toll revenue, special maintenance expenses and depreciation and amortisation expenses, but the overall change was slight.

(2) Analysis of cost

During the Reporting Period, the cost of services of the Group amounted to RMB2,858,212,000 (2017 (restated): RMB2,710,789,000), representing a YOY increase of 5.44%. After excluding the effect of the change of scope of consolidation above, the cost of services recorded a YOY increase of 2.20%, which was mainly due to the combined effects of the increases in employee expenses and cost of entrusted management services of toll highways, the reversal of the balance of provision for road maintenance responsibility of Nanguang Expressway and Yanpai Expressway and the decrease in the carry-forward of real estate development costs of Guilong Development Project. The detailed analysis of cost of services is as follows:

unit:'000 Currency: RMB

Breakdown by industry							
Industry	Cost item	Amount for the current period	Amount for the current period as a percentage of total costs (%)	Amount for the corresponding period of last year	Amount for the corresponding period of last year as a percentage of total costs (%)	Change in amount for the current period as compared to the corresponding period of last year (%)	Description
Cost of main business – toll highway	Employee expenses	405,373	14.18	354,067	13.06	14.49	①
	Road maintenance expenses	120,499	4.22	195,656	7.22	-38.41	②
	Depreciation and amortisation	1,626,249	56.90	1,565,842	57.76	3.86	③
	Other business costs	237,860	8.32	229,892	8.48	3.47	
	Sub-total	**2,389,981**	**83.62**	**2,345,457**	**86.52**	**1.90**	④
Cost of other businesses – entrusted management services		183,920	6.43	50,005	1.84	267.80	⑤
Cost of other businesses – real estate development		173,577	6.07	233,768	8.62	-25.75	⑥
Cost of other businesses – advertising and others		110,734	3.87	81,559	3.01	35.77	
Total cost of services		**2,858,212**	**100.00**	**2,710,789**	**100.00**	**5.44**	

Description:

①Mainly represents the increase and salary rise of supporting staff such as toll collection staff, and the consolidation of Shenchang Company and Yichang Company into the Group's financial statements, which has resulted in a YOY increase in the employee expenses.

②Mainly represents the reversal of the balance of provision for road maintenance responsibility of Nanguang Expressway and Yanpai Expressway during the year.

③Mainly represents the increase in traffic volume of each of the ancillary toll highways, and the consolidation of Shenchang Company and Yichang Company into the Group's financial statements, which has resulted in an increase in the costs of depreciation and amortisation.

④Costs presented based on specific component are set out in "Breakdown of Main Bussiness by Industry, Product and Region" in Point (1) above.

⑤During the Reporting Period, the cost of the entrusted management services increased year-on-year, which was mainly due to the addition of entrusted construction management projects and the progress of construction of some original projects, resulting in a YOY increase in the cost of the entrusted management services.

⑥During the Reporting Period, the real estate development cost in relation to the commodity housing carried forward in Guilong Development Project recorded a YOY decrease as a result of the number of housing delivered.

(3) Major customers and major suppliers

Given the nature of the Group's business, the target customers of sale of toll highways are not specific. Apart from toll revenue, the total revenue from the top five customers of the Group amounted to RMB229,370,000, accounting for 3.95% of the overall revenue of the Group; among the revenue from the top five customers, revenues from related parties amounted to RMB16,981,000, accounting for 0.29% of the total sales during the year.

The purchases from the Group's top five suppliers amounted to RMB340,446,000, accounting for 11.91% of total purchases of the Group; of which none was purchase from related parties.

2. Expenses

The Group's selling expenses for the Reporting Period amounted to RMB19,417,000 (2017: RMB20,134,000), representing a YOY decrease of 3.56%, which was mainly due to the decrease in the marketing expenses of Guilong Development Project.

The Group's general and administrative expenses for the Reporting Period amounted to RMB209,645,000 (2017: RMB183,667,000), representing a YOY increase of 14.14%. The increase was mainly due to the expansion of business scale, the increase in the number of managerial staff and the withdrawal of profit increment based bonus for the year according to the Group's 2018 assessed net profit recorded during the Reporting Period.

The Group's financial expenses for the Reporting Period amounted to RMB1,055,006,000 (2017 (restated): RMB742,311,000), representing a YOY increase of 42.12%, which was mainly due to facts that the interest expenses increased as the average borrowing scale increased, recognition of interest on advance receipts of major financing components due to implementation of the New Revenue Standard, and foreign liabilities and H-share dividends were affected by RMB depreciation and increased in exchange losses. During the Reporting Period, the Company continued to lock the exchange rate risk through arrangement of the foreign exchange swap transactions on US dollar bond. For details of the foreign exchange swap transaction, please refer to Point (II) below. After hedging the "Gains from changes in fair value – income from changes in fair value of foreign exchange swap instruments" and "Gains from investment – closing gains from foreign exchange swap instruments", the Group's financial cost during the Reporting Period was RMB 988,271,000 (2017 (restated): RMB889,525,000, representing a YOY increase of 11.10%.In addition, during the Reporting Period, the comprehensive borrowing cost of Group was 4.66% (2017 (restated): 4.73%), which was decreased by 0.07 percentage points. For details of the changes in borrowing scale, please refer to "Analysis of Assets and Liabilities" below. The detailed analysis of financial expenses is as follows:

Unit: '000 Currency: RMB

Financial expenses item	2018	2017(restrated)	Change (%)
Interest expenses	1,060,159	919,972	15.24
Less: Interest capitalised	69,829	20,377	242.68
Interest income	81,318	45,649	78.14
Add: Exchange loss and others	145,993	-111,635	-230.78
Total financial expenses	**1,055,006**	**742,311**	**42.12**

During the Reporting Period, the Group's income tax expenses amounted to RMB966,447,000 (2017: RMB379,490,000), representing a YOY increase of 154.67%, which was mainly due to the increase in taxable income resulting from the recognition of the net gains on disposal of assets of the Three Projects during the Reporting Period.

3. Investment Income

During the Reporting Period, the Group's investment income amounted to RMB555,594,000 (2017: RMB528,851,000), representing a YOY increase of 5.06%, which was mainly due to the recognition of investment income arising from the transfer of the entire equity interests and debts of Yuelong Company, the increase in investment income from the newly acquired project Derun Environment, and the increase in income from projects such as GZ W2 Expressway, etc. during the Reporting Period. Detailed analysis of investment income is as follows:

Unit: '000 Currency: RMB

Item	2018	2017	Change in amount
1.Investment income attributable to joint ventures and associates			
Changsha Ring Road [Note 1]	-	7,080	-7,080
Shuiguan Extension	21,113	8,234	12,879
Guangwu Project	37,193	38,579	-1,386
Yangmao Expressway	85,788	84,064	1,724
Jiangzhong Expressway	24,659	22,111	2,548
GZ W2 Expressway	57,397	49,124	8,273
Nanjing Third Bridge	50,342	44,076	6,266
Derun Environment	162,112	125,958	36,154
Bank of Guizhou	79,690	100,301	-20,611
Others [Note 2]	2,664	9,691	-7,027
Subtotal	**520,956**	**489,216**	**31,740**
2.Gain from valuation of the fair value of the original equity interest held after consolidation of entity which is not under common control	-	27,504	-27,504
3.Investment income arising from transfer of subsidiaries	71,876	-	71,876
4.Investment income recognised for financial products	6,860	5,400	1,460
5. Investment income from foreign exchange swap instruments	-49,740	-851	-48,889
6.Investment income from wealth management products	5,643	7,582	-1,939
Total	**555,594**	**528,851**	**26,743**

Note 1: Shenchang Company, formerly a joint venture of the Company, has been consolidated into the Group's financial statements since 1 April 2017. The investment income from Changsha Ring Road represents the data of the first quarter of 2017.

Note 2: Investment income attributable to the Consulting Company and United Land Company.

4. Cash Flow

Descriptions on the reasons for changes in net cash flows from operating activities: The toll revenue of the Group's principal toll highway operations is collected in cash, thereby providing the Group with a steady operating cash flow. During the Reporting Period, the Group's net cash inflows from operating activities amounted to RMB3.222,229,000 (2017 (restated): RMB2,975,225,000), representing a YOY increase of 8.30%, which was mainly attributable to the growth of toll revenue, a YOY increase of the consolidation period of the consolidation of Shenchang Company and Yichang Company into the Group's financial statements, and the receipt of compensation for Coastal Expressway freight adjustment, etc. In addition, excluding the effect of the receipt of the capital reduction from United Land Company, the recurring cash return on investments from joint ventures and associates[Note] amounted to RMB355,654,000 (2017 (restated): RMB364,775,000), which was basically the same as that of the same period last year.

Note: The recurring cash return on investments refers to the cash distribution (including profit distribution) from the Company's joint ventures and associates. According to the articles of association of the Company's joint ventures and associates, those companies will distribute cash to their shareholders if the conditions for cash distribution are fulfilled. According to the characteristics of the toll highway industry, such cash return on investments will provide continuous and stable cash flow. The reason that the Company provided the aggregated figures of net cash inflows from operating activities and recurring cash return on investments was to help the users of the financial statements understand the performance of recurring cash flow from the Group's operating and investing activities.

Descriptions on the reasons for changes in net cash flows from investing activities: During the Reporting Period, the investing activities recorded net cash inflows of approximately RMB960 million, due to the receipt of RMB1.6 billion from the capital reduction of United Land Company.

Descriptions on the reasons for changes in net cash flows from financing activities: During the Reporting Period, the Group had returned part of bank loans in advance in light of its capital position, enabling the financing activities to record net cash outflows of by approximately RMB3.5 billion.

5. Amortisation Policies of Concession Intangible Assets and the Difference of Amortisation Methods

The Group's concession intangible assets are amortised based on the units-of-usage method. The amortised amount is calculated, based on usage amount per unit, by the percentage of the actual traffic volume in the respective periods to the total projected traffic volume during the toll operating period. The Group conducts regular review on the projected traffic volume and makes corresponding adjustments to ensure truthfulness and accuracy of the amortised amount. Details of this accounting policy and accounting estimates are set out in note III\19(1) and 33(2) to the Financial Statements in this announcement.

During the preliminary stages of toll highways' operation, the amortised amount calculated by the units-of-usage method is lower than that calculated by the straight-line method. During the Reporting Period, the difference in amortisation attributable to the Company calculated by using two amortisation methods based on its share of interests was RMB280 million (2017 (restated): RMB270 million), representing basically the same. The adoption of different amortisation methods had no impact on the cash flow generated from various toll highway projects and thus had no impact on the valuation of various projects.

(II) Description on Material Changes in Profits from Non-main Business

1. Net gains on Disposal of the Assets of Nanguang, Yanba, and Yanpai Expressways

According to an agreement dated on 30 November 2015, Shenzhen Transportation Commission early recovered the remaining toll highway interests held by the Company in the Three Projects by the end of 2018 and made cash compensation according to the agreement. According to the relevant provisions of CASBE, the Company disposed the related assets of the Three Project at the end of 2018 and recognised the net gains on disposal of assets of RMB1,961,414,000. After deducting the relevant tax and costs, the Company recorded an increase of RMB1,523,553,000 in net profit. Details are set out in note 5\49 to the Financial Statement in this announcement.

2. Meilin Checkpoint Renewal Project Demolition and Relocation Compensation Income

On 27 April 2018, Meiguan Company and United Land Company signed a supplementary agreement to Meilin Checkpoint Renewal Project demolition and relocation compensation agreement. According to the supplementary agreement, United Land Company has increased the compensation with 9,120 square meters of office building for Meiguan Company's property involved in the Meilin Checkpoint Renewal Project. It is expected that Meiguan Company will receive a physical compensation of approximately RMB456,000,000 in the future. During the Reporting Period, the Group recognises the asset disposal income of approximately RMB342,600,000 at the present value of the future value, and after offsetting the internal transaction gains and losses that were not realised, the net profit recorded an increase of RMB168,816,000. Details are set out in note V\49 to the Financial Statements in this announcement.

3. Investment Income Arising from Transfer of the Whole Equity Interests and Debts in Yuelong Company

During the Reporting Period, the Group has completed the relevant procedures about transfer of the whole equity interests and debts in Yuelong Company, a wholly-owned subsidiary. The Group recognised the equity transfer income of RMB71,876,000 and recorded an increase of RMB37,735,000 in the net profit of the Company. Details are set out in note V\47 and note VI\3 to the Financial Statement in this announcement.

4. Profit and Loss from Changes in Fair Value Recognised for Foreign Exchange Swap Transaction on Issued USD Debenture

The Company issued a 5-year overseas debenture amounting to USD300 million on 18 July 2016. To mitigate the risks related to fluctuation in USD exchange rate, the Company entered into a foreign exchange swap transaction to lock in foreign exchange risk. During the Reporting Period, due to depreciation of RMB, the Group recognised gains from changes in fair value of the swap transaction instrument of RMB116,475,000, which dedubted the exchange lock-in cost after deducting the exchange loss from the USD debenture held and realised loss on swap instrument during the Reporting Period. Details are set out in note V\48 to the Financial Statements in this announcement.

(III) Analysis of Assets and Liabilities

1. Assets and Liabilities

The Group's assets mainly comprise concession intangible assets in high-grade toll highways and equity investments in the enterprises operating toll highways, which accounts for 60.93% of its total assets, and cash at bank and on hand as well as other assets, which accounts for 10.28% and 28.78% of its total assets, respectively. As at 31 December 2018, the Group's total assets amounted to RMB41,100,850,000 (as at 31 December 2017 (restated): RMB44,014,985,000), representing a decrease of 6.62% over the end of 2017, which was mainly due to the disposal of related assets of the Three Project at the end of the year.

As at 31 December 2018, the total outstanding interest-bearing liabilities of the Group amounted toRMB13,922,655,000 (as at 31 December 2017 (restated): RMB21,686,237,000), representing a decrease of 35.80% over the end of 2017, mainly contributed to the repayment of part of bank loans in advance and the carry forward of relevant compensation for the advance payment for the disposal of the relevant assets of the Three Projects during the Reporting Period. In 2018, the Group's average borrowing scale was RMB21.1 billion (2017 (restated): RMB19.9 billion), representing a YOY increase of 6%.

Detailed analysis of assets and liabilities is as follows:

Unit:'000 Currency: RMB

Name of item	Amount as at the end of the current period	Amount as at the end of the current period as a percentage of total assets (%)	Amount as at the end of the previous period (restated)	Amount as at the end of the previous period as a percentage of total assets (%)	Change in amount as at the end of the current period as compared to the end of the previous period (%)	Description
Prepayments	166,448	0.40	311,972	0.71	-46.65	(1)
Other receivables	1,580,256	3.84	41,705	0.09	3,689.09	(2)
Assets held for sale	296,641	0.72	-	-	N/A	(3)
Current portion of non-current assets	22,549	0.05	79,908	0.18	-71.78	(4)
Other current assets	264,155	0.64	39,367	0.09	571.01	(5)
Other non-current assets	342,600	0.83	-	-	N/A	(6)
Transactional financial assets	45,103	0.11	-	-	N/A	(7)
Contract assets	166,842	0.41	-	-	N/A	
Available-for-sale financial assets	-	-	106,557	0.24	N/A	
Other non-current financial assets	180,439	0.44	-	-	N/A	
Financial liabilities at fair value through profit or loss	-	-	71,372	0.16	N/A	
Advances from customers	-	-	465,784	1.06	N/A	
Contract liabilities	858,713	2.09	-	-	N/A	
Short-term borrowings	117,425	0.29	2,518,256	5.72	-95.34	(8)
Employee benefits payable	221,882	0.54	168,822	0.38	31.43	(9)
Taxes payable	1,353,524	3.29	245,820	0.56	450.58	(10)
Current portion of non-current liabilities	379,136	0.92	1,592,100	3.62	-76.19	(11)
Bonds payable	4,632,920	11.27	2,732,093	6.21	69.57	(12)
Provisions for debt	-	-	136,781	0.31	-100.00	(13)
Deferred income	439,287	1.07	142,970	0.32	207.26	(14)
Other non-current liabilities	128,370	0.31	5,361,880	12.18	-97.61	(15)

Descriptions:

(1) Part of the land of Guilong Development Project was handed over and the prepaid land transfer fee was carried over to the inventories.

(2) Balance of receivable compensation from the government for the repurchase of the Three Projects and the remaining capital rededuction of United Land Company amounted to RMB1,539,335,000, both of the receivables were recovered in January 2019.

(3) Proposed disposal of 100% equity interests and creditor's rights in subsidiaries, namely Guizhou Shengbo, Guizhou Hengfengxin, Guizhou Henghongda and Guizhou Yehengda, therefore, the targetsunder the agreements were reclassified from inventories to assets held for sale.

(4) Received part of the receivables from Longli BT project.

(5) Purchase of wealth management products from banks.

(6) Receivable compensation for the demolition and relocation of Meilin Checkpoint Renewal Project from United Land Company.

(7) The effect of changes in accounting policies, the details please refer to note III\34 to the Financial Statements.

(8) Return part of the bank loans.

(9) Withdrawal for profit increment based incentive fund of the employee in 2018.

(10) Provision for related taxes and expenses for the disposal of the assets of the Three Projects.

(11) Return of RMB900 million medium-term notes and carry forward of the compensation for the advance payment relating to toll adjustment of the Three Projects due within one year.

(12) Issuance of RMB1.8 billion medium-term notes.

(13) Reversal of the balance of provisions for road maintenance responsibility of Nanguang Expressway and Yanpai Expressway.

(14) Recognition of compensation for future operation costs of new toll stations of Nanguang Expressway and Yanpai Expressway.

(15) Disposal of relevant assets of the Three Projects, and the carry forward of the balance of the compensation for the advance payment.

2. Restriction on Main Assets as at the End of the Reporting Period

As at the end of the Reporting Period, details of the Company's and its subsidiaries' assets restricted are as follows:

Assets	Type	Bank	Scope of security	Term
Toll collection rights of Qinglian Project [Note 1]	Pledge	A consortium including China Development Bank, etc.	Principal and interests of bank loans in an aggregate amount of RMB5.9 billion	Until repayment of all liabilities under the loan agreement
100% equity interests in Meiguan Company	Pledge	China Construction Bank, Shenzhen Branch	Counter-guarantee for the irrevocable guarantee with joint liability in respect of the redemption of the corporate bonds with an amount of RMB800 million upon maturity	Until repayment of corporate bonds (principal and interests)
Toll collection rights of Outer Ring Expressway and all proceeds from the project [Note 2]	Pledge	A consortium including China Development Bank, etc.	Bank loans in an aggregate amount of RMB6.5 billion	Until repayment of all liabilities by under the loan agreement
45% equity interests in JEL Company [Note 3]	Pledge	The Hong Kong and Shanghai Banking Corporation Limited	Principal and interests of bank loans in an aggregate amount of HKD283 million	Until repayment of all liabilities under the loan agreement
Toll collection rights of 10% Yichang Expressway [Note 4]	Pledge	Bank of China, Hunan Branch	Principal and interests of bank loans in an aggregate amount of RMB110 million	Until repayment of all liabilities under the loan agreement
Toll collection rights of Coastal Expressway [Note 5]	Pledge	A consortium including China Development Bank, etc.	Principal and interests of bank loans in an aggregate amount of RMB5.4 billion	Until repayment of all liabilities under the loan agreement

Notes on restricted assets:

Note 1: Pledged by Qinglian Company, a subsidiary of the Company. As at the end of the Reporting Period, the balance of such consortium loans held by Qinglian Company was RMB1,733 million.

Note 2: Outer Ring Company, a wholly-owned subsidiary of the Company, applied for a bank loan in an aggregate account of RMB6.5 billion from the consortium by pledging the proceeds and credits receivable from the toll collection rights and the operating activities of Outer Ring Expressway. As at the end of the Reporting Period, the balance of such consortium loans held by Outer Ring Company was RMB2,149 million.

Note 3: Pledged by Mei Wah Company, a wholly-owned subsidiary of the Company, for applying bank loans in HKD. As at the end of the Reporting Period, the balance of such loans was HKD134 million.

Note 4: Pledged by Yichang Company, a subsidiary of the Company, for applying bank loans. As at the end of the Reporting Period, the balance of such loans was RMB4 million. Such loans were fully settled on 18 January 2019.

Note 5: Pledged by Coastal Company, a wholly-owned subsidiary of the Company, for applying bank loans from the consortium. As at the end of the Reporting Period, the balance of such consortium loans was RMB4,418 million.

Note 6: During the Reporting Period, the Group's RMB1,646 million cash at bank and on hand were restricted deposit of the Entrusted Construction Business.

Note 7: Details of restricted assets during the Reporting Period, please refer to Note V\55 to the Financial Statements in this announcement.

3. Capital Structure and Debt Repayment Capability

The Company is always committed to maintaining a rational capital structure and enhancing its profitability, in order to maintain its good credit ratings and solid financial position. As at the end of the Reporting Period, due to the repayment of part of bank loans in advance and the carry forward of the balance of the compensation for the advance payment relating to the Three Projects, the Group's borrowing scale decreased significantly. Meanwhile, cash and cash equivalents recorded a YOY increase, leading to a significant decrease in the debt-to-asset ratio and the net borrowings-to-equity ratio of the Group as compared to the beginning of the year. During the Reporting Period, the Group's businesses demonstrated steady development, recording an increase in revenue while further enhancing the effectiveness of cost management and steadily improving the debt repayment capability. Given the Group's stable and robust operating cash flows and its strong capability in financing and capital management, the Directors are of the view that the financial leverage ratios remained at safe levels at the end of the Reporting Period.

Key indicators	As at the end of 2018	As at the end of 2017 (restated)
Debt-to-asset ratio (Total liabilities/Total assets)	52.46%	64.13%
Net borrowings-to-equity ratio ((Total borrowings – cash and cash equivalents)/Total equity)	58.04%	125.41%
	2018	2017(restated)
Interest covered multiple ((Profit before tax + interest expenses)/Interest expenses)	5.54	3.02
EBITDA interest multiple (Earnings before interests, tax, depreciation and amortisation/Interest expenses)	7.21	4.74

4. Liquidity and Cash Management

During the Reporting Period, the Group optimised borrowing structure and returned part of bank loans, leading to a significant increase in the net current assets of the Group as at the end of the period. Based on its financial condition and capital requirements, the Group will strengthen the overall fund arrangements for subsidiaries and key projects, continue to optimise the capital structure, maintain appropriate cash on hand, and sufficient bank credit lines to prevent liquidity risk.

During the Reporting Period, the Company used idle funds to purchase principal-guaranteed RMB wealth management products from cooperative banks on the condition that both safety and liquidity of capital reserve can be assured. As at the end of the Reporting Period, all deposits of the Group were deposited with commercial banks, and except for the above wealth management profucts, no deposit was placed in non-bank financial institutions or applied to investment in securities. Detailed information on wealth management products can be found in "Material Contract Progress" below.

Unit: Million Currency: RMB

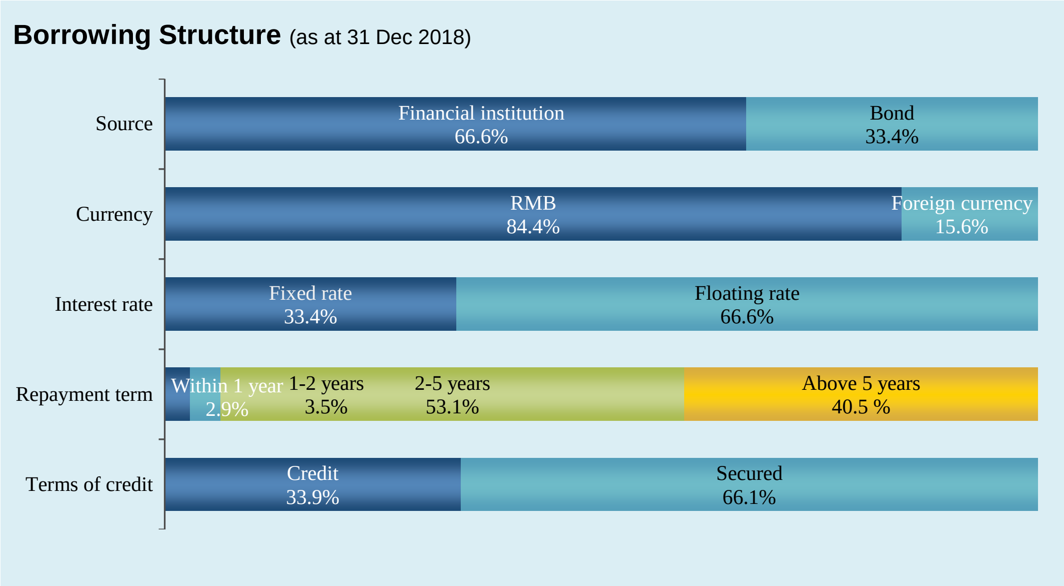
	31 December 2018	31 December 2017	Change
Net current assets	1,487	-3,261	4,748
Cash and cash equivalents	2,581	1,885	696
Banking facilities available	13,084	13,524	-440

5. Financial Strategies and Financing Arrangements

During the Reporting Period, the stable and neutral monetary policy and the continuously strengthened financial supervision policies continued to be implemented. The scale of bank credit was tight and the price of funds remained high. During the Reporting Period, the Group used its self-owned funds and some bank loans to meet the capital needs of debt repayment, investment expenditures and dividend distribution, etc. The Group strived for low cost financing in various ways. The Group seized the opportunity to issue RMB1.8 billion of medium-term notes amid drop in interest rate for issuance at the bond market, so as to repay existing debts. Meanwhile, the Group utilised its own idle capital to repay bank loans with higher interest rate in advance based on the demands for operating expenses and the development of project investment. Moreover, the Group also made further efforts to reduce the proportion of short-term loans to lower finance cost, optimise the debt structure and control financial risks. In addition, the application in relation to the A share convertible corporate bonds of the Company has been accepted by the CSRC, and the Company is vigorously proceeding to obtain the approval.

During the Reporting Period, the Group did not have any overdue principal and interests for bank loans and bonds.

As at the end of the Reporting Period, the specific borrowing structure is shown as follows:



During the Reporting Period, the Company continued to maintain the highest credit rating of AAA for domestic entities, and maintained the existing investment grade ratings for international entities. As for credit ratings of debt, corporate bonds and medium-term notes remained at the highest credit rating of AAA.

As at 31 December 2018, the Group had obtained a total of RMB27 billion of banking facilities, including RMB17.8 billion of credit facilities specifically for construction projects and RMB9.2 billion of general credit facilities. As at the end of the Reporting Period, un-utilised banking facilities amounted to RMB13.1 billion.

6. Contingencies

Details of the Group's contingencies during the Reporting Period are set out in note XI of the Financial Statements in this announcement.

(IV) Analysis of the Investment

1. General Analysis on External Investments

(1) Material equity investments

During the Reporting Period, the total equity investment of the Group amounted to approximately RMB58 million (2017: RMB7,222 million), representing a YOY decrease of RMB7,163 million, mainly due to the payment for the consideration of the acquisition of equity interests in Derun Environment, Coastal Company and Yichang Company in the same period of the previous year. The details of material equity investments during the Reporting Period are as follows:

Unit: '000 Currency: RMB

Name of Investee company	Major business	Shareholding	Investment amount in 2018	Description
Yangmao Company	Investment, construction and operation management of Yangjiang-Maoming Expressway and development of its supporting service projects	25%	57,500	Investment in Yangmao reconstruction and expansion project is estimated to be RMB8.64 billion (35% from self-raised funds), and the Company should invest RMB756 million according to the 25% shareholding ratio. During the Reporting Period, the Company paid RMB58 million according to shareholding ratio and project progress.

(2) Material non-equity investments

During the Reporting Period, the expenditures of the Group on material non-equity investments mainly comprised the settlements of projects such as construction of Outer Ring Project, upgrade of Qinglian Class I Highway to an expressway, and reconstruction and expansion for Meiguan Expressway, the investment in road properties and mechanical and electrical facilities of the highway sections operated by subsidiaries, and capital expenditures of the subsidiaries, totalling approximately RMB1,116,184,000. The investments in major projects are as follows:

Unit: ’000 Currency: RMB

Project name	Project amount	Project progress	Amount invested during the Reporting Period	Actual accumulated amount invested	Gains from the project
Outer Ring Project	6,500,000	55%	962,250	2,200,229	For details of the operational performance of projects (except for Outer Ring Project and Coastal Phase II, which is in the beginning stage of construction) during the Reporting Period, please refer to the Analysis of Main Business are set out above.
Qinglian Project	6,125,390	100%	5,414	6,092,254	
Nanguang Expressway	3,099,083	100%	1,717	3,080,637	
Coastal Phase II	1,000,000	31%	10,471	10,471	
Reconstruction and expansion for Meiguan Expressway	695,828	100%	34,204	691,876	
Total	/	/	**1,014,057**	**12,075,468**	/

(3) Material assets measured at fair value

Unit: ’000 Currency: RMB

Item name	Opening balance	Closing balance	Change during the period	Impact on total profit of the Reporting Period
Financial assets measured at fair value through profit or loss	-	45,103	45,103	45,103
Other non-current financial assets	162,510	180,439	17,929	17,929

(V) Analysis of Major Controlling Companies and Participating Companies

Unit: '000 Currency: RMB

			31 December 2018		2018			
Company name	Percentage of interests held by the Group	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit/(net loss)	Principal business
Meiguan Company	100%	332,400	927,193	523,974	142,044	400,116	299,442	Construction, operation and management of Meiguan Expressway.
Jihe East Company	100%	440,000	1,847,575	1,374,107	759,493	422,393	315,966	Construction, operation and management of Jihe East.
Mei Wah Company	100%	HKD 795,381	1,797,840	1,035,932	385,241	197,186	150,684	Indirectly holding 25% interests in Qinglian Company, 10% interests in Qinglong Company and 100% interests in Magerk Company.
Qinglian Company	76.37%	3,361,000	7,071,538	2,748,368	764,017	134,440	112,073	Construction, operation and management of Qinglian Expressway and related auxiliary facilities.
JEL Company (merge with Magerk Company)	100%	USD 28,000	735,016	613,028	385,241	174,685	131,544	JEL Company: investment holding (holding interests in Magerk Company); Magerk Company: toll collection and management of Wuhuang Expressway.
Qinglong Company	50%	324,000	3,644,411	2,195,204	641,637	129,543	99,781	Development, construction, toll collection and management of Shuiguan Expressway.
Investment Company	100%	400,000	2,007,027	632,247	442,580	115,842	61,323	Investment in industries and project construction.
Guishen Company	70%	500,000	1,927,608	839,949	411,903	124,979	68,572	Investment, construction and management of road and urban and rural infrastructure.

			31 December 2018		2018			
Company name	Percentage of interests held by the Group	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit/(net loss)	Principal business
Yichang Company	100%	345,000	2,991,112	1,394,418	408,474	144,501	111,775	Construction, operation and management of Yichang Expressway.
Coastal Company	100%	4,600,000	7,820,561	1,446,722	471,497	-43,132	-40,209	Investment in the construction and operation of the Shenzhen section of the Guangzhou-Shenzhen Coastal Expressway.
United Land Company	34.3%	714,286	7,833,994	3,376,474	-	-13,443	-13,637	As the reporting entity and legal person for the Meilin Checkpoint Urban Renewal Project, it is responsible for acquiring the land, demolition and relocation and other works in respect of the Meilin Checkpoint Urban Renewal Project.
Environmental Company	100%	4,460,000	4,694,790	4,685,548	243	141,671	141,671	Investment and launching of projects of environmental protection industry as well as investment, construction, operation and management of municipal public works and environmental management engineering. The major asset is 20% equity interests held in Derun Environment.
Derun Environment	20%	1,000,000	37,131,637	14,743,096	8,616,218	1,829,720	810,558	The principal business of Derun Environment is investment holding. The major assets are 50.04% and 56.62% equity interests held in Chongqing Water Group Company Limited and Chongqing San Feng Environmental Industrial Group Co., Ltd., respectively.

For details of the operational and financial performance of the above major controlling companies and participating companies and their businesses during the Reporting Period, please refer to related contents in “Business Review” above.

(VI) Proposed Profit Distribution

The Company’s 2018 audited consolidated net profit and the net profit of the parent company in accordance with CASBE were RMB3,440,050,607.33 and RMB 3,430,501,363.99 respectively. Pursuant to the relevant PRC laws and regulations and the Articles of Association, the Company transferred RMB343,050,136.40 to its statutory surplus reserve for the year of 2018.The Board recommended the payment of a final dividend of RMB 0.71 (tax included) per share in cash to all shareholders, based on the total share capital of 2,180,770,326 at the end of 2018,totalling RMB1,548,346,931.46 for the year ended 31 December 2018, representing 45.01% of the net profit as shown in the consolidated financial statements for the year of 2018, among which, the special dividend distributed for the income received from the disposal of the assets of the Three Projects is RMB0.35, representing 50.1% of the income from the disposal. The balance after distribution shall be carried forward to the next year. No conversion of capital reserve into share capital has been carried out during the year. The aforesaid proposal will be submitted for approval at the 2018 Annual General Meeting of the Company.

1. Formulation, Implementation or Adjustment of Cash Dividend Policy

The Company has always adhered to the principle of rewarding its shareholders and has been paying cash dividends for 21 consecutive years since its listing.

Pursuant to the Articles of Association, the Company shall implement a proactive cash dividend policy with the principle of attaching great importance to reasonable return on shareholders’ investment while satisfying the needs of sustainable operation and development of the Company. The Articles of Association has a clear standard on dividend distribution and the minimum proportion of annual dividend, and has formulated sound decision-making procedures and mechanisms. Any modification by the Company to the profit distribution policy or failure in formulating/implementing the profit distribution proposal in accordance with the policy shall be subject to consideration at the general meeting as a special resolution. In addition, Proposal on Shareholders' Return for the Next Three Years (2017-2019) of the Company ("Shareholders' Return Proposal") prepared by the Company specifes that the Company will endeavor to increase its cash dividend ratio in the next three years (2017-2019). When the financial and cash position are good and there is no significant investment plan or cash expenditure, the Company intends to allocate not less than 45% of the distributable profits realised during the year as cash dividend every year.

The 2018 profit distribution proposal (including the cash dividend proposal) formulated by the Company was in compliance with the relevant requirement of the Articles of Association and Shareholders' Return Proposal. In the course of formulating and determining the proposal, the Independent Directors have issued an independent opinion after careful study and analysis of relevant factors, and the Company is also able to listen to the opinions of the Independent Directors and the shareholders from various channels, and give regard to the requests and legal interests of the minority investors.

2. Proposal of Profit Distribution and Conversion of Capital Reserve into Share Capital of the Company in the Past Three Years

Unit: RMB

Year of dividend distribution	Number of bonus issue (share) for every 10 shares	Dividend (RMB) for every 10 shares (including tax)	Total number of share (share) for conversion of capital reserve into share capital for every 10 shares	Total cash dividend (including tax)	Net profit in combined statements in the year of dividend distribution	Percentage (%) of dividend distributed to net profit in combined statements
2018(Proposed)	0	7.10	0	1,548,346,931.46	3,440,050,607.33	45.01%
2017	0	3.00	0	654,231,097.80	1,426,402,801.01	45.9%
2016	0	2.20	0	479,769,471.72	1,169,353,230.77	41.0%

The net profit attributable to ordinary shareholders of listed companies in the consolidated statements of dividends for 2016 and 2017 in the above table is the data before being restated.

4.3 Outlook and Plans

(I) Development Strategies of the Company

Based on the in-depth study of the changes in the development of both internal and external environment, the fourth meeting of the seventh session of the Board of the Company held in June 2015 approved the "2015-2019 Development Strategies" of the Company. The Company will "pursue a market-oriented and innovation-driven strategy, continue to seize the opportunities of this era to consolidate and strengthen the core business of toll highway and actively explore and determine the new industry direction so as to achieve the sustainable development of the Company". In view of the promising development prospect and immense business opportunities in domestic transport infrastructure, comprehensive urban exploration and the general environmental protection industry, as well as the compatibility of the business model and core competitiveness, the Company has basically determined the development directions of placing emphasis on and implementing new projects for the above two industries. In this connection, the Company will actively explore and put into practice the transformation and development of its business to ensure the stable and sustainable development of its business operation.

(II) Operation Plans

In 2019, the working goals and focuses for the Group are as follows:

- **Operating Targets**: Based on the reasonable analysis and expectation on our operating environment and operating conditions, the Group has set a total revenue target for 2019 of not less than RMB5.809 billion, with the total of operating costs, management expenses and selling expenses (excluding depreciation and amortisation) of approximately RMB2.236billion. In 2019, it is expected that the average borrowing scale and the financial cost of the Group will decreases on a YOY basis.

- **Toll Highway Business:** Based on the innovative "Double S" pass (Senseless payment & Senseless pass) launched in 2018, the Group will continue to optimise and improve the APP function, and carry out the research on the integrated application of the ETC+ senseless payment method, thereby improving the user's experience on an ongoing basis. Moreover, the Group will further conduct more research on special topics such as analysing the black spots of traffic accidents and the causes of hidden dangers to enhance the safety management capabilities. In terms of project construction, the Group will strive to maintain the construction quality of Coastal Phase II and Section A of Outer Ring, and make them high quality projects. Realising smart management of "talents, machines, materials, methods and environment" through intelligent collection and integration will lay the foundation for the further enhancement and application of smart sites in the future. The Group will also proactively explore opportunities for mergers and restructuring, invest in promising toll road and bridge projects and continue to strengthen its core business of toll highway.
- **General-environmental Protection:** The Group will further focus on the development in sub-sectors emphasising the environmental industrial parks in regions such as Shenzhen-Shanwei Special Cooperation Zone and Longli County. Also, it will enhance the communication and cooperation with Water Planning Company, Derun Environment and Suez Group and fully utilise the existing joint venture/ cooperation platform to seek in-depth cooperation opportunities. For the acquisition of Nanjing Wind Power Project, the Group will complete the equity and personnel handover as soon as possible, fully cooperate with other shareholders and management of the project in production and operation management, and effectively increase the scale of business, thereby creating benefits for the Group. On the other hand, it will further cultivate professional talents, improve performance appraisal and salary incentive mechanism as well as strengthen team building in environmental production industry.
- **Strategic Research and Business Expansion:** 2019 marks the end of the "2015-2019 Development Strategies". The Group will conduct an in-depth and detailed review and evaluation regarding the implementation of the strategy and formulate new development strategy so as to provide clear direction for the medium and long-term development in the future. Given the current strategic positioning as a "Construction and Operation Service Provider of Urban and Transport Infrastructure", on the one hand, the Group will actively facilitate the preliminary work in respect of the expansion of Jihe Expressway, the land development and cash realisation of Guilong Land, the construction and follow-up of Duohua Bridge Project, and the development and sales in relation to Meilin Checkpoint Renewal Project. On the other hand, more efforts will be made in the research, reserves, selection and examination of projects on toll highway and environmental sub-sectors that are in line with the Company's development strategies, while risk monitoring and management will also be carried out on an on-going basis.
- **Financial Management and Corporate Governance:** The Group will actively respond to changes in financial policies and market conditions, strengthen budget and medium and long-term forecast management and promote cost reduction and efficiency, ensuring financial security. To ensure smooth flow of financing channels, optimise capital structure and reduce financial costs, the Group will continue to strengthen the cooperation with banks and enterprises, timely analyse the changes in the bond market and policy environment, and maintain sound fund management and financing. The Group will also adhere to the principles of good corporate governance, further improve corporate governance, and establish and improve various operational rules to meet the new requirements for the new landscape. Moreover, the effective improvement of the transparency and independence of the Company's operations will be promoted as well as the healthy and stable development of the Company.

(IV) Capital Expenditure Plan

As at the approval date of this report, the Group's capital expenditure plan approved by the Board mainly comprised [investment in Outer Ring Project, construction expenditures of projects such as Coastal Phase II and investment in road properties and mechanical and electrical equipment in the auxiliary operation sections. It is expected that the total amount will be to approximately RMB6.1 billion by the end of 2021. The Group plans to satisfy such capital needs with its own funding and bank borrowings. According to the Directors' assessment, the Group's financial resources and financing capability are currently sufficient for satisfying the needs of various capital expenditures. The main annual capital expenditure plan approved by the Board of the Group from 2019 to 2021 is as follows:

Unit: 000 Currency: RMB

Project	2019	2020	2021	Total
I. Investment in intangible assets and fixed assets				
Outer Ring Project	1,041,689	2,068,530	1,190,687	4,300,905
Reconstruction and expansion of Meiguan Expressway	3,951	-	-	3,951
Qinglian Project	37,250	4,410	4,730	46,390
Nanguang Project	18,433	-	-	18,433
Coastal Phase II	17,910	17,910	17,910	53,730
Earlier Expenditure for Reconstruction and Extension of Jihe Expressway	131,791	217,900	-	349,691
Other Investment (Investment in mechanical and electrical equipment)	141,728	80,120	81,446	303,294
II. Equity investment				
Reconstruction and expansion of Yangmao Expressway	108,750	208,170	208,170	525,090
Nanjing Wind Power Project	510,000	-	-	510,000
Total	**2,011,502**	**2,597,039**	**1,502,943**	**6,111,484**

(V) Risk Management

Through active identification, assessment and response to risk issues occurred in the operation, the Company applied risk management to all segments, including corporate strategies, planning, decision-making and operations. For details of the establishment and operation of the Company's risk management system, please refer to the "Internal Control" section in this annual report. Currently, the Company focuses on internal and external risk issues in respect of policy, business expansion, and construction management.

1. Policy Risk

Risk position / analysis:

The policy risks faced by the Company primarily include the risks in relation to industry policy and monetary policy.

Toll highway andgeneral environmental protection industries, which are the two main businesses of the Group, are closely related to the industry policies and relevant measures implemented by the government. At present, the prevailing policy of toll highway industry is mainly the introduction and implementation of the new "Regulations for the Administration of Toll Highways" (《收費公路管理條例》) ("New Regulations") which are expected to specify the major policy trend regarding the investment and financing systems of the toll highways and safeguarding social capital returns. Moreover, the operating performance of the toll highway is also affected by various management measures and traffic arrangements launched by the local government. For example, the policies in relation to the restrictions on automobile purchases, restriction on the use of vehicles and discount offered for vehicles that meet certain standards may bring certain negative impact on the current traffic volume and future traffic growth of regional road networks. The development prospects of the general environmental protection industry are also subject to various policy measures introduced by the local government as an attempt to support the rapid development of the industry and at the same time strengthen the supervision of the industry. For example, integrated environmental management planning may directly affect the investment opportunities in certain regions while individual policies may pose a direct and decisive influence on certain investment and financing plans and their profitability.

Toll highway and macro-environmental protection industries are both capital intensive as the capital cost is affected by the monetary policies. The Group will have to raise additional funds for satisfying the construction costs of Outer Ring Project, Coastal Phase II and Duohua Bridge, and the acquisition cost of Nanjing Wind Power Project in the next few years, hence it is expecting a surge in capital expenditures. In the event that the monetary policy fluctuates or the interest rate temporarily rises due to seasonal factors, the Group may be subject to the risk of changes in capital cost which will, in turn, affect the Company's operating results.

Management / response measures:

In general, the policy direction of the New Regulations is still based on the long-term stable development of the industry. The Group will pay close attention to the long-term impact of the policy introduction and related adjustments on the toll highway business, and thereby formulating corresponding solutions and supporting strategies to ensure steady growth of the business. The local government introduces traffic management policies and traffic arrangements to fulfil traffic management functions and ensure smooth traffic in the road network. The Group will actively communicate and positively interact with the local government, at the same time strengthen the operation and management of the respective roads to effectively improve the efficiency of the road network, and actively follow the government’s policies and measures to achieve win-win outcomes for the government, enterprises, drivers and passengers. The environmental protection industry has a bright prospect and has received strong support from the State in recent years, which partially regulated and rectified non-compliance and extensive development in the sector. Such measures allow public goods and services to be provided more effectively by leveraging capital advantages and professional strength which offer opportunities for industry consolidation and mergers and acquisitions.

The Group’s excellent capital management capability is one of its major core advantages. On the one hand, the Group’s good market reputation in the bank borrowing market and bond issuance market will enable it to continuously track various types of financing products and prepare relevant financing plans as a follow-up financing reserve, which effectively reduces the Group's financial costs. On the other hand, the Group will regularly measure relevant indicators, monitor risk level, strengthen dynamic management of key projects of the Group and capital planning for its subsidiaries, and monitor the cash flow. These measures allow the Group to be capable of making forward-looking planning and arrangement for future capital requirements.

2. Business Expansion Risks

Risk position / analysis:

The Group positioned the general-environmental protection industry as its second core business and there are both investment opportunities and certain technical barriers in various sub-sectors of the industry. Currently, the Group has accumulated adequate experience in market expansion and investment operations, yet it still lags behind leading industry standards. Limitations in technical experience and talent development have hindered the expansion of the Group’s environmental protection business, including access to project resources, project evaluation and management, and ultimately affecting the business development and even the overall performance of the Group.

The needs for expansion started to emerge for the toll highway projects invested and operated by the Group, such as Jihe Expressway and Yangmao Expressway, a joint-stock project. The reconstruction and expansion of the existing projects are also subject to issues such as the increase in land acquisition and demolition cost as well as construction costs. Under normal circumstances, the tolling period can be extended as appropriate if the reconstruction and expansion are carried out for the purpose of improving the traffic capacity. However, the reconstruction and expansion of the existing projects are subject to material risk, that is, whether the enhancement of traffic capacity through reconstruction and expansion and the increase in revenue through the extension of tolling period will be able to cover the investment made for reconstruction and expansion and whether it will be able to bring reasonable investment return.

Management / response measures:

Before entering into the environmental protection industry, the Group has conducted a comprehensive and objective analysis on its own advantages and the external environment, through which it has gained an in-depth understanding of its own strengths and weaknesses. In recent years, the Group has chosen to implement the strategy of cooperating with the leaders in the sub-sectors. This has not only enabled the Group to learn from the industry benchmark, but also allowed it to give full play to their respective advantages and achieve synergy by transforming existing projects into platforms for in-depth cooperation. Taking Derun project as an example, the Group has commenced further cooperation with its shareholder Suez Group. In terms of management team building, the Group will progressively realise market-oriented and professional operations through measures such as optimising the management structure and incentive mechanism. It will also enhance the standard of existing management personnel through internal and external training and learning, while enriching the talent team through external recruitment and strengthening the management team to nurture leaders.

Apart from construction feasibility studies and drawing design, financing plans and business model design are of crucial importance in managing the risks of the expansion of toll highway projects. As for project financing, besides the evaluation of project value, reasonable financing and capital bridging solutions during the design and construction as well as operation period can also effectively reduce the financial risk of the project. With regard to business model design, the Group will give full play to the innovative capabilities of the business model, conduct sufficient evaluation and estimation on the project value, maintain adequate communication and cooperation with the government, specify rights and responsibilities through business contracts and control relevant risks, and thus achieving a win-win situation benefiting the government, society and enterprises.

3. Construction and Management Risks

Risk position / analysis:

In 2019, the Group's main construction projects includes Section A of Outer Ring, Coastal Phase II, Duohua Bridge and Shenzhen-Shanwei Special Cooperation Zone. The total construction scale in the next few years is expected to exceed RMB25 billion. The then construction cost, future operating cost, project profitability and company reputation are directly or indirectly dependent on whether the project construction (including toll highway projects and environmental protection projects) meet the expected objectives in terms of construction period, quality, cost, safety and environmental protection. Fluctuations of building materials price, rising standard and increased difficulty of land acquisition and demolition, change of planning and design, new policy and technical regulations promulgated by the government and the adjustment of development plans made by the government will affect the realisation of the above construction and management goals. In recent years, the number of renovation and expansion projects for existing highway has been increasing. Presenting greater challenges in terms of construction technology, traffic organisation and closure measures, these projects will further increase the construction management risks faced by the Group.

Management / response measures:

Construction management has become one of the Group's important core competencies after more than 20 years of development. The Group has maintained an effective management system to prevent and mitigate various types of risks that may arise in the course of project construction. For preliminary works, the Group will conduct full research, strengthen communication with design units, optimise design and construction plans, overcome technical difficulties, minimise changes, and economise project cost. As for contract and construction management, on the one hand, the Group will specify the adjustment methods for material spreads and material price, which can effectively reduce or transfer building material price fluctuation risks through the terms of the contract. On the other hand, the Group will strengthen its management system for changes in construction projects. For changes in construction projects due to various reasons, authority and responsibility will be allocated on an equal basis and specified in the business contracts. In terms of quality and safety management, the Company will strictly implement the management procedures to strengthen the supervision of on-site materials, test management, standardisation of production operations and safety management, and provide relevant training and make contingency plans to ensure the realisation of management objectives. For the reconstruction and expansion projects, the Group needs to strengthen its communication and coordination with the government departments in duly arranging the construction and traffic organisation plans and thereby minimising the comprehensive negative impact of the projects on the Company and road users.

V. Matters Related to Financial Statements

5.1 Changes in Accounting Policies and Accounting Estimates During the Reporting Period

1. Impact of Implementing New Accounting Standards

In 2017, the Ministry of Finance of the People's Republic of China revised the Accounting Standards for Business Enterprises No. 14 – Revenue ("New Revenue Standard"), "Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments", and Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets, Accounting Standards for Business Enterprises No. 24 – Hedging, and Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments (the latter four standards are referred to as "New Accounting Standards for Financial Instruments"). In accordance with the requirements of these standards, as the Company is an A+H listed company, the Group began to adopt the five newly revised accounting standards and change the relevant accounting policies from 1 January 2018. The above changes in accounting policies have been reviewed and approved at the 4th meeting of the 8th session Board of Directors of the Company. For details, please refer to the announcement of the Board's resolution dated 23 March 2018.

During the Reporting Period, the Group adopted the New Revenue Standard. Regarding the material financing component in pre-sale commercial housing contracts that have not been completed at the beginning of the year, the Group adjusted the transaction price for the time value of money. What's more, considering the impact that relevant interest cost can be capitalised before the completion of commercial housing construction, the Group increased the "inventory" under the current assets at the beginning of the year by RMB525,000, increased the "deferred income tax assets" under the non-current assets at the beginning of the year by RMB1,661,000, increased the "advances from customers" under current liabilities at the beginning of the year by RMB7,169,000, reduced the "undistributed profit" under the shareholders' equity at the beginning of the year by RMB3,488,000, and reduced minority equity by RMB1,495,000 according to the relevant requirements of the convergence rules in the New Revenue Standard.

During the Reporting Period, the Group adopted the “New Accounting Standards for Financial Instruments”, so the equity investment previously classified as “available-for-sale financial assets” was reclassified as “financial assets at fair value through profit or loss”, and the fair value of relevant equity investment on the implementation date of the Standards was assessed. In accordance with the relevant requirements of the convergence rules in the “New Accounting Standards for Financial Instruments”, the Group increased the “financial assets at fair value through profit or loss” under the non-current assets at the beginning of the year by RMB162,510,000, reduced the “available-for-sale financial assets” under the non-current assets at the beginning of the year by RMB106,557,000, increased “the deferred income tax liabilities” under the non-current liabilities at the beginning of the year by RMB13,988,000 and transferred the difference between them to increase the “undistributed profit” under the equity interest at the beginning of the year by RMB41,965,000.

On 7 December 2018, the Ministry of Finance issued the revised “Accounting Standard for Business Enterprises No.21 - Lease”. The Company, being an enterprise listed domestically and abroad at the same time, began to implement such accounting standard with effect from 1 January 2019. After evaluation, the adoption of new standards for lease will enlarge the size of both assets and liabilities of the Group, thus slightly inceasing our debt-to-asset ratio. Meanwhile, it will also influence the distribution of the Group’s net profit to some extent. However, the overall influence is minimal.

2. Impact of Revised Report Format

According to the requirements of the “Notice on Revising, Printing and Issuing the Format of 2018 Annual General Financial Statement” (Caikuai [2018] No. 15) issued by the Ministry of Finance on 15 June 2018 (the “notice (Caikuai [2018] No. 15)”), the Company has implemented the above New Revenue Standard and New Accounting Standards for Financial Instruments, the financial statements of the Company should be prepared according to the format provided in Appendix 2 to the Notice (Caikuai [2018] No. 15). Implementation of the new report format has no effect on the reclassification of assets or liabilities, or net assets or profits attributable to the shareholders of the Company, as involved in the Group’s financial statements.

For details of the above changes in accounting policies, please refer to note III\34 to the Financial Statement in this announcement.

3. Impact of Changes in Accounting Estimates

According to the Company’s requirements under relevant accounting policies and systems, and in view of the actual situation of each main toll roads, the Group changed relevant accounting estimates of unit amortisation amount of the concession intangible assets of Changsha Ring Road as well as Wuhuang Expressway and Qinglian Expressway with effect from 1 July 2018 and 1 October 2018, respectively. Both of the changes in accounting estimates have resulted in an increase of approximately RMB4,779,000 in equity attributable to owners of the Company for the year ended 31 December 2018 and an increase of approximately RMB4,779,000 in the Group’s net profit for the Reporting Period. However, there were no overall material impact on the financial position and operating results of the Group.

For details of the changes in accounting estimates of the Comapny, please refer to note III\34 to the Financial Statements in this annual report. The changes in accounting estimates have been reviewed and approved at the 12th meeting of the 8th session Board of Directors and the 15th meeting of the 8th session Board of Directors of the Company, respectively. For details, please refer to relevant announcements dated 25 October 2018 and 22 March 2019 of the Company.

5.2 Accounting Errors Occurred during the Reporting Period

There is no correction of accounting errors by the Company occurred during the Reporting Period.

5.3 Changes in the Scope of Consolidated Financial Statements during the Reporting Period

In 2018, the changes in the scope of the consolidated financial statements of the Group is as follows:

1) During the Reporting Period, the Company completed the acquisition of 100% equity interests in Coastal Company, which has been included into the scope of the Group's consolidated financial statements since 8 February 2018.
2) Guizhou Shengao Investment Co., Ltd. (貴州深高投置業有限公司) ("Guishen Gaotou") was incorporated on 27 July 2018 in Longli County, Guizhou Province with a registered capital of RMB1,000,000. Guizhou Land, a subsidiary of the Company, owns 100% equity interest in Guishen Gaotou. The business scope of Guishen Gaotou is comprehensive development of land and real estate. This newly established subsidiary was included in the consolidation scope this year.
3) Shenzhen Yijia Apartment Management Co., Ltd. (深高速壹家公寓管理有限公司) ("SZ Expressway Yijia") was incorporated on 4 September 2018 in Baoan District, Shenzhen City, Guangdong Province with a registered capital of RMB 10,000,000. Shenzhen Expressway Investment Company Limited ("Investment Company"), a subsidiary of the Company, owns 60% equity interest in SZ Expressway Yijia. The business scope of SZ Expressway Yijia is apartment leasing and management; shop and office leasing. This newly established subsidiary has been included in the consolidated financial statement of the Group this year.
4) Guizhou Yefengrui Property Co., Ltd. (貴州業豐瑞置業有限公司) ("Yifengrui Property") was incorporated on 27 October 2018 in Longli County, Guizhou Province with a registered capital of RMB1,000,000. Guizhou Property, a subsidiary of the Company, owns 100% equity interest in Yifengrui Property. The business scope of Yifengrui Property covers comprehensive development of land and real estate. This newly established subsidiary has been included in the consolidated financial statement of the Group this year.
5) Shenzhen Expressway Suez Environment Co., Ltd. (深圳高速蘇伊士環境有限公司) ("Suez Environment") was incorporated on 29 October 2018 in Shenzhen, Guangdong Province with a registered capital of RMB100,000,000. Environmental Company, a subsidiary of the Company, owns 51% equity interest in Suez Environment. The business scope of Suez Environment is environmental technology development and related technical advice. This newly established subsidiary has been included in the consolidated financial statement of the Group this year.
6) For further details of the changes in the scope of consolidation please refer to the note **VI** to the Financial Statements in this announcement.

5.4 The Consolidated Financial Statements and Notes for the Year 2018 of the Company are set out in the Appendix to this Results Preliminary Announcement.

5.5 Results Review

The audit committee of the Company has reviewed and confirmed the financial statements and the annual report of the Company for the year 2018.

5.6 Auditors' Procedures Performed on This Results Preliminary Announcement

The figures in the 2018 Annual Results Preliminary Announcement have been agreed by the Company's auditors, Ernst & Young Hua Ming LLP ("Ernst & Young Hua Ming"), to the amounts set out in the Company's audited consolidated financial statements for the year 2018. The work performed by Ernst & Young Hua Ming in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young Hua Ming on this results preliminary announcement.

VI. Other Matters

6.1 Purchase, Sale or Redemption of Securities

During the Reporting Period, no listed securities of the Company were purchased, sold or redeemed by the Company, any of its subsidiaries or any of its joint ventures.

6.2 Compliance with the Corporate Governance Code

During the Reporting Period, the Company has fully adopted all the code provisions of the "Corporate Governance Code" as set out in Appendix 14 of the Listing Rules and there is no material deviation or breach of the code provisions occurred.

6.3 Compliance with the Model Code

The "Securities Transaction Code" of the Company has been adopted by the Board in accordance with Appendix 10 to the Listing Rules, as written guidelines to regulate dealings in the Company's securities by the Directors, Supervisors and relevant staff. The "Securities Transaction Code" of the Company has incorporated the standards as set out in Appendix 10 to the Listing Rules, and gone beyond such standards to certain extents. After making specific enquiry to all the Directors, Supervisors and senior management, the Company confirms that all the Directors, Supervisors and senior management had complied with the standards for securities transactions as stipulated under the aforesaid code during the Reporting Period.

VII. Definitions

Company	Shenzhen Expressway Company Limited
Group	The Company and its consolidated subsidiaries
Year, Reporting Period, Period, 2018(year)	The year ended 31 December 2018
Reporting Date	The date on which Annual Report 2018 of the Company is approved by the Board, i.e. 22 March 2019
YOY	Year-on-year change rate as compared to the same period of 2017
SSE	The Shanghai Stock Exchange
HKEx	The Stock Exchange of Hong Kong Limited
Listing Rules	The Rules Governing the Listing of Securities on HKEx
CASBE	The Accounting Standards for Business Enterprises (2006) of the PRC and the specific accounting standards as well as relevant provisions issued later
Transport Commission	深圳市交通運輸局 Shenzhen Transportation Bureau
SZCDGC	深圳市特區建設發展集團有限公司(Shenzhen SEZ Construction Development Group Co., Ltd.)
Shenzhen International	Shenzhen International Holdings Limited

Three Projects	Nanguang Expressway, Yanpai Expressway and Yanba Expressway. On November 30, 2015, the Company entered into the Three Expressways Agreement with the Transport Commission
JEL Company	Jade Emperor Limited
Pingan Innovation	深圳市平安創新資本投資有限公司(Shenzhen Pingan Innovation Capital Investment Company Limited)
Yichang Company	湖南益常高速公路開發有限公司(Hunan Yichang Expressway Development Company Limited), a limited liability company incorporated in the PRC, the main business is operation and management of Yichang Expressway
SIHCL	深圳市投資控股有限公司（Shenzhen Investment Holdings Company Limited）
Cargo Organisation Adjustment Project	The entrusted construction project of the highway toll stations and ancillary facilities undertook by the Company due to the implementation of the freight traffic organization adjustment of Shenzhen
XTC Company	新通產實業開發(深圳)有限公司 (Xin Tong Chan Development (Shenzhen) Company Limited)
SZ International Logistics	Shenzhen International Logistics Development Co., Ltd.
Meiguan Company	Shenzhen Meiguan Expressway Company Limited
Jihe East Company	Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited
Qinglian Company	Guangdong Qinglian Highway Development Company Limited
Magerk Company	Hubei Magerk Expressway Management Private Limited
Outer Ring Company	Shenzhen Outer Ring Expressway Investment Company Limited
Mei Wah Company	Mei Wah Industrial (Hong Kong) Limited
Coastal Company	Shenzhen Guangshen Coastal Expressway Investment Company Limited
Qinglong Company	Shenzhen Qinglong Expressway Company Limited
Investment Company	Shenzhen Expressway Investment Company Limited
Guishen Company	Guizhou Guishen Investment Development Company Limited
Guizhou Property	Guizhou Shenzhen Expressway Property Company Limited
Guizhou Yehengda	Guizhou Yehengda Property Company Limited
Guizhou Hengtongli	Guizhou Hengtongli Property Company Limited.
Guizhou Yuelong	Guizhou Yuelong Investment Company Limited.
Guizhou Shengbo	Guizhou Shengbo Land Company Limited
Guizhou Hengfengxin	Guizhou Hengfengxin Property Company Limited.
Guizhou Henghongda	Guizhou Henghongda Property Company Limited.
Industrial Fund Management Company	Shenzhen Expressway(Guangzhou) Industrial Investment Fund Management Co. Ltd.
Vanke	China Vanke Co.,Ltd.
ShenShan Company	Shenzhen Expressway Infrastructure and Environmental Protection Development CO.Ltd
Operation Development Company	Shenzhen Expressway Operation Development Company Limited

Advertising Company	Shenzhen Expressway Advertising Company Limited
Environmental Company	Shenzhen Expressway Environmental Company Limited
Construction Company	Shenzhen Expressway Construction Development Company Limited
United Land Company	Shenzhen International United Land Co., Ltd.
Consulting Company	Shenzhen Expressway Engineering Consulting Company Limited
Guangdong UETC	Guangdong United Electronic Toll Collection Inc.
Bank of Guizhou	Guizhou Bank Corporation Limited
Longli Project Land	The peripheral land of Guilong Project and the Duohua Bridge Project were successfully bid by the Group. As at the end of the Reporting Period, the Group has won the bids for the land of Longli Project with an area of approximately 2,890 mu, including 2,655 mu for Guilong Project land and 235 mu for the Duohua Bridge Project land.
Guilong Development Project	The proprietary secondary development project with an area of over 1,000 mu, conducted by the Group on Guilong Project, which has been approved by the Board.
Houmen Comprehensive Resettlement Building Project	The management of the construction project of Houmen Comprehensive Resettlement Building of Shenshan Special Cooperation Zone undertaken by the Group
Duohua Bridge	A road construction project from Jichang Village to Duohua Village in Longli County undertaken by Guishen Company by BT model. The major word of the project is Duohua Bridge
CCCC Second Highway	CCCC Second Highway Engineering Co.,Ltd.
Meilin Checkpoint Urban Renewal Project	Shenzhen Longhua New Area Mingzhi Office Meilin Checkpoint Urban Renewal Project, the entity which carried out the project is United Land Company and area of the land is approximately 96,000 square meters
Water Planning Company	深圳市水務規劃設計院有限公司(Shenzhen Water Planning & Design Institute Company Limited)
Derun Environment	Chongqing Derun Environment Company Limited
Water Asset	重慶市水務資產經營有限公司 (Chongqing Water Asset Management Company Limited)
Chongqing Water	重慶水務集團股份有限公司(Chongqing Water Group Company Limited), a company listed on the Shanghai Stock Exchange, stock code: 601158
Sanfeng Enviroment	重慶三峰環境集團股份有限公司(Chongqing San Feng Environmental Industrial Group Co., Ltd.)
Suez Group	Suez Group, France
SITA Asia	SITA Asia Pacific Limited
Nanjing Wind Power	南京風電科技有限公司 (Nanjing Wind Power Technology(NJWP) Co., Ltd.)
One Apartment	深圳市深高速壹家公寓管理有限公司 (Shenzhen Expressway One Apartment Management Co., Ltd.)

BIM	建築信息模型(Building Information Modelling), which is a model equipped with a complete and realistic construction database by building a virtual three-dimensional construction model and using digitisation technology. It is a digitized tool applied to engineering design, construction and management. Through the integration of digitization and information for construction models, sharing and transmission of information are made possible throughout the whole life cycle of project planning, operation and maintenance, which allows engineering personnel to accurately understand and efficiently respond to different construction information. It also lays a foundation for collaborations between design teams and all construction entities, including construction and operation units. Meanwhile, the model plays a key role in enhancing productivity, saving costs and shortening construction periods
PPP (mode)	Public-Private-Partnership mode, refer to a partnership on the basis of concession agreement for the construction of urban infrastructure projects or the provision of public goods and services between the government and private organizations. PPP mode ultimately makes both parties of the cooperation get more favorable results than those who act alone expected, by signing the contract to define the rights and obligations of both parties, to ensure the smooth completion of cooperation
Green Passage Toll Free Policy	The policy to waive the toll fees for the vehicles used for legal transportation of fresh agricultural products. Since December 2010. Such policy must be implemented in all expressway projects in PRC. In order to strengthen the supervision on transportation of livestock, the State Council issued a notice on 24 October 2018. From the date of issuing such notice, vehicles transporting livestock would cease to enjoy the Green Passage Toll Free Policy for the transportation of fresh agricultural products.
Standardisation Scheme	The scheme that toll fees of the expressways in Guangdong Province, starting from 1 June 2012, be standardised based on the unified toll rate, toll coefficient, calculating method for ramps and rounding principles, and include subsequent adjustment made for the increase of the toll fees as a result of the implementation of aforesaid scheme
Toll Free Scheme on Holidays	The policy that the toll fees of toll highways for passenger cars with seven seats or less be waived during the periods of four national holidays, i.e. Spring Festival, Tomb Sweeping Day, Labor Day and National Day, and their consecutive days off. Such policy has been implemented in PRC since the second half of 2012
BOT (model)	Build-Operate-Transfer model, refer to the infrastructure model of investment, construction and operation. On premised on an agreement between the government and the private sector, the government issues a franchise to the private sector to allow it to raise funds for a certain period of time to build an infrastructure ,manage and operate the facility and its corresponding products and services
EPC (model)	Engineering Procurement Construction model means the Company is entrusted by the owner to carry out the whole process or several stages of contracting for the design, procurement, construction, and trial operation of a construction project in accordance with the contract. Usually, the company is responsible for the quality, safety, cost and schedule of the contracted project under the conditions of the total price contract
Coastal Freight Compensation Scheme	The scheme that all types of freight cars passing through the Coastal Project will be charged 50% of the normal toll fees standard from 1 March 2018 to 31 December 2020, and Shenzhen Transport Commission compensates to Coastal Company for RMB302 million

Coastal Project	The section from Nanshan, Shenzhen to Dongbao River (the boundary between Dongguan and Shenzhen) (Coastal Expressway(Shenzhen Section)) of the costal expressway from Guangzhou to Shenzhen (Coastal Expressway). Among which, the project of main line of Coastal Expressway (Shenzhen Section) and facilities referred to as Coastal Phase I, and the project of the ramp bridge of airport interchange of Coastal Expressway (Shenzhen Section) and facilities referred to as Coastal Phase II
PRC	The People's Republic of China excluding, for the purpose of this report, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan

Note: *For definitions of the relevant highways/projects of the Company, please refer to Company's website at http://www.sz-expressway.com under the section of "Company Business".*

By Order of the Board
Hu Wei
Chairman

Shenzhen, PRC, 22 March 2019

As at the date of this announcement, the Directors of the Company are Mr. HU Wei (Executive Director and Chairman of the Board), Mr. LIAO Xiang Wen (Executive Director and President), Mr. WEN Liang (Executive Director), Ms. CHEN Yan (Non-executive Director), Mr. FAN Zhi Yong (Non-executive Director), Mr. CHEN Yuan Jun (Non-executive Director), Mr. CHEN Kai (Non-executive Director), Mr. CAI Shu Guang (Independent non-executive Director), Mr. WAN Siu Wah Wilson (Independent non-executive Director), Ms. CHEN Xiao Lu (Independent non-executive Director) and Mr. BAI Hua (Independent non-executive Director).

This results preliminary announcement, which has been published on the website of HKEx at http://www.hkexnews.com.hk, only gives a summary of the information and particulars contained in the full "Annual Report 2018" of the Company. The "Annual Report 2018" of the Company containing all the information to accompany annual report required under Appendix 16 to the Listing Rules will be subsequently published on the website of HKEx in due course.

Appendix:

SHENZHEN EXPRESSWAY COMPANY LIMITED

Consolidated Financial Statements (including notes)

For the Year ended 31 December 2018

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Note: The part marked with * in the notes to the financial statements is the new or more detailed disclosure in compliance with the Hong Kong Companies Ordinance and the Listing Rules of the Hong Kong Stock Exchange.

Shenzhen Expressway Company Limited

Consolidated Statement of Financial Position

2018 **RMB**

Item	**Notes**	**31 December 2018**	**31 December 2017**
			(Restated)
Current assets			
Cash at banks and on hand	V.1	4,226,691,084.07	4,259,695,462.26
Transactional financial assets	V.2	45,103,194.00	-
Accounts receivable	V.3	174,639,116.34	223,338,953.78
Prepayments	V.4	166,448,063.98	311,971,758.93
Other receivables	V.5	1,580,256,204.51	41,705,480.17
Inventories	V.6	588,939,198.83	599,518,473.40
Held-for-sale assets	V.7	296,640,634.06	-
Contract assets	V.8	166,842,230.65	-
Current portion of non-current assets	V.9	22,548,751.19	79,908,301.90
Other current assets	V.10	264,155,141.70	39,366,991.50
Total current assets		**7,532,263,619.33**	**5,555,505,421.94**
Non-current assets			
Long-term prepayments	V.11	367,160,992.89	326,996,397.88
Long-term receivables	V.12	160,973,492.73	148,506,567.52
Available-for-sale financial assets	V.13	-	106,557,169.78
Other non-current financial assets	V.14	180,438,820.00	-
Long-term equity investments	V.15	7,859,108,497.62	9,064,252,280.91
Investment properties	V.16	12,374,883.60	12,950,725.00
Fixed assets	V.17	840,078,401.28	1,157,135,268.77
Construction in progress	V.18	31,264,050.74	35,823,195.78
Intangible assets	V.19	23,596,233,488.95	27,463,982,268.91
Long-term prepaid expenses		5,962,359.05	5,256,417.00
Deferred tax assets	V.20	172,392,222.04	138,018,930.41
Other non-current assets	V.21	342,599,500.00	-
Total non-current assets		**33,568,586,708.90**	**38,459,479,221.96**
Total assets		**41,100,850,328.23**	**44,014,984,643.90**
Current liabilities			
Short-term borrowings	V.23	117,424,819.20	2,518,256,000.00
Financial liabilities measured at fair value through profit or loss	V.24	-	71,371,857.30
Accounts payable	V.25	714,905,820.77	677,252,834.93
Advances from customers	V.26	-	465,783,878.20
Contract liabilities	V.27	858,712,742.77	-
Employee benefits payable	V.28	221,882,422.16	168,822,032.25
Taxes payable	V.29	1,353,423,918.60	245,819,939.04
Other payables	V.30	2,396,828,896.75	3,074,710,559.87
Current portion of non-current liabilities	V.31	379,135,997.24	1,592,099,621.18
Deferred revenue	V.35	2,796,223.13	2,688,148.48
Total current liabilities		**6,045,110,840.62**	**8,816,804,871.25**
Non-current liabilities			
Long-term borrowings	V.32	8,892,735,993.43	9,497,344,336.98
Bonds payable	V.33	4,632,920,008.39	2,732,092,797.02
Provision	V.34	-	136,780,725.09
Deferred revenue	V.35	439,287,093.37	142,969,543.54
Deferred tax liabilities	V.20	1,422,673,617.86	1,537,614,506.77
Other non-current liabilities	V.36	128,370,047.21	5,361,879,999.98
Total non-current liabilities		**15,515,986,760.26**	**19,408,681,909.38**
Total liabilities		**21,561,097,600.88**	**28,225,486,780.63**
Owners' equity			
Share capital	V.37	2,180,770,326.00	2,180,770,326.00
Capital surplus	V.38	6,219,027,132.41	5,282,994,921.43
Other comprehensive income	V.39	881,375,987.20	887,624,170.50
Surplus reserve	V.40	2,481,665,060.29	2,138,614,923.89
Undistributed profits	V.41	5,624,252,437.38	3,143,006,552.05
Total equity attributable to owners of the Company		17,387,090,943.28	13,633,010,893.87
Minority interests	VII.1(2)	2,152,661,784.07	2,156,486,969.40
Total owners' equity		**19,539,752,727.35**	**15,789,497,863.27**
Total liabilities and owners' equity		**41,100,850,328.23**	**44,014,984,643.90**

The attached notes are an integral part of these financial statements.

Legal representative: Hu Wei Chief financial officer: Zhao Guiping Head of accounting department(Account officer)）: Luo Chaoyun

Shenzhen Expressway Company Limited
Consolidated Statement of Financial Position
2018 **RMB**

Item	Notes	31 December 2018	31 December 2017
Current assets			
Cash at banks and on hand		1,222,994,093.07	676,471,526.41
Transactional financial assets		45,103,194.00	-
Accounts receivable	XV.1	21,331,105.99	111,130,176.03
Prepayments		23,773,795.01	9,530,649.12
Other receivables	XV.2	2,479,355,358.90	369,260,529.15
Inventories		1,843,919.52	1,552,959.68
Contract assets		118,201,711.53	-
Total current assets		**3,912,603,178.02**	**1,167,945,840.39**
Non-current assets			
Long-term prepayments		-	3,329,760.00
Long-term receivables		3,890,963,143.15	2,890,825,463.77
Long-term equity investments	XV.3	14,667,348,245.71	14,468,685,388.32
Available-for-sale financial assets		-	106,557,169.78
Other non-current financial assets		180,438,820.00	-
Investment properties		12,374,883.60	12,950,725.00
Fixed assets		139,593,056.31	388,079,131.68
Construction in progress		877,667.43	7,434,768.47
Intangible assets		254,160,514.28	3,883,256,173.82
Long-term prepaid expenses		973,111.15	1,396,847.18
Deferred tax assets		62,934,792.94	61,832,801.24
Other non-current assets		-	1,472,000,000.00
Total non-current assets		**19,209,664,234.57**	**23,296,348,229.26**
Total assets		**23,122,267,412.59**	**24,464,294,069.65**
Current liabilities			
Short-term borrowings		-	1,570,000,000.00
Financial liabilities measured at fair value through profit or loss		-	71,371,857.30
Accounts payable		20,223,942.78	20,316,068.70
Advances from customers		-	19,378,599.38
Employee benefits payable		88,250,867.34	87,189,369.23
Taxes payable		986,619,918.16	44,141,456.88
Other payables		1,485,329,854.15	1,228,469,808.37
Current portion of non-current liabilities		44,454,545.45	1,400,174,552.51
Total current liabilities		**2,624,879,127.88**	**4,441,041,712.37**
Non-current liabilities			
Long-term borrowings		823,000,000.00	839,954,545.45
Bonds payable		4,632,920,008.39	2,732,092,797.02
Provisions		-	136,780,725.09
Deferred income		312,144,931.35	-
Other non-current liabilities		-	5,361,879,999.98
Total non-current liabilities		**5,768,064,939.74**	**9,070,708,067.54**
Total liabilities		**8,392,944,067.62**	**13,511,749,779.91**
Owners' equity			
Share capital	V.37	2,180,770,326.00	2,180,770,326.00
Capital surplus		3,279,942,664.85	2,329,774,011.94
Other comprehensive income	V.15(3)	1,946,181.99	-6,429,331.48
Surplus reserve	V.40	2,481,665,060.29	2,138,614,923.89
Undistributed profits		6,784,999,111.84	4,309,814,359.39
Total owners' equity		**14,729,323,344.97**	**10,952,544,289.74**
Total liabilities and owners' equity		**23,122,267,412.59**	**24,464,294,069.65**

The attached notes are an integral part of these financial statements.

Shenzhen Expressway Company Limited

Consolidated Statement of Financial Position

2018 **RMB**

Item	Notes	For the year ended 31 December 2018	For the year ended 31 December 2017
			(Restated)
1.Total revenue		5,807,108,031.78	5,210,398,467.52
Including: Revenue from services	V.42	5,807,108,031.78	5,210,398,467.52
2.Total costs		4,191,786,442.72	3,698,567,192.78
Including: Cost of services	V.42	2,858,211,931.76	2,710,789,348.81
Taxes and surcharges	V.43	49,742,097.47	41,215,936.14
Selling expenses		19,417,328.93	20,133,559.95
General and administrative expenses	V.44	209,644,932.04	183,667,287.22
Financial expenses	V.45	1,055,006,036.68	742,311,060.66
Including: Interest expense		985,524,012.93	893,588,941.86
Interest income		76,511,408.47	39,642,756.25
Impairment loss on assets		-	450,000.00
Impairment loss on credit (reverse shown with“-”)		-235,884.16	-
Add: Other income	V.46	139,095.35	168,111.89
Add: Investment income	V.47	555,594,384.15	528,851,330.97
Including: Share of profits of associates and joint ventures	V.15	520,956,388.49	489,216,110.92
Gain or loss from changes in fair value (loss shown with“-”)	V.48	134,403,871.30	-146,363,175.07
Gains or loss on disposal of assets (loss shown with“-”)	V.49	2,227,126,379.18	-18,724,750.11
3.Operating profits		4,532,585,319.04	1,875,762,792.42
Add: Non-operating income	V.50	17,432,390.89	11,224,651.20
Less: Non-operating expenses	V.51	4,840,143.38	3,910,278.07
4.Total profit		4,545,177,566.55	1,883,077,165.55
Less: Income tax expenses	V.53	966,446,984.07	379,490,128.02
5.Net profit		3,578,730,582.48	1,503,587,037.53
(1) Classified by business continuity			
Net profit from continuing operations		3,578,730,582.48	1,503,587,037.53
(2) Classified by ownership			
Net profit attributable to owners of the Company		3,440,050,607.33	1,383,988,489.41
Minority interests	七.1(2)	138,679,975.15	119,598,548.12
6.Other comprehensive income after tax (loss shown with“-”)		-6,248,183.30	-6,877,020.80
Other comprehensive income after tax attributable to owners of the company		-6,248,183.30	-6,877,020.80
Items that may be reclassified subsequently to profit or loss		-6,248,183.30	-6,877,020.80
Including: Foreign exchange gain/loss		2,493,305.25	-2,051,685.00
Share of other comprehensive income from investees accounted for the equity method to be reclassified to profit or loss in the subsequent year	V.39	-8,741,488.55	-4,825,335.80
7.Total comprehensive income		3,572,482,399.18	1,496,710,016.73
Total comprehensive income attributable to owners of the company		3,433,802,424.03	1,377,111,468.61
Total comprehensive income attributable to minority interests		138,679,975.15	119,598,548.12
8.Earnings per share			
Basic earnings per share (RMB/share)	V.58(1)	1.577	0.635
Diluted earnings per share (RMB/share)	V.58(1)	1.577	0.635

The attached notes are an integral part of these financial statements.

Shenzhen Expressway Company Limited
Consolidated Statement of Financial Position
2018 **RMB**

Item	Notes	2018	2017
1. Total revenue	XV.4	1,554,640,393.63	1,462,330,626.71
Less: Cost of services	XV.4	395,357,520.94	553,909,512.10
Tax and surcharges		9,343,049.45	10,487,638.85
General and administrative expenses		149,915,240.55	138,636,821.69
Financial expenses		447,763,608.09	265,279,474.18
Including：Interest expenses		408,013,267.33	104,541,037.21
Interest income		82,606,674.75	14,382,067.33
Add: Investment income		1,358,091,368.31	810,917,240.70
Including: Share of profits of associates and joint ventures		358,844,701.61	363,258,608.91
Add: Gain or loss from changes in fair value (loss shown with“-”)		134,403,871.30	-146,363,175.07
Gains or loss on disposal of assets		1,983,369,381.61	273,101.94
2.Operating profit		4,028,125,595.82	1,158,844,347.46
Add: Non-operating income		1,481,804.02	6,792,597.14
Less: Non-operating expenses		1,210,382.61	1,291,878.88
3.Total profit		4,028,397,017.23	1,164,345,065.72
Less: Income tax expenses		597,895,653.24	90,280,154.90
4. Net profit		3,430,501,363.99	1,074,064,910.82
Net profit from continuing operations		3,430,501,363.99	1,074,064,910.82
5. Other comprehensive income (loss shown with“-”)		8,375,513.47	-6,429,331.48
Items that may be reclassified subsequently to profit or loss		8,375,513.47	-6,429,331.48
Share of other comprehensive income from investees accounted for the equity method to be reclassified to profit or loss in the subsequent year	V.15(3)	8,375,513.47	-6,429,331.48
6. Total comprehensive income		3,438,876,877.46	1,067,635,579.34

The attached notes are an integral part of these financial statements.

Shenzhen Expressway Company Limited

Consolidated Statement of Cash Flows

2018 **RMB**

Item	Notes	2018	2017
			(Restated)
1.Cash flows from operating activities:			
Cash received from selling goods and rendering services		5,677,577,695.35	4,992,198,558.80
Refund of taxes		3,313,281.58	-
Cash received relating to other operating activities	V.54(1)	102,414,183.79	97,010,107.15
Sub-total of cash inflows		5,783,305,160.72	5,089,208,665.95
Cash paid for goods and services		575,402,355.62	438,890,389.06
Cash paid to and on behalf of employees		599,212,936.31	513,295,366.05
Payments of taxes and surcharges		679,914,315.81	697,658,692.50
Cash paid relating to other operating activities	V.54(2)	706,546,970.36	464,138,990.59
Sub-total of cash outflows		2,561,076,578.10	2,113,983,438.20
Net cash flows from operating activities	V.56(1)	3,222,228,582.62	2,975,225,227.75
2.Cash flows from investing activities:			
Cash received from recovery of investments		1,617,000,000.00	11,058,312.73
Cash received from returns on investments		355,654,290.54	353,716,940.61
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		107,705,376.17	27,278,045.94
Net cash received from disposal of subsidiaries and other business units	V.54(3)	180,820,430.08	-
Cash received relating to other investing activities	V.54(4)	1,122,033,807.93	2,014,325,710.63
Sub-total of cash inflows		3,383,213,904.72	2,406,379,009.91
Cash paid to acquire fixed assets, intangible assets and other long-term assets		1,109,552,303.57	969,981,177.97
Net cash paid to acquire subsidiaries and other business units	V.54(5)	57,500,000.00	5,584,775,548.12
Cash paid relating to other investing activities	V.54(6)	1,258,222,104.60	1,406,000,000.00
Sub-total of cash outflows		2,425,274,408.17	7,960,756,726.09
Net cash flows from investing activities		957,939,496.55	-5,554,377,716.18
3.Cash flows from financing activities:			
Cash received from investments		4,000,000.00	-
Cash received from borrowings		5,252,122,300.05	5,522,172,705.99
Sub-total of cash inflows		5,256,122,300.05	5,522,172,705.99
Cash repayments of borrowings		7,284,061,843.30	2,248,682,448.69
Cash payments for interest expenses and distribution of dividends or profits		1,374,475,173.61	1,415,907,990.87
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		84,721,229.30	144,600,742.17
Cash payments relating to other financing activities	V.54(7)	81,487,461.49	1,858,195,911.76
Sub-total of cash outflows		8,740,024,478.40	5,522,786,351.32
Net cash flows from financing activities		-3,483,902,178.35	-613,645.33
4.Effect of foreign exchange rate changes on cash and cash equivalents		7,206.26	148,741.70
5.Net increase /(decrease) in cash and cash equivalents	V.56(1).2	696,273,107.08	-2,579,617,392.06
Add: Cash and cash equivalents at beginning of the year		1,884,570,222.49	4,464,187,614.55
6.Cash and cash equivalents at end of the year	V.56(1).2	**2,580,843,329.57**	**1,884,570,222.49**

The attached notes are an integral part of these financial statements.

Shenzhen Expressway Company Limited
Company Statement of Cash Flows
2018 **RMB**

Item	Notes	2018	2017
1.Cash flows from operating activities:			
Cash received from selling goods and rendering services		751,154,093.48	793,802,614.51
Cash received relating to other operating activities		1,050,958,559.32	1,843,879,283.52
Sub-total of cash inflows		1,802,112,652.80	2,637,681,898.03
Cash paid for goods and services		155,830,019.48	102,474,067.51
Cash paid to and on behalf of employees		203,426,577.06	226,816,070.43
Payments of taxes and surcharges		142,776,273.48	165,236,430.25
Cash paid relating to other operating activities		410,335,440.14	491,065,857.19
Sub-total of cash outflows		912,368,310.16	985,592,425.38
Net cash flows from operating activities		889,744,342.64	1,652,089,472.65
2.Cash flows from investing activities:			
Cash received from recovery of investments		1,671,979,827.76	50,408,647.38
Cash received from returns on investments		321,022,394.58	402,931,484.62
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		87,481,821.35	273,101.94
Cash received relating to other investing activities		737,340,089.38	3,183,461,161.53
Sub-total of cash inflows		2,817,824,133.07	3,637,074,395.47
Cash paid to acquire fixed assets, intangible assets and other long-term assets		21,140,438.31	12,894,986.41
Net cash paid to acquire subsidiaries and other business units		72,100,000.00	6,822,127,800.00
Cash paid relating to other investing activities		1,562,976,500.00	1,401,000,000.00
Sub-total of cash outflows		1,656,216,938.31	8,236,022,786.41
Net cash flows from investing activities		1,161,607,194.76	-4,598,948,390.94
3.Cash flows from financing activities:			
Cash received from borrowings		3,350,589,196.51	3,420,000,000.00
Cash received relating to other financing activities		16,000,000.00	-
Sub-total of cash inflows		3,366,589,196.51	3,420,000,000.00
Cash repayments of borrowings		3,918,734,319.04	2,000,000,000.00
Cash payments for interest expenses and distribution of dividends or profits		892,498,706.42	717,321,146.78
Cash payments relating to other financing activities		35,990,292.59	14,726,908.69
Sub-total of cash outflows		4,847,223,318.05	2,732,048,055.47
Net cash flows from financing activities		-1,480,634,121.54	687,951,944.53
4.Effect of foreign exchange rate changes on cash and cash equivalents		-2,968.51	-932,005.64
5.Net increase /(decrease) in cash and cash equivalents		570,714,447.35	-2,259,838,979.40
Add: Cash and cash equivalents at beginning of the year		621,727,474.29	2,881,566,453.69
6.Cash and cash equivalents at end of the year		**1,192,441,921.64**	**621,727,474.29**

The attached notes are an integral part of these financial statements.

2018

Item	Attributable to owners of the Company						Minority interests	Total owners' equity
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Sub total		
1. Ending balance on 31 December 2017	2,180,770,326.00	2,154,994,921.43	887,624,170.50	2,138,614,923.89	6,256,075,328.76	13,618,079,670.58	2,156,486,969.40	15,774,566,639.98
Add: Business combination under common control	-	3,128,000,000.00	-	-	-3,113,068,776.71	14,931,223.29	-	14,931,223.29
Sub-total	2,180,770,326.00	5,282,994,921.43	887,624,170.50	2,138,614,923.89	3,143,006,552.05	13,633,010,893.87	2,156,486,969.40	15,789,497,863.27
Add: Changes of accounting policy （Note.III.34）	-	-	-	-	38,476,512.20	38,476,512.20	-1,494,904.48	36,981,607.72
2.Beginning balance on 1 January 2018	2,180,770,326.00	5,282,994,921.43	887,624,170.50	2,138,614,923.89	3,181,483,064.25	13,671,487,406.07	2,154,992,064.92	15,826,479,470.99
3.Increases/decreases during the year ("-" for decreases)	-	936,032,210.98	-6,248,183.30	343,050,136.40	2,442,769,373.13	3,715,603,537.21	-2,330,280.85	3,713,273,256.36
(1) Total comprehensive income	-	-	-6,248,183.30	-	3,440,050,607.33	3,433,802,424.03	138,679,975.15	3,572,482,399.18
Net profit	-	-	-	-	3,440,050,607.33	3,440,050,607.33	138,679,975.15	3,578,730,582.48
Other comprehensive income	-	-	-6,248,183.30	-	-	-6,248,183.30	-	-6,248,183.30
(2) Withdrawal or transfer of investment by shareholders	-	-	-	-	-	-	-48,823,756.08	-48,823,756.08
Withdrawal of investment by shareholders	-	-	-	-	-	-	-48,823,756.08	-48,823,756.08
(3) Profit distribution (Note V.41)	-	-	-	343,050,136.40	-997,281,234.20	-654,231,097.80	-92,186,499.92	-746,417,597.72
Appropriation to surplus reserves	-	-	-	343,050,136.40	-343,050,136.40	-	-	-
Profit distribution to equity owners	-	-	-	-	-654,231,097.80	-654,231,097.80	-92,186,499.92	-746,417,597.72
(4) Others	-	936,032,210.98	-	-	-	936,032,210.98	-	936,032,210.98
4. Ending balance on 31 December 2018	2,180,770,326.00	6,219,027,132.41	881,375,987.20	2,481,665,060.29	5,624,252,437.38	17,387,090,943.28	2,152,661,784.07	19,539,752,727.35

The attached notes are an integral part of these financial statements.

Shenzhen Expressway Company Limited
Consolidated Statement of Financial Position
2018 **RMB**

2017

Item	Attributable to owners of the Company						Minority interests	Total owners' equity
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Sub total		
1. Ending balance on 31 December 2016	2,180,770,326.00	2,151,147,518.61	894,501,191.30	2,031,208,432.81	5,416,848,490.55	12,674,475,959.27	2,036,879,140.31	14,711,355,099.58
Add: Business combination under common control	-	4,600,000,000.00	-	-	-3,070,654,465.11	1,529,345,534.89	-	1,529,345,534.89
Sub-total	2,180,770,326.00	6,751,147,518.61	894,501,191.30	2,031,208,432.81	2,346,194,025.44	14,203,821,494.16	2,036,879,140.31	16,240,700,634.47
Add: Changes of accounting policy	-	-1,468,152,597.18	-6,877,020.80	107,406,491.08	796,812,526.61	-570,810,600.29	119,607,829.09	-451,202,771.20
2.Beginning balance on 1 January 2018	-	-	-6,877,020.80	-	1,383,988,489.41	1,377,111,468.61	119,598,548.12	1,496,710,016.73
3.Increases/decreases during the year ("-" for decreases)	-	-	-	-	1,383,988,489.41	1,383,988,489.41	119,598,548.12	1,503,587,037.53
(1) Total comprehensive income	-	-	-6,877,020.80	-	-	-6,877,020.80	-	-6,877,020.80
Net profit	-	-	-	-	-	-	-37,807,184.28	-37,807,184.28
Other comprehensive income	-	-	-	-	-	-	-37,807,184.28	-37,807,184.28
(2) Withdrawal or transfer of investment by shareholders	-	-	-	107,406,491.08	-587,175,962.80	-479,769,471.72	-144,600,742.17	-624,370,213.89
Withdrawal of investment by shareholders	-	-	-	107,406,491.08	-107,406,491.08	-	-	-
(3) Profit distribution	-	-	-	-	-479,769,471.72	-479,769,471.72	-144,600,742.17	-624,370,213.89
Appropriation to surplus reserves	-	-	-	-	-	-	182,417,207.42	182,417,207.42
Profit distribution to equity owners	-	-1,472,000,000.00	-	-	-	-1,472,000,000.00	-	-1,472,000,000.00
(4) Others	-	3,847,402.82	-	-	-	3,847,402.82	-	3,847,402.82
4. Ending balance on 31 December 2017	2,180,770,326.00	5,282,994,921.43	887,624,170.50	2,138,614,923.89	3,143,006,552.05	13,633,010,893.87	2,156,486,969.40	15,789,497,863.27

The attached notes are an integral part of these financial statements.

Shenzhen Expressway Company Limited
Company Statement of Financial Position
2018 **RMB**

2018

Item	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Total owner's equity
1.Ending balance on 31 December 2017	2,180,770,326.00	2,329,774,011.94	-6,429,331.48	2,138,614,923.89	4,309,814,359.39	10,952,544,289.74
Add: Changes of accounting policy（Note.Ⅲ.34）	-	-	-	-	41,964,622.66	41,964,622.66
2.Beginning balance on 1 January 2018	2,180,770,326.00	2,329,774,011.94	-6,429,331.48	2,138,614,923.89	4,351,778,982.05	10,994,508,912.40
3.Increases/decreases during the period ("-" for decreases)	-	950,168,652.91	8,375,513.47	343,050,136.40	2,433,220,129.79	3,734,814,432.57
(1) Total comprehensive income	-	-	8,375,513.47	-	3,430,501,363.99	3,438,876,877.46
Net profit	-	-	-	-	3,430,501,363.99	3,430,501,363.99
Other comprehensive income	-	-	8,375,513.47	-	-	8,375,513.47
(2) Profit distribution (Note V.41)	-	-	-	343,050,136.40	-997,281,234.20	-654,231,097.80
Appropriation to surplus reserves	-	-	-	343,050,136.40	-343,050,136.40	-
Profit distribution to equity owners	-	-	-	-	-654,231,097.80	-654,231,097.80
(3) Business combination under common control	-	15,939,407.88	-	-	-	15,939,407.88
(4) Others	-	934,229,245.03	-	-	-	934,229,245.03
4. Ending balance on 31 December 2018	2,180,770,326.00	3,279,942,664.85	1,946,181.99	2,481,665,060.29	6,784,999,111.84	14,729,323,344.97

2017

Item	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Total owner's equity
1.Ending balance on 31 December 2016	2,180,770,326.00	2,313,308,096.42	-	2,031,208,432.81	3,822,925,411.37	10,348,212,266.60
2. Movements during the year ended 31 December 2017	-	16,465,915.52	-6,429,331.48	107,406,491.08	486,888,948.02	604,332,023.14
(1) Total comprehensive income	-	-	-6,429,331.48	-	1,074,064,910.82	1,067,635,579.34
Net profit	-	-	-	-	1,074,064,910.82	1,074,064,910.82
Other comprehensive income	-	-	-6,429,331.48	-	-	-6,429,331.48
(2) Profit distribution	-	-	-	107,406,491.08	-587,175,962.80	-479,769,471.72
Appropriation to surplus reserves	-	-	-	107,406,491.08	-107,406,491.08	-
Profit distribution to equity owners	-	-	-	-	-479,769,471.72	-479,769,471.72
(3) Others	-	16,465,915.52	-	-	-	16,465,915.52
3. Ending balance on 31 December 2017	2,180,770,326.00	2,329,774,011.94	-6,429,331.48	2,138,614,923.89	4,309,814,359.39	10,952,544,289.74

The attached notes are an integral part of these financial statements.

I. General information

1. General information of the Company

Shenzhen Expressway Company Limited (the "Company") was established as a joint stock limited company in Guangdong Province, the People's Republic of China (the "PRC") on 30 December 1996. The Company has its H shares and A shares listed on the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange of the PRC, respectively. The address of its registered office is Fumin Toll Station, Fucheng Subdistrict, Longhua District, Shenzhen, the PRC. The head office of the Company is located at 2-4/F, Jiangsu Building, Yitian Road, Futian District, Shenzhen, the PRC.

The principal activities of the Company and its subsidiaries (collectively the "Group") are the construction, operation, management and investment of toll highways and expressways in the PRC.

Shenzhen International Holdings Limited ("Shenzhen International") is the parent company of the Company. The State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipality ("Shenzhen SASAC") is the ultimate controlling company of the Company.

These financial statements have been approved for issue by the Company's Board of Directors on 22 March 2019.

The consolidation scope of the financial statements is determined on the basis of control. The detailed information of changes in the scope of consolidation is included in Note VI.

II. The basis of preparation of the financial statements

The financial statements have been prepared in accordance with the Basic Standards and the Specific Standards of the Accounting Standards for Business Enterprises ("ASBEs") issued by the Ministry of Finance, and Application Guidance for ASBEs, interpretations and other relevant regulations issued and revised thereafter (hereafter referred to as "CAS"). In addition, the financial statements have been prepared disclosed in accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and regulations of the Hong Kong Company Ordinance.

The financial statements have been prepared on a going concern basis.

Except for certain financial instruments, the financial statements have been prepared using historical cost as the principle of measurement. A disposal group classified as held for sale is reported at the lower of the book value and the net amount of the fair value less the cost of the sale. Where assets are impaired, provisions for asset impairment are made in accordance with the relevant requirements.

III. Summary of significant accounting policies and accounting estimates

The Group adopts specific accounting policies and makes accounting estimates according to the characteristics of its business operations. The focus of the accounting policies and accounting is the criteria for determining impairment of non-current assets (Note III.20), depreciation policy for fixed assets and amortization policy for intangible assets (Note III.16 and 19), measurement of provisions (Note III.23), revenue recognition (Note III.24) and recognition of deferred income tax assets (Note III.28), etc.

Key judgments and estimates applied for critical accounting policies by the Group are disclosed in Note III.33.

1. Statement of compliance with Accounting Standards for Business Enterprises

In compliance with the Chinese Accounting Standards, the financial statements truly and completely present the consolidated and the Company's financial position on 31 December 2018 and the operating results, cash flows and other information for the year ended 31 December 2018 of the Group and the Company.

2. Accounting period

The accounting period started on 1 January 2018 and ended on 31 December 2018.

3. Normal operating cycle

Except for the real estate business and construction business, the operating cycle of the Group's business is relatively short. The classification standard of asset and liability's liquidity is 12 months. The operating cycle of real estate business is generally being longer than 12 months, starting from the commencement of property development to the collection of sales proceeds. The length of the specific operating cycle, which is used as the classification criterion of the liquidity of assets and liabilities in this business, depends on the development project. The operating cycle of the construction business is generally being longer than 12 months, starting from the commencement of construction project to completion settlement. The length of the specific operating cycle, which is used as the classification criterion of the liquidity of assets and liabilities in this business, depends on the development project.

4. Functional currency

The Company adopts Renminbi ("RMB") as its functional currency for preparing its financial statements except that Fameluxe Investment Company Limited ("Fameluxe Investment") adopts the Hong Kong dollar ("HKD") as its functional currency. The financial statements are denominated in RMB unless there is any special circumstance.

5. Business combinations

Business combinations are classified into business combinations involving entities under common control and business combinations not involving entities under common control.

The accounting treatment of business combinations involving enterprises under common control
A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination involving entities under common control, the party that, on the combination date, obtains control of another entity participating in the combination is the merging party, the other combining enterprise(s) is(are) the merged party(parties). The combination date is the date on which the merging party actually obtains control of the merged party(parties). Assets and liabilities (including goodwill arising from the acquisition of the merged party by the ultimate controlling party) obtained by the merging party in a business combination shall be measured at their carrying amounts at the date of combination as recorded by the ultimate controlling party. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to share premium under capital surplus. If the capital surplus is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

III. Summary of significant accounting policies and accounting estimates (continued)

5. Business combinations (continued)

The accounting treatment of business combinations involving enterprises not under common control

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. In a business combination not involving enterprises under common control, the party which obtains control of other combining enterprise(s) on the combination date is the acquirer, the other combining enterprise(s) is(are) the acquiree(s). The combination date is the date on which the acquirer actually obtains control of the acquiree(s).

The acquiree's identifiable assets, liabilities and contingent liabilities acquired by the acquirer in a business combination not involving enterprises under common control that meet the recognition criteria shall be measured at fair value at the acquisition date.

Where the fair value of combination consideration (or the fair value of issued equity securities) and the fair value of the equity interest held in the acquiree prior to the acquisition date exceed the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill, which is subsequently measured at cost less accumulated impairment losses. Where the fair value of combination consideration (or the fair value of issued equity securities) and the fair value of the equity interest held in the acquiree prior to the acquisition date are less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the fair value of combination consideration (or the fair value of issued equity securities) and the fair value of the equity interest held in the acquiree prior to the acquisition date. If the fair value of combination consideration (or the fair value of issued equity securities) and the fair value of the equity interest held in the acquiree prior to the acquisition date are still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets after the reassessment, the acquirer recognizes the difference immediately in profit or loss for the current period.

For a business combination realized by two or more transactions of exchange, the long-term equity investments held before the acquisition date is remeasured at the fair value on the acquisition date and any resulting gain or loss is recognized in investment income of the current year. For the other comprehensive income generated under the equity method from the long-term equity investment which is already held before the acquisition date, the same accounting treatment as the investee directly disposes of the related assets and liabilities, should be used, and changes in owners' equity of the investee other than net profit or loss, other comprehensive income and profits distribution are recognized in profit or loss when the investments are disposed of. For other equity instrument investments of the acquiree held before the purchase date, the equity instrument investment is transferred to retained earnings before the acquisition date.

6. Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. A subsidiary is an entity (including an entity, a separable part of an investee, and the structural entities controlled by the Company) which is under the control of the Company.

The accounting policies and accounting periods of the Company and subsidiaries are consistent in the preparation of the consolidated financial statements. All assets, liabilities, equity, income, expenses and cash flows arising from intra-group transactions are eliminated on consolidation.

When the amount of loss for the period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount is still charged against non-controlling interests.

III. Summary of significant accounting policies and accounting estimates (continued)

6. Preparation of consolidated financial statements (continued)

For a subsidiary that is acquired in a business combination involving enterprises not under common control, the operating results and cash flows of the acquiree shall be consolidated into the consolidated financial statements from the date on which the Group takes control of acquiree to the date on which such control ceases. In the preparation of the consolidated financial statements, the financial statements of the subsidiary are adjusted based on the fair value of the subsidiary's identifiable assets, liabilities or contingent liabilities determined as at the acquisition date.

For a subsidiary that is acquired in a business combination involving enterprises under common control, the operating results and cash flows of the merged party shall be incorporated into the consolidated financial statements at the beginning of the current period. In the preparation of the consolidated financial statements, the relative items of the financial statements of the previous period are treated as if the merged party had been formed under the control of the Group at the very beginning.

If a change in any facts and circumstances gives rise to one or more changes in controlling factors, the Group will reassess whether it controls the investee or not.

Change in non-controlling interests that does not result in the loss of control over the subsidiary is accounted for as an equity transaction.

In the case of package deals, in which the equity investment in the subsidiary is lost through step-by-step disposals and multiple transactions until it loses control, the transaction will be treated as a transaction disposing of the subsidiary and losing control. However, before the loss of control, the difference between the disposal price and the share of the net assets of the subsidiary should be recognized in the consolidated financial statements as other comprehensive income. When the control right is lost, it is transferred to profit or loss of the period of losing control. In the case of disposing of the equity investment in the subsidiary through multiple transactions until the loss of control right, which does not belong to the package deals, a corresponding accounting treatment shall be carried out on whether each transaction division loses the control right. In the case of losing control, the remaining equity shall be remeasured at the fair value on the date of the loss of control. The difference between the consideration obtained by disposing of the equity adding the fair value of the remaining equity and the share of the net assets calculated on the basis of the original shareholding proportion at the purchase date, is recognized in profit or loss for the period of losing control. If there is goodwill for the subsidiary, the amount of the goodwill should be deducted when calculating the gain or loss on the disposal of the subsidiary. Other comprehensive income related to the equity investment of the original subsidiary is treated on the same basis as the subsidiary directly disposes of the relevant assets or liabilities when losing control. The shareholders' equity recognized in the change in other shareholders' equity, other than the net profit or loss, other comprehensive income, and profit distribution of the original subsidiary, should be transferred to profit or loss for the period of losing control.

7. Cash and cash equivalents

Cash comprises the Group's cash on hand and deposits that can be withdrawn on demand at any time. Cash equivalents are the Group's short-term, highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

8. Foreign currency translation

The Group's foreign currency transactions are translated and recorded in the respective functional currencies.

III. Summary of significant accounting policies and accounting estimates (continued)

8. Foreign currency translation (continued)

A foreign currency transaction is recorded in the functional currency on initial recognition, by applying the exchange rate on the date of transaction or applying the average exchange rate through the transaction period. At the end of the reporting period, foreign currency monetary items are translated into the functional currency using the spot exchange rates at the end of the reporting period. Exchange differences arising from the differences between the spot exchange rates prevailing at the end of the reporting period and those on initial recognition or at the end of the previous reporting period are recognized in profit or loss for the period, except that exchange differences that qualify for capitalization related to a specific-purpose borrowing denominated in foreign currency are capitalized as part of the cost of the qualifying asset during the capitalization period. Foreign currency non-monetary items measured at historical cost are re-translated at the spot exchange rate on the date of transaction but the amount of the functional currency is not changed. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Differences between the re-translated functional currency amount and the original functional currency amount are recognized in profit or loss or as other comprehensive income depending on the nature of the non-monetary items.

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the statement of financial position are translated at the spot exchange rate at the end of the reporting period; shareholders' equity items except for retained earnings are translated at the spot exchange rates at the dates on which such items arose; income and expenses in profit or loss are translated at the average exchange rates during the transaction period. The exchange differences arising on translation of financial statements denominated in foreign currencies are recognized as other comprehensive income. For disposals of equity interests in foreign operations, the proportionate share of the accumulated exchange differences arising on translation of financial statements in other comprehensive income of foreign operations is transferred to profit or loss. For partial disposals, the reclassification is determined in proportion to the disposal.

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary are translated at the average exchange rate of the transaction period of cash flows. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the statement of cash flows.

9. Financial instruments (Applicable from 1 January 2018)

Financial instruments refer to contracts that form the financial assets of one company and form the financial liabilities or equity instruments of other companies.

<u>The recognition and derecognition of financial instruments</u>
The Group recognizes a financial asset or financial liability when it becomes a party to a financial instrument contract.

A financial asset (or part of a financial asset, or a portion of a group of similar financial assets) is derecognized and written off from its account and balance sheet, when the following conditions are met:

(1) The right to receive cash flows from financial assets expires;
(2) Transferring the right to receive cash flows from financial assets, or under the "hands-on agreement", the obligation to pay the full amount of cash flows to the third party in full; and (a) substantially transferring the ownership of the financial assets all risks and rewards, or (b) abandoning the control of the financial asset, although it does not substantially transfer or retain almost all of the risks and rewards of ownership of the financial asset.

If the responsibility for a financial liability has been fulfilled or revoked or has expired, the financial liability should be derecognized. If an existing financial liability is replaced by another financial liability of the same creditor on substantially virtually different terms, or if the terms of the existing liability are substantially modified, such replacement or modification is deemed to terminate the recognition of the original liability and to confirm the new disposal of liabilities, the difference is included in the current profit or loss.

The purchases and sales of financial assets in regular ways are recognized and derecognized on a trade date basis. The purchases and sales of financial assets in regular ways refers to the collection or delivery of financial assets within the time limit stipulated by regulations or common practices in accordance with the terms of the contract. The trading day is the date on which the Group commits to buy or sell the financial assets.

III. Summary of significant accounting policies and accounting estimates (continued)

9. Financial instruments (Applicable from 1 January 2018) (continued)

The classification and measurement of financial assets

The financial assets of the Group are classified upon the initial recognition based on the business model of the Group's financial asset management and the characteristics of the financial assets' contractual cash flows: financial assets measured at fair value through profit or loss or financial assets measured at amortized cost. Financial assets are measured at fair value on initial recognition. However, if the accounts receivable or receivable notes arising from selling goods and the provision of services do not include significant financing components or do not consider financing components not exceeding one year, the financial assets shall be initially measured at the transaction price.

For financial assets measured at fair value through profit or loss, the related transaction expense is directly recognized in profit or loss for the current period. The related transaction costs of other types of financial assets are included in their initial recognition amount.

Subsequent measurement of financial assets depends on their classification:

Debt instrument investments measured at amortized cost
Financial assets are classified as financial assets measured at amortized cost if the financial assets meet the following conditions: The Group's business model for managing the financial assets is to collect contractual cash flows; the contractual terms of the financial assets stipulate that cash generated on a specific date. The flow is only the payment of the principal and the interest based on the outstanding principal amount. The effective interest method is used to recognize interest revenue for such financial assets. The gains or losses arising from derecognition, modification or impairment are recognized in profit or loss. Such financial assets mainly include monetary funds, accounts receivable and notes receivable, other receivables, creditor's rights investment and long-term receivables, etc. The Group shall present the creditor's rights investment and long-term receivables that are due within one year as non-current assets that are due within one year as of the date of statement of financial position, and the creditor's rights investment that is due within one year as other current assets.

Financial assets measured at fair value through profit or loss
For financial assets classified as measured at fair value through profit or loss, fair value is used for subsequent measurement, and all changes in fair value are recognized in profit or loss for the current period. Such financial assets shall be presented as transactional financial assets, and shall be presented as other non-current financial assets which are due for more than one year and are expected to be held for more than one year since the date of statement of financial position.

Only when it is possible to eliminate or significantly reduce accounting mismatches, financial assets can only be designated as financial assets at fair value through profit or loss.

Once the Company initially designates a financial asset as a financial asset measured at fair value through profit or loss, it cannot be reclassified to other financial assets; other financial assets cannot be reclassified to financial assets measured at fair value through profit or loss after initial recognition.

Under the above conditions, such financial assets designated by the Group consist mainly of transactional financial assets (Note V.2) and other non-current financial assets (Note V.14).

Only if the Group changes its business model for managing financial assets, all affected financial assets can be reclassified.

III. Summary of significant accounting policies and accounting estimates (continued)

9. Financial instruments (Applicable from 1 January 2018) (continued)

The classification and measurement of financial liabilities

The financial liabilities of the Group are classified as financial liabilities at fair value through profit or loss and other financial liabilities. For financial liabilities measured at fair value through profit or loss, the related transaction expense is directly recognized in profit or loss, while the related transaction expense of other financial liabilities is included in the initial recognition amount.

Subsequent measurement of financial liabilities depends on their classification:

Financial liabilities measured at fair value through profit or loss
Financial liabilities measured at fair value through profit or loss include financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated as at fair value through profit or loss.

If one of the following conditions is met, it is a transactional financial liability: the purpose of undertaking the relevant financial liability is mainly for the purpose of selling or repurchasing in the near future; it is a combination of identifiable financial instruments that are centrally managed. Partly, and there is objective evidence that the Company has recently adopted short-term profit-making methods; it is a derivative instrument, except for derivatives that are designated as effective hedging instruments and derivatives that qualify for financial guarantee contracts. Transactional financial liabilities (including derivatives that are financial liabilities) are subsequently measured at fair value. All changes in fair value of transactional financial liabilities are recorded in the profits and losses of the current period, except for hedge accounting.

If only one of the following conditions is satisfied, financial liabilities can be designated as financial liabilities at fair value through profit or loss at their initial measurement.

(1) Accounting mismatches can be eliminated or significantly reduced.
(2) A formal written document on risk management or investment strategy states that the portfolio of financial instruments is managed, evaluated and reported to key management personnel on a fair value basis.
(3) A hybrid instrument that includes one or more embedded derivatives, unless the embedded derivative does not significantly change the cash flow of the hybrid instrument, or the embedded derivative is clearly not to be split from the relevant hybrid tool.
(4) A hybrid instrument that includes embedded derivatives that need to be split but cannot be separately measured at the time of acquisition or on subsequent balance sheet dates.

For such financial liabilities, the subsequent measurement is based on fair value. Except for changes in fair value arising from changes in the Group's own credit risk, changes in fair value are recognized in profit or loss. The Group credits all changes in fair value (including the amount of changes in its own credit risk) to the profit or loss of the current period, unless the fair value changes caused by changes in the Group's own credit risk are included in other comprehensive income.

Once the Company initially designates a financial liability as a financial liability measured at fair value through profit or loss, it cannot be reclassified to other financial liabilities; other financial liabilities cannot be reclassified to financial liabilities measured at fair value through profit or loss after initial recognition.

Under the above conditions, such financial liabilities designated by the Group consist mainly of Financial liabilities measured at fair value through profit or loss (Note V.24).

Other financial liabilities
For such financial liabilities, the actual interest rate method is adopted and the subsequent measurement is carried out according to the amortized cost.

III. Summary of significant accounting policies and accounting estimates (continued)

9. Financial instruments (Applicable from 1 January 2018) (continued)

The impairment of financial instruments

On the basis of expected credit losses, the Group performs the impairment treatment on financial assets and contract assets measured at amortized cost and confirms the loss provision.

Credit loss refers to the difference between all contractual cash flows receivable from the contract and all cash flows expected to be received by the Group at the original effective interest rate, that is, the present value of all cash shortages. Among them, financial assets that have been credit-depleted by the Group or purchased by the Group shall be discounted according to the actual interest rate adjusted by the financial assets.

For receivables that do not contain significant financing components and contractual assets, the Group uses a simplified measurement method to measure loss provision based on the amount of expected credit losses equivalent to the entire duration of the life.

For receivables with significant financing components and contractual assets, the Group uses a simplified measurement method to measure loss provisions based on the amount of expected credit losses equivalent to the entire duration of the life.

In addition to the abovementioned financial assets other than the simplified measurement method, the Group assesses whether its credit risk has increased significantly since the initial recognition on each balance sheet date. If the credit risk has increased significantly since the initial recognition, the Group's amount of expected credit losses during the lifetime is measured for loss; if the credit risk has not increased significantly since the initial recognition, the Group measures the loss provision based on the amount of expected credit loss over the next 12 months, and interest revenue shall be calculated on the basis of the carrying balance and the actual interest rate; if the credit risk has increased significantly since the initial confirmation but no credit impairment has occurred, it is in the second stage. The Group shall measure the loss reserve according to the amount equivalent to the expected credit loss in the whole duration, and calculate the interest income according to the book balance and the actual interest rate. If credit impairment occurs after the initial recognition, it is in the third stage. The Group shall measure the loss reserve according to the amount equivalent to the expected credit loss in the whole duration, and calculate the interest income according to the amortized cost and the actual interest rate. For financial instruments with low credit risk at the date of statement of financial position, the group assumes that their credit risk has not increased significantly since the initial recognition.

The Group assesses the expected credit losses of financial instruments based on individual and group. The Group considers the credit risk characteristics of different customers and evaluates the expected credit losses of accounts receivable on the basis of the age combination. See the following table for details:

<table>
<tr><td colspan="2">Bad debt provision for receivables that are subject to provision by group with similar credit risk characteristics (Aging analysis, percentage of balance, other methods)</td></tr>
<tr><td>Group 1 Receivables from government and related parties</td><td>Other appropriate methods</td></tr>
<tr><td>Group 2 Receivables from other third parties</td><td>Aging analysis and other appropriate methods</td></tr>
</table>

III. Summary of significant accounting policies and accounting estimates (continued)

9. Financial instruments (Applicable from 1 January 2018) (continued)

Ratios of provision for bad debts using the aging analysis for the above groups are as follows:

Aging	Provisioning percentage applied for accounts receivable (%)
Within 1 year	-
1 year to 2 years	-
2 years to 3 years	-
Over 3 years	100

Ratios of provision for bad debts using other methods for the above groups are as follows:

Name of the group	Provisioning percentage applied for accounts receivable (%)
Group 1 and Group 2 with aging within 3 years	No provision for receivables from governments, related parties and other third parties with aging not more than 3 years unless there is objective evidence that the Group will not be able to collect the full amount under the original terms of the receivable.

The Group considers all reasonable and evidenced information relating to past events, current conditions and future economic forecasts when assessing expected credit losses.

When the Group no longer reasonably expects to be able to fully or partially recover the contractual cash flows of financial assets, the Group directly writes down the carrying amount of the financial assets.

The offsetting of financial instruments

If the following conditions are met at the same time, the financial assets and financial liabilities are presented in the statement of financial position offset with each other: a statutory right to offset the confirmed amount, and the legal right is currently enforceable; net settlement, or simultaneous realization of the financial assets and settlement of the financial liabilities.

III. Summary of significant accounting policies and accounting estimates (continued)

9. Financial instruments (Applicable from 1 January 2018) (continued)

Derivative financial instruments

The Group uses derivative financial instruments, which are currency forward contracts, to hedge its foreign currency risk. Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The gain or loss arising from changes in the fair value of the derivative is recognized directly in profit or loss, except for it is related to hedge accounting.

10. Financial instruments (Applicable in year 2017)

(1) Financial assets

(a) Classification of financial assets

Financial assets are classified into the following categories at initial recognition: financial assets at fair value through profit or loss, loans, receivables, available-for-sale financial assets and held-to-maturity investments. The classification of financial assets depends on the Group’s intention and ability to hold the financial assets. Financial assets held by the Group are financial assets at fair value through profit or loss, loans and receivables and available-for-sale financial assets.

Financial assets at fair value through profit or loss (“FVTPL”)

The Group’s financial assets at FVTPL include financial assets held for trading and financial assets designated upon initial recognition as at FVTPL.

Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market.

Available-for-sale financial assets

Available-for-sale financial assets are either designated in this category or not classified in any of the other categories at initial recognition. Available-for-sale financial assets are included in other current assets on the statement of financial position if management intends to dispose of them within 12 months after the date of statement of financial position.

III. Summary of significant accounting policies and accounting estimates (continued)

10. Financial instruments (Applicable in year 2017) (continued)

(1) Financial assets (continued)

(b) Recognition and measurement of financial assets

Financial assets are recognized at fair value on the statement of financial position when the Group becomes a party to the contractual provisions of the financial instrument. In the case of financial assets at fair value through profit or loss, the related transaction costs incurred at the time of acquisition are recognized in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in their initial recognition amounts.

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently measured at fair value, while investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Receivables are measured at amortized cost using the effective interest method.

Any gain or loss arising from a change in the fair value of financial assets at fair value through profit or loss is recognized in profit or loss. Interests and cash dividends received during the period in which such financial assets are held, as well as the gains or losses arising from disposal of these assets are recognized in profit or loss for the current period.

(c) Impairment of financial assets

The Group assesses the carrying amounts of financial assets other than those at fair value through profit or loss at each date of statement of financial position. If there is objective evidence that a financial asset is impaired, the Group determines the amount of the impairment loss.

The objective evidence of impairment of a financial asset is the event that actually happens after the initial recognition of the financial asset which will also affect the estimated future cash flows while the Group can have a reliable measurement on that effect.

When an impairment loss on a financial asset carried at amortized cost has occurred, the amount of loss is measured at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognized, the previously recognized impairment loss is reversed and the amount of reversal is recognized in profit or loss.

When an impairment loss on an available-for-sale financial asset has occurred, the amount of loss is measured at the difference between the asset's carrying amount and the present value of its estimated future cash flows determined according to the market yield of similar financial assets and recognized in profit or loss. Once the above asset impairment loss is recognized, it will not be reversed in the subsequent periods.

(d) Derecognition of financial assets

A financial asset is derecognized when one of the following criteria is met: (1) the contractual rights to receive the cash flows from the financial asset expire; (2) the financial asset has been transferred and the Group transfers substantially all the risks and rewards of ownership of the financial asset to the transferee; or (3) the financial asset has been transferred and the Group has not retained control of the financial asset, although the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset.

On derecognition of a financial asset, the difference between the carrying amount and the consideration received and the cumulative changes in fair value that had been recognized directly in equity, is recognized in profit or loss.

III. Summary of significant accounting policies and accounting estimates (continued)

10. Financial instruments (Applicable in year 2017) (continued)

(2) Financial liabilities

(a) Classification of financial liabilities

Financial liabilities are classified into the following categories at initial recognition: financial liabilities at fair value through profit or loss and other financial liabilities. The financial liabilities of the Group are mainly other financial liabilities, including payables, borrowings and bonds payable.

(b) Recognition and measurement

Payables, including accounts payable, other payables and notes payable, are recognized initially at fair value and subsequently measured at amortized cost using the effective interest method.

Borrowings and bonds payable are recognized initially at fair value, net of transaction costs incurred and subsequently measured at amortized cost using the effective interest method.

Other financial liabilities with maturities no more than one year are classified as current liabilities. Other financial liabilities with maturities over one year but are due within one year at the date of statement of financial position. are classified as the current portion of non-current liabilities. Others are classified as non-current liabilities.

A financial liability is derecognized or partly derecognized when the current obligation is discharged or partly discharged. The difference between the carrying amount of the financial liability or the derecognized part of the financial liability and the consideration paid is recognized in profit or loss.

(3) Determination of fair value of financial instruments

The fair value of a financial instrument that is traded in an active market is determined at the quoted price in the active market. The fair value of a financial instrument that is not traded in an active market is determined by using a valuation technique. The Group uses current applicable valuation techniques which can be supported by sufficient usable data and other information and chooses inputs by referring to the current fair value of another financial asset that is substantially the same with this instrument dealt with in relevant market transactions between willing parties. When a valuation technique is used to establish the fair value of a financial instrument, it makes the maximum use of observable market inputs and relies as little as possible on entity-specific inputs. In case the relevant observable inputs cannot be impracticably obtained, the unobservable inputs would be used.

(4) Derivative financial instruments

The Group uses derivative financial instruments, which are forward currency contracts, to hedge its foreign currency risk. Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative. For derivatives which are linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, they are measured at cost.

III. Summary of significant accounting policies and accounting estimates (continued)

11. Receivables

The confirmation criteria and methods for the provision for bad debts of accounts receivable in year 2017 are as follows:

Receivables comprise accounts receivable, long-term receivables and other receivables. Accounts receivable arising from the sale of goods or rendering of services are initially recognized at fair value of the contractual payments from the buyers or service recipients. Accounts receivable arising from rental services are initially recognized at fair value of the contractual payments from lessees.

(1) Receivables that are individually significant and subject to separate provision:

Receivables that are individually significant are subject to separate impairment assessment. If there is objective evidence that the Group will not be able to collect the full amount under the original terms, a provision for impairment of that receivable is established.

The criterion applied to individually significant balances	For accounts receivable, any individual amount exceeding RMB5,000,000.00 is considered to be "individually significant"; for other receivables, any individual amount exceeds RMB1,000,000.00.
Bad debt provision for receivables that are individually significant	Bad debt provision is made for the difference between the book value and the present value of the estimated cash flows.

(2) Receivables that are subject to provision by group with similar credit risk characteristics:

For all other receivables that are not individually significant or for which impairment has not yet been identified, the Group performs a collective assessment by grouping the receivables with similar credit risk characteristics and collectively assesses them for impairment. The impairment losses are determined based on the historical actual loss and taking the current circumstances into consideration.

Bad debt provision for receivables that are subject to provision by group with similar credit risk characteristics (Aging analysis, percentage of balance, other methods)	
Group 1 Receivables from government and related parties	Other appropriate methods
Group 2 Receivables from other third parties	Aging analysis and other appropriate methods

Ratios of provision for bad debts using the aging analysis for the above groups are as follows:

Aging	Provisioning percentage applied for accounts receivable (%)	Provisioning percentage applied for other receivables (%)
Within 1 year	-	-
1 year to 2 years	-	-
2 years to 3 years	-	-
Over 3 years	100	100

III. Summary of significant accounting policies and accounting estimates (continued)

11. Receivables (continued)

(2) Receivables that are subject to provision by group with similar credit risk characteristics (continued)

Ratios of provision for bad debts using other methods for the above groups are as follows:

Name of the group	Provisioning percentage applied for accounts receivable (%)	Provisioning percentage applied for other receivables (%)
Group 1 and Group 2 with aging within 3 years	No provision for receivables from governments, related parties and other third parties with aging not more than 3 years unless there is objective evidence that the Group will not be able to collect the full amount under the original terms of the receivable.	No provision for receivables from governments, related parties and other third parties with aging not more than 3 years or receivables of the nature of deposits and guarantees unless there is objective evidence that the Group will not be able to collect the full amount under the original terms of the receivable.

(3) Receivables that are not individually significant but subject to separate provision

The basis for separate provision	The basis for separate provision is that there is objective evidence that the Group will not be able to collect the full amount under the original terms of the receivable.
The provision for bad debts	The provision for bad debts is determined based on the difference of the carrying amount and the present value of estimated future cash flows.

The confirmation criteria and methods for the provision for bad debts receivable of the Group as of January 1, 2018 are detailed in Note III. 9.

12. Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. All assets and liabilities of a subsidiary classified as a disposal group are reclassified as held for sale regardless of whether the Group retains a non-controlling interest in its former subsidiary after the sale.

Non-current assets and disposal groups (other than investment properties and financial assets) classified as held for sale are measured at the lower of their carrying amounts and fair values less costs to sell. Property, plant and equipment and intangible assets classified as held for sale are not depreciated or amortized.

III. Summary of significant accounting policies and accounting estimates (continued)

13. Inventories

(1) Classification

Inventories include real estate properties for development, toll tickets, low value consumables, maintenance and repair parts and materials in stock, and are measured at the lower of cost and net realizable value.

Real estate properties comprise properties held for sale, properties under development and properties held for development. Properties held for sale are those properties completed and for sale, while properties under development are those properties still under construction and for sale purposes, and properties held for development are those lands purchased and planned to have properties developed on.

(2) Costing of inventories

The cost of completed properties held for sale is determined using the specific identification method, which comprise the land cost, construction cost and other cost. The costs of toll tickets, low value consumables, maintenance and repair parts and materials in stock are determined using the weighted average method.

(3) Basis for the determination of net realisable value and provisions for declines in the value of inventories

At the end of the reporting period, the inventories are measured at the lower of the cost and the net realizable value. If the cost is higher than the net realizable value, the provision for the inventories should be recognized in profit or loss for the current period. If the influencing factors of the provision for inventories have been eliminated and the net realizable value of inventories is higher than its book value, the previously deducted amount will be recovered from the amount of provision for inventories accrued previously and the amount should be recognized in profit or loss for the current period.

Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs and related taxes necessary to achieve completion and to make the sale.

Inventory system adopts the Perpetual Inventory Systems.

III. Summary of significant accounting policies and accounting estimates (continued)

14. Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries as well as the Group's long-term equity investments in its joint ventures and associates.

Subsidiaries are the investees over which the Company is able to exercise control. Joint ventures are the investees over which the Group is able to exercise joint control together with other ventures. Associates are the investees that the Group has significant influence on their financial and operating policies.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted for preparing the consolidated financial statements using the equity method. Investments in joint ventures and associates are accounted for using the equity method.

(1) Determination of investment costs

For long-term equity investments acquired through a business combination: for a long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination costs. Where the initial investment cost of a long-term equity investment is acquired through a business combination involving enterprises under common control, the initial investment cost is the absorbing party's share of the carrying amount of the owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the initial investment cost and the carrying amount of the consideration of the combination is adjusted to capital reserve (and the excess goes to retained earnings, if any). For other comprehensive income before the combination date, it is accounted for on the same basis as would have been required if the investee has directly disposed of the related assets or liabilities. The investee's shareholders' equity recognized resulting from changes in shareholders' equity other than net profit or loss, other comprehensive income and profit distribution is charged to profit or loss when the related investment is disposed of. Investments which remain long-term after disposal are recognized in proportion, whereas investments converted to financial instruments after disposal are recognized in full.

For long-term equity investments acquired not through a business combination: for a long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

(2) Subsequent measurement and the methods of investment income recognition

For long-term equity investments accounted for using the cost method, they are measured at the initial investment costs, and cash dividends or profit distribution declared by the investees are recognized as investment income in profit or loss.

For long-term equity investments accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the long-term equity investment is measured at the initial investment cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

For long-term equity investments accounted for using the equity method, the Group recognizes the investment income according to its share of net profit or loss of the investee. The Group discontinues to recognize its share of net losses of an investee after the book value of the long-term equity investment and any long-term interests that, in substance, form part of the investor's net investment in the investee is reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues to recognize the investment losses and the provisions. For changes in owners' equity of the investee other than those arising from its net profit or loss, comprehensive income and profit distribution, the Group records its proportionate share directly in capital surplus. The book value of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealized profits or losses arising from the intra-group transactions amongst the Group and its investees are eliminated in proportion to the Group's equity interests in the investees, and then based on which the investment gains or losses are recognized. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment, any unrealized loss is not eliminated.

III. Summary of significant accounting policies and accounting estimates (continued)

14. Long-term equity investments (continued)

(2) Subsequent measurement and the methods of investment income recognition (continued)

On disposal of a long-term equity investment, the difference between the proceeds actually received and the book value is recognized in profit or loss for the current period. For a long-term equity investment accounted for using the equity method, when the Group discontinues to use the equity method, any other comprehensive income previously recognized is accounted for on the same basis as would have been required for if the investee had directly disposed of the related assets or liabilities. Shareholders' equity recognized resulting from changes in shareholders' equity other than net profit or loss, other comprehensive income and profit distribution is charged to profit or loss in its entirety. When the Group continues to use the equity method, any other comprehensive income previously recognized is accounted for on the same basis as would have been required for if the investee had directly disposed of the related assets or liabilities and charged to the current period profit or loss on a pro-rata basis. Shareholders' equity, recognized resulting from changes in shareholders' equity other than net profit or loss, other comprehensive income and profit distribution, is charged to profit or loss on a pro-rata basis.

(3) Basis for determination of the existence of control, joint control or significant influence over the investees

Control refers to having the power over the investee, enjoying variable returns by participating in related activities of the investee, and being able to use its power over the investee to influence the investment return.

Joint control is the contractually agreed sharing of control over an economic activity, which exists only when the unanimous consent of the parties sharing control is required for making strategic financial and operating decisions relating to the operations.

Significant influence is the power to participate in the decision making of financial and operating policies of the investee, but is not control or joint control over those policies.

(4) Impairment of long-term equity investments

The book value of long-term equity investments in subsidiaries, joint ventures and associates should be reduced to the recoverable amount if the recoverable amount is below the book value (Note III.20).

15. Investment properties

Investment properties, the buildings held for the purpose of leasing, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and its cost can be reliably measured; otherwise, the expenditures are recognized in profit or loss in the period in which they are incurred.

The Group adopts the cost model for the subsequent measurement of investment properties. Investment properties are depreciated or amortized to their estimated net residual values over their estimated useful lives. The estimated useful life, the estimated residual value rate and the annual amortization rate of the investment properties are as follows:

	Estimated useful life	Estimated residual value rate	Annual amortization rate
Car parking spaces	30 years	-	3.33%

When an investment property is transferred to an owner-occupied property, it is reclassified as fixed asset or intangible asset at the date of the transfer. When an owner-occupied property is transferred for earning rentals or for capital appreciation, the fixed asset or intangible asset is reclassified as investment property at its carrying amount at the date of the transfer.

III. Summary of significant accounting policies and accounting estimates (continued)

15. Investment properties (continued)

The estimated useful life, net residual value of the investment property and the amortization method applied are reviewed and adjusted at each year-end.

An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sales, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognized in profit or loss for the current period.

The carrying amount of investment properties should be reduced to the recoverable amount when its recoverable amount is below the carrying amount (Note III.20).

16. Fixed assets

(1) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, traffic equipments, motor vehicles, and office and other equipments.

Fixed assets are recognized when it is probable that related economic benefits will flow to the Group and the costs can be reliably measured. Fixed assets purchased or constructed by the Group are initially measured at cost at the date of acquisition. The cost and accumulated depreciation of fixed assets invested by state shareholders to the Company on 1 January 1997 were recognized according to the valuation results performed by the valuer which were certified by the State-owned Assets Supervision and Administration Bureau in accordance with Guo Zi Ping (1996) No.911.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognized. All the other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

(2) Depreciation methods of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been impaired, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

Type	Depreciation method	Estimated useful life	Estimated residual value rate	Annual depreciation rate
Buildings				
- Office buildings	Straight-line	20-30 years	5%	3.17%-4.75%
- Temporary houses	Straight-line	5-10 years	5%	9.50%-19.00%
- Constructions	Straight-line	15 years	5%	6.33%
Traffic equipments	Straight-line	5-10 years	0%-5%	9.50%-20.00%
Motor vehicles	Straight-line	5-6 years	5%	15.83%-19.00%
Office and other equipments	Straight-line	3-5 years	0%-5%	19.00%-33.33%

The estimated useful life, the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed and adjusted at least at each year-end.

III. Summary of significant accounting policies and accounting estimates (continued)

16. Fixed assets (continued)

(3) Impairment of fixed assets

The book value of fixed assets is reduced to the recoverable amount if the recoverable amount is below the book value (Note III.20).

(4) Disposal of fixed assets

A fixed asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposal on sale, transfer, retirement or damage of a fixed asset net of its book value and related taxes and expenses is recognized in profit or loss for the period.

17. Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs and borrowing costs that are eligible for capitalization and other costs necessary to bring the construction in progress ready for their intended use. Construction in progress should be transferred to fixed assets when the assets are ready for their intended use, and should start to depreciate in the following month. The book value of construction in progress should be reduced to the recoverable amount if the recoverable amount is below the book value (Note III.20).

18. Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time for acquisition and construction for its intended use, which are to be capitalized and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalization of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use, the borrowing costs incurred thereafter are recognized in profit or loss for the current period. Capitalization of borrowing costs is suspended during the periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For the specific borrowings obtained for the acquisition or construction of a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalization period.

For the general borrowings occupied by the acquisition or construction of a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by multiplying the weighted average effective interest rate of general borrowings by the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The effective interest rate is the rate at which estimated future cash flows during the expected or shorter period applied to be discounted to the initial amount of the borrowings.

III. Summary of significant accounting policies and accounting estimates (continued)

19. Intangible assets

Intangible assets include concession intangible assets, billboard use right and software. Intangible assets are measured at cost.

(1) Concession intangible assets

Concession intangible assets refer to the rights granted by the respective concession grantors, which entitle the Group to receive the toll fees from users and land use right obtained in conjunction with the concession arrangement. Concession intangible assets are measured at actual cost because the Group subcontracts the construction to third parties instead of providing actual construction service. Actual cost comprises construction infrastructure prices, construction related costs and borrowing costs that are eligible for capitalization and incurred before the toll roads are ready for their intended use. The concession intangible assets are initially stated at actual project costs or budget costs and then adjusted to the actual costs when the project completion audit is finalized.

The concession intangible assets and the toll roads invested by the state-owned shareholders on 1 January 1997 were stated at valuation performed by the asset valuation firms and the values were certified by the State-owned Assets Supervision and Administration Bureau (“SASAB”) in accordance with Guo Zi Ping (1996) No.911. The land-use right relating to Shenzhen Airport-Heao Expressway (Western Section) invested to the Company by the promoter of the Company during the restructuring period of the Group was stated at the then revaluation amount admitted by the SASAB on 30 June 1996. The land-use right relating to Meiguan Expressway owned by Shenzhen Meiguan Expressway Company Limited (“Meiguan Company”), a subsidiary, was invested by Xin Tong Chan Development (Shenzhen) Company Limited (“Xin Tong Chan Company”), one of the promoters of the Company, at the value specified in the respective investment agreement.

When toll roads are ready for their intended use, amortization of concession intangible assets is calculated to write off their costs on the traffic volume amortization method. Amortization is provided on projected units-of-usage (“unit usage”), which is calculated based on the total projected traffic volume during the operating period of the concessions and the original or book value of the concession intangible assets with the concession combined with the actual traffic volume during each accounting period.

The Company has set policies to execute internal review on the total projected traffic volume during the operating period of the concessions annually. The Group also appoints an independent professional traffic consultant to perform independent professional traffic studies when material differences between actual traffic volume and projected traffic volume exist, or every 3 to 5 years and then adjust the amortization unit usage according to the revised total projected traffic volume, to ensure that the respective concession intangible assets would be fully amortized in the operating period.

III. Summary of significant accounting policies and accounting estimates (continued)

19. Intangible assets (continued)

(1) Concession intangible assets (continued)

The respective operating periods and amortization units of the toll roads are set out as follows:

Item	Operating period	The unit usage (RMB)
Yanba Expressway	April 2001 to December 2018 (Section A) July 2003 to December 2018 (Section B) March 2010 to December 2018 (Section C)	4.49 (Note 1)
Yanpai Expressway	May 2006 to December 2018	1.97 (Note 1)
Meiguan Expressway	May 1995 to March 2027	0.84
Shenzhen Airport-Heao Expressway (Western Section)	May 1999 to March 2027	0.78
Nanguang Expressway	January 2008 to December 2018	4.71 (Note 1)
Shenzhen Airport-Heao Expressway (Eastern Section)	October 1997 to March 2027	3.49
Wuhuang Expressway	September 1997 to September 2022	5.82 (Note 3)
Qinglian Expressway	July 2009 to July 2034	30.03 (Note 3)
Shuiguan Expressway	March 2002 to February 2027	5.86
Yichang Expressway	January 2004 to December 2033	9.53
Changsha Ring Road (North-western Section) ("Changsha Ring Road")	November 1999 to October 2029	1.71 (Note 2)
Coastal Expressway	December 2013 to December 2038	6.31

Note 1: As is stated in Note V.36, the Company transferred the second-stage toll service right of Nanguang, Yanpai and Yanba Expressway ("Three Expressways") to the Shenzhen Transportation Bureau at the year end of 2018. The first-stage operating period ended on 31 December 2018.
Note 2: As is stated in Note III.34(a), the Company appointed an independent professional traffic consultant to reassess the traffic volume of Changsha Ring Road in the future operating period in the third quarter of 2018. The unit usage of concession intangible assets of Changsha Ring Road has been adjusted from RMB2.45 to RMB1.71 from 1 July 2018.
Note 3: As is stated in Note III.34(b), the Company appointed an independent professional traffic consultant to reassess the traffic volume of Wuhuang Expressway and Qinglian Expressway in the future operating period in the fourth quarter of 2018. The unit usage of concession intangible assets of Wuhuang Expressway and Qinglian Expressway has been adjusted from RMB8.46 and RMB26.54 to RMB5.82 and RMB30.03 separately from 1 October 2018.

Subsequent expenditures incurred for concession intangible assets are included in the cost of the concession intangible assets when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. All the other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

(2) Other intangible assets

Billboard use rights are amortized on the straight-line basis over their useful lives of 5 years. Purchased software is amortized on the straight-line basis over 5 to 10 years.

(3) Periodical review of useful life and amortization method

For an intangible asset with a finite useful life, review and adjustment on its useful life and amortization method are performed at each year-end.

(4) Impairment of intangible assets

The book value of intangible assets should be reduced to the recoverable amount if the recoverable amount is below the book value (Note III.20).

III. Summary of significant accounting policies and accounting estimates (continued)

20. Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives, investment properties measured using the cost model and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that an asset may be impaired at the end of the reporting period; intangible asset that is not ready for its intended use should be tested at least annually. If the result of the impairment test indicates that the recoverable amount of the asset is less than its book value, a provision for impairment and an impairment loss are recognized for the amount by which the asset's book value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognized on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

Goodwill that is solely presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication of impairment. In conducting the test, the carrying value of goodwill is allocated to the related asset groups or groups of asset groups which are expected to benefit from the synergies of the business combination. If the result of the test indicates that the recoverable amount of an asset group or group of asset groups, including the goodwill allocated, is lower than its book value, the corresponding impairment loss is recognized. The impairment loss is first deducted from the book value of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the book value of other assets within the asset groups or groups of asset groups in proportion to the book value of other assets.

Once the above asset impairment loss is recognized, it will not be reversed for the value recovered in the subsequent periods.

21. Long-term prepaid expenses

Long-term prepaid expenses comprise the prepaid expenditures but should be recognized as expenses for the current and subsequent periods, which in total are more than one year. Long-term prepaid expenses are amortized on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortization at the end of the reporting period.

22. Employee benefits

Employee benefits represent all kinds of allowances and compensations paid by the Group for services rendered by employees or for termination of employment relationship, which mainly include short-term wages, pension benefits, termination of employment benefits and other long-term staff welfares.

III. Summary of significant accounting policies and accounting estimates (continued)

22. Employee benefits (continued)

(1) Accounting treatment of short-term wages

Short-term wages include wages or salaries, bonuses, allowances and subsidies, staff welfare, medical insurance, employment injury insurance, maternity insurance, housing funds, labor union funds, employee education funds, short term paid absence and etc. Actual short-term wages are recognized as liabilities in the periods when the employees render services and are charged to profit or loss or capitalized in costs of related assets. The non-monetary welfare is measured at fair value.

(2) Accounting treatment of pension benefits

The Group classifies the retirement benefit plans as defined contribution plans and defined benefit plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independent fund. As the result, the Group has no legal or constructive obligations to pay further contributions. A defined benefit plan is a pension plan other than a defined contribution plan. During the reporting period, the Group's pension benefits were mainly pension insurance and unemployment insurance which were both defined contribution plans.

(a) Basic pension insurance

The Group's employees are involved in the basic social pension insurance organized and implemented by the local labor and social security bureau. The Group pays the basic pension issuance expenses monthly to designated insurance companies for its employees. The basic amounts and rates are determined by the local regulations. Upon employees' retirement, the local labor and social security bureau is responsible for paying the pension benefit to the retired employees. The amounts of pension insurance payable calculated according to the above regulations are recognized as liabilities in profit or loss or capitalized in costs of related assets during the periods when the employees provide services.

(b) Enterprise annuity plan

Beside the above basic social pension insurance, the Company establishes an enterprise annuities plan in accordance with relevant national enterprise annuity system policies ("enterprise annuities plan"), in which the Group's employees can voluntarily participate. The Company shall prepare the annuities to a certain proportion of employees' total wages, the corresponding expenditures shall be recorded in current profit or loss. Except for the above-mentioned, the Company did not have any other significant social insurance commitments to its employees.

III. Summary of significant accounting policies and accounting estimates (continued)

22. Employee benefits (continued)

(3) Accounting treatment of termination benefits

The Group provides compensation for the termination of employment relationship before the expiry of employment contracts or for employees' voluntary layoffs. The compensation is recognized as a liability and in profit or loss at the earlier of the date the Group is unable to unilaterally withdraw the plan on the termination of employment relationship or the layoff proposal and the date on which the costs and expenses in relation to the payment of compensation to the termination of employment relationship are recognized.

23. Provisions

As part of its obligations under the respective service concessions, the Group assumes responsibility for the maintenance and resurfacing of the toll roads it operates. Provisions for maintenance and resurfacing are recognized when the Group has a present obligation, and it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increased amount of the book value of provisions, caused by discount restoration with the time passing by, is recognized as interest expenses.

The book value of provisions is reviewed and adjusted at the end of each reporting period in order to reflect the best estimate for the current period.

24. Revenue recognition (applicable from 1 January 2018)

The Group has fulfilled its performance obligations of the contract that the revenue is recognized when the customers take control of the relevant goods or services. Taking control of the relevant goods or services means being able to dominate the use of the goods or the provision of the services and obtain almost all of the economic benefits from them.

(1) The Group's toll revenue from the operations of toll roads is recognized when the related services have been provided, revenue and total costs can be measured reliably and economic benefits with transactions can flow to the Group.

(2) Service contracts between the Group and its customers usually include the obligation to perform construction management services. As the services provided by the Group in the course of performance are irreplaceable and the Group has the right to calculate the revenue accumulated to date for the performance of the Contract during the whole contract period, the Group shall treat the services provided by the Group as the obligation to perform within a certain period of time and recognize revenue according to the progress of performance except for cases when the progress of performance cannot be reasonably determined. The Group determines the progress of service delivery according to the input method. If the cost incurred by the Group is expected to be compensated when the progress of performance cannot be reasonably determined, revenue shall be recognized according to the amount of cost incurred until the progress of performance can be reasonably determined. For construction management services, when the results of the construction management services can be estimated reliably, construction management service revenue is recognized using the percentage of completion method and the stage of completion is measured with reference to the actual construction costs and related management expenses incurred till the end of the reporting period as a percentage of the total estimated construction costs and management expenses. When the results of the construction management services cannot be estimated reliably, construction management service revenue is recognized at the same amount of actual management expenses incurred only to the extent that such expenses are probable to be recovered.

III. Summary of significant accounting policies and accounting estimates (continued)

24. Revenue recognition (applicable from 1 January 2018) (continued)

(3) For the Group's property sales revenue, after the completion and acceptance of the property, the Group and the client signed a sales contract, then obtains the proof of the buyer's payment and delivers the property to the buyer after the property is completed and passes the acceptance. When the buyer is informed of launch literally and does not have a proper reason to reject it, the related revenue is recognized after the time limit of the information is over. The Group's property sales contracts with customers generally include a performance obligation. In addition, the Group believes that the income from the sale of the property should be recognized when the asset control is transferred to the customer (usually after the delivery) based on the terms of the existing sales contract. The application of the new income standard has no effect on the timing of revenue recognition.

According to the new income standard, if the payment period of the customer is different from the period during which the promised goods or services are transferred according to the contract, the transaction price and the income from the sales need to be adjusted for the impact of the financing component (if significant). The Group believes that the consideration of the time difference between the customer's payment and the delivery of the property to the customer and the current market interest rate, the amount of the financing component is significant, the sales price must be discounted to calculate the significant financing component. The Group recognizes contractual liabilities for advances from customers that include significant financing components. The Group did not consider the significant financing components existing in the contract for the expectation that the customer's control over the acquisition of the goods and the payment of the customer's payment did not exceed one year. In addition, the outstanding balance of customer advances has been reclassified from advance receipts to contractual liabilities.

(4) Revenue from entrusted services is recognized on a straight-line basis over the contract period.

(5) For the service concession contracts entered into with the government departments, according to which the Group participates in the development, financing, operations and maintenance of the toll road construction, the Group recognized no construction service revenue if the Group subcontracts the work to other parties and does not undertake the construction work on its own.

(6) Advertising revenue is recognized on a straight-line basis over the contract period.

(7) Interest income is determined by using the effective interest method, based on the length of time for which the Group's cash is used by others.

(8) Income from an operating lease is recognized on a straight-line basis over the period of the lease.

(9) There are sales rebates in some of the Group's contracts with customers (early completion awards or other arrangements based on actual customer conditions) and results in a variable consideration. The Group determines the best estimate amount of the variable consideration based on the expected value or the most likely amount, but the transaction price including the variable consideration does not exceed the amount that the accumulated revenue is likely not to be significantly reversed when the relevant uncertainty is eliminated.

(10) For construction management service projects, the Group is responsible for the construction and implementation of the entire project as the general contractor. For the construction unit, survey and design, consulting, etc., the Group is responsible for bidding and signing contracts with the third-party units and the government shall pay the total price of the project investment to the Group in accordance with the payment method agreed in the agency construction. The Group takes control over the projects under construction before transferring the goods to the owners, leads the third party to provide services to the owners, and bears the primary responsibility for transferring the construction to the owners. Therefore, the Group is the main responsible person and recognizes the revenue according to the total consideration received or receivable. Otherwise, the Group is an agent and recognizes the revenue according to the amount of the commission or handling fee expected to receive. The amount shall be netted according to the total amount received or receivable, after deducting the price payable to other related parties, or the established commission amount or proportion is determined.

III. Summary of significant accounting policies and accounting estimates (continued)

24. Revenue recognition (applicable from 1 January 2018) (continued)

(11) When the construction contract between the Group and the customer is changed:

a) If the changed contract adds construction services and contract price that can be clearly distinguished, and the added contract price reflects the separate price of the added construction service, the Group will take this contract change as a separate contract for the accounting treatment;

b) If the contract change does not fall within the above-mentioned situation (a), and the construction service transferred between the contract change date and the non-transferable construction service can be clearly distinguished, the Group regards it as the original contract termination, and the uncontracted part of the original contract and the part of the contract change are merged into a new contract for the accounting treatment;

c) If the contract change does not fall within the above-mentioned situation (a) and there is no clear distinction between the construction service transferred on the contract change date and the untransferred construction service, the Group regards the contract change part as an integral part of the original contract. As for the impact on the confirmed revenue, the Group will adjust the current revenue on the contract change date.

25. Revenue recognition (applicable for 2017)

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the sale of services in the ordinary course of the Group's activities.

Revenue is recognized when the economic benefits related to the transaction will flow to the Group, the related revenue can be reliably measured, and the specific revenue recognition criteria have been met for each type of the Group's activities as described below:

(1) The Group's toll revenue from the operations of toll roads is recognized when the related services have been provided, revenue and total costs can be measured reliably and economic benefits with transactions can flow to the Group.

(2) For construction management services, when the results of the construction management services can be estimated reliably, construction management service revenue is recognized using the percentage of completion method and the stage of completion is measured with reference to the actual construction costs and related management expenses incurred till the end of the reporting period as a percentage of the total estimated construction costs and management expenses. When the results of the construction management services cannot be estimated reliably, construction management service revenue is recognized at the same amount of actual management expenses incurred only to the extent that such expenses are probable to be recovered.

(3) Income from property sales is recognized when the Group signs a contract with a buyer, then obtains the proof of the buyer's payment and delivers the property to the buyer after the property is completed and passes the acceptance. When the buyer is informed of launch literally and does not have a proper reason to reject it, related revenue is recognized after the time limit of the information is over.

(4) Revenue from entrusted services is recognized on a straight-line basis over the contract period.

(5) For the service concession contracts entered into with the government departments, according to which the Group participates in the development, financing, operations and maintenance of the toll road construction, the Group recognizes no construction services revenue if the Group subcontracts the work to other parties and does not undertake the construction work on its own.

III. Summary of significant accounting policies and accounting estimates (continued)

25. Revenue recognition (applicable for 2017) (continued)

(6) The Group's revenue from services like engineering consulting is recognized using the completion percentage method when the results of the trade-in services can be measured reliably. The completion percentage is determined by the measurement of work completed or the proportion of labor provided to the total labor or the proportion of cost provided to the total cost. In case the results of trade-in services cannot be measured reliably, and if the labor cost provided can be recovered, the amount of labor income is recognized according to the amount of labor cost provided and the same amount of the labor cost is carried forwarded. If the labor cost provided cannot be recovered, the labor cost provided is recognized in the current profit or loss and the related revenue will not be recognized.

(7) Advertising revenue is recognized on a straight-line basis over the contract period.

(8) Interest income is determined by using the effective interest method, based on the length of time for which the Group's cash is used by others.

(9) Income from an operating lease is recognized on a straight-line basis over the period of the lease.

26. Contract asset and liability (Applicable from 1 January 2018)

Contracts with customers will be presented in the Group's statement of financial position as a contract liability or a contract asset, depending on the relationship between the Group's performance and the customer's payment.

Contract asset

A contract asset is recognized when the Group's right to consideration is conditional on something other than the passage of time, for example future performance of the Group. A receivable is recognized when the Group's right to consideration is unconditional except for the passage of time.

The Group's method for determining and accounting for expected credit losses, which are related to contract assets are detailed in Note III.9.

Contract liability

A contract liability is presented in the statement of financial position where a customer has paid an amount of consideration prior to the Group performing by transferring the related good or service to the customer.

The Group offsets the contract assets and contract liabilities under the same contract and presents them on the statement of financial position as a net amount.

III. Summary of significant accounting policies and accounting estimates (continued)

27. Government grants

A government grant is recognized when the condition attached to it is fulfilled and the grant can be received. The monetary grant from the government is measured at the amount received or receivable. The non-monetary grant from the government is measured at its fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount.

Government documents stipulate that if the long-term assets are obtained by acquisitions, constructions or other forms, the grants should be recognized as the government grants related to assets. If the government documents are unclear, they should be judged on the basis of the basic conditions necessary for obtaining such grants. if the long-term assets are obtained by acquisitions, constructions or other forms, the grants should be recognized as the government grants related to assets, and others should be recognized as income-related government grants.

Total amount method is applied for the Group's government grants.

For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred in the subsequent periods, the grant is recognized as deferred income, and included in profit or loss over the periods in which the related costs are recognized or adjusted against the relevant cost; where the grant is a compensation for related expenses or losses already incurred by the Group, the grant is recognized immediately in profit or loss for the current period or is adjusted against the relevant cost.

Government grants related to assets are adjusted against the book value of the assets or recognized as deferred income and evenly distributed in profit or loss over the useful period of related assets in a reasonable and systematic way. Government grants measured at their nominal amounts shall be recognized immediately in profit or loss for the current period. If the relevant assets are sold, transferred, disposed of or ruined before their useful life ends, the undistributed relevant deferred income shall be transferred to the gain from asset disposal for the current period.

28. Income tax

The income tax expenses include current income tax and deferred tax. Current and deferred tax expenses or income are recognized in profit or loss for the period, except when they arise from transactions or events that are directly recognized in owners' equity, in which case they are recognized in owners' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

Current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

At the end of the reporting period, for temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between carrying amount of items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

III. Summary of significant accounting policies and accounting estimates (continued)

28. Income tax (continued)

Deferred tax liabilities are recognized for all taxable temporary differences, except:

(1) When the taxable temporary difference arises from: the initial recognition of goodwill or the initial recognition of an asset or liability in transactions that are not business combinations and, at the time of the transaction, affects neither the accounting profit, taxable profit or loss nor deductible losses;

(2) In respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

For deductible temporary differences, deductible losses and tax credits that can be carried forward, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, deductible losses and tax credits can be utilized, except:

(1) When the deductible temporary differences do not arise from business combinations and, at the time of the transaction, affects neither the accounting profit, taxable profit or loss nor deductible losses;

(2) In respect of deductible temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

At the end of the reporting period, deferred tax assets and liabilities are measured at applicable tax rates according to the requirements of tax laws during the period that the assets are expected to be recovered or the liability expected to be repaid. The recognition of deferred tax assets and liabilities also takes the recovery or the repayment terms into account.

At the end of the reporting period, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. At the end of the reporting period, the carrying amount of deferred tax assets is reviewed and recognized to the extent that it is probable that available taxable profits in the future will allow the benefit of deferred tax assets to be utilized.

When all of the following conditions are satisfied simultaneously, the deferred income tax assets and deferred income tax liabilities are listed as the net amount after offsetting: the Group has a legal right to settle current tax assets and liabilities on a net basis; the deferred taxes are related to the same tax payer within the Group and the same taxation authority, or related to different tax payers but during the period when each of the significant deferred income tax assets and deferred income tax liabilities is reversed and the tax payer involved intends to settle the current income tax asset and current income tax liability on a net basis, or simultaneously obtain assets and pay off the debts.

III. Summary of significant accounting policies and accounting estimates (continued)

29. Leases

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

As lessee of an operating lease

Lease payments under an operating lease are recognized by a lessee on a straight-line basis over the lease term and either included in the cost of the related asset or charged to profit or loss of the current period. Contingent rents are charged to profit or loss in the period in which they actually arise.

As lessor of an operating lease

Rental income under an operating lease is recognized by a lessor on a straight-line basis over the lease term, through profit or loss. Contingent rents are charged to profit or loss in the period in which they actually arise.

30. Dividend distribution

Cash dividends of the Company are recognized as liabilities after being approved at the shareholders' meeting.

31. Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement of the related assets and liabilities at fair value is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market is accessible by the Group as at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly; Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization at the end of each reporting period.

III. Summary of significant accounting policies and accounting estimates (continued)

32. Other significant accounting policies and accounting estimates

Segment information

The Group identifies operating segments based on the internal organization structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) the component's operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance; (3) the information on the financial position, operating results and cash flows of the segment is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

33. Significant accounting judgments and estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the presentation and disclosure of income, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of statement of financial position. However, the results of these assumptions and estimated uncertainties may cause significant adjustments to the carrying amount of future assets or liabilities that are affected.

Judgment

During the application of the Group's accounting policies, management made the following judgments that had a significant impact on the confirmed amounts in the financial statements:

(1) The business model

The classification of financial assets at initial recognition depends on the business model of the Group's management of financial assets. When determining whether the business model is still likely to be based on the collection of contractual cash flows, the Group needs to analyze the sale of financial assets before the maturity date. It also requires judgment whether the sale is accidental or whether the value of the sale is low.

(2) The contractual cash flow characteristics

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial assets. When it is necessary to judge whether the contractual cash flow is only the payment of the principal and the interest based on the outstanding principal, the correction of the time value of the currency is included. In the assessment, it is necessary to judge whether there is a significant difference compared with the benchmark cash flow, and for the financial assets including the prepayment characteristics, it is necessary to judge whether the fair value of the early repayment characteristics is very small.

(3) Principal responsible person/agent

As for the Group's ability to lead a third party to provide services on behalf of the Group to its customers, the Group has the right to decide the price of the commodities traded independently, that is, the Group can control the project before transferring the agent project to the customer. Therefore, the Group is the main responsible person, recognizing the revenue according to the total consideration received or receivable. Otherwise, the Group as an agent shall recognize income in accordance with the amount of commission or Commission expected to be entitled to collect. The amount shall be determined by deducting the net amount payable to other interested parties from the total amount of consideration received or receivable, or by the established amount or proportion of commission.

Estimation uncertainty

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the future financial year are addressed below:

III. Summary of significant accounting policies and accounting estimates (continued)

33. Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

(1) The estimation of construction management services income and costs

As stated in Note III.24(2), the Group recognizes revenue from construction management services using the percentage of completion method when the outcome of the construction management services can be estimated reliably.

During the current year, the directors of the Company recognized construction management service income and costs according to the optimum estimation on the total investment top limit, project costs as well as other construction management service costs.

If the total budget for the project and project costs as well as the actual construction management service costs is different from management's current estimates, the construction management service income and costs will be changed prospectively.

(2) Amortization of concession intangible assets

As stated at Note III.19(1), amortization of concession intangible assets is provided under the traffic volume amortization method. Appropriate adjustments to the amortization of concession intangible assets will be made when there is a material difference between total projected traffic volume and the actual results.

The directors perform periodic assessment of the total projected traffic volume. The Group will appoint an independent professional traffic consultant to perform independent professional traffic studies in order to make an appropriate adjustment if there is a material and continuous difference between projected and actual traffic volume. The Group appointed independent professional traffic consultants to perform independent professional traffic studies on its main toll roads in year 2014, 2015, 2016, 2017 and 2018 and perform independent traffic volume studies respectively on Changsha Ring Road, Wuhuang Expressway and Qinglian Expressway in year 2018, and then prospectively adjusted the amortization unit according to the revised total projected traffic volume.

The Company has entered into an agreement with the Transport Commission of Shenzhen Municipality ("Shenzhen Transportation Bureau") related to the toll adjustment and compensation arrangements of Nanguang Expressway, Yanpai Expressway and Yanba Expressway (the "Three Expressways") at the end of 2015. The Three Expressways were transferred and no longer recognized as intangible assets.

(3) Provisions for maintenance/resurfacing obligations

As stated at Note III.23, the Group has contractual obligations under service concessions to maintain the toll road infrastructure to a specified level of serviceability. These obligations to maintain or restore the infrastructure, except for upgrading services, are to be recognized and measured as a provision.

The expenditures expected to incur in order to settle the obligations are determined based on the frequency of major maintenance and resurfacing activities throughout the operating periods of toll roads operated by the Group under the service concessions and the expected costs to be incurred for each event. The expected costs for maintenance and resurfacing and the timing of such events involve the directors' estimates. Such estimates are developed based on the Group's resurfacing plan and historical costs incurred for similar activities. The costs are then discounted to the present value based on the market rate which can reflect the time value of money and the risks specific to this obligation.

If the expected expenditures, resurfacing plan and discount rate are different from management's current estimates, the provision for maintenance/resurfacing will be changed prospectively.

III. Summary of significant accounting policies and accounting estimates (continued)

33. Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

(4) Income tax and deferred tax

The Group is subject to income taxes in several jurisdictions. During the ordinary course of business, the ultimate tax determinations of some transactions and events are uncertain. Significant judgment is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognizes deferred tax assets based on estimates that it is probable to generate enough taxable income in the foreseeable future that the deductible losses will be utilized. The recognition of deferred tax assets mainly involves management’s judgments and estimations about the timing and the amount of taxable income of the Company which has tax loss. Where the final outcome of timing and the amount is different from that initially estimated, such differences will impact the current income taxes and deferred tax assets in the period in which such determination is made.

(5) Impairment of financial assets

The Group assesses at the end of the reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment tests should be executed when there is any indication that the carrying amount is not recoverable. An impairment exists if the carrying amount of the financial asset or the group of financial assets exceeds its recoverable amount, which is the higher of the fair value net of disposal costs and the present value of the estimated future cash flow. The net amount of fair value minus disposal costs is determined by reference to the agreement price or observable market price of similar assets in the fair trade. When estimating the present value of future cash flows, management must estimate the expected future cash flows of the asset or assets group and select the appropriate discount rate to determine the present value of future cash flows.

(6) Estimate of fair value of the identifiable net assets acquired

During the year 2015, the Company’s wholly-owned subsidiary, Mei Wah Industrial (Hong Kong) Limited (“Mei Wah Company”), purchased a 10% equity interest in Shenzhen Qinglong Expressway Co., Ltd. (“Qinglong Company”) indirectly by purchasing a 100% equity interest in Fameluxe Investment at a cash consideration of RMB280 million. After completion of the transaction, the Group directly and indirectly held an aggregate of a 50% equity interest in Qinglong Company and obtained the control over Qinglong Company.

The purchase agreement includes the following conditions that would trigger an adjustment to the consideration:1) Qinglong Company and the local government authority entering into an agreement in relation to the traffic management arrangement and adjustment scheme of Shuiguan Expressway on or before 31 December 2016 with a comparable price lower than the preliminary consideration; 2) from the date of signing the share transfer agreement to 31 December 2016, the aforesaid adjustment agreement not yet being entered into and the relevant government authorities failing to grant the approval for the extension application of Shuiguan Expressway, or if the extension period of the concession granted under the approval being shorter than five years. Based on the available information and data, the Company made the best estimate that Qinglong Company was probable to obtain an approval of additional 4 tolling years before 31 December 2016, and the acquisition consideration of the 10% interests was estimated at RMB266 million.

III. Summary of significant accounting policies and accounting estimates (continued)

33. Significant accounting estimates and judgments (continued)

Estimation uncertainty (continued)

(6) Estimate of fair value of the identifiable net assets acquired (continued)

On 31 December 2016, due to the expectation that the negotiations between the Shenzhen Government and Qinglong Company on the adjustment of fees and charges were not completed before the original adjustment period (31 December 2016), Mei Wah Company, Hetai investment Company which was the former holder of Fameluxe Investment and Huayu Company and its actual controller, Mr. Chen Yangnan signed a Supplemental Agreement to extend the original contract period from 31 December 2016 to 31 December 2018. Due to the expectation that the negotiations between the Shenzhen Government and Qinglong Company on the adjustment of fees and charges were not completed before 31 December 2018. They signed a Supplemental Agreement on 30 December 2018. The conditions that would trigger an adjustment to the consideration were changed to: 1) Shenzhen Government entering into an adjustment fee agreement with Qinglong Company before 31 December 2020 with the comparable price calculated based on the arrangement and the purchase price from the share transfer agreement lower than the preliminary consideration; 2) On or before 31 December 2020, the aforesaid adjustment arrangement not yet being entered into and the relevant government authorities failing to grant the approval for the extension application of Shuiguan Expressway, or if the extension period of concession granted under the approval being shorter than 5 years.

The Company made the best estimate based on the available information and data, and considered that Qinglong Company would sign the adjustment fee agreement before 31 December 2020 and the purchasing price under the agreement would be equal to RMB266 million and lower than the initial consideration as calculated based on the terms set by the share trading agreement, and accordingly, the purchase price of the 10% equity remained at RMB266 million.

(7) Impairment of concession intangible assets

The estimates on the net realizable value should be made when considering the impairment of the concession intangible assets.

When considering the impairment of the concession intangible assets, the management of the Company calculates the future cash flows of the toll roads and determines the recoverable amount. The key assumptions of this calculation include the estimated growth rate of the traffic volume, the standards of toll road charge, operating period, maintenance cost and the required return rate. Under the previous assumptions, the Group’s management considered that a concession intangible asset had a recoverable amount higher than the book value, and therefore provision for the impairment of a concession intangible asset was not necessary during the current period. The Group is going to exam the relevant items closely and continually. Adjustments will be made during the corresponding period once there is any indication for adjustment of the accounting estimates.

(8) Impairment of financial instruments

The Group uses the expected credit loss model to assess the impairment of financial instruments. The application of the expected credit loss model requires significant judgments and estimations, and all reasonable and evidenced information, including forward-looking information, should be considered. In making such judgments and estimations, the Group infers the expected changes in the debtor's credit risk based on the historical repayment data in combination with economic policies, macroeconomic indicators, and industry risks.

This year, the Group assessed that there is no significant impact about expected credit loss on the amounts or disclosures shown in the consolidated financial statements of this year.

(9) Fair value of unlisted equity investments

The valuation of unlisted equity investments is the estimated future cash flows discounted based on the current discount rate of other financial instruments with similar contractual terms and risk characteristics. This requires the Group to estimate the expected future cash flows, credit risk, volatility and the discount rate, and therefore there is uncertainty.

III. Summary of significant accounting policies and accounting estimates (continued)

34. Changes in accounting policies and accounting estimates

Changes in accounting policies

In year 2017, the Ministry of Finance announced the revised "Accounting Standard for Business Enterprises No.14 - Revenue" (the "New Revenue Standard”), "Accounting Standard for Business Enterprises No.22 - Recognition and Measurement for Financial Instruments, "Accounting Standard for Business Enterprises No.23 – Transfer of Financial Assets", "Accounting Standard for Business Enterprises No.24 - Hedging" and "Accounting Standard for Business Enterprises No.37 – Presentation of Financial Instruments" (the "New Financial Instruments Standards”). The Group began to implement the accounting treatment arising from the newly revised standards above from 1 January 2018. According to the convergence rules, the information for the comparable period will not be adjusted and profit or other comprehensive income will be retrospectively adjusted since the difference between the implementation of the new standards and the current standards on the first day.

The New Revenue Standard

The New Revenue Standard establishes a new revenue recognition model for regulating revenue generated from contracts with customers. According to the New Revenue Standard, the way in which the revenue is recognized should reflect the mode in which the entity transfers goods or services to customers. The amount of revenue should reflect the amount of consideration that the entity is expected to receive due to the transfer of such goods and services to the customer. At the same time, the New Revenue Standard also regulates the judgments and estimates required for each aspect of revenue recognition. The Group only adjusts the cumulative impact of contracts that have not been completed on 1 January 2018. For changes to contracts that occurred before 1 January 2018, the Group adopted a simplified treatment method that all contracts were changed according to the contract and the final arrangement identifies the performance obligations that have been and have not been fulfilled, determines the transaction price, and apportions the transaction price between the fulfilled and outstanding performance obligations.

During the reporting period, the Group implemented the New Revenue Standard to calculate the interest cost for the receipts in advance with significant financing components in the pre-sale commercial housing contracts that were not completed at the beginning of the year, and considered the impact of the relevant interest costs on the capitalization before the completion of commercial housing construction. According to the convergence rules of the New Revenue Standard, the “inventories” under the current assets at the beginning of the year increased by RMB525,250.51, the “deferred tax assets” under the non-current assets at the beginning of the year increased by RMB1,661,004.98, the “receipts in advance” under the current liabilities at the beginning of the year increased by RMB7,169,270.43, the undistributed profit at the beginning of the year was reduced by RMB3,488,110.46, and the minority interests at the beginning of the year was reduced by RMB1,494,904.48.

III. Summary of significant accounting policies and accounting estimates (continued)

34. Changes in accounting policies and accounting estimates (continued)

Changes in accounting policies (continued)

The New Revenue Standard (continued)

The impacts of implementing the New Revenue Standard on the consolidated statement of financial position as at 1 January 2018 are as follows:

1 January 2018	Amount in the financial statements	Assuming implementing the original standards	Impact	
			Adjustment	Reclassification
Inventories	599,518,473.40	598,993,222.89	525,250.51	-
Deferred tax assets	138,018,930.41	136,357,925.43	1,661,004.98	-
Receipts in advance	465,783,878.20	458,614,607.77	7,169,270.43	-
Undistributed profits at beginning of the year	3,143,006,552.05	3,146,494,662.51	-3,488,110.46	-
Minority interests	2,156,486,969.40	2,157,981,873.88	-1,494,904.48	-

The impacts of implementing the New Revenue Standard are as follows:

Consolidated statement of financial position

31 December 2018	Amount in the financial statements	Assuming implementing the original standards	Impact	
			Adjustment	Reclassification
Account receivables	174,639,116.34	341,481,346.99	-	-166,842,230.65
Contract assets	166,842,230.65	-	-	166,842,230.65
Inventories	588,939,198.83	582,142,590.87	6,796,607.96	-
Deferred tax assets	172,392,222.04	168,049,642.57	4,342,579.47	-
Receipts in advance	-	834,545,816.94	24,166,925.83	-858,712,742.77
Contract liabilities	858,712,742.77	-	-	858,712,742.77
Undistributed profits	5,624,252,437.38	5,633,371,854.26	-9,119,416.88	-
Minority interests	2,152,661,784.07	2,156,570,105.59	-3,908,321.52	-

Consolidated statements of profit or loss

2018	Amount in the financial statements	Assuming implementing the original standards	Impact
Financial expenses	1,055,006,036.68	1,032,499,398.40	22,506,638.28
Revenue from services	5,807,108,031.78	5,795,327,691.45	11,780,340.33
Income tax expenses	966,446,984.07	969,128,558.56	-2,681,574.49

The New Financial Instruments Standards

The New Financial Instruments Standards change the classification and measurement of financial assets and require three measurement categories: financial assets are measured at amortized cost, fair value through other comprehensive income, or fair value through profit or loss, based on both the entity's business model for managing the financial assets and the financial asset's contractual cash flow characteristics. Equity investments shall be measured at fair value through profit or loss. However, the Company can elect to designate equity investments measured at fair value through other comprehensive income at the date of initial application and the election is irrevocable.

III. Summary of significant accounting policies and accounting estimates (continued)

34. Changes in accounting policies and accounting estimates (continued)

Changes in accounting policies (continued)

The New Financial Instruments Standards (continued)

The New Financial Instruments Standards require the “expected credit loss” model for the recognition and measurement of impairments in financial assets instead of the “objective evidence of impairment” model. The expected credit loss model is applied to financial assets measured at amortized cost or fair value through other comprehensive income, loan commitments and guarantee contracts.

The new hedge accounting model strengthens the connection between an entity’s risk management strategy and the financial statements and allows more hedging instruments and hedged items to qualify for hedge accounting. The new model cancels the revisiting effective test and introduces the concept of rebalancing mechanism and hedge costs.

With the initial application of the New Financial Instruments Standards, equity investments previously classified as “Available-for-sale financial assets” are reclassified to “Financial assets measured at fair value through profit or loss” and they are presented as “Other non-current financial assets” in the financial statements. The Company evaluates the fair value of those equity investments at the implementation date of the New Financial Instruments Standards. The aforementioned impacts resulted in an increase in non-current assets “Financial assets measured at fair value through profit or loss” amounting to RMB162,510,000.00, a decrease in non-current assets “Available-for-sale financial assets” amounting to RMB106,557,169.78, an increase in non-current liabilities “Deferred tax liabilities” amounting to RMB13,988,207.56 and an increase in retained earnings amounting to RMB41,964,622.66 on 1 January 2018.

On the first implementation date, the comparison of the financial assets classified and measured in accordance with the original and revised recognition and measurement standards for financial instruments is as follows:

The Group and the Company

	Pre-amended standards of recognition and measurement for financial instruments		Revised standards of recognition and measurement for financial instruments	
	Measurement category	Book value	Measurement category	Book value
Equity investment	Cost method	106,557,169.78	Measurement at fair value through profit or loss	162,510,000.00

On the first implementation date, the book value of the original financial assets is adjusted to the book value of the new financial assets classified and measured in accordance with the revised recognition and measurement standards for financial instruments, and the adjustments are as follows:

	Notes	Book value according to the original financial instruments standard on 31 December 2017	Reclassification	Remeasurement	Book value according to the New Financial Instruments Standards on 1 January 2018
Equity investment - Available-for-sale financial asset					
Balance listed according to original financial instruments standard		106,557,169.78	-106,557,169.78	-	-
Less: Transferred to measurement at fair value through profit or loss (The New Financial Instruments Standards)		-	106,557,169.78	55,952,830.22	162,510,000.00
Balance listed according to the New Financial Instruments Standards		-	106,557,169.78	55,952,830.22	162,510,000.00

III. Summary of significant accounting policies and accounting estimates (continued)

34. Changes in accounting policies and accounting estimates (continued)

Changes in accounting policies (continued)

Presentation of financial statements

In accordance with the “Notice on the Revision of the Issuance of the Financial Statements of General Enterprises for Year 2018” (Accounting [2018] No. 15), except for the presentation changes of financial statements resulting from the implementation of the New Financial Instruments Standard and the New Revenue Standard, the Group consolidated the “Receivable notes” and “Accounts receivable” to the newly added “Receivable notes and accounts receivable” item, consolidated the “Dividends receivable” and “Interest receivable” to “other receivables”, consolidated the "Liquidation of fixed assets" to the "Fixed assets" item, consolidated the "Project goods and materials" to the "Construction in progress" item, consolidated the "Notes payable" and "Account payables" to the newly added "Notes payable and account payables" item, consolidated the "Special payable" to the "Long-term payable" item, and the "R&D expenses" item is split from the "Administrative expenses" item in the statement of profit or loss and other comprehensive income, the “Interest expense” and “Interest income” are spilt from the “Financial expenses” item; the “Change in the defined benefit plan carried forward to retained earnings” item was added to the statement of changes in shareholders' equity and the Group restated the comparative period statement accordingly. This change in accounting policy had no impact on the merger and the Company's net profit and shareholders' equity.

The main impacts of the retrospective adjustments resulting from the changes in the presentation of financial statements and accounting policies on the consolidated financial statements are as follows:

The Group

2018

	Based on old standards	Impacts of the New Revenue Standard		Impacts of the New Financial	Impacts of other presentation	Based on new standards
	Book value	Reclassification	Remeasurement	instrument standards	of financial statements	Book value
	31 December 2018					31 December 2018
Accounts receivable	341,481,346.99	-166,842,230.65	-	-	-	174,639,116.34
Contract assets	-	166,842,230.65	-	-	-	166,842,230.65
Inventories	582,142,590.87	-	6,796,607.96	-	-	588,939,198.83
Deferred tax assets	168,049,642.57	-	4,342,579.47	-	-	172,392,222.04
Advances from customers	834,545,816.94	-858,712,742.77	24,166,925.83	-	-	-
Contract liabilities	-	858,712,742.77	-	-	-	858,712,742.77
Undistributed profits	5,591,407,231.60	-	-9,119,416.88	41,964,622.66	-	5,624,252,437.38
Minority interests	2,156,570,105.59	-	-3,908,321.52	-	-	2,152,661,784.07

III. Summary of significant accounting policies and accounting estimates (continued)

34. Changes in accounting policies and accounting estimates (continued)

Changes in accounting policies (continued)

The main impacts of the retrospective adjustments resulting from the changes in the presentation of financial statements and accounting policies on the consolidated financial statements are as follows (continued):

The Group (continued)

2018 (continued)

	Based on old standards	Impacts of the New Revenue Standard		Impacts of the New Financial	Impacts of other presentation	Based on new standards
	Book value	Reclassification	Remeasurement	instrument standards	of financial statements	Book value
	31 December 2018					31 December 2018
Financial expenses	1,032,499,398.40	-	22,506,638.28	-	-	1,055,006,036.68
Revenue	5,795,327,691.45	-	11,780,340.33	-	-	5,807,108,031.78
Income tax expenses	969,128,558.56	-	-2,681,574.49	-	-	966,446,984.07
Interests receivable	2,367,187.50	-	-	-	-2,367,187.50	-
Other receivables	1,577,889,017.01	-	-	-	2,367,187.50	1,580,256,204.51
Interest payables	89,973,729.42	-	-	-	-89,973,729.42	-
Other payables	2,306,855,167.33	-	-	-	89,973,729.42	2,396,828,896.75
Available-for-sale financial assets	106,557,169.78	-	-	-106,557,169.78	-	-
Deferred tax liabilities	1,408,685,410.30	-	-	13,988,207.56	-	1,422,673,617.86
Financial assets measured at fair value through profit or loss	45,103,194.00	-	-	-45,103,194.00	-	-
Gain or loss from changes in fair value	116,475,051.30	-	-	17,928,820.00	-	134,403,871.30
Other non-current financial assets	-	-	-	180,438,820.00	-	180,438,820.00
Transactional financial assets	-	-	-	45,103,194.00	-	45,103,194.00

III. Summary of significant accounting policies and accounting estimates (continued)

34. Changes in accounting policies and accounting estimates (continued)

<u>Changes in accounting policies (continued)</u>

The main impacts of the retrospective adjustments resulting from the changes in the presentation of financial statements and accounting policies on the consolidated financial statements are as follows (continued):

The Group (continued)

2017

	Before the changes in accounting policies	Changes in accounting policies	After changes in accounting policies
	31 December 2017	Reclassification	31 December 2017
Interest payable	73,582,698.51	-73,582,698.51	-
Other payables	3,001,127,861.36	73,582,698.51	3,074,710,559.87

The Company

2018

	Based on old standards	Impacts of the New Financial	Impacts of other presentation	Based on new standards
	Book value	instrument standards	of financial statements	Book value
	31 December 2018			31 December 2018
Interests receivable	2,367,187.50	-	-2,367,187.50	-
Dividends receivable	450,000,000.00	-	-450,000,000.00	-
Other receivables	2,026,988,171.40	-	452,367,187.50	2,479,355,358.90
Interests payable	79,978,204.43	-	-79,978,204.43	-
Other payables	1,405,351,649.72	-	79,978,204.43	1,485,329,854.15
Available-for-sale financial assets	106,557,169.78	-106,557,169.78	-	-
Deferred tax liabilities	-13,988,207.56	13,988,207.56	-	-
Undistributed profits at beginning of the year	4,267,849,736.73	41,964,622.66	-	4,309,814,359.39
Financial assets measured at fair value through profit or loss	45,103,194.00	-45,103,194.00	-	-
Gain or loss from changes in fair value	116,475,051.30	17,928,820.00	-	134,403,871.30
Other non-current financial assets	-	180,438,820.00	-	180,438,820.00
Transactional financial assets	-	45,103,194.00	-	45,103,194.00

III. Summary of significant accounting policies and accounting estimates (continued)

34. Changes in accounting policies and accounting estimates (continued)

<u>Changes in accounting policies (continued)</u>

Presentation of financial statements (continued)

The main impacts of the retrospective adjustments resulting from the changes in the presentation of financial statements and accounting policies on the consolidated financial statements are as follows (continued):

The Company (continued):

2017

	Before the changes in accounting policies	Changes in accounting policies	After changes in accounting policies
	31 December 2017	Reclassification	31 December 2017
Interest payable	63,037,480.69	-63,037,480.69	-
Other payables	1,165,432,327.68	63,037,480.69	1,228,469,808.37

The New Lease Standard

On 7 December 2018, the Ministry of Finance revised “Accounting Standard for Business Enterprises No. 21 - Lease” (the “New Lease Standard”) to replace the “Accounting Standard for Business Enterprises No. 21 - Lease” announced on 15 February 2006 and “Application Guide of Accounting Standard for Business Enterprises No. 21 - Lease” announced on 30 October 2006. It is also required that enterprises listed both domestically and abroad and enterprises listed abroad and preparing financial statements in accordance with International Financial Reporting Standards or the Accounting Standards for Business Enterprises adopt the New Lease Standard from 1 January 2019.

Under the New Lease Standard, at the commencement date of a lease, a lessee should recognize the right-of-use asset and lease liability, except for short-term lease and low-value asset lease with a simplified treatment method adopted. The right-of-use asset should be initially measured based on cost and subsequently measured based on the cost model. According to the depreciation related terms in “Accounting Standard for Business Enterprises No. 4 – Fixed Assets”, when the right-of-use asset is depreciated, it should be determined whether impairment has occurred in the right-of-use asset and deal with the recognized impairment losses according to “Accounting Standard for Business Enterprises No. 8 – Asset Impairment”. The lease liability should be initially measured based on the present value of the lease payments unpaid at the commencement date of the lease. The lessee should calculate the interest expenses of the lease liability of each period during the lease term according to a fixed periodic interest rate and include them in profit or loss. The Group plans to implement the New Lease Standard from 1 January 2019. According to the convergence rules of the New Lease Standard, it is optional to adjust the amount of the retained earnings and other relevant accounts at the beginning of the year when the New Lease Standard is initially implemented based on the cumulative impact of the initial implement of the New Lease Standard without adjusting the information for the comparable period. Based on the valuation of the Group, when the New Lease Standard is adopted, the Group expects to recognize a lease liability about RMB0.14 billion according to the present value of residue lease payment discounted at the increment loan interest rate at the initial implementation date and the right-of-use asset will be equal to the amount of the lease liability.

<u>Changes in accounting estimates</u>

Details and reasons for changes in accounting estimates	Procedures for approval	Effective date	Notes (Financial statement items and amounts affected)
Changes in accounting estimates of unit usage of the concession intangible assets of Changsha Ring Road	Approved by the Board of Directors of the Company on 25 October 2018.	1 July 2018	(a)
Changes in accounting estimates of unit usage of Wuhuang Expressway and Qinglian Expressway	Approved by the Board of Directors of the Company on 22 March 2019.	1 October 2018	(b)

III. Summary of significant accounting policies and accounting estimates (continued)

34. Changes in accounting policies and accounting estimates (continued)

Changes in accounting estimates (continued)

(a) Changes in accounting estimates of unit usage of concession intangible assets of Changsha Ring Road

Since the actual traffic volumes of Changsha Ring Road significantly differed from the projected traffic volume during the year and the difference between the actual traffic volume and the previous projected traffic volumes is expected to continue, and furthermore the surrounding highway networks and traffic diversion impact became stable, the Company appointed an independent professional traffic consultant to reassess the traffic volume of Changsha Ring Road in the future operating period in July 2018. According to the revised traffic volume projection, the Board of Directors of the Company approved this change in accounting estimates on 25 October 2018, and to adjust the unit usage of the aforesaid expressway according to the revised total projected traffic volume from 1 July 2018 using prospective application. The unit usage was adjusted from RMB2.45 to RMB1.71. Such change in accounting estimates impacts the financial statement items for the year of 2018 as follows:

	Impact amount
Increase in intangible assets	3,844,232.85
Increase in deferred tax assets	984,023.66
Increase in tax payable	1,945,081.87
Decrease in cost of services	3,844,232.85
Increase in income tax expenses	961,058.21
Increase in net profit	2,883,174.64
Increase in net profit attributable to owners of the Company	1,470,419.07

The above changes in accounting estimates would impact the magnitude of future amortization of the concession intangible assets of Changsha Ring Road to a certain extent.

(b) Changes in accounting estimates of unit usage of Wuhuang Expressway and Qinglian Expressway

Since the actual traffic volumes of Wuhuang Expressway and Qinglian Expressway significantly differed from the projected traffic volume during the year and the difference between the actual traffic volume and the previous projected traffic volumes is expected to continue, and furthermore the surrounding highway networks and traffic diversion impact became stable, the Company appointed an independent professional traffic consultant to reassess the traffic volume of Wuhuang expressway and Qinglian Expressway in the future operating period in October 2018. According to the revised traffic volume projection, the Board of Directors of the Company approved this change in accounting estimates on 22 March 2019, and to adjust the unit usage of the aforesaid expressways according to the revised total projected traffic volume from 1 October 2018 using prospective application. The unit usage of Wuhuang Expressway was adjusted from RMB8.46 to RMB5.82, and the unit usage of Qinglian Expressway was adjusted from RMB26.54 to RMB30.03. Such change in accounting estimates impacts the financial statement items for the year of 2018 as follows:

III. Summary of significant accounting policies and accounting estimates (continued)

34. Changes in accounting policies and accounting estimates (continued)

Changes in accounting estimates (continued)

(b) Changes in accounting estimates of unit usage of Wuhuang Expressway and Qinglian Expressway (continued)

	Impact amount		Impact amount
	Wuhuang Expressway		Qinglian Expressway
Increase in intangible assets	10,050,579.26	Decrease in intangible assets	7,383,761.36
Increase in deferred tax liabilities	2,512,644.82	Decrease in deferred tax liabilities	169,510.44
Increase in tax payable	-	Decrease in tax payable	1,676,429.90
Decrease in cost of services	10,050,579.26	Increase in cost of services	7,383,761.36
Increase in income tax expenses	2,512,644.82	Decrease in income tax expenses	1,845,940.34
Increase in net profit	7,537,934.45	Decrease in net profit	5,537,821.02
Increase in net profit attributable to owners of the Company	7,537,934.45	Decrease in net profit attributable to owners of the Company	4,229,233.91

The above changes in accounting estimates would impact the magnitude of future amortization of the concession intangible assets of Wuhuang Expressway and Qinglian Expressway to a certain extent.

IV. Taxation

1. Main categories and rates of taxes:

Category	**Tax base**	**Tax rate**
Value added tax ("VAT")	Real estate development income (from 1 May 2016 to 30 April 2018)	11%
	Real estate development income (from 1 May 2018)	10%
VAT	Taxable advertisement income	6%
VAT	Entrusted management income revenue from businesses other than expressway toll road (from 1 May 2016)	6%
VAT	Real estate development income and property operating lease income	5%(simply impose)
VAT	Revenue from expressway toll road business (from 1 May 2016)	3%
City maintenance and construction tax	Amount of commodity turnover tax paid	7%
Educational surcharge	Amount of commodity turnover tax paid	3%
Local educational surcharge	Amount of commodity turnover tax paid	2%
Construction fee for culture undertakings	Amount of advertising turnover	3%
Corporate income tax ("CIT")	Taxable income	Except the companies in the nest chart, 25%
Land appreciation tax	The gain on the transfer of real estate	Four level progressive rates, 30%-60%

The different CIT rate used by the Company's subsidiary is disclosed as follows:

The Company	Applicable tax rate
Fameluxe Company (1)	16.5%

(1) Fameluxe Company is incorporated in Hong Kong with an applicable income tax rate of 16.5%.

2. Tax preference

For the year ended 31 December 2018, there was no tax preference that would have a significant impact on the Group.

3. Others

According to Guoshuihan (2010) No.651, "Reply from the State Administration of Taxation concerning about the recognition as resident enterprises of related overseas enterprises of Shenzhen Expressway Company Limited" issued by the State Administration of Taxation on 30 December 2010, Mei Wah Company, Maxprofit Company and JEL Company were recognized as resident enterprises of China and would be subject to the relevant taxation administration, which came into effect in 2008.

V. Notes to the consolidated financial statements

1. Cash and cash equivalents

Item	2018	2017
Cash on hand	10,969,104.99	11,227,876.21
Bank deposits	4,215,721,979.08	4,244,507,229.55
Other money funds	-	3,960,356.50
Total	4,226,691,084.07	**4,259,695,462.26**
Including: cash abroad	17,281,573.35	125,680,683.47

As at 31 December 2018, the balance of funds for the project management special account of the Group's project was RMB1,645,847,754.50 (31 December 2017: RMB 2,375,125,239.77). The balance of the project management special account of the above project is reflected in the statement of the cash flows as restricted bank deposits (Note V.55(8)).

Current deposits earn interest at the rate based on current deposit interest rates. Maturities of short-term time deposits range from 7 days to 12 months depending on the fund arrangement of the Group. Time deposits earn interest at the relevant rates with different maturities.

2. Transactional financial assets (Only applicable in 2018)

Item	2018
Transactional financial assets	45,103,194.00
Including: Derivative financial liabilities(a)	45,103,194.00
Total	**45,103,194.00**

(a) Transactional financial assets are foreign exchange swaps and foreign exchange forward contracts that are measured at fair value through profit or loss. On 18 July 2016, the Company issued a 5-year long-term bonds whose face value was USD300 million United States Dollar ("USD"). In order to lock in exchange rate risk, the Company signed foreign exchange swap/forward contracts with a number of banks in phases. The first contract period is from July 2016 to July 2017, with a total amount of USD295 million, all of which are ordinary foreign exchange swap/forward contracts. The second contract period is from July 2017 to July 2018, with a total amount of USD300 million, of which USD150 million is a capped swap/forward contract and USD150 million is a regular foreign exchange swap/forward contract. In July 2018, the original foreign exchange swap and foreign exchange forward contract expired, the Company confirmed a total investment loss of RMB 49,740,000.00. The third contract period began in July 2018, of which the USD150 million contract will expire in July 2019, and the other USD150 million contract will expire in July 2021. During the year, the above-mentioned derivative financial instruments have a fair value gain of RMB116,475,051.30 (2017: a loss of RMB146,363,175.07) (Note V.48).

On 31 December 2017, the fair value of the foreign exchange swap and foreign exchange forward contract was RMB-71,371,857.30, which was recorded in the "financial liabilities measured at fair value through profit or loss".

V. Notes to the consolidated financial statements (continued)

3. Accounts receivable

Trade receivables are interest-free with a credit period of one to six months in general.

(1) The aging of accounts receivable according to the recognition date is analyzed below:

	2018	2017
Within 1 year	142,974,232.51	157,339,927.39
1 to 2 years	26,732,147.73	23,536,166.98
2 to 3 years	93,869.66	34,845,478.28
Over 3 years	5,038,866.44	8,067,381.13
Sub-total	**174,839,116.34**	**223,788,953.78**
Less：Provision for bad debts	200,000.00	450,000.00
Total	**174,639,116.34**	**223,338,953.78**

(2) The changes in the provision for bad debt are as follows:

	Beginning balance	Additions	Reversal	Write-off	Cancellation after verification	Ending balance
2018	450,000.00	-	250,000.00	-	-	200,000.00
2017	-	450,000.00	-	-	-	450,000.00

(3) Accounts receivable are analyzed by category as follows:

Category	2018			
	Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance
Receivables that are subject to provision by group with similar credit risk characteristics	174,839,116.34	100.00	200,000.00	0.11
Group 1	59,555,198.06	34.06	-	-
Group 2	115,283,918.28	65.94	200,000.00	0.17
Total	**174,839,116.34**	**100.00**	**200,000.00**	**/**

The aging of group 2 according to the recognition date is analyzed below：

	2018		
	Estimated default book balance	Expected credit loss rate (%)	Expected credit loss over the duration
Within 1 year	114,757,633.54	-	-
1 to 2 years	232,415.08	-	-
2 to 3 years	93,869.66	-	-
Over 3 years	200,000.00	100	200,000.00
Total	**115,283,918.28**	**/**	**200,000.00**

V. Notes to the consolidated financial statements (continued)

3. Accounts receivable (continued)

Category	2017			
	Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance
Individually significant and provision separately assessed	-	-	-	-
Receivables that are subject to provision by group with similar credit risk characteristics	223,788,953.78	100.00	450,000.00	0.20
Group 1	134,687,550.69	60.19	-	-
Group 2	89,101,403.09	39.81	450,000.00	0.51
Individually not significant but provision separately assessed	-	-	-	-
Total	**223,788,953.78**	**100.00**	**450,000.00**	/

(4) Accumulated accounts receivable from the five largest debtors:

	Balance	Provision for bad debts	% of total balance
Total accumulated accounts receivable from the five largest debtors at 31 December 2018	141,502,579.74	-	80.93
Total accumulated accounts receivable from the five largest debtors at 31 December 2017	146,561,063.50	-	65.49

V. Notes to the consolidated financial statements (continued)

4. Advances to suppliers

(1) Advances to suppliers presented on the basis of their respective nature:

	2018	2017
Prepaid land-transferring fund	121,245,420.00	286,303,642.03
Others	45,202,643.98	25,668,116.90
Total	**166,448,063.98**	**311,971,758.93**

As at 31 December 2018, the amount represents the prepayments for land-transferring fee, construction, prepaid refuel cards, survey and design expenses, prepaid billboard production fees, road insurance premium and so on.

(2) The aging analysis of advances to suppliers is as follows:

Aging	2018		2017	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	160,443,756.49	96.40	79,037,423.00	25.34
1 to 2 years	4,310,402.64	2.59	91,867,638.56	29.45
2 to 3 years	973,564.98	0.58	57,415,057.67	18.41
Over 3 years	720,339.87	0.43	83,651,639.70	26.80
Total	**166,448,063.98**	**100.00**	**311,971,758.93**	**100.00**

As at 31 December 2018, advances to suppliers over 1 year mainly represents the construction payment. The advances to suppliers have not been carried over because the contracts have not been completed.

(3) Accumulated advances to the five largest suppliers

Total accumulated advances to the five largest suppliers	Amount	% of total balance
31 December 2018	134,680,899.49	80.91
31 December 2017	295,105,055.31	94.59

5. Other receivables

(1) Other receivables are classified as follows:

	2018	2017
Interest receivable	2,367,187.50	2,209,701.24
Other receivables	1,577,889,017.01	39,495,778.93
合计	**1,580,256,204.51**	**41,705,480.17**

V. Notes to the consolidated financial statements (continued)

5. Other receivables(continued)

(2) The aging of other receivables according to the recognition date is analyzed below:

	2018	2017
Within 1 year	1,575,487,005.82	33,077,278.67
1 to 2 years	676,601.04	2,367,884.62
2 to 3 years	668,709.88	1,080,967.86
Over 3 years	3,423,887.77	5,179,349.02
Total	**1,580,256,204.51**	**41,705,480.17**

(3) The changes in the ending balance and provision for bad debts are as follows:

	The first stage Expected credit loss over the next 12 months		The third stage Financial assets occurred credit impairment	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Beginning balance	41,691,364.33	-	14,115.84	-
Additions	3,131,143,411.79	-	-	14,115.84
Reduction	1,592,578,571.61	-	14,115.84	14,115.84
Ending balance	1,580,256,204.51	-	-	-

(4) Other receivables are analyzed by category as follows:

Item	2017			
	Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance
Individually significant and provision separately assessed	-	-	-	-
Receivables that are subject to provision by group with similar credit risk characteristics	41,705,480.17	100.00	-	-
Group 1	28,095,732.06	67.37	-	-
Group 2	13,609,748.11	32.63	-	-
Individually not significant but provision separately assessed	-	-	-	-
Total	**41,705,480.17**	**100.00**	**-**	**-**

V. Notes to the consolidated financial statements (continued)

5. Other receivables (continued)

(5) Other receivables by nature are analyzed as follows:

Nature	2018	2017
Shenzhen Transportation Bureau (a)	932,672,618.97	-
Capital reduction receivables (b)	606,662,489.40	-
Advance payment receivables	6,778,921.63	3,661,536.01
Administrative reserve fund	3,897,417.77	3,338,663.37
The multi-junction tax of the government compensation of Meiguan Expressway Extension	2,442,470.58	27,103,668.81
Interest receivable	2,367,187.50	-
Staff advances	1,791,768.65	1,665,864.82
Others	23,643,330.01	5,935,747.16
Total	**1,580,256,204.51**	**41,705,480.17**

(a) The amount of RMB 932,672,618.97 are charged and compensated for the adjustment of the Three Expressways and the arrangement of the asset transfer agreement. The relevant taxes and fees are borne by the government. The money was received in January 2019. Please refer to notes V、36.

(b) This amount is the uncollected amount of the joint land reduction, which was received in January 2019. Please refer to notes V、15 (2).

(6) The five largest other receivables are analyzed as follows:

2018

Company name	Nature	2018	Aging	% of total balance	Provision for bad debts
Shenzhen Transportation Bureau	The taxes for the Three Expressways borne by the government	932,672,618.97	Within 1 year	59.02	-
Shenzhen International Land Co., Ltd	Reduction of capital and other receivables	606,662,489.40	Within 1 year	38.39	-
Zhang Junyu 、Pang Yanxi	Deposit	3,700,000.00	Within 1 year	0.23	-
China united property insurance Co. Ltd	Insurance company claims receivable	2,591,805.00	Within 1 year	0.16	-
Tax Authorities	The multi-junction tax of the government compensation	2,442,470.58	Within 2 year	0.15	-
Total	**/**	**1,548,069,383.95**	/	**97.95**	-

V. Notes to the consolidated financial statements (continued)

5. Other receivables (continued)

(7) The five largest other receivables are analysed as follows: (continued)

2017

Company name	Nature	2017	Aging	% of total balance	Provision for bad debts
Tax Authorities	The multi-junction tax of the government compensation	27,103,668.81	Within 1 year	64.99	-
Nanguang special inspection station	Advance for water and electricity expenses	1,187,778.47	Over 3 years	2.85	-
Sun Hung Kai Real Estate Agency Co., Ltd.	Deposits	880,004.09	Within 3 years	2.11	-
Jiangsheng Real Estate Development (Shenzhen) Co., Ltd.	Premium for leases	829,074.00	2 to 3 years	1.99	-
Shenzhen Branch of China Life Insurance Co., Ltd.	Insurance company claims receivable	479,253.76	Within 1 year	1.15	
Total	**/**	**30,479,779.13**	**/**	**73.09**	**-**

V. Notes to the consolidated financial statements (continued)

6. Inventories

(1) Inventory classification

Item	2018			2017		
	Carrying amount	Allowance for impairment	Net book amount	Carrying amount	Allowance for impairment	Net book amount
Properties held for development (a)	115,302,984.60	-	115,302,984.60	295,767,370.60	-	295,767,370.60
Properties under development (b)	191,304,337.32	-	191,304,337.32	211,699,556.05	-	211,699,556.05
Properties held for sale(c)	277,051,859.65	-	277,051,859.65	87,090,276.78	-	87,090,276.78
Toll tickets	4,103,579.38	-	4,103,579.38	4,125,053.48	-	4,125,053.48
Maintenance and repair parts	637,258.00	-	637,258.00	540,875.01	-	540,875.01
Low value consumables	539,179.88	-	539,179.88	295,341.48	-	295,341.48
Total	**588,939,198.83**	**--**	**588,939,198.83**	**599,518,473.40**	**-**	**599,518,473.40**

(a) Properties held for development were the lands held by the Group located in Longli County to be developed, among which the lands held by Guizhou Shenzhen Expressway Land Co., Ltd. (Guizhou Land) were parts of the land planned to be developed under Phase IV to Phase V of "Interlaken Town Project".

(b) Properties under development

Name of project	Start time	Estimated completion date	The amount of estimated investment	Ending balance on 31 December 2018	Opening balance on 1 January 2018
Phase II Stage I of "Interlaken Town Project"	May 2017	October 2018	480,000,000.00	-	132,983,866.58
Phase II Stage II of "Interlaken Town Project"	May 2018	June 2019	120,000,000.00	22,778,722.61	-
Phase III Stage I of "Interlaken Town Project"	December 2018	October 2020	425,000,000.00	63,007,941.28	-
Public area	December 2015	/	/	105,517,673.43	78,715,689.47
Total	**/-**	**/**	**/**	**191,304,337.32**	**211,699,556.05**

(c) The property held for sale are the first Stage of Phase I and the first Stage of Phase II of Interlaken Town Project. The first Stage of Phase I achieved a completion area of 38,768.63 square meters in 2016, 37,195.49 square meters of the completed area were delivered. During the year, there was no delivery area and the remaining completed saleable area was 1,573.14 square meters. The first Stage of Phase II achieved a completion area of 54,760.09 square meters during the year, and 16,763.36 square meters of the completed area were delivered. During the year, the remaining completed saleable area of the first Stage of Phase II is 37,996.73 square meters.

(2) Borrowing cost capitalization

During the year, the capitalized borrowing cost in the Group's inventories was RMB6,796,607.96 and the capitalization ratio was 4.75%. (2017: the capitalized borrowing cost was RMB755,277.56 and the capitalization ratio was 4.35%).

V. Notes to the consolidated financial statements (continued)

7. Held-for-sale assets

Item	2018 book value	2018 fair value	Estimated disposal cost	Estimated disposal time
Inventories	296,640,634.06	567,000,000.00	651,500.00	The second quarter of 2019
Total	**296,640,634.06**	**567,000,000.00**	**651,500.00**	**/**

On 9 November 2018, The Group's subsidiaries, Guizhou Guishen Investment Development Company Limited ("Guishen Company") and Guizhou Shenzhen Expressway Land Company Limited ("Guizhou Land Purchase"), were publicly listed by the Shenzhen United Property Exchange to sell the 100% equity and creditor's rights of their subsidiaries Guizhou Shengbo Land Company Limited ("Guizhou Shengbo land Company"), Hengfengxin Property Company Limited ("Hengfeng Xin Property Company"), and Henghongda Property Company Limited ("Guizhou Hengda Property Company") and Guizhou Yehengda Property Company Limited ("Guizhou Yehengda Company").On 11 December 2018, Guizhou Xinhe Lifu Real Estate Development Company Limited ("Xinhe Lifu Company") was delisted as the transferee and paid a deposit of RMB 170,100,000.00. Guishen Company and Guizhou Land Company have made resolutions of shareholders'meeting and board of directors on the transaction on 20 April 2018, and the transfer is expected to be completed within one year. Accordingly, the subject matter related to the agreement is divided into holding assets for sale from inventory.

8. Contract assets (Only applicable in 2018)

2018			
Item	Book balance	Provision for bad debt	Book value
Construction receivable	166,842,230.65	-	166,842,230.65
Total	**166,842,230.65**	**-**	**166,842,230.65**

9. Current portion of non-current assets

Item	2018	2017
Receivables from Longli BT Project (Note V.12(a))	22,548,751.19	79,908,301.90
Total	**22,548,751.19**	**79,908,301.90**

10. Other current assets

Item	2018	2017
Prepaid tax	41,310,337.24	25,996,264.62
Pending deduction of input value-added tax	22,844,804.46	13,370,726.88
Financial product	200,000,000.00	-
Total	**264,155,141.70**	**39,366,991.50**

Financial product are the closed-end capital-saving and floating-income No. 2018573 products issued by the China Development Bank Shenzhen Branch purchased by Shenzhen Guangshen Coastal Expressway Investment Co., Ltd. ("Coastal Company") in 2018. The upper limit of annualized rate of return is 3.9%, and the period is from 23 October 2018 to 7 January 2019.

V. Notes to the consolidated financial statements (continued)

11. Long-term prepayments

Item	2018	2017
Construction prepayments from the Shenzhen Outer Ring Expressway Investment Company Limited (Outer Ring Company)	367,160,992.89	323,666,637.88
Prepayments for resettlement	-	3,329,760.00
Total	**367,160,992.89**	**326,996,397.88**

At 31 December 2018, the Outer Ring Company had prepaid the construction funds for Baoan District and Longgang District in Outer Ring Expressway amounting to RMB367,160,992.89. The prepayments will be settled according to the progress of the construction.

12. Long-term receivables

(1) General information:

Item	2018			2017			Range of discount rate
	Carrying amount	Bad debt provision	Net book amount	Carrying amount	Bad debt provision	Net book amount	
Due from Shenzhen-Shanwei Special Cooperation Zone Development and Construction Co., Ltd.	156,473,492.73	-	156,473,492.73	131,987,334.65	-	131,987,334.65	-
Due from Guizhou Longli County Government in relation to the project management services provided to Longli BT Project (a)	22,548,751.19	-	22,548,751.19	79,908,301.90	-	79,908,301.90	9%
Compensation interest receivable due from Shenzhen Government related to toll adjustment of Yanba, Yanpai and Nanguang (“Three Expressways”)	-	-	-	12,019,232.87	-	12,019,232.87	-
Receivable on billboard quality deposits	4,500,000.00	-	4,500,000.00	4,500,000.00	-	4,500,000.00	-
Sub-total	**183,522,243.92**	**-**	**183,522,243.92**	**228,414,869.42**	**-**	**228,414,869.42**	**-**
Less: Current portion	22,548,751.19	-	22,548,751.19	79,908,301.90	-	79,908,301.90	-
Total	**160,973,492.73**	**-**	**160,973,492.73**	**148,506,567.52**	**-**	**148,506,567.52**	**/**

(a) The Longli BT project entrusted to Guishen Company was completed at the end of 2014. As at 31 December 2018, accounts receivable due from the Longli BT project amounting to RMB22,548,751.19, were expected to be received within one year. For the current year, RMB1,794,965.49 (2017: RMB7,261,720.02) was recognized as interest income based on the effective interest method.

(2) The changes in the ending balance and provision for bad debts are as follows:

	The first stage Expected credit loss over the next 12 months	
	Ending balance	Provision for bad debt
Beginning balance	148,506,567.52	-
Additions	24,486,158.08	-
Reduction	12,019,232.87	-
Ending balance	160,973,492.73	-

V. Notes to the consolidated financial statements (continued)

13. Available-for-sale financial assets (Only applicable in 2017)

(1) General information of available-for-sale financial assets

Item	2017		
	Carrying amount	Allowance for impairment	Net book amount
Available-for-sale equity instruments:			
Measured at cost	106,557,169.78	-	106,557,169.78
Total	**106,557,169.78**	**-**	**106,557,169.78**

(2) Available-for-sale financial assets measured at costs

Investee	Carrying amount				Allowance for impairment				Share-holding (%)	Cash dividends during the year
	Opening balance	Additional during the year	Deduction during the year	Closing balance	Opening balance	Additional during the year	Deduction during the year	Closing balance		
Guangdong United Electronic Services Company Limited ("United Electronic Company")	43,490,000.00	-	-	43,490,000.00	-	-	-	-	12.86	-
Shenzhen Water Planning & Design Institute Company Limited ("Water Planning&Design Institute Company")	-	63,067,169.78	-	63,067,169.78	-	-	-	-	15.00	-
Total	**43,490,000.00**	**63,067,169.78**	**-**	**106,557,169.78**	**-**	**-**	**-**	**-**	**-**	**-**

14. Other non-current financial assets (Only applicable in 2018)

Item	2018
Financial assets at fair value through profit or loss	
Equity of United Electronic Company	103,998,820.00
Equity of Water Planning & Design Institute Company	76,440,000.00
Total	**180,438,820.00**

With the initial application of the New Financial Instruments Standards, equity investments previously classified as "Available-for-sale financial assets" are reclassified to "Financial assets measured at fair value through profit or loss" and they are presented as "Other non-current financial assets" in the financial statements. The Company evaluates the fair value of those equity investments at the implementation date of the New Financial Instruments Standards amounting to RMB162,510,000.00, please refer to Note III.34. During the year, gains from changes in fair value of those equity investments amounted to RMB 17,928,820.00.

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V. Notes to the consolidated financial statements (continued)

15. Long-term equity investments

2018

Investee	2017	Current year movements						2018	Share-holding (%)	Impairment provided during the year
		Current year additions	Reduction	Investment income / loss recognized under equity pick-up method	Cash dividend declared	Investment cost refunded	Others			
Associates			-							
Shenzhen Expressway Engineering Consulting Company ("Consulting Company")	53,484,186.60	-	-	8,380,093.00	-1,125,000.00	-	-	60,739,279.60	24	-
Shenzhen Huayu Expressway Investment Company ("Huayu" Company)	44,978,772.50	-	-	21,112,682.87	-8,800,000.00	-	-	57,291,455.37	40	-
Guangdong Jiangzhong Expressway Company Limited ("Jiangzhong Company")	307,302,158.66	-	-	24,658,956.25	-16,639,825.12	-	-	315,321,289.79	25	-
Nanjing Yangtze River Third Bridge Company Limited ("Nanjing Third Bridge Company")	286,316,237.75	-	-	50,341,558.43	-	-	-	336,657,796.18	25	-
Guangdong Yangmao Expressway Company Limited ("Yangmao Company")	337,426,224.67	57,500,000.00	-	85,788,247.72	-85,788,247.72	- 11,088,509.92	-	383,837,714.75	25	-
Guangzhou Western Second Ring Expressway Company Limited ("GZ W2 Company")	254,647,119.35	-	-	57,397,107.70	-22,297,187.40	-	-	289,747,039.65	25	-
Yunfu Guangyun Expressway Company Limited ("Guangyun Company")	74,884,552.95	-	-	37,192,737.78	-37,192,737.78	-5,959,154.79	-	68,925,398.16	30	-
Guizhou Hengtongli Property Company Limited ("Guizhou Hengtongli")	42,265,929.51	-	-	-	-	-	-	42,265,929.51	49	-
Shenzhen International United Land Company Limited ("United Land Company") (2)	2,445,154,415.03	-	-2,205,000,000.00	-5,716,308.49	-	-	780,169,768.52	786,510,490.95	34.30	-
Bank of Guizhou Co., Limited ("Bank of Guizhou") (3)	806,867,232.14	-	-	79,689,626.35	-29,820,000.00	-	780,169,768.52	786,510,490.95	3.44	-
Chongqing Derun Environment Co., Limited ("Derun Environment") (4)	4,410,925,451.75	-	-	162,111,686.88	-146,400,000.00	-	-15,064,036.07	4,411,573,102.56	20	-
Sub-total	9,064,252,280.91	57,500,000.00	-2,205,000,000.00	520,956,388.49	-348,062,998.02	-17,047,664.71	786,510,490.95	7,859,108,497.62	/	-
Total	**9,064,252,280.91**	**57,500,000.00**	**-2,205,000,000.00**	**520,956,388.49**	**-348,062,998.02**	**-17,047,664.71**	**786,510,490.95**	**7,857,109,358.03**	**/**	**-**

V. Notes to the consolidated financial statements (continued)

15. Long-term equity investments (continued)

2017

Investee	2016	Current year movements					2017	Shareholding (%)	Impairment provided during the year
		Current year additions	Investment income / loss recognized under equity pick-up method	Cash dividend declared	Investment cost refunded	Others			
Joint ventures									
Shenchang Company (1)	166,160,042.14	-	7,079,749.78	-	-11,058,312.73	-162,181,479.19	-	51	-
Sub-total	166,160,042.14	-	7,079,749.78	-	-11,058,312.73	-162,181,479.19	-	/	-
Associates									
Consulting Company	44,704,298.83	-	10,039,887.77	-1,260,000.00	-	-	53,484,186.60	24	-
Huayu Company	52,745,170.55	-	8,233,601.95	-8,233,601.95	-7,766,398.05	-	44,978,772.50	40	-
Jiangzhong Company	303,593,845.96	-	22,111,131.20	-18,402,818.50	-	-	307,302,158.66	25	-
Nanjing Third Bridge Company	301,541,842.94	-	44,075,730.38	-44,075,730.38	-15,225,605.19	-	286,316,237.75	25	-
Yangmao Company	291,675,894.82	-	84,064,090.85	-38,313,761.00	-	-	337,426,224.67	25	-
GZ W2 Company	248,169,322.23	-	49,124,097.12	-42,646,300.00	-	-	254,647,119.35	25	-
Guangyun Company	81,305,717.98	-	38,578,834.97	-38,578,834.97	-6,421,165.03	-	74,884,552.95	30	-
Guizhou Hengtongli	42,265,929.51	-	-	-	-	-	42,265,929.51	49	-
Unit Land Company	2,445,503,789.24	-	-349,374.21	-	-	-	2,445,154,415.03	49	-
Bank of Guizhou	725,615,651.97	-	100,300,859.14	-29,085,863.01	-	10,036,584.04	806,867,232.14	3.78	-
Derun Environment	-	4,415,582,466.80	125,957,501.97	-119,600,000.00	-	-11,014,517.02	4,410,925,451.75	20	-
Sub-total	4,537,121,464.03	4,415,582,466.80	482,136,361.14	-340,196,909.81	-29,413,168.27	-977,932.98	9,064,252,280.91	/	-
Total	**4,703,281,506.17**	**4,415,582,466.80**	**489,216,110.92**	**-340,196,909.81**	**-40,471,481.00**	**-163,159,412.17**	**9,064,252,280.91**	**/**	**-**

V. Notes to the consolidated financial statements (continued)

15. Long-term equity investments (continued)

(1) Shenchang Company's registered and main operating places are in China. As at 1 April 2017, Shenchang Company became a subsidiary of the Company.

(2) When United Land Company was found,Xin Tong Chan Company and the Company respectively hold 51% and 49% of the shares of it. On 2 February 2018, Xin Tong Chan Company, the Company and United Land Company signed the "Capital Reduction Agreement". After the agreement, the three parties agreed that the Company and Xin Tong Chan Company will conduct the simultaneous capital reduction according to the equity ratio with the total amount of capital reduction of 4.5 billion yuan. The Company reduced the amount of funds by 2.205 billion, and Xin Tong Chan Company reduced the amount of funds by 2.295 billion yuan. After the completion of this capital reduction, the registered capital of the joint land company was reduced from 5 billion yuan to 500 million yuan. The Company and Xin Tong Chan Company still hold the equity of the United Land Company and enjoy the shareholders' equity according to the original shareholding ratio.

During the year, through public listing at the Shenzhen United Property and Share Rights Exchange, United Land Company introduced China Vanke Co., Ltd. ("Vanke") as a strategic investor. Finally, Vanke subscribed 30% equity interest after the completion of injection with the price of RMB 2,900,000,000.00 while the company and Xin Tong Chan Company gave up the subscription rights. Meanwhile, the transaction was approved in the shareholders' meeting on 13 November 2018. After Vanke's capital injection, the equity interests owned by Xin Tong Chan Company, the Company and Vanke were 35.7%,34.3%and 30% respectively. The registered capital of United Land Company was RMB 714,285,714.29. Accordingly, the capital reserve changed after the capital injection. Therefore, capital reserve of the company increased by RMB 921,200,000.00 according to its newly percentage of ownership interest

(3) On 17 June 2016, in accordance with the approval and authorization of the general meeting of Guizhou Bank, the Company got a place in the board of directors of Guizhou Bank. Because of Guizhou Bank's decentralized equity, the Company became the fourth largest shareholder of Guizhou Bank and had significant influence on its operation. Therefore, the Company accounted for Guizhou Bank as an associate under the equity method. On 2 April 2018, the third party company made capital injections to Guizhou Bank. The board remained the same while the Company's shareholding of Guizhou Bank decreased from 3.78% to 3.44%, and the Company was still the place of the fourth largest shareholder of Guizhou Bank. The Company increased its capital reserve by RMB13,029,245.03. Additionally, an adjustment to decrease the other comprehensive income by RMB8,375,513.47 was made due to the other comprehensive loss of approximately, in Guizhou Bank.

(4) On 25 May 2017, the Company's wholly-owned subsidiary, Shenzhen Expressway Environment Construction Management Co., LTD ("Environment Company"), signed a property transaction contract with Chongqing Water Property Management Co., LTD ("Water Property") pursuant to which Environment Company purchased 20% of equity of Derun Environment at a consideration of RMB408,644,500.00. On 6 June 2017, the transaction was completed by paying a transaction fee and stamp tax of RMB6,937,966.80, and the equity was transferred on the same day. As a result of the transfer, Derun Environment became an associate of the Company and is accounted for using the equity method. In addition, an adjustment of decreasing the other comprehensive income by RMB17,117,002.02 was due to the movement of the other comprehensive income in Derun Environment. An adjustment of decreasing capital reserve by RMB2,052,965.95 was due to the movement of the capital reserve in Derun Environment.

(5) The percentage of ownership interest of the associated enterprise held is the same as the percentage of its voting power.

V. Notes to the consolidated financial statements (continued)

16. Investment properties

Subsequently measured at cost：

Item	2018	2017
1. Cost		
Balance at 1 January	18,180,000.00	18,180,000.00
Balance at 31 December	18,180,000.00	18,180,000.00
2. Accumulated depreciation		
Balance at 1 January	5,229,275.00	4,653,575.00
Current period additions	575,841.40	575,700.00
-Addition	575,841.40	575,700.00
Balance 31 December	5,805,116.40	5,229,275.00
3. Carrying amount		
Balance 1 January	12,374,883.60	12,950,725.00
Balance 31 December	12,950,725.00	13,526,425.00

The investment properties are the parking spaces in the Group's headquarter office building in the Jiangsu Building, commissioned the property company to rent to the relevant car owners to use.

*The Group’s investment properties are all located in the mainland of China and held under medium term leases.

On 31 December 2018, the investment without the certificate of ownership is listed as follows：

	Carrying amount	Reason for not yet obtaining the certificate of ownership
The parking lot beneath the Jiangsu Building	12,374,883.60	All the certificates of ownership of the parking lots in Shenzhen are not available

V. Notes to the consolidated financial statements (continued)

17. Fixed assets

(1) Fixed asset movements

2018

Item	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Total
1. Cost					
31 December 2017	882,607,957.15	1,513,595,621.98	31,281,453.96	57,899,811.93	2,485,384,845.02
Current year additions	3,283,091.21	84,819,791.68	4,149,975.80	6,509,600.49	98,762,459.18
-Purchase	3,073,657.24	54,069,843.16	4,149,975.80	6,131,903.49	67,425,379.69
-Construction in progress	209,433.97	30,749,948.52	-	377,697.00	31,337,079.49
Current year reductions	252,835,334.70	577,877,929.12	4,204,847.22	13,844,723.81	848,762,834.85
-Disposals	252,835,334.70	577,877,929.12	4,204,847.22	13,844,723.81	848,762,834.85
31 December 2018	633,055,713.66	1,020,537,484.55	31,226,582.54	50,564,688.61	1,735,384,469.35
2. Accumulated depreciation					
31 December 2017	283,145,800.71	987,437,691.77	23,844,912.29	33,821,171.48	1,328,249,576.25
Current year additions	38,078,448.28	110,613,183.80	3,038,610.19	6,606,298.52	158,336,540.79
-Addition	38,078,448.28	110,613,183.80	3,038,610.19	6,606,298.52	158,336,540.79
Current year reductions	119,064,720.84	455,509,106.94	3,983,969.30	12,722,251.89	591,280,048.97
-Disposals	119,064,720.84	455,509,106.94	3,983,969.30	12,722,251.89	591,280,048.97
31 December 2018	202,159,528.15	642,541,768.64	22,899,553.18	27,705,218.11	895,306,068.08
3. Net book value					
31 December 2018	430,896,185.51	377,995,715.91	8,327,029.36	22,859,470.50	840,078,401.28
31 December 2017	599,462,156.44	526,157,930.21	7,436,541.67	24,078,640.45	1,157,135,268.77

V. Notes to the consolidated financial statements (continued)

17. Fixed assets (continued)

(1) Fixed asset movements (continued)

2017

Item	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Total
1. Cost					
31 December 2016	859,165,395.84	1,470,988,459.50	31,097,739.12	49,723,846.63	2,410,975,441.09
Current year additions	23,599,812.51	47,528,487.67	2,328,972.94	13,153,229.77	86,610,502.89
-Purchase	643,699.77	4,545,731.60	893,773.62	6,391,423.08	12,474,628.07
-Construction in progress	1,215,066.93	8,366,244.02	-	196,317.00	9,777,627.95
-Addition from business combinations involving enterprises not under common control	21,741,045.81	34,616,512.05	1,435,199.32	6,565,489.69	64,358,246.87
Current year reductions	157,251.20	4,921,325.19	2,145,258.10	4,977,264.47	12,201,098.96
-Disposals	157,251.20	4,921,325.19	2,145,258.10	4,977,264.47	12,201,098.96
31 December 2017	882,607,957.15	1,513,595,621.98	31,281,453.96	57,899,811.93	2,485,384,845.02
2. Accumulated depreciation					
31 December 2016	243,643,138.58	861,438,006.71	22,904,393.32	32,836,354.08	1,160,821,892.69
Current year additions	39,635,763.17	128,160,827.18	2,967,711.01	5,601,140.85	176,365,442.21
-Addition	39,635,763.17	128,160,827.18	2,967,711.01	5,601,140.85	176,365,442.21
Current year reductions	133,101.04	2,161,142.12	2,027,192.04	4,616,323.45	8,937,758.65
-Disposals	133,101.04	2,161,142.12	2,027,192.04	4,616,323.45	8,937,758.65
31 December 2017	283,145,800.71	987,437,691.77	23,844,912.29	33,821,171.48	1,328,249,576.25
3. Net book value					
31 December 2017	599,462,156.44	526,157,930.21	7,436,541.67	24,078,640.45	1,157,135,268.77
31 December 2016	615,522,257.26	609,550,452.79	8,193,345.80	16,887,492.55	1,250,153,548.40

(2) Fixed assets without certificates of ownership

On 31 December 2018, the fixed assets without the certificates of ownership are listed as follows：

Item	Carrying amount	Reason for lacking certificates of ownership
Buildings	322,834,108.74	As all toll roads and the affiliated buildings and structures would be returned to the government when the approved operating periods expire, the Group has no intention to acquire the related property ownership certificates.

During the year, depreciation expenses amounting to RMB152,789,410.27 were charged to cost of services (2017: RMB171,129,100.35), and depreciation expenses amounting to RMB5,509,693.25 were charged to general and administrative expenses (2017: RMB5,204,715.68).

V. Notes to the consolidated financial statements (continued)

18. Construction in progress

(1) General information of construction in progress

Item	2018			2017		
	Carrying amount	Impairment	Net book amount	Carrying amount	Impairment	Net book amount
Nation-wide ETC toll interconnection project	964,412.87	-	964,412.87	266,000.00	-	266,000.00
Billboard and light box projects	463,594.09	-	463,594.09	670,830.18	-	670,830.18
Maintenance planning research and basic database construction project for the maintenance of the information platform	-	-	-	1,743,754.46	-	1,743,754.46
Toll station expansion project	9,311,802.25	-	9,311,802.25	7,731,870.05	-	7,731,870.05
First-class weighting equipment project	5,383,423.19	-	5,383,423.19	4,921,937.80	-	4,921,937.80
Fire control system updating project	-	-	-	2,040,276.84	-	2,040,276.84
Toll station weighting equipment movement projects	-	-	-	1,705,350.22	-	1,705,350.22
Video monitoring project	6,672,530.60	-	6,672,530.60	7,695,323.28	-	7,695,323.28
Tailing engineering	-	-	-	3,869,546.31	-	3,869,546.31
Fee system software upgrade	2,254,576.14	-	2,254,576.14			
BTC system project	695,250.00	-	695,250.00			
Others	5,518,461.60	-	5,518,461.60	5,178,306.64	-	5,178,306.64
Total	**31,264,050.74**	**-**	**31,264,050.74**	**35,823,195.78**	**-**	**35,823,195.78**

V. Notes to the consolidated financial statements (continued)

18. Construction in progress (continued)

(2) Movements of significant construction in progress during the year

2018

Item	Budget amount	2017	Current year additions	Transfer to fixed assets	Transfer to intangible assets	Other reductions in current year	2018	The proportion of the current year additions to total budget (%)	Progress of construction	Interest capitalized	Source of funds
Nation-wide ETC toll interconnection project	59 million	266,000.00	4,517,838.29	3,819,425.42	-	-	964,412.87	7.64	In progress	-	Self-owned funds
Billboard and light box projects	10 million	670,830.18	2,197.88	104,716.98	-	104,716.99	463,594.09	0.02	In progress	-	Self-owned funds
Maintenance planning research and basic database construction project for the maintenance of the information platform construction project	2.56 million	1,743,754.46	-	-	-	1,743,754.46	-	-	Completed	-	Self-owned funds
Toll station expansion project	25 million	7,731,870.05	6,531,825.20	3,675,127.00	-	1,276,766.00	9,311,802.25	26.41	In progress	-	Self-owned funds
First-class weighting equipment project	9.58 million	4,921,937.80	3,524,052.55	3,062,567.16	-	-	5,383,423.19	36.77	In progress	-	Self-owned funds
Fire control system updating project	4.03 million	2,040,276.84	17,140.00	2,057,416.84	-	-	-	0.43	Completed	-	Self-owned funds
Toll station weighting equipment movement projects	2.1 million	1,705,350.22	-	1,634,845.22	-	70,505.00	-	-	Completed	-	Self-owned funds
Video monitoring project	17 million	7,695,323.28	10,716,226.33	11,739,019.01	-	-	6,672,530.60	61.32	In progress	-	Self-owned funds
Tailing engineering	73 million	3,869,546.31	5,635,490.63	-	9,505,036.94	-	-	7.75	Completed	-	Self-owned funds
Fee system software upgrade	15 million	-	2,254,576.14	-	-	-	2,254,576.14	14.99	In progress	-	Self-owned funds
BTC system project	1.2 million	-	695,250.00	-	-	-	695,250.00	57.94	In progress	-	Self-owned funds
Others (a)	/	5,178,306.64	7,063,326.28	5,243,961.86	1,459,213.49	19,995.97	5,518,461.60	-	In progress	-	-
Total	/	**35,823,195.78**	**40,957,923.30**	**31,337,079.49**	**10,964,250.43**	**3,215,738.42**	**31,264,050.74**	/	/	/	/

V. Notes to the consolidated financial statements (continued)

18. Construction in progress (continued)

(2) Movements of significant construction in progress during the year (continued)

2017

Item	Budget amount	2016	Current year additions	Transfer to fixed assets	Other reductions in current year	2017	The proportion of the current year additions to total budget (%)	Progress of construction	Interest capitalized	Source of funds
Nation-wide ETC toll interconnection project	53 million	2,142,889.98	-	1,355,718.54	521,171.44	266,000.00	-	In progress	-	Self-owned funds
Billboard and light box projects	10 million	393,471.69	448,018.86	170,660.37	-	670,830.18	4.48	In progress	-	Self-owned funds
Maintenance planning research and basic database construction project for the maintenance of the information platform construction project	2.56 million	1,743,754.46	-	-	-	1,743,754.46	-	In progress	-	Self-owned funds
Toll station expansion project	9.7 million	1,276,766.00	6,455,104.05	-	-	7,731,870.05	66.55	In progress	-	Self-owned funds
First-class weighting equipment project	5.58 million	-	4,921,937.80	-	-	4,921,937.80	88.17	In progress	-	Self-owned funds
Fire control system updating project	2.06 million	-	2,040,276.84	-	-	2,040,276.84	99.02	In progress	-	Self-owned funds
Toll station weighting equipment movement projects	2.1 million	-	1,705,350.22	-	-	1,705,350.22	81.19	In progress	-	Self-owned funds
Video monitoring project	8.11 million	-	7,695,323.28	-	-	7,695,323.28	94.94	In progress	-	Self-owned funds
Electromechanical project	5.2 million	3,471,105.22	-	3,471,105.22	-	-	-	Completed	-	Self-owned funds
Tailing engineering	60 million	-	3,869,546.31	-	-	3,869,546.31	6.45	In progress		Self-owned funds
Others (a)	/	4,547,510.46	5,413,610.20	4,780,143.82	2,670.20	5,178,306.64	-	In progress	-	Self-owned funds
Total	/	**13,575,497.81**	**32,549,167.56**	**9,777,627.95**	**523,841.64**	**35,823,195.78**	**/**	**/**	-	

(a) The amounts of projects were not disclosed separately as they are not material.

V. Notes to the consolidated financial statements (continued)

19. Intangible assets

2018

Item	Concession intangible assets (a)	Office software	Billboard land use rights	Total
1. Cost				
31 December 2017	38,462,465,396.52	16,308,069.85	62,311,555.28	38,541,085,021.65
Current year additions	1,047,584,230.03	1,969,017.09	764,181.11	1,050,317,428.23
- Purchased	-	1,969,017.09	-	1,969,017.09
- Constructions	1,031,457,349.37	-	764,181.11	1,032,221,530.48
- Other additions	16,126,880.66	-	-	16,126,880.66
Current year reductions	4,977,282,819.64	4,727,532.18	-	4,982,010,351.82
- Disposal	4,940,354,858.86	4,727,532.18	-	4,945,082,391.04
- Other reduction	36,927,960.78	-	-	36,927,960.78
31 December 2018	34,532,766,806.91	13,549,554.76	63,075,736.39	34,609,392,098.06
2. Accumulated amortization				
31 December 2017	7,754,009,955.65	11,173,014.08	53,684,488.40	7,818,867,458.13
Current year additions	1,474,838,768.83	2,584,489.97	6,084,727.85	1,483,507,986.65
- Additions	1,474,838,768.83	2,584,489.97	6,084,727.85	1,483,507,986.65
Current year reductions	1,543,240,184.77	4,211,945.51	-	1,547,452,130.28
- Disposal	1,543,240,184.77	4,211,945.51	-	1,547,452,130.28
31 December 2018	7,685,608,539.71	9,545,558.54	59,769,216.25	7,754,923,314.50
3. Impairment				
31 December 2017	3,258,235,294.61	-	-	3,258,235,294.61
31 December 2018	3,258,235,294.61	-	-	3,258,235,294.61
4. Net book value				
31 December 2018	23,588,922,972.59	4,003,996.22	3,306,520.14	23,596,233,488.95
31 December 2017	27,450,220,146.26	5,135,055.77	8,627,066.88	27,463,982,268.91

V. Notes to the consolidated financial statements (continued)

19. Intangible assets (continued)

2017

Item	Concession intangible assets (a)	Office software	Billboard land use rights	Total
1. Cost				
31 December 2016	34,365,153,119.92	15,551,877.67	59,953,840.88	34,440,658,838.47
Current year additions	4,112,369,103.46	777,591.04	2,357,714.40	4,115,504,408.90
- Purchased	-	777,591.04	2,357,714.40	3,135,305.44
- Constructions	745,139,203.42	-	-	745,139,203.42
- Addition from business combinations involving enterprises not under common control	3,367,229,900.04	-	-	3,367,229,900.04
Current year reductions	15,056,826.86	21,398.86	-	15,078,225.72
- Disposal	15,056,826.86	21,398.86	-	15,078,225.72
31 December 2017	38,462,465,396.52	16,308,069.85	62,311,555.28	38,541,085,021.65
2. Accumulated amortization				
31 December 2016	6,364,267,424.00	8,441,457.76	41,796,242.41	6,414,505,124.17
Current year additions	1,396,445,524.55	2,735,245.82	11,888,245.99	1,411,069,016.36
- Additions	1,396,445,524.55	2,735,245.82	11,888,245.99	1,411,069,016.36
Current year reductions	6,702,992.90	3,689.50	-	6,706,682.40
- Disposal	6,702,992.90	3,689.50	-	6,706,682.40
31 December 2017	7,754,009,955.65	11,173,014.08	53,684,488.40	7,818,867,458.13
3. Impairment				
31 December 2016	3,258,235,294.61	-	-	3,258,235,294.61
31 December 2017	3,258,235,294.61	-	-	3,258,235,294.61
4. Net book value				
31 December 2017	27,450,220,146.26	5,135,055.77	8,627,066.88	27,463,982,268.91
31 December 2016	24,742,650,401.31	7,110,419.91	18,157,598.47	24,767,918,419.69

V. Notes to the consolidated financial statements (continued)

19. Intangible assets (continued)

(a) The detailed information of concession intangible assets is analysed below:

2018

	Cost	31 December 2017	Current year additions	Current year reductions	Current year amortization	Current year amortization transfer out	31 December 2018	Accumulated amortization	Impairment
Qinglian Expressway (b)	9,290,753,949.14	6,981,982,455.22	10,964,250.43	1,200,000.00	243,424,677.15	-	6,748,322,028.50	1,922,431,920.64	620,000,000.00
Nanguang Expressway (c)	-	2,246,769,553.45	-	2,807,909,473.41	78,036,897.46	639,176,817.42	-	-	-
Shenzhen Airport-Heao Expressway - Eastern Section	3,086,787,505.32	1,573,896,458.74	-	-	215,651,701.67	-	1,358,244,757.07	1,728,542,748.25	-
Shuiguan Expressway (b)	4,448,811,774.58	3,747,150,068.38	-	-	336,668,816.27	-	3,410,481,252.11	1,038,330,522.47	-
Yanba Expressway (c)	-	849,062,065.24	-	1,255,412,727.61	39,301,813.75	445,652,476.12	-	-	-
Wuhuang Expressway	1,523,192,561.64	468,045,326.57	-	-	120,337,424.69	-	347,707,901.88	1,175,484,659.76	-
Meiguan Expressway	604,588,701.64	295,900,042.29	-	-	39,047,830.23	-	256,852,212.06	347,736,489.58	-
Yanpai Expressway (c)	-	488,218,744.61	-	910,532,308.18	36,097,327.66	458,410,891.23	-	-	-
Shenzhen Airport-Heao Expressway - Western Section	843,517,682.25	296,195,206.74	-	-	44,458,696.70	-	251,736,510.04	591,781,172.21	-
Outer Ring Expressway (b)	1,947,057,863.50	926,564,764.56	1,020,493,098.94	-	-	-	1,947,057,863.50	-	-
Yichang Expressway (b)	3,123,065,164.24	3,040,424,917.48	-	2,228,310.44	148,644,219.78	-	2,889,552,387.26	233,512,776.98	-
Changsha Ring Road	241,830,372.93	225,143,413.87	-	-	19,553,797.37	-	205,589,616.50	36,240,756.43	-
Coastal Expressway (b)/(e)	9,423,161,231.67	6,310,867,129.11	16,126,880.66	-	153,615,566.10	-	6,173,378,443.67	611,547,493.39	2,638,235,294.61
Total	**34,532,766,806.91**	**27,450,220,146.26**	**1,047,584,230.03**	**4,977,282,819.64**	**1,474,838,768.83**	**1,543,240,184.77**	**23,588,922,972.59**	**7,685,608,539.71**	**3,258,235,294.61**

V. Notes to the consolidated financial statements (continued)

19. Intangible assets (continued)

(a) The detailed information of concession intangible assets is analysed below (continued):

2017

	Cost	31 December 2016	Current year additions	Current year reductions	Current year amortization	Current year amortization transfer out	31 December 2017	Accumulated amortization	Impairment
Qinglian Expressway (b)	9,280,989,698.71	7,212,538,154.17	-	-	230,555,698.95	-	6,981,982,455.22	1,679,007,243.49	620,000,000.00
Nanguang Expressway(c)	2,807,909,473.41	2,336,172,008.82	1,251,096.03	-	90,653,551.40	-	2,246,769,553.45	561,139,919.96	-
Shenzhen Airport-Heao Expressway - Eastern Section	3,086,787,505.32	1,779,279,406.26	-	5,383,006.52	203,076,662.42	3,076,721.42	1,573,896,458.74	1,512,891,046.58	-
Shuiguan Expressway (b)	4,448,811,774.58	4,081,012,258.91	-	-	333,862,190.53	-	3,747,150,068.38	701,661,706.20	-
Yanba Expressway(c)	1,255,412,727.61	904,255,257.60	75,535.50	-	55,268,727.86	-	849,062,065.24	406,350,662.37	-
Wuhuang Expressway	1,523,192,561.64	593,707,024.96	-	-	125,661,698.39	-	468,045,326.57	1,055,147,235.07	-
Meiguan Expressway	604,588,701.64	339,755,770.08	-	9,458,643.91	37,991,519.77	3,594,435.89	295,900,042.29	308,688,659.35	-
Yanpai Expressway(c)	910,532,308.18	530,706,436.99	-	-	42,487,692.38	-	488,218,744.61	422,313,563.57	-
Shenzhen Airport-Heao Expressway - Western Section	843,517,682.25	338,295,790.50	-	-	42,100,583.76	-	296,195,206.74	547,322,475.51	-
Outer Ring Expressway (b)	926,564,764.56	182,861,316.67	743,703,447.89	-	-	-	926,564,764.56	-	-
Yichang Expressway (b)	3,125,293,474.68	-	3,125,293,474.68	-	84,868,557.20	-	3,040,424,917.48	84,868,557.20	-
Changsha Ring Road	241,830,372.93	-	242,045,549.36	215,176.43	16,718,794.65	31,835.59	225,143,413.87	16,686,959.06	-
Coastal Expressway (b)/(e)	9,407,034,351.01	6,444,066,976.35	-	-	133,199,847.24	-	6,310,867,129.11	457,931,927.29	2,638,235,294.61
Total	**38,462,465,396.52**	**24,742,650,401.31**	**4,112,369,103.46**	**15,056,826.86**	**1,396,445,524.55**	**6,702,992.90**	**27,450,220,146.26**	**7,754,009,955.65**	**3,258,235,294.61**

(b) The pledge information relating to the concession intangible assets of Qinglian Expressway, Outer Ring Expressway, Yichang Expressway and Coastal Expressway is set out in Note V.32(1)(b) and Note V.55.

V. Notes to the consolidated financial statements (continued)

19. Intangible assets (continued)

(c) The Company transferred the second-stage rights of Nanguang Expressway, Yanba Expressway and Yanpai Expressway to Shenzhen Transportation Bureau in the end of 2018. For details, please refer to Note V.36(a).

(d) For the year ended 31 December 2018, the amount of amortization of intangible assets was RMB1,483,507,986.65 (2017: RMB1,411,069,016.36).

(e) During the year, Coastal Expressway was added due to a business combination under common control. For details, please refer to Note VI.1.

(f) During the year, the Group capitalized borrowing costs on intangible assets amounting to RMB63,032,385.80 (2017: RMB19,621,913.94).

*The land use rights of the Group are located in Mainland China and in the form of concession intangible assets.

20. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets without taking into consideration the offsetting of balances

Item	2018		2017	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Operating compensation of newly built toll station of Three Expressways (a)	312,144,931.35	78,036,232.84	-	-
Fair value adjustments arising from business combination not under common control (b)	201,289,764.53	50,322,441.13	221,702,314.89	55,425,578.72
Property compensation of Meiguan (c)	117,511,628.52	29,377,907.13	-	-
Operating compensation of newly built gates of Meiguan Expressway (d)	107,913,239.80	26,978,309.95	120,993,632.44	30,248,408.11
Payroll accrued but not paid	32,879,467.40	8,219,866.85	11,682,767.00	2,920,691.75
Interest receivable from United Land Company’s capital reduction (e)	23,518,603.00	5,879,650.75	-	-
Guizhou Land’s advance payment of prepaid income tax (f)	18,982,478.60	4,745,619.65	26,667,443.08	6,666,860.77
Compensation for demolition costs of old toll station of Three Expressways (g)	18,209,415.88	4,552,353.97	-	-
The significant financing component of Guizhou Land’s advance payment (h)	17,370,317.88	4,342,579.47	-	-
Provisions for maintenance and resurfacing of the toll roads	-	-	152,216,309.99	38,054,077.50
Deductible tax losses	-	-	111,656,857.08	27,914,214.27
Compensation provided by concession grantors	-	-	72,323,501.88	18,080,875.47
Foreign exchange swap (i)	-	-	71,371,857.31	17,842,964.33
Other	2,582,357.12	645,589.28	3,275,415.92	818,853.98
Total	**852,402,204.08**	**213,100,551.02**	**791,890,099.59**	**197,972,524.90**

V. Notes to the consolidated financial statements (continued)

20. Deferred tax assets and deferred tax liabilities (continued)

(1) Deferred tax assets without taking into consideration the offsetting of balances (continued)

(a) The Company received a prepayment from the Shenzhen Government for the arrangement of compensation for the toll adjustment and asset transfer agreement of the Three Expressways, and recognized the differences between the tax base and book value as deferred tax assets.

(b) When the Company acquired the Shenchang Company and confirmed the fair value of its identifiable assets and liabilities, it recognized the corresponding deferred tax assets for the temporary difference between the tax base and the book value.

(c) The Company holds 34.30% equity of United Land Company, which is regarded as an associated company of the Company. During the year, Meiguan Company, the Company's subsidiaries, recognized the future reverted property compensation granted by the United Land Company as non-current assets and comfirmed the proceeds from asset disposal of RMB342,599,500.00. Considering the impact of the unrealized profits of the associates, the Group confirmed the proceeds from asset disposal of RMB 225,087,871.50(Note V.49) and recognized the differences between the tax base and book value as deferred tax assets.

(d) In 2015, the Group received a prepayment from the Shenzhen Government for compensation for the toll adjustment of Meiguan Expressway, and recognized the differences between the tax base and book value as deferred tax assets.

(e) During the year, United Land Company, an associated company of the Company capitalized the interest of the capital reduction of the headquarters. Considering the impact of the unrealized profits of the associates, the Company recognize the corresponding deferred income tax assets based on its shareholding ratio of 34.30% formed by the difference between the tax base and the book value.

(f) According to the requirements of Guo Shui Fa [2009] No. 31, Guizhou Land pre-paid income tax on the estimated gross profit calculated based on the estimated tax rate of advances from sales of unfinished development products, and recognized the differences between the tax bases and book values as deferred tax assets.

(g) The Company advanced demolition costs of all old toll station for the arrangement of compensation for the toll adjustment and asset transfer agreement of the Three Expressways, and recognized the differences between the tax base and book value as deferred tax assets.

(h) According to "ASBE No.14 – Revenue", Guizhou Land recognized the impact of the financing component and accrued the interest expense on the contract between the customer's payment and the promised transfer of ownership of the property or service for more than one year, and the deferred income tax asset was recognized accordingly.

(i) During the year, gains on changes in fair value of foreign exchange swap contract and foreign exchange capped swap contract.signed between the Company and banks were RMB 116,475,051.30, the corresponding deferred tax assets amounting to RMB17,842,964.33 were settled, and the deferred tax liabilities amounting to RMB11,275,798.50 were recognized.

V. Notes to the consolidated financial statements (continued)

20. Deferred tax assets and deferred tax liabilities (continued)

(2) Deferred tax liabilities without taking into consideration the offsetting of balances

Item	2018		2017	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
The amortisation of concession intangible assets (a)	512,270,677.60	128,067,669.40	605,714,766.44	151,428,691.61
Business combinations involving enterprises not under common control (b)				
- Qinglong Company	2,335,732,937.38	583,933,234.35	2,571,231,029.34	642,807,757.34
- Hunan Yichang Expressway Development Co., Ltd. (Yichang Company)	1,053,989,516.07	263,497,379.02	1,108,216,369.75	277,054,092.44
- Airport-Heao Eastern Company	952,142,717.36	238,035,681.33	1,103,303,399.16	275,825,851.79
- Qinglian Company	626,365,911.82	153,286,671.05	648,963,835.58	158,936,151.99
- JEL Company	256,178,269.87	63,908,733.92	351,983,242.55	87,859,977.09
- Meiguan Company	19,706,829.55	2,906,366.71	22,703,678.72	3,655,579.00
Financial assets appreciation (c)	73,881,650.22	18,470,412.56	-	-
Foreign exchange swap (Notes V.20(1)) (i)	45,103,194.00	11,275,798.50	-	-
Total	**5,875,371,703.87**	**1,463,381,946.84**	**6,412,116,321.54**	**1,597,568,101.26**

(a) The deferred tax liability was recognized based on the temporary difference between the tax base (straight-line basis) and accounting base (traffic volume basis) for the amortisation of toll road concession intangible assts.

(b) When the Company acquired equity interests of Qinglian Company, Airport-Heao Eastern Company, Qinglong Company, JEL Company, Meiguan Company and Yichang Company, deferred tax liabilities were recognized on temporary differences between the fair values and book values of the respective identifiable assets and liabilities acquired.

(c) According to “ASBE No. 22-Identification and Measurement of Financial Instruments”, the Company recognized the deferred tax liabilities based on the temporary difference by the added value after evaluation of stock right of United Electronic Company and Shenzhen Water Planning & Design Institute Co., Ltd held by the Company.

V. Notes to the consolidated financial statements (continued)

20. Deferred tax assets and deferred tax liabilities (continued)

(3) Offsetting of balances of deferred tax assets and liabilities

Item	Deferred tax assets and liabilities offset as at 31 December 2018	Net values of deferred tax assets/liabilities as at 31 December 2018	Deferred tax assets and liabilities offset as at 31 December 2017	Net values of deferred tax assets/liabilities as at 31 December 2017
Deferred tax assets	-40,708,328.98	172,392,222.04	-59,953,594.49	138,018,930.41
Deferred tax liabilities	40,708,328.98	1,422,673,617.86	59,953,594.49	1,537,614,506.77

(4) Deductible tax losses that were not recognized as deferred tax assets are analysed as follows:

Item	2018	2017
Deductible tax losses	1,682,080,362.81	1,761,346,991.51
Deductible temporary difference	1,333,793,699.39	1,558,979,399.49
Total	**3,015,874,062.20**	**3,320,326,391.00**

(5) The aforesaid unrecognized deductible tax losses will be due in the following years:

Year	2018	2017
Year 2018	-	182,251,714.79
Year 2019	442,150,072.39	442,195,181.43
Year 2020	406,315,244.29	406,315,244.29
Year 2021	380,503,712.89	380,503,712.89
Year 2022	350,004,673.74	350,081,138.11
Year 2023	103,106,659.50	-
Total	**1,682,080,362.81**	**1,761,346,991.51**

21. Other non-current assets

Item	2018	2017
United land relocation property compensation	342,599,500.00	-
Total	**342,599,500.00**	**-**

According to the “Compensation Agreement for Meilinguan Urban Renewal Project of Shenzhen Longhua New District Minzhi Office”, In July 2016, United Land Company paid the compensation for demolition of RMB28,328,230.00 to Meiguan Company, a subsidiary of the Company. On 27 April 2018, the two parties entered into the “Supplementary agreement for compensation Agreement for Meilinguan Urban Renewal Project of Shenzhen Longhua New District Minzhi Office”, stipulating that the United Land Company will increase the property compensation on the basis of the above monetary compensation, the compensated relocated property is the office building property of United Land Company, and the compensated building area is 9,120 square meters. The relocated property will be built in 2-3 years. On the date of signing the supplementary agreement, according to the evaluation report issued by Shenzhen Pengxin Assets Appraisal Co., Ltd. (Pengxin Valuing Newspaper [2018] No. 062), the fair value of the relocated property was RMB342,599,500.00.

V. Notes to the consolidated financial statements (continued)

22. Provision for impairment of assets

2018

Item	2017	Additions	Reductions	2018
Provision for impairment of concession intangible assets(a)	3,258,235,294.61	-	-	3,258,235,294.61
Provision for impairment of accounts receivable	450,000.00	-	250,000.00	200,000.00
Provision for impairment of other receivable	-	14,115.84	14,115.84	-
Total	**3,258,685,294.61**	**14,115.84**	**264,115.84**	**3,258,435,294.61**

2017

Item	2016	Additions	Reductions	2017
Provision for impairment of concession intangible assets(a)	3,258,235,294.61	-	-	3,258,235,294.61
Provision for bad debts	-	450,000.00	-	450,000.00
Total	**3,258,235,294.61**	**450,000.00**	**-**	**3,258,685,294.61**

(a) Please refer to Note V.19(a).

23. Short-term borrowings

Item	2018	2017
Pledged (1)	117,424,819.20	1,118,256,000.00
Credit (2)	-	1,400,000,000.00
Total	**117,424,819.20**	**2,518,256,000.00**

(1) As at 31 December 2018, the remaining loan of RMB117,424,819.20 carried interest at 0.8% plus HIBOR, with the pledge of 45% shares in JEL Company. The term of the loan is from 4 April 2018 to 4 April 2019.

(2) As at 31 December 2018, the Company had no overdue loans.

V. Notes to the consolidated financial statements (continued)

24. Financial liabilities measured at fair value through profit or loss (Only applicable in 2017)

Item	2017
Financial liabilities measured at fair value through profit or loss(Note V.2)	71,371,857.30
Including: Derivative financial liabilities	71,371,857.30
Total	**71,371,857.30**

25. Accounts payable

Accounts payable are interest-free which will be paid within one year in general. Accounts payable with aging over 1 year are mainly payables for construction projects which will be settled after settlement.

(1) Analysis of accounts payable

Item	2018	2017
Payables for construction projects and quality deposits	675,770,466.91	639,741,926.30
Others	39,135,353.86	37,510,908.63
Total	**714,905,820.77**	**677,252,834.93**

(2) The significant accounts payable with aging over 1 year:

Item	2018	Reason for unsettlement
China Railway 18 Bureau Group Co., Ltd	15,524,639.18	The project payment is not settled
Wuchuan Heavy Construction Co., Ltd	8,428,320.00	The project payment is not settled
Hubei Zhongjiao Railway and Bridge Supervision Consulting Co., Ltd	7,508,625.00	The project payment is not settled
Qingyuan Municipal Bureau of Land and Resources	5,882,280.00	The project payment is not settled
Shenzhen Zhongzhuang Construction Group Co.,Ltd	2,111,853.92	The project payment is not settled
Total	**39,455,718.10**	**/**

(3) The aging of accounts payable according to the recognition date is analysed below:

	2018	2017
Within 1 month	187,599,514.67	104,294,549.33
1 to 2 months	9,784,229.98	5,713,972.25
2 to 3 months	5,957,578.85	1,985,070.63
3 months to 1 year	138,259,093.75	114,039,258.18
Over 1 year	373,305,403.52	451,219,984.54
Total	**714,905,820.77**	**677,252,834.93**

V. Notes to the consolidated financial statements (continued)

26. Advances from customers

(1) General information of advances from customers

Item	2018	2017
Advances from sales of real estates	-	456,303,129.00
Advances from advertising customers	-	8,457,739.39
Others	-	1,023,009.81
Total	**-**	**465,783,878.20**

27. Contract liabilities

(1) General information of advances from customers

Item	1 January 2018	Current year additions	Carried forward revenue	Other changes	31 December 2018
Advances from sales of real estates	-	1,154,480,094.17	309,077,901.33	-3,439,284.00	841,962,908.84
Advances from advertising customers	-	106,028,326.53	91,156,216.05	-	14,872,110.48
Others	-	3,282,849.18	1,405,125.73	-	1,877,723.45
Total	**-**	**1,263,791,269.88**	**401,639,243.11**	**-3,439,284.00**	**858,712,742.77**

On 31 December 2018, the contract liabilities aged over 1 year were RMB 123,193,259.56. The balance of the contract liabilities through sales of completed properties held for sale of Phase II Stage I, Phase II Stage II and Phase III Stage I were RMB 421,901,935.18, RMB 42,991,971.00 and RMB 377,069,002.66, respectively.

V. Notes to the consolidated financial statements (continued)

28. Employee benefits payable

(1) Analysis of employee benefits payable

2018

Item	31 December 2017	Current year additions	Current year reductions	31 December 2018
I. Short-term wages	167,642,617.23	604,732,206.40	551,434,981.41	220,939,842.22
II. Pension benefits - defined contribution plans	1,179,415.02	48,737,047.46	48,973,882.54	942,579.94
Total	**168,822,032.25**	**653,469,253.86**	**600,408,863.95**	**221,882,422.16**

2017

Item	31 December 2016	Current year additions	Current year reductions	31 December 2017
I. Short-term wages	114,153,631.89	520,627,813.80	467,138,828.46	167,642,617.23
II. Pension benefits - defined contribution plans	195,609.88	42,314,133.44	41,330,328.30	1,179,415.02
Total	**114,349,241.77**	**562,941,947.24**	**508,469,156.76**	**168,822,032.25**

(2) Analysis of short-term wages

2018

Item	31 December 2017	Current year additions	Current year reductions	31 December 2018
I. Wages and salaries, bonuses, allowances and subsidies	159,652,011.10	496,330,666.30	443,700,231.69	212,282,445.71
II. Staff welfare	683,247.79	46,879,772.64	46,604,403.01	958,617.42
III.Social security contributions	371,523.98	19,017,404.54	19,129,930.44	258,998.08
Including: Medical insurance	312,081.18	15,974,672.77	16,069,194.84	217,559.11
Work injury insurance	19,450.33	995,614.99	1,001,506.04	13,559.28
Maternity insurance	39,992.47	2,047,116.78	2,059,229.56	27,879.69
IV.Housing funds	339,519.95	26,702,477.44	26,358,960.11	683,037.28
V. Labor union funds and employee education funds	5,939,362.19	12,064,542.98	11,278,411.44	6,725,493.73
VI.Others	656,952.22	3,737,342.50	4,363,044.72	31,250.00
Total	**167,642,617.23**	**604,732,206.40**	**551,434,981.41**	**220,939,842.22**

V. Notes to the consolidated financial statements (continued)

28. Employee benefits payable (continued)

(2) Analysis of short-term wages (continued)

2017

Item	31 December 2016	Current year additions	Current year reductions	31 December 2017
I. Wages and salaries, bonuses, allowances and subsidies	108,573,862.02	427,157,384.32	376,079,235.24	159,652,011.10
II. Staff welfare	346,087.24	39,785,056.21	39,447,895.66	683,247.79
III.Social security contributions	45,838.62	16,544,572.97	16,218,887.61	371,523.98
Including: Medical insurance	38,504.57	13,834,650.95	13,561,074.34	312,081.18
Work injury insurance	2,399.78	900,790.40	883,739.85	19,450.33
Maternity insurance	4,934.27	1,809,131.62	1,774,073.42	39,992.47
IV.Housing funds	-	22,950,974.79	22,611,454.84	339,519.95
V. Labor union funds and employee education funds	4,463,686.02	10,413,205.85	8,937,529.68	5,939,362.19
VI.Others	724,157.99	3,776,619.66	3,843,825.43	656,952.22
Total	**114,153,631.89**	**520,627,813.80**	**467,138,828.46**	**167,642,617.23**

(3) Analysis of defined contribution plans

2018

Item	31 December 2017	Current year additions	Current year reductions	31 December 2018
I. Basic pensions	677,363.59	34,672,586.69	34,877,744.24	472,206.04
II. Unemployment insurance	14,046.14	718,987.98	723,242.22	9,791.90
III. Enterprise annuities	488,005.29	13,345,472.79	13,372,896.08	460,582.00
Total	**1,179,415.02**	**48,737,047.46**	**48,973,882.54**	**942,579.94**

2017

Item	31 December 2016	Current year additions	Current year reductions	31 December 2017
I. Basic pensions	83,573.11	31,493,730.00	30,899,939.52	677,363.59
II. Unemployment insurance	1,733.01	682,881.19	670,568.06	14,046.14
III. Enterprise annuities	110,303.76	10,137,522.25	9,759,820.72	488,005.29
Total	**195,609.88**	**42,314,133.44**	**41,330,328.30**	**1,179,415.02**

V. Notes to the consolidated financial statements (continued)

29. Taxes payable

Item	2018	2017
Corporate income tax payable (a)	898,414,800.80	207,993,351.97
VAT payable (a)	393,466,058.79	29,917,364.31
City maintenance and construction tax payable (a)	28,479,600.84	2,059,102.28
Educational surcharge payable (a)	20,711,960.35	1,003,218.66
Land appreciation tax	9,605,497.19	-
Others	2,746,000.63	4,846,901.82
Total	**1,353,423,918.60**	**245,819,939.04**

(a) During the year, corporate income tax payable amounting to RMB526,361,924.16, VAT payable amounting to RMB360,243,031.08, city maintenance and construction tax payable amounting to RMB25,217,012.18 and educational surcharge payable amounting to RMB18,012,151.55 were recognized due to the arrangement of compensation for the toll adjustment and asset transfer agreement of the Three Expressways. These taxes were paid in January 2019.

30. Other payables

(1) Analysis of other payables by nature

Item	2018	2017
Project funds retained for construction management contracts (a)	1,674,316,405.94	2,324,341,296.01
Payable related to maintenance for roads	170,954,316.82	193,471,945.76
Payable related to costs of construction projects independently	139,615,305.62	139,615,305.62
Payable for tender and performance deposit and warranty	73,210,634.09	67,200,827.85
Advance project expenditure and administrative special expenses	37,964,492.97	45,385,238.01
Mechanical and electrical costs payable	36,771,928.46	29,660,035.93
Country road construction fee and management service fee of Hunan Province	33,980,129.28	29,658,219.22
Compensation settlement for Meiguan reconstruction and expansion	33,249,357.80	33,249,357.80
Payables for estimated equity acquisition	26,000,000.00	26,000,000.00
Payables due to associates	22,649,344.39	44,946,531.79
Payable for agent-construction fee of Coastal Project Phase II	19,378,599.38	19,378,599.38
Payable for demolition fee of old station	18,209,415.89	-
Subscription funds and down deposits received for real estate sales	1,970,000.00	2,320,000.00
Equity deposit payable to Guizhou Wanjin Co., Ltd	-	29,968,000.00
Interest payable (b)	89,973,729.42	73,582,698.51
Others	18,585,236.69	15,932,503.99
Total	**2,396,828,896.75**	**3,074,710,559.87**

V. Notes to the consolidated financial statements (continued)

30. Other payables (continued)

(1) Analysis of other payables by nature (continued)

(a) The Company was entrusted by the Shenzhen Government for the management of the construction of highway projects. The projects are funded by the Shenzhen Government. The Company follows the arrangement of the entrusted contract to pay for the construction. According to the entrusted contract, the Company was required to set up a special deposit account to settle the payment. The account was classified as a deposit in the special account of entrusted construction management and disclosed as restricted bank deposits in the statement of cash and cash equivalents.

(b) Interest payable

Item	2018	2017
Interest on corporate bonds	45,135,560.81	43,850,747.27
Interest on medium-term notes	32,214,964.29	14,766,070.95
Interest on short-term borrowings	1,708,879.62	2,522,302.71
Interest on long-term borrowings with interest payable in installment and principal payable upon maturity	10,914,324.70	12,443,577.58
Total	**89,973,729.42**	**73,582,698.51**

(2) Significant other payables with aging over 1 year

Item	2018	Reason for unsettlement
Shenzhen Longhua New District Management Committee	33,249,357.80	Contract settlement has not been completed.
Hunan Expressway Group Co., Ltd.	29,502,784.73	The terms of payment have not been met.
Hetai Investment Company	26,000,000.00	Contract settlement has not been completed.
GZ W2 Company	18,452,812.60	Dividend has been received but the dividend distribution plan has not been passed.
Guangzhou Highway Engineering Company	4,352,811.46	Contract settlement has not been completed.
Total	**111,557,766.59**	**/**

V. Notes to the consolidated financial statements (continued)

31. Current portion of non-current liabilities

Item	2018	2017
Compensations related to the toll adjustment of Three Expressways and the freight subsidy of Coastal Expressway due within one year (Note V.36)	99,561,965.67	475,940,400.00
Current portion of non-current borrowings (Note V.32(1))	279,574,031.57	201,970,523.22
Including: Pledged loan	235,119,486.12	191,925,068.67
Credit loan	44,454,545.45	10,045,454.55
Current portion of provisions (Note V.34)	-	15,435,584.90
Current portion of non-current bonds (Note V.33(1))	-	898,753,113.06
Total	**379,135,997.24**	**1,592,099,621.18**

32. Long-term borrowings

(1) Analysis of long-term borrowings

Item	2018	2017
Pledged	8,304,855,479.55	8,849,314,860.20
Credit	867,454,545.45	850,000,000.00
Less: Current portion	279,574,031.57	201,970,523.22
Total	**8,892,735,993.43**	**9,497,344,336.98**

(a) As at 31 December 2018, the Group's borrowings were repayable as follows:

Item	2018	2017
Within 1 year	279,574,031.57	201,970,523.22
1 to 2 years	491,231,349.07	451,963,977.09
2 to 5 years	2,746,479,185.62	2,936,538,045.51
Over 5 years	5,655,025,458.74	6,108,842,314.38
Total	**9,172,310,025.00**	**9,699,314,860.20**

V. Notes to the consolidated financial statements (continued)

32. Long-term borrowings (continued)

(b) As at 31 December 2018, details of the long-term borrowings are set out as follows:

Item	Interest rate in current year	Currency	Amount in RMB	Guarantee details
Syndicated borrowings of Qinglian(i)	4.41%-4.90%	RMB	1,733,424,000.00	Operating rights of Qinglian Expressway
Syndicated borrowings of Outer Ring(ii)	4.41%-4.90%	RMB	2,148,872,612.00	Operating rights of Outer Ring Expressway
Syndicated borrowings of Yichang(iii)	4.90%	RMB	4,400,000.00	10% of operating rights of Yichang Expressway
Syndicated borrowings of Coastal Expressway(iv)	4.90%	RMB	4,418,158,867.55	Operating rights of Coastal Expressway
Bank borrowings of Shenzhen Expressway(v)	4.75%	RMB	739,954,545.45	Credit (Floating Loan/Mergers & Acquisitions Loan)
Entrusted borrowings of Shenzhen Expressway (vi)	4.28%-3.92%	RMB	127,500,000.00	Credit (Entrusted)
Less: Current portion			279,574,031.57	
Total	**/**	**/**	**8,892,735,993.43**	**/**

(i) On 31 December 2018, the interest rate on the loan of RMB1,732,491,510.68 was 10% below the benchmark interest rate for loans over five years; the interest rate on the remaining loan of RMB932,489.32 was the benchmark interest rate for loans over five years.

(ii) On 31 December 2018, the interest rate on the loan was 10% below the benchmark interest rate for loans over five years on the actual withdrawal date.

(iii) On 31 December 2018, the interest rate on the loan was the benchmark interest rate for loans over five years. In addition, the loan was fully settled on 18 January 2019, and the pledge was relieved.

(iv) On 31 December 2018, the interest rate on the loan was the benchmark interest rate for loans over five years.

(v) On 31 December 2018, the interest rate on the loan was the benchmark interest rate for loans of one to five years (including five years).

(vi) On 31 December 2018, the interest rate on the loan of RMB67,500,000.00 was 10% below the benchmark interest rate for loans of the corresponding term on the withdrawal date, the interest rate on the remaining loan of RMB60,000,000.00 was 10% below the benchmark one-year loan interest rate on the withdrawal date.

V. Notes to the consolidated financial statements (continued)

33. Bonds payable

(1) Bonds payable

Item	2018	2017
Corporate bonds	2,838,547,774.79	2,732,092,797.02
Medium-term notes	1,794,372,233.60	898,753,113.06
Sub-total	**4,632,920,008.39**	**3,630,845,910.08**
Less: Current portion of long-term bonds	-	898,753,113.06
Total	**4,632,920,008.39**	**2,732,092,797.02**

(2) Movements of bonds payable

Name	Par value	Date of issuance	Maturity	Issued amount	Balance at 31 December 2017	Current year issued	Accrual of interest by par value	Discount and issue fee amortization	Exchange gains - net	Current year repaid	31 December 2018
Corporate bonds (a)	800,000,000.00	31 July 2007	15 years	800,000,000.00	796,937,628.95	-	44,000,000.00	668,153.64	-	-	797,605,782.59
Corporate bonds (a)	1,995,330,000.00	18 July 2016	5 years	1,984,555,218.00	1,935,155,168.07	-	56,979,984.40	7,086,824.13	98,700,000.00	-	2,040,941,992.20
Medium-term notes (b)	900,000,000.00	14 August 2015	3 years	900,000,000.00	898,753,113.06	-	20,738,536.80	1,246,886.94	-	900,000,000.00	-
Medium-term notes (b)	1,000,000,000.00	30 July 2018	3 years	1,000,000,000.00	-	997,183,995.60	17,247,945.56	372,098.36	-	-	997,556,093.96
Medium-term notes (b)	800,000,000.00	15 August 2018	5 years	800,000,000.00	-	796,556,061.02	14,967,018.73	260,078.62	-	-	796,816,139.64
Total	**5,495,330,000.00**	**/**	**/**	**5,484,555,218.00**	**3,630,845,910.08**	**1,793,740,056.62**	**153,933,485.49**	**9,634,041.69**	**98,700,000.00**	**900,000,000.00**	**4,632,920,008.39**

V. Notes to the consolidated financial statements (continued)

33. Bonds payable (continued)

(2) Movements of bonds payable (continued)

(a) Corporate bonds

The Company issued long-term corporate bonds with a principal amount of RMB800,000,000.00, bearing interest at a rate of 5.5% per annum on 31 July 2007 in accordance with the approval of Fa Gai Cai Jin [2007] No.1791 issued by the National Development & Reform Commission. The interest is payable annually and the principal is repayable in full upon maturity on 31 July 2022. The principal and interest of the bonds are unconditionally and irrevocably guaranteed by China Construction Bank Corporation, and are in turn secured by the Company's 100% equity interest in Meiguan.

The Company held a shareholders' meeting on 19 May 2016 to consider and approve the issuance of debt financing instruments, and endowed the Board of Directors with the general license for issuance. On 18 July 2016, the Company issued a long-term bond with a principal value of USD300 million. The bond issuance price was 99.46% of the principal value, bearing a term of 5 years and interest at a rate of 2.875% per annum. Interest has begun to be accrued from 18 July 2016 and is repaid semi-annually. On 17 July 2021, the bond should be fully repaid upon maturity. The main purpose of the bond is to repay the bank loans and supplement the Group's operating capital.

(b) Medium term notes

On 14 August 2015, approved by the China Association of Interbank Market Dealers, the company issued medium-term notes of RMB 900,000,000.00, which bear a term of 3 years and interest at a rate of 3.95% per annum with the interest payable annually and the principal repayable in full upon maturity on 18 August 2018.

On 30 July 2018, approved by the China Association of Interbank Market Dealers, the company issued medium-term notes of RMB 1,000,000,000.00, which bear a term of 3 years and interest at a rate of 4.14% per annum with the interest payable annually and the principal repayable in full upon maturity on 30 July 2021.

On 15 August 2018, Approved by the China Association of Interbank Market Dealers, the company issued medium-term notes of RMB 800,000,000.00, which bear a term of 5 years and interest at a rate of 4.49% per annum with the interest payable annually and the principal repayable in full upon maturity on 15 August 2023.

34. Provisions

Item	2018	2017
Provisions for maintenance/ resurfacing obligations(a)	-	152,216,309.99
Less: Current portion	-	15,435,584.90
Total	**-**	**136,780,725.09**

(a) According to the agreement of toll adjustment compensation and assets delivery and the notice of the Shenzhen Transportation Bureau, the Company no longer possesses the rights of the Three Expressways and is no longer responsible for the maintenance and resurfacing of the relevant toll roads since 1 January 2019, and therefore the Company withdrew the provisions for maintenance/resurfacing obligations of the Three Expressways.

V. Notes to the consolidated financial statements (continued)

35. Deferred income

2018

Item	31 December 2017	Current year addition	Current year reductions	31 December 2018	Explanation
Non-current liabilities					
Compensation to operating costs for Toll Free Section of Meiguan Expressway	120,993,632.44	-	13,080,392.64	107,913,239.80	Shenzhen Government compensation to the accrued operating costs for Toll Free Section of Meiguan Expressway in the future
Government compensation for demolition	21,975,911.10	-	2,746,988.88	19,228,922.22	Government compensation for demolition of Qinglong Company
Compensation to the accrued operating costs for Nanguang and Yanpai new station (a)	-	330,104,931.35	17,960,000.00	312,144,931.35	Shenzhen Government compensation to the accrued operating costs for Nanguang and Yanpai new station
Sub-total	142,969,543.54	330,104,931.35	33,787,381.52	439,287,093.37	
Current liabilities					
Government financial grants	2,688,148.48	247,170.00	139,095.35	2,796,223.13	Return of government financial grants provided from Guizhou Longli County Government to Guishen Company
Total	**145,657,692.02**	**330,352,101.35**	**33,926,476.87**	**442,083,316.50**	**/**

(a) This year, a deferred income of RMB 330,104,931.35 was confirmed for the agreement with the Shenzhen Transportation Bureau to arrange the compensation related to toll adjustment of the Three Expressways. And RMB 17,960,000.00 of this deferred income was transferred to other business income. Refer to Note V.36 for details.

2017

Item	31 December 2016	Current year addition	Current year reductions	31 December 2017	Explanation
Non-current liabilities					
Compensation to operating costs for Toll Free Section of Meiguan Expressway	134,074,025.09	-	13,080,392.65	120,993,632.44	Shenzhen Government compensation to the accrued operating costs for Toll Free Section of Meiguan Expressway in the future
Government compensation for demolition	24,722,899.98	-	2,746,988.88	21,975,911.10	Government compensation for demolition of Qinglong Company
Sub-total	158,796,925.07	-	15,827,381.53	142,969,543.54	
Current liabilities					
Government financial grants	2,646,278.06	209,982.30	168,111.88	2,688,148.48	Return of government financial grants provided from Guizhou Longli County Government to Guishen Company
Total	**161,443,203.13**	**209,982.30**	**15,995,493.41**	**145,657,692.02**	**/**

V. Notes to the consolidated financial statements (continued)

35. Deferred income (continued)

Items of government grants:

2018

Item	31 December 2017	Additional grants in current year	Recognized in non-operating income in current year	Other changes	31 December 2018	Related to assets/revenue
Government financial grants	2,688,148.48	247,170.00	139,095.35	-	2,796,223.13	Related to assets
Compensation for demolition	21,975,911.10	-	2,746,988.88	-	19,228,922.22	Related to assets
Total	**24,664,059.58**	**247,170.00**	**2,886,084.23**	**-**	**22,025,145.35**	**/**

2017

Item	31 December 2016	Additional grants in current year	Recognized in non-operating income in current year	Other changes	31 December 2017	Related to assets/revenue
Government financial grants	2,646,278.06	209,982.30	168,111.88	-	2,688,148.48	Related to assets
Compensation for demolition	24,722,899.98	-	2,746,988.88	-	21,975,911.10	Related to assets
Total	**27,369,178.04**	**209,982.30**	**2,915,100.76**	**-**	**24,664,059.58**	**/**

V. Notes to the consolidated financial statements (continued)

36. Other non-current liabilities

Item	2018	2017
Compensations related to the toll adjustment of Three Expressways		
Acquisition of compensations related to the toll adjustment of Three Expressways (a)	6,588,000,000.00	6,588,000,000.00
Add: cumulative recognition of financial expense	904,210,000.00	630,840,400.00
Less: cumulative deduction of toll income containing tax	2,130,330,000.02	1,381,020,000.02
Carry over of compensations related to the toll adjustment of Three Expressways (a)	5,361,879,999.98	-
Balances of compensations related to the toll adjustment of Three Expressways	-	5,837,820,399.98
Less: current portion of compensations related to the toll adjustment of Three Expressways/Balances reclassified to other payables	-	475,940,400.00
Sub-total	**-**	5,361,879,999.98
Compensations related to the freight subsidy of Coastal Expressway		
Acquisition of compensations related to the freight subsidy of Coastal Expressway (b)	302,000,000.00	**-**
Add: cumulative recognition of financial expense	20,311,356.88	**-**
Less: Tax	9,775,736.90	
Less: cumulative deduction of toll income containing tax	84,603,607.10	**-**
Balances of compensations related to the freight subsidy of Coastal Expressway	227,932,012.88	**-**
Less: current portion of compensations related to the freight subsidy of Coastal Expressway	99,561,965.67	**-**
Sub-total	128,370,047.21	**-**
Total	**128,370,047.21**	**5,361,879,999.98**

(a) On 30 November 2015, the Company entered into an agreement with the Shenzhen Transportation Bureau to arrange the compensation related to toll adjustment of the Three Expressways. As at 29 December 2015, the Company received the first compensation of RMB6,588,000,000.00 and financial expense amounting to RMB273,369,600.00 was recognized for the year ended 31 December 2018 (2016: RMB293,538,000.00).

The Three Expressways toll road exemption scheme will be carried out in two stages starting from midnight on 7 February 2016. The first stage started from 7 February 2016 and ended on 31 December 2018. During this period, the Shenzhen Transportation Bureau purchased the toll services of these roads and gave a cash compensation for the toll fee exemptions caused by this purchase while the Company retain control and was responsible for the maintenance and resurfacing of the relevant toll roads. A third party professional traffic consultant will be appointed by the Company and Shenzhen Transportation Bureau to perform studies of the actual traffic volume under the corresponding toll road fee system. This consultant will also present the result by using the actual traffic volume which is adjusted and approved by both sides. Revenue amounting to RMB727,485,436.87 was recognized for the year ended 31 December 2018 (2017: RMB730,669,902.93).

In the fourth quarter of year 2018, the Shenzhen Transportation Bureau issued <the Notice of the Municipal Transport and Shenzhen Transportation Bureau on the Second Stage Adjustment of Toll Collection of Nanguang, Yanpai and Yanba Expressways>, clarifying the second stage of toll collection is that the remaining rights and interests in toll roads of the Three Expressways will be retrieved by the Shenzhen Transportation Bureau and a one-off cash compensation will be made to the Company.

V. Notes to the consolidated financial statements (continued)

36 Other non-current liabilities (continued)

(a)(continued)

The second phase will start from January 1, 2019 to the expiration date of the rights and interests of toll roads of the three projects, Other non-current liabilities related to the second stage of carry-over this year in RMB5,361,879,999.98. In the second stage, the compensation involves two parts: 1. Highway recovery compensation; 2. 2. New station operation compensation. As for the highway recovery compensation, it is confirmed that the asset disposal income is 1,961,413,854.90 yuan, and the income tax expense is 443,835,691.32 yuan. As all relevant taxes and fees are borne by the government, other receivables are confirmed to be RMB 827,802,458.47, including enterprise income tax RMB 443,835,691.32, value-added tax RMB 340,293,095.67, urban maintenance and construction tax RMB 23,820,516.70, additional education fees RMB 17,014,654.78 and stamp duty RMB 2,838,500.00.

The operation compensation part of the newly built station includes the entrusted operation of the self-built toll station of shenzhen traffic committee: the ramp toll station of nanguang expressway and the mainline toll station of yanpai expressway. According to the final value of operating compensation income and taxes to be formed in the future from 2018 to 2027, the company will record deferred income, and the difference will be recorded into unrecognized financing expenses, and the related income tax will be recognized as deferred income tax assets. As all relevant taxes and fees are borne by the government, other receivables are confirmed to be RMB 104,870,160.50, including enterprise income tax RMB 82,526,232.84, value-added tax RMB 19,949,935.42, urban maintenance and construction tax RMB 1,396,495.48 and education fee additional RMB 997,496.76. The annual operating service income and the total taxes and fees borne by the government shall be carried over to other business income, and amortization of unrecognized financing expenses shall be carried back to deferred income tax assets at the same time. Other business income recognized this year is RMB 42,640,000.00, amortization of unrecognized financing expenses is RMB 24,680,00.00, and transferred back to deferred income tax assets is RMB 4,490,000.00.

(b) On 28 February 2018, Coastal Company and the Shenzhen Municipal Transportation Commission signed an agreement on freight compensation for the Shenzhen section of the Guangzhou-Shenzhen Coastal Expressway. The agreement stipulated that during the adjustment, the freight charges of the Shenzhen section of the Coastal Expressway will be charged at 50% of the standard, and the freight charge adjustment period starts from 0:00 on 1 March 2018 to 24:00 on 31 December 2020. On 31 March 2018, Coastal Company received the above compensation amount of RMB302 million, the financing expenses were not recognized in this amount. Financial expenses recognized during the year were RMB20,311,356.88.

V. Notes to the consolidated financial statements (continued)

37. Share capital

2018	31 December 2017	Movement: New shares issued	Rights issue	Transfer from surplus	Others	Sub-total	31 December 2018
Total share capital	2,180,770,326.00	-	-	-	-	-	2,180,770,326.00

2017	31 December 2016	Movement: New shares issued	Rights issue	Transfer from surplus	Others	Sub-total	31 December 2017
Total share capital	2,180,770,326.00	-	-	-	-	-	2,180,770,326.00

38. Capital surplus

2018

Item	31 December 2017	Current year additions	Current year reductions	31 December 2018
Share premium	2,274,351,523.42	-	-	2,274,351,523.42
Other capital reserve- Business combination involving enterprise under common control	3,128,000,000.00	-	-	3,128,000,000.00
Other capital reserve- Acquisition of minority interests	-120,924,166.49	-	-	-120,924,166.49
The capital injection of the invested entity(a)	-	921,200,000.00	-	921,200,000.00
Other capital reserve- Others	1,567,564.50	15,082,210.98	250,000.00	16,399,775.48
Total	**5,282,994,921.43**	**936,282,210.98**	**250,000.00**	**6,219,027,132.41**

V. Notes to the consolidated financial statements (continued)

38. Capital surplus (continued)

2017

Item	31 December 2016	Current year additions	Current year reductions	31 December 2017
Share premium	2,274,351,523.42	-	-	2,274,351,523.42
Other capital reserve-Business combination involving enterprise under common control	4,600,000,000.00	-	1,472,000,000.00	3,128,000,000.00
Other capital reserve-Acquisition of minority interests	-120,924,166.49	-	-	-120,924,166.49
Other capital reserve-Others	-2,279,838.32	16,465,915.52	12,618,512.70	1,567,564.50
Total	**6,751,147,518.61**	**16,465,915.52**	**1,484,618,512.70**	**5,282,994,921.43**

(a) During the year, the issue of capital injection of United Land casued the change of capital surplus , please refer to Note V.15(2).

39. Other comprehensive income

2018	31 December 2017	Amount incurred in current year		31 December 2018
		Pre-tax amount incurred during the year	Post-tax amount attributable to owners of the Company	
Items that may be reclassified subsequently to profit or loss:	887,624,170.50	-6,248,183.30	-6,248,183.30	881,375,987.20
- Appreciation of initial equity interest upon business combination	893,132,218.74	-	-	893,132,218.74
- Equity investment reserve	406,180.00	-	-	406,180.00
- Share of other comprehensive income from investees accounted for the equity method to be reclassified to profit or loss in the subsequent year (Note V.13(3)(4))	-4,825,335.80	-8,741,488.55	-8,741,488.55	-13,566,824.35
- Foreign currency financial statement translation difference	-1,088,892.44	2,493,305.25	2,493,305.25	1,404,412.81
Total other comprehensive income	**887,624,170.50**	**-6,248,183.30**	**-6,248,183.30**	**881,375,987.20**

2017	31 December 2016	Amount incurred in current year		31 December 2017
		Pre-tax amount incurred during the year	Post-tax amount attributable to owners of the Company	
Items that may be reclassified subsequently to profit or loss:	894,501,191.30	-6,877,020.80	-6,877,020.80	887,624,170.50
- Appreciation of initial equity interest upon business combination	893,132,218.74	-	-	893,132,218.74
- Equity investment reserve	406,180.00	-	-	406,180.00
- Share of other comprehensive income from investees accounted for the equity method to be reclassified to profit or loss in the subsequent year	-	-4,825,335.80	-4,825,335.80	-4,825,335.80
- Foreign currency statement translation difference	962,792.56	-2,051,685.00	-2,051,685.00	-1,088,892.44
Total other comprehensive income	**894,501,191.30**	**-6,877,020.80**	**-6,877,020.80**	**887,624,170.50**

V. Notes to the consolidated financial statements (continued)

40. Surplus reserve

2018	31 December 2017	Current year additions	Current year reductions	31 December 2018
Statutory surplus reserve	1,685,223,593.83	343,050,136.40	-	2,028,273,730.23
Discretionary surplus reserve	453,391,330.06	-	-	453,391,330.06
Total	**2,138,614,923.89**	**343,050,136.40**	**-**	**2,481,665,060.29**

2017	31 December 2016	Current year additions	Current year reductions	31 December 2017
Statutory surplus reserve	1,577,817,102.75	107,406,491.08	-	1,685,223,593.83
Discretionary surplus reserve	453,391,330.06	-	-	453,391,330.06
Total	**2,031,208,432.81**	**107,406,491.08**	**-**	**2,138,614,923.89**

In accordance with the Company Law of the People's Republic of China, the Company's Articles of Association and the resolution of the Board of Directors, companies should appropriate 10% of the net profit for the year to the statutory surplus reserve, where the appropriation can cease when the statutory surplus reserve reaches 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase capital after approval from the appropriate authorities. According to a resolution passed by the Board of Directors, the Company appropriated 10% of net profit, amounting to RMB 343,050,136.40 for the year ended 31 December 2018 (2017: RMB107,406,491.08) to the statutory surplus reserve.

The Company appropriates the discretionary surplus reserve after the shareholders' meeting approves the proposal from the Board of Directors. The discretionary surplus reserve can be used to make up for the loss or increase capital after approval from the appropriate authorities. The Company did not appropriate any discretionary surplus reserve for the year ended 31 December 2018 (2017: Nil).

41. Undistributed profits

Item	2018	2017
Unadjusted balance of undistributed profit at the end of the last financial year	6,256,075,328.76	5,416,848,490.55
Business combination involving enterprises under common control	-3,113,068,776.71	-3,070,654,465.11
Sub-total	3,143,006,552.05	2,346,194,025.44
Changes in accounting policies	38,476,512.20	-
Adjusted opening balance of undistributed profits	3,181,483,064.25	2,346,194,025.44
Add: Net profit attributable to equity holders of the Company in current period/year	3,440,050,607.33	1,383,988,489.41
Less: Appropriation for statutory surplus reserve	343,050,136.40	107,406,491.08
Dividends	654,231,097.80	479,769,471.72
Undistributed profits at the end of the year	**5,624,252,437.38**	**3,143,006,552.05**

Adjustments: For the year ended 31 December 2018, retrospective adjustments due to changes in accounting policies affected the undistributed profit at the beginning of the year of RMB 38,476,512.20 (31 December 2017: Nil); the changes in the scope of consolidation due to business combination under the common control caused the undistributed profits at the beginning of the year to change by RMB-3,113,068,776.71 (31 December 2017: RMB-3,070,654,465.11).

In accordance with the resolution passed in the Annual General Meeting on 31 May 2018, the Company proposed a cash dividend to all shareholders amounting to RMB654,231,097.80, which was calculated by reference to the 2,180,770,326 shares issued and a dividend of RMB0.30 per share. The aforementioned earning distributions relating to 1,433,270,326 shares of A shares were distributed dividends amounting to RMB429,981,097.80 and those relating to 747,500,000 shares of H shares were distributed dividends amounting to HK$275,018,395.88 (equivalent to RMB224,250,000.00). The dividends accounted for 45.9% of the Company's 2017 net profit. As of 31 December 2018, the Company has paid cash dividends of RMB 429,981,097.80 to shareholders of A shares and the remaining cash dividends of H shares of HK$275,018,395.88 (equivalent to RMB 224,250,000.00).

V. Notes to the consolidated financial statements (continued)

42. Revenue and cost of services

Item	2018		2017	
	Revenue	Cost	Revenue	Cost
Main business - toll road	5,066,387,436.63	2,389,981,090.59	4,683,632,311.04	2,345,457,411.76
Other services -				
Real estate development revenue	285,672,407.32	173,577,128.71	317,418,081.53	233,768,045.56
Management services revenue	246,261,295.37	183,919,594.25	75,367,964.14	50,005,057.66
Advertising services revenue	93,674,087.27	74,852,195.80	88,794,553.68	61,514,617.30
Others	115,112,805.19	35,881,922.41	45,185,557.13	20,044,216.53
Sub-total of other businesses	740,720,595.15	468,230,841.17	526,766,156.48	365,331,937.05
Total	**5,807,108,031.78**	**2,858,211,931.76**	**5,210,398,467.52**	**2,710,789,348.81**

The revenue is analyzed as follows:

Reportable segments	Toll road	Real estate development	Management service	Advertising service	Others	Total
Main operating areas						
Guangdong Province	4,128,639,932.45	-	110,471,348.13	93,674,087.27	114,124,092.70	4,446,909,460.55
Hunan Province	552,506,455.85	-	-	-	988,712.49	553,495,168.34
Guizhou Province	-	285,672,407.32	135,789,947.24	-	-	421,462,354.56
Hubei Province	385,241,048.33	-	-	-	-	385,241,048.33
Total	5,066,387,436.63	285,672,407.32	246,261,295.37	93,674,087.27	115,112,805.19	5,807,108,031.78
Main service categories						
Toll road	5,066,387,436.63	-	-	-	-	5,066,387,436.63
Real estate development	-	285,672,407.32	-	-	-	285,672,407.32
Management service	-	-	246,261,295.37	-	-	246,261,295.37
Advertising service	-	-	-	93,674,087.27	-	93,674,087.27
Others	-	-	-	-	115,112,805.19	115,112,805.19
Total	5,066,387,436.63	285,672,407.32	246,261,295.37	93,674,087.27	115,112,805.19	5,807,108,031.78
Timing for revenue recognition						
Revenue recognized at some point	5,066,387,436.63	285,672,407.32	-	-	115,112,805.19	5,467,172,649.14
Revenue recognized during some period	-	-	246,261,295.37	93,674,087.27	-	339,935,382.64
Total	5,066,387,436.63	285,672,407.32	246,261,295.37	93,674,087.27	115,112,805.19	5,807,108,031.78

V. Notes to the consolidated financial statements (continued)

43. Tax and surcharges

Item	2018	2017
City maintenance and construction tax	14,015,379.63	11,679,637.87
Educational surcharge	10,605,159.56	8,503,807.16
Land appreciation tax	15,803,609.33	6,726,657.69
Property tax	6,120,521.17	6,272,622.35
Stamp tax	1,162,461.45	4,648,347.84
Construction fee for culture development	1,586,478.86	2,310,814.90
Business tax	-	360,364.62
Others	448,487.47	713,683.71
Total	**49,742,097.47**	**41,215,936.14**

44. General and administrative expenses

Item	2018	2017
Salaries and wages	149,597,177.02	123,260,790.37
Rental fees	10,854,061.53	7,657,016.21
Legal and advisory fees	8,083,618.48	12,795,828.72
Depreciation and amortization	6,971,340.56	6,342,264.73
Audit fees	5,837,606.92	5,993,825.63
Stock exchange fees	4,708,838.53	5,565,080.85
Travel fees	4,670,996.77	4,850,186.01
Office building management fees	4,191,569.43	3,027,163.66
Business hospitality fees	4,087,837.93	4,724,433.23
Office and communication charges	2,516,692.86	2,043,512.00
Vehicle fees	1,416,768.50	1,909,843.91
Others	6,708,423.51	5,497,341.90
Total	**209,644,932.04**	**183,667,287.22**

*The remuneration of the auditor of the Group was RMB 5,850,000.00 yuan in 2018 (Tax included）(2017: RMB 5,760,000.00 yuan).

V. Notes to the consolidated financial statements (continued)

45. Financial expenses

Item	2018	2017
Interest expenses	1,060,159,474.79	919,972,293.00
Including: Interest expenses on borrowings	548,088,478.72	455,170,932.57
Interest expenses on bonds payable	164,406,792.95	167,686,762.76
Large transportation financing expense (Note V 36)	273,369,600.00	293,538,000.00
Unrecognized financing expense for allocation of the subsidy of the new toll of Three Expressways (Note V 36)	24,680,000.00	-
Unrecognized financing expense for allocation of the freight subsidy of Coastal Expressway (Note V 36)	20,311,356.88	-
Interest expense for advance payment	29,303,246.24	-
Delayed payment interest for acquisition of JEL Company	-	3,576,597.67
Exchange gains or losses	133,364,616.16	-124,211,122.18
Less: Interest income	81,317,876.57	45,648,915.89
Less: Interest capitalized	69,828,993.76	20,377,191.50
Others	12,628,816.06	12,575,997.23
Total	**1,055,006,036.68**	**742,311,060.66**

During this year, the Group's borrowing interest capitalization amount has been included in inventories and intangible assets. Please refer to Note V.6(2) and Note V.19(f) for the relevant information.

The details of the interest income are listed as follows:

Item	2018	2017
Cash and cash equivalents	30,182,226.56	39,059,964.41
Long-term receivables	1,794,965.49	4,379,250.24
Other receivables	49,340,684.52	2,209,701.24
Total	**81,317,876.57**	**45,648,915.89**

46. Other income

Government grants related to daily activities are as follows:

Item	2018	2017	Asset / profit related
Government grants related to deferred income (Note V.35)	139,095.35	168,111.89	Asset related

47. Investment income

Item	2018	2017
Investment income from long-term equity investments in joint ventures under the equity method	-	7,079,749.78
Investment income from long-term equity investments in associates under the equity method (Note V.15)	520,956,388.49	482,136,361.14
Investment income from financial products	5,642,543.29	7,581,799.16
Investment income from non-current financial assets	6,859,719.35	5,400,000.00
Gain on fair value generated from original shares involving the business combination under common control realized by multiple transactions	-	27,504,389.73
Investment loss from foreign exchange swap	-49,740,000.00	-850,968.84
Investment income from disposal of subsidiaries	71,875,733.02	-
Total	**555,594,384.15**	**528,851,330.97**

V. Notes to the consolidated financial statements (continued)

48. Gains or losses from changes in fair value

Item	2018	2017
Financial assets measured at fair value through profit or loss	134,403,871.30	-
Including: Derivative financial instruments (Note V.2)	116,475,051.30	-
Including: Financial assets designated to be measured at fair value through profit or loss (Note V.14)	17,928,820.00	-
Financial liabilities measured at fair value through profit or loss	-	-146,363,175.07
Including: Derivative financial instruments (Note V.24)	-	-146,363,175.07
Total	**134,403,871.30**	**-146,363,175.07**

49. Gains or losses on disposal of assets

Item	2018	2017
Compensation for toll adjustment of Yanba, Yanpai and Nanguang (“Three Expressways”) (Note V.36)	1,961,413,854.90	-
Compensation for land expropriation loss on of Meiguan Expressway (Note V.20, (2) (c))	225,087,871.50	-
Compensation for Yanba Road housing demolition	22,295,210.06	-
Profit and loss on disposal of the property of Hubei Magerk Expressway Management Co., LTD	11,558,170.10	-
Disposal of the right of using the land of Meiguan	7,620,000.00	-
Compensation for land expropriation from Airport-Heao Eastern Company	-	24,688,534.90
Others	-848,727.38	-43,413,285.01
Total	**2,227,126,379.18**	**-18,724,750.11**

50. Non-operating income

Item	2018	2017	Amount recorded as non-recurring profit or loss for the year ended 31 December 2018
Government grants unrelated to daily activities (a)	8,116,655.45	9,167,431.29	8,116,655.45
Others	9,315,735.44	2,057,219.91	9,315,735.44
Total	**17,432,390.89**	**11,224,651.20**	**17,432,390.89**

V. Notes to the consolidated financial statements (continued)

50. Non-operating income (continued)

(a) Government grants unrelated to daily activities are as follows:

Item	2018	2017	Asset / profit related
Government incentives (i)	5,369,666.57	6,420,442.41	Profit related
Government grants related to deferred income (ii)	2,746,988.88	2,746,988.88	Asset related
Total	**8,116,655.45**	**9,167,431.29**	/

(i) In February 2018, Hubei Magerk Expressway Management Co., LTD received financial incentives of RMB600,000.00 from the government in Hongshan District Wuhan; In July 2018, Hubei Magerk Expressway Management Co., LTD transferred the special financial appropriation to profit or loss of RMB250,000; In March 2018, Airport-Heao Eastern Company received incentives and compensation of RMB343,508.00 from Shenzhen Longgang District Bureau, for moving its registration in advance. In May 2018, the Yichang Company received the subsidiaries of RMB3,300,000.00. In December 2018, Advertising Company received RMB 360,000 as rent subsidy ; Others are the stable post subsidies received by each subsidiary.

(ii) In 2010, 2011 and 2014, Qinglong Company received the compensation for land expropriation from Longgang district of Shenzhen respectively, and the deferred amortization income of 2.75 million yuan was included in the non-operating income for the year.

51. Non-operating expenses

Item	2018	2017	Amount recognized in non-recurring profit or loss for the year ended 31 December 2018
The loss on damage or scrap of non-current assets	2,787,962.43	1,872,253.66	2,787,962.43
Donation	1,041,400.00	1,009,402.50	1,041,400.00
Others	1,010,780.95	1,028,621.91	1,010,780.95
Total	**4,840,143.38**	**3,910,278.07**	**4,840,143.38**

V. Notes to the consolidated financial statements (continued)

52. Expenses by nature

Costs of services, selling expenses, general and administrative expenses in profit and loss statement are analyzed by nature as follows:

Item	2018	2017
Depreciation and amortization	1,644,408,248.39	1,589,594,693.14
Salaries and wages	646,830,799.86	548,862,726.04
Real estate development costs	173,577,128.71	233,768,045.56
Road maintenance expenses	74,761,877.13	165,601,732.44
Entrusted management expenses for Wuhuang Expressway	100,278,107.75	95,477,715.34
Costs of construction management services	147,034,046.65	22,139,744.89
Material, water and electrical costs	53,093,044.18	49,881,270.46
Mechanical and electrical costs	45,737,150.56	28,453,934.18
Costs of agencies	18,300,340.05	19,219,574.65
Integrated tolls settlement service expenses	17,460,709.44	15,551,397.96
Promotion and marketing expense	8,603,499.74	10,582,566.98
Other expenses	157,189,240.28	149,054,486.83
Total	**3,087,274,192.73**	**2,928,187,888.47**

53. Income tax expenses

(1) Classification of income tax expense

Item	2018	2017
Income tax expense	1,129,749,372.17	518,559,382.30
Deferred income tax	-163,302,388.10	-139,069,254.28
Total	**966,446,984.07**	**379,490,128.02**

(2) Income tax expense reconciliation from profit before tax

Item	2018	2017
Profit before tax	4,545,177,566.55	1,883,077,165.55
Income tax expenses calculated at the applicable tax rate	1,137,255,514.54	471,432,354.54
Effect of withholding tax on distributable profits of the Group’s PRC subsidiaries	3,361,116.38	2,238,336.54
Income not subject to tax	-187,693,956.92	-134,814,228.84
Unrecognized tax losses during the year	24,815,541.97	28,658,753.24
Use of unrecognized tax losses in previous year	-11,363,307.35	-
Reversal of deferred income tax assets recognized in previous years	-	1,963,065.67
Adjustment of income tax in the prior year	-1,478,423.34	8,898,646.78
Expenses not deductible for tax purposes	1,550,498.79	1,113,200.09
Income tax expense calculated based on the effective tax rate of the Group	**966,446,984.07**	**379,490,128.02**

V. Notes to the consolidated financial statements (continued)

54. Notes to the consolidated statement of cash flows

(1) Cash received relating to other operating activities

Item	2018	2017
Received operating cost compensation for late opening of newly-built stations of Three Expressways	31,973,506.85	-
Received information service fees	8,120,407.21	-
Received deposit of Expressway Quality Improvement Program	7,200,000.00	-
Received compensation refund for toll adjustment of Meiguan Expressway	7,112,414.02	-
Received rent expenses of service zones from China National Petroleum Gas Corporation	2,935,500.00	-
Received deposit returned for 2017 A share interest distribution	2,000,000.00	-
Received bidding deposit for Landslide Reinforcement Program	2,000,000.00	-
Cash received relating to Meiguan facilities construction project	-	53,810,000.00
Cash received relating to funding of Coastal Company	-	142,009.42
Others	41,072,355.71	43,058,097.73
Total	**102,414,183.79**	**97,010,107.15**

(2) Cash paid relating to other operating activities

Item	2018	2017
Payment for further development of land	232,320,968.32	162,530,112.40
Management expenses	153,444,440.55	115,929,711.54
Payment for acquisition of land use right	117,714,000.00	57,671,540.00
Cash advanced to Longli entrusted construction project	120,647,391.60	31,810,926.70
Intermediary service fees paid	13,583,748.16	17,563,983.81
Warranty payment to China Railway 13 Bureau Group Co., LTD for adjustment to Freight Traffic Organization Project	-	11,668,616.60
Listing expenses	5,199,821.98	5,228,035.87
Other operating expenses paid	63,636,599.75	61,736,063.67
Total	**706,546,970.36**	**464,138,990.59**

V. Notes to the consolidated financial statements (continued)

54. Notes to the consolidated statement of cash flows (continued)

(3) Cash received from disposal of subsidiaries and other business units

Item	2018	2017
Cash received for the equity transfer of Guizhou Yuelong Investment Co. LTD (Yuelong Company)	180,800,000.00	-
Shareholder advance returned by Yuelong Company	20,430.08	-
Total	**180,820,430.08**	**-**

(4) Cash received relating to other investment activities

Item	2018	2017
Maturity redemption of financial products	1,000,000,000.00	1,950,000,000.00
Received shareholder loan interest income from Lianhe Zhidi	52,899,158.22	-
Received Interest income of bank deposit	20,670,801.52	46,914,475.31
Received interest of Three Expressways compensation	20,452,109.59	-
Received fund for equity bid intention	20,000,000.00	11,000,000.00
Returned foreign exchange swap deposit	8,011,738.60	-
Received deposit of self-constructed program	-	214,604.47
Others	-	6,196,630.85
Total	**1,122,033,807.93**	**2,014,325,710.63**

V. Notes to the consolidated financial statements (continued)

54. Notes to the consolidated statement of cash flows (continued)

(5) Cash paid relating to the acquisition of subsidiaries and other business units

Item	2018	2017
Paid capital for the reorganization and expansion program of Yangmao	57,500,000.00	-
Paid share subscription fee of Derun	-	4,415,582,466.80
Paid share subscription fee of Yichang	-	1,270,000,000.00
Paid to Water Planning and Design Institute due to capital increase	-	63,127,800.00
Cash and cash equivalents of Shenchang Company on acquisition date	-	-46,825,566.55
Cash and cash equivalents of Yichang Company on acquisition date	-	-117,109,152.13
Total	**57,500,000.00**	**5,584,775,548.12**

(6) Cash paid relating to other investment activities

Item	2018	2017
Purchased financial products	1,200,000,000.00	1,400,000,000.00
Losses from settlement of the dollar bonds	49,740,000.00	-
Deposit paid for foreign exchange swap	8,000,000.00	-
Guarantee deposit of biding for equity	-	6,000,000.00
Others	482,104.60	-
Total	**1,258,222,104.60**	**1,406,000,000.00**

(7) Cash paid relating to other financing activities

Item	2018	2017
Paid advances to the minority shareholder of a subsidiary	52,823,756.08	-
Swap settlement differences of dollar loans	22,392,000.00	-
Commission fee for issuing shares and bonds	767,040.00	2,322,500.00
Cash paid on purchasing the equity of Coastal Expressway	-	1,472,000,000.00
Cash paid on purchasing non-controlling interests of subsidiary	-	333,498,800.00
Return borrowings to minority shareholders	-	37,807,184.28
Others	5,504,665.41	12,567,427.48
Total	**81,487,461.49**	**1,858,195,911.76**

V. Notes to the consolidated financial statements (continued)

55. Assets with ownership or use right restricted

Item	2018	2017	Reason for restriction
Operating right of Qinglian Expressway	6,748,322,028.50	6,981,982,455.22	Note 1
Operating right of Shuiguan Expressway	-	3,747,150,068.38	Note 2
Operating right of Yichang Expressway	288,955,238.73	3,040,424,917.48	Note 3
Operating right of Outer Ring Expressway	1,947,057,863.50	926,564,764.56	Note 4
Operating right of Coastal Expressway	6,173,378,443.67	6,310,867,129.11	Note 5
The equity interest in Meiguan Company	523,973,642.55	526,221,279.42	Note 6
45% shares in JEL	275,862,743.30	302,377,401.24	Note 7
Cash at banks and on hand	1,645,847,754.50	2,375,125,239.77	Note 8
Total	**20,203,994,863.28**	**24,210,713,255.18**	**/**

Note 1: On 31 December 2018, the operation right of Qinglian Expressway with a net carrying amount of RMB6,748,322,028.50 (31 December 2017: RMB6,981,982,455.22) was pledged to secure long-term bank loans granted to the Group. The pledged term will end on 6 January 2027.

Note 2: The operation right of Shuiguan Expressway was pledged to secure long-term bank loans granted to the Group and the pledged term was to end on 6 May 2023. During the year the loans were paid in advance, so the operation right of Shuiguan Expressway was not pledged at the end of this year.

Note 3: The operation right of Yichang Expressway was pledged by the wholly-owned subsidiary Yichang Company to secure bank loans and the proportion of the operation right pledged was estimated according to the loan quota granted by each bank. On 31 December 2018, the balance of loans amounted to RMB4,400,000.00 and the proportion of the operation right pledged was 10%. The loan was paid off on 18 January 2019 and the pledge was relieved.

Note 4: On 31 December 2018, the operation right of Outer Ring Expressway with a net carrying amount of RMB1,947,057,863.50 (31 December 2017: RMB926,564,764.56) was pledged to secure long-term bank loans granted to the Group. The pledged term will end on 14 March 2042.

Note 5: On 31 December 2018, the operation right of Coastal Expressway with a net carrying amount of RMB6,173,378,443.67 (31 December 2017: RMB6,310,867,129.11) was pledged to secure long-term bank loans granted to the Group. The pledged term will end on 9 November 2033.

Note 6: On 31 December 2018, the 100% equity of Meiguan Company with a net carrying amount of RMB523,973,642.55 (31 December 2017: RMB526,221,279.42) was pledged to secure long-term bonds granted to the Group. The pledged term will end on 31 July 2022.

Note 7: On 31 December 2018, the 45% equity of JEL Company with a net carrying amount of RMB275,862,743.30 (31 December 2017: RMB302,377,401.24) was pledged to secure short-term bank loan granted to the Group. The pledged term will end on 6 April 2019.

Note 8: On 31 December 2018, cash and cash equivalents with a net carrying amount of RMB1,645,847,754.50 (31 December 2017: RMB2,375,125,239.77) were restricted project funds retained for construction management. Please refer to Note V.1.

V. Notes to the consolidated financial statements (continued)

56. Supplementary information to the consolidated statement of cash flows

(1) Supplementary information to the consolidated statement of cash flows

Supplementary information	2018	2017
1. Reconciliation from net profit to cash flows from operating activities:		
Net profit	3,578,730,582.48	1,503,587,037.53
Depreciation of fixed assets	158,299,103.52	176,333,816.03
Amortization of investment properties	575,841.40	575,700.00
Amortization of intangible assets	1,483,507,986.65	1,411,069,016.36
Amortization of long-term prepaid expenses	2,025,316.82	1,616,160.75
Losses from disposal of fixed, intangible, and other long-term assets (profit is shown with“-”)	-2,227,126,379.18	18,724,750.11
Losses from damage and scrap of non-current assets	2,787,962.43	1,872,253.66
Losses from change in fair value (profit is shown with“-”)	-134,403,871.30	146,363,175.07
Financial expenses	1,055,006,036.68	742,311,060.66
Investment income	-555,594,384.15	-528,851,330.97
Impairment losses on assets	-	450,000.00
Credit losses (reverse is shown with“-”)	-235,884.16	-
Decrease in deferred income tax assets (increase is shown with“-”)	-34,373,291.63	-84,876,826.51
Increase in deferred income tax liabilities (decrease is shown with“-”)	-128,929,096.47	298,294,652.57
Decrease in inventories	10,579,274.57	63,595,048.11
Decrease in operating receivables (increase is shown with“-”)	-864,974,421.15	230,729,920.22
Increase in operating payables (decrease is shown with“-”)	876,353,806.11	-1,006,569,205.84
Net cash flows from operating activities	3,222,228,582.62	2,975,225,227.75

Supplementary information	2018	2017
2. Net change in cash and cash equivalents		
Cash at the end of the year	2,580,843,329.57	1,884,570,222.49
Less: Cash at the beginning of the year	1,884,570,222.49	4,464,187,614.55
Net increase in cash and cash equivalents	696,273,107.08	-2,579,617,392.06

(2) Cash and cash equivalents

Item	2018	2017
Cash		
Including: Cash on hand	10,969,104.99	11,227,876.21
Cash at banks	2,569,874,224.58	1,873,342,346.28
Cash and cash equivalents at the end of the year	2,580,843,329.57	1,884,570,222.49
Including: Restricted cash held by subsidiaries of the Company and the Group (Note V.1)	1,645,847,754.50	2,375,125,239.77
Total cash at banks and on hand	4,226,691,084.07	4,259,695,462.26

V. Notes to the consolidated financial statements (continued)

57. Monetary items denominated in foreign currency

(1) Monetary items denominated in foreign currency

	2018			2017		
Item	Original amount	Exchange rate	Equivalent to RMB	Original amount	Exchange rate	Equivalent to RMB
Monetary capital						
HKD	3,862,558.29	0.8762	3,384,373.58	3,722,258.63	0.8359	3,111,473.21
USD	2,241.68	6.8632	15,385.09	678,950.69	6.5342	4,436,399.59
EUR	1.53	7.8473	12.00	257.00	7.8023	2,005.19
GBP	-	8.6762	-	30.00	8.7792	263.38
FRF	11.70	6.9494	81.31	11.70	1.0812	12.65
ESP	445.96	0.0468	20.88	446.00	0.0468	20.88
JPY	380.05	0.0619	23.52	380.08	0.0579	22.00
Other receivables						
HKD	1,239,014.15	0.8762	1,085,624.20	1,738,344.22	0.8359	1,453,099.32
USD	-	6.8632	-	280.54	6.5342	1,833.13
Short-term borrowings						
HKD	134,016,000.00	0.8762	117,424,819.20	-	-	-
Employee benefits payable						
HKD	545,196.50	0.8762	477,701.17	12,890.94	0.8359	10,775.67
Other payables						
HKD	402,486.34	0.8762	352,658.53	-	-	-
USD	3,905,208.33	6.8632	26,802,225.81	3,905,208.33	6.5342	25,517,412.27
Bond payable						
USD	297,374,692.88	6.8632	2,040,941,992.20	296,157,933.35	6.5342	1,935,155,168.07

V. Notes to the consolidated financial statements (continued)

58. Others

(1) Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

Item	2018	2017
Consolidated net profit attributable to ordinary shareholders of the Company	3,440,050,607.33	1,383,988,489.41
Weighted average number of ordinary shares outstanding	2,180,770,326.00	2,180,770,326.00
Basic earnings per share	1.577	0.635
Including: Basic earnings per share from continuing operations	1.577	0.635

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares in the year ended 31 December 2018, diluted earnings per share was equal to basic earnings per share.

VI. Change in consolidation

1. Business combination involving enterprises under common control

(1) Business combination involving enterprises under common control in the year

On 11 December 2017, the Company and Shenzhen Investment Holdings Co., Ltd. ("Shenzhen Investment Holding Company") signed the Equity Purchase Agreement to acquire 100% equity of Coastal Company at a consideration of RMB1.472 billion. Coastal Company was incorporated in Shenzhen on 1 December 2008 with registered capital of RMB 4.6 billion. Shenzhen Investment Holding Company holds 100% of its equity, and Shenzhen Investment Holding Company is the controlling shareholder of Shenzhen International, the parent company of the Company. Since both parties before and after the combination were controlled by Shenzhen Investment Holding Company and the control was not temporary, the combination was a business combination under the common control. At the extraordinary general meeting held on 5 February 2018, Shenzhen International voted to approve a proposal by the number of shares. The proposal is to approve, confirm and ratify the acquisition agreement signed by the Company, Shenzhen Investment Holding Company and Coastal Company on 11 December 2017 and the related transactions contemplated. The Company also convened an extraordinary general meeting on 8 February 2018 to consider and approve the proposal to acquire a 100% interest in Guangshen Coastal Expressway (Shenzhen Section). Therefore, the combination date was determined to be 8 February 2018.

	From 1 January to 8 February 2018	From 1 January to 31 December 2017
Operating revenue	38,566,019.28	401,526,269.52
Net profit	1,008,184.59	-42,414,311.59
Net cash flows	28,313,998.65	-22,486,149.27

VI. Change in consolidation (continued)

1. Business combination involving enterprises under common control (Continued)

Identifiable assets and liabilities of Coastal Company acquired on the combination date and 31 December 2017 are listed below:

	8 February 2018	31 December 2017
Cash at banks and on hand	1,688,527,085.21	1,738,429,633.31
Accounts receivable	7,221,269.58	7,800,455.34
Advances	1,043,942.50	68,721.00
Other receivable	1,360,327.25	1,327,501.09
Inventories	193,252.83	263,937.34
Fixed assets	197,522,638.39	199,455,291.78
Construction in progress	6,660,807.91	6,660,807.91
Intangible assets	6,299,909,354.91	6,310,867,129.11
Accounts payable	571,268,286.01	570,864,097.42
Employee benefits payable	3,917,017.72	4,798,713.23
Tax payable	1,402,802.99	1,624,265.86
Other payables	1,513,697,248.80	1,576,201,912.76
Current portion of non-current liabilities	96,447,623.17	96,447,623.17
Long-term borrowings	4,518,158,867.54	4,518,158,867.54
Deferred tax liabilities	9,607,424.47	9,846,773.61
Total	1,487,939,407.88	1,486,931,223.29
Combination difference (Included in the interest)	15,939,407.88	/
Combination considerations	1,472,000,000.00	/

2. Newly established subsidiaries

Guizhou Shenzhen Expressway Investment Land Company ("Guishen Expressway Investment") was set up on 27 July 2018 in Longli Country, Guizhou Province with issued capital of RMB 1,000,000. Guizhou Land Company, a subsidiary of the Company held a 100% equity interest in Guishen Expressway Investment, whose business and principal activity is land development and thus Guishen Expressway Investment was included in the scope of consolidation.

Shenzhen Expressway Yijia Apartment Management Limited Company ("Shenzhen Expressway Yijia") was set up on 4 September 2018 in Shenzhen City, Guangdong Province with issued capital of RMB 10,000,000.Shenzhen Expressway Investment Company ("Investment Company"), a subsidiary of the Company held 60% in Shenzhen Expressway Yijia, whose business and principal activity is apartment rental and management thus and Shenzhen Expressway Yijia was included in the scope of consolidation.

Guizhou Yefengrui Land Limited Company ("Yefengrui Land") was set up on 27 October 2018 in Longli Country, Guizhou Province with issued capital of RMB 1,000,000. Guizhou Land Company, a subsidiary of the Company held 100% equity interest in Yefengrui Land, whose business and principal activity is land development and thus Yefengrui Land was included in the scope of consolidation.

VI. Change in consolidation (continued)

2. Newly Established Subsidiaries (continued)

Shenzhen Expressway SUEZ Environment Limited Company ("SUEZ Environment") was set up on 29 October 2018 in Shenzhen City, Guangdong Province with issued capital of RMB 100,000,000. Environment Company, a subsidiary of the Company held a 60% equity interest in SUEZ Environment, whose business and principal activity is environmental technique development consultation and thus SUEZ Environment was included in the scope of consolidation.

3. DISPOSAL OF SUBSIDIARIES

	Place of registration	Nature of business and principal activities	Proportion of equity attributable to the Group	Proportion of voting right attributable to the Group	Reason for deconsolidation
Guizhou Yuelong Investment Company Limited ("Guizhou Yuelong Company")	Longli County, Guizhou Province, PRC	Infrastructure construction	70%	70%	Note (a)

Note (a) Guizhou Land Company entered into an equity and debt transfer agreement with Longli Economic Development Zone Construction and Development Limited (Economic Development Company) on 9 August 2018 to transfer its 100% equity interest and RMB 108,008,791.79 debt to Economic Development Company with the transfer price of RMB 180,800,000.00. The transaction has been completed on 31 August 2018.Therefore, since 30 September 2018, the Group has no longer included Guizhou Yuelong Company in the scope of consolidation. The relevant financial information of Guizhou Yuelong Company is as follow:

	31 August 2018	31 December 2017
	Carrying amount	Carrying amount
Cash and cash equivalents	20,414.43	16,999.37
Inventories	108,903,852.55	108,627,890.02
Other payables	107,988,361.71	107,708,791.79
Net assets	935,905.27	936,097.60
Non-controlling interests (30%)	280,771.58	280,829.28
Net assets attributable to the Group	655,133.69	655,268.32
Losses on disposal	**71,875,733.02**	**/**
Attributable to the Group	50,313,013.11	/
Attributable to minority shareholder	21,562,719.91	/
Disposal consideration	**180,800,000.00**	**/**
Assignment of creditor's rights	107,988,361.71	/
Assignment of equity interest	72,811,638.29	/

	From 1 January to 31 August 2018
Revenue	-
costs	-
losses	192.33

VII. Interests in other entities

1. Interests in subsidiaries

(1) Particulars of the Company's subsidiaries are as follows:

Name of subsidiaries	Place of main business	Place of registration	Nature of business and principal activities	Share capital	Equity interest (%) Direct	Equity interest (%) Indirect	Acquired through
Outer Ring Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB100,000,000.00	100%	-	Incorporation
Shenzhen Expressway Investment Company Limited ("Investment Company")	Guizhou Province, PRC	Shenzhen City, Guangdong Province, PRC	Investment	RMB400,000,000.00	95%	5%	Incorporation
Guishen Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Infrastructure construction	RMB500,000,000.00	-	70%	Incorporation
Guizhou Land Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	RMB158,000,000.00	-	70%	Incorporation
Guizhou Shengbo Land Company Limited ("Guizhou Shengbo Land Company")	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	RMB1,000,000.00	-	70%	Incorporation
Shenzhen Expressway Property Management Company ("Property Company")	Longli County, Guizhou Province, PRC	Shenzhen City, Guangdong Province, PRC	Property management	RMB1,000,000.00	-	100%	Incorporation
Environment Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Environmental projects and advisory	RMB5,000,000,000.00	100%	-	Incorporation
JEL Company	Hubei Province, PRC	Cayman Islands	Investment holding	USD30,000,000.00	-	100%	Business combinations involving enterprises under common control
Hubei Magerk Expressway Management Co., LTD ("Magerk Company")	Hubei Province, PRC	Hubei Province, PRC	Toll road operation	USD28,000,000.00	-	100%	Business combinations involving enterprises under common control
Qinglian Company	Qingyuan City, Guangdong Province, PRC	Qingyuan City, Guangdong Province, PRC	Toll road operation	RMB3,361,000,000.00	51.37%	25%	Business combinations involving enterprises not under common control
Shenzhen Expressway Advertising Company ("Advertising Company")	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Advertising agency	RMB30,000,000.00	95%	5%	Business combinations involving enterprises not under common control
Meiguan Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB332,400,000.00	100%	-	Business combinations involving enterprises not under common control
Mei Wah Company	Hubei Province and Guangdong Province, PRC	Hong Kong	Investment holding	RMB823,012,897.00	100%	-	Business combinations involving enterprises not under common control
Maxprofit Company	Guangdong Province, PRC	British Virgin Islands	Investment holding	USD85,360,000.00	-	100%	Business combinations involving enterprises not under common control
Airport-Heao Eastern Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB440,000,000.00	100%	-	Business combinations involving enterprises not under common control
Hengfengxin Property Company Limited	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	RMB1,000,000.00	-	70%	Incorporation
Henghongda Property Company Limited	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	RMB1,000,000.00	-	70%	Incorporation
Fameluxe Company	Hong Kong	Hong Kong	Investment holding	HKD10,000.00	-	100%	Business combinations involving enterprises not under common control
Shenzhen Expressway Operation Development Co., LTD	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB30,000,000.00	95%	5%	Incorporation
Qinglong Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB324,000,000.00	40%	10%	Business combinations involving enterprises not under common control
Shenchang Company	Changsha City, Hunan Province, PRC	Changsha City, Hunan Province, PRC	Toll road operation	RMB200,000,000.00	51%	-	Business combinations involving enterprises not under common control
Yichang Company	Changde City, Hunan Province, PRC	Changde City, Hunan Province, PRC	Toll road operation	RMB345,000,000.00	100%	-	Business combinations involving enterprises not under common control
Construction and Development Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Infrastructure construction	RMB30,000,000.00	95%	5%	Incorporation
Guizhou Yehengda Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	RMB1,000,000.00	-	70%	Incorporation
Shenshan Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Environment protection construction	RMB500,000,000.00	51%	49%	Incorporation
Fund Management Company	Guangzhou City, Guangdong Province, PRC	Guangzhou City, Guangdong Province, PRC	Capital market services	RMB10,000,000.00	95%	5%	Incorporation
Coastal Company (a)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB4,600,000,000.00	100%	-	Business combinations involving enterprises under common control
Guishen Expressway Investment	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	RMB1,000,000	-	70%	Incorporation
Shenzhen Expressway Yijia,	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Apartment rental and management	RMB10,000,000	-	60%	Incorporation
Yefengrui Land	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Land development	RMB1,000,000	-	51%	Incorporation
SUEZ Environment	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Environmental technique development consultation	RMB10,000,000	-	51%	Incorporation

(a) For details of Coastal Company, please refer to Note VI 1.

(b) For details of Guishen Expressway Investment, Shenzhen Expressway Yijia, Yefenrui Land and SUEZ Environment, please refer to Note VI 2

VII. Interests in other entities (continued)

1. Interests in subsidiaries (continued)

(2) Significant partly-owned subsidiaries

31 December 2018

Name of subsidiaries	Equity interest held by minority interests	Net profit attributable to minority shareholders for the year ended 31 December 2018	Dividend declared by subsidiaries to the minority shareholders for the year ended 31 December 2018	Shareholder investment withdrawn	New business combination	Minority interests as at 31 December 2018
Qinglian Company	23.63%	26,482,934.01	-	-	-	650,162,563.04
Guishen Company	30.00%	29,388,054.16	-1,494,904.48	-	-	251,984,835.15
Qinglong Company	50.00%	49,890,350.36	-	-92,186,499.92	-	1,097,601,986.36
Shenchang Company	49.00%	34,727,432.81	-	-	-52,823,756.08	150,721,195.71
Total	**/**	**140,488,771.34**	**-1,494,904.48**	**-92,186,499.92**	**-52,823,756.08**	**2,150,470,580.26**

31 December 2017

Name of subsidiaries	Equity interest held by minority interests	Net profit attributable to minority shareholders for year 2017	Dividend declared by subsidiaries to the minority shareholders for year 2017	Shareholder investment withdrawn	New business combination	Minority interests as at 31 December 2017
Qinglian Company	23.63%	17,389,006.21	-	-	-	623,679,629.03
Guishen Company	30.00%	11,891,123.32	-	-	-	224,091,685.47
Qinglong Company	50.00%	66,110,922.75	-144,600,742.17	-	-	1,139,898,135.92
Shenchang Company	49.00%	24,207,495.84	-	-37,807,184.28	182,417,207.42	168,817,518.98
Total	**/**	**119,598,548.12**	**-144,600,742.17**	**-37,807,184.28**	**182,417,207.42**	**2,156,486,969.40**

(3) Main financial information of significant partly-owned subsidiaries

Name of subsidiaries	31 December 2018					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	93,322,579.79	6,978,215,443.47	7,071,538,023.26	258,053,857.66	4,065,116,453.64	4,323,170,311.30
Guishen Company	1,874,469,325.70	53,138,767.22	1,927,608,092.92	1,087,658,642.52	-	1,087,658,642.52
Qinglong Company	117,154,434.51	3,527,256,810.02	3,644,411,244.53	266,045,115.23	1,183,162,156.57	1,449,207,271.80
Shenchang Company	43,631,081.10	300,557,640.04	344,188,721.14	36,771,383.02	-	36,771,383.02

Name of subsidiaries	31 December 2017					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	119,583,635.74	7,269,239,753.21	7,388,823,388.95	222,571,252.00	4,529,297,780.94	4,751,869,032.94
Guishen Company	1,302,665,651.40	50,959,022.01	1,353,624,673.41	606,651,968.06	-	606,651,968.06
Qinglong Company	135,037,348.69	3,879,016,295.99	4,014,053,644.68	969,473,704.40	764,783,668.44	1,734,257,372.84
Shenchang Company	61,596,838.63	322,081,145.46	383,677,984.09	39,329,373.99	-	39,329,373.99

VII. Interests in other entities (continued)

1. Interests in subsidiaries (continued)

(3) Main financial information of significant partly-owned subsidiaries (continued)

Name of subsidiaries	For the year ended 31 December 2018			
	Revenue	Net (loss)/profit	Total comprehensive income	Net cash flows from operating activities
Qinglian Company	764,016,571.34	112,073,355.95	112,073,355.95	591,354,427.23
Guishen Company	411,902,608.75	97,959,760.00	97,959,760.00	254,086,763.35
Qinglong Company	641,636,907.04	99,780,700.72	99,780,700.72	462,116,780.65
Shenchang Company	145,021,623.54	70,872,311.86	70,872,311.86	95,248,934.51

Name of subsidiaries	For the year ended 31 December 2017			
	Revenue	Net (loss)/profit	Total comprehensive income	Net cash flows from operating activities
Qinglian Company	741,990,194.46	73,588,684.87	73,588,684.87	610,867,059.03
Guishen Company	317,439,414.86	39,637,077.72	39,637,077.72	358,437,881.73
Qinglong Company	651,010,442.19	132,221,845.49	132,221,845.49	444,583,040.37
Shenchang Company(a)	114,065,216.85	49,403,052.69	49,403,052.69	85,497,503.89

(a) As Shenchang Company became the Company's subsidiary on 1 April 2017, the comparative financial information for the previous year only includes the data from April to December.

(4) Substantial restriction to the usage of assets or the settlement of liabilities of the Group

As at 31 December 2018, there was no substantial restriction which prohibited the usage of assets or the settlement of liabilities of the Group (31 December 2017: Nil).

2. Interests in associates

Particulars of the Company's associates are as follows:

	Place of incorporation	Place of registration	Principal activities	Issued capital	Percentage of shares held by the Company (%)		Accounting method
					Direct	Indirect	
Consulting Company	Shenzhen City, Guangdong Province, China	Shenzhen City, Guangdong Province, China	Engineering consulting service	18,750,000.00	24	-	Equity method
Huayu Company	Shenzhen City, Guangdong Province, China	Shenzhen City, Guangdong Province, China	Toll road operation	150,000,000.00	40	-	Equity method
Jiangzhong Company	Guangdong Province, China	Guangzhou City, Guangdong Province, China	Toll road operation	1,110,000,000.00	25	-	Equity method
Nanjing Third Bridge Company	Nanjing City, Jiangsu Province, China	Nanjing City, Jiangsu Province, China	Toll road operation	1,080,000,000.00	25	-	Equity method
Yangmao Company	Guangdong Province, China	Guangzhou City, Guangdong Province, China	Toll road operation	200,000,000.00	25	-	Equity method
GZ W2 Company	Guangzhou City, Guangdong Province, China	Guangzhou City, Guangdong Province, China	Toll road operation	1,000,000,000.00	25	-	Equity method
Guangyun Company	Guangdong Province, China	Yunfu City, Guangdong Province, China	Toll road operation	10,000,000.00	30	-	Equity method
Guizhou Hengtongli	Longli County, Guizhou Province, China	Longli County, Guizhou Province, China	Real estate development	1,000,000.00	-	49	Equity method
United Land	Shenzhen City, Guangdong Province, China	Shenzhen City, Guangdong Province, China	Real estate development	5,000,000,000.00	34.3	-	Equity method
Bank of Guizhou	Guiyang City, Guizhou Province, China	Guiyang City, Guizhou Province, China	Financial service	12,388,045,232.77	3.44	-	Equity method
Derun Environment	Chongqing City, China	Chongqing City, China	Environment improvement and resources recovery	1,000,000,000.00	-	20	Equity method

VII. Interests in other entities (continued)

2. Interests in associates (continued)

(1) Financial information of a material associate

The material associate, Derun Environment, which focuses on environmental improvement and resources recovery, is the strategic partner of the Group. Derun Environment is accounted for using the equity method.A summary of Derun Environment's financial information which complied with the accounting policies of the Company is listed below:

	31 December 2018	31 December 2017
Current assets	9,242,290,347.80	11,518,143,607.92
Non-current assets	23,770,923,185.35	19,589,319,111.19
Total assets	33,013,213,533.15	31,107,462,719.11
Current liabilities	6,615,202,263.71	6,434,324,272.57
Non-current liabilities	6,691,348,460.44	5,178,747,606.51
Total liabilities	13,306,550,724.15	11,613,071,879.08
Non-controlling interest	9,081,990,816.99	9,164,755,835.59
Equity attributable to owners of the parent	10,624,671,992.01	10,329,634,004.44
Net assets shared by proportion of equity holding	2,124,934,398.40	2,065,926,800.89
Adjustment items	2,286,638,704.16	2,344,998,650.86
Goodwill	1,462,953,999.22	1,462,953,999.22
Premium of appraisal on non-current assets	840,014,704.94	882,044,651.64
Differences of accounting policies	-16,330,000.00	-
Book value of the equity investment	4,411,573,102.56	4,410,925,451.75
	2018	From 6 June 2017 to 31 December 2017
Revenue	8,616,218,232.10	4,987,708,159.18
Income tax expense	212,974,859.70	199,518,544.68
Net profit/(loss)	1,943,814,517.84	1,469,352,531.85
Net profit/(loss) attributable to owners of the parent (Note 1)	1,020,708,167.89	752,761,335.66
Other comprehensive income	-7,864,122.06	16,027,935.88
Post-tax other comprehensive income attributable to owners of the parent	-3,935,010.08	8,019,978.42
Total comprehensive income	1,936,425,095.43	1,485,380,467.73
Dividend received	146,400,000.00	119,600,000.00

Note 1: The Group shares the net profit attributable to shareholders of the parent company of Derun Environment in the proportion of 20%, and after deducting the premium of RMB 42,029,946.70for amortization of premiums for the year, the Group recognizes the investment income of RMB 162,111,686.88 for Derun Environment. See details in Note V.15.

Note 2: The Group shares the post-tax other comprehensive income attributable to owners of the parent in the proportion of 20%, and after deducing the other comprehensive income of RMB 16,330,000.00 for the accounting policy differences between the associate and the Group, the Group recognizes the decrease of other comprehensive income of RMB 17,117,002.02.

VII. Interests in other entities (continued)

2. Interests in joint ventures or associates (continued)

(2) Main financial information of joint ventures and associates that are not material

	2018	2017
Joint ventures:		
Total book value of investment	-	-
Sub-total amount of the following items calculated in the Group's equity proportion in joint ventures:		
- Net profit	-	7,079,749.78
- Total comprehensive income	-	7,079,749.78
Associates:		
Total book value of investment	3,447,535,395.06	4,653,326,829.16
Sub-total amount of the following items calculated in the Group's equity proportion in associates:		
- Net profit	358,844,701.61	356,178,859.17
- Other comprehensive income	8,375,513.47	-6,429,331.48
- Total comprehensive income	367,220,215.08	349,749,527.69
-Movement of capital reserve	793,199,013.54	16,465,915.52

Except for the important associates listed in (1), during the current year, the directors of the Company considered that the Group has no material joint ventures or associates (2017: the same) as the investment income/ (loss) from individual joint ventures or associates did not exceed 10% of the Group's total profit for the respective period and, the net book value of long-term equity investments from joint ventures and associates do not exceed 5% of the total net assets of the Group at 31 December 2018.

(3) Explanation to substantial restriction on transferring funds between the Group and the joint ventures and associates

As at 31 December 2018, there was no substantial restriction on transferring funds between the Group and the joint ventures and associates (31 December 2017: Nil).

VIII. Financial instruments and risk

1. Financial instruments by category

The carrying amounts of each category of financial instruments as at the date of financial position are as follows:

2018

Financial assets

	Financial assets at fair value through profit or loss		Measured at amortized cost	**Total**
	Required by standard	Appointed		
Cash	-	-	4,226,691,084.07	**4,226,691,084.07**
Transactional financial liabilities	45,103,194.00	-	-	**45,103,194.00**
Accounts receivable	-	-	174,639,116.34	**174,639,116.34**
Other receivables	-	-	1,580,256,204.51	**1,580,256,204.51**
Contract assets	-	-	166,842,230.65	**166,842,230.65**
Current portion of non-current assets	-	-	22,548,751.19	**22,548,751.19**
Other current assets	-	-	264,155,141.70	**264,155,141.70**
Long-term receivables	-	-	160,973,492.73	**160,973,492.73**
Other non-current financial assets	-	180,438,820.00	-	**180,438,820.00**
Other non-current assets	-	-	342,599,500.00	**342,599,500.00**

Financial liabilities

	Measured at amortized cost	**Total**
Short-term borrowings	117,424,819.20	**117,424,819.20**
Accounts payable	714,905,820.77	**714,905,820.77**
Contract liabilities	858,712,742.77	**858,712,742.77**
Other payables	2,396,828,896.75	**2,396,828,896.75**
Current portion of non-current liabilities	379,135,997.24	**379,135,997.24**
Long-term borrowings	8,892,735,993.43	**8,892,735,993.43**
Bonds payable	4,632,920,008.39	**4,632,920,008.39**
Other non-current liabilities	128,370,047.21	**128,370,047.21**

VIII. Financial instruments and risk (continued)

1. Financial Instruments by category (continued)

The carrying values of various financial instruments on the date of statement of financial position. are as follows:

2017

Financial assets

	Loans and receivables	Available-for-sale financial assets	**Total**
Cash	4,259,695,462.26	-	**4,259,695,462.26**
Accounts receivable	223,338,953.78	-	**223,338,953.78**
Other receivables	41,705,480.17	-	**41,705,480.17**
Current portion of non-current assets	79,908,301.90	-	**79,908,301.90**
Other current assets	39,366,991.50	-	**39,366,991.50**
Long-term receivables	148,506,567.52	-	**148,506,567.52**
Available-for-sale financial assets	-	106,557,169.78	**106,557,169.78**

Financial liabilities

	Financial liabilities at fair value through profit or loss		Other financial liabilities	Total
	Initial recognition	Transactional		
Short-term borrowings	-	-	2,518,256,000.00	**2,518,256,000.00**
Financial liabilities at fair value through profit or loss	-	71,371,857.30	-	**71,371,857.30**
Accounts payable	-	-	677,252,834.93	**677,252,834.93**
Other payables	-	-	3,074,710,559.87	**3,074,710,559.87**
Current portion of non-current liabilities	-	-	1,592,099,621.18	**1,592,099,621.18**
Long-term borrowings	-	-	9,497,344,336.98	**9,497,344,336.98**
Bonds payable	-	-	2,732,092,797.02	**2,732,092,797.02**
Other non-current liabilities	-	-	5,361,879,999.98	**5,361,879,999.98**

VIII. Financial instruments and risk (continued)

2. Risk of financial instruments

The Group is faced with risks of various financial instruments in daily activities, which mainly include credit risk, liquidity risk and market risk (including exchange rate risk and interest rate risk). The Group's risk management policy is outlined below. The main financial instruments of the Group include monetary funds, loans and receivables, financial assets/liabilities measured at fair value and their changes recorded in the current profits and losses, financial instruments available for sale, loans, payables and bonds payable, etc. The risks associated with these instruments and the risk management strategies adopted by the Group to mitigate these risks are described below.

The board of directors shall be responsible for planning and establishing the risk management framework of the Group, formulating the Group's risk management policies and relevant guidelines, and supervising the implementation of risk management measures. The Group has developed risk management policies to identify and analyze risks faced by the Group. These risk management policies specify specific risks and cover many aspects such as market risk, credit risk and liquidity risk management. The Group periodically evaluates changes in the market environment and the Group's business activities to determine whether to update risk management policies and systems. The risk management of the Group shall be carried out by the risk management committee in accordance with the policies approved by the board of directors. The risk management committee works closely with other business units of the group to identify, assess and mitigate risks. The internal audit department of the Group conducts regular audits on risk management control and procedures and reports the audit results to the Group's audit committee.

The Group diversifies the risk of financial instruments through appropriate diversification of investments and business portfolios, and reduces the risk of concentration in any single industry, specific region or specific counterparty by formulating appropriate risk management policies.

VIII. Financial instruments and risk (continued)

Credit risk

The Group deals only with recognized and reputable third parties. In accordance with the Group's policy, all customers requiring credit transactions are subject to credit audits. In addition, the Group continuously monitors the balance of accounts receivable to ensure that the Group does not face significant risk of bad debts. For transactions that are not settled in the accounting base currency of the relevant business units, the Group will not provide conditions for credit transactions unless the Group's credit control department specifically approves them.

Because the counterparty of currency funds is a bank with good reputation and a high credit rating, the credit risk of these financial instruments is low.

Other financial assets of the Group include monetary funds, creditor's rights investments and other receivables. The credit risk of these financial assets originates from the default of the counterparty. The maximum risk exposure is equal to the book value of these instruments.

2018

Credit risk increases judgment criteria significantly
The Group assesses whether the credit risk of the relevant financial instruments has increased significantly since the initial confirmation at each date of the statement of financial position. In determining whether credit risk has increased significantly since the initial recognition, the Group considers that reasonable and valid information, including qualitative and quantitative analysis based on the Group's historical data, external credit risk rating and forward-looking information, can be obtained without undue cost or effort. Based on a single financial instrument or a portfolio of financial instruments with similar credit risk characteristics, the Group compares the risk of default of financial instruments on the date of statement of financial position. with the risk of default on the initial recognition date to determine the change of default risk of financial instruments during the expected lifetime.

When triggering one or more of the following quantitative and qualitative criteria, the Group believes that the credit risk of financial instruments has increased significantly,

- Quantitative criteria are that the probability of default of the remaining duration of the reporting day rises by more than a certain proportion compared with the initial recognition.
- Qualitative criteria include major adverse changes in the debtor's business or financial situation, early warning list of customers, etc.
- The upper limit is that the debtor's contract payments (including principal and interest) are more than 30 days overdue.

Definition of assets with impaired credit
In order to determine whether credit impairment occurs, the defining criteria adopted by the Group are consistent with the internal objectives of credit risk management for the relevant financial instruments, taking into account quantitative and qualitative indicators. In assessing whether the debtor has suffered credit impairment, the Group mainly considers the following factors:

- Major financial difficulties occur to the issuer or debtor;
- The debtor breaches the contract, such as paying interest or defaulting or overdue principal, etc.
- The creditor gives the debtor concessions in no other case for economic or contractual considerations related to the debtor's financial difficulties;
- The debtor is likely to go bankrupt or undergo other financial restructuring;
- The financial difficulties of the issuer or debtor lead to the disappearance of the active market of the financial assets;
- To purchase and derive a financial asset at a substantial discount, which reflects the fact that credit losses occur.

The occurrence of credit impairment in financial assets may be the result of a combination of multiple events, not necessarily those that can be identified separately.

VIII. Financial instruments and risk (continued)

Credit Risk (continued)

Parameters for Measuring Expected Credit Loss
Depending on whether credit risk has increased significantly and whether credit impairment has occurred, the Group measures impairment provision for different assets with the expected credit loss for 12 months or the whole life period, respectively. The key parameters of anticipated credit loss measurement include default probability, default loss rate and default risk exposure. Considering the quantitative analysis and forward-looking information of historical statistical data (such as counterparty ratings, guarantees and collateral types, repayment methods, etc.), the Group establishes a default probability, default loss rate and default risk exposure model.

The relevant definitions are as follows:

- The probability of default refers to the possibility that the debtor will not be able to fulfil its obligation to pay in the next 12 months or throughout the remaining period. The default probability of the group is adjusted on the basis of the expected credit loss model, and forward-looking information is added to reflect the default probability of the debtor under the current macroeconomic environment.
- The default loss rate refers to the group's expectation of the extent of loss from exposure to default risk. According to the type of counterparty, the way and priority of recourse, and the different collateral, the loss rate of breach of contract is also different. The default loss rate is the percentage of risk exposure loss at the time of default, which is calculated on the basis of the next 12 months or the whole duration.
- The default risk exposure is the amount that the group should be repaid in the event of default in the next 12 months or throughout the remaining period.

Prospective information
The assessment of significant increases in credit risk and the calculation of expected credit losses involve forward-looking information. Through historical data analysis, the Group identifies key economic indicators that affect the credit risk and expected credit loss of various business types.

The impact of these economic indicators on default probability and default loss rate varies with different business types. In this process, the Group applies expert judgment to forecast these economic indicators quarterly based on the results of expert judgment, and through regression analysis to determine the impact of these economic indicators on default probability and default loss rate.

2017

On 31 December 2017, the maturity analysis of financial assets that did not suffer impairment/that did not suffer impairment in either individual or portfolio is as follows:

On December 31 2017, accounts receivable that were not overdue and impaired were related to a large number of decentralized customers with recent non-default records.

On December 31 2017, overdue accounts receivable without impairment were related to a large number of independent customers with good transaction records of the Group. Based on past experience, since the credit quality has not changed significantly and is still considered recoverable in full, the Group does not consider it necessary to make provision for impairment.

VIII. Financial instruments and risk (continued)

Liquidity risk

The Group adopts a revolving liquidity plan tool to manage the risk of capital shortage. The tool takes into account both the maturity date of its financial instruments and the expected cash flow generated by the operation of the Group.

The Group's goal is to maintain a balance between the sustainability and flexibility of financing by using various means of financing, such as bank loans and other interest-bearing loans.

Subsidiaries within the Group are responsible for their own cash flow forecasts. On the basis of summarizing the cash flow forecasts of subsidiaries, the Headquarters Finance Department continuously monitors the short-term and long-term capital needs at the group level to ensure the maintenance of adequate cash reserves and marketable securities that can be realized at any time; at the same time, it continuously monitors whether it meets the requirements of loan agreements and obtains credit lines from major financial institutions to meet the short-term and long-term capital needs. On the date of statement of financial position, the uncounted contract cash flows of the Group's financial liabilities are shown as follows:

The following table summarizes the maturity analysis of financial liabilities based on contractual undiscounted cash flows:

2018

	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Financial liability					
Short-term loan	117,985,914.13	-	-	-	117,985,914.13
Account payable	714,905,820.77	-	-	-	714,905,820.77
Other accounts payable	2,396,828,896.85	-	-	-	2,396,828,896.85
Non-current liabilities due within one year (Note 1)	387,351,957.99	-	-	-	387,351,957.99
Long-term loan	321,210,763.45	805,857,090.07	3,441,526,794.37	7,858,874,086.76	12,427,468,734.65
Bonds payable	178,137,283.67	179,623,657.42	4,814,757,240.86	-	5,172,518,181.95
Other non-current liabilities	-	128,370,047.21	-	-	128,370,047.21
Total	**4,116,420,636.86**	**1,113,850,794.70**	**8,256,284,035.23**	**7,858,874,086.76**	**21,345,429,553.55**

VIII. Financial instruments and risk (continued)

2017

The following table summarizes the maturity analysis of financial liabilities based on contractual undiscounted cash flows: (continued)

	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Financial liabilities					
Short-term loan	2,554,145,741.46	-	-	-	2,554,145,741.46
Financial liabilities measured at fair value and recorded in current profit or loss	71,371,857.30	-	-	-	71,371,857.30
Account payable	677,252,834.93	-	-	-	677,252,834.93
Other accounts payable	3,074,710,559.87	-	-	-	3,074,710,559.87
Non-current liabilities due within one year (Note 1)	1,594,199,967.76	-	-	-	1,594,199,967.76
Long-term Loan	400,827,577.87	839,765,987.90	4,165,875,525.78	7,970,119,028.46	13,376,588,120.01
Bond payable	101,367,937.50	101,367,937.50	2,997,673,425.44	-	3,200,409,300.44
Other non-current liabilities	-	5,361,879,999.98	-	-	5,361,879,999.98
Total	**8,473,876,476.69**	**6,303,013,925.38**	**7,163,548,951.22**	**7,970,119,028.46**	**29,910,558,381.75**

Note 1: Including long-term loans maturing within one year, bonds payable within one year, and other non-current liabilities maturing within one year, excluding expected liabilities maturing within one year.

In view of the stable and abundant operating cash flows, sufficient credit lines and appropriate financing arrangements to meet debt repayment and capital expenditure, the management of the Group believes that there is no significant liquidity risk in the Group.

VIII. Financial instruments and risk (continued)

Market risk

Interest rate risk

The Group's exposure to the risk of changes in market interest rates primarily relates to the Group's long-term borrowing with floating interest rates.

The table below demonstrates the sensitivity analysis of the impact (of floating rate borrowings) on the net profit when reasonable and possible fluctuations of interest rate occurred, under the assumption that other variables were held constant.

31 December 2018

	Increase/(decrease)	Increase/(decrease)	Total increase/(decrease)
	in basis points	in net profit	in equity
RMB	50/(50)	(37,951,916.63)/37,951,916.63	(37,951,916.63)/37,951,916.63

31 December 2017

	Increase/(decrease)	Increase/(decrease)	Total increase/(decrease)
	in basis points	in net profit	in equity
RMB	50/(50)	(28,624,619.93)/28,624,619.93	(28,624,619.93)/28,624,619.93

VIII. Financial instruments and risk (continued)

Market risk

Foreign exchange risk

The following table provides a sensitivity analysis of exchange rate risk, reflecting the impact on net gains and losses (due to changes in the fair value of monetary and monetary liabilities) in the event of a reasonable and possible change in the exchange rates of the United States dollar and HKD under the assumption that all other variables on the date of statement of financial position. remain constant.

31 December 2018

	Exchange rate	Net profit or loss	Total shareholders' equity
	Increase/ (Decrease is shown with "-")	Increase/ (Decrease is shown with "-")	Increase/ (Decrease is shown with "-")
Depreciation of RMB against USD	10%	-1,889,388.05	-1,889,388.05
Appreciation of RMB against USD	-10%	1,889,388.05	1,889,388.05
Depreciation of RMB against HKD	10%	8,533,888.58	8,533,888.58
Appreciation of RMB against HKD	-10%	-8,533,888.58	-8,533,888.58

31 December 2017

	Exchange rate	Net profit or loss	Total shareholders' equity
	Increase/ (Decrease is shown with "-")	Increase / (Decrease is shown with "-")	Increase/ (Decrease is shown with "-")
Depreciation of RMB against USD	10%	1,767,787.68	1,767,787.68
Appreciation of RMB against USD	-10%	-1,767,787.68	-1,767,787.68
Depreciation of RMB against HKD	10%	341,534.76	341,534.76
Appreciation of RMB against HKD	-10%	-341,534.76	-341,534.76

The Group pays attention to research on exchange rate risk management policies and strategies. To avoid the exchange rate risk of repayment of the principal and interest of bonds payable in USD, the Group has entered into a Forex swap contract with the bank. For details, please refer to Note V.2.

VIII. Financial instruments and risk (continued)

3. Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, repurchase shares or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2018 and the year ended 31 December 2017.

The Group monitors capital using a debt-to-asset ratio, which is total liabilities divided by total assets. The Group's debt-to-asset ratio as at the end of the reporting period was as follows:

	31 December 2018	31 December 2017
Total assets	41,100,850,328.23	44,014,984,643.90
Total liabilities	21,561,097,600.88	28,225,486,780.63
Debt-to-asset ratio	52.46%	64.13%

IX. Fair value disclosure

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: Based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly

Level 3: Based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable

1. Financial assets and liabilities measured at fair value

2018

	Fair value measurement using			
	Quoted price in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	Total
Consecutive fair value measurement				
Transactional financial assets	45,103,194.00	-	-	45,103,194.00
Other non-current financial assets	-	-	180,438,820.00	180,438,820.00
Total	**45,103,194.00**	**-**	**180,438,820.00**	**225,542,014.00**

2017

	Fair value measurement using			
	Quoted price in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	Total
Financial liabilities measured at fair value through profit or loss	71,371,857.30	-	-	71,371,857.30
Total	**71,371,857.30**	**-**	**-**	**71,371,857.30**

The fair value of the Group’s non-listed equity instrument investment is estimated using the market method. The Group believes that the fair value and its changes based on valuation techniques are reasonable and are the most appropriate value on 31 December 2018.

The Group entered into derivative financial instrument contracts with multiple counterparties (mainly with high credit rating financial institutions). The Group's derivative financial instruments are forward foreign exchange contracts. The fair value of the transactional financial assets held by the Group is determined based on the forward interest rate in the active markets as at 31 December 2018.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

X. Related party relationships and related party transactions

1. General information of the parent company :

Name	Place of registration	Nature of business	Registered capital	Interest held	Voting rights
Shenzhen International	Bermuda	Investment holding	HKD2,000,000,000.00	51.561%	51.561%

The parent company of the Company is Shenzhen Investment Holding Company is the controlling shareholder of Shenzhen International. The Company's ultimate controlling party is Shenzhen SASAC.

2. Information about subsidiaries

The information about the subsidiaries is set out in Note VII.1.

3. Information about joint ventures and associates

The information about joint ventures and associates is set out in Note VII.2.

During the year the related party transactions with the Company, or the joint ventures or associates that formed balances with the Company in the previous period are as follows:

Item	Relationship with the Group
Consulting Company	Associate
Huayu Company	Associate
Nanjing Third Bridge Company	Associate
GZ W2 Company	Associate
Jiangzhong Company	Associate
Yangmao Company	Associate
United Land Company	Associate

4. Information about other related parties

Item	Relationship with the Group
Shenzhen Baotong Highway Construction and Development Limited ("Baotong Company")	Parent company's wholly-owned subsidiary
Shenzhen International Logistics Development Co., Ltd. ("Shenzhen International Logistics Company")	Parent company's wholly-owned subsidiary
Shenzhen Longda Expressway Company Limited ("Longda Company")	Fellow subsidiary
Shenzhen International South-China Logistics Co., Ltd. ("SC Logistics Company")	Fellow subsidiary
Guizhou Pengbo Investment Co., Ltd. (Guizhou Pengbo)	Parent company's wholly-owned subsidiary
Shenzhen Shen International Modern City Logistics Port Co., Ltd.	Parent company's wholly-owned subsidiary
Xin Tong Chan Company	Shareholder of the Company
United Electronic Company	Others
Guangzhou Cement Company Limited	Others
Huayu Investment Group	Others
Changsha Ring Road Construction and Development Co., Ltd. ("Changsha Ring Road Company")	Others

X. Related party relationships and related party transactions (continued)

5. Related party transactions

(1) Rendering or receiving of services

Receiving of services

Name of related party	Nature of transaction	2018	2017
Consulting Company (a)	Accepted project management services	64,662,557.21	28,037,408.99
United Electronic Company (b)	Receiving integrated toll system settlement services	17,460,709.44	18,142,932.00
Others(c)	Receiving power supply services and others	350,693.52	453,551.13

(a) The Group has entered into management service contracts with Consulting Company to provide for construction consulting and testing services for the Outer Ring project and other roads of the Group.

(b) United Electronic Company is appointed by the People's Government of Guangdong Province to take charge of the management of the integrated toll system in Guangdong Province. The Company and its subsidiaries have signed a series of agreements with United Electronic Company and entrusted it to provide toll settlement services for Meiguan Expressway, Airport-Heao Expressway, Yanba Expressway, Yanpai Expressway, Nanguang Expressway Qinglian Expressway and Shuiguan Expressway operated by the Group. The service periods end on the expiry dates of operation periods of the individual toll roads. The related service charges are determined by the commodity price bureau of the Guangdong Province.

(c) Advertising Company, the subsidiary of the Company, received the supply of water and electricity and power supply services for its advertising boards from SC Logistics Company, Xin Tong Chan Company, Huayu Company, Longda Company, Coastal Company and Guangzhou Cement Company Ltd. The respective transaction amounts were not disclosed as they were not material.

Rendering of services

Name of related party	Nature of transaction	2018	2017
Others (a)	Supply water and electricity for office and others	1,316,451.50	1,584,079.00

(a) The Company provides hydropower resources services for Shenzhen International, Huayu Investment Group, Huayu Corporation, United Electronic Company and Consulting Company. The services are charged at the price paid to the water supply and power supply agency and which is not disclosed separately because of the insignificant amount.

(2) Transfer of assets to a related party

Name of related party	Nature of transaction	2018	2017
Shenzhen Shen International Modern City Logistics Port Co., Ltd.	Land expropriation compensation	7,620,000.00	-

X. Related party relationships and related party transactions (continued)

5. Related party transactions (continued)

(3) Related party trusteeship / contractual operation / situation of outsourcing

The Company's trusteeship is analysed as follows:

Entrusting party	Entrusted party	Type of entrustment	Date of the commencement of the trusteeship	Date of the termination of the trusteeship	The basis of pricing for the trusteeship	Entrusted revenue recognized for the year ended 31 December 2018
Baotong Company	The Company	Equity trusteeship	1 January 2016	31 December 2018	Negotiated price	16,981,132.08

The Company was entrusted by Baotong Company to operate and manage Longda Expressway based on an agreement of equity trusteeship. The Company has renewed the agreement and the trusteeship is extended to 31 December 2018. Pursuant to the agreement, the management service fee is RMB18 million per year including tax. During the year, the Company recognized revenue related to the transaction amounting to RMB16,981,132.08 (2017: RMB16,981,132.08).

(4) Leases

(a)As a lessor:

Item	Assets leased	2018	2017
United Electronic Company and Consulting Company	Office building	656,122.21	582,653.99

(b)As a lessee:

Item	Assets leased	2018	2017
Longda Company, Huayu Company, SC Logistics Company, Xin Tong Chan Company	Billboard land use rights	3,150,451.59	2,940,669.21

The individual transaction amounts were not disclosed as they are not material.

*(5) Remuneration of key management personnel

Item	2018	2017
Remuneration of key management personnel	17,828,837.00	15,029,253.84

Key management personnel include directors, supervisors and senior management personnel. The Company had a total of 24 members of key management personnel (2017: 21) during the year.

X. Related party relationships and related party transactions (continued)

5. Related party transactions (continued)

*(5) Remuneration of key management personnel (continued)

(a) Remuneration of Directors and Supervisors

The remuneration of each director and supervisor in 2018 is as follows:

Name	Remuneration	Wages	Bonuses	Total
Hu Wei*	-	708,000.00	782,000.00	1,490,000.00
Liao Xiangwen*	-	585,500.00	855,200.00	1,440,700.00
Wu Yade (resigned)*	-	660,800.00	735,100.00	1,395,900.00
Wang Zengjin*	-	623,000.00	803,000.00	1,426,000.00
Cai Shuguang	210,000.00	-	-	210,000.00
Wen zhaohua	210,000.00	-	-	210,000.00
Chen Xiaolu	210,000.00	-	-	210,000.00
Bai hua	188,137.00	-	-	188,137.00
Hu chunyuan (resigned)	-	-	-	-
Xin Jian*	-	193,500.00	258,900.00	452,400.00

The remuneration of each director and supervisor in 2017 is as follows:

Name	Remuneration	Wages	Bonuses	Total
Hu Wei*	-	708,000.00	776,000.00	1,484,000.00
Wu Yade*	-	588,000.00	847,000.00	1,435,000.00
Wang Zengjin*	-	526,000.00	789,000.00	1,315,000.00
Liao Xiangwen*	-	526,000.00	784,000.00	1,310,000.00
Ou Shengqin	180,000.00	-	-	180,000.00
Lin Juchang	180,000.00	-	-	180,000.00
Hu Chunyuan	180,000.00	-	-	180,000.00
Chen Tao	71,129.00	-	-	71,129.00
Cai Shuguang	109,355.00	-	-	109,355.00
Xin Jian*	-	162,000.00	216,000.00	378,000.00

* Remuneration of directors and supervisors has been reflected in the remuneration of key management personnel.

X. Related party relationships and related party transactions (continued)

5. Related party transactions (continued)

*(5) Remuneration of key management personnel (continued)

(a) Remuneration of Directors and Supervisors (continued)

During the year, the meeting allowance (before tax) of Chairman Hu Wei, Executive Director and President Liao Xiangwen(He served as an Executive Director from January 2018 to August 2018), Executive Director and President Wu Yade(He held this position from January 2018 to August 2018 and has resigned), Directors Chen Kai, Chen Yan, Fan Zhiyong, Chen Yuanjun, Cai Shuguang, Wen Zhaohua, Chen Xiaolu, Bai Hua, Hu Chunyuan (resigned) and Liu Ji (resigned), and Supervisors Wang Zengjin and Xin Jian was RMB14,000.00, RMB12,500.00, RMB11,500.00, RMB6,500.00, RMB14,500.00, RMB14,500.00, RMB11,500.00, RMB17,000.00, RMB19,500.00, RMB18,500.00, RMB14,000.00, RMB2,000.00, RMB5,500.00, RMB13,500.00 and RMB12,500.00 respectively. Among them, Chairman Hu Wei, Executive Director and President Liao Xiangwen(He served as an Executive Director from January 2018 to August 2018), Executive Director and President Wu Yade(He held this position from January 2018 to August 2018 and has resigned), Directors Chen Kai, Chen Yan, Fan Zhiyong, Chen Yuanjun and Liu Ji (resigned), and Supervisors Wang Znegjin waived the meeting allowance receivable for the year.

During the year, Chairman Hu Wei, Executive Director and President Liao Xiangwen(He served as an Executive Director from January 2018 to August 2018), Executive Director and President Wu Yade(He held this position from January 2018 to August 2018 and has resigned), Supervisor Wang Zengjin and Xin Jian were entitled to the pension scheme contributions of RMB156,415.56 (2017: RMB132,000.00), RMB145,220.56 (2017: RMB122,000.00), RMB156,030.56 (2017: RMB127,000.00), RMB143,629.56 (2017: RMB112,000.00) and RMB58,824.12 (2017: RMB46,000.00) respectively.

In addition, Chairman Hu Wei, Executive Director and President Liao Xiangwen(He served as an Executive Director from January 2018 to August 2018), Executive Director and President Wu Yade(He held this position from January 2018 to August 2018 and has resigned), Supervisor Wang Zengjin and Xin Jian also obtained other benefits and allowances, including medical care contribution and others, with amount of RMB79,184.44 (2017: RMB 79,000.00), RMB79,179.44 (2017: RMB 99,000.00), RMB79,169.44 (2017: RMB79,000.00), RMB 79,970.44 (2017:RMB100,000.00) and RMB64,975.88 (2017: RMB74,000.00) respectively.

(b) The top five highest paid members of the management team

During the year, the top five highest paid members of the Group including 2 directors (2017: 3 directors), whose remuneration was reflected in the above table; the total amount of remuneration of the remianing 3 highest paid members (2017: 2) are as follows:

	2018	2017
Basic salary, bonus, housing subsidy and other subsidies	4,942,082.32	2,173,000.00
Pension	427,117.68	246,000.00
Total	**5,369,200.00**	**2,419,000.00**

Number of individuals

	2018	2017
Salary range:		
HKD 0 to1,000,000	-	-
HKD 1,000,001 to 1,500,000	-	2
HKD 1,500,001 to 2,000,000	1	-
HKD 2,000,001 and above	2	

X. Related party relationships and related party transactions (continued)

5. Related party transactions (continued)

(6) Borrowings from/to related parties

Borrowings from related parties：

Related party		Amount of borrowings	Annual interest rate	Inception date	Due date
GZ W2 Company (a)	Note V.32(vi)	67,500,000.00	4.275%	2018/9/28	2021/9/20
Jiangzhong Company (b)	Note V.32(vi)	60,000,000.00	3.915%	2018/11/27	2023/11/27

(a) In September 2018, the Company signed an entrusted loan contract with GZ W2 Company and Industrial and Commercial Bank of China Co., Ltd. Guangzhou Miaoqian Straight Street Sub-branch. GZ W2 Company entrusted the Industrial and Commercial Bank of China Guangzhou Miaoqian Straight Street Sub-branch to issue entrusted loans of RMB 67,500,000.00 to the Company. The loan will be used for the daily business activities of the Company. The loan term is 3 years and the annual interest rate of the loan is 10% lower than the benchmark interest rate for the corresponding term of the loan announced by the People's Bank of China on the withdrawal date.

(b) In November 2018, the Company signed an entrusted loan contract with Jiangzhong Company and Industrial and Commercial Bank of China Co., Ltd. Guangzhou Ring City Sub-branch. Jiangzhong Company entrusted the Industrial and Commercial Bank of China Guangzhou Ring City Sub-branch to issue entrusted loan of RMB 67,500,000.00 to the Company. The loan will be used for the daily procurement of materials for the maintenance and repair of road pavements and facilities. The loan period is 5 years and the annual interest rate of the loan is 10% lower than the benchmark interest rate for the corresponding term of the loan announced by the People's Bank of China on the withdrawal date.

(7) Other related party transactions

Name of related party	Nature of transaction	2018	2017
Shenzhen International United Land Company	Reduced capital (Note V 15.2)	2,205,000,000.00	-
Shenzhen International United Land Company	Interest on reduced capital	45,048,752.66	-
Shenzhen International United Land Company	Property compensation of Meiguan (Note V 49)	225,087,871.50	-
Shenzhen International Logistics Company	Logistics land compensation	2,134,260.50	-

The related transactions mentioned above in items(2), (3), (4.(b)) and (7) also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules.

X. Related party relationships and related party transactions (continued)

6. Receivables due from and payables due to related parties

(1) Receivable items

Item	Related parties	31 December 2018		31 December 2017	
		Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Accounts receivable	Baotong Company	2,295,854.23	-	2,295,854.23	-
Accounts receivable	Guizhou Pengbo	-	-	1,000,382.99	-
Accounts receivable	Longda Company	1,298.18	-	-	-
Other receivables	Longda Company	110,000.00	-	110,000.00	-
Other receivables	Changsha Ring Road Company	88,556.58	-	88,556.58	-
Other receivables	Huayu Company	20,000.00	-	20,000.00	-
Other receivables	Consulting Company	84,050.00	-	84,050.00	-
Other receivables(a)	Shenzhen International United Land Company	606,662,489.40	-	-	-
Advances	Consulting Company	4,693,984.06	-	11,255,786.30	-
Other non-current assets	Shenzhen International United Land Company	342,599,500.00	-	-	-

(a) The amount was fully recovered in January 2019.

(2) Payable items

Item	Related parties	31 December 2018	31 December 2017
Accounts payable	Consulting Company	1,991,328.80	2,835,584.52
Accounts payable	United Electronic Company	7,435,532.49	120,420.00
Accounts payable	Huayu Company	210,357.15	23,000.00
Accounts payable	SC Logistics Company	1,607.80	1,600.00
Accounts payable	Longda company	27,900.00	13,668.00
Other payables	GZ W2 Company	18,452,812.60	40,750,000.00
Other payables	Nanjing Third Bridge Company	4,196,531.79	4,196,531.79
Other payables	Consulting Company	15,021,943.16	10,677,174.21
Other payables	United Electronic Company	576,209.79	201,576.49
Other payables	Guangzhou Cement Company Limited	-	40,000.00
Other payables	Shenzhen International	5,000.00	5,000.00

All receivables and payables to related parties are non-interest bearing, unsecured and have no fixed repayment terms.

X. Related party relationships and related party transactions (continued)

7. Commitments to related party

The following table presents the commitment that had been contracted but not yet recognized on the statement of financial position:

(1) Receiving service

	31 December 2018	31 December 2017
Consulting Company	37,948,165.44	89,651,694.04

(2) Investment commitments

On 31 December 2018, the Group's investment commitments to related parties were RMB698,500,000.00 (2017: Nil). The investment commitment is the Company's commitment to increase the capital of Yangmao's renovation and expansion project.

(3) Equity acquisition commitments

On 31 December 2018, the Group had no equity acquisition commitments.

XI. Commitments and contingencies

1. Significant commitments

In addition to the related party commitments disclosed in Note X.7, the important commitments of the Group are as follows:

(1) Capital commitments

(a) Capital commitments approved by management but not yet contracted at the end of the reporting period:

	31 December 2018	31 December 2017
Expressway construction projects	2,516,026,680.10	3,072,401,347.72

(b) Capital commitments contracted by management but not provided for at the end of the reporting period:

	31 December 2018	31 December 2017
Highway development projects & real estate	3,496,089,939.74	2,596,485,259.79

(2) Investment commitments

On 31 December 2018, the Group had no investment commitments.

XI. Commitments and contingencies (continued)

1. Significant commitments (continued)

(3) Significant operating leases

Under the lease contracts with the lessors, the minimum lease payments for the non-cancellable leases are as follows:

	31 December 2018	31 December 2017
Within 1 year (including 1 year)	33,304,089.10	17,131,890.03
1 year to 2 years (including 2 years)	33,095,227.29	15,251,772.89
2 years to 3 years (including 3 years)	21,898,763.22	13,693,850.82
Over 3 years	78,849,466.88	23,301,773.78
Total	**167,147,546.49**	**69,379,287.52**

2. Contingencies

(1) Significant contingencies at the end of the reporting period:

(a) The Company was entrusted by the Shenzhen Committee of the Exchange to manage Nanping Project Phase II. According to the contractual construction entrusted management contract, the Company has provided the Shenzhen Committee of the Exchange with an irrevocable performance bank guarantee of RMB15,000,000.00.

(b) The Company was entrusted by the Longhua District Construction and Engineering Bureau of Shenzhen to carry out a "dual upgrade" comprehensive road improvement project - Da Fu Road (Gui Yue Lu - Gui Xiang Road project) and Jianshe Road (Braong Road - East Second Ring Road) and the Longhua District Golf Boulevard (Guanlan Avenue – Huanguan nan Road) renovation project. According to the terms of the entrustment management contract, the Company has provided a non-cancellable performance bank guarantee letter of RMB50,170,000.00 to the Longhua District Construction and Engineering Bureau of Shenzhen.

(c) As at 31 December 2018, the Group provided a stage-and-combined liability guarantee of approximately RMB743,270,000.00 to the bank for its house mortgage loans granted by the bank to the Group's property buyers. Under the terms of the guarantee, the Group is responsible for paying the outstanding mortgage loans and any accrued interest and penalties owed to the banks by the buyers in arrears if the buyers default in the mortgage payments and the Group can then receive legal ownership of the property. The Group's guarantee period expires from the date on which the bank granted the mortgage loan to acquire certain individual property ownership certificates from property buyers of the Group. In the opinion of the directors, provision for these guarantees is not made in arrears if the net realizable value of the properties is sufficient to cover the outstanding mortgage loans, together with any accrued interest and penalties.

XII. Events after the end of the reporting period

1. On 15 March 2019, Environmental Company(a subsidiary of the Company) and Nanjing Abexin Investment Management Co.,Ltd, Jiangyin Construction Engineering Group Co.,Ltd, Pan Aihua, Wang Anzheng, etc(original shareholder of Nanjing Wind Power Technology Co., Ltd("Nanjing Wind Power")), entered into an Acquisition Agreement, agreeing to acquire 30% equity interest in Nanjing Wind Power at the consideration of RMB210,000,000.00, and make a one-way contribution of RMB300,000,000.00 into Nanjing Wind Power after completion of the acquisition. Upon completion of acquisition and capital increase procedures, Environmental Company shall hold 51% equity interest in Nanjing Wind Power. As at the disclosure date of this report, the equity acquisition has not been completed.

2. On 23 January 2019, Guishen Company and Guishen Real Estates signed an equity and obligation transfer agreement with Xinhelifu Company to sell 100% equity and obligation of Guizhou Shengbo, Guizhou Hengfengxin, Guizhou Henghongda and Guizhou Yeheng with a consideration of RMB567,000,000.00. Xinhelifu Company paid the full consideration on [] February 2019. As at the disclosure date of this report, the deal has not been completed.

XIII. Comparative Data

1. As stated in Note III.33 and Note VI.1, due to the change in accounting policy and business combination under common control,several items'accounting treatment and the presentation of certain items in the financial statements and the amount in the financial statements have been revised to meet the new requirements. Accordingly, several prior years'data have been adjusted, and some comparative data have been reclassified and restated to meet the current year's presentation and accounting treatment requirements.

XIV. Other significant matters

1. Segment information

(1) The recognition and accounting policies of reportable segments:

The reportable segments of the Group are the business units that provide different products or services, or operate in different areas. Different businesses or areas require different technologies and marketing strategies. Therefore, the Group separately manages the production and operation of the reportable segment and evaluates its operating results in order to make decisions about resources to be allocated to the segment and to assess its performance.

The Group has only one reportable segment, i.e. toll road segment, which takes charge of operation and management of toll roads in Mainland China.

Other businesses principally comprise the provision of construction management services, advertising services, property development and other services. The Group has no inter-segment transfers. These businesses cannot be separated into reportable segments.

XIV. Other significant matters (continued)

1. Segment information (continued)

(2) Segment information

2018	Toll road	Others	Unallocated	Total
Revenue from external customers	5,066,387,436.63	740,720,595.15	-	5,807,108,031.78
Cost of service	2,389,981,090.59	468,230,841.17	-	2,858,211,931.76
Interest income	14,314,487.69	9,353,245.23	52,843,675.55	76,511,408.47
Interest expenses	963,017,374.65	22,506,638.28	-	985,524,012.93
Share of profits of associates and joint ventures	276,491,290.75	244,465,097.74	-	520,956,388.49
Gains on disposal of assets	2,227,050,978.93	-	75,400.25	2,227,126,379.18
Credit impairment loss	14,115.84	-250,000.00	-	-235,884.16
Depreciation and amortization	1,627,480,036.46	10,547,584.38	6,380,627.55	1,644,408,248.39
Total profit	4,195,074,964.42	474,014,746.95	-123,912,144.82	4,545,177,566.55
Income tax expense	906,389,918.52	60,057,065.55	-	966,446,984.07
Net profit	3,288,685,045.90	413,957,681.40	-123,912,144.82	3,578,730,582.48
31 December 2018				
Total assets	32,289,918,074.55	8,677,531,402.72	133,400,850.96	41,100,850,328.23
Total liabilities	20,159,143,807.87	1,217,714,915.76	184,238,877.25	21,561,097,600.88
2018				
Long-term equity investments in associates and joint ventures	1,451,780,693.90	6,407,327,803.72	-	7,859,108,497.62
Addition of non-current assets other than financial assets, long-term equity investments and deferred tax assets	1,522,896,729.07	9,742,695.22	2,637,159.47	1,535,276,583.76

XIV. Other significant matters (continued)

1. Segment information (continued)

(2) Segment information (continued)

2017	Toll road	Others	Unallocated	Total
Revenue from external customers	4,683,632,311.04	526,766,156.48	-	5,210,398,467.52
Cost of service	2,345,457,411.76	365,331,937.05	-	2,710,789,348.81
Interest income	15,073,895.92	13,184,336.04	11,384,524.29	39,642,756.25
Interest expenses	893,500,104.95	88,836.91	-	893,588,941.86
Share of profits of associates and joint ventures	253,267,236.25	235,948,874.67	-	489,216,110.92
Asset impairment loss	-	450,000.00	-	450,000.00
Depreciation and amortization	1,566,159,620.97	17,026,475.26	6,408,596.91	1,589,594,693.14
Total profit	1,693,778,241.11	336,598,656.51	-147,299,732.07	1,883,077,165.55
Income tax expense	351,664,420.01	27,825,708.01	-	379,490,128.02
Net profit	1,342,113,821.10	308,772,948.50	-147,299,732.07	1,503,587,037.53
31 December 2017				
Total assets	34,239,761,419.46	9,630,931,311.18	144,291,913.26	44,014,984,643.90
Total liabilities	27,380,080,951.19	568,737,351.30	276,668,478.14	28,225,486,780.63
2017				
Long-term equity investments in associates and joint ventures	1,305,555,065.88	7,758,697,215.03	-	9,064,252,280.91
Addition of non-current assets other than financial assets, long-term equity investments and deferred tax assets	4,219,585,857.77	7,401,396.47	1,016,971.69	4,228,004,225.93

(3) Other information

The Group’s revenue from external customers and the total non-current assets other than financial assets and deferred tax assets are all derived from the PRC. The Group did not generate revenue from sales to any single customer that reached or exceeded 10% of the Group's revenue for the year.

XV. Notes to the Company's financial statements

1. Accounts receivable

(1) The aging of accounts receivable according to the recognition date is analysed below:

	2018	2017
Within 1 year	16,492,239.55	65,918,250.58
1 to 2 years	-	19,135,061.63
2 to 3 years	-	17,996,997.69
Over 3 years	4,838,866.44	8,079,866.13
Sub-total	**21,331,105.99**	**111,130,176.03**

(2) Accounts receivable are analyzed by category as follows:

	2018			
	Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance
Receivables that are subject to provision by group with similar credit risk characteristics	21,331,105.99	100.00	-	-
Group 1	5,663,466.45	26.55	-	-
Group 2	15,667,639.54	73.45	-	-
Total	**21,331,105.99**	**100.00**	**-**	**-**

The aging of group 2 according to the recognition date is analyzed below：

2018			
	Estimated default book balance	Expected credit loss rate (%)	Expected credit loss over the duration
Within 1 year	15,667,639.54	-	-
Total	**15,667,639.54**	**-**	**-**

XV. Notes to the Company's financial statements (continued)

1. Accounts receivable (continued)

(2) Accounts receivable are analyzed by category as follows (continued):

	2017			
	Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance
Individually significant and provision separately assessed	-	-	-	-
Receivables that are subject to provision by group with similar credit risk characteristics	111,130,176.03	100.00	-	-
Group 1	91,908,589.23	82.70	-	-
Group 2	19,221,586.80	17.30	-	-
Individually not significant but provision separately assessed	-	-	-	-
Total	**111,130,176.03**	**100.00**	**-**	**/**

(3) Accumulated accounts receivable from the five largest debtors:

	Balance	Provision for bad debts	% of total balance
Total accumulated accounts receivable from the five largest debtors at 31 December 2018	20,339,859.04	-	95.35
Total accumulated accounts receivable from the five largest debtors at 31 December 2017	97,178,881.57	-	87.45

2. Other receivables

(1) Other receivables are classified as follows:

	2018	2017
Interest receivable	2,367,187.50	-
Dividends receivable	450,000,000.00	-
Other receivables	2,026,988,171.40	369,260,529.15
合计	**2,479,355,358.90**	**369,260,529.15**

XV. Notes to the Company's financial statements (continued)

2. Other receivables(continued)

(2) The aging of other receivables according to the recognition date is analyzed below:

	2018	2017
Within 1 year	2,433,147,267.78	161,899,026.42
1 to 2 years	197,499.95	4,585,449.32
2 to 3 years	4,361,802.69	200,071,471.32
Over 3 years	41,648,788.48	2,704,582.09
Sub-total	**2,479,355,358.90**	**369,260,529.15**

(3) The changes in the ending balance and provision for bad debts are as follows:

	The first stage Expected credit loss over the next 12 months	
	Ending balance	Provision for bad debts
Beginning balance	369,260,529.15	-
Additions	4,021,088,901.02	-
Reduction	1,910,994,071.27	-
Ending balance	2,479,355,358.90	-

(4) Other receivables are analyzed by category as follows:

Item	2017			
	Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance
Individually significant and provision separately assessed	-	-	-	-
Receivables that are subject to provision by group with similar credit risk characteristics	369,260,529.15	100.00	-	-
Group 1	367,132,493.94	99.42	-	-
Group 2	2,128,035.21	0.58	-	-
Individually not significant but provision separately assessed	-	-	-	-
Total	**369,260,529.15**	**100.00**	-	-

XVI. Notes to the Company's financial statements (continued)

Notes to the Company's financial statements (continued)

2. Other receivables (continued)

(5) Other receivables by nature are analyzed as follows:

Nature	2018	2017
Shenzhen Transportation Bureau	932,672,618.97	-
Shenzhen International United Land Company	606,662,489.40	-
Dividends receivable	450,000,000.00	-
Loans receivable	414,881,251.66	163,333,335.00
Advances receivable	24,476,330.17	203,328,914.01
Interest receivable	2,367,187.50	-
Others	48,295,481.20	2,598,280.14
Total	**2,479,355,358.90**	**369,260,529.15**

(6) As at 31 December 2018, the five largest other receivables are analyzed as follows:

2018

Categories	Nature	31 December 2018	Aging	% of total balance	Balance of provision for bad debts
Shenzhen Transportation Bureau	The taxes for Three Expressways borne by the government	932,672,618.97	Within 1 year	37.62	-
Shenzhen International United Land Company	Reduction of other receivables	606,662,489.40	Within 1 year	24.47	-
Mei Wah Company	Dividends receivable	450,000,000.00	Within 1 year	18.15	-
Yichang Company	Loans	260,000,000.00	Within 1 year	10.49	-
Qinglong Company	Loans	130,000,000.00	Within 1 year	5.24	-
Total	**/**	**2,379,335,108.37**	**/**	**95.97**	**-**

2017

Categories	Nature	31 December 2017	Aging	% of total balance	Balance of provision for bad debts
Mei Wah Company	Advances	201,664,855.33	Within 3 years	54.61	-
Qinglong Company	Loans	100,000,000.00	Within 1 year	27.08	-
Yichang Company	Loans	45,000,000.00	Within 1 year	12.19	-
Qinglian Company	Loans	18,333,335.00	Within 1 year	4.96	-
Qinglian Company	Advances	1,048,952.58	Within 1 year	0.28	
Total	**/**	**366,047,142.91**	**/**	**99.12**	**-**

XV. Notes to the Company's financial statements (continued)

3. Long-term equity investments

Item	2018			2017		
	Carrying amount	Impairment provided in current year	Net book amount	Carrying amount	Impairment provided in current year	Net book amount
Subsidiaries	11,940,843,929.37	678,765,149.21	11,262,078,780.16	10,536,389,637.88	678,765,149.21	9,857,624,488.67
Joint ventures and associates	3,405,269,465.55	-	3,405,269,465.55	4,611,060,899.65	-	4,611,060,899.65
Total	**15,346,113,394.92**	**678,765,149.21**	**14,667,348,245.71**	**15,147,450,537.53**	**678,765,149.21**	**14,468,685,388.32**

XV. Notes to the Company's financial statements (continued)

3. Long-term equity investments (continued)

(3) Investments in subsidiaries

Investee	31 December 2017	Additional injection	Decrement of the year	31 December 2018	Cash dividend declared	Impairment provided on 31 December 2018
Airport-Heao Eastern Company	617,571,365.48	-	37,960,993.83	579,610,371.65	315,966,071.24	-
Meiguan Company	528,201,578.22	-	5,144,294.80	523,057,283.42	299,441,907.70	-
Qinglong Company	101,477,197.16	-	-	101,477,197.16	73,749,199.93	-
Advertising Company	3,325,000.01	-	-	3,325,000.01		-
Mei Wah Company	831,769,303.26	-	-	831,769,303.26	-	-
Qinglian Company	1,385,448,900.00	-	-	1,385,448,900.00	-	678,765,149.21
Outer Ring Company	100,000,000.00	-	-	100,000,000.00	-	-
Expressway Investment Company	380,000,000.00	-	-	380,000,000.00	-	-
Environment Company	4,460,000,000.00	-	-	4,460,000,000.00	-	-
Shenzhen Expressway Operation Development Co., LTD	28,500,000.00	-	-	28,500,000.00	-	-
Shenchang Company	122,831,144.54	-	54,979,827.76	67,851,316.78	-	-
Yichang Company	1,270,000,000.00	-	-	1,270,000,000.00	44,000,000.00	-
Construction and Development Company	28,500,000.00	-	-	28,500,000.00	-	-
Shenshan Company	-	5,100,000.00	-	5,100,000.00	-	-
Coastal Company	-	1,487,939,407.88	-	1,487,939,407.88	-	-
Fund Management Company	-	9,500,000.00	-	9,500,000.00	-	-
Total	**9,857,624,488.67**	**1,502,539,407.88**	**98,085,116.39**	**11,262,078,780.16**	**1,183,157,178.87**	**678,765,149.21**

XV. Notes to the Company's financial statements (continued)

3. Long-term equity investments (continued)

(4) Investments in joint ventures and associates

The detailed information about joint ventures and associates is set out in Note V.15. Except for the investments in associates namely Guizhou hengtongli Property Company and Derun Environment, the investments in associates are held by the Company.

4. Revenue and costs of services:

Item	2018		2017	
	Revenue	Cost	Revenue	Cost
Main businesses	1,382,757,210.57	265,101,918.95	1,362,216,021.17	497,496,386.41
Other businesses	171,883,183.06	130,255,601.99	100,114,605.54	56,413,125.69
Total	**1,554,640,393.63**	**395,357,520.94**	**1,462,330,626.71**	**553,909,512.10**

XVI. Supplementary information

1. Detailed list of non-recurring profit or loss items

Item	Amount	Note
Income from entrusted management services	16,858,867.93	Income from entrusted management services provided to Longda Company in current year.
The amortization of compensation provided by concession grantor	16,568,114.82	The amortization of compensation to Yanpai Expressway and Yanba Expressway provided by concession grantors recognized in current year according to the traffic volume method was disclosed as a deduction of the amortization of the related concession intangible assets.
Income from financial products	5,642,543.29	
Liquidating losses in foreign currency swaps	-49,740,000.00	
The net profit and loss of the current period from the beginning of the year to the date of merger of the subsidiaries arising from the merger under the same control	1,008,184.59	During the year, Coastal Expressway was included in the consolidated financial statements as an entity under common control. Net profit from the beginning of the current year to the combination date of Coastal Expressway.
Changes in fair value of foreign currency swaps	116,475,051.30	To mitigate the exchange rate risk, the Group entered into foreign exchange swap arrangements for the bond with a principal value of USD300 million dollars, and related gains on change in fair value were recognized during current year.
Changes in fair value of other non-current financial assets	17,928,820.00	This year's fair value change proceeds from shares of Water Planning&Design Institute Company and United Electronic Company.
Profit or loss of Three Expressways assets disposal	1,961,413,854.90	Proceeds from asset disposal recognized during the year due to the adjustment of fees and compensation for Three Expressways and the asset transfer agreement.
Gains on disposal of non-current assets	265,712,524.28	Including compensation for property replacement and compensation for land use right acquisition of Meiguan Expressway, proceeds from the disposal of property of Mae Company, and non-current assets disposal losses other than the above disposal gains and losses.
Equity transfer of a subsidiary	71,875,733.02	Proceeds from transferring 100% of the equity and creditor's right of Guizhou Yuelong Investment Co., LTD. owned by Guishen Real Estate.
Interest income accrued from loan to a non-financial entity	49,340,684.52	Including interest of the United Land Company shareholders' advance, Shenshan Land Project funds occupation fees and Nanmenhe Project funds occupation fees.
Income and expenditure other than those mentioned above	12,592,247.52	
Impact of minority interests	-18,460,210.49	
Impact of income tax	-565,040,944.68	
Total	**1,902,175,471.00**	

XVI. Supplementary information (continued)

1. Detailed list of non-recurring profit or loss items (continued)

Basis for preparation of the detailed list of non-recurring profit or loss items:

Under the requirements in Explanatory Announcement No.1 on Information Disclosure by Companies Offering Securities to the Public – Non-Recurring Profits or Losses [2008] ("Explanatory announcement No.1") from the CSRC, non-recurring profit or loss refers to transactions that are not directly relevant to the normal business operations, or that are relevant to ordinary business, but are so extraordinary that would have an influence on users of the financial statements making proper judgments on the performance and profitability of an enterprise.

2. Return on net assets and earnings per share

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary owners of the Company	22.85	1.577	1.577
Net profit after deducting non-recurring profit or loss attributable to ordinary owners of the Company	10.91	0.705	0.705