



SHENZHEN EXPRESSWAY COMPANY LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 00548)



2016

Annual Report



Cautionary Statement in relation to Forward-looking Statement:

Beside statements of facts, this report also contains certain “forward-looking statements”, including, without limitation, statements relating to all anticipation, objectives, estimations and operation plans of the Company which are anticipated or expected to happen. Forward-looking statements involve certain general or specifically known or unknown risk and negative factors. Affected by these factors, the future results of the Company may substantially differ from these forward looking statements. Users of this report is required to maintain adequate risk awareness, understand the differences between such forward looking statements and commitments or guarantees, and consider the aforesaid and other factors, and should not place undue reliance on such “forward-looking statements”. In addition, the Company undertakes no obligation to update or revise any forward-looking statements in this report publicly in respect of any future information, incident or any other reason. The Company and any of its employee or associate make no representation or assurance to the future performance of the Company and expressly disclaim any responsibilities of such statements.



The Board, the Supervisory Committee and the Directors, the Supervisors, the Senior Management of the Company confirm the truthfulness, accuracy and completeness of the content of this annual report and that there are no false representations or misleading statements contained in or material omissions from this report, and assume several and joint legal responsibility.



Contents

002	Definition and Cautionary Statement		
009	Introduction of the Company		
011	Financial and Operational Highlights		
015	Events of the Year		
016	Chairman's Statement		
	Management Discussion and Analysis		
022	<i>Business Review</i>		
034	<i>Financial Analysis</i>		
049	<i>Outlook and Plans</i>		
057	Report of the Directors		
071	Share Capital and Shareholders		
076	Directors, Supervisors, Senior Management and Employees		
		Corporate Governance	
092		<i>Corporate Governance Summary</i>	
099		<i>Corporate Governance Report</i>	
112		<i>Internal Control</i>	
115		<i>Investor Relations</i>	
118	Social Responsibility		
		Auditor's Report and 2016 Financial Statements	
122		<i>Independent Auditor's Report</i>	
127		<i>Consolidated and Company Statements of Financial Position</i>	
130		<i>Consolidated and Company Statements of Profit or Loss and Other Comprehensive Income</i>	
132		<i>Consolidated and Company Statements of Cash Flows</i>	
134		<i>Consolidated and Company Statements of Changes in Equity</i>	
136		<i>Notes to Financial Statements</i>	
228		<i>Supplementary Information</i>	
230	Company Information		

Definition and Cautionary Statement

I. Definition

In this report, the following expressions shall have the meanings set out below unless the context otherwise requires:

Reporting Period, Period, Year	For the twelve months ended 31 December 2016.
Reporting Date	The date on which this Annual Report 2016 of the Company is approved by the Board, i.e. 17 March 2017.
YOY	Year-on-year change rate as compared to the same period of 2015.
The Company, Shenzhen Expressway	Shenzhen Expressway Company Limited.
The Group	The Company and its consolidated subsidiaries.
A Shares	Renminbi-denominated ordinary shares of the Company which were issued in the PRC and subscribed in RMB and are listed on SSE.
H Shares	Overseas-listed foreign shares of the Company which were issued in Hong Kong and subscribed in HK\$ and are listed on HKEx.
CSRC	China Securities Regulatory Commission.
SFC	Securities and Futures Commission of Hong Kong.
SSE	The Shanghai Stock Exchange.
HKEx	The Stock Exchange of Hong Kong Limited.
Listing Rules	The Rules Governing the Listing of Securities on HKEx and/or the Rules Governing the Listing of Stocks on SSE (as the case may be).
CASBE	The Accounting Standards for Business Enterprises (2006) of the PRC and the specific accounting standards as well as relevant provisions issued later.
Shenzhen SASAC	深圳市人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People's Government).
Transport Commission	深圳市交通運輸委員會 (The Transport Commission of Shenzhen Municipality).
SIHCL	深圳市投資控股有限公司 (Shenzhen Investment Holdings Company Limited).
Shenzhen International	Shenzhen International Holdings Limited.
SZCDGC	深圳市特區建設發展集團有限公司 (Shenzhen SEZ Construction Development Group Co., Ltd.).

XTC Company	新通產實業開發(深圳)有限公司 (Xin Tong Chan Development (Shenzhen) Company Limited), formerly known as 深圳市高速公路開發公司 (Shenzhen Freeway Development Company Limited).
SGH Company	深圳市深廣惠公路開發總公司 (Shenzhen Shen Guang Hui Highway Development Company).
CMET	招商局公路網路科技控股股份有限公司 (China Merchants Expressway Network & Technology Holdings Co.,Ltd.), formerly known as 招商局華建公路投資有限公司 (China Merchants Hua Jian Highway Investment Co., Ltd.).
GDRB Company	廣東省路橋建設發展有限公司 (Guangdong Roads and Bridges Construction Development Company Limited).
Shenzhen International (Shenzhen)	深國際控股(深圳)有限公司 (Shenzhen International Holdings (SZ) Limited), formerly known as 怡萬實業發展(深圳)有限公司 (Yiwan Industry Development (Shenzhen) Company Limited).
Three Projects	Nanguang Expressway, Yanpai Expressway and Yanba Expressway. On 30 November 2015, the Company entered into the Three Expressways agreement with the Shenzhen Transport Commission in relation to the toll adjustment of the Three Projects.
Bank of Guizhou	Guizhou Bank Corporation Limited
Longda Company	深圳龍大高速公路有限公司 (Shenzhen Longda Expressway Company Limited).
Coastal Company	深圳市廣深沿江高速公路投資有限公司 (Shenzhen Guangshen Coastal Expressway Investment Company Limited).
Meiguan Expressway	The expressway from Meilin to Guanlan in Shenzhen City. The Toll Free Section of Meiguan Expressway refers to the section from Meilin to Guanlan with a mileage of approximately 13.8 km, which has become toll-free from 24:00 on 31 March 2014. The Toll Section of Meiguan Expressway refers to the section from Shenzhen-Dongguan border to Guanlan with a mileage of approximately 5.4 km which remains collection of toll.
Jihe Expressway	The expressway from Shenzhen International Airport to He'ao in Shenzhen City, comprising Jihe East (Qinghu to He'ao) and Jihe West (Airport to Qinghu).
Yanba Expressway	The expressway from Yantian to Bagang in Shenzhen City, comprising Yanba A (Yantian to Xichong), Yanba B (Xichong to Kuichong) and Yanba C (Kuichong to Bagang) with toll mileage being 29.1 km and was operated by card access from 0:00 on 7 February 2016 with toll exempted.
Yanpai Expressway	The expressway from Yantian to Paibang in Shenzhen City, also referred to as Yantian Subsidiary Road of Jihe Expressway with toll mileage being 15.6 km and was operated by card access from 0:00 on 7 February 2016 with toll exempted.

Definition and Cautionary Statement

Nanguang Expressway	The expressway from Xili to Gongming in Shenzhen City. With toll mileage being 31 km and was operated by card access from 0:00 7 February 2016 with toll exempted.
Shuiguan Expressway	The expressway from Shuijingcun to Guanjintou in Shenzhen City.
Shuiguan Extension	An extension to Shuiguan Expressway, Phase I of Qingping Expressway (the expressway from Yulongkeng to Pinghu in Shenzhen City).
Outer Ring Project	The project of Shenzhen section of Outer Ring Expressway in Shenzhen City (Outer Ring Expressway), among which, the section from the north side of Shenzhen Waterlands Resort in Bao'an District (connecting with Coastal Expressway) to the interchange of Shenshan Expressway in Longgang District (excluding Dongguan section) referred to as Section A of Outer Ring .
Coastal Expressway (Shenzhen Section)	The section from Nanshan, Shenzhen to Dongbao River (the boundary between Dongguan and Shenzhen) of the costal expressway from Guangzhou to Shenzhen (Coastal Expressway).
Longda Expressway	The expressway from Longhua, Shenzhen to Dalingshan, Dongguan. The Shenzhen Section of Langda Expressway (namely, the 23.8 km section from Longhua Shenzhen to the Nanguang ramp) was operated by card access from 0:00 on 7 February 2016 with toll exemption
Qinglian Project	Qinglian Expressway, Qinglian Class 1 Highway, Qinglian Class 2 Road (also referred to as National Highway 107 Qinglian Section) and/or the reconstruction into an expressway for Qinglian Class 1 Highway from Qingyuan to Lianzhou, as the case may be.
Yangmao Expressway	The expressway from Yangjiang to Maoming.
Guangwu Project	The section from Ma'an to Hekou of the expressway from Guangzhou, Guangdong to Wuzhou, Guangxi (Guangwu Expressway).
Jiangzhong Project	The expressway from Zhongshan to Jiangmen and the second phase of the expressway from Jiangmen to Heshan.
GZ W2 Expressway	The section from Xiaotang to Maoshan of Guangzhou Ring Expressway, also referred to as Guangzhou Western Second Ring Expressway.
Wuhuang Expressway	The expressway from Wuhan to Huangshi.
Changsha Ring Road	Changsha Ring Expressway (Northwestern Section).
Nanjing Third Bridge	Nanjing Yangtze River Third Bridge.
Flywheel Investments	Flywheel Investments Limited, a wholly-owned subsidiary of SZ International.
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.
Yichang Expressway	The expressway from Yiyang to Changde in Hunan.
Longda Project	The entrusted management of 89.93% equity interests in Longda Company by the Company, including the daily operation management of Longda Expressway.
Nanping Project	The management of the construction project of Shenzhen Nanping Freeway undertaken by the Company, including Nanping Phase I and Nanping Phase II (comprising section A and section B).
Coastal Project	The entrusted management of Coastal Company undertaken by the Company, including the management of Coastal Expressway (Shenzhen Section) during the construction period and operation period. 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 .
Longda Municipal Section	The management of the construction project of the municipal facilities of Dalang Section of Longda Expressway undertaken by the Company.
Adjustment of Freight Traffic Organization 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.
Dezheng Road Project	The management of the construction project of interchange connecting Dezheng Road and Longda Expressway and the east extension of Dezheng Road which located in Shenzhen Longhua New Area undertaken by the Company.
Renmin Road Joint Project	The management of the construction project of interchange connecting Renmin Road and Meiguan Expressway undertaken by the Group.
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.
Guilong Project	The construction project of phase I of Guilong Road in Longli, Guizhou by BT mode and the primary development project of relevant land undertaken by the Group.
Resettlement Project	The management of the construction project of Wangguan Comprehensive Resettlement Building of Guilong Economic Zone undertaken by the Group in Longli, Guizhou, comprising Resettlement phase I and Resettlement phase II .
Guizhou Pengbo	Guizhou Pengbo Investment Company Limited

Definition and Cautionary Statement

Guizhou Hengtongli	Guizhou Hengtongli Property Company Limited
Guizhou Hengtongsheng	Guizhou Hengtongsheng Property Company Limited
Entrusted Construction Project on Hengwu Road and Hengliu Road	The entrusted construction project in Shuanglong Services Cluster, Hengwu Road and Hengliu Road, Longli County, Guizhou undertaken by the Group.
Entrusted Construction Project of Guizhou Logistics Harbor by Shenzhen International	The entrusted construction project of Guizhou Integrated Logistics Harbor undertaken by the Group with investment from Shenzhen International.
Guilong Land	The peripheral land of Guilong Project which were successfully bid by the Group. The area of the land was approximately 2,490 mu (approximately 1,660,000 square meters), among them, Guilong Project Parcel No. I is approximately 1,000 mu.
Guilong Development Project	The further property development project conducted by the Group with an area of 700 mu of Guilong Project Parcel No. I (approximately 1000 mu), which has been approved by the Board of Directors.
Meilin Checkpoint Urban Renewal Project	Shenzhen Longhua New Area Mingzhi Office Meilin Checkpoint Urban Renewal Project, the entity of which is United Land Company and the land of which is approximately 96,000 square meters.
Concession Contract Agreement	The concession contract in connection with Section A of Outer Ring entered into between Shenzhen Transport Commission and Outer Ring Company on 18 March 2016.
Joint Investment and Construction Agreement	The joint investment and construction agreement entered into among SZCDGC, the Company and Outer Ring Company in connection with Section A of Outer Ring on 18 March 2016.
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.
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.
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:

1. For principal business and abbreviation of the investee companies of the Company, please refer to the Group Structure in "Introduction of the Company" of this report.
2. For information on the projects operated, invested and managed by the Company, please refer to the website of the Company at <http://www.sz-expressway.com>.

Definition and Cautionary Statement

II. Cautionary Statement on Risk

Policy environment has a greater effect on the development of toll highway industry. Meanwhile, there would be attraction or diversion impact on the highways caused by the improvement of or change in the road network for certain period. Such uncertainty brings pressure and challenges to the company's operation and management. The Group will continue to adhere to the idea of sound operation, making great efforts to increase income and reduce expenditure, and adjusting the management strategy timely to adapt to the changes in operating environment and do our best to reduce the negative impact.

Detailed analysis and description on the risks faced in future operation and development of the Group were set out in "Management Discussion and Analysis" of this annual report. Investors' inspection and attention are reminded.



Introduction of the Company

The Company was incorporated in Shenzhen on 30 December 1996. It principally engaged in the investment, construction, and operation management of toll highways and roads as well as other urban and transport infrastructure. Toll highways are large scale and long term operating transportation facilities with capital-intensive feature. At present, the toll operating period of toll highways in China is generally not more than 30 years, income is relatively stable with such long payback period.

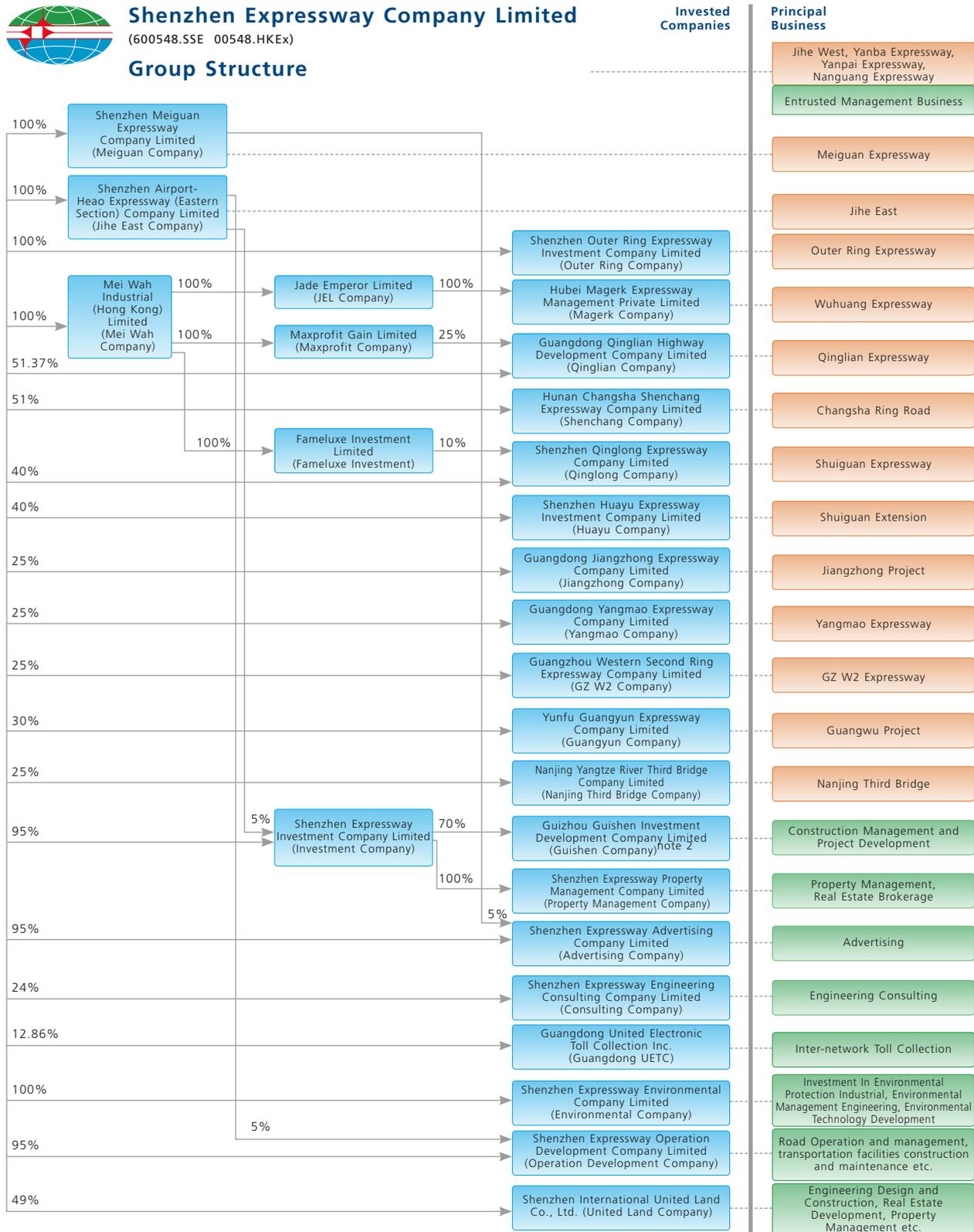
A total of 2,180,770,326 ordinary shares are issued by the Company, of which 1,433,270,326 A Shares are listed on SSE and 747,500,000 H Shares are listed on HKEx, representing approximately 65.72% and 34.28% of the total share capital of the Company respectively. XTC Company, one of the promoters of the Company and currently a wholly-owned subsidiary of Shenzhen International (stock code: 00152) which is listed on HKEx, currently holds approximately 30.03% of the Company's shares and is the largest shareholder of the Company. Shenzhen International has been the indirect controlling shareholder of the Company which holds over 50% of the Company's shares since December 2008.

As at the end of the Reporting Period, the Company operated and invested in a total of 16 toll highway projects, and the mileage of the highways invested by the Company (on equity basis) is approximately 447km. In addition, the Company provides outstanding construction management and operation management services for government and other enterprises. Building on relevant management experience and resources and relying on the core business of toll highways, the Company has launched the businesses related to project development and management, advertising, construction consulting, and inter-network toll collection.



Introduction of the Company

As at 31 December 2016, the Group's investee companies (including their abbreviations) and business structure are as follows:



Note: 1. As at the end of the Reporting Period, the Company holds 4.41% equity interest in Bank of Guizhou.
 2. Guishen Company holds the following wholly-owned subsidiaries: Guizhou Shenzhen Expressway Property Company Limited (Guizhou Property) and Guizhou Shengbo Property Company Limited (Guizhou Shengbo). Guizhou Property Company holds the following wholly-owned subsidiaries: Guizhou Yuelong Investment Company Limited (Guizhou Yuelong), Guizhou Hengfengxin Property Company Limited (Guizhou Hengfengxin), Guizhou Henghongda Property Company Limited (Guizhou Henghongda).

Legend: ■ Toll Highway Business ■ Other Businesses

Financial and Operational Highlights

I. Financial Data and Financial Indicators of the Year

Item (Unit: RMB)	2016	2015	Change as compared to last year (%)	2014
Revenue	4,532,209,156.54	3,420,578,335.19	32.50	3,620,357,480.08
Net profit attributable to owners of the Company	1,169,353,230.77	1,552,656,397.24	-24.69	2,186,883,365.49
Net profit attributable to owners of the Company – excluding non-recurring items	1,004,716,957.76	527,396,785.06	90.50	963,942,971.64
Net cash flows from operating activities	2,126,610,026.45	1,771,505,130.32	20.05	1,793,755,282.29

Item (Unit: RMB)	As at 31 Dec 2016	As at 31 Dec 2015	Change as compared to last year (%)	As at 31 Dec 2014
Owners' equity attributable to owners of the Company	12,674,475,959.27	12,368,892,973.17	2.47	11,797,581,861.32
Total assets	32,384,844,447.16	31,670,655,088.41	2.26	24,329,324,209.02

Item	2016	2015	Change as compared to last year (%)	2014
Earnings per share – basic (RMB/share)	0.536	0.712	-24.69	1.003
Earnings per share – diluted (RMB/share)	0.536	0.712	-24.69	1.003
Earnings per share excluding non-recurring items – basic (RMB/share)	0.461	0.242	90.50	0.442
Return on equity – weighted average (%)	9.35	12.94	Decrease 3.59 pct.pt	20.14
Return on equity excluding non-recurring items – weighted average (%)	8.08	4.39	Increase 3.69 pct.pt	8.88

II. Financial Data of the quarter mainly for 2016

Item (Unit: RMB)	The first quarter (Jan-Mar)	The second quarter (Apr-Jun)	The third quarter (Jul-Sept)	The fourth quarter (Oct-Dec)
Revenue	997,748,950.04	1,065,379,199.40	1,116,681,418.56	1,352,399,588.54
Net profit attributable to owners of the Company	251,677,912.78	363,226,094.79	331,851,259.04	222,597,964.16
Net profit attributable to owners of the Company – excluding non-recurring items	242,894,467.21	275,680,161.91	317,202,125.35	168,940,203.29
Net cash flows from operating activities	417,435,067.02	486,672,981.58	605,586,166.44	616,915,811.41

Financial and Operational Highlights

III. Non-recurring items deducted and their amounts

Non-recurring item (Unit: RMB)	2016	Notes	2015	2014
The Fair value gain/loss on Forex Swap	74,991,317.77	Arranging foreign exchange swap on 300 million USD offshore bonds in order to lock up the foreign exchange risk. Recognize Fair value gain (loss) on Forex Swap during the Reporting Period.		
The net income of trustee fee on entrusted operation	66,479,849.06	Entrusted operation and management on the entrusted operation net income of trustee fee of Yanjiang Phase I and Longda expressway	17,778,666.66	17,148,433.34
The gain on transfer of subsidiaries	52,828,171.39	Gain on transfer of total equity and liabilities of Guizhou Pengbo and Guizhou Hengtongsheng, and transfer of 51% equity interests in Guizhou Henglitong		
The amortisation of compensation provided by concession grantor	21,404,863.52	This year confirmed the concession granting party received were sent to the company building Yanba, Yanpai etc. post compensation amortization in accordance with traffic laws. On the accounting write-downs showed franchise amortization of intangible assets.	19,010,445.80	20,252,709.25
The gain on fair value revaluation of the remaining stake	21,304,871.82	Remeasurement of the gain on the remaining 49% and 24% equity interests in Guizhou Hengtongli and Consulting Company at fair value.		
The gain on investment of financial product	15,553,550.02			
Interest income on the compensation receivable of toll fee adjustment of Meiguan expressway	-3,779,327.51		72,470,804.21	90,163,340.16
Adjustment on the compensation receivable of toll fee adjustment of Meiguan expressway	-26,760,000.00	Adjust compensation receivable according to preliminary settlement of the cost on the reconstruction and extension of Meiguan expressway.		
Interest income on the compensation related to toll fee adjustment of 3 projects			12,019,232.87	
Gain on the disposal of assets related to the free section of Meiguan expressway				1,496,009,613.02
Gain on fair value revaluation of the stake post business combinations not involving entities under common control			904,017,332.82	
Other non-operating income and expenditure excluding above items	3,857,688.30		36,960,320.11	12,337,900.97
minority shareholder's interest effects	-20,100,057.77		-2,402,082.54	62,015.96
Income tax effects	-41,144,653.59		-34,595,107.75	-413,033,618.85
Total	164,636,273.01		1,025,259,612.18	1,222,940,393.85

IV. Item Measured at Fair Value

Item (Unit: RMB)	opening balance	ending balance	amount	Effects on profit
Financial assets at fair value through profit or loss	–	74,991,317.77	74,991,317.77	74,991,317.77

V. Statistics Summary for Last Five Years

Project	Average Daily Traffic Volume (Unit: number of vehicles)				
	2016	2015	2014	2013	2012
Meiguan Expressway ⁽¹⁾	83,211	74,956	84,622	129,769	124,921
Jihe East	249,608	219,169	189,586	149,896	128,414
Jihe West	202,458	175,533	149,921	123,343	106,564
Shuiguan Expressway	227,055	191,354	168,728	155,477	138,285
Shuiguan Extension	97,710	75,377	61,655	39,119	29,331
Qinglian Expressway	36,753	33,290	33,026	28,344	22,827
Yangmao Expressway	45,828	40,485	34,935	31,481	26,978
Guangwu Project	40,086	34,792	31,935	27,177	25,339
Jiangzhong Project	120,351	107,246	101,183	89,467	90,556
GZ W2 Expressway	58,638	50,007	46,205	42,175	34,796
Wuhuang Expressway	43,908	40,617	38,891	39,127	39,712
Changsha Ring Road	26,279	19,798	16,188	14,015	13,206
Nanjing Third Bridge	27,299	26,777	27,665	29,312	24,680

Project	Average Daily Toll Revenue (Unit: RMB'000)				
	2016	2015	2014	2013	2012
Meiguan Expressway ⁽¹⁾	311.3	282.9	413.6	803.1	875.6
Jihe East	1,767.1	1,745.1	1,614.6	1,328.8	1,239.9
Jihe West	1,641.7	1,491.0	1,267.6	1,048.2	1,079.8
Shuiguan Expressway	1,692.9	1,537.3	1,385.6	1,297.7	1,204.5
Shuiguan Extension	299.5	253.7	230.8	176.1	155.5
Qinglian Expressway	1,834.9	1,745.7	2,136.3	1,948.1	1,460.6
Yangmao Expressway	1,800.3	1,694.7	1,551.8	1,469.2	1,326.2
Guangwu Project	1,024.8	893.9	802.0	718.5	681.3
Jiangzhong Project	1,132.6	1,066.6	1,019.2	924.1	931.6
GZ W2 Expressway	1,073.8	990.3	917.2	824.8	713.0
Wuhuang Expressway	939.0	908.5	891.0	1,040.4	1,170.4
Changsha Ring Road	311.9	222.8	167.9	143.6	119.4
Nanjing Third Bridge	1,097.8	1,040.5	1,093.5	1,169.5	894.7

Note:

1. Toll-free for Meilin to Guanlan section of Meiguan Expressway with a mileage of approximately 13.8 km was implemented from 1 April 2014, and the toll for section from Shenzhen-Dongguan border to Guanlan with a mileage of approximately 5.4 km remained.
2. Yanba Expressway, Yanpai Expressway and Nanguang Expressway were implemented free-toll since 7 February 2016.

Financial and Operational Highlights

Financial Highlights (Unit: RMB million, unless otherwise stated)					
Item	2016	2015	2014	2013	2012
Revenue	4,532	3,421	3,620	3,279	3,135
<i>Of which: Toll revenue</i>	3,680	3,014	3,008	2,898	2,726
Profit before interests and tax	2,251	2,162	3,499	1,521	1,581
Net profit	1,169	1,553	2,187	720	685
Net cash inflows from operating activities	2,127	1,772	1,794	1,761	1,531
Net cash inflows from operating activities and cash return on investments	2,410	1,942	1,889	1,854	1,617
Interest covered multiple (Times)	3.56	4.38	6.57	2.44	2.42
Earnings per share (RMB)	0.536	0.712	1.003	0.330	0.314
Cash dividends per share (RMB)	0.22 (proposal)	0.34	0.45	0.16	0.13

Item	As at 31 Dec 2016	As at 31 Dec 2015	As at 31 Dec 2014	As at 31 Dec 2013	As at 31 Dec 2012
Total assets	32,385	31,671	24,329	22,840	24,209
Total liabilities	17,673	16,710	11,209	11,601	13,336
Total equity	14,711	14,961	13,120	11,239	10,873
Debt-to-asset ratio (%)	54.57%	52.76%	46.07%	50.79%	55.09%
Gross liabilities-to-equity ratio (%)	120.14%	111.69%	85.43%	103.22%	122.66%
Net borrowings-to-equity ratio (%)	59.12%	47.42%	51.78%	73.03%	79.18%
Net assets per share (RMB)	5.81	5.67	5.41	4.57	4.37

◆ Description of principal financial ratios

Profit before interests and tax	=	Net profit + Income tax expenses + Interest expenses
Net cash inflows from operating activities and cash return on investments	=	Net cash flows from operating activities + Cash received from disposal of investments + Cash received from returns on investments
Interest covered multiple	=	Profit before interests and tax/Interest expenses
Debt-to-asset ratio	=	Total liabilities/Total assets
Gross liabilities-to-equity ratio	=	Total liabilities/Total equity
Net borrowings-to-equity ratio	=	(Total amount of borrowings – Cash and cash equivalents)/Total equity

Events of the Year

January

Won "Best Investor Relationship Award for Listed Companies 2015" launched by China Financing.

February

Adjusted toll collection scheme formally applied to Nanguang Expressway, Yanpai Expressway and Yanba Expressway.

March

Published 2015 annual results with a net profit of RMB1.6 billion and earnings per share of RMB0.712.

Signed the "the Concession Contract Agreement on Outer Ring Expressway in Shenzhen" and "the Joint investment and Construction Agreement on Outer Ring Expressway in Shenzhen".

The pavement engineering of Guangzhou-Shenzhen Coastal Expressway (Shenzhen Section) won "Excellent Model Project Award of Guangdong Province" in 2015.

May

Declared and distributed a final dividend of RMB0.34 per share for 2015.

June

Signed the Supplementary Contract on Entrusted Management (Entrusted Construction) of Coastal Expressway (Shenzhen Section) Phase II.

Entered into the Entrusted Management Service Agreement on Coastal Expressway (Shenzhen Section) Phase I.

July

The Reinforcement Project of Pinghu Marshalling Yard Bridge of Jihe Expressway was completed.

Issued 300 million US dollars 5-year fixed-rate overseas bonds, with a coupon rate of 2.875%.

"11 Shenzhen Expressway" corporate bond matured and was delisted.



August

Published the interim results of 2016, showing an operating income of RMB2.063 billion and a net profit of RMB615 million in the first half of 2016.

September

Signed the Entrusted Construction and Management Contract on Shenzhen International Guizhou Comprehensive Logistics Hug Phase I.

November

Signed the Comprehensive Management Service Agreement on Shenzhen-Shanwei Special Cooperation Zone Houmen Resettlement Area Project.

December

Acquired an additional 45% equity interest of Wuhuang Expressway Won "Outstanding Investor Relationship Award" of the "Lead The Chinese Advance Annual Selection 2016" launched by JRJ.com.

Entrusted for the construction and management of the land leveling and related supporting projects regarding Shenzhen-Shanwei Special Cooperation Zone.

Participation in the construction and management of the Comprehensive Management Phase I Project of Shenzhen-Shanwei Special Cooperation Zone Nanmen River Water System was approved by the Board of Directors.

In order to celebrate the 20th Anniversary of the Company, a "Transformation and Development" forum was held in Shenzhen and Hong Kong.

Chairman's Statement



HU WEI
Chairman

To all shareholders,

On behalf of the Board, I am pleased to report to the shareholders that in 2016, the Group recorded revenue of RMB4,532 million, representing a YOY increase of 32.50%, and realised profit of RMB1,169 million with earnings per share of RMB0.536. The Group has always committed itself to creating higher corporate value and has actively implement the profit distribution policy of cash dividend which can balance the long term and short term interests of its investors, at the same time providing promising and sustainable returns to its shareholders. The Board recommended payment of a cash dividend of RMB0.22 per share for 2016, accounting to 41.0% of earnings per share. Such recommendation will be submitted to the 2016 Annual General Meeting of the Company and is subject to the shareholders' approval.



Business Review

In 2016, China accelerated the change of economic growth model and the adjustment of economic structure. The economy is generally stable, despite certain moderation in speed, but the overall trend is positive. Progress was made in the current stage of the supply-side reform and positive factors of economic growth increased. However, structural problems and risks in economic growth still exist. The recovery of the world economy is still slow and uneven. The international trade and investment is weak with little growth momentum. Facing the complex and volatile external environment and internal situation where opportunities and challenges coexist, the staff of Shenzhen Expressway always set development as their goal, make concrete efforts, maintain a positive and pragmatic attitude with determination to forge ahead blaze new trails in a pioneering spirit, and achieved the annual operation targets satisfactorily.

In 2016, the Group actively carried out the toll administration work by fully utilising the traffic data of the road network of the whole province, while implementing targeted marketing activities to increase toll revenue. The Group actively dealt with the traffic surge at some sites which was caused by the toll adjustment of Nanguang Expressway and ensured the traffic efficiency. The Group strengthened the communication and coordination with traffic departments at all levels and the neighbouring sections, actively optimized and improved the traffic network and increased the traffic capacity of the whole road network. By providing excellent services to the public, the Group has achieved a toll revenue of RMB3,680 million during the Reporting Period and realized the operation targets set at the beginning of the year.

Chairman's Statement

In terms of road property maintenance, the Group has efficiently improved the informationization of road maintenance through the self-developed road maintenance management system. The Group has also minimized the impact from the bridge reinforcement project of Pinghu marshalling station on Jihe Expressway through design optimization and organizational rationalization. During the Reporting Period, the overall technical condition of the Group's road networks was excellent and road conditions and appearance were remarkably improved.

In terms of project management, the Group has actively worked on the quality, cost, safety and schedule of each project during the Reporting Period. Aiming at the characteristics of each project, the Group has strengthened pre-planning and the safety and quality management of the projects under construction, planned and urged the payback of entrusted construction projects and pushed forward the completion inspection and acceptance of the completed projects. The land acquisition and demolition and the tender for design of Section A of Outer Ring Expressway is in line with the expected progress and the construction has been pushed forward in good order. Most of the preliminary work of submission for approval of Coastal Expressway Phase II has been completed. Demolition and construction preparation are under way. Longda Municipal Section and Guanlan Renmin Road – Meiguan Expressway Joints Project was completed at the end of 2016. Other projects in the completion settlement and audit phase were also going well.

In 2016, following a comprehensive assessment of the situations, the Group studied financial policies and instruments to reduce the financial cost, and at the same time, properly allocated the Group's financial resources according to its actual situation and capital needs. During the Reporting Period, the Group has successfully seized the favourable policy environment in which the State encouraged direct financing of domestic enterprises in the international market and the favourable market timing of the historically low level of the US Treasury rates and issued five-year bond worth USD300 million. By locking in the risks in exchange rates through swap, the Group has built a larger investment and financing platform for business development and transformation.

In order to further establish and improve the Company's long-term incentive mechanism so as to attract and retain talents, fully mobilize the enthusiasm of senior executives, medium-level managers, key managerial personnel and technical experts, the Board proposed in 2016 to implement the Restricted A Share Incentive Scheme, which, however, was not approved by the shareholder at HCM. Fully understanding and respecting investors' wishes, the Company will establish and implement multiple forms of long-term mechanism for the purpose of attracting and retaining talents, effectively aligning the interests of shareholders, the Company and employees so that all parties will pay close attention to the long-term development of the Company and push forward the implementation of strategies.

Development Strategy

The traditional toll highway industry is one of the first concession industries in China that adopted the BOT (built-operate-transfer) model. The toll highway industry still enjoys a broad development space under the background of long-term stable development of the national economy. However, the Group is also aware of a number of challenges confronted by the industry, including limited operating period, rising construction and operating costs, misunderstanding and pressure from public opinions. In recent years, the Shenzhen Municipal Government has also reached agreements with the Group on adjustment of the toll model for the toll highways invested and operated by the Group. Although the agreements are win-win solutions based on fair negotiations in the principle of marketization, they pose significant challenges to the sustainable development of the Group.

In the past 20 years, the Group has accumulated rich experience in project construction, maintenance, operation and management, which formed the core competitive advantages of the Group. The toll highway business will remain the basis for the survival and development of the Company for a long period of time ahead. The consolidation and upgrading of the toll highway business is an important aspect of the Group's development strategy: On the one hand, the Group will continue to **invest capital** in exploring opportunities for merging and acquiring high-quality toll highway assets. The Group will cooperate with the government in accordance with the PPP model in the franchising of infrastructure and public utilities by giving full play to its competitive advantages in infrastructure management integration and to its innovation capacity in the investment and financing field as well as in business model. On the other hand, the Group will also **export management expertise**. In addition to the existing infrastructure construction and operation services, the Company will actively extend its business scope to the upstream and downstream of the industrial chain, such as planning and design, consulting and testing, and other service-oriented businesses. The Group will promote specialization, industrialization and corporatization, continuously strengthen the core competitive advantages and develop management businesses through the innovation of business model, technology and management. At present, the Group has set up an operation development company as the platform for exporting operation management services.

In addition to consolidating and upgrading the main business of toll highway industry, the Group will forge ahead towards the new **environmental protection industry** that mainly concerns about water environment management and solid waste treatment by combining the industrial policies of the State with its own advantages. Similar to the toll highway industry, the major partner of the environmental protection industry is the local government and has the **characteristic of concession operation**. The environmental protection industry is a **capital-intensive industry** which needs strong financing and business model design capabilities. In addition, the investment in the environmental protection industry also needs a relatively strong **project construction management** capability to guarantee the return during the operation period at a reasonable construction cost.

The urbanization strategy of the State has brought great demand for urban infrastructure construction and a vast market space. With the deepening of the reform in the investment and financing system of infrastructure and public utilities, the Group will have more business opportunities. The Group will proactively focus on policies of the State, meet market demands, leverage the existing competitive resources and core competitive advantages to give full play to the innovation capability in the investment and financing field and in business model. Relying on the capability of resource integration, the Group will eventually realize long-term healthy development and create more value for shareholders.

Acknowledgements

Shenzhen Expressway celebrated her 20th birthday in 2016. Reviewing the past 20 eventful years, the Company has always adhered to the market-oriented direction, has been committed to providing safe, fast and high-quality high-grade highway products, and has never stopped its pursuit for excellence. After 20 years of hard work, the Company has 16 wholly-owned, holding and joint-stock operational highway projects and an equity mileage of 447 km. Relying on the main business of toll highway industry, the Company has also carried out businesses such as project development and management, advertising, engineering consulting and electronic toll collection. The Company has strengthened the research and practice in new industries and made beneficial attempts to conduct industrial upgrade and transformation.

The achievements of Shenzhen Expressway in the past 20 years are attributable to the full support from its shareholders, customers and friends from all walks of life, and to the joint efforts and hard work of the Directors and Supervisors, management and all employees. On behalf of the Board of Directors, I would like to take this opportunity to express my sincere gratitude to all of you for your great support and unremitting efforts!

HU Wei

Chairman

Shenzhen, the PRC, 17 March 2017

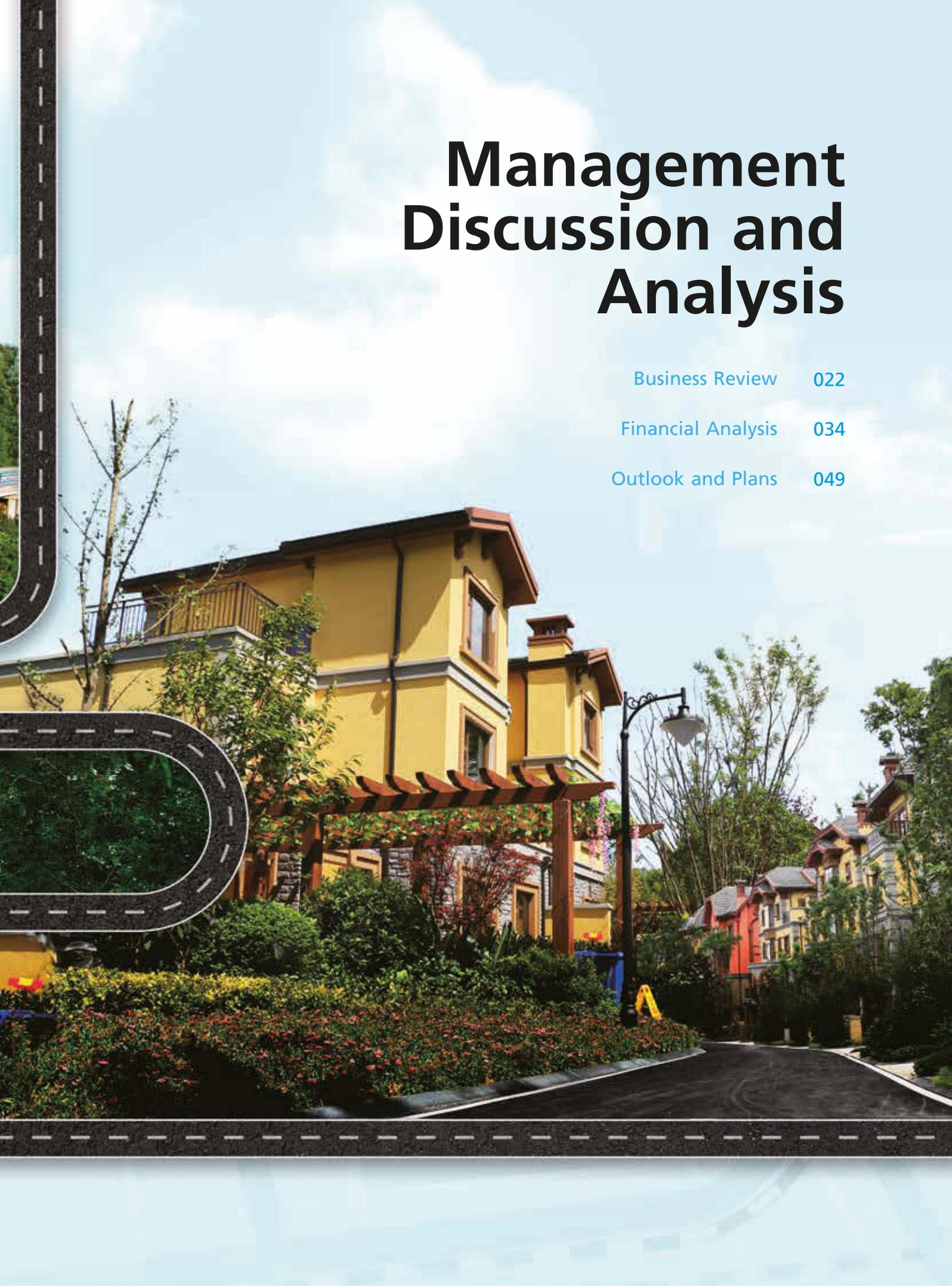


Management Discussion and Analysis

Business Review 022

Financial Analysis 034

Outlook and Plans 049



Management Discussion and Analysis



WU YA DE
President

I. Business Review

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

Shenzhen Expressway Company Limited		
Toll Highway Business		Entrusted management and other infrastructure development Project development and management Environmental Business Other Businesses
Guangdong Province – Shenzhen Region: <ul style="list-style-type: none"> ◆ Meiguan Expressway 100% ◆ Jihe East 100% ◆ Jihe West 100% ◆ Yanba Expressway 100% ◆ Yanpai Expressway 100% ◆ Nanguang Expressway 100% ◆ Shuiguan Expressway 50% ◇ Shuiguan Extension 40% 	Guangdong Province – Other Regions: <ul style="list-style-type: none"> ◆ Qinglian Expressway 76.37% ◇ Yangmao Expressway 25% ◇ Guangwu Project 30% ◇ Jiangzhong Project 25% ◇ GZ W2 Expressway 25% 	
	Other Provinces: <ul style="list-style-type: none"> ◆ Wuhuang Expressway 100% ◇ Changsha Ring Road 51% ◇ Nanjing Third Bridge 25% 	<ul style="list-style-type: none"> - Advertising - Engineering Consulting - Inter-network Toll Collection - Financial business
		Icon: ◆ Consolidated project ◇ Non-consolidated project

In 2016, the Group earnestly managed the toll highway projects, steadily developed the entrusted management business and prudently attempted to enter into new types of business. During the Reporting Period, the Group recorded revenue of approximately RMB4,532 million, representing a YOY increase of 32.50%, of which toll revenue of approximately RMB3,680 million, entrusted management services revenue of approximately RMB121 million, engineering consulting revenue of approximately RMB334 million, real estate development revenue of approximately RMB254 million, advertising and other business revenue of approximately RMB143 million, accounted for 81.20%, 2.68%, 7.37%, 5.60% and 3.15% of the total revenue of the Group respectively.

(I) Toll Highway Business

1. Analysis of Operating Environment

(1) Operating environment

In 2016 during the transformation of the Chinese economy which witnessed the continuous optimisation of industrial structure, acceleration of the reform of traditional industries and promotion of new economic development, the economic environment was still complicated. The GDP of the PRC recorded a YOY growth of 6.7%. The national economy operated stably in general, but was still under downward pressure. During the year, Guangdong Province and Shenzhen recorded YOY growth of 7.5% and 9.0% in their regional GDPs respectively, which were higher than the national average. The regional economy was relatively active and conducive to the general growth of the regional transportation and logistics demand via highway. During 2016, the container throughput at Shenzhen ports witnessed a YOY decrease of 0.93%, of which the container throughput of Yantian Port experienced a YOY decrease of 3.86%, thus producing a negative impact on Jihe Expressway, Yanba Expressway, and Yanpai Expressway of the Group. Under the combined effect of various factors in the macro and regional economic environment, the Group's overall operation performance in toll highways maintained 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 2016.

In order to achieve the target of establishing a nationwide inter-network electronic toll collection system of expressways, the classification standard of vehicles on expressways and toll-by-weight for lorries were adjusted to be consistent with national standards in Guangdong Province and Hubei Province ("the Adjustment") with effect from the end of June 2015. The classification of vehicles on expressways has been standardised in accordance with the *Vehicle Classification of the Toll Highway* issued by the Ministry of Transport. Meanwhile, for cargo vehicles, tolls shall be charged in accordance with an on spot measurement of vehicles based on the total weight of vehicles and goods in accordance with the established weighting method. However, the basic rate of related charges remains the same as prior to the Adjustment. The implementation of the abovementioned two policies had respectively a positive and negative effect on the toll revenue of the Group, but the overall effect was insignificant. Such policies, on the one hand, resulted in an enhanced traffic efficiency of expressways and exerted a positive effect on the comprehensive governing of overloaded vehicles and maintaining the safety of roads and bridges. On the other hand, the restructuring and integration of the systems would also increase the capital expenditure of the projects and bring new issues and challenges to the operation management. Moreover, the Standardisation Scheme implemented by the Guangdong Province and the nationwide policies of Toll Free Scheme on Holidays and Green Passage Toll Free Policy in recent years still posed considerable negative impact on the toll revenue of the projects. However, the impact on YOY changes of projects' revenue has been eliminated generally.

Management Discussion and Analysis

2. Business Performance and Analysis

In 2016, the traffic volume and toll revenue of most of the 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	Average daily mixed traffic volume (number of vehicles in thousand) ⁽¹⁾			Average daily toll revenue (RMB'000)		
	2016	2015	YOY Change	2016	2015	YOY Change
Guangdong Province – Shenzhen region:						
Meiguan Expressway ⁽²⁾	83	75	11.0%	311	283	10.1%
Jihe East	250	219	13.9%	1,767	1,745	1.3%
Jihe West	202	176	15.3%	1,642	1,491	10.1%
Shuiguan Expressway ⁽³⁾	227	191	18.7%	1,693	1,537	10.1%
Shuiguan Extension	98	75	29.6%	300	254	18.0%
Guangdong Province – other regions:						
Qinglian Expressway	37	33	10.4%	1,835	1,746	5.1%
Yangmao Expressway	46	40	13.2%	1,800	1,695	6.2%
Guangwu Project	40	35	15.2%	1,025	894	14.6%
Jiangzhong Project	120	107	12.2%	1,133	1,067	6.2%
GZ W2 Expressway	59	50	17.3%	1,074	990	8.4%
Other Provinces in the PRC:						
Wuhuang Expressway ⁽⁴⁾	44	41	8.1%	939	908	3.4%
Changsha Ring Road	26	20	32.7%	312	223	40.0%
Nanjing Third Bridge	27	27	1.9%	1,098	1,041	5.5%

Note:

- (1) Traffic volume which is toll free during holidays is not included in the figures of average daily mixed traffic volume.
- (2) Toll-free policy for Meilin to Guanlan section of Meiguan Expressway with a mileage of approximately 13.8 km has been implemented since 24:00 on 31 March 2014 and the toll collection for the section from Shenzhen-Dongguan border to Guanlan with a mileage of approximately 5.4 km was remained.
- (3) The Group further acquired 10% equity interest in Qinglong Company in 2015 and achieved substantial control over Qinglong Company. Qinglong Company was included into the Group's consolidated financial statements on 30 October 2015, with the percentage of revenue consolidation adjusted from zero to 100%.
- (4) The Group further acquired 45% interest in JEL Company on 2 December 2016, and thereby obtained 100% equity in Wuhuang Expressway.
- (5) According to the agreement signed between the Group and Shenzhen Transport Commission, Yanba Expressway, Yanpai Expressway and Nanguang Expressway should become toll free from 0:00 on 7 February 2016. The Company calculated and recognised the revenue according to the agreed method under the agreement.

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

(1) Guangdong Province – Shenzhen region

With the continuous improvement of the transportation network in Shenzhen in recent years, coupled with the cancellation of toll collection of certain expressways and local roads, the traffic distribution and composition of the road network in Shenzhen has also changed. Since Meiguan Expressway has adjusted the tolling system in April 2014, the increase in the traffic volume of toll free section has not only driven the traffic growth of toll section but also boosted the performance of the connected Jihe Expressway. Shenzhen Yantian'ao tunnel has been cancelled toll collection from 1 February 2015, which resulted in a greater diversion of vehicles on Yanba Expressway and Yanpai Expressway and brought along a slight negative impact on the performance of Jihe Expressway. During the Reporting Period, according to the agreement signed between the Company and the Transport Commission, Yanpai Expressway, Yanba Expressway and Nanguang Expressway have become toll free 0:00 on 7 February 2016, and the Company calculated and recognised the revenue from these highway projects according to the agreed method under the agreement. The increase in the traffic of the free highways has also driven the growth in the traffic volume of the connected Jihe Expressway and Shuiguan Expressway. In addition, due to the road closure for maintenance and reinforcement in the westbound direction on the Bridge of Pinghu Marshalling Station in Jihe East from mid-May to mid-July 2016, the total toll revenue of Jihe East was affected negatively during the construction period. However, the improvement of traffic capacity can help boosting the performance of the project.

During the Reporting Period, the overall toll revenue of the Group's toll highway projects in Shenzhen has a YOY increase. To realise the electronic toll collection for highways across the country, Guangdong Province has implemented vehicle classification and cargo vehicle toll by weight in accordance with the national standard since the end of June 2015. Due to some differences in the proportion of vehicle models of relevant projects, the implementation of these two policies has brought a positive and negative impact on the Group's toll revenue in Shenzhen, but as a whole, the positive impact is greater than the negative one.

(2) Guangdong Province – Other regions

Benefiting from the growth of the regional economy along the highway and the implementation of the collection of cargo vehicle toll by weight, during the Reporting Period, the average daily traffic volume and toll revenue of both Yangmao Expressway and GZ W2 Expressway have achieved a good growth YOY. Moreover, the section from Wuzhou to Guigang of Cangshuo Expressway (Cangwu to Shuolong) in Guangxi was opened for traffic opened in the first half of 2015, making the road network connecting with Yunwu Expressway (Yunfu to Wuzhou) in Guangxi more perfect, and has contributed to the growth of traffic volume in the road network areas between the two provinces and thus boosted the growth of traffic volume of Guangwu Project. However, Jiangluo Expressway (Jiangmen to Luoding) Phase II was opened for traffic on 28 December 2016. As it is basically parallel to Guangwu Project, a great diversion impact will be brought to Guangwu Project.

Guangle Expressway (Guangzhou to Lechang, in Guangdong), being the dual line of G4 National Expressway (Guangdong Section) (formerly known as Jingzhu Expressway) and Erguang Expressway (Lianzhou to Huaiji section, in Guangdong) were completed and opened in September 2014 and at the end of December 2014 respectively. As the said expressways are close to Qinglian Expressway and the route connecting Erguang Expressway with Qinglian Expressway is being built, some diversion impact has been brought to Qinglian Expressway. During the Reporting Period, Qinglian Company's active publicity on routes and implementation of multi-level marketing strategy have taken effect, with the diversion impact tending towards stability. On the other hand, the expansion project of Guangqing Expressway was completed at the end of September 2016. The improvement of road network helps enhance the efficiency and service capability of the whole passageway, further raising the business performance of Qinglian Expressway in the future.

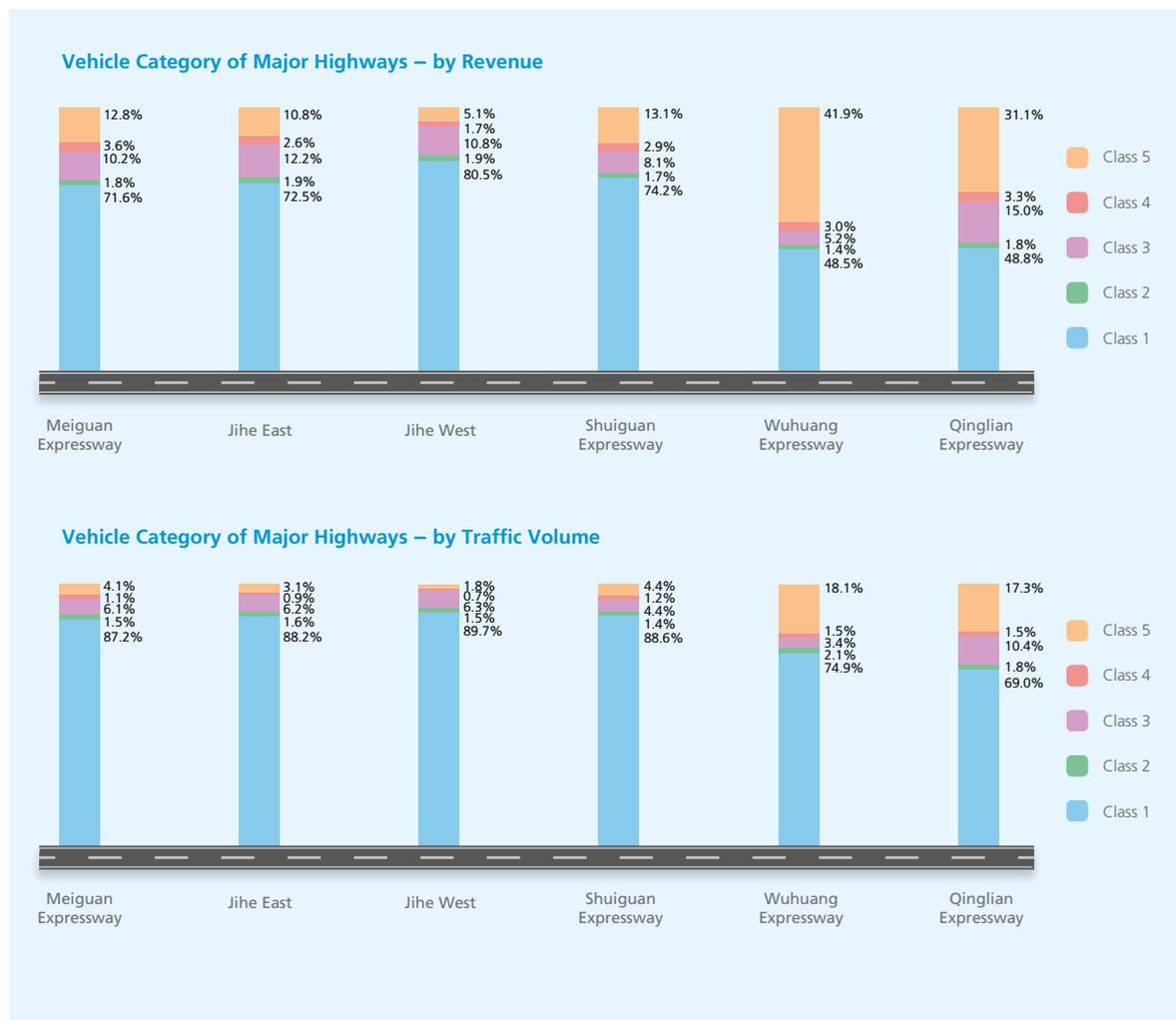
Management Discussion and Analysis

(3) Other provinces

In 2016, the toll revenue of Wuhuang Expressway basically remained the same as that in the same period of 2015, and its operational performance was still under the negative impact of various factors including the commencement of operation of nearby road networks and implementation of traffic control measures for municipal roads. However, the impact on YOY changes has generally been eliminated. Due to the growth of large truck traffic, the toll revenue of Nanjing Third Bridge has increased YOY but it is under some diversion impact because Nanjing Wei San Road Tunnel and Wei Qi Road Tunnel have become toll free from 1 January 2016. Benefiting from the positive impacts of various factors including the improvement of road networks, implementation of toll-by-weight, implementation of traffic control measures of neighbouring roads and business growth of enterprises along the highway, the toll revenue of Changsha Ring Road maintained a relatively rapid YOY growth.

Reference information

There was no substantial change in the vehicle category for each major highway project of the Group in 2016 as compared to that of last year. The following diagram shows the vehicle category of major highway projects of the Group during the Reporting Period:



3. Business Management and Upgrade

◆ ***Strengthen Operation Management to Improve Service Efficiency***

Under the new situation that ETC has been implemented nationwide, the previous tolling model and operation management model have changed. During the Reporting Period, the Group has closely monitored the operation after the system was switched, constantly revised and improved work flows and management system and strengthened the business training and practice of the staff. By continuously optimising standardised operation management modules, the Group has reformed and upgraded the software and hardware of its tolling system to improve service quality and work efficiency through delicacy management. The Three Projects has become toll free at 0:00 on 7 February 2016. After full communication and cooperation with Guangdong Industry Management Association, Electronic Toll Collection Management and Technical Department to ensure accurate calculation of the toll rate, the Company has successfully switched the system. The Company's operation management department has worked out a solution and management actions for the fast growing traffic volume after the Three Projects gave free passage, standardising the emergency management system for rush-hour traffic to ensure a clear and orderly passage. Moreover, 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 structure of vehicle category across Guangdong Province, and by way of site inspections, route comparison and data analysis, the Group continuously tracked the changes of road networks and travelling 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 Group has taken the opportunity of the free passage given by the Three Projects and Longda Expressway to carry out the marketing and promotion of the whole road network through various channels, which has boosted the growth of traffic volume of Jihe Expressway. Moreover, the Company has also taken the implementation of the new toll station of Meiguan Expressway and the nationwide inter-network as an opportunity to promote the advantages of each highway project so as to attract traffic and increase toll revenue. During the Reporting Period, Qinglian Company has focused on the Spring Festival marketing, holiday marketing and "the marketing of the integration of traffic and tourism", boosted traffic volume by promoting the advantages of road network and implementing tourism co-marketing, meanwhile continuously paying close attention to and analysing the change of traffic and vehicle models in each section of Guangle Expressway and Erguang Expressway so as to adopt effective marketing strategies to attract traffic.

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

The Company conducted regular quality checks on highways and bridge, and frequent inspections on highway administration. It has also built up a joint mechanism between road assets and traffic operational information, which enables the Company to take timely measures to remove and rectify the unsafe factors in highways or take maintenance measures to better protect the quality, safety and free traffic of highways. During the Reporting Period, the Group has carried out preventive maintenance for Yanpai Expressway, completed a special inspection of the main Bridge of Pinghu Marshalling Station of Jihe Expressway East as well as of the CD2 Bridge of Jihe West, and reinforced and maintained the Bridge of Pinghu Marshalling Station. Moreover, the Group has also reinforced the retaining wall of Yanpai Expressway and standardised the expressway traffic signs. According to the actual situation and needs, the Group has conducted various small special projects such as slope reinforcement and toll station expansion so as to ensure the safety and clear passage of highways. The Company has established a regular assessment of highway maintenance planning and a dynamic adjustment mechanism to continuously improve and optimise the technical solution for maintenance so as to ensure the excellent technical conditions of highways, extend the highway service life of the highways and effectively reduce the overall maintenance cost. During the Reporting Period, Guangdong Province has been hit by strong typhoon several times, the Group has guaranteed a safety and clear passage of road network by proactively deploying precautions beforehand, closely observing and responding during the typhoon and efficiently identifying and eliminating safety risks after the typhoon.

Management Discussion and Analysis

4. Business Development

Based on the overall demand of economic development and transportation planning, the Company signed a toll adjustment agreement with the Transport Committee (on behalf of the Shenzhen Municipal People's Government) for toll adjustment of the tolling system of Nanguang Expressway, Yanpai Expressway and Yanba Expressway. Accordingly, the adjustment was implemented in two phases from 0:00 on 7 February 2016, namely, the Company has become toll free on Nanguang Expressway, Yanpai Expressway and Yanba Expressway, the Transport Committee gives cash compensation to the Company according to the corresponding adjustment method. For details, please refer to the Company's announcements dated 2 December 2015, 1 February 2016 and the circular dated 12 January 2016. Based on the expected cash flow from the future revenue and/or earnings from Nanguang Expressway, Yanpai Expressway and Yanba Expressway, the Company has obtained a large amount of cash assets at a reasonable consideration and capital cost, which helps to improve the financial position and enhance the capability and space of business development and new industry exploration so as to improve the asset structure for the Company's long-term development and realise the new business layout as soon as possible. From the above adjustment program, the Company received a reasonable compensation and the need for sustainable development was properly considered. It is a win-win solution that is conducive to the overall advancement of the social economy along the highways, takes account of the overall situation of Shenzhen's development and balances the interests of society, government and Company. Please refer to the following "Financial Analysis" and "Outlook and Plans" Section for the specific impact of the toll adjustment of the Three Projects on the Group's business performance and financial positions.

During the Reporting Period, the Group has agreed on the investment, construction and management of the Outer Ring Project with the Shenzhen Municipal Government, the Transport Committee entered into a concession contract with Outer Ring Company on 18 March 2016, and the Company entered into a joint construction agreement with SDCDGC and Outer Ring Company on the even day. According to the concession contract and the joint construction agreement, the Company and Outer Ring Company should invest RMB6.5 billion in return of 25 years' of revenue from Section A of Outer Ring and bear operating costs, related taxes and risks. SDCDGC, a company which is established and wholly-owned by the Shenzhen Government would bear or raise money for the excessportion. The estimated initial investment in the Section A of Outer Ring is about RMB20.6 billion. As of the date of this report, Baoan section of Outer Ring has completed more than half of the land acquisition and demolition work, pipeline relocation and construction drawing design, approval and revision were under way, the tender for most of the construction and supervision projects has been completed, the construction of the first of pile foundation of each contract section has been completed, roadbed, culvert and other construction projects were under way in an orderly manner. The Longgang section of Outer Ring has completed 80% of the land acquisition and demolition work, pipeline relocation were being fully carried out, the construction drawing design for most of the major work and the image of 20% of the main project have been completed. The Outer Ring Project is a toll highway project invested by the Group according to the PPP model. It effectively reaches the balance between the public welfare features of infrastructure and the reasonable return on business investment. It provides the public with high-quality services in a most cost-efficient way so as to achieve a win-win-win result for society, the government and the Company. The above solution has been approved by general meetings of the Company and the shareholder meeting of our indirect shareholder, Shenzhen International Holdings Ltd. For details of Outer Ring Project, please refer to the announcement dated 18 March 2016, the circular dated 25 April 2016 and the section of "Report of the the Directors" in this report.

During the Reporting Period, the Group acquired 45% equity interest in JEL Company from Flywheel Investment, a wholly-owned subsidiary of Shenzhen International for RMB453.4988 million, which increased the Company's equity interest in Wuhuang Expressway from 55% to 100%. As Wuhuang Expressway has good business records and low investment risks, the increase of the equity in JEL Company helps to improve the Company's future profitability and cash flow and further consolidate the Company's core strengths in the investment, management and operation of highways, which fulfils the Company's development strategies and overall interests. Moreover, as the Company's controlling shareholder, Shenzhen International has made a commitment to avoid horizontal competition with the Company and support the Company's business development, which includes the injection of its expressway assets to the Company when conditions are met. This deal reflects the positive attitude of Shenzhen International towards the Company's development and consolidates Shenzhen International's good image of keeping its commitments. For details of the impact from increasing 45% equity interest in JEL Company on the Company's business performance and financial position, please refer to the following "Financial Analysis".

Moreover, the Company entered into an equity transfer agreement with Ping An Innovation on 20 January 2017 to acquire its 100% equity interest in Yichang Company for RMB1.27 billion. Yichang Company primarily engaged in the operation management of Yichang Expressway (Yiyang to Changde) for RMB1.27 billion. Yichang Expressway is a two-way expressway with four lanes of which the main lane has a length of 73.1 km. It is a section of the connection line from Zhangjiajie to Changsha (G5513) of the G55 Erguang Expressway, the sixth vertical line of the national highway network, and also a main component of the skeleton of the Hunan Expressway Plan of "five vertical and seven horizontal". Yichang Expressway is situated in a superior location with good investment value. Since Yichang Expressway commenced operation, it has maintained good business records with steady growth of traffic volume and toll revenue. The obtaining of interest in Yichang Expressway through acquisition of Yichang Company at a reasonable price helps the Company to expand its asset scale and profit base, increase stable cash, and further strengthen its core advantages in the investment, management and operation of the highways. This deal does not exert influence over the Company's business performance and financial position in 2016. For details, please refer to the Company's announcement dated 20 January 2017.

In order to build the platform for expanding the operations management of urban and Transport infrastructure, improving the competitiveness and marketability of operations management and highway property management, the Company established an indirect wholly-owned subsidiary, Operations Development Company, in December 2016. As a specialized, industrialized and corporatized operating platform of the Group's maintenance and operating services, this subsidiary will proactively expand the external market by combining investment with services and so on.

(II) 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 launched or engaged in related businesses such as entrusted management. The entrusted construction management business and the entrusted operation management business, also known as entrusted construction business and entrusted operation business, are currently the major businesses of the Group apart from toll highway 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 a reasonable income and return.

1. Entrusted Construction Business

During the Reporting Period, the Company has had entrusted construction projects including Longda Municipal Section, Outer Ring Project, Guanlan Renmin Road – Meiguan Expressway Joints Project, Cargo Organization Adjustment Project, Coastal Phase II, Resettlement Project Phase II in Longli, Guizhou, Hengwu Road and Hengliu Road and Guizhou Logistics Port of Shenzhen International, etc. At this stage, the Group's major work for the entrusted construction business and BT business is to strengthen the safety and quality management of the projects under construction, coordinate and supervise the collection of the benefits from the entrusted construction projects, push forward with the completion and acceptance of the completed projects and proactively promote the development of new markets and the cooperation on new products.

Management Discussion and Analysis

During the Reporting Period, all the work of the entrusted construction projects has been carried out in good order. Longda Municipal Section Project was completed and accepted in December 2016. Guanlan Renmin Road – Meiguan Expressway Joints Project was completed and delivered at the end of December 2016 and is undergoing delivery and inspection works. For the information on the progress of Outer Ring Project, please refer to “Business Development” in this section. The first batch of the construction contract for Cargo Organization Adjustment Project was already signed, with the pre-construction preparations basically completed. Affected by forest land occupation and land acquisition and demolition, the construction of Cargo Organization Adjustment Project has been delayed until early 2017. During the Reporting Period, the Company has signed an entrusted construction management supplementary contract with Coastal Company for Coastal Phase II Project to agree on the business scope, schedule management objectives, the tentative amount of the service fee for entrusted construction and the amount of performance guarantee of entrusted construction of Coastal Phase II Project. For details, please refer to the Company’s announcement dated 1 June 2016. As at the end of the Reporting Period, the Company has actively pushed forward Coastal Phase II Project, has completed more than half of the land acquisition and demolition work as well as the tender for the construction and supervision at some of the contracted sections. Some of the contract sections have already commenced construction of trestle bridge and pile foundation. Furthermore, during the Reporting Period, the completion settlement and government audit of Coastal Phase I, Nanping Phase II and Dezheng Road Project were under way.

As at the end of the Reporting Period, the acceptance, completion settlement and audit of the constructions of Resettlement Project Phase II in Longli, Guizhou have been completed, and the project was handed over at the end of March 2016. Moreover, during the Reporting Period, Investment Company has also undertaken the entrusted construction of Hengwu Road and Hengliu Road in Longli County. By the end of the Reporting Period, 70% of the entrusted construction of Hengwu Road and Hengliu Road was completed. The project is scheduled to be completed in the first quarter of 2017. As at the end of the Reporting Period, the ground levelling of the entrusted construction of Guizhou Logistics Port of Shenzhen International has been completed; the relevant foundation treatment was under way.

2. Entrusted operation business

In 2016, the Company continued to be entrusted to carry out the operation management of Longda Project under the model of equity management. During the Reporting Period, each of the management task was smoothly carried out. On 30 December 2015, the Company and Baotong Company renewed the entrusted management agreement and the entrusted term was extended to 31 December 2018.

Pursuant to the “Entrusted Operation Management Agreement” entered into between the Company and SIHCL in November 2009, the Company was entrusted to manage Coastal Company, including the management of Coastal Expressway (Shenzhen Section) during the construction period and operation period. After rounds of communication and consultation with the Shenzhen Municipal Government, the Group entered into the “Entrusted Operation Management Service Agreement for the Phase I Project of the Shenzhen Section of Guangzhou-Shenzhen Coastal Expressway” with Coastal Company on 16 June 2016. Accordingly, Coastal Company entrusted the Company with the maintenance management, operation and tolling of the highway assets and related auxiliary facilities of Coastal Phase I. The Company acted as the agent of Coastal Company to exercise the relevant rights and duties for the operation management of Coastal Phase I. The entrustment started from 1 January 2014 to 31 December 2016 with a management fee of RMB18 million each year. The Company renewed the entrusted management contract with Coastal Company on 30 December 2016, with an entrustment period of three years from 1 January 2017 to 31 December 2019 and a management fee of RMB18 million each year. For details, please refer to the announcements dated 16 June 2016 and 30 December 2016 and the Report of the Directors in this report.

3. Development and Management of Other Infrastructure

By the end of the Reporting Period, Investment Company has completed the project planning, construction feasibility study report and detailed constructive planning of Houmen Comprehensive Resettlement Building Project, proactively pushing forward with relevant verification and approval work. The preliminary geological survey has been completed. The tender for relevant design has been started. On 30 December 2016, the Board also approved Investment Company to provide construction and management services to the ground levelling and relevant supporting construction projects in Shenzhen-Shanwei Special Cooperation Zone, as at the end of the Reporting Period, the project was signed and the preliminary work was being pushed forward actively.

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.

(III) Development of New Industries

With the relevant management experience and resources and in accordance with the deployment of new development strategies, the Group prudently tries new business types such as the comprehensive development of land and urban regeneration, while paying close attention to and seizing the opportunities for the cooperation between the advantageous areas and the existing business-related areas as business development and expansion besides the main 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 peripheral lands of Guilong Project will have greater potential for appreciation. In order to effectively reduce the risk of fund recovery from Guilong Project and realise expected or an even more favourable amount of incomes from the project, Guishen Company has been actively engaged in the land auctions within the development area of Guilong Project. From 2012 up to the Reporting Date, Guishen Company has successfully won the bids for the land parcels of land with an area of approximately 2,490 mu (approximately 1,660,000 square meters) in a total consideration of approximately RMB837 million. Guishen Company has set up several wholly-owned subsidiaries to hold and manage the land use rights of the parcels mentioned above.

Guishen Company is adopting a progressive development strategy by phases. It has conducted a secondary self-development for certain land parcels acquired, which has an area of 300 mu (approximately 200,000 square meters). Currently, the buildings of construction of Phase I Stage I of Guilong Development Project (also known as "Interlaken Town Project") (approximately 110 mu, equivalent to 70,000 square meters) are basically completed and has handed over to buyers for dwelling. After Guishen Company's multi-level project publicity and marketing, Interlaken Town Project has created a good brand image in the local market with its unique architectural style, beautiful landscape, gardens and living environment. Currently, construction of Phase I Stage II (approximately 129 mu, equivalent to 86,000 square meters) is under construction, which is expected to complete in 2017. There were more than 80 villas subscribed by the end of the Reporting Period. Moreover, during the Reporting Period, the Board has approved Guishen Company to independently develop 400 mu (approximately 267,000 square meters) of the land parcel I of Guilong Project according to the strategy of unified planning and phased rolling development.

Management Discussion and Analysis

On 30 December 2015, Guizhou Property entered into two transfer agreements with Shenzhen International Logistics. Guizhou Property proposed to, after reorganising the lands of Guilong Land No. 2 and changing the use of certain land lots, transfer the entire equity in and creditors' rights of Guizhou Pengbo (which will hold approximately 322.9 mu of logistics land lots) and 51% equity interest in Guizhou Hengtongli (which will hold approximately 143.9 mu of commercial and residential land lots) to SZ International Logistics. After the final accounting was confirmed according to the agreement, both parties determined that the transfer costs were about RMB94.583 million and RMB43.991 million. On 19 August 2016, the Board approved to transfer 100% equity interest and debts in Guizhou Hengtongsheng (it holds about 39.6 mu of land for logistics), a subsidiary that indirectly controlled by the Company, to Shenzhen International Logistics at a cost of RMB11.685 million. For details, please refer to the Company's announcements dated 30 December 2015 and 19 August 2016. As at the end of the Reporting Period, Shenzhen International Logistics has already made all the payments of about RMB150.260 million to Guizhou Property, and the relevant transfer procedures were also completed.

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 gains as soon as possible, at the same time prevent the contractual and market risks in relation to the lands in an effective way.

(2) *Urban 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. The land of the Meilin Checkpoint Renewal Project is approximately 96,000 square meters, with residential and commercial purposes, a capacity building area of no more than 486,400 square meters (including public facilities) and a total land price of about RMB3.567 billion. During the Reporting Period, the Group has completed the subsequent capital injection to United Land Company, with a total investment of RMB2.45 billion. United Land Company has acquired the land use right during the Reporting Period after it made all the land payments (including land transaction fees and others) as planned. For details, please refer to the Company's announcements dated 8 August, 10 September, 8 October 2014 and the circular date 17 September 2014.

Apart from the abovementioned land premium of approximately RMB3.567 billion, the total costs for Meilin Checkpoint Renewal Project Land also include relevant taxes, relocation compensation for the properties on the land, preliminary planning costs, etc. As of the end of the Reporting Period, United Land Company has basically completed the negotiation about the compensation for relocation and demolition with the existing operators and tenants of the land. The demolition work has started in early 2017. Enjoying a good location, the land price of the Meilin Checkpoint Renewal Project has advantages over the market price of the surrounding land, with good investment value and broad space for value increasing. The Company cooperates with Shenzhen International to carry out the project, so that it could meet the Shenzhen government's relevant requirements on the entities for urban renewal. This also enables both parties to seize the opportunities for urban development and renewal, and improve the overall corporate efficiency and shareholders' returns. The Company is actively conducting research on industry policy, exploring the methods for value realisation and liquidation of the land, as well as promoting the introduction of cooperation parties with Shenzhen International, so as to realise the commercial value of the project in time.

(IV) *Environmental Protection Businesses and Other*

The Company's new development strategies clarify that in order to open up a broader space for the Group's long-term development, the Group will proactively explore the investment prospects and opportunities of the large environmental protection industry that takes water environment treatment and solid waste treatment as the main content while consolidating and enhancing the main business of toll highway.

1. Environmental Protection Business

On December 30, 2016, the Board of Directors approved the investment company to participate in the Nanmen River Comprehensive Management Project (Nanmen River Comprehensive Management Project) in the Shenzhen-Shanwei Special Cooperation Zone. In the case of a total investment of no more than RMB320 million, the investment company and Zhongjiao Tianjin Waterway Bureau Co., Ltd (中交天津航道局有限公司) jointly participated in the investment, construction and management of the Nanmen River Comprehensive Management Project as a consortium. As of the date of the announcement of this report, this project was signed and each aspect is being actively pushed forward.

In line with the implementation of the Company's development strategies, the Company changed the wholly-owned subsidiary of Shenzhen Expressway Luyun Construction Management Company Limited to Shenzhen Expressway Environmental Company Limited and completed the change of industrial and commercial registration on 30 December 2016. The scope of business of Environmental Company includes investment in environmental protection industrial projects and other industrial projects, environmental technology development and related environmental business consulting, cleaning services, urban road cleaning services, municipal solid waste collection and Transport, municipal public works construction, environmental management engineering and project management consulting, etc.

2. Other Business

After the subscription of 382 million shares of the Bank of Guizhou in 2015, the Company has further subscribed for 44 million shares of the Bank of Guizhou during the Reporting Period. After this subscription, the Company holds a total of 426 million shares in the Bank of Guizhou. On 31 December 2016, the equity interest held by the Company in the Bank of Guizhou accounts for 4.41% of the total shares after the increase in capital and shares. As the Bank of Guizhou has a good cash dividend capability and a large space for development, the subscription for additional shares in the Bank of Guizhou can optimise the Company's asset allocation and bring a good synergy to the Company's follow-up infrastructure investment and operation in the relevant areas. For details, please refer to related content in "Financial Analysis" below.

The Group is engaged in the businesses of billboard leasing, advertising agency, design production and related businesses alongside the toll highways and at the toll stations through its wholly-owned subsidiary, Advertising Company. 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.

To support the development strategy of Consulting Company in the capital market, Consulting Company has no longer been included in the consolidated financial statements since 30 November 2016. Consulting Company is an engineering consulting company with an 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 project investment and construction.

In 2016, Guangdong UETC, an associate company of the Company, implemented a private placing. After the completion of capital increase, the shareholding of the Company in Guangdong UETC decreased from 15% to 12.86%. Guangdong UETC 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 business, in general, proceeded smoothly and has met the Group's expectation in general. Limited by 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 of the Company during the Reporting Period, please refer to note \36 to the Financial Statement in this annual report.

Management Discussion and Analysis

II. Financial Analysis

In 2016, the Group recorded net profit attributable to owners of the Company (“net profit”) of RMB1,169,353,000 (2015: RMB1,552,656,000), representing a YOY decrease of 24.69%. Excluding the investment income from the transfer of the equity interests and creditors’ rights of a subsidiary by Guizhou Property during the Reporting Period, and the gains arising from re-measurement of the equity interest held prior to the acquisition date at fair value due to consolidation of Qinglong Company into the financial statements as well as the effect of the impairment provision made for relevant assets of Qinglian Company in the corresponding period of last year, the net profit increased by 7.85% YOY, this was mainly due to the combined effect of the growth of toll revenue of toll highways operated and invested by the Group, recognition of the investment income from Bank of Guizhou, and the increase of financial expenses and amortisation costs of highways.

For descriptions about investment income from the transfer of the equity interests and creditors’ rights of a subsidiary by Guizhou Property, 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	4,532,209	3,420,578	32.50
Cost of services	2,532,931	1,678,748	50.88
Selling expenses	18,637	14,102	32.16
General and administrative expenses	138,535	134,012	3.38
Financial expenses	639,443	370,700	72.50
Investment income	433,982	1,154,991	-62.43
Income tax expenses	306,027	177,177	72.72
Net cash flows from operating activities	2,126,610	1,771,505	20.05
Net cash flows from investing activities	-2,529,509	583,623	N/A
Net cash flows from financing activities	-1,529,440	2,571,025	N/A

1. Analysis of Income and Cost

During 2016, the Group recorded revenue of RMB4,532,209,000, representing a YOY increase of 32.50%, of which toll revenue amounted to RMB3,679,988,000, accounting for 81.20% of the Group's revenue, as the main source of revenue of the Group. The growth of the Group's revenue during the Reporting Period was primarily attributable to consolidation of Qinglong Company and Consulting Company into the financial statements in the second half of 2015, the growth of toll revenue from the Group's ancillary toll highways, and the recognition of real estate development revenue on Guilong Development Project. The detailed analysis of revenue is set out below:

Unit: '000 Currency: RMB

Revenue item	2016	Percentage of total (%)	2015	Percentage of total (%)	Change (%)	Description
Revenue from main business – toll highways	3,679,988	81.20	3,014,057	88.12	22.09	(1)
Revenue from other businesses – entrusted management services	121,417	2.68	94,617	2.77	28.32	(2)
Revenue from other businesses – engineering consulting	333,918	7.37	191,396	5.60	74.46	(3)
Revenue from other businesses – real estate development	253,685	5.60	N/A	N/A	N/A	(4)
Revenue from other businesses – advertising and others	143,201	3.15	120,508	3.51	18.83	
Total revenue	4,532,209	100.00	3,420,578	100.00	32.50	(5)

Description:

- (1) During 2016, the Group recorded a YOY increase of 22.09% in toll revenue. In particular, Qinglong Company which had been consolidated into the Group's financial statements since 30 October 2015 contributed 10-month toll revenue amounting to RMB513,686,000 during the Reporting Period. After excluding the effect of this factor, the Group recorded a YOY increase of 5.24% in toll revenue, which was mainly due to the significant growth of toll revenue of Jihe Expressway benefiting from the organic growth of traffic volume and the induced growth of traffic volume after the implementation of the toll-free policy for the Three Projects. Other ancillary toll highways had also achieved considerable growth. In addition, pursuant to the agreement on toll adjustments for the Three Projects entered into by the Company with the Transport Commission, the Company recognised compensation for the toll revenue from the Three Projects of RMB614,167,000 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 the "Breakdown of Main Business by Industry, Product and Region" below.
- (2) Revenue from entrusted management services recorded a YOY increase of RMB26,800,000, which was mainly due to recognition of RMB71,971,000 of revenue from entrusted management services under the joint investment and construction agreement relating to Section A of Outer Ring entered into by the Company in March 2016 under which the Company shall be responsible for the construction management of Section A of Outer Ring, and recognition of RMB50,943,000 of revenue from entrusted management services for the period from 1 January 2014 to 31 December 2016 under the entrusted operational management service agreement in relation to Coastal Expressway Phase I entered into by the Company during the Reporting Period. In addition, the Group adjusted and recognised the revenue from the entrusted management services in respect of both Nanping Phase II and Coastal Expressway Phase I based on the actual settlement of works and the audit results of government departments, resulting in a YOY decrease in the revenue from the entrusted management services of RMB43,545,000 and RMB34,160,000 respectively for the two projects.
- (3) Consulting Company has been consolidated into the Group's financial statements since 1 July 2015 and contributed 5 months' of revenue amounting to RMB142,522,000 during the Reporting Period.

Management Discussion and Analysis

- (4) Real estate development revenue of RMB253,685,000 was recognised on Guilong Development Project during the Reporting Period.
- (5) Since 1 May 2016, the Company has implemented the policy of Replacement of Business Tax with Value-added Tax ("VAT Regime") for highway toll collection business, entrusted management services, and other businesses. Implementation of VAT Regime has little effect on the Group's financial position and operation results in the short term. However, given the price and tax are separated under the VAT Regime as compared with the business tax regime, the Company's revenues decreased by approximately 2% during the Reporting Period.

(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	3,679,988	1,863,001	49.37	22.09	31.25	Decreased by 3.54 pct.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	671,568	391,650	41.68	5.40	5.28	Increased by 0.06 pct.pt
Jihe East	646,744	299,843	53.64	1.54	9.37	Decreased by 3.32 pct.pt
Jihe West	600,858	111,018	81.52	10.41	6.14	Increased by 0.74 pct.pt
Wuhuang Expressway	343,677	199,325	42.00	3.64	11.46	Decreased by 4.07 pct.pt
Nanguang Expressway	329,296	169,837	48.42	2.54	2.58	Decreased by 0.02 pct.pt
Yanpai Expressway	174,452	84,630	51.49	8.21	5.38	Increased by 1.30 pct.pt
Yanba Expressway	179,869	118,379	34.19	4.18	8.46	Decreased by 2.59 pct.pt
Meiguan Expressway	113,943	70,071	38.50	10.36	14.40	Decreased by 2.17 pct.pt
Subtotal	3,060,407	1,444,753	52.79	5.24	7.35	Decreased by 0.93 pct.pt
Shuiguan Expressway	619,581	418,248	32.50	N/A	N/A	N/A
Total	3,679,988	1,863,001	49.37	22.09	31.25	Decreased by 3.54 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	3,336,311	1,663,676	50.13	24.37	34.10	Decreased by 3.62 pct.pt
Hubei Province	343,677	199,325	42.00	3.64	11.46	Decreased by 4.07 pct.pt
Total	3,679,988	1,863,001	49.37	22.09	31.25	Decreased by 3.54 pct.pt

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

During 2016, the overall gross profit margin of the Group's ancillary toll highways was 49.37%, representing a decrease of 3.54 percentage points in general. It was mainly due to the consolidation of Qinglong Company into the Group's financial statements since 30 October 2015 and the remeasurement of the concession intangible assets of Shuiguan Expressway at the fair value on the date of consolidation, which made its gross margin relatively lower than other ancillary toll roads.

(2) Analysis of Cost

During 2016, the cost of services of the Group amounted to RMB2,532,931,000 (2015: RMB1,678,748,000), representing a YOY increase of 50.88%. Among which, Consulting Company and Qinglong Company had been consolidated into the Group's financial statements in the second half of 2015, resulting in an increase of cost of services of RMB134,866,000 and RMB344,634,000, respectively, during the Reporting Period. After excluding the effect of the change of scope of consolidation, the cost of services recorded a YOY increase of 25.63%, which was mainly attributable to carry-forward of real estate development costs of Guilong Development Project, and the YOY increases in the depreciation and amortisation expenses and special maintenance expenses of ancillary toll highways and the cost of entrusted construction management services during the Reporting Period. The detailed analysis of the cost of services is set out as follows:

unit:'000 Currency: RMB

Industry	Cost item	Breakdown by industry					Description
		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 (%)	
Cost of main business – toll highways	Employee expenses	290,130	11.45	231,983	13.82	25.07	(1)
	Road maintenance expenses	180,647	7.13	139,346	8.30	29.64	(2)
	Depreciation and amortisation	1,195,477	47.20	865,679	51.57	38.10	(3)
	Other business costs	196,747	7.77	182,442	10.86	7.84	
	Sub-total	1,863,001	73.55	1,419,450	84.55	31.25	(4)
Cost of other businesses – entrusted management services		92,649	3.66	39,480	2.35	134.67	(5)
Cost of other businesses – engineering consulting		278,150	10.98	143,284	8.54	94.13	(6)
Cost of other businesses – real estate development		213,008	8.41	N/A	N/A	N/A	(7)
Cost of other businesses – advertising and others		86,123	3.40	76,534	4.56	12.53	
Total of cost of services		2,532,931	100.00	1,678,748	100.00	50.88	

Other information on analysis of cost:

- (1) Mainly represents the consolidation of Qinglong Company into the Group's financial statements, which has resulted in an increase in employee expense of the Group.
- (2) Mainly represents increase in the special maintenance expenses of Jihe East and Wuhuang Expressway.
- (3) Mainly represents the consolidation of Qinglong Company into the Group's financial statements, which has resulted in an increase of RMB277,407,000 in depreciation and amortisation, and the adjustment of unit amortisation amount of the concession intangible assets and the increase in depreciation and amortisation costs resulting from the increase in traffic volume of some toll highways in 2016.
- (4) Costs presented based on detailed component are set out in the "Breakdown of Main Business by Industry, Product and Region" above.

Management Discussion and Analysis

- (5) Cost of entrusted construction management services mainly represents employee expense related to the project management and other service cost payable based on the results of audit conducted by the government on the projects and the contractual commitment. The entrusted management cost recognised during the year increased by RMB53,169,000 as compared with the corresponding period of last year, mainly comprised cost of entrusted construction management services of Section A of Outer Ring.
- (6) Consulting Company had been consolidated into the Group's financial statements since 1 July 2015, which resulted in an increase of a five months' cost of services amounting to RMB134,866,000 during the Reporting Period.
- (7) Guilong Development Project carried forward RMB213,008,000 of real estate development cost.

(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 RMB163,086,000, accounting for 3.60% of the overall revenue of the Group; among the revenue from the top five customers, revenues from related parties amounted to RMB68,264,000, accounting for 1.51% of the total sales in the year.

The purchases from the Group's top five suppliers amounted to RMB166,644,000, accounting for 12.84% of total purchases of the Group; of which the purchases related to the connected parties from the purchases of top five suppliers amounted to RMB17,150,000, accounting for 1.32% of total purchases of the Group.

2. Expenses

The Group's selling expenses for the year of 2016 amounted to RMB18,637,000 (2015: RMB14,102,000), representing a YOY increase of 32.16%. The increase was mainly attributable to the increase in the marketing expenses of Guilong Development Project.

The Group's general and administrative expenses for the year of 2016 amounted to RMB138,535,000 (2015: RMB134,012,000), almost unchanged as compared with the corresponding period of last year.

The Group's financial expenses for the year of 2016 amounted to RMB639,443,000 (2015: RMB370,700,000), representing a YOY increase of 72.50%, which was mainly attributable to a YOY increase in the interest-bearing liabilities of the Group during the Reporting Period, a YOY decrease in the interest income from the compensation payment related with the toll adjustment of Meiguan Expressway, and a YOY increase in the exchange losses. The Company had entered into a foreign exchange swap transaction to hedge against exchange losses. For details of the foreign exchange swap transaction, please refer to Point (II) below. For details of the 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	2016	2015	Change (%)
Interest expenses	631,890	489,200	29.17
Less: Interest capitalised	3,287	4,110	-20.04
Interest income	78,826	124,480	-36.68
Add: Time value of provisions for maintenance/resurfacing obligations of highways	-	4,195	N/A
Exchange loss and others	89,666	5,896	1,420.89
Total financial expenses	639,443	370,700	72.50

During 2016, the Group's income tax expenses amounted to RMB306,027,000 (2015: RMB177,177,000), representing a YOY increase of 72.72%. Such increase was mainly attributable to growth of profits during the Reporting Period and the reversal of deferred tax liabilities related to provisions made for asset impairment on Qinglian Project in the corresponding period of last year. Details of the Group's applicable income tax rate and income tax expenses for the year are set out in notes IV and V45 to the Financial Statements in this Annual Report.

3. Investment Income

During 2016, the Group's recorded investment income of RMB433,982,000 (2015: RMB1,154,991,000), representing a YOY decrease of 62.43%. After excluding the effect of RMB899,490,000 gain arising from re-measurement of the equity interest held prior to the acquisition date at fair value due to consolidation of Qinglong Company into the financial statements in the corresponding period of last year, the investment income increased by 69.86% YOY, mainly due to the recognition of RMB101,535,000 investment income from Bank of Guizhou, and transfer of the equity interests and creditors' rights of a subsidiary by Guizhou Property, leading to increase in the Group's investment income by RMB69,502,000. The investment income from joint ventures and associates attributable to the Group during the Reporting Period amounted to RMB243,932,000 (2015: RMB248,425,000), representing a YOY increase of 39.08% excluding the investment income from Shuiguan Expressway in last year, which was mainly attributable to the considerable growth of toll revenue from most toll highway projects operated by the joint ventures and associates as a result of such factors as the organic growth of traffic volume and improvement of regional road networks, as well as the decrease in financial expenses due to smaller borrowing scale and reduced capital cost. The detailed analysis of investment income from joint ventures and associates is as follows:

Unit: '000 Currency: RMB

	Toll revenue		Cost of services		Gross profit margin		Investment income of the Group ^{Note}	
	2016	Change (%)	2016	Change (%)	2016	Change (pct. pt)	2016	Change
Toll highway								
Joint ventures:								
Changsha Ring Road	114,170	40.42	51,379	13.02	55.00	10.91	26,307	12,484
Associates:								
Shuiguan Extension	109,618	18.36	80,247	17.72	26.79	0.40	4,781	2,618
Yangmao Expressway	658,998	6.56	223,347	40.24	66.11	-8.14	79,995	310
Guangwu Project	375,089	14.96	137,367	19.74	63.38	-1.46	45,827	8,396
Jiangzhong Project	414,543	6.48	308,176	19.58	25.66	-8.14	16,672	5,674
GZ W2 Expressway	393,006	8.73	154,074	2.08	60.80	2.55	34,133	34,583
Nanjing Third Bridge	401,809	5.80	139,028	6.79	65.40	-0.32	36,217	4,484
Total	/	/	/	/	/	/	243,932	68,549

Note: The RMB73,042,000 of investment income of Qinglong Company achieved prior to its consolidation into the financial statements in 2015 was not included in the investment income of the Group as set out in the above table. GZ W2 Company adjusted and recognised the income tax expenses in prior years in 2015 in accordance with relevant requirements, resulting in a significant YOY increase. Details are set out in Notes V12 and 42 to the Financial Statements in this Report.

Management Discussion and Analysis

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 2016, the Group's net cash inflows from operating activities and cash return on investments^{Note} totalled RMB2,410,065,000 (2015: RMB1,942,475,000), representing a YOY increase of 24.07%, which was mainly due to the fact that Qinglong Company had been consolidated into the financial statements, resulting in an increase in the Group's net cash flows from operating activities, and tax payment of RMB423,964,000 in relation to the gains on disposal of assets of Meiguan Expressway in the corresponding period of last year.

Note: Aggregated figures of net cash inflows from operating activities and cash return on investments = Net cash flows from operating activities + Cash received from investments + Cash received from investment income.

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 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: The Group paid for additional capital contribution of United Land Company and purchased wealth management products from banks during the Reporting Period. The net cash outflows from investing activities amounted to RMB2.53 billion.

Descriptions on the reasons for changes in net cash flows from financing activities: In the corresponding period of last year, the Group received compensation for the toll adjustment of the Three Projects in the amount of RMB6.588 billion, resulting in a significant decrease in the net cash inflows from financing activities during the Reporting Period.

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 the truthfulness and accuracy of the amortised amount. Details of this accounting policy and accounting estimates are set out in notes III\18(1) and 30(1) to the Financial Statements in this Annual Report.

During the preliminary operational stage of toll highways and before reaching their designed saturated traffic volumes, the amortised amount calculated by the units-of-usage method is lower than that calculated by the straight-line method. During 2016, the difference in amortisation amount attributable to the Company calculated by using the two amortisation methods based on its share of interests was RMB124 million, representing a YOY decrease. The adoption of different amortisation methods had no impact on the cash flow generated by 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. Investment Income from Transfer of the Equity Interests and Creditors' Rights of a Subsidiary by Guizhou Property

During the Reporting Period, Guizhou Property completed the transfer of the entire equity interest in and creditors' rights of its wholly-owned subsidiary Guizhou Pengbo, 51% equity interest in Guizhou Hengtongli, and the entire equity interest in and creditors' rights of Guizhou Hengtongsheng, recognising equity transfer income of RMB52,828,000, and recognised gains of RMB16,673,000 from re-measurement of the remaining equity interest of Guizhou Hengtongli held by it at fair value after losing control of the latter, leading to total increase of RMB44,065,000 in the net profit of the Group during the Reporting Period. Details are set out in notes V42 and VI2 to the Financial Statements in this Annual Report.

2. Gains 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, the Group recognised gains from changes in fair value of RMB74,991,000 of the swap transaction instrument, which almost equals to the exchange losses from the USD debenture during the Reporting Period. Details are set out in note V17 to the Financial Statements in this announcement.

(III) Analysis of Assets and Liabilities

1. Assets and Liabilities

The Group's assets mainly comprise the concession intangible assets of high-grade toll highways and equity investments in the companies operating toll highways, which accounts for 60.83% of its total assets, while cash at bank and on hand as well as other assets account for 17.49% and 21.68% of its total assets, respectively. As at 31 December 2016, the Group's total assets amounted to RMB32,384,844,000 (31 December 2015: RMB31,670,655,000), increasing by 2.26% as compared to the end of 2015.

As at 31 December 2016, the total outstanding interest-bearing liabilities of the Group amounted to RMB12,941,286,000 (31 December 2015: RMB13,275,685,000), representing a decrease of 2.52% as compared to the end of 2015. As the decrease was attributable to repayment of due corporate bonds in the Reporting Period, Affected by the receipt of prepayment of RMB6.588 billion from Shenzhen Government at the end of 2015 as compensation for the toll adjustment of the Three Projects all the end of 2015 in 2016, the average borrowing scale of the Group's borrowings was RMB12.9 billion (2015: RMB8.38 billion), representing a YOY increase of 53.94%.

Management Discussion and Analysis

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	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
Interest receivable	15,870	0.05	959	–	1,554.45	(1)
Financial assets at fair value through profit or loss	74,991	0.23	–	–	N/A	(2)
Other current assets	564,329	1.74	18,880	0.06	2,889.11	(3)
Long-term prepayments	184,698	0.57	6,851	0.02	2,595.94	(4)
Available-for-sale financial assets	43,490	0.13	30,170	0.10	44.15	(5)
Long-term receivable	16,519	0.05	68,710	0.22	-75.96	(6)
Long-term equity investments	4,703,282	14.52	1,982,890	6.26	137.19	(7)
Construction in progress	13,575	0.04	29,456	0.09	-53.91	(8)
Deferred income tax assets	53,142	0.16	77,618	0.25	-31.53	(9)
Taxes payable	156,192	0.48	258,045	0.81	-39.47	(10)
Other payables	2,387,125	7.37	1,325,054	4.18	80.15	(11)
Bonds payable	3,742,864	11.56	2,690,330	8.49	39.12	(12)

Descriptions:

- (1) Growth of interest income receivable from time deposits.
- (2) Recognition of gains from changes in fair value of foreign exchange swap transaction on issued USD debenture.
- (3) Purchase of wealth management products from banks.
- (4) Prepayment of construction funds of Outer Ring Project.
- (5) Capital injection to United Electronic Company.
- (6) Transfer of the remaining receivables of Longli BT Project to “non-current assets due within one year”.
- (7) Capital injection to United Land Company and transfer of capital injection to Bank of Guizhou from “Other non-current assets” to “Long-term equity investments”.
- (8) Transfer of construction in progress to fixed assets upon completion.
- (9) Reversal of deferred income tax assets related to deductible tax losses and provisions for maintenance/resurfacing obligations of highways.
- (10) Receipt of the interest income on the compensation payment resulting from the toll adjustment and the compensation for the accrued operating costs for the Toll Free Section of Meiguan Expressway at the end of 2015 and payment of Taxation related thereto during the Reporting Period.

- (11) Increase in the construction funds invested by the government for Outer Ring Project and the remaining consideration to be paid for purchase of 45% of share equity in JEL Company.
- (12) Issuance of debentures amounting to USD300 million, and reclassification of three-year medium-term notes amounting to RMB1 billion to “non-current liabilities due within one year”.

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 mortgaged or pledged are as follows:

Assets	Type	Financial Institution	Scope of security	Term
Toll collection rights of Qinglian Project ⁽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 by Qinglian Company 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)

Description on mortgage and pledge of assets:

- (1) Pledged by Qinglian Company, a subsidiary of the Company. As at the end of the Reporting Period, the balance of such consortium loans withdrawn by Qinglian Company was RMB1,882 million.
- (2) The Outer Ring Company signed a pledge contract with the consortium led by China Development Bank, pursuant to which, the Outer Ring Company applied for a bank loan of RMB6.5 billion by pledging the proceeds and credits receivable from the operating activities of the Outer Ring Expressway. As at the end of the Reporting Period, the outer ring expressway toll collection right pledge had not yet been registered, and the outstanding principal of such consortium loans was RMB0.

Management Discussion and Analysis

3. Capital Structure and Debt Repayment Capability

The Company is always committed to maintaining a rational capital structure and constantly enhancing its profitability, so as to maintain its good credit ratings and solid financial position. During the Reporting Period, due to the combined effect of equity investment, purchase of wealth management products from banks, acquisition rights and minority shareholder's interest of JEL company and distribution of profit etc, the net borrowings-to-equity ratio increased as compared with that at the beginning of the year; interest coverage multiple and EBITDA interest multiple recorded a YOY decrease as a result of the increase in the average size of borrowings scale. Given the Group's stable and robust operating cash flows and strong financing and capital management capability, the Directors are of the view that the financial leverage ratios remained at safe levels as at the end of the Reporting Period.

Key indicators	31 December 2016	31 December 2015
Debt-to-asset ratio (Total liabilities/Total assets)	54.57%	52.76%
Net borrowings-to-equity ratio ((Total borrowings – cash and cash equivalents)/Total equity)	59.12%	47.42%
	2016	2015
Interest covered multiple ((Profit before tax + interest expenses)/Interest expenses)	3.56	4.38
EBITDA interest multiple (Earnings before interests, tax, depreciation and amortisation/Interest expenses)	5.52	6.20

Note: After excluding entrusted construction management project funds retained in the special deposit accounts amounting to RMB1.4 billion, the debt-to-asset- ratio as at the end of the period basically remained the same.

4. Liquidity and Cash Management

During the Reporting Period, in view of the financial position and capital requirement of the Company, the Group strengthened its capital arrangement for subsidiaries and major projects and maintained appropriate cash on hand and sufficient banking facilities so as 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 the Group's cash was deposited in commercial banks, and no deposit was placed in non-bank financial institutions or applied to investment in securities other than the aforementioned wealth management products. For details about the wealth management products, please refer to "Report of the Directors" below.

	31 December 2016	31 December 2015	Change
Net current assets	3,215	4,314	-1,099
Cash and cash equivalents	4,244	6,181	-1,937
Banking facilities available	13,114	5,430	7,684

Unit million Currency: RMB

5. Financial Strategies and Financing Arrangements

During the Reporting Period, the Central Bank of China continued to adopt the stable and healthy monetary policy, keeping the overall market interest rate at a low level, and RMB periodically depreciated against USD with increasingly notable bilateral volatility. In order to establish a domestic and overseas financing platform and expand financing sources, the Company issued a 5-year fixed rate overseas debenture amounting to USD300 million in the middle of July in accordance with the Company's development strategy to finance the investment and construction and its working capital, leading to further optimisation of the capital structure and lower the composite capital costs of the Company. The Company has entered into interest rate lock-in for this overseas debentures to maintain its financial stability. During the Reporting Period, the Company arranged for prepayment of RMB500 million of debts, repaid RMB100 millions of due bank loans, and redeemed RMB1.5 billion of matured corporate bonds.

The Group's composite borrowing costs for the Reporting Period amounted to 4.97% (2015: 5.53%), which was 0.56 percentage point lower than that in 2015. 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 Group's borrowings comprised mainly medium to long-term borrowings and bonds. 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 issuers, and obtained Moody's Seasoned Baa2, S&P BBB, and Fitch BBB rating for international issuer; as for rating for bonds, the credit rating of its corporate bonds were upgraded from AA+ to AAA, while others were maintained at their original AAA rating.

As at 31 December 2016, the Group had obtained a total of RMB20.6 billion of banking facilities, including RMB13.7 billion of borrowing facilities specifically for construction projects and RMB6.9 billion of general credit facilities. As at the end of the Reporting Period, unutilised banking facilities amounted to RMB13.1 billion.

6. Contingencies

Details of the Group's contingencies during the Reporting Period are set out in note XI2 to the Financial Statements in this Annual Report.

Management Discussion and Analysis

(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 RMB2,452 million (2015: RMB1,347 million), representing a YOY increase of RMB1,105 million. The details of material equity investments in 2016 are as follows:

Unit: '000 Currency: RMB

Name of investee companies	Major business	Shareholding	Investment Amount in 2016	Description
United Land Company	As the reporting entity and legal person for the Meilin Checkpoint Urban Renewal Project and be responsible for related works in acquiring the land, as well as demolition and relocation of the Meilin Checkpoint Urban Renewal Project.	49%	1,896,300	For details, please refer to the related content in "Business Review" above and "Report of the Directors" in this Report. As at 31 December 2016, the aggregate capital contribution completed by the Company was RMB2.45 billion.
Bank of Guizhou	Deposit and loan business; domestic clearing, bills acceptance and discounting; issuance, redemption and underwriting of various types of bonds; other businesses as approved by the banking regulatory authorities and related departments.	4.41%	68,640	As at 31 December 2016, the Company subscribed for 426 million additional shares of Bank of Guizhou by way of capital contribution in the amount of RMB664,560,000 cumulatively, accounting for 4.41% of the equity interests in Bank of Guizhou.
United Electronic Company	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.	12.86%	13,320	Guangdong UETC, an associate company of the Company, proposed to implement a private placement. During the Reporting Period, the Company subscribed for 6 million shares, as a result the shareholding of the Company in Guangdong UETC decreased from 15% to 12.86%. As at 31 December 2016, the Company's cumulative capital contribution amounted to RMB43,490,000.
JEL Company	Holding 100% equity interest in Magerk Company, whose main business is toll collection and management of Wuhuang Expressway.	100%	453,499	During the Reporting Period, Mei Wah Company acquired additional 45% equity interest in JEL Company for RMB453,499,000. After completion of the transaction, the Company holds 100% equity interest in JEL Company.

(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 upgrade of Qinglian Class I Highway to an expressway, Outer Ring Project and other projects, 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 RMB382 million. The investments in major projects are as follows:

Unit: '000 Currency: RMB

Project name	Project amount	Project progress	Amount invested during the Year	Actual accumulated amount invested	Gains from the project
Qinglian Project	6,125,390	100%	9,760	6,077,230	For details of the operational performance of related projects (except for Outer Ring Project at the beginning stage of construction) during the Reporting Period, please refer to the Analysis of Main Business as set out above.
Nanguang Expressway	3,149,320	99%	3,524	3,077,674	
Reconstruction and expansion for Meiguan Expressway	698,500	100%	2,111	641,762	
Outer Ring Project	6,500,000	6%	300,610	360,950	
Total	/	/	316,005	10,157,616	

(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 at fair value through profit or loss	-	74,991	74,991	74,991

(V) Analysis of Major Controlling Companies and Participating Companies

Unit: '000 Currency: RMB

Company name	Percentage of interests held by the Group	Registered capital	31 December 2016		2016			Principal business
			Total assets	Net assets	Revenue	Operating profit	Net profit/ (Net loss)	
Meiguan Company	100%	332,400	882,020	528,365	128,336	40,471	11,844	Construction, operation and management of Meiguan Expressway
Jihe East Company	100%	440,000	2,105,109	1,910,647	649,486	346,618	260,434	Construction, operation and management of Jihe East
Mei Wah Company	100%	HK\$ 795,381	1,899,233	1,197,847	346,959	173,655	91,866	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	7,655,377	2,562,706	675,755	29,359	21,952	Construction, operation and management of Qinglian Expressway and related auxiliary facilities
JEL Company/ Magerk Company	100%	US\$ 28,000	883,674	748,269	346,959	143,937	107,926	JEL Company: investment holding (holding interests in Magerk Company); Magerk Company: toll collection and management of Wuhuang Expressway
Qinglong Company	50%	324,000	4,345,762	2,436,776	627,228	148,666	113,920	Development, construction, toll collection and management of Shuiguan Expressway
Investment Company	100%	400,000	1,214,517	767,659	262,542	68,269	41,147	Investment in industries and project construction
Guishen Company	70%	500,000	1,155,886	707,336	253,822	73,981	66,926	Investment, construction and management of road and urban and rural infrastructure
United Land Company	49%	5,000,000	5,496,959	4,990,824	–	(1,630)	(1,800)	As the reporting entity and legal person for the Meilin Checkpoint Urban Renewal Project and be responsible for related works in acquiring the land, as well as demolition and relocation of the Meilin Checkpoint Urban Renewal Project.

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

(VI) Analysis and explanation about the reasons for and impact of changes in accounting policy, accounting estimates or accounting method by the Company

Changes in Accounting Policies

Pursuant to the requirements of the relevant accounting policies and rules of the Company, and based on the actual circumstances of each of the major toll highways, the Group has revised the relevant accounting estimates for the unit amortisation amount of concession intangible assets of Qinglian Expressway, Nanguang Expressway, Yanpai Expressway and Yanba Expressway with effect from 1 January 2016, and revised the relevant accounting estimates for the unit amortisation amount of concession intangible assets of Wuhuang Expressway with effect from 1 October 2016. These changes in accounting estimates have resulted in a decrease of the equity attributable to owners of the Company as at 31 December 2016 by approximately RMB27,322,000 and a decrease in net profit of the Group for the Reporting Period by approximately RMB27,322,000, which has no significant impact on the financial position and operating results of the Group as a whole.

Management Discussion and Analysis

The details of the changes of accounting estimates of the Company were set out in note III\30 to the Financial Statements in this announcement. The above changes of accounting estimates were considered and approved at the twelfth and twenty-third meeting of the seventh session of the Board of the Company. For details, please refer to the announcements of the Company dated 29 January and 17 March 2016 on the resolutions of the Board and the changes in accounting estimates.

(VII) Proposed Profit Distribution

The Company's 2016 audited consolidated net profit and the net profit of the parent company in accordance with CASBE were RMB1,169,353,230.77 and RMB1,153,244,646.93 respectively. Pursuant to the relevant PRC laws and regulations and the Articles of Association, the Company transferred RMB115,324,464.69 to its statutory surplus reserve for the year of recommended the payment of a final dividend of RMB0.22 (tax included) per share in cash to all shareholders, totalling 479,769,471.72 for the year ended 31 December 2016, representing 41.0% of the net profit as shown in the consolidated financial statements for the year of 2016. The balance after distribution shall be carried forward to the next year. The Board did not recommend any conversion of capital reserve into share capital. Such proposal is subject to approval at the 2016 Annual General Meeting of the Company.

1. Formulation, Implementation or Adjustment of Cash Dividend Distribution

The Company has always adhered to the principle of rewarding its shareholders and has been paying cash dividends for 19 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 cash 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 of the Company in formulating or implementing the profit distribution proposal in accordance with the policy shall be subject to consideration at the general meeting as a special resolution. The decision-making procedures of the proposal of profit distribution (including the cash dividend scheme) of the Company for 2016 was in compliance with the requirement of the Articles of Association. In the course of formulating and determining the profit distribution proposal, the Independent Directors of the Company 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
2016 (Proposed)	0	2.20	0	479,769,471.72	1,169,353,230.77	41.0%
2015	0	3.40	0	741,461,910.84	1,552,656,397.24	47.8%
2014	0	4.50	0	981,346,646.70	2,186,883,365.49	44.9%

III. Outlook and Plans

(I) Industry Competition Landscape and Development Trend

1. Basic Assessment on the Operating Environment

Looking forward to 2017, the domestic economy will continue to be at the bottom of the long cycle, with lingering downside pressure, but the deepening reform on the supply side will help reduce the room for a further drop; China's economy has ended its ultra-high growth era, entering into the "new normal" of steady growth with pursuit of quality growth. Against this backdrop, China's economy is expected to maintain good momentum and promising potential to drive the relatively stable growth of domestic demands for road traffic.

In respect of the toll highway industry, the policy environment tends to be stable. The revision of the "Toll Highway Administration Ordinance" is still in progress and the society generally agrees with the principles of "reasonable returns for investors" and "users pay for highway" in the revision draft. However, agreements on policy measures, management models, operational management, sustainable development and other specific issues have not been reached. Overall, the policy guidance, criticism, public demand and reform of the toll highway industry will affect one another, and continuous revision and improvement of relevant policy will be helpful to the long-term and healthy development of the industry.

The progress of new form of urbanisation would induce huge demand for construction or upgrade and reconstruction of infrastructure and maintenance and management after the infrastructure has been put into use, thereby providing more business opportunities for the Company to develop its entrusted management business with its professional skill and experience. The Group will make use of its own construction and management experience, capital resources, land resources and geographical advantages to cooperate with the government or other companies, complementing each other by nullifying weaknesses and enhancing strengths to actively promote the construction, investment, operation and management of infrastructure.

The infrastructure sector, including the toll highway, witnesses a trend towards further opening to social capital. The government has successively launched policies such as 《關於在收費公路領域推廣運用政府和社會資本合作模式的實施意見》("Implementation Guidelines on Promoting Government and Social Capital Cooperation Models on Toll Highways") and 《基礎設施和公用事業特許經營管理辦法》("Management Measures of Concession on Infrastructure and Utilities"), with a view to encourage and guide social capitals to be engaged in the construction and operation of infrastructure and utilities. PPP is a model that the government promotes in the field of infrastructure construction. Compared with traditional investment and financing models, the PPP model is more complicated in terms of cooperation method yet with more flexible and diversified modes of return, providing new business opportunities to companies while imposing higher requirements for their capabilities to innovate their business models. Using PPP model in toll highway projects can solve the problems caused by large investment scale, high construction cost and the lack of independent commercial investment value. Through the cooperation of the government and companies, the transportation demand of economic activities along highway projects can be satisfied and reasonable business returns can be provided to investors, ultimately leading to the win-win situation for all parties including the public, the government and companies.

In 2017, it is expected that the Central Bank of China will adopt a more stable and neutral monetary policy. The relatively loose monetary policy environment brought by consecutive reduction of interest rates and reserve requirements in the last two years will become more stable but slightly tighter. In response to the new situation in the international market, the RMB exchange rate of RMB and interest rates are likely to fluctuate. Credit policies are expected to remain relatively stable to meet the financing needs of various proactive fiscal policies, people's livelihood infrastructure projects, state-owned enterprise reform and the "One Belt, One Road" strategy. Generally, monetary policy in 2017 is expected to maintain stable and neutral, focusing more on structural reform of the supply side and financial risk prevention and control to create a favourable monetary and financial environment for further stabilisation of the economy. The Company will closely follow the policy and market changes, identify and recognise various new policies, instruments, modes and risks, so as to make reasonable financing arrangements and lower the capital costs.

Management Discussion and Analysis

2. Analysis on Operating Conditions

Since 2014, projects such as Meiguan Expressway, Yantian Au Tunnel, Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Expressway in Shenzhen region have successively implemented toll adjustments or cancelled the toll collection; as such, all or part of the toll sections have been toll-free. Moreover, as some of the municipal roads and the road sections connected to the expressways commenced operation, there will be some changes and adjustments in traffic distribution and composition in the regional road network, resulting in certain positive or negative impacts on the Group's toll highway projects in Shenzhen region. Now, the overall impact is positive. Besides, after the implementation of the toll adjustment of Nanguang Expressway, Yanpai Expressway, Yanba Expressway and Longda Expressway from 00:00 on 7 February 2016, the traffic volumes in toll free sections have shown faster growths, driving the growth of traffic volume in the connected Jihe Expressway. According to information announced, Shenzhong Expressway connecting Shenzhen and Zhongshan is under construction and is expected to commence operation in 2023 or 2024. The aforesaid changes will help to improve the operational performance of Jihe Expressway but bring greater pressure on its capacity and operational management. Therefore, the Group is studying the possibility of expanding Jihe Expressway.

Guangle Expressway (Guangzhou-Lechang, in Guangdong) and Erguang Expressway Lianzhou to Huaiji section (in Guangdong) will continue to have a diversion effect on Qinglian Expressway for a certain period of time in the future. The reconstruction and expansion work of Guangqing Expressway (Guangzhou-Qingyuan, in Guangdong) which connects to the southern end of Qinglian Expressway was completed as scheduled at the end of 2016. The link between Guangqing Expressway and Qinglian Expressway commenced in November 2014 and will be completed by the end of 2017 according to the information announced. In addition, the construction of the link between Erguang Expressway and Qinglian Expressway is underway. Upon the completion of these projects, it is expected that the traffic efficiency and service capability of the whole expressway will be improved, making full use of its major traffic routes between Hunan and Guangdong Provinces, which will further optimise the competitiveness of Qinglian Expressway and enhance its operational performance. Han'e Expressway and National Road Shanghai-Chengdu Line are expected to have a great impact on the operational performance of Wuhuang Expressway.

(II) 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 in June 2015 approved the "2015-2019 Development Strategies" of the Company. The Company will pursue a market-oriented and innovation-driven strategy. It will continue to seize the opportunities of this era to consolidate and strengthen the core business of toll highway and actively explore and fix the new direction of the industry so as to achieve the sustainable development of the Company.

In respect of the **core business**, the Company has set the "construction and operation service provider of urban and transport infrastructure" as its main business direction at this stage, and will actively promote the development of the existing core business of toll highway by further expanding the development in the four areas of investment, construction, operation and maintenance, fostering the capital advantages and management abilities to drive the growth of its core business. As for the cultivation and development of the core business, the Company will prioritise to increase the shareholding of the existing projects and focus on considering projects located in privileged regions and regions related to the existing businesses, and closely monitor the investment prospect and opportunities of the projects in the main route of national highways which have commenced operation or will soon commence operation.

In respect of the **exploration of new industries**, the Company will comply with the PRC's policy guidance on industry development, effectively leverage the advantages in terms of corporate resources, fully unleash the core competitiveness of the Company and demonstrate it as a well-structured and duplicable principle, so as to actively explore and engage in investment in new industries which have a higher return than the core business. This will enable the Company to achieve the target of stabilising its performance growth in the near term and rendering new growth momentum in the long run. Based on the aforesaid principles, the Company has set its business direction of environmental protection industry with the contents of water environment treatment, solid waste treatment, and so on.

In respect of the **investment and financing management**, the Company will actively explore new investment modes. Aiming to reduce the consolidated capital cost and maintain a reasonable capital structure, the Company will strengthen the use of financial instruments in the capital market and consolidate the internal planning and management of funds so as to fully demonstrate the Company's advantages in investment and financing and enhance the overall competitiveness for business development of the Company.

In respect of the **organisation strength and human resources**, the Company will commit itself to building an organisation structure which can enhance the efficiency and conform to the new development strategies. The Company will also devote itself to creating a human resources management system which can enhance the staff motivation and in line with the best interest of the Company as a whole. The Company will also actively research and push forward the establishment and implementation of mechanisms such as employee stock ownership plan and share incentives to achieve jointly growth of the enterprise, staff and shareholders' values.

(III) Operation Plans

In 2017, 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 2017 of not less than RMB4.6 billion, with the total of operating costs, management expenses and selling expenses (excluding depreciation and amortisation) of approximately RMB1.4 billion. In 2017, it is expected that the average borrowing scale (including the compensation received in advance from Shenzhen government regarding the toll adjustment of Three Projects) and the financial cost of the Group will be increase on a YOY basis.
- ◆ **Toll Highway Business:** We will make our operation management "professional, industrial, corporate" with Operation Development Company as the platform of the Company to ensure a smooth transition of the business management model and to effectively improve the operational service; improve maintenance and management of inter-network toll collection system, safeguarding its operation; as well as timely adjust road network data models to support decision-making; monitor investment in road properties by judiciously using the means of electronic, information technology; and vigorously carry out the preventive maintenance works and apply the concept of optimal maintenance cost control during the whole operation period.
- ◆ **Construction Management Business:** Improve construction efficiency by preparing preliminary organisation and planning and adopting standardised management for design of the projects. Enhance procedure control and management and establish a dynamic cost management system, so as to effectively control the construction cost of projects through standardised and refined contract management. Consolidate its experience in entrusted construction management to ensure the co-ordination for the collection of entrusted construction account receivables and actively explore opportunities to develop new entrusted construction business. In 2017, the major construction projects of the Group include Section A of Outer Ring, Coastal Phase II and the entrusted construction in Shenshan cooperation zone.
- ◆ **Business Development:** Properly manage the handover works in relation to the acquisition of Yichang Project and push forward the progress of various activities of Guilong Project. Successfully proceed the development mode for Meilin Checkpoint Renewal Project and explore opportunities for the development of Shenshan cooperation zone. Put more efforts in the research, reserves, selection and examination of both toll highway projects and new projects developed through exploration of new industries, as well as ongoing risk monitoring and management in line with the Company's strategies.

Management Discussion and Analysis

- ◆ **Financing and Financial Management:** Comprehend the financial policies and changes in market conditions in a timely manner and strengthen the management and overall planning of the Group's financial resources so as to enhance the use of funding in a planned and prospective manner. Manage the capital structure and debt structure of the Group in a unified manner to support the Group's development strategies. Properly carry out risk management of overseas debts to prevent and overcome foreign exchange risks. Design a robust structure for project financing and compare and select various financing instruments and products to expand financing channel and lower capital cost and select a financing model suitable for the Company's development strategies.

(IV) Capital Expenditure Plan

As at the approval date of this report, the Group's capital expenditure plan mainly comprised investment in Outer Ring Project, construction settlements of projects such as reconstruction and expansion of Meiguan Expressway and investment in road properties and mechanical and electrical equipment of the highway sections operated by subsidiaries as well as expenditures on acquisition of Yichang Company's shares. It is expected that the Group's total capital expenditure will amount to approximately RMB6 billion by the end of 2019. The Group plans to satisfy such capital needs with its own capital 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 capital expenditure plan of the Group from 2017 to 2019 is as follows:

Unit: RMB'000 Currency: RMB

Project	2017	2018	2019	Total
1. Investment in intangible assets and fixed assets				
Outer Ring Project	831,086	1,648,479	1,943,512	4,423,077
Reconstruction and expansion of Meiguan Expressway	55,840	900	–	56,740
Nanguang Project	61,240	7,440	3,650	72,330
Qinglian Project	30,330	17,830	–	48,160
Other Projects (Investment in mechanical and electrical equipments, etc.)	132,240	–	–	132,240
2. Equity investment				
Yichang Project	1,270,000	–	–	1,270,000
Total	2,380,736	1,674,649	1,947,162	6,002,547

(V) Risk Management

Through active identification, assessment and response to risk issues occurred in the operation, the Company applied risk management to all segments of the Company, 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 "Internal Control" section in this annual report. Currently, the Company focuses on internal and external risk issues in respect of policy, market, business expansion, investment, construction management as well as operation management.

1. Policy Risk

Risk position/analysis:

The operational performance of the toll highway will be affected by various management measures launched by the local government. For example, in recent years, the Shenzhen government implemented, in phases, restrictive policies on purchase of automobile, restriction on the use of non-local small passenger vehicles during specified time-slots and substantial increase in road parking charge to restrain the rapid growth of car ownership and reduce the rate of vehicle use. If the local government tightens traffic management policies and implements new traffic control measures in the toll highway that the Group invests in and operates, certain negative impact on the current traffic volume and future traffic growth of regional road networks is expected accordingly. In addition, according to the related regulations on road and traffic safety management in Shenzhen, there is still a need to improve some facilities of the relevant road sections of the Group. These will increase the investment and operational costs of the Company and exert greater pressure on management and coordination.

Management/response measures:

In general, the local government introduces traffic management policies and implements traffic control measures to fulfil traffic management functions and ensure smooth traffic in the road network. The Group will actively communicate and interact with the local government, meanwhile strengthen the management and operation of the road to effectively improve the efficiency of the road network, and actively work with the government's policies and measures to achieve win-win outcomes for the government, enterprises and drivers.

With reasonable upgrade and reconstruction of the software and hardware of the toll collection system and ancillary facilities to toll highways, the management level of toll highways was enhanced. This will help to enhance the traffic capabilities, traffic safety, and users' experience on toll highways and thus enhance their competitiveness. The Group would optimise technical projects and implementation plans after satisfying regulatory requirements and make reasonable saving of the investment cost.

2. Market Risks

Risk position/analysis:

According to the agreement entered into between the Company and the Transport Commission, the Company will implement the toll-free policy for Nanguang Expressway, Yanpai Expressway and Yanba Expressway while the Shenzhen government make compensation to the Company. The adjustment to the aforesaid roads will be implemented in two phases: In Phase 1, which ends in 31 December 2018, the Company will retain the entitlement rights to the roads and the Shenzhen government will purchase traffic services; in Phase 2, the Shenzhen government may choose to purchase services or reclaim interests in the roads by making compensations accordingly. If the Shenzhen government opts to pay to reclaim the interests in the roads during Phase 2, the Company will increase the one-off gains from disposals for the year ended 31 December 2019 and reduce tolls income, profits and cash flow from operation accordingly. With strengthening finance of the local government and higher development of local economy, one cannot eliminate the possibility that local government and the Group would enter into arrangements for toll adjustments in respect of other roads invested and operated by the Group.

Management Discussion and Analysis

With further expansion and improvement of the expressway network, the number of parallel roads or substitutive routes will constantly increase and bring along negative impact on the growth of the Group's toll revenue. For details of the possible diversion impact on the Group's projects at current stage, please refer to the above analysis heading "Industry Competition Landscape and Development Trend". As the diversion impact of Guangle Expressway and Erguang Expressway (Lianzhou to Huaiji section, in Guangdong) on Qinglian Expressway has temporarily stabilised, the Group has made impairment provisions for the concession intangible assets of Qinglian Expressway. However, if the positive or negative impact on Qinglian Expressway resulting from future change in road networks is larger than expected, the valuation of the project may be further affected.

Management/response measures:

The Group and the Shenzhen government, complying with market principles, reached a consensus on toll adjustment of Nanguang Expressway, Yanpai Expressway and Yanba Expressway on the basis of mutual negotiation. It is fair and reasonable for the Company no matter which option the Shenzhen government chooses during Phase 2. Facing a new operation and policy environment, the Company on the one hand maintains active communication with government authorities to jointly explore new development model to boost the balanced and sustainable development of the Company, and on the other hand chooses different business models and methods to effectively control and manage risks while gaining reasonable income and return, leveraging the experience and skills accumulated in the industry. As for the development of core businesses, the Company will actively push forward the development of its toll highway business and at the same time further expand the development in the four areas of investment, construction, operation and maintenance, fostering the capital advantages and management abilities to drive the growth of its core business.

Based on the actual condition of the regional road networks, the Group will reasonably formulate the annual operation plan and continuously follow up the change in the layout of road networks and its trend. By fully utilising the informatised data platform, and mastering the characteristics of the change in traffic volume and particular factors causing the change, the Group will adopt targeted marketing and guidance measures in advance, in order to promote improvement of road networks and thus increase the positive impact or reduce the negative impact on the Group's projects. Meanwhile, the Group will continue to increase the competitiveness of the projects through provision of good traffic service and enhancement of traffic efficiency.

3. Business Expansion Risks

Risk position/analysis:

Although the Group has reached an agreement with the Shenzhen government on matters regarding the investment, construction and management of Section A of Outer Ring, as the first toll highway project undertaken by the Group using the PPP mode, its investment and financing models are different from traditional models, and the rights and obligations of all participating parties during the implementation of the project are also different from that in the traditional models. Such differences impose new requirements on the Group in various aspects, including value assessment, contract design, financing arrangement, project management and communication and coordination, while bringing uncertainties to the Group's operation. In addition, the Group will continue to reserve and screen toll highway projects that are in line with its investment principles. The accuracy of assessment on aspects such as the business models, investment value and cooperative partners of these projects will likely affect the Group's operating results and financial position.

As the reporting and implementing entity of Meilin Checkpoint Renewal Project, United Land Company has obtained the land use right of Meilin Checkpoint Renewal Project Land Parcels as scheduled, and the negotiation on the compensation for relocation has been basically completed. The real estate policy adjustments, regional market changes, and tax policy adjustments will bring some uncertainties to the realisation of Meilinguan project's commercial value. The Company also invested in Bank of Guizhou. The operating results and financial condition of which may be affected by unfavourable factors, including macroeconomic downturn, interest rate fluctuations and interest rate liberalisation, as well as challenges resulting from market competition.

The Company has included “actively explore and determine new direction for industry development” in its new strategies. As there were differences between the new business and toll highway business, if the Company’s capability on capturing the market opportunities, business experience, management model and human resources fail to bridge the differences, the project revenue, capital safety, business expansion achievements and the overall performance of the Group may be affected.

Management/response measures:

The investment, construction and management of Section A of Outer Ring by adopting PPP model is a proposal after long-term negotiations, close communication and detailed assessment between the government and the Company. As such, the demand for social development and commercial returns can be both satisfied and will ultimately lead to a win-win situation for all parties including the public, the government and the Company. With the extensive experience in project construction management and entrusted construction management business accumulated over the years, the Group is confident in handling works in relation to project construction and communication with the government properly. In respect of project financing, apart from assessment on the value of the projects, the Group will make reasonable arrangement for financing and fund-raising plan over the construction period and operation period, which will also effectively reduce financial risks of the projects. As for value assessment and contract design of investment projects, the Group will fully leverage the innovative capability of its business model to conduct comprehensive assessment and estimation on the value of the projects. It will also clearly define rights and responsibilities as well as implement risk control through execution of commercial contracts.

For Meilin Checkpoint Renewal Project, the Group will closely follow up the change in national and local policies and regulations on land, and maintain communication and cooperation with the local government. The Group will study the change in related industry policies and the market condition, actively explore channels and methods to realise land value, enhance preliminary market research, conduct thorough comparison and take reference, grasp the trend of changes in the target market, make reasonable arrangement on the scale and pace of project development, and timely adjust investment strategies or product development direction. For the investment in Bank of Guizhou, the Company will exercise shareholders’ rights according to laws and closely follow the actual operation of Bank of Guizhou to achieve better risk control and management.

The Group has carried out thorough and objective analysis on its own strength and the external environment and clearly stated the principles of industry development, including compliance with the national policy guidance for the industry, effective use of the Company’s competitive resources, fully unleashing the core competitiveness of the Company and the principles on scale and reproduction. The Group will respect the objective market pattern to, based on the features of new industries exploration, establish operating procedures, management system as well as incentive and appraisal mechanism, so as to achieve liberalisation of new industries exploration. Moreover, after enhancing the training for team capability, the Group will also engage professionals and organisations to advise on management and take charge of specific works, and integrate the high quality resources in the industry to ensure the intended effect.

4. Construction and Management Risks

Risk position/analysis:

Due to fluctuations of building materials price, rising standard and increased difficulty of land acquisition and demolition, change of design, new policy and technical regulations promulgated by the government and the development plan adjusted by the government, the Company’s construction projects and entrusted construction projects may face the risks of rising costs and delayed delivery. In 2017, the Group’s main construction projects will include Section A of Outer Ring, Coastal Phase II and Shenzhen-Shantou Special Cooperation Zone. The total construction scale in the next few years will exceed RMB25 billion. The long construction period and wide regional span make these projects prone to delay and rising cost. As the project construction entering peak period, the efforts required to ensure project quality and safety management increase, objectively giving rise to quality and safety risks.

Management Discussion and Analysis

Management/response measures:

According to the characteristics and management requirements of the construction projects, the project management department must carefully sort out project priorities and difficulties, rationally optimise the construction design, strictly perform the contract, implement various management systems as well as inspection and reward & penalty measures, and improve the measurement and payment control measures, so as to achieve dynamic cost control and management objectives.

Specify the adjustment methods of material spreads and material price adjustments in entrusted construction contracts and construction contracts, and reduce or transfer cost risks through the terms of the contract.

In terms of quality and safety management, the Company strictly implements the management procedures to strengthen the supervision of on-site materials, test management, standardisation of production operations and safety management, and provides relevant training and makes contingency plans to ensure the realisation of management objectives.

5. Operation Management Risks

Risk position/analysis:

The expansion of the inter-network toll collection called for higher requirements on the stability of the toll collection system, accuracy and timeliness of data division and settlement system. Abnormality of the system and management procedure may lead to inaccuracy in data division and delay in settlement, which will thus affect the interests and market image of the Company. Moreover, upon the expansion of the toll collection network, the extent and degree of impact of toll evasion incidents such as gate crashing and fake cards and free pass as a result of improper management have increased, which will result in a higher possibility of decrease in toll revenue. Due to implementation of toll adjustments for Nanguang Expressway, Yanpai Expressway and Yanba Expressway, the transportation costs of the users have lowered, leading to a surge in traffic flow of relevant expressways and thereby bringing pressure on the overall capabilities of the road network.

If problems occur in technical scheme, construction management and traffic organisation of road maintenance and preventive maintenance programs, the cash payments and subsequent maintenance costs of the Company will increase, and the traffic flow and traffic safety on related road sections will also be affected. In addition, the implementation of preventive maintenance programs of roads may be adjusted according to the actual conditions and the extent of damage in the highways, therefore, there is risk that the overall expenditure of the programs may overrun.

Management/response measures:

The Group will timely handle the problems that arise in the toll collection procedure and analyse and summarise the reasons thereof, actively coordinate and contact with the related departments/units, system suppliers and other toll highway companies, optimise operation procedures, improve and increase the stability and reliability of the system, and assure efficiency and accuracy of the settlement. Through various measures such as standardising business operation, executing effective audit management, cooperation with police unit and media publicity, the Group will seek to prevent and stop toll evasion incidents, and fully utilise the provincial-wide inter-network database, so as to realise information sharing and improve management effectiveness. The Group will continue to improve its service through enhancing business operation speed and reasonable arrangement of personnel. We will strengthen traffic guidance on the basis of the analysis of traffic data based on the whole road network, especially the organization of traffic flow in rush hours, and improve services and customer experience.

The Group will further improve regular assessment and dynamic adjustment mechanism of the highway maintenance planning by conducting in-depth study of damage development trend, formulating reasonable technical scheme and controlling costs reasonably based on the concept of optimal maintenance cost control during the operation period, as well as on the basis of summarising and absorbing the past highway maintenance experience. Meanwhile, through the improvement of construction management and traffic organisation measures, the construction cost will be under effective control and the impact on traffic safety will be effectively reduced.

Report of the Directors

The Board is pleased to present herewith the Report of the Directors and the audited financial statements for the year ended 31 December 2016. The financial statements were prepared in accordance with CASBE, and also in compliance with the disclosure requirements under the Hong Kong Companies Ordinance and the Listing Rules of HKEx.

Principle Activities and Business Review

The principal activities of the Group are the investment, construction and operation management of toll highways and roads as well as other urban and transport infrastructure in the PRC. During the Reporting Period, there is no substantial change in respect of the Group's businesses. Discussion and analysis of the Group's business as required by the relevant rules, regulations and guidelines (including but not limited to the Hong Kong Companies Ordinance) can be found in "Management Discussion and Analysis" of in annual report, the Notes to Financial Statements and the Social Responsibility Report 2016 of the Company dated 17 March 2017.

Major Customers and Suppliers

Given the nature of the business of the Group, there is normally no major sales or purchase in relation to its ordinary course of business. During the Reporting Period, the revenue from the Group's top five customers and the amount of purchases from the Group's top five suppliers accounted for no more than 30% of the Group's total revenue and total amount of purchases, respectively. For details, please refer to "Financial Analysis" of "Management Discussion and Analysis" in this annual report. No further disclosure in respect of its major customers and suppliers is to be made by the Group.

Results and Profit Distribution

The results of the Group for the year ended 31 December 2016 are set out in Consolidated Income Statement in this annual report.

The Board recommended the payment of a final dividend of RMB0.22 (tax included) per share in cash for 2016, the details of which are set out in "Financial Analysis" of "Management Discussion and Analysis" in this annual report.

Financial Highlights of the Group

The financial positions of the Group and the Company as at 31 December 2016 are set out in Consolidated Balance Sheet and Balance Sheet in this annual report.

A summary of the results and of the assets and liabilities of the Company for the last five financial years is set out in "Financial and Operational Highlights" in this annual report.

Share Capital

The total share capital of the Company was RMB2,180,770,326. Details are set out in "Share Capital and Shareholders" and note V31 to the Financial Statements in this annual report.

Rating and Repayment of principal and Interest Listed Bonds

In April 2016, China Chengxin Securities Rating Co.,Ltd. (中誠信證券評估有限公司) conducted a follow-up debt credit rating for the 2011 corporate bonds ("11 Shenzhen Expressway") issued by the Company on 27 July 2011, and the existing credit rating of AA+ for issuer rate and credit rate of the bond was raised to AAA. In July 2016, the Company completed the payment of interests for the last year and the principal on schedule as stipulated. An interest of RMB60 (tax included) and principal of RMB1,000 was paid for each lot of 11 Shenzhen Expressway (with par value of RMB1,000). 11 Shenzhen Expressway was delisted on 27 July 2016.

In July 2016, the Company issued bonds amounting to US\$300 million, which has been listed and trading on the HKEx (for professional investors only), under the stock code "5684", and the abbreviation of which is "SZEWE B2107".

Report of the Directors

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 its joint ventures.

Pre-emptive Rights

According to the Articles of Association and the PRC laws, there are no provisions for pre-emptive rights requiring the Company to offer new shares to the existing shareholders of the Company ("Shareholders") in proportion to their shareholdings if new shares are issued.

Tax Relief

Shareholders are taxed in accordance with the following tax regulations and the amendments thereof from time to time. They shall enjoy possible tax relief according to the actual situation. The following cited laws, regulations and stipulations are all relevant provisions issued before 31 December 2016. Shareholders should seek professional advice from their tax and legal advisors.

Holders of A Shares:

Pursuant to Notice on Differentiated Individual Income Tax Policy for Stock Dividends of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) (CaiShui [2015] No.101), for shares of listed companies obtained by individuals from public offerings or the market, where the holding period exceeds one year, the dividends shall be exempted from individual income tax; where the holding period is less than one month (inclusive), the dividends shall be counted as taxable income in the full amount; where the holding period is more than one month and less than one year (inclusive), 50% of the dividends shall be counted as taxable income on a provisional basis. The individual income tax rate of 20% shall be applicable for all incomes mentioned above.

Pursuant to Notice on Withholding and Paying Enterprise Income Tax Matters Concerning PRC Domestic Enterprise Paying Dividends, Bonuses and Interests to QFII (《關於中國居民企業向QFII支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》) (GuoShui Han [2009] No.47), for qualified foreign institutional investors, the Company shall withhold and pay enterprise income tax at a tax rate of 10%. If the relevant Shareholders consider their dividends enjoy tax treaty (arrangement) benefits, such Shareholders may apply for tax refund on their own to the competent tax authorities in accordance with the provisions after obtaining dividends.

Holders of H Shares:

Pursuant to Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and its implementation rules implemented in 2008, any PRC domestic enterprise which pays dividends to a non-resident enterprise shareholder shall withhold and pay enterprise income tax at tax rate of 10%. Pursuant to Notice on Matters Concerning the Levy and Administration of Individual Income Tax after the Repeal of GuoShuiFa [1993] No.045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (GuoShuiHan [2011] No.348) and the letter of HKEx titled "Tax Arrangements on Dividends Paid to Hong Kong Residents by Mainland Companies" dated 4 July 2011, when the domestic non-foreign investment companies which are listed in Hong Kong distribute dividends to their shareholders, the individual shareholders in general will be subject to a withholding tax rate of 10%, unless otherwise specified by the tax regulations and relevant tax agreements.

Under the current practice of relevant tax authorities, no tax is payable in Hong Kong in respect of dividends paid by the Company.

Investors of Shanghai-Hong Kong Stock Connect Program:

For tax matters on individual investors in the PRC investing in H shares listed on HKEx and the investors in Hong Kong investing in A shares listed on the Shanghai Stock Exchange under Shanghai-Hong Kong Stock Connect Program, please refer to Notice on Tax Policy Concerning the Pilot Inter-connected Mechanism for Trading on the Stock Markets of Shanghai and Hong Kong (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) (CaiShui [2014] No.81) jointly issued by the Ministry of Finance, State Administration of Taxation and CSRC.

Charity Donations

During the Reporting Period, the Group donated RMB1,788,900 for charity or public welfares.

Reserves

The amounts and details of material transfers to and from reserves of the Group and the Company during the Reporting Period are set out in notes \32-35 to the Financial Statements in this annual report.

Fixed Assets and Intangible Assets

The movements in fixed assets and intangible assets of the Group during the Reporting Period are set out in notes \13 and 15 to the Financial Statements in this annual report respectively.

Bank Loans and Other Borrowings

Details of bank loans and other borrowings of the Group and the Company as at the end of the Reporting Period are set out in notes \24-27 to the Financial Statements in this annual report.

Subsidiaries and Joint Ventures

Details of the Company's subsidiaries and joint ventures are set out in notes VII1 and \12 to the Financial Statements in this annual report respectively.

Directors, Supervisors and Senior Management (hereinafter referred to as "Management")

- (1) Information of the Management and changes in the Management during the Reporting Period are set out in "Directors, Supervisors, Senior Management and Employees" in this annual report.
- (2) Details of the remuneration received by the Management during the Reporting Period are set out in "Directors, Supervisors, Senior Management and Employees" and notes \5(4) to the Financial Statements in this annual report.
- (3) Service contracts:

Each of the Directors had entered into a service contract with the Company. Contents of such contracts are the same in all material respects. The service contract of Director Chen Tao was effective from 24 June 2016 to 31 December 2017. The service contracts of Directors Liao Xiang Wen, Liu Ji and Chen Yuan Jun were effective from 23 November 2016 to 31 December 2017. The service contracts of other Directors were effective from 1 January 2015 to 31 December 2017. Save as the aforesaid, no service contracts that can be terminated within one year without compensation (other than general statutory compensation) have been or proposed to be entered into between the Company and the Directors or the Supervisors.

- (4) Interests in contracts:

As at the end of the Reporting Period or at any time during the Reporting Period, no contract of significance was entered into to which the Company or its subsidiaries was a party and in which a Director or Supervisor of the Company had a material interest, whether directly or indirectly, nor any of the aforesaid contract still subsisted at the end of the Reporting Period or at any time during the Reporting Period (excluding service contracts).

None of the Management is materially interested in any contract or arrangement entered into by any member of the Group or any contract or arrangement which subsist at the date of this annual report and which is significant to the business of the Group.

Report of the Directors

(5) Loans provided to senior management:

During the Reporting Period, the Group has not directly or indirectly provided loans to or guarantee to the debts of the Management of the Company or its controlling shareholder(s) or their respective connected persons.

(6) Rights to subscribe for shares or debentures:

As at 31 December 2016, the interests or short positions of the Directors, the Supervisors or the Chief Executive in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part 15 of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) which were required to be entered into the register maintained by the Company under Section 352 of Securities and Futures Ordinance (including deemed interests and short positions under such provisions of Securities and Futures Ordinance) or which were required to be notified to the Company and HKEx pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (collectively, "interests or short positions") were as follows:

Long positions in ordinary shares of Shenzhen International:

Name	Number of ordinary shares held as at 31 December 2016	Change during the Reporting Period	Approximate percentage of ordinary shares held in the issued share capital of Shenzhen International	Nature of interests	Capacity
Hu Wei	120,716	+5,024	0.01%	Personal	Beneficial owner
Tse Yat Hong	1,481,674	+481,674	0.07%	Personal	Beneficial owner

Interests in share option of Shenzhen International:

Name	Share options outstanding as at 31 December 2016 ⁽¹⁾	Change during the Reporting Period	Nature of interests	Capacity
Hu Wei	1,050,000	–	Personal	Beneficial owner
Wang Zeng Jin	400,000	–	Personal	Beneficial owner
Liao Xiang Wen ⁽³⁾	200,000	–	Personal	Beneficial owner
Zhao Jun Rong	1,050,000	–	Personal	Beneficial owner
Tse Yat Hong	630,000	-420,000 ⁽²⁾	Personal	Beneficial owner
Liu Ji	360,000	–	Personal	Beneficial owner
Zhong Shan Qun	1,050,000	–	Personal	Beneficial owner

Notes:

- (1) These share options were granted on 29 January 2014 and could be exercised during the period from 29 January 2016 to 28 January 2019 pursuant to the terms of the grant at an exercise price HK\$10.40 per share.
- (2) Director Tse Yat Hong had exercised such share options during the Reporting Period.
- (3) The interest is owned by the Director Liao Xiang Wen 's spouse.

Save as disclosed above, as at 31 December 2016, none of the Management had interests or short positions defined above.

The Share Incentive Scheme of the Company and Its Impact

In order to further establish and improve the long-term incentive mechanism of the Company, attract and retain excellent talents, fully mobilize the enthusiasm of the senior management, middle management cadres, and core management and technicians of the Company, the Board reviewed and adopted relevant proposals regarding the Company's Restricted A Share Incentive Scheme on 15 January 2016, and proposed to grant a total of 17,191,690 restricted shares at the price of RMB5.35 per share to 75 participants. On 24 June 2016, the Company convened a general meeting and class meetings to review relevant proposals. Although these proposals were approved by the Second Extraordinary General Meeting of 2016 and the First Class Meeting 2016 of Holders of A Shares in 2016, they were not approved by the First Class Meeting 2016 of Holders of H Shares. The Company believed that some of the H Share shareholders might have certain deviation in their understanding about these proposals, and had made explanations in a compliant manner and with respect to the market. The Company further improved the Incentive Scheme in accordance with the Measures for the Administration of Equity Incentives for Listed Companies promulgated by the CSRC in July 2016 and based on the changes of grantees. On 26 September 2016, the Board re-reviewed and adopted relevant resolutions on the Company's Restricted A Share Incentive Scheme, proposed to grant a total of 16,990,607 restricted shares at the price of RMB5.35 per share to 74 grantees. On 23 November 2016, the Company convened a general meeting and class meeting to review relevant proposals. Although these proposals were approved by the Third Extraordinary General Meeting 2016 and the Second Class Meeting 2016 of Holders of A Shares, they were not approved by the Second Class Meeting 2016 of Holders of A Shares. The Company fully understands and respects the wishes of its investors and the disapproval of the Restricted A Share Incentive Scheme will not affect the Company's plan for implementing new strategic objectives. Meanwhile, the Company will establish and implement multiple-form long-term incentive mechanisms to integrate the Shareholder's interests, the interests of the Company and the personal interests of employees effectively, make all parties concern about the long-term development of the Company and promote the implementation of the Company's strategy.

For details, please refer to the announcements of the Company dated 15 January 2016, 25 April 2016, 9 May 2016, 10 May 2016, 24 June 2016, 11 July 2016, 5 August 2016, 26 September 2016, 28 September 2016, 29 September 2016, 14 November 2016 and 23 November 2016, respectively, and the circulars of the Company dated 30 May 2016 and 27 October 2016, respectively.

Major Transactions and Progress

On 8 August 2014, the Company and Shenzhen International entered into the "Framework Agreement on Jointly Establishing to Project Company for Meilin Checkpoint Urban Renewal Project", pursuant to which, the Company and Shenzhen International (through XTC Company, its wholly-owned subsidiary) jointly make capital contributions to establish a project company to implement Meilin Checkpoint Urban Renewal Project. The Company and XTC Company owns 49% and 51% equity interests in the project company respectively. Each of the two parties will make capital contributions in cash and in proportion to their respective shareholdings. The initial registered capital of the project company is RMB200 million. If additional capital is required by the project company, both shareholders will simultaneously make further capital contributions. The total capital contribution (including initial contribution and subsequent capital injection) of the two parties will not exceed RMB5 billion. The above matters were approved by the Independent Shareholders of the Company at the extraordinary general meeting of Shareholders held on 8 October 2014. As at 30 June 2016, the Company and XTC Company had completed capital contributions according to the above agreement. The capital contribution of the Company amounted to RMB2.45 billion. For details about United Land Company (i.e. the project company set up under the above agreement), please refer to the "Management Discussion and Analysis" in this annual report. For details of the agreement and the transaction thereunder, please refer to the announcements of the Company dated 8 August 2014, 10 September 2014, 8 October 2014, respectively, and the circular of the Company dated 17 September 2014.

On 30 November 2015, the Company and Shenzhen Transport Commission entered into an agreement on the toll adjustment, compensation and transfer of asset regarding Nanguang Expressway, Yanpai Expressway and Yanba Expressway, pursuant to which the Company agreed to implement toll-free passage for Nanguang Expressway, Yanpai Expressway and Yanba Expressway, in consideration for the payment of cash compensation by Shenzhen Transport Commission. All precedent conditions to the agreement have been satisfied on 29 January 2016. Pursuant to the adjustment agreement, toll-free passage for Nanguang Expressway, Yanpai Expressway and Yanba Expressway was implemented from 00:00 on 7 February 2016. For details, please refer to the announcements of the Company dated 2 December 2015 and 1 February 2016, respectively, and the circular of the Company dated 12 January 2016.

Report of the Directors

On 23 December 2015 and 21 March 2016, the Company entered into two Share Subscription Agreements with Bank of Guizhou respectively, pursuant to which the Company agreed to subscribe for 382,000,000 and 44,000,000 subscription shares issued by Bank of Guizhou at the consideration of RMB595,920,000 and RMB68,640,000, respectively. For details, please refer to the announcements of the Company dated 30 November 2015, 23 December 2015 and 21 March 2016, respectively.

On 18 March 2016, the Outer Ring Company and Shenzhen Transport Commission entered into the Concession Contract Agreement on Outer Ring Expressway in Shenzhen; on the same day, the Company, the Outer Ring Company and Shenzhen SZCDGC entered into the Joint Investment and Construction Agreement on the Outer Ring Expressway in Shenzhen. Pursuant to such agreement, the Company and the Outer Ring Company jointly invested or arranged financing of a total of RMB6.5 billion for the concession of Outer Ring Section A. The concession period of Outer Ring Section A was divided into 38-month construction period and 25-year operation period. The Outer Ring Company is entity of the construction and operation of the Outer Ring Section A. It is responsible for the construction, toll collection, the operation management of facilities, road assets and finance. The Company is responsible for the construction and management of the Outer Ring Section A on entrustment basis. For details, please refer to the announcement of the Company dated 18 March 2016 and the circular of the Company dated 25 April 2016.

Significant contracts (as defined in the relevant PRC regulatory provisions)

By public tender, the Outer Ring Company entered into the construction contracts for contract sections 2, 3, 4, 6 and 9 of Outer Ring Section A on 24 March 2016, respectively, with China Railway 12th Bureau Group Co., Ltd., CCCC Second Highway Engineering Co., Ltd., CCCC Second Harbour Engineering Company Ltd., China Railway 18th Bureau Group Co., Ltd. and CCCC Third Harbour Engineering Company Ltd. Pursuant to these contracts, China Railway 12th Bureau Group Co., Ltd., CCCC Second Highway Engineering Co., Ltd., CCCC Second Harbour Engineering Company Ltd., China Railway 18th Bureau Group Co., Ltd. and CCCC Third Harbour Engineering Company Ltd. are respectively the construction contracting parties of the contract sections 2, 3, 4, 6 and 9 of Outer Ring Section A. The total contract price of these contracts respectively amounted to approximately RMB1,167 million, RMB1,237 million, RMB956 million, RMB962 million and RMB929 million. The total contract prices were determined based on the bid prices made by each of the construction contractors in the public bidding to the Outer Ring Company regarding corresponding contract section of Outer Ring Section A. For details, please refer to the announcement of the Company dated 24 March 2016. As at the end of the Reporting Period, the amount of transaction confirmed to have incurred to each contract section was RMB23 million, RMB25 million, RMB19 million, RMB5 million and RMB18 million respectively.

Connected Transactions

(1) Progress of Related Party Transaction and Connected Transactions

As described above, on 8 August 2014, the Company and Shenzhen International entered into the "Framework Agreement on Jointly Establishing to Project Company for Meilin Checkpoint Urban Renewal Project Company" (「關於合資成立梅林關城市更新項目公司的框架協議」) As Shenzhen International indirectly owns 50.889% interests in the Company, the transaction constitutes a related party transaction/connected transaction of the Company under the Listing Rules of SSE and the Listing Rules of HKEx. For details, please refer to above and the announcements of the Company dated 8 August 2014, 10 September 2014 and 8 October 2014, respectively, and the circular of the Company dated 17 September 2014.

Pursuant to the Contract on Entrusted Management of Construction of Guangzhou-Shenzhen Coastal Expressway (Shenzhen Section) (「廣深沿江高速公路(深圳段)項目建設委託管理(代建)合同」) entered into by the Company and Coastal Company on 9 September 2011 (the “Original Entrustment Contract”), Coastal Company agreed to entrust the Company to carry out construction management of Coastal Expressway (Shenzhen Section), and the Company agreed to be responsible for the construction management of Coastal Expressway (Shenzhen Section). According to the transportation infrastructure planning of government departments and the progress of related design work, upon the signing of the Original Entrustment Contract, the defined project scope of Coastal Expressway (Shenzhen Section) only included Coastal Expressway (Shenzhen Section) Phase I. With the completion of the overall planning and design for Coastal Expressway and its surrounding roads such as Shenzhen-Zhongshan Channel, by government departments, the project scope of Coastal Expressway (Shenzhen Section) Phase II had been made defined. According to the Original Entrustment Contract, Coastal Expressway (Shenzhen Section) Phase II (as part of Coastal Expressway (Shenzhen Section)) was entrusted by Coastal Company to the Company for construction management. In order to further clarify the rights and obligations of the two parties, Coastal Company and the Company entered into the Supplementary Contract on Entrusted Management of Construction of Guangzhou-Shenzhen Coastal Expressway (Shenzhen Section) (「廣深沿江高速公路(深圳段)項目建設委託管理(代建)補充合同」) (the “Supplementary Contract”) on 1 June 2016, which contains supplementary provisions on the scope of construction services of Coastal Expressway (Shenzhen Section) Phase II, the objectives of construction period management, the temporary amount of entrusted construction service fees, the amount of performance bond and so on. Matters not covered by the Supplementary Contract should be subject to the Original Entrustment Contract. For details, please refer to the announcement of the Company dated 1 June 2016.

(2) Connected Transactions

As described above, on 24 March 2016, the Outer Ring Company entered into construction contracts on contract sections 3, 4 and 9 of Outer Ring Section A, respectively, with CCCC Second Highway Engineering Co., Ltd., CCCC Second Harbour Engineering Company Ltd. and CCCC Third Harbour Engineering Company Ltd. According to the Listing Rules, CCCC-SHB Fifth Engineering Co., Ltd. is a connected party of the Company at subsidiary level (holding 30% interests in Guishen Company, a non-wholly owned subsidiary of the Company), while CCCC Second Highway Engineering Co., Ltd., CCCC Second Harbour Engineering Company Ltd. and CCCC Third Harbour Engineering Company Ltd., as the associates of CCCC-SHB Fifth Engineering Co., Ltd., are also the connected parties of the Company at subsidiary level. According to the Listing Rules of HKEx, the abovementioned construction contracts entered into by the Outer Ring Company constitute connected transactions of the Company. For details, please refer to the above and the announcement of the Company dated 24 March 2016.

(3) Related Party Transactions and Connected Transactions

On 9 September 2016, the Investment Company (the Company’s wholly-owned subsidiary) entered into an entrusted management contract with Shenzhen International Logistics. Pursuant to such contract, the Investment Company should assume the management responsibilities for progress, quality, cost and safety during the whole project construction period of Shenzhen International Guizhou Logistics Port Phase I. The Company expects that such entrusted construction service fees will not exceed RMB25,000,000. As Shenzhen International Logistics is a wholly-owned subsidiary of Shenzhen International which indirectly owns 50.889% interests in the Company, the transaction constitutes a related party transaction/connected transaction of the Company under the Listing Rules of SSE and the Listing Rules of HKEx. For details, please refer to the announcement of the Company dated 9 September 2016.

On 2 December 2016, Mei Wah Company, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement with Flywheel Investments. Pursuant to this agreement, Flywheel Investments transferred the 45% equity interest in JEL Company held by it to Mei Wah Company, at a consideration of RMB453,498,800. As Flywheel Investments is a wholly-owned subsidiary of Shenzhen International which indirectly owns 50.889% interests in the Company, the transaction constitutes a related party transaction/connected transaction of the Company under the Listing Rules of SSE and the Listing Rules of HKEx. For details, please refer to the announcement of the Company dated 2 December 2016.

Report of the Directors

(4) Daily Related Party Transactions and Continuing Connected Transactions

On 6 November 2009, the Company and SIHCL entered into an entrusted management agreement in relation to the entrusted management of Coastal Company, pursuant to which, the Company was entrusted to manage Coastal Company, and would enter into an entrusted management contract later regarding the specific arrangements for the entrusted management of Coastal Expressway (Shenzhen Section) during the operation period. On 16 June 2016, the Company entered into an entrusted management agreement with Coastal Company. Pursuant to this agreement, Coastal Company entrusted the management and maintenance of highway assets and related ancillary facilities and the operation of toll collection of Coastal Expressway Phase I to the Company for the period from 1 January 2014 to 31 December 2016 with for entrusted management service fee of RMB18,000,000 per annum. As Coastal Company is a wholly-owned subsidiary of SIHCL (a controlling shareholder of Shenzhen International within the definitions of the listing rules) while Shenzhen International indirectly owns 50.889% interests in the Company, the transaction constitutes a daily related-party transaction/continuing connected transaction of the Company under the Listing Rules of SSE and the Listing Rules of HKEx. For details, please refer to the announcement of the Company dated 16 June 2016.

The Independent Directors of the Company had taken annual review on this continuing connected transactions and confirmed that the transaction were on normal commercial terms in the ordinary and usual course of business of the Company, and the Period from 1 January 2014 to 31 December 2016 the transactions were in accordance with the entrusted management agreement and that the terms are fair and reasonable and in line with the interests of the Company and the Shareholders as a whole. The auditor of the Company had reviewed these continuing connected transaction pursuant to the requirements of the Listing Rules of HKEx and issued a written letter on the matters described in Rule 14A.56 of the Listing Rules of HKEx.

On 30 December 2016, the Company entered into an entrusted management agreement with Coastal Company. Pursuant to this agreement, Coastal Company entrusted the management and maintenance of the highway assets and related ancillary facilities and the operation of toll collection of Coastal Expressway Phase I to SZ Expressway during the period from 1 January 2017 to 31 December 2019, with entrusted management service fee of RMB18,000,000 per annum. For details, please refer to the announcement of the Company dated 30 December 2016.

On 30 December 2015, the Company entered into an entrusted management agreement with Shenzhen Baotong Highway Construction and Development Company Limited (深圳市寶通公路建設開發有限公司) ("Baotong Company") Pursuant to such agreement, Baotong Company continued to entrust the Company to manage its 89.93% equity interests in Longda Company for a term from 1 January 2016 to 31 December 2018. The entrusted management fees are RMB18, 000,000 per year. Longda Company is principally engaged in toll collection, maintenance, management of the road assets and rights, and resources development of Longda Expressway. As Baotong Company is a wholly-owned subsidiary of Shenzhen International which indirectly owns 50.889% interests in the Company, the transaction constitutes a daily related party transaction/continuing connected transaction of the Company under the Listing Rules of SSE and the Listing Rules of HKEx. For details, please refer to the announcement of the Company dated 30 December 2015.

The Independent Directors of the Company had taken annual review on this continuing connected transaction and confirmed that the transactions were on normal commercial terms and in the ordinary and usual course of business of the Company, and during the Reporting Period the transactions were in accordance with the entrusted management agreement and that the terms are fair and reasonable and in line with the interests of the Company and the Shareholders as a whole. The auditor of the Company had reviewed these continuing connected transaction pursuant to the requirements of the Listing Rules of HKEx and issued a written letter on the matters described in Rule 14A.56 of the Listing Rules of HKEx.

(5) Further Disclosure Made Pursuant to the Listing Rules of HKEx

Save as disclosed above, the related party transactions disclosed in note X15 to the Financial Statements in this annual report are either connected transactions or continuing connected transactions fully exempt from reporting, announcement, independent shareholders' approval and/or annual review pursuant to Rules 14A.76, 14A.95 and 14A.96 of the Listing Rules of HKEx or do not constitute connected transactions or continuing connected transactions under Chapter 14A of the Listing Rules of HKEx. The Company does not have any other matters that need to be disclosed under Chapter 14A of the Listing Rules of HKEx.

(6) Advances and Liabilities Related to the Related Parties (as defined in the relevant PRC regulatory rules)

As at the date of this Report, none of the Company's funds are embezzled by its controlling shareholder or its related parties for non-operating purpose. The auditor of the Company has produced a specific report in relation to the statement of fund embezzlement by the controlling shareholders and other related parties prepared by the Company in accordance with regulations.

Management Contract

Pursuant to a contract dated 7 June 1995 and the subsequent amendments, Magerk Company entrusted the toll collection of Wuhuang Expressway and the usage, management, preservation, maintenance and repair of Wuhuang Expressway and its ancillary facilities to Hubei Bureau for the Administration of Higher Class Public Roads (湖北省高等級公路管理局), or the contractor whom it may designate from time to time (now Hubei Wuhuang Expressway Management Co. Ltd. (湖北武黃高速公路經營有限公司)), throughout the operating period of Wuhuang Expressway. The service was charged at a fee which is equivalent to a fixed percentage of the toll revenues. The aforesaid matters were disclosed in the announcement and circular of the Company in relation to the acquisition of interests in Wuhuang Expressway by the Company.

In 2016, the amount of entrusted assets and entrusted management fees accounted for by Magerk Company was RMB629,304,000 and RMB88,560,000 respectively. Magerk Company achieved operating profit of RMB143,937,000, representing approximately 8.75% of the Group's operating profit, and recorded net profit of RMB107,926,000, with net profit attributable to the Group being RMB63,506,000 after deducting minority interests, representing 5.43% of the net profit attributable to shareholders of the Company. This aforesaid management contract has no material impact on the operating results and financial position of the Group.

Report of the Directors

External Guarantees

Unit: RMB million, unless otherwise stated

External guarantees of the Company (excluding guarantees for subsidiaries)										
Name of the guarantor	Name of the guaranteed party	Amount of guarantee	Date of occurrence (date of the agreement)	Commencement of guarantee	End of guarantee	Type of guarantee	Completed or not	Overdue or not	Counter guarantee provided or not	Related party guarantee or not
The Company	China Construction Bank Shenzhen Branch	800	20 April 2007	August 2007	Completion of Repayment of principal and interests on the corporate bonds of the Company	Joint liability guarantee ⁽¹⁾	No	No	No	No
Guizhou Property	Customers of Shenzhen Expressway • Interlaken Town Phase I	177,94	May 2015 to December 2016	Effective date of the mortgage loan contract	Effective date of the mortgage under the contract	Joint liability guarantee ⁽²⁾	No	No	No	No
Total amount of guarantees occurred during the Reporting Period										150.38
Total balance of guarantees as at the end of the Reporting Period (A)										977.94
Guarantees for subsidiaries of the Company										
Total amount of guarantees occurred for subsidiaries during the Reporting Period										0
Total balance of guarantees for subsidiaries as at the end of the Reporting Period (B)										0
Total amount of guarantees of the Company (including guarantees for subsidiaries)										
Total amount of guarantees (A+B)										977.94
Proportion of total amount of guarantees to the net assets of the Company (%)										7.72%
Including:										
Amount of the guarantees for shareholders, de-facto controller and their connected parties (C)										-
Amount of the guarantees directly or indirectly provided for those whose gearing ratio exceeded 70% (D)										800
Amount of the guarantees that exceed 50% of net assets of the Company (E)										-
Total amount of the above three guarantees (C+D+E)										800
Description on unexpired guarantees may be confronted with joint liability										Not applicable

Description on guarantees:

- (1) The external guarantees to China Construction Bank Shenzhen Branch have been approved by the shareholders at the 2006 Annual General Meeting of the Company. For details on the guarantee, please refer to the relevant content heading "Mortgage and Pledge of Assets" below.
- (2) The provision of periodical joint liability guarantees by Guizhou Property, a subsidiary of the Company, to qualified mortgage customers of "Shenzhen Expressway • Interlaken Town Phase I" in accordance with the real estate industry business practices have been approved by the forth meeting of the seventh session of the Board of the Company held on 30 June 2015. It is expected the total amount of guarantees will not exceed RMB250 million. During the Reporting Period, Guizhou Property provided periodic guarantees for 126 customers with an accumulated amount of RMB150,380,000. As at the end of the Reporting Period, the actual amount of the guarantees provided by Guizhou Property is RMB177,940,000.
- (3) The Company has not provided external guarantee in violation of the stipulated decision-making procedures.
- (4) The Independent Directors of the Company have, in accordance with the relevant regulations of the CSRC, issued specific explanations and independent opinions in relation to the external guarantees of the Company.

Mortgage and Pledge of Assets

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

Assets	Type	Financial Institution	Scope of security	Term
Toll collection rights of Qinglian project ⁽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 by Qinglian Company
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 full repayment of principal and interests on corporate bonds

Notes on mortgage and pledge of assets:

- (1) Pledged by Qinglian Company, a subsidiary of the Company. As at the end of the Reporting Period, the outstanding principal of such consortium loans was RMB1.882 billion.
- (2) The Outer Ring Company signed a pledge contract with the consortium led by China Development Bank, pursuant to which, the Outer Ring Company applied bank loans in an aggregate account of RMB6.5 billion by pledging the proceeds and credits receivable from the operating activities of the Outer Ring Expressway. As at the end of the Reporting Period, the outer ring expressway toll collection right pledge had not yet been registered, and the outstanding principal of such consortium loans was RMB0.

Entrusted Wealth Management

Unit: '000 Currency: RMB

Name of cooperation party	Type of entrusted wealth management product	Amount of entrusted wealth management	Commencement date	Maturity date	Method for determining remuneration	Estimated gain	Principal amount recovered	Gains obtained	Whether statutory procedures have been performed	Amount of provision made for impairment	Whether a connected transaction	Whether involved in litigation	Sources of fund and whether financed by proceeds raised	Connected relations
Ping An Bank	Principal-guaranteed with floating gains	150,000	28 March 2016	25 April 2016	Expected yield	402.7	150,000	402.7	Yes	-	No	No	No	None
Ping An Bank	Principal-guaranteed with floating gains	150,000	1 April 2016	29 April 2016	Expected yield	402.7	150,000	402.7	Yes	-	No	No	No	None
Ping An Bank	Principal-guaranteed with floating gains	200,000	6 April 2016	4 May 2016	Expected yield	506.3	200,000	506.3	Yes	-	No	No	No	None
Ping An Bank	Principal-guaranteed with floating gains	150,000	26 April 2016	24 May 2016	Expected yield	345.2	150,000	345.2	Yes	-	No	No	No	None
Ping An Bank	Principal-guaranteed with floating gains	150,000	4 May 2016	1 June 2016	Expected yield	322.2	150,000	322.2	Yes	-	No	No	No	None
Ping An Bank	Principal-guaranteed with floating gains	200,000	5 May 2016	2 June 2016	Expected yield	429.6	200,000	429.6	Yes	-	No	No	No	None
Ping An Bank	Principal-guaranteed with floating gains	100,000	24 May 2016	21 June 2016	Expected yield	214.8	100,000	214.8	Yes	-	No	No	No	None
Ping An Bank	Principal-guaranteed with floating gains	150,000	1 June 2016	29 June 2016	Expected yield	322.2	150,000	322.2	Yes	-	No	No	No	None
Ping An Bank	Principal-guaranteed with floating gains	150,000	2 June 2016	30 June 2016	Expected yield	322.2	150,000	322.2	Yes	-	No	No	No	None
Ping An Bank	Principal-guaranteed with floating gains	100,000	21 June 2016	19 July 2016	Expected yield	230.1	100,000	230.1	Yes	-	No	No	No	None
Ping An Bank	Principal-guaranteed with floating gains	150,000	29 June 2016	27 July 2016	Expected yield	379.7	150,000	379.7	Yes	-	No	No	No	None
Ping An Bank	Principal-guaranteed with floating gains	150,000	30 June 2016	28 July 2016	Expected yield	379.7	150,000	379.7	Yes	-	No	No	No	None
Ping An Bank	Principal-guaranteed with floating gains	100,000	19 July 2016	16 August 2016	Expected yield	218.6	100,000	218.6	Yes	-	No	No	No	None
Ping An Bank	Principal-guaranteed with floating gains	150,000	27 July 2016	24 August 2016	Expected yield	322.2	150,000	322.2	Yes	-	No	No	No	None
Ping An Bank	Principal-guaranteed with floating gains	150,000	28 July 2016	25 August 2016	Expected yield	322.2	150,000	322.2	Yes	-	No	No	No	None
Ping An Bank	Principal-guaranteed with floating gains	100,000	25 August 2016	20 October 2016	Expected yield	406.6	100,000	406.6	Yes	-	No	No	No	None
Ping An Bank	Principal-guaranteed with floating gains	50,000	26 August 2016	21 October 2016	Expected yield	203.3	50,000	203.3	Yes	-	No	No	No	None
Ping An Bank	Principal-guaranteed with floating gains	50,000	8 September 2016	3 November 2016	Expected yield	203.3	50,000	203.3	Yes	-	No	No	No	None
Ping An Bank	Principal-guaranteed with floating gains	150,000	25 October 2016	22 November 2016	Expected yield	293.4	150,000	293.4	Yes	-	No	No	No	None

Report of the Directors

Name of cooperation party	Type of entrusted wealth management product	Amount of entrusted wealth management	Commencement date	Maturity date	Method for determining remuneration	Estimated gain	Principal amount recovered	Gains obtained	Whether statutory procedures have been performed	Amount of provision made for impairment	Whether a connected transaction	Whether involved in litigation	Sources of fund and whether financed by proceeds raised	Connected relations
Ping An Bank	Principal-guaranteed with floating gains	50,000	4 November 2016	2 December 2016	Expected yield	97.8	50,000	97.8	Yes	-	No	No	No	None
Ping An Bank	Principal-guaranteed with floating gains	150,000	22 November 2016	20 December 2016	Expected yield	293.4	150,000	293.4	Yes	-	No	No	No	None
Ping An Bank	Principal-guaranteed with floating gains	50,000	2 December 2016	30 December 2016	Expected yield	97.8	50,000	97.8	Yes	-	No	No	No	None
Ping An Bank	Principal-guaranteed with floating gains	150,000	20 December 2016	17 January 2017	Expected yield	310.7	-	-	Yes	-	No	No	No	None
China Development Bank	Principal-guaranteed with floating gains	300,000	7 April 2016	6 July 2016	Expected yield	2,293.2	300,000	2,293.2	Yes	-	No	No	No	None
China Development Bank	Principal-guaranteed with floating gains	100,000	7 April 2016	10 October 2016	Expected yield	1,656.2	100,000	1,656.2	Yes	-	No	No	No	None
China Development Bank	Principal-guaranteed with floating gains	100,000	17 October 2016	17 November 2016	Expected yield	225.1	100,000	225.1	Yes	-	No	No	No	None
China Development Bank	Principal-guaranteed with floating gains	100,000	23 November 2016	23 December 2016	Expected yield	213.7	100,000	213.7	Yes	-	No	No	No	None
China Development Bank	Principal-guaranteed with floating gains	100,000	23 December 2016	23 January 2017	Expected yield	288.8	-	-	Yes	-	No	No	No	None
Bank of China	Principal-guaranteed with guaranteed gains	50,000	25 May 2016	24 June 2016	Agreed yield	119.2	50,000	119.2	Yes	-	No	No	No	None
Bank of China	Principal-guaranteed with guaranteed gains	50,000	1 June 2016	1 July 2016	Agreed yield	119.2	50,000	119.2	Yes	-	No	No	No	None
Bank of China	Principal-guaranteed with guaranteed gains	50,000	24 June 2016	25 July 2016	Agreed yield	135.9	50,000	135.9	Yes	-	No	No	No	None
Bank of China	Principal-guaranteed with guaranteed gains	50,000	1 July 2016	1 August 2016	Agreed yield	127.4	50,000	127.4	Yes	-	No	No	No	None
Bank of China	Principal-guaranteed with guaranteed gains	50,000	25 July 2016	25 August 2016	Agreed yield	123.2	50,000	123.2	Yes	-	No	No	No	None
Bank of China	Principal-guaranteed with guaranteed gains	50,000	1 August 2016	31 August 2016	Agreed yield	119.2	50,000	119.2	Yes	-	No	No	No	None
Bank of China	Principal-guaranteed with guaranteed gains	50,000	25 August 2016	14 October 2016	Agreed yield	184.9	50,000	184.9	Yes	-	No	No	No	None
Bank of China	Principal-guaranteed with guaranteed gains	50,000	6 September 2016	12 October 2016	Agreed yield	123.3	50,000	123.3	Yes	-	No	No	No	None
Bank of China	Principal-guaranteed with guaranteed gains	100,000	17 October 2016	22 November 2016	Agreed yield	246.6	100,000	246.6	Yes	-	No	No	No	None
Bank of China	Principal-guaranteed with guaranteed gains	100,000	22 November 2016	30 December 2016	Agreed yield	270.7	100,000	270.7	Yes	-	No	No	No	None
China Merchants Bank	Principal-guaranteed with floating gains	200,000	15 August 2016	8 November 2016	Expected yield	1,327.40	200,000	1,327.4	Yes	-	No	No	No	None
China Resources Bank of Zhuhai	Principal-guaranteed with floating gains	100,000	8 September 2016	28 September 2016	Expected yield	167.1	100,000	167.1	Yes	-	No	No	No	None
China Resources Bank of Zhuhai	Principal-guaranteed with floating gains	100,000	17 October 2016	16 November 2016	Expected yield	242.5	100,000	242.5	Yes	-	No	No	No	None
China Resources Bank of Zhuhai	Principal-guaranteed with floating gains	100,000	18 November 2016	19 December 2016	Expected yield	250.5	100,000	250.5	Yes	-	No	No	No	None
China Resources Bank of Zhuhai	Principal-guaranteed with floating gains	100,000	23 December 2016	23 January 2017	Expected yield	288.8	-	-	Yes	-	No	No	No	None
Guangdong Huaxing Bank	Principal-guaranteed with floating gains	60,000	27 July 2016	20 September 2016	Floating based on Overnight Shanghai Interbank Offered Rate	289.1	60,000	289.1	Yes	-	No	No	No	None
Guangdong Huaxing Bank	Principal-guaranteed with floating gains	40,000	5 August 2016	20 September 2016	Floating based on Overnight Shanghai Interbank Offered Rate	161.2	40,000	161.2	Yes	-	No	No	No	None

Name of cooperation party	Type of entrusted wealth management product	Amount of entrusted wealth management	Commencement date	Maturity date	Method for determining remuneration	Estimated gain	Principal amount recovered	Gains obtained	Whether statutory procedures have been performed	Amount of provision made for impairment	Whether a connected transaction	Whether involved in litigation	Sources of fund and whether financed by proceeds raised	Connected relations
Guangdong Huaxing Bank	Principal-guaranteed with floating gains	50,000	18 August 2016	20 September 2016	Floating based on Overnight Shanghai Interbank Offered Rate	144.9	50,000	144.9	Yes	-	No	No	No	None
Guangdong Huaxing Bank	Principal-guaranteed with floating gains	150,000	21 September 2016	20 December 2016	Floating based on Overnight Shanghai Interbank Offered Rate	1,182.1	150,000	1,182.1	Yes	-	No	No	No	None
Guangdong Huaxing Bank	Principal-guaranteed with floating gains	150,000	21 December 2016	Callable on business days	Floating based on Overnight Shanghai Interbank Offered Rate	Maturity date to be determined	-	-	Yes	-	No	No	No	None
Guangdong Huaxing Bank	Principal-guaranteed with floating gains	50,000	22 December 2016	22 March 2017	Floating based on Overnight Shanghai Interbank Offered Rate	505.5	-	-	Yes	-	No	No	No	None
Total	/	5,350,000	/	/	/	17,832.2	4,800,000	16,438.6	/	-	/	/	/	/
Accumulated Amount of Overdue Principal and Gain Accrued (RMB)						-								
Description of entrusted wealth management products						Pursuant to the resolution at the thirteenth meeting of the seventh session of the Board of the Company, the Company has engaged in principal-guaranteed short-term RMB corporate wealth management products with cooperative banks on 28 March 2016 on the condition that both safety and liquidity of capital reserve can be assured. The expected yield is between 2.50% and 4.10%, and gains obtained in 2016 amounted to RMB16,438,600 (tax included).								

Other Agreements and Matters

Save as disclosed in this report, the Company did not enter into any contract in respect of the management and administration of its overall business or any material business, nor did it enter into any other material contract in relation to entrustment, subcontracting, leasing or guarantee during the Reporting Period. Furthermore, there was no such prior material contract subsisting during the Reporting Period.

During the Reporting Period, there was no material litigation or arbitration matter, matter which the media generally questioned, or bankruptcy and reorganization in connection with the Company, nor was there any implementation of share option incentive scheme. In addition, there was no such matter subsisting during the Reporting Period.

Undertakings

Background	Type	Undertaking party	Details	Date and deadline for performance	Deadline for performance or not	Performed in a timely manner and strictly or not
Undertakings made in Acquisition Report or Report on the Change of Equity Interests	Other	Shenzhen International/ Shenzhen International (Shenzhen)	To avoid peer competition and regulate connected transactions, etc. For details, please refer to Detailed Report on the Change of Equity Interests (《詳式權益變動報告書》) published on 18 October 2007 to the securities market of PRC by the undertaking parties or related contents as set out in the Annual Report 2007 of the Company.	October 2007	No	Yes
	Other	Shenzhen International	Made undertaking in respect of the matters such as avoiding peer competition and supporting the development of the Company. The undertakings include that Shenzhen International shall inject their highway assets into the Company within 5 to 8 years when certain conditions are fulfilled. For details, please refer to Acquisition Report (《收購報告書》) published by SIHCL on 4 January 2011 to the securities market of PRC and the announcement of the Company dated 1 June 2011.	December 2010 June 2011	Yes	Yes
	Other	SIHCL		December 2010 May 2011	Yes	Yes
Undertakings made related to IPO	Avoiding peer competition	XTC Company/ SGH Company	The undertaking parties will not engage in any industry or business in any form, which, directly or indirectly, competes with the Company in Shenzhen.	January 1997	No	Yes

Report of the Directors

Appointment of Auditor

Details of the appointment and remuneration of the auditor (including financial statements audit and internal control audit) are set out in "Corporate Governance Report" in this annual report.

Results Review

The Audit Committee of the Company has reviewed and confirmed the financial statements and the annual report for the twelve months ended 31 December 2016. For details, please refer to "Corporate Governance Report" in this annual report.

Compliance with Laws and Regulations

The Group's operations are mainly carried out by the Company and the Company's subsidiaries in the PRC. Our operations accordingly shall mainly comply with relevant laws and regulations in the PRC. During the Reporting Period, the Group had not breached the relevant laws and regulations that exert a significant impact on the Group.

Name of Directors

As at the date of this report, the Directors are Mr. Hu Wei (Executive Director and Chairman of the Board), Mr. Wu Ya De (Executive Director and President), Mr. Wang Zeng Jin (Executive Director), Mr. Liao Xiang Wen (Executive Director), Mr. Zhao Jun Rong (Non-executive Director), Mr. Tse Yat Hong (Non-executive Director), Mr. Liu Ji (Non-executive Director), Mr. Chen Yuan Jun (Non-executive Director), Mr. Au Sing Kun (Independent Director), Mr. Lin Chu Chang (Independent Director), Mr. Hu Chun Yuan (Independent Director) and Mr. Chen Tao (Independent Director).

By Order of the Board

Hu Wei

Chairman

Shenzhen, PRC, 17 March 2017

Share Capital and Shareholders

I. Profile of Movements of Share Capital

During the Reporting Period, there was no change in the Company's total number of shares or share structure.

A total of 2,180,770,326 ordinary shares were issued by the Company, of which 1,433,270,326 A Shares are listed on SSE and 747,500,000 H Shares are listed on HKEx, representing 65.72% and 34.28% of the total share capital of the Company respectively.

II. Issuing and Listing of the Securities

1. During the Reporting Period, there is no issuing or listing of the stock or derivative securities by the Company.

Based on the publicly available information known to the Directors, the Board believes that the Company has maintained a sufficient public float as at the latest practicable date prior to the printing of this annual report.

As at the end of the Reporting Period, the circulating market capitalisation of the A Shares of the Company (circulating A Share capital × closing price of A Shares (RMB8.50)) was RMB12.183 billion and the circulating market capitalisation of H Shares (circulating H Share capital × closing price of H Shares (HK\$6.63)) was HK\$4.757 billion.

2. The Company issued overseas debenture of US\$300 million at fixed interest rate with a maturity of 5 years in July 2016, the bond abbreviation is "SZEWE B2107" and to bond code is "5684", and it has been listed on HKEx since 19 July 2016.
3. The Company has, in accordance with relevant terms of *Announcement on the Issuance of 2011 Corporate Bonds*, *Announcement on Coupon Rate of 2011 Corporate Bonds* and *Announcement on the Listing of 2011 Corporate Bonds*, completed the payment of bond principals and the last annual interest on 27 July 2016 for its 5-year 2011 corporate bonds ("11 Shenzhen Expressway") issued on 27 July 2011, which matured on 27 July 2016 and thus was delisted on 27 July 2016. For details, please refer to the Company's *Announcement on the Delisting and Redemption of Principals and Interests of "11 Shenzhen Expressway"* dated 15 July 2016 (only available in Chinese).

III. Information of Share Capital and the De-facto Controller

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, the top ten shareholders and the top ten holders of non-restricted circulating shares of the Company were as follows:

1. Total Number of Shareholders:

Total number of shareholders as at the end of the Reporting Period	23,826
Total number of shareholders as at the end of the last month prior to the Reporting Date	22,392

Note:

- (1) The Company had 23,586 holders of A Shares and 240 holders of H Shares as at the end of the Reporting Period.
- (2) The Company had 22,153 holders of A Shares and 239 holders of H Shares as at the end of the last month prior to the Reporting Date.

Share Capital and Shareholders

2. Information of the Top Ten Shareholders and the Top Ten Holders of Non-restricted Circulating Shares of the Company as at the end of the Reporting Period

The top ten shareholders							
Name of shareholder	Changes during the Reporting Period	Number of shares held	Percentage	Number of restricted circulating shares held	Number of shares pledged or frozen		Nature of shareholders
					State of shares	Number	
HKSCC NOMINEES LIMITED ⁽¹⁾	+4,248,000	722,707,099	33.14%	–	Unknown		Overseas legal person
Xin Tong Chan Development (Shenzhen) Company Limited	–	654,780,000	30.03%	–	None	0	Domestic non-state-owned legal person
Shenzhen Shen Guang Hui Highway Development Company	–	411,459,887	18.87%	–	None	0	Domestic non-state-owned legal person
China Merchants Expressway Network & Technology Holdings Company Limited	–	87,211,323	4.00%	–	None	0	State-owned legal person
Guangdong Roads and Bridges Construction Development Company Limited	–	61,948,790	2.84%	–	None	0	State-owned legal person
AU SIU KWOK	–	11,000,000	0.50%	–	Unknown		Overseas natural person
HUANG YUN GE	+10,024,429	10,024,429	0.46%	–	Unknown		Domestic natural person
ZHANG PING YING	+7,283,145	7,283,145	0.33%	–	Unknown		Domestic natural person
IP KOW	-2,100,000	7,000,000	0.32%	–	Unknown		Overseas natural person
LIU SHEN PEI	+3,696,950	5,499,550	0.25%	–	Unknown		Domestic natural person

The top ten holders of non-restricted circulating shares		
Name of shareholder	Number of non-restricted circulating shares held	Type of shares
HKSCC NOMINEES LIMITED ⁽¹⁾	722,707,099	H share
Xin Tong Chan Development (Shenzhen) Company Limited	654,780,000	A share
Shenzhen Shen Guang Hui Highway Development Company	411,459,887	A share
China Merchants Expressway Network & Technology Holdings Company Limited	87,211,323	A share
Guangdong Roads and Bridges Construction Development Company Limited	61,948,790	A share
AU SIU KWOK	11,000,000	H share
HUANG YUN GE	10,024,429	A share
ZHANG PING YING	7,283,145	A share
IP KOW	7,000,000	H share
LIU SHEN PEI	5,499,550	A share

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. Disclosure of Interests of Shareholders Pursuant to the Listing Rules of HKEx

As at 31 December 2016, the interests or short positions of shareholders, other than a Director, Supervisor or senior management of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), or in accordance with the notice received by the Company and the HKEx, were as follows:

A Shares:

Name of shareholder	Capacity	Number of A Shares of the Company held	Percentage of total issued A Share capital
Shenzhen International ⁽²⁾	Interest of corporation controlled ⁽³⁾	1,066,239,887(L)	74.39%(L)
SIHCL	Interest of corporation controlled ⁽⁴⁾	1,066,239,887(L)	74.39%(L)

H Shares:

Name of shareholder	Capacity	Number of H Shares of the Company held	Percentage of total issued H Share capital
JPMorgan Chase & Co.	Beneficial owner/Investment manager/ Custodian ⁽⁵⁾	51,740,630(L) 890,560(S) 23,306,942(P)	6.92%(L) 0.11%(S) 3.11%(P)
Advance Great Limited	Beneficial owner	43,536,000(L)	5.82%(L)
Shenzhen International ⁽²⁾	Interest of corporation controlled ⁽³⁾	43,536,000(L)	5.82%(L)
SIHCL	Interest of corporation controlled ⁽⁴⁾	43,536,000(L)	5.82%(L)
Veritas Asset Management (UK) Limited	Investment manager	40,028,000(L)	5.35%(L)

Note: (L) – long positions, (S) – short positions, (P) – lending pool. Please refer to Securities and Futures Ordinance for relevant definitions.

Notes:

- (1) All the A Shares of the Company are listed on SSE, and all the H Shares of the Company are listed on the main board of HKEx.
- (2) Shenzhen International is a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of HKEx.
- (3) Long positions of 654,780,000 A Shares were directly held by XTC Company as beneficial owner, 411,459,887 A Shares were directly held by SGH Company as beneficial owner, and long position of 43,536,000 H Shares were directly held by Advance Great Limited as beneficial owner. All of these companies are wholly-owned subsidiaries of Shenzhen International.
- (4) SIHCL indirectly held 44.26% interests in Shenzhen International. Pursuant to the Securities and Futures Ordinance, SIHCL was deemed to be interested in shares of the Company owned by Shenzhen International.
- (5) The relevant interests of JPMorgan Chase & Co. were held via JPMorgan Chase & Co. and its subsidiaries.

Save as disclosed above, the register required to be kept under Section 336 of Part 15 of Securities and Futures Ordinance showed that the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company as at 31 December 2016.

Share Capital and Shareholders

IV. Information of the Controlling Shareholder and the De-facto Controller

1. Information of the Controlling Shareholder

XTC Company, holding 30.025% of the Company's shares, is the largest beneficial shareholder of the Company:

Name of shareholder	Legal representative	Date of establishment	Registered capital	Major operating management activities
Xin Tong Chan Development (Shenzhen) Company Limited	Li Hai Tao	8 September 1993	RMB200,000,000	Transportation information consulting, software development of transport platform software and investment in various industrial projects (specific project shall be applied separately)

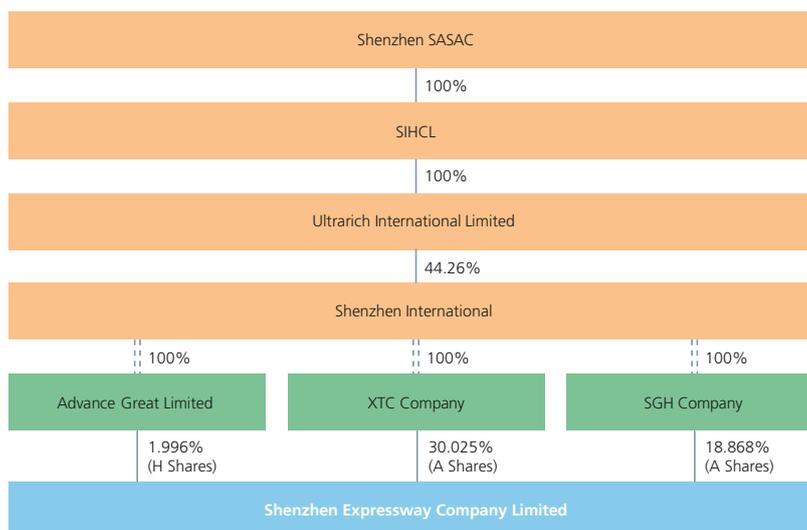
As at the end of the Reporting Period, Shenzhen International indirectly held a total of 50.889% of the Company's shares by its wholly-owned subsidiaries XTC Company, SGH Company and Advance Great Limited. For details, please refer to the following "chart of ownership and relation of control between the Company and the de-facto controller".

Name	Shenzhen International Holdings Limited
Person in charge or legal representative	Gao Lei (Chairman of the Board)
Date of establishment	22 November 1989
Registered capital	HK\$1,957,689,314 (issued share capital)
Major operating management activities	Shenzhen International is principally engaged in investment holding. Shenzhen International and its subsidiaries are principally engaged in the investment, construction and operation of logistic infrastructure facilities, as well as providing various value-added logistic services to customers leveraging its infrastructure facilities and information services platform.
Other domestic and overseas listed company controlled or participated during the Reporting Period	It held approximately 1.3% A shares of CSG Holding Co., Ltd., a domestic listed company, as at the end of 2016.
Other information	Shenzhen International is listed on the main board of HKEx (Stock Code: 00152). For details and the latest information of Shenzhen International, please refer to the information disclosed on the websites of HKEx and Shenzhen International.

2. Information of the De-facto Controller

As at 31 December 2016, SIHCL held 44.26% shares of Shenzhen International through its wholly-owned subsidiary Ultrarich International Limited. Shenzhen SASAC holds 100% interests in SIHCL, and performs supervision and management on SIHCL.

The chart of ownership and relation of control between the Company and the de-facto controller:



V. Other Legal Person Shareholders Holding More Than 10% of the Company's Shares

As at the end of the Reporting Period, other legal person shareholders beneficially holding more than 10% of the Company's shares included:

Name of shareholder	Legal representative	Date of establishment	Registered capital	Major operating management activities
Shenzhen Shen Guang Hui Highway Development Company	Li Hai Tao	June 1993	RMB105,600,000	Road and bridge construction and investment, materials supply and marketing
Description	Based on the shareholders' registers provided by the share registrars and the transfer offices of the Company in Hong Kong and the PRC, as at the end of the Reporting Period, apart from XTC Company and SGH Company disclosed in this section, the Company has not found any other individual shareholder beneficially holding issued shares of the Company reaching 10% or more of the total share capital.			

Directors, Supervisors, Senior Management and Employees

I. General Information, Change in Shareholding and Remuneration

1. General Information of Directors, Supervisors and Senior Management in Office as at the End of the Period and whom had Left Office During the Period

Name	Title (as at the end of the Period or before leaving office)	Sex	Age	Commencement of the term of office of this session ⁽⁷⁾	End of the term of office of this session or the leaving date
Hu Wei	Chairman of the Board	Male	54	Jan 2015	Dec 2017
Wu Ya De	Executive Director	Male	52	Jan 1997	Dec 2017
Wu Ya De (concurrent position)	President	Male	52	Jan 2002	Aug 2018
Wang Zeng Jin	Executive Director	Male	46	Apr 2015	Dec 2017
Liao Xiang Wen	Executive Director	Male	48	Nov 2016	Dec 2017 ⁽¹⁾
Liao Xiang Wen (concurrent position)	Vice President	Male	48	Sep 2009	Aug 2018
Zhao Jun Rong	Non-executive Director	Male	52	Jan 2009	Dec 2017
Tse Yat Hong	Non-executive Director	Male	47	Jan 2009	Dec 2017
Liu Ji	Non-executive Director	Male	41	Nov 2016	Dec 2017 ⁽¹⁾
Chen Yuan Jun	Non-executive Director	Male	55	Nov 2016	Dec 2017 ⁽¹⁾
Au Sing Kun	Independent Director	Male	64	Jan 2012	Dec 2017
Lin Chu Chang	Independent Director	Male	47	Jan 2012	Dec 2017
Hu Chun Yuan	Independent Director	Male	47	Jan 2015	Dec 2017
Chen Tao	Independent Director	Male	53	Jun 2016	Dec 2017 ⁽²⁾
Zhong Shan Qun	Chairman of the Supervisory Committee	Male	52	Aug 2009	Dec 2017
Liang Xin	Supervisor	Male	49	Nov 2016	Dec 2017 ⁽¹⁾
Xin Jian	Supervisor	Male	48	Jan 2016	Dec 2017 ⁽³⁾
Sun Ce	Vice President	Male	51	Sep 2015	Aug 2018
Huang Bi Nan	Vice President	Female	45	Sep 2015	Aug 2018
Wen Po Wei	Vice President	Male	43	Sep 2015	Aug 2018
Gong Tao Tao	Financial Controller	Female	43	Nov 2002	Aug 2018
Luo Kun	Secretary of the Board	Male	44	Jan 2016	Jan 2019 ⁽⁶⁾
Chiu Chi Cheong, Clifton	Non-executive Director (Leave)	Male	62	Jan 2003	Mar 2016 ⁽⁴⁾
Shi Xian Liang	Independent Director (Leave)	Male	45	Jan 2015	Jun 2016 ⁽⁴⁾
Li Jing Qi	Non-executive Director (Leave)	Male	60	Apr 2005	Nov 2016 ⁽⁴⁾
Zhang Yang	Non-executive Director (Leave)	Female	52	Mar 2001	Nov 2016 ⁽⁴⁾
Fang Jie	Supervisor (Leave)	Male	56	Aug 2008	Jan 2016 ⁽⁵⁾
He Sen	Supervisor (Leave)	Male	43	Jan 2010	Nov 2016 ⁽⁵⁾

Note:

- (1) At the general meeting hold on 23 November 2016, Mr. Liao Xiang Wen, Mr. Liu Ji, Mr. Chen Yuan Jun were appointed as Directors of the seventh session of the Board, with the term of office from 23 November 2016 to 31 December 2017. Mr. Liang Xin, was appointed as Supervisor of the seventh session of the Supervisory Committee, with the term of office from 23 November 2016 to 31 December 2017.
- (2) Mr. Chen Tao was appointed as an Independent Director of the seventh session of the Board of the Company by the general meeting on 24 June 2016, with the term of office from 24 June 2016 to 31 December 2017. The Company received a letter of resignation from Mr. Chen Tao on 20 January 2017. Due to personal health reasons Mr. Chen resigned from the position of Independent Director of the Company. The resignation will take effect after a new Independent Director has been elected at the general meeting of the Company.
- (3) Mr. Xin Jian has been elected as staff representative Supervisor at the staff representatives' meeting of the Company, with the term of office from 4 January 2016 to 31 December 2017.
- (4) Due to arrangement of his personal career, Mr. Chiu Chi Cheong, Clifton resigned from the position of non-executive Director of the Company, which took effect from 9 March 2016. Due to work arrangement, Mr. Shi Xian Liang resigned from the position of Independent Director of the Company, which took effect from 24 June 2016. Due to close to retirement, Mr. Li Jing Qi resigned from the position of non-executive Director of the Company, which took effect from 23 November 2016. Due to work change, Ms. Zhang Yang resigned from the position of non-executive Director of the Company, which took effect from 23 November 2016.
- (5) Due to personal affairs, Mr. Fang Jie resigned from the position of staff representative Supervisor of the Company, which took effect from 4 January 2016. Due to work change, Mr. He Sen resigned from the position of Supervisor of the Company, which took effect from 23 November 2016.
- (6) Mr. Luo Kun was appointed as the Secretary of the Board and the Joint Company Secretaries of the Company on 29 January 2016, Ms. Lam Yuen Ling Eva was appointed as the Joint Company Secretaries of the Company, with the term of office from 29 January 2016 to 28 January 2019.
- (7) The commencement of the term of office refers to the commencement of the position listed on the chart, for details of other positions, please refer to point 3 below.

2. Interests and Remuneration of Directors, Supervisors and Senior Management in Office as at the End of the Period and Left Office During the Period

Unit: RMB ten thousand (before tax)

Name	Whether hold or trade shares of the Company	Remuneration receivable from the Company during the Reporting Period				Whether receive remuneration from related parties during the Period
		Salary	Statutory benefits	Fee and/or meeting subsidies	Total	
Hu Wei	No	123.1	19.3	N/A	142.4	No
Wu Ya De	No	108.5	19.2	N/A	127.7	No
Wang Zeng Jin	No	83.8	25.2	N/A	109.0	No
Liao Xiang Wen	No	96.7	24.8	N/A	121.5	No
Zhao Jun Rong	No	N/A	N/A	N/A	0.0	Yes
Tse Yat Hong	No	N/A	N/A	N/A	0.0	Yes
Liu Ji	No	N/A	N/A	N/A	0.0	Yes
Chen Yuan Jun ⁽²⁾	No	N/A	N/A	0.1	0.1	Yes
Au Sing Kun	No	N/A	N/A	20.0	20.0	No
Lin Chu Chang ⁽⁸⁾	No	N/A	N/A	18.8	18.8	Yes
Hu Chun Yuan ⁽⁸⁾	No	N/A	N/A	20.1	20.1	Yes
Chen Tao ⁽³⁾	No	N/A	N/A	9.6	9.6	Yes
Zhong Shan Qun	No	N/A	N/A	N/A	0.0	Yes
Liang Xin ⁽⁴⁾	No	N/A	N/A	0.1	0.1	Yes
Xin Jian	No	26.1	12.1	1.4	39.6	No
Sun Ce	No	91.7	25.9	N/A	117.6	No
Huang Bi Nan	No	74.2	22.9	N/A	97.1	No
Wen Po Wei	No	89.6	24.8	N/A	114.4	No
Gong Tao Tao	No	99.2	25.1	N/A	124.3	No
Luo Kun ⁽⁷⁾	No	85.9	22.7	N/A	108.6	No
Chiu Chi Cheong, Clifton (Leave) ⁽⁵⁾	No	N/A	N/A	7.3	7.3	No
Shi Xian Liang (Leave) ⁽⁶⁾	No	N/A	N/A	0.0	0.0	No
Li Jing Qi (Leave)	No	N/A	N/A	N/A	0.0	Yes
Zhang Yang (Leave)	No	N/A	N/A	N/A	0.0	Yes
Fang Jie (Leave)	No	N/A	N/A	0.1	0.1	No
He Sen (Leave)	No	N/A	N/A	0.8	0.8	No
Total:	/	/	/	/	1,179.1	/

Directors, Supervisors, Senior Management and Employees

Notes:

- (1) Statutory benefits including the contributions to social retirement insurance, other kinds of social insurance, the supplemental retirement scheme, the housing allowances and vehicle subsidies.
- (2) Mr. Chen Yuan Jun was appointed as a Director of the Company since 23 November 2016, such amount represented the meeting subsidies received during the term of his office as a Director.
- (3) Mr. Chen Tao was appointed as an Independent Director of the Company since 24 June 2016, such amount represented the director's fee and meeting subsidies received during the term of his office as a Director.
- (4) Mr. Liang Xin was appointed as a Supervisor of the Company 23 November 2016, such amount represented the meeting subsidies received during the term of his office as a Supervisor.
- (5) Mr. Chiu Chi Cheong, Clifton resigned from the position as a non-executive Director of the Company which took effect from 9 March 2016, such amount represented the director's fee and meeting subsidies received during the term of his office as a Director.
- (6) Independent Director Mr. Shi Xian Liang, has declined the director's fee and meeting subsidies for the term of his office.
- (7) Mr. Luo Kun was appointed as Senior Management of the Company since 29 January 2016, he got paid in the period which he held the post as Senior Management.
- (8) Independent Directors Mr. Lin Chu Chang, Mr. Hu Chun Yuan, Mr. Chen Tao and Supervisor Mr. Liang Xin get paid in related parties, and such related parties, has no relationship with the substantial shareholder of the Company.
- (9) In 2016, Directors Mr. Hu Wei, Mr. Wu Ya De, Mr. Wang Zeng Jin and Mr. Liao Xiang Wen; and senior management members Mr. Sun Ce, Ms. Huang Bi Nan, Mr. Wen Po Wei and Ms. Gong Tao Tao received the amounts of RMB560,000, RMB200,000, RMB100,000, RMB130,000, RMB30,000, RMB80,000, RMB150,000 and RMB300,000, respectively, being remuneration entitled to them for the year of or prior to 2015.

For the information on the remuneration policies of the Directors/Supervisors of the Company, remuneration and benefits policies and performance evaluation and incentive system of the Company, please refer to point III below.

3. Biography of the Directors, Supervisors and Senior Management

The resumes of the Director, Supervisor and Senior Management in Office as at the End of the Reporting Period:

Director:

Name

Position in the Company

Resume

HU Wei



Executive Director/Chairman,
Chairman of Strategic Committee,
Member of Nomination Committee.

Director since Jan. 2012,
Chairman since Jan.2015.

Born in 1962. Mr. Hu has extensive experiences in corporate operation, corporate management including investment, financing, capital operations, auditing and risk management, and experience in overseas enterprises.

Mr. Hu had worked in China Everbright Bank from October 2001 to August 2011, and has been a Vice President of Shenzhen International since August 2011. Mr. Hu joined the Company in January 2015, He has been the Chairman and Secretary of the Party Committee of the Company, concurrently, Mr. Hu holds Directorship in some subsidiaries of the Company.

Name	Position in the Company	Resume
<p data-bbox="295 448 411 480">WU Ya De</p> 	<p data-bbox="603 448 855 502"><i>Executive Director, President,</i> Member of Strategic Committee.</p> <p data-bbox="603 519 927 571">Director since Jan. 1997, Acting President/President since Jan. 2002.</p>	<p data-bbox="986 448 1498 549">Born in 1964. Mr. Wu has extensive experiences in toll highway management and investment as well as corporate management.</p> <p data-bbox="986 577 1498 765">Mr. Wu had been a Director, the General Manager and the Chairman of SGH Company. He has been the Acting President/President (formerly known as General Manager) of the Company since January 2002. Mr. Wu holds Directorship in some subsidiaries of the Company,</p>
<p data-bbox="295 786 470 819">WANG Zeng Jin</p> 	<p data-bbox="603 786 895 840"><i>Executive Director,</i> Member of Remuneration Committee.</p> <p data-bbox="603 858 794 888">Director since Jan. 2015.</p>	<p data-bbox="986 786 1498 888">Born in 1970. Mr. Wang has more than ten years experiences in human resource management and corporate management.</p> <p data-bbox="986 916 1498 1224">Mr. Wang joined Shenzhen International in October 2004 as Secretary to the Chairman and had been the General Manager of human resource department of Shenzhen International from June 2005 to August 2015. Mr. Wang joined the Company in January 2015 as a Director, Deputy Secretary of the Party Committee, and Secretary of the Commission for Inspecting Discipline of the Company. Mr. Wang holds Directorship in a subsidiary of the Company.</p>
<p data-bbox="295 1254 480 1287">LIAO Xiang Wen</p> 	<p data-bbox="603 1254 858 1308"><i>Executive Director, Vice President,</i> Member of Strategic Committee.</p> <p data-bbox="603 1325 836 1379">Director since Nov. 2016 Vice President since Sep. 2009</p>	<p data-bbox="986 1254 1498 1509">Born in 1968. Mr. Liao has extensive experience in toll highway management, human resources, and legal affairs management. Mr. Liao is mainly responsible for the overall management toll collections business and relative mechanical/electrical maintenance, toll highway maintenance and administration as well as operation of the entrusted management</p> <p data-bbox="986 1537 1498 1660">Mr. Liao joined the Company in 2004. He has been a Vice President since September 2009. Mr. Liao holds Directorship in some subsidiaries of the Company.</p>

Directors, Supervisors, Senior Management and Employees

Name	Position in the Company	Resume
<p>ZHAO Jun Rong</p> 	<p><i>Non-executive Director,</i> Member of Strategic Committee.</p> <p>Director since Jan. 2009.</p>	<p>Born in 1964. Mr. Zhao has extensive experiences in corporate management and the legal profession.</p> <p>Mr. Zhao joined Shenzhen International in October 2001, and since then had successively been the Legal Consultant, the Assistant to the President and concurrently Manager of strategic development department. He has been a Vice President of Shenzhen International since June 2007.</p>
<p>TSE Yat Hong</p> 	<p><i>Non-executive Director,</i> Member of Risk Management Committee.</p> <p>Director since Jan. 2009.</p>	<p>Born in 1969. Mr. Tse has extensive experiences in accounting, finance and corporate governance matters of listed companies for many years.</p> <p>Mr. Tse has been the Chief Financial Officer of Shenzhen International since June 2000.</p>
<p>LIU Ji</p> 	<p><i>Non-executive Director,</i> Member of Risk Management Committee.</p> <p>Director since Nov. 2016.</p>	<p>Born in 1975. Mr. Liu has many years' experience in investment and acquisition of listed companies, national property right management and governance and management of listed companies.</p> <p>Mr. Liu joined Shenzhen International in August 2006, and served successively as Secretary of the Executive Committee of the Board, Deputy General Manager/General Manager of IT Engineer Department, General Manager of Administration Department and General Manager of Business Management Department. He has been the General manager of Investment and Acquisition Department of Shenzhen International from August 2014.</p>

Name	Position in the Company	Resume
<p>CHEN Yuan Jun</p> 	<p><i>Non-executive Director,</i> Member of Audit Committee, Member of Remuneration Committee.</p> <p>Director since Nov. 2016.</p>	<p>Born in 1961. Mr. Chen has extensive experiences in investment and management and administrative management in expressway.</p> <p>Mr. Chen joined CMET in 2004, and has been a Deputy General Manager and member of the party committee of CMET since February 2013.</p>
<p>AU Sing Kun</p> 	<p><i>Independent Director,</i> Chairman of Risk Management Committee, Member of Audit Committee, Member of Remuneration Committee.</p> <p>Independent Director since Jan. 2012.</p>	<p>Born in 1952. Mr. Au has many years in depth experiences in international banking and risk management.</p> <p>Mr. Au had worked in HSBC from 1978 to 2009, and had successively been the Operation Director of HSBC (China), the President of HSBC Shenzhen Branch, the Chief Executive Officer of HSBC (Macau), etc. He had been a Director of Nice International Investments Limited since his retirement in 2009.</p>
<p>LIN Chu Chang</p> 	<p><i>Independent Director,</i> Member of Strategic Committee, Member of Nomination Committee.</p> <p>Independent Director since Jan. 2012.</p>	<p>Born in 1969. Mr. Lin has experiences in financial investment and real estate development for many years.</p> <p>Mr. Lin had been the Chief Financial Officer of China Resources Land Limited from 2002 to 2006, the Chief Financial Officer and Executive Director of Longfor Properties Co. Ltd. from 2006 to 2010. Mr. Lin currently is the Chairman and Executive President of Jeffrey Investments Limited and Executive President of Momcare Group Holdings Co., Ltd.</p>

Directors, Supervisors, Senior Management and Employees

Name

Position in the Company

Resume

HU Chun Yuan



Independent Director,
Chairman of Audit Committee,
Member of Remuneration Committee.

Independent Director since Jan. 2015.

Born in 1969. Mr. Hu has extensive experience in restructuring and listing, assets reorganization and bonds reorganization, the auditing of listed companies and securities companies, and the design of corporate governance structure and management structure.

Mr. Hu had successively engaged in auditing and management consultancy in several domestic accounting firms. Since July 2011, he has been the Vice President and Executive Partner of BDO China Shu Lun Pan Certified Public Accountants LLP and a fellow certified public accountant.

CHEN Tao



Independent Director,
Chairman of Nomination Committee,
Chairman of Remuneration Committee.

Independent Director since Jun. 2016.

Born in 1963. Mr. Chen has extensive experience in research and development of environmental protection technologies, construction engineering and corporate management.

Mr. Chen was the General Manager/Chief Commander of Everbright Environmental Protection Energy (Changzhou) Limited (光大環保能源(常州)有限公司) from September 2006 to January 2009. Mr. Chen served as the general manager of Everbright Environmental Protection Science and Technology Development (Beijing) Co., Ltd. (光大環保科技發展(北京)有限公司) from February 2009 and held the position of the deputy general manager of China Everbright International Limited (中國光大國際有限公司) from February 2011.

Supervisor:**Name****ZHONG Shan Qun****Position in the Company**

*(Shareholders' representative) Supervisor/
Chairman of the Supervisory Committee.*

Mr. Zhong had been a Director from Jan 1997 to Apr 2005, the Chairman of the Supervisor Committee from Jan 2006 to Sep 2007, and has been a Supervisor/the Chairman of the Supervisor Committee since Aug. 2009.

Resume

Born in 1964. Mr. Zhong has extensive experiences in engineering construction management, logistics management and corporate management.

Mr. Zhong had been the General Manager, the Chairman of XTC Company. He has been a Vice President of Shenzhen International from June 2007 to January 2015. Mr. Zhong has been an Executive Director of Shenzhen International since January 2015.

LIANG Xin

(Shareholders' representative) Supervisor.

Supervisor since Nov. 2016.

Born in 1967. He has extensive experience in financial management and corporate management.

Mr. Liang held positions at several subsidiaries of Guangdong Provincial Communication Group Co., Ltd. since 1989, including the Chief Accountant of Guangdong Nan Yue Logistics Company Limited (廣東南粵物流股份有限公司) from June 2008 to March 2013, the Deputy General Manager and Chief Accountant of Guangdong Litong Technology Investment Company Limited (廣東利通資訊科技投資有限公司) from April 2013 to February 2015, the Chief Accountant of GDRB Company since March 2015 and a Director of GDRB Company since March 2016. Mr. Liang is concurrently serving as a Director/Chairman or General Manager of several subsidiaries of GDRB Company.

XIN Jian

(Staff representative) Supervisor.

Supervisor since Jan. 2016.

Born in 1968. Mr. Xin has experiences in financial and capital for many years.

Mr. Xin joined the Company in 1996, and had been capital manager of finance department, etc. Currently, Mr. Xin is the senior headquarter financial manager of finance department of the Company.

Directors, Supervisors, Senior Management and Employees

Non-director Senior Management and Joint Company Secretaries:

Name	Position in the Company	Resume
<p>SUN Ce</p> 	<p><i>Vice President.</i></p> <p>Details are set out in the resume in the right column.</p>	<p>Born in 1965. Mr. Sun has extensive experience in engineering construction and project management. Mr. Sun is mainly responsible for overall management of technical works, construction business as well as safety work.</p> <p>Mr. Sun joined the Company in 1997, and has been the General Manager of engineering department of the Company since July 2011, and has been a Vice President since September 2015, concurrently he serving as Director of some subsidiaries of the Company.</p>
<p>HUANG Bi Nan</p> 	<p><i>Vice President.</i></p> <p>Details are set out in the resume in the right column.</p>	<p>Born in 1971. Ms. Huang has many years experience in administrative management and development of corporate culture. Ms. Huang is mainly responsible for overall management, of information management, administrative affairs, public relations and maintaining quality system of the Company security management in headquarters, etc.</p> <p>Ms. Huang joined the Company in 1997 and has been the Office Administrator of the Company since June 2008 and a Vice President since September 2015, concurrently Ms. Huang serving as Director/Chairman of some subsidiaries of the Company.</p>
<p>WEN Po Wei</p> 	<p><i>Vice President.</i></p> <p>Details are set out in the resume in the right column.</p>	<p>Born in 1973. Mr. Wen has many years experience in highway operation management and project investment management. Mr. Wen is mainly responsible for overall management of the strategy, equity financing, investment project and the total research about new industry.</p> <p>Mr. Wen has been the General Manager of the strategy and investment development department of Shenzhen International as well as the Deputy General Manager of a number of subsidiaries from April 2008 to August 2015. Mr. Wen joined the Company in 2015, He has been a Vice President since September 2015, concurrently Mr. Wen serving as Chairman of some subsidiaries of the Company.</p>

Name**GONG Tao Tao****Position in the Company***Financial Controller.*

Details are set out in the resume in the right column.

Resume

Born in 1973. Ms. Gong has many years experience in finance, accounting and risk management. Ms. Gong is mainly responsible for overall financial operation of the Company, including formulating financial strategies and plans, compiling budgets and accounts, preparation of periodic financial reports, managing non-equity financing and funds, and monitoring the implementation of financial and operational plans, etc.

Ms. Gong joined the Company in 1999, and has been the Financial Controller since November 2002. Ms. Gong had act as the Secretary of the Board and Company Secretary from Dec. 2015 to Jan. 2016. Ms. Gong is concurrently serving as Directors of some subsidiaries of the Company.

LUO Kun*Secretary of the Board
Joint Company Secretary*

Details are set out in the resume in the right column.

Born in 1972, Mr. Luo has many years experience in accounting, and investment financing management. Mr. Luo is mainly responsible for information disclosure, investor relations and corporate governance of the Company.

Mr. Luo was joined the Company in 1998. Mr Luo has been the Finance Controller of subsidiaries of the Company and the Vice General Manager of the strategy and investment development department of the Company, etc. Mr. Luo has been the General Manager of the strategy and investment development of the Company from September 2013 to November 2016. Mr. Luo has been the Secretary of the Board/the Joint Company Secretary since January 2016, concurrently serving as a Director of some subsidiaries of the Company.

LAM Yuen Ling Eva*Joint Company Secretary*

Details are set out in the resume in the right column.

Born in 1966. Ms. Lam has over 20 years of experience in company secretarial services and commercial solutions. Ms. Lam is a fellow of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

She is currently a director of BMI Listed Corporate Services Limited and is responsible for supervising the company secretarial teams to provide full range of listed and private company secretarial services to clients, and she has been the Joint Company Secretary since January 2016.

Directors, Supervisors, Senior Management and Employees

II. Major Position held by the Directors, Supervisors and Senior Management Hold

1. Positions in Shareholders' Entities

Name	Name of shareholder entity	Position	Term
Hu Wei	XTC Company	Director	Oct 2012 – Now
	Shenzhen International	Vice President	Aug 2011 – Now
Zhao Jun Rong	XTC Company	Director	Jun 2009 – Now
	SGH Company	Director	Jun 2009 – Now
	Shenzhen International	Vice President	Jun 2007 – Now
Tse Yat Hong	Shenzhen International	Chief Financial Officer	Jun 2000 – Now
Liu Ji	Shenzhen International	General Manager of Investment and Acquisition Department	Aug 2014 – Now
Chen Yuan Jun	CMET	Deputy General Manager	Feb 2013 – Now
Zhong Shan Qun	XTC Company	Director	Sep 2005 – Now
	Shenzhen International	Executive Director	Jan 2015 – Now
Liang Xin	GDRB Company	Director	Mar 2016 – Now
		Chief Accountant	Mar 2015 – Now
The description of position in shareholder entities	In addition to abovementioned main positions in shareholders entities, Director Hu Wei, Zhao Jun Rong, Tse Yat Hong, Liu Ji and Supervisor Zhong Shan Qun and Liang Xin are also concurrently serving as a Chairman/Director or Supervisor in some subsidiaries or investee companies of the relevant shareholders entities.		

2. Positions in Other Entities

In addition to the described in above biography, the major positions of the Directors, Supervisors and senior management holding in other entities include:

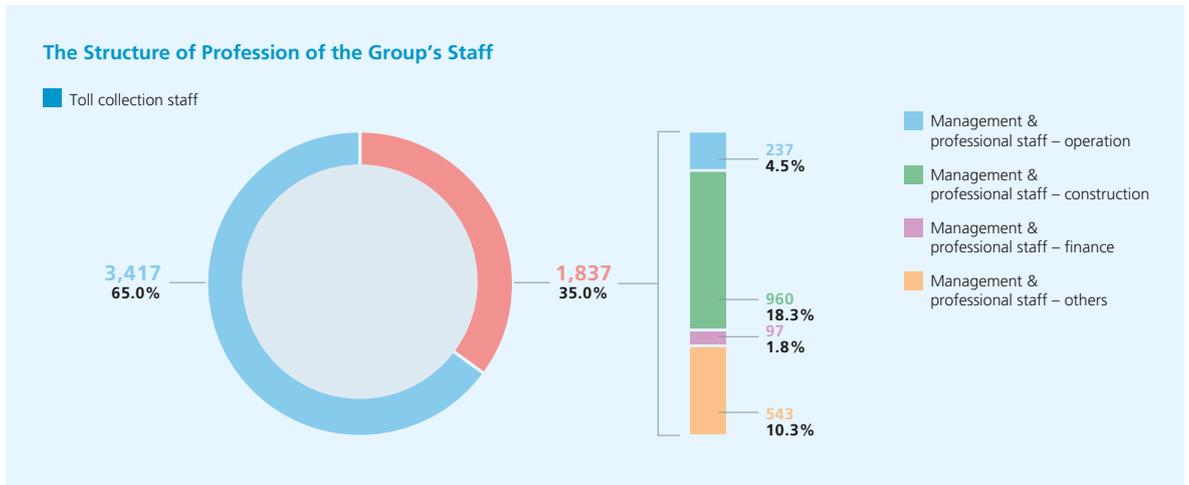
Name	Name of other entity	Position	Term
Tse Yat Hong	China Huirong Financial Holdings Limited	Independent Director	Oct 2013 – Now
Chen Yuan Jun	Huabei Expressway Co., Ltd.	Director	May 2013 – Now
AU Sing Kun	Everbright Securities Co. Ltd	Independent Director	Aug 2016 – Now
Lin Chu Chang	China Zhongsheng Resources Holdings Limited	Independent Director	Apr 2012 – Now
Hu Chun Yuan	Gemdale Properties and Investment Corporation Limited	Independent Director	Nov 2012 – Now

III. Basic Information of Employees and Human Resource Management

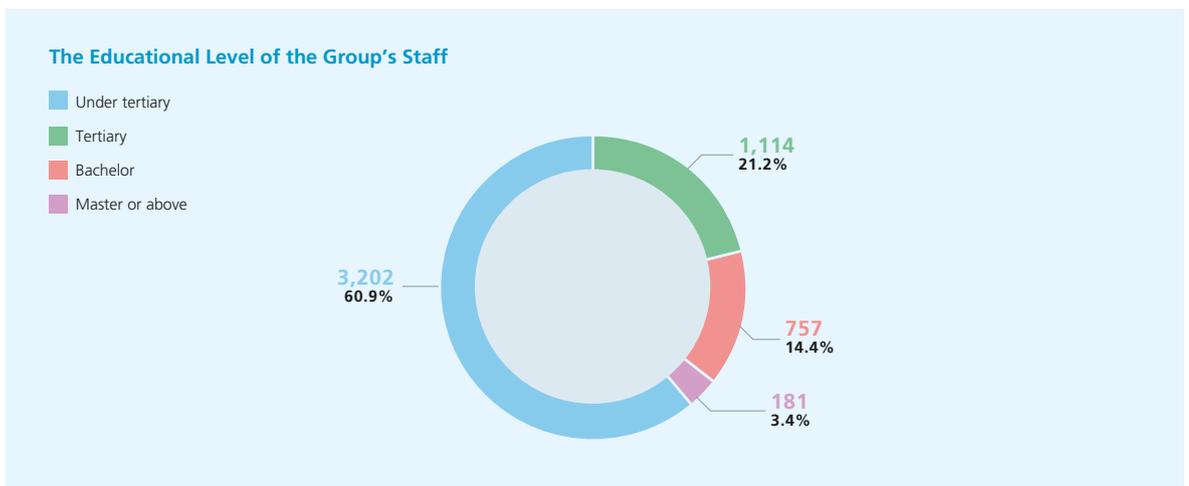
1. Basic Information of Employees:

Amount of employees in the parent company	1,273
Amount of employees in main subsidiaries	3,981
The total amount of employees	5,254
Amount of retired employee for whom the parent company and main subsidiaries shall bear retirement costs	0

At the end of the Reporting Period, among the employees of the Group (including the Company and its consolidated subsidiaries) 3,417 were toll collection staff, representing 65% of total number, while 1,837 were management and professional staff, including staff of operation, engineering, finance and other series, representing 35% of the total number. The structure of profession of the Group's staff is as follows:



Among the employees of the Group, 39% held tertiary or above qualifications, of which 85% of the management and professional staff held tertiary or above qualifications. The educational level of the Group's staff is as follows:



Directors, Supervisors, Senior Management and Employees

2. Remuneration Policies

Remuneration Policies of the Directors/Supervisors:

The remuneration of the Directors and the Supervisors of the Company are determined in accordance with the relevant PRC policies/regulations with reference to prevailing market conditions and the Company's actual situation, subject to approval at the general meeting upon review by the Board and the Supervisory Committee respectively. The Remuneration Committee is responsible for advising the Board on formulating the proposals in respect of the Directors' remuneration during the Reporting Period.

According to the proposed plans approved by the general meeting, Independent Directors and Director who were not nominated by the shareholders of the Company would receive Directors' fees, and the Company would not separately determine or pay any additional fees to the Directors and the Supervisors who are entitled to receive management salary in the Company or shareholder entities. All Directors and Supervisors are entitled to obtain meeting subsidy for the meetings as stipulated. During the Period, the proposal for the remuneration of the members of the Board and the Supervisory Committee was strictly implemented as approved by the general meeting.

Remuneration and Benefits Policies:

The remuneration and benefit policies of the Company were implemented pursuant to the statutory requirements and the Management Procedures for Remuneration and Benefits (《薪酬福利管理程序》) of the Company. The remuneration and benefits of the staff include position salary, the performance bonus and the statutory and corporate welfares and are determined by the market value of the position and the comprehensive performance of staff on the principle of "salary based on the position and changed with the position", with strategy-oriented, market-oriented and performance-oriented objectives, taking into account of both internal and external fairness.

Pursuant to statutory requirements, the Group has participated in an employee retirement scheme organised by the local government authorities (social pension insurance) and the housing provident fund plan, and has adopted various protection plans such as medical insurance, work injury insurance, unemployment insurance, and maternity insurance for its employees. According to the relevant regulations, the Group is required to pay contributions equivalent to a certain percentage of the employee's aggregate salary (subject to the required maximum cap) to the labor and social security authorities management center as social insurance contributions for items such as pension and medical insurance expenses. Moreover, the Company has made regular enterprise annuity payments (supplemental pension insurance) for its management personnel and key technical staff members. As at 31 December 2016, the Group has a total of 58 retired staff. The registration procedures in relation to their retirement have been completed through Shenzhen or local social security authorities, Concurrently the company provides a free physical examination and important festivals sympathy to retirees every year. For details of the remuneration and benefits for employees during the Reporting Period, please refer to note V21 to the Financial Statements in this annual report.

The Company's executive Directors, senior management and the staff representative Supervisor received management salary based on their specific management positions in the Company. Monthly salaries and performance bonuses of senior management account for approximately 60% and 40% of their total remuneration respectively, of which performance bonuses are calculated based on how the annual performance targets are met by them, and are proposed or reviewed by the Remuneration Committee.

Performance Evaluation and Incentive System:

The Board determines the Company's annual operating performance targets at the each year and sets out clear and concrete rating criteria as the basis for year-end appraisals on the overall performance of the Executive Directors and the management of the Company. During 2016, the Company determined its key performance targets in four aspects, namely finance, customers, internal process and learning and maturity, and included nine key goals, namely the return on shareholders' equity, net profit, operating revenue, profit to cost ratio, customers' satisfaction, project construction and new business expansion, key work promotion, safety production and material risk control and employees' satisfaction.

Based on the operating performance targets approved by the Board, the Company is required to determine the annual tasks and targets for staff members of all ranks, segregate and delegate the Company's objectives to the relevant departments and staff. Meanwhile, senior management members are also required to sign accountability statements on their performance targets with the President. By the end of the year, the Board and the President will determine the overall performance score of the Company and individual performance scores of the senior management members with reference to the state of completion of the Company's and individual performance targets, and calculate the performance bonuses for the Executive Directors and other senior management members accordingly. The remuneration of all senior management members are subject to review by the Remuneration Committee and are required to be reported to the Board.

In order to further establish and improve long-term incentive systems of the Company, attract and retain talents, and fully mobilize the initiatives of the Company's senior management, middle level management and core management personnel and technical key staff, the Company, with the approval of the Board, submitted relevant proposals in respect of Restricted A share Incentive Scheme to the shareholders' meeting during 2016. However, these proposals were not approved by the class meeting of holders of H Shares. For details, please refer to the "Report of the Directors" in this report. The Company will continue to study and establish a multi-form long-term incentive system for employees to jointly promote the implementation of the Company's strategies by aligning the interests of shareholders, the Company and core employees.

3. Staff Training

The Company values staff training and has established the training system based on job competency. At the beginning of each year, according to the actual needs of the businesses and staff, the Company formulates the training plan to guide the training work of the year, with summary and review conducted at the end of the year. In 2016, the Company and its departments have organised 54 training sessions, which covered all business segments of the Company, including general management, operating management and professional skills. The training hours totalled 12,500 hours, with 2,100 person-times participation and covering staff of all levels from toll collection staff to senior management.

Corporate Governance

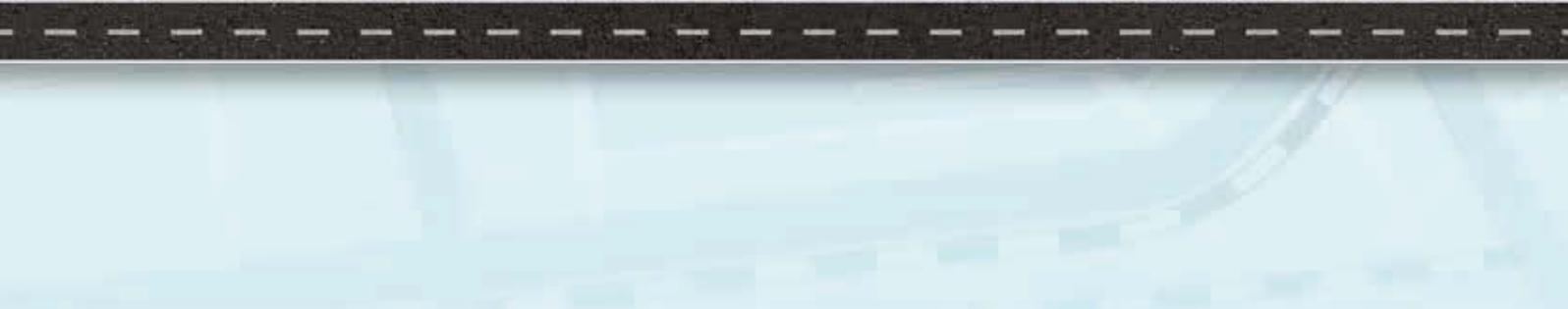
092 Corporate Governance Summary

099 Corporate Governance Report

112 Internal Control

115 Investor Relations





Corporate Governance Summary

I. The Description of the Overall Corporate Governance

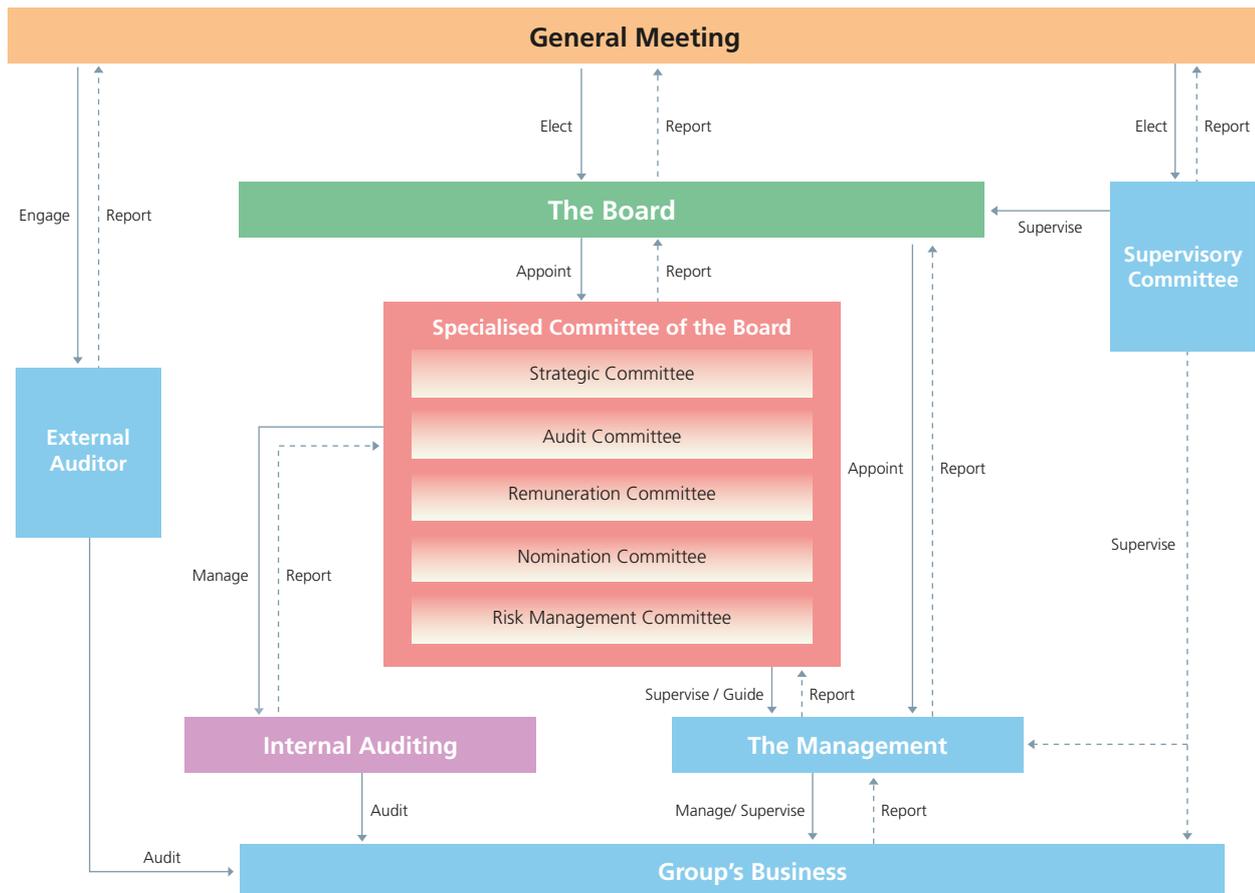
Sound corporate governance enables the Company to achieve healthy and stable development. The Company has always been committed to perfecting its governance structure, establishing and improving operational principles and improving the effectiveness of governance continuously.

The Company is listed on both SSE and HKEx. We have to comply with the applicable laws and regulatory requirements for securities regarding the practice of corporate governance of both places. During the Reporting Period, the Company complied with the Company Law and the relevant requirements issued by China Securities Regulatory Commission. We have also fully adopted all the code provisions of the "Corporate Governance Code" as set out in Appendix 14 of the Listing Rules of HKEx and there is no material deviation or breach of the code provisions occurred. For corporate governance practice, we implement better practices than the code provisions under the "Corporate Governance Code". Please refer to "Corporate Governance Report" in this annual report for the compliance with the "Corporate Governance Code".

II. Corporate Governance Structure and Rules

The Company has set up a corporate governance structure which comprises the general meeting, the Board, the Supervisory Committee and the management. It has formulated multi-tier governance rules based on the Articles of Association, covering overall policies, principles and standards on corporate governance, compliance and code of conduct, aiming to clearly define the duties, scope of authority and code of conduct.

Governance Structure of Shenzhen Expressway



The key documents of governance rules of the Company include Articles of Association and its appendices (Rules of Procedures for the Shareholders Meeting, Rules of Procedures for the Board of Directors and Rules of Procedures for the Supervisory Committee), Terms of Reference of various committees, Rules on Performing Duties by the Independent Directors, Rules on Performing Duties by the President, Securities Transaction Code, Rules Governing Information Disclosure Matters, Rules Governing Investor Relationship Management, Rules Governing Insider Information, and Rules Governing Connected Transactions etc., all of which can be found or downloaded in the section of "Corporate Governance" on the Company's website.

The implementation of the management system of insiders:

The Company attaches great importance to the observance and compliance of the Directors, Supervisors and senior management and forbids any inside trading of the shares of the Company. The Company has established various systems including Securities Transaction Code, Rules Governing Insider Information Management, and Code of Conduct in Relation to Information Disclosure to Shareholders so as to enhance the secrecy management of the inside information, regulate insider trading of the shares of the Company and protect the Company's interest and the principle of equality for information disclosure. During the year, the Company has completed the insiders' registration in relation to the regular reports and material contracts pursuant to relevant regulations.

III. Information on General Meetings

During 2016, Four general meetings, two A Share class meetings and two H Share class meetings were held by the Company at the conference room of the Company. Details of the general meetings are as follows:

No.	Name of the meeting	Convening date	Disclosing date
1	The First Extraordinary General Meeting 2016	29 January 2016	29 January 2016
2	The 2015 Annual General Meeting	19 May 2016	19 May 2016
3	The Second Extraordinary General Meeting 2016	24 June 2016	24 June 2016
	The First Class Meeting 2016 for holders of A Share		
	The First Class Meeting 2016 for holders of H Share		
4	The Third Extraordinary General Meeting 2016	23 November 2016	23 November 2016
	The Second Class Meeting 2016 for holders of A Share		
	The Second Class Meeting 2016 for holders of A Share		

Note: The above resolutions of the general meetings are available on the website of SSE at <http://www.sse.com.cn>, the website of HKEx at <http://www.hkexnews.hk> and the website of the Company at <http://www.sz-expressway.com> and <http://www.sz-expressway-ir.com.hk> (for H Shares).

Corporate Governance Summary

IV. The Performance of Duties of the Directors

(I) Attendance of Directors at the Board Meetings and the General Meetings in 2016

Directors in service as at the end of the Reporting Period	Position	Attendance at the Board Meetings						Attendance at the General Meetings
		The total number of meetings	Attendance in person	Among which: attendance at the meetings by way of telecommunication ³	Attendance at the meetings by proxy	Frequency of absence	Absence from two successive meetings	Attendance at the General Meetings
Hu Wei	Executive director	10	9	0	1	0	No	4
Wu Ya De	Executive director	10	10	0	0	0	No	4
Wang Zeng Jin	Executive director	10	10	0	0	0	No	4
Liao Xiang Wen ^{Note 1}	Executive director	2	2	0	0	0	No	0
Zhao Jun Rong	Non-executive director	10	9	0	1	0	No	0
Tse Yat Hong	Non-executive director	10	8	1	2	0	No	4
Liu Ji ^{Note 1}	Non-executive director	2	1	0	1	0	No	0
Chen Yuan Jun ^{Note 1}	Non-executive director	2	1	0	1	0	No	0
Au Sing Kun	Independent Director	10	9	1	1	0	No	4
Lin Chu Chang	Independent Director	10	5	3	5	0	No	0
Hu Chun Yuan	Independent Director	10	10	1	0	0	No	4
Chen Tao ^{Note 1}	Independent Director	5	2	2	3	0	No	0

Directors off position in the Reporting Period	Position	Attendance at the Board Meetings						Attendance at the General Meetings
		The total number of meetings	Attendance in person	Among which: attendance at the meetings by way of telecommunication ³	Attendance at the meetings by proxy	Frequency of absence	Absence from two successive meetings	Attendance at the General Meetings
Li Jing Qi ^{Note 2}	Former Director	8	6	0	2	0	No	2
Zhang Yang ^{Note 2}	Former Director	8	4	3	4	0	No	2
Chiu Chi Cheong, Clifton ^{Note 2}	Former Director	2	2	0	0	0	No	0
Shi Xian Liang ^{Note 2}	Former Independent Director	5	2	0	3	0	No	1

Note:

- Directors Liao Xiang Wen, Liu Ji and Chen Yuan Jun have been serving as Directors since 23 November 2016;
Independent Director Chen Tao has been serving as Independent Director since 24 June 2016.
- Former Directors Li Jing Qi and Zhang Yang ceased to be directors from 23 November 2016; Former Director Chiu Chi Cheong, Clifton ceased to be a director from 9 March 2016;
Former Independent Director Shi Xian Liang ceased to be an independent director from 24 June 2016.
- According to the Articles of Association of the Company, Directors who attend a meeting by way of telecommunication devices such as telephones will be deemed as attending the meeting in person.

(II) Attendance of Directors at the Meetings of the Specialized Committees in 2016

Directors in service as at the end of the Reporting Period	Title held in the specialized committees	Attendance (Attendance in person/Total number of meetings)					
		Strategic Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee	Independent Director Meetings
Hu Wei	Chairman of Strategic Committee Member of Nomination Committee	1/1	N/A	N/A	3/3	N/A	N/A
Wu Ya De	Member of Strategic Committee	1/1	5 ^{Note 1}	2 ^{Note 1}	3 ^{Note 1}	1 ^{Note 1}	N/A
Wang Zeng Jin	Member of Remuneration Committee	1 ^{Note 1}	N/A	3/3	3 ^{Note 1}	N/A	N/A
Liao Xiang Wen ^{Note 3}	Member of Strategic Committee	1/1	N/A	N/A	N/A	N/A	N/A
Zhao Jun Rong	Member of Strategic Committee	1/1	N/A	N/A	N/A	N/A	N/A
Tse Yat Hong	Member of Risk Management Committee	1 ^{Note 1}	N/A	N/A	N/A	2/2	N/A
Liu Ji ^{Note 3}	Member of Risk Management Committee	N/A	N/A	N/A	N/A	1/1	N/A
Chen Yuan Jun ^{Note 3}	Member of Audit Committee Member of Remuneration Committee	N/A	0/0	0/0	N/A	N/A	N/A
Au Sing Kun	Chairman of Risk Management Committee Member of Remuneration Committee Member of Audit Committee	1 ^{Note 1}	6/6	3/3	N/A	2/2	2/2
Lin Chu Chang	Member of Strategic Committee Member of Nomination Committee	0/1 ^{Note 2}	N/A	N/A	3/3	N/A	0/2 ^{Note 2}
Hu Chun Yuan	Chairman of Audit Committee Member of Remuneration Committee	N/A	6/6	3/3	N/A	N/A	2/2
Chen Tao ^{Note 3}	Chairman of Remuneration Committee Chairman of Nomination Committee	N/A	N/A	0/1 ^{Note 2}	0/1 ^{Note 2}	N/A	0/1 ^{Note 2}

Directors off Post in the Reporting Period	Title held in the specialized committees	Attendance (Attendance in person/Total number of meetings)					
		Strategic Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee	Independent Director Meetings
Li Jing Qi ^{Note 3}	Former Member of Strategic Committee	0/0	N/A	N/A	N/A	N/A	N/A
Zhang Yang ^{Note 3}	Former Member of Risk Management Committee Former Member of Audit Committee	N/A	2/5 ^{Note 2}	N/A	N/A	0/1 ^{Note 2}	N/A
Chiu Chi Cheong, Clifton ^{Note 3}	Former Member of Audit Committee Former Member of Remuneration Committee	N/A	1/1	1/1	N/A	N/A	N/A
Shi Xian Liang ^{Note 3}	Former Chairman of Remuneration Committee Former Chairman of Nomination Committee	N/A	N/A	0/2 ^{Note 2}	1/2 ^{Note 2}	N/A	0/1 ^{Note 2}

Note:

- Observed at the meeting.
- Except Independent Director Lin Chu Chang who failed to attend the meeting of Strategic Committee for business reasons, other Directors who were unable to attend meetings in person had appointed other Directors to attend the meetings on their behalf.
- On 9 March 2016, former Director Chiu Chi Cheong, Clifton ceased to be a member of Audit Committee and Remuneration Committee, and former Director Zhang Yang began to serve as a member of Audit Committee; on 24 June 2016, former Independent Director Shi Xian Liang ceased to be the chairman of Remuneration Committee and Nomination Committee, and Independent Director Chen Tao began to serve as the chairman of Remuneration Committee and Nomination Committee; on 23 November 2016, former Director Li Jing Qi ceased to be a member of Strategic Committee, former Director Zhang Yang ceased to be a member of Audit Committee and Risk Management Committee, Director Liao Xiang Wen began to serve as a member of Strategic Committee, Director Chen Yuan Jun began to serve as a member of Audit Committee and Remuneration Committee, and Director Liu Ji began to serve as a member of Risk Management Committee.

Corporate Governance Summary

(III) The Performance of Duties of Independent Directors

During the Reporting Period, the Independent Directors gave no dissent to the resolutions/matters discussed by the Board or specialized committees of the Company. In 2016, no Independent Director of the Company proposed to convene any Board meeting or general meeting. During the year, four Independent Directors of the Company have provided independent advice on matters such as annual review on the Company's external guarantees, profit distribution plan, changes in accounting estimates, provision for impairment, engagement of accounting firm, nomination of Directors, engagement of senior management, Restricted Share Incentive Scheme, connected transactions and annual review on continuing connected transactions according to the regulatory requirements and guidelines, and provided constructive opinion on the business development and strategic plans of the Company, in order to protect the overall interests of the Company and shareholders by duly performing its monitoring and balancing role. In 2016, Independent Directors of the Company publicly solicited voting rights from the shareholders in accordance with the relevant provisions of the CSRC in respect of the Restricted Share Incentive Scheme and relevant proposals to be submitted by the Company to the general meeting for consideration. For the details of performance of duties of the Independent Directors during the year, please refer to the "2016 Duty Report of the Independent Directors (2016年度獨立董事述職報告)" (Chinese version) published on the websites of the exchanges on the Reporting Date.

V. The Performance of Duties of Specialized Committees of the Board during the Year

The Board of the Company established five specialized committees, namely Strategic Committee, Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee. Members of the specialized committees are appointed by the Board. Each session has a term of three years, consistent with the term of the Board. Each committee has its terms of reference which explicitly explain and define their duties and powers and they have been approved by the Board. In 2016, the specialized committees of the Board convened 15 meetings in total. For the composition of each specialized committee and the attendance at the committee meetings, please refer to "The Performance of Duties of the Directors" above.

(I) Strategic Committee

The Strategic Committee was established in November 2001. It is responsible for studying the directions of the Company's strategic development, considering the Company's strategic plans, monitoring the implementation of strategies and facilitating adjustments to the Company's strategies and governance structure on a timely basis.

In 2016, the Strategic Committee held one meeting, in which the committee considered and adopted the Report on Implementation of the Company's Development Strategies for 2015 and 2016 submitted by the management of the Company. The committee was informed of the implementation of the development strategies for 2015-2016 and conducted an in-depth analysis and discussion on the difficulties in relation to the implementation of strategies in remaining strategic period, the recommendations, and the strategies and plans for subsequent implementation.

(II) Audit Committee

The Audit Committee was established in August 1999. It is mainly responsible for the independent review on the Company's financial reporting and the quality and efficiency of internal regulation as well as the control and routine management work of connected transactions of the Company.

In 2016, the Audit Committee held six meetings in total, and conducted the work actively and performed its duties according to the performance goals set in the beginning of the year, reviewed the regular reports, internal control reports and specific audit reports of the Group, and provided the Company with its professional opinions and suggestions on various aspects including the financial reports, relevant accounting policies and estimates, audit work, corporate governance, risk management and internal control. During the year, auditors attended all meetings of the Audit Committee to discuss the matters in relation to the review of regular reports. In addition, auditors also held one independent meeting with the committee in the absence of management of the Company to ensure the independence and objectivity of the reports. The major tasks of the committee for the year included:

- ◆ periodical review of the Group's financial statements, including the annual financial statements of 2015 and the unaudited financial statements for the first quarter, interim and the third quarter of 2016, and making recommendation to the Board for approval;

- ◆ assisting the Board in making independent evaluations on the effectiveness of the Group's internal control;
- ◆ supervision and guidance for the internal auditing work;
- ◆ supervision on control and routine management work of connected transactions;
- ◆ supervision and guidance for the Group's anti-fraudulent work;
- ◆ coordination and evaluation of the work of auditor and recommendations for appointments.

The related work and opinions on the financial reporting, the review on financial statements, the internal control of auditor are set out in "Corporate Governance Report" and "Internal Control" in this annual report. For the details of the annual of duties of the Audit Committee, please refer to the "2016 Duty Report of the Audit Committee (審核委員會2016年度履職情況報告)" (Chinese version) published by the Company on the websites of the exchanges on the Reporting Date.

(III) Remuneration Committee

The Remuneration Committee was established in November 2001. The committee is responsible for assisting the Board to review the remuneration policies and incentive mechanism of the Company on an ongoing basis, devising the appraisal standards for the Directors and senior management of the Company, and conducting appraisals thereof, and ensuring that none of the Directors, senior management or their associates is allowed to set his/her own remuneration. The committee only makes recommendations to the Board regarding the remuneration of the Directors, and the remuneration of the Directors and senior management shall be specifically determined in general meetings or by the Board.

In 2016, the Remuneration Committee held three meetings, and its major tasks completed in the the year included:

- ◆ according to the Company's new development strategy, actively promoting the construction of long-term incentive mechanism, examining the Company's Restricted A Shares Incentive Scheme (Draft), and submitting review opinions to the Board;
- ◆ evaluating the operating performance of the management and the Executive Directors for 2015, reviewing the relevant incentive proposal of the management and the Executive Directors, and submitting the appraisal results and review opinions to the Board;
- ◆ reviewing the remuneration disclosure proposal for 2015 for the Directors and senior management;
- ◆ reviewing the formulation of the operating performance target of the Company for 2016 and giving the review opinions.

The Remuneration Committee held one meeting in early 2017 (up to the Reporting Date), assessed and evaluated the operating performance of the management and Executive Directors for 2016, and reviewed the annual remuneration disclosure proposal for the Directors and senior management, and concluded that the relevant disclosure met the regulatory requirements of securities. Details of the remuneration policies and incentive mechanism of the Company and the relevant recommendations of the committee are set out in "Directors, Supervisors, Senior Management and Employees" in this annual report.

Corporate Governance Summary

(IV) Nomination Committee

The Nomination Committee was established in November 2001. It is responsible for examining or devising the Company's human resources development strategies and planning; and conducting studies and providing recommendations in respect of candidates, nomination criteria and nomination procedures for the Directors and senior management of the Company.

In 2016, the Nomination Committee held three meetings, the major tasks completed during the year included:

- ◆ reviewing the structure, number of members and composition of the Board;
- ◆ listening to the adjustment report from the representatives of investee companies;
- ◆ completing the qualification review for candidates of one Independent Director and three Directors, and submitting recommendations for appointment to the Board.

Details of the appointment of the Directors and the senior management of the Company are set out in "Directors, Supervisors, Senior Management and Employees" in this annual report.

(V) Risk Management Committee

The Risk Management Committee was established in August 2004. The Committee is responsible for formulating policies on risk management of the Company, ensuring that the management has established a comprehensive and effective risk management system, supervising the Group's overall risk position, reviewing the Company's risk management system and material risk matters, and analyzing and monitoring the risk position of the Company's material projects.

In 2016, the Risk Management Committee held two meetings in total, and actively conducted its work and performed its duties according to the performance goals set in the beginning of the year, reviewed and planned for the Group's risk management works, and provided the Company with its professional advice and recommendations on various aspects including risk warning indicators and risk assessment for investment projects. Its major tasks completed during the year included:

- ◆ reviewing the annual risk review report and risk management plans of the Group, understanding the changes of the risk of the Company and the implementation of risk responsive measures, and discussing the major risks faced by the Company in the future and responsive measures with the management;
- ◆ reviewing the updates of the financial warning indicator system and monitoring the material changes thereof;
- ◆ reviewing the material investment projects of the Company and providing opinions and recommendations to the Board from the aspect of risk control.

VI. The Work of the Supervisory Committee

In 2016, the Supervisory Committee held ten meetings in total, and the supervisors also attended all of the general meetings and Board meetings. They considered or reviewed the matters including the regular reports, financial accounts and budget reports, proposed profit distribution, changes in accounting estimates, selection of supervisor candidates and connected transactions of the Company, and supervised the legality and compliance of the decision-making procedures in the general meetings and Board meetings, the implementation of the resolutions in the general meetings, the implementation of the Company's profit distribution policy, the disclosures of regular reports and other information, the performance of duties by the Directors and senior management and the implementation of relevant securities regulatory requirements. During the Reporting Period, there was no incident about which the supervisors disputed with the Directors or sued the Directors on behalf of the Company. The Supervisory Committee has no objection to the matters under their supervision during the Reporting Period.

Corporate Governance Report

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 of HKEx and there is no material deviation or breach of the code provisions occurred. For corporate governance practice, we implement better practices than the code provisions under the “Corporate Governance Code” of HKEx, mainly in the following aspects:

- ☑ The stipulation on the terms of office for Independent Directors of no more than 6 years;
- ☑ Disclosure of the remunerations of all Directors, Supervisors and senior management on a named basis in the annual report;
- ☑ Appointment of an external auditor for the audit of the internal control of the financial reporting;
- ☑ Preparation and publication of quarterly results announcements;
- ☑ Provision of an independent channel for the Audit Committee to obtain information on fraudulent risk;
- ☑ Establishment of the Risk Management Committee, the risk control and management system for the Group as well as financial risk warning system to exercise regular control and reporting by the Company.

Pursuant to the good corporate governance principles contained in the “Corporate Governance Code”, the evaluation and details of the daily governance work and practices of the Company during the Reporting Period are set out as follows:

A. Directors

A.1 The Board

The code provisions that we complied with

A.1.1-A.1.8

The Board of the Company exercises management and decision-making powers according to the authorizations granted at the general meeting in respect of development strategies, management structure, investment and financing, planning, financial control, human resources and corporate governance, and so forth. The Board is responsible for leading the Group’s development, ensuring the availability of necessary resources for the Group to achieve pre-set strategic goals and supervising and inspecting the Company’s development and operation.

The Board holds one regular meeting each quarter and convenes ad hoc meetings when necessary. The Company has issued a written notice to all Directors in respect of the date and the resolutions to be proposed 30 days before the regular meeting is convened, so as to ensure that they can propose issues to be discussed and to put forth in the agenda. Formal notices of all regular meetings have been dispatched to all Directors at least 14 days before the meeting is convened, while notices of ad hoc meetings have been dispatched at least 5 days before the meeting is convened. If a substantial shareholder or a Director has material conflict of interest in the issues to be discussed, the Company shall hold a plenary Board meeting for consideration of such resolution and shall not approve the same by a written resolution or authorization. When considering the related issues, any Director who is connected or interested in the same shall not have any voting rights and shall be absent when necessary.

In 2016, the Board convened ten plenary meetings to discuss and make decisions on issues covering the Group’s operating and financial performance, planning and supervision, business development and challenges, investment and financing plans, equity incentive, changes in accounting estimates, provision for impairment, connected transactions, appointment of Director candidate, engagement of senior management, and review and evaluate the implementation of the Company’s strategies. During the year, when considering relevant proposals, in which the directors who had material interests had complied with the avoidance principle and abstained from voting. For example, when considering a number of connected transactions with SIHCL or Shenzhen International, the Directors holding office in Shenzhen International Group (excluding the Group) have declared their interests to the Board and abstained from voting; when considering Restricted Share Incentive Scheme, the participated Director had declared his interests to the Board and abstained from voting.

Corporate Governance Report

The meeting minutes of the Board and Board committees contain the details of the discussing matters in the meeting, which includes the factors taken into consideration by various Directors, the questions proposed or the objection and the decision made. The draft of the meeting minutes should be delivered to various Directors for comments within reasonable time after each meeting. The final version should be maintained properly according to the file management system of the Company and the copy of which should be delivered to various Directors for filing. The meeting minutes are also available for Directors' access at any time through the secretary of the Board.

According to the consideration and decision making needs, the Company may engage the professional institutions including the accounting firms, lawyers and assessment institutions based on the actual situation to issue written report for Directors' review. In addition, in accordance with the Rules of Procedures for the Board of Directors and the relevant requirements, the Directors and the specialized committees may engage professional institutions or professionals through established procedures to obtain professional advice, and the fees so incurred shall be borne by the Company. To ensure the independence of the professional institutions, the specific selection and employment work is conducted by the Independent Directors or Independent Board Committee for the engagement of independent financial advisor for the connected transactions. The employment shall be determined by a majority of votes of the members and the members with connected relationship or conflict of interest shall not constitute a quorum. In 2016, with regard to the Company's A Share Incentive Scheme, all Independent Directors of the Company set up an independent board committee in May and October respectively, and engaged independent financial advisers twice to issue independent advice on the issue for shareholders' reference.

In accordance with the approval and authorization of the general meeting, the Company has purchased liability insurance for the Directors, the Supervisors and senior management every year since 2008, and purchased insurance for the legal actions that the management may face, in order to promote the stamina of the Company against risks, protect the legal rights and interests of shareholders and build the professional risk prevention mechanism of the management.

A.2 *Chairman and Chief Executive Officer*

The code provisions that we complied with

A.2.1–A.2.9

The Company clearly defines the duties between the Chairman and the President, so that the functions of the Board and management are separated to protect the balance of power and authority. In 2016, the Chairman of the Board of the Company is Hu Wei, while the President is Wu Ya De. There is no affiliation or interest relationship between the Chairman and the President, including financial, business, family or any other related relationships. The Chairman is responsible for taking charge and coordinating the operation of the Board, providing leadership in the Board to set the Group's overall development strategies and directions, and to achieve the Group's goals, ensuring the Board functions effectively and assuring good corporate governance practices and procedures for the Company. The President, with the support and assistance of the Board and other senior management of the Company, is responsible for coordinating and managing the Group's business and operation, implementing the strategies laid down by the Board and making day-to-day operating decisions.

The Board has established information reporting and delivery mechanism to ensure that the Directors can obtain various information and messages required for their performance of duties on a timely basis. Please refer to A.7 below for details.

The Board encourages the Directors to maintain a prudent and doubtful attitude as expected, to build an open-minded discussion atmosphere to encourage any dissenting Directors to fully express their point of views, and to motivate the Directors, especially Non-executive Directors to have effective contributions in the Board. During 2016, the Company solicited the opinions of all the Non-executive Directors. The Non-executive Directors considered that there was no matter required to be discussed by the Chairman and Non-executive Directors. The Company has set up a well-established governance structure and formulated multi-tier governance rules. Please refer to "Corporate Governance Summary" and D.3 below in this annual report for details.

The Company has been complying with the principle of equal treatment of all investors, and established a smooth communication channel with investors while observing various regulations relating to information disclosure by maintaining an effective two-way communication with investors through various channels. Please refer to “Investor Relations” and E.1 in this annual report below for details.

A.3 The composition of the Board

The code provisions that we complied with

A.3.1-A.3.2

According to the requirements of the Articles of Association, the Board of the Company comprises 12 Directors. The Board regularly evaluates its structure, number of members and composition (including their skills, knowledge, experience, etc.) through the Nomination Committee.

The current Board is the seventh session of the Board of the Company and the term of office is from 1 January 2015 to 31 December 2017. As at 31 December 2016, the Board comprises Hu Wei, Wu Ya De, Wang Zeng Jin and Liao Xiang Wen as Executive Directors, Zhao Jun Rong, Tse Yat Hong, Liu Ji and Chen Yuan Jun as Non-executive Directors, and Au Sing Kun, Lin Chu Chang, Hu Chun Yuan and Chen Tao as Independent Directors. The Board members come from various industry backgrounds with professional expertise in highway industry, financial, accounting and auditing, finance and securities, law, property development and administration and human resources, and two of them (including one Independent Director) possess professional financial and accounting qualifications. The members of the Board have various industry backgrounds and maintained diversity in terms of various aspects including experience, skills and judgment, allowing the Board to analyze and discuss issues from different perspectives and making decisions in a more cautious and careful manner.

The Board of the Company comprises four Independent Directors, representing one-third of the number of members of the Board, which complies with the relevant requirements. The Board has obtained written confirmations from all Independent Directors concerning their independence in accordance with the requirements under Rule 3.13 of the Listing Rules of HKEx. The Company believes that the Independent Directors have all complied with the relevant guidelines as stipulated in such rule and are regarded as independent parties during 2016.

Details of the Directors’ biographies, terms of office and key positions are set out in “Directors, Supervisors, Senior Management and Employees” in this annual report.

A.4 Appointment, re-election and removal

The code provisions that we complied with

A.4.1-A.4.3

In accordance with the stipulations of the Articles of Association and its attachments, Directors are elected or replaced by general meetings. The shareholders of the Company, the Board or the Supervisory Committee are eligible to nominate candidates for directorship. Directors serve for a term of 3 years, and upon expiry of the term, their appointments are subject to re-submission for consideration at a general meeting and they may offer themselves for re-election. Independent Directors are eligible for re-election, subject to a maximum term of 6 years. A cumulative voting system is adopted for the election of the Directors of the Company, and the Independent Directors and Non-independent Directors vote separately. The requirements of the Company on the qualifications and basic qualities of the Directors, the ways of nomination and the proposing procedures are set out in the Rules of Procedures for the Board of Directors of the Company. The Nomination Committee is responsible for qualification inspections and quality assessments on the candidates for directorship, as well as making proposals to the Board and providing explanations at the general meetings. In order to make the shareholders have a better understanding of the procedures of nomination of Directors, the Company has extracted the relevant clauses for the procedures of nomination of Directors separately and has posted them on the Company’s website.

Corporate Governance Report

A.5 *Nomination Committee*

The code provisions that we complied with

A.5.1–A.5.6

The Board has established the Nomination Committee with the majority being Independent Directors, and chaired by an Independent Director. Please refer to D.2 below and the “Corporate Governance Summary” in this annual report for the details of the composition of the Nomination Committee and its performance of duties. The Terms of Reference of the Nomination Committee approved by the Board has been published on the websites of the exchanges and the Company. The Company provides the committee with sufficient resources for its performance of duties. During the year, the Nomination Committee did not seek for independent professional advice for the performance of duties.

The Company has established the Board diversity policy. Under the policy, the Board shall opt for the capability of all the Director candidates during the selection, evaluation and nomination of its members. It shall also take full consideration of the actual situation and development needs of the Company and follow the diversity principle when forming the Board. The Board shall consider and assess the diversification of members in the aspects of age, cultural background, educational background, professional experience and expertise and the length of service, and authorize the Nomination Committee to oversee the implementation of the policy, and when appropriate, review the policy, and expand and review measurable targets. After the review, the members of the seventh session of the Board demonstrated the diversify principle particularly well in the aspects of professional experience and background, length of service, age, cultural background and independence.

A.6 *The responsibilities of Directors*

The code provisions that we complied with

A.6.1–A.6.8

The Rules of Procedures for the Board of Directors, the Terms of Reference of each specialized committee and the Rules on Performing Duties by the Independent Directors prepared by the Company has clearly stated the responsibilities of the Directors to ensure their complete understanding on their roles and responsibilities.

Attendance of Directors (including attendance by appointing other Directors as proxies) at the Board meetings in 2016 was 100%, while attendance in person was 79%. Attendance of members in person at the meetings of the specialized committees of the Board (including the meetings of the Independent Directors) was 80%. Attendance of members in person at the general meetings was 66%. Please refer to the “Corporate Governance Summary” in this annual report for the details of the attendance of Directors and the overview of the performance of duties in the year of the Independent Directors.

During the Reporting Period, the Company’s Directors attended Board meetings and specialized committee meetings in a prudent, responsible, proactive and serious manner. After gaining an understanding of the Company’s operation and operating development, they adequately capitalized on their respective professional experience and expertise and provided independent judgment, knowledge and experience towards the matters discussed, thereby enabling the Board to carry out effective discussions and make prompt yet prudent decisions. They produced proactive and encouraging effect in ensuring the Board to work in the best interests of the Company as its objective.

Upon the acceptance of the appointment and after the appointment, each Director and Supervisor of the Company have to provide the information about their services in other companies in time, including their services in other listed companies for the last three years. The relevant information has been disclosed in the announcements and the shareholder documents relating to the nomination and election of the Directors/Supervisors, and is available in the section of “Directors, Supervisors, Senior Management and Employees” in this annual report.

In accordance with Appendix 10 to the Listing Rules of HKEx titled “Model Code for Securities Transactions by Directors of Listed Issuers” and the relevant requirements of domestic securities regulatory authorities, the Board formulated the “Securities Transaction Code” of the Company as a written guideline for securities transactions of the Company by the Directors, the Supervisors and relevant staff members. The “Securities Transaction Code” of the Company has incorporated the standards as set out in Appendix 10 to the Listing Rules of HKEx, and has gone beyond such standards to certain extents. After making specific inquiry to all of the Directors, Supervisors and senior management, the Company confirms that all of them have complied with the standards on securities transactions as stipulated in the aforementioned code during the Reporting Period.

In 2016, Chairman Hu Wei attended the “training for chairman of the board and general manager of listed companies” held by the CSRC, and Directors Liao Xiang Wen, Liu Ji and Chen Yuan Jun attended the “training for directors and supervisors of listed companies” organized by Shenzhen Securities Regulatory Bureau. They systematically studied the relevant laws and regulations concerning the operation of listed companies. In addition, the Company prepared four issues of “Reference Document Summaries for the Board”, systematically summarized and delivered the relevant laws and regulations concerning Directors’ performance of duties and responsibilities, and sent approximately 30 regulatory documents relating to various laws and regulations of the listed company and industry. It also provided explanations, advice and interpretations on the key points of the relevant rules and the matters to be brought to the attention of the Directors/Supervisors through document guidance and explanation on the meetings. The above measures allow the Directors/Supervisors to continuously and effectively learn the relevant laws and regulations promulgated or updated by regulatory authorities, and provided practical guarantee for the continuous updating of the knowledge and information required for the performance of their duties and the fulfillment of the duties of Directors/Supervisors.

A.7 Provision and use of information

The code provisions that we complied with

A.7.1–A.7.3

The management of the Company has provided the Board, the specialized committees of the Board and the Supervisory Committee with the materials and information necessary for the consideration of each resolution within a reasonable period. After the Directors/Supervisors have raised reasonable inquiries, the management shall make response or provide further information as soon as possible. Under normal circumstances, the relevant documents containing the matters to be proposed for consideration and discussion on the Board shall be delivered to all Directors and Supervisors at least three days before the meetings. In addition, each Director and Supervisor are provided with channels to independently contact and communicate with the Company’s senior management and secretaries of the specialized committees when necessary.

Corporate Governance Report

Non-executive Directors (including Independent Directors) and Supervisors are able to understand the Company's operation activities, business development trend and the duties as the Company's Directors/Supervisors through several channels to ensure their proper performance of such duties. In 2016, the Company supported the performance of duties of the Directors/Supervisors through the following approaches:

- ◆ arranged the management to report the progress of the material matters of the Group on the meetings of the Board;
- ◆ arranged the presentation of the works for the year to provide a detailed report on the completion of the Group's works in 2015 and the work plan in 2016, as well as the progress of the major works and projects including Guilong Project, new industry expansion and Meilin Checkpoint Urban Renewal Project;
- ◆ dispatched "Operation Information Monthly" every month, which regularly reports information such as the operation performances of highway projects, progress of construction projects and major works, updates on investee companies, monitoring of the early warning indicators of financial risks and work progress during adjournments of Board meetings;
- ◆ published four issues of "Market News Briefings" and four issues of "Quarterly Analysis Report on Investor Relations", assisting the Directors/Supervisors to understand in time the news of the Company and other listed companies in the same industry, the regulatory trends and developments, the market performance and the share price performance;
- ◆ arranged the Chairman and new Directors to participate in the trainings held by securities regulatory authorities, and provided consultation of laws and regulations for the Directors/Supervisors in need, allowing them to understand the operation of the Company and the domestic and international rules and principles relating to governance in a comprehensive and systematic manner.

B. The Remunerations of Directors and Senior Management and Appraisal of the Board

B.1 *Standard and composition of remuneration and its disclosure*

The code provisions that we complied with	B.1.1-B.1.5
The recommended best practices that we complied with	B.1.6-B.1.8

The Board has established the Remuneration Committee comprising Non-executive Directors, with the majority being Independent Directors and chaired by an Independent Director. Please refer to D.2 below and the "Corporate Governance Summary" in this annual report for the details of the composition of the Remuneration Committee and its performance of duties. The Terms of Reference of the Remuneration Committee approved by the Board has been published on the websites of the stock exchanges and the Company. The Company provides the committee with sufficient resources for its performance of duties. During the year, the Remuneration Committee did not seek for independent professional advice for the performance of duties.

The Company has disclosed the remunerations of all Directors, Supervisors and senior management on a named basis. Please refer to "Directors, Supervisors, Senior Management and Employees" in this annual report for the details of the remuneration policy of the Directors, the appraisal and incentive mechanism of the senior management and the remuneration of the management for the year.

C. Accountability and Audit

C.1 Financial reporting

The code provisions that we complied with	C.1.1~C.1.5
The recommended best practices that we complied with	C.1.6~C.1.7

In the regular financial reporting over the years, the Board made efforts to comply with the requirements of the relevant laws and the Listing Rules and prepare necessary documents and disclosed information under the principle of more and stricter as possible so as to fit the regulatory requirements of both Shanghai and Hong Kong markets. On this basis, the Company took the initiative to understand what the investors focused on, carried out more targeted voluntary information disclosures, striving to make comprehensive, objective, fair and clear statements on status and prospects of the operation and management of the Group. Other than a deep and comprehensive analysis on the operational and financial positions and the major factors affecting the business performance, the Company also provided the information in relation to the risks that our business faced in operating activities, responsive measures, development strategies and plans, etc. in annual reports to enhance investors' understanding on the Company's business, management and development trends. The Company has also prepared and published reports on quarterly results within 30 days upon the conclusion of the first quarter and the third quarter each year in compliance with the requirements of the CSRC and the SSE. The Board shall be able to assess the Company's performance and make decisions after fully understand the required information. Please refer to A.6 and A.7 above for the details of the provision and support of the information.

Statement of the Responsibilities towards the Financial Statements by the Board:

The financial statements contained in this annual report were prepared in accordance with CASBE, and have been audited by the Company's auditor for the year – Ernst & Young Hua Ming LLP (“Ernst & Young”). This statement intends to make clarification to our shareholders for the respective responsibilities of the Directors and the auditor of the Company in relation to the financial statements. It should be read together with the statement of responsibilities of the auditor set out in the Auditor's Report of this annual report.

It is in the Board's opinion that the financial statements were prepared on a going concern basis given that the resources available to the Company are sufficient for carrying out ongoing business operations in the foreseeable future. Appropriate accounting policies have been adopted in preparing the financial statements. These policies have been consistently applied in the preparation of the financial statements and supported by reasonable and prudent judgments and estimates, and they are in accordance with all accounting standards as the Board deems appropriate. It is the responsibility of the Directors to ensure that the accounts records prepared by the Company can reflect a reasonable and accurate view of the Company's financial positions and that the financial statements are in compliance with the requirements of relevant accounting standards.

Corporate Governance Report

Under the authorization granted by the Board, the Audit Committee is responsible for reviewing and monitoring the quality and procedures of the Group's financial reporting. During 2016, the committee reviewed the periodic financial statements and made recommendation to the Board for approval. The specific works of the committee included the followings:

- ◆ The Committee reviewed the interim and the quarterly financial statements of the Group, received the report on the review from the auditor and discussed the handling methods of significant financial and accounting matters with the management and the auditor.
- ◆ Before the annual audit began: held meetings with the auditor and discussed the composition of its audit team, risks of the year, scope of audit, method of audit, focus of audit and the schedule for the annual audit in order to understand the overall work arrangement of the financial statement of the Company for the year, conducted preliminary reviews and issued opinions in writing for the statements.
- ◆ During the annual audit process: maintained an ongoing communication with the management and auditor and discussed and confirmed over the handling methods of significant financial and accounting matters of the Group, the appropriateness of the accounting policies adopted and the reasonableness of the accounting estimates.
- ◆ The Committee supervised the completion of the annual audit by the auditor as scheduled and reviewed the Group's annual financial statements and provided its written opinions. The Audit Committee held two meetings in early 2017 (up to the Reporting Date) to review the 2016 annual financial statements and annual report of the Group. Based on the results of relevant work and with reference to the audit opinions of the auditor, the Committee is of the view that the Group's 2016 financial statements truthfully and reasonably reflected the operating results and financial position of the Group for the year, and thus recommend the Board to approve the same.

C.2 Internal control

The code provisions that we complied with	C.2.1~C.2.5
The recommended best practices that we complied with	C.2.7

Having an improved and practical internal control system is the basis of good corporate governance. The Board is responsible for developing and maintaining the internal control system of the Company for the review of the effectiveness of all important control procedures such as finance, operations, compliance and risk management, thereby protecting shareholders' interests and safeguarding the Group's assets. During 2016, the Board carried out reviews on the soundness and effectiveness of the internal control system of the Group and issued a self-assessment report on internal control, the assessment of which has included but not limited to the aspects required by C.2.1~C.2.4 of the code provisions. In addition, the Company has engaged an auditor to audit the effectiveness of internal control relating to the financial reporting of the Company in order to provide independent and objective assessment and recommendation in the form of audit report. Please refer to "Internal Control" in this annual report for the details of the establishment of the internal control and risk management system of the Company, the Statement of the Responsibilities of the Board, the self-assessment, key deficiencies (if any) and the audit.

In August 2000, the Company established the Audit Department, and has carried out an independent internal audit system to review the Group's operating and management activities and the effectiveness of the internal control system. Internal audit personnel have the authority to access all information about the Company and make inquiries to relevant personnel at work. The General Manager of Audit Department directly reports the result of his work to the Audit Committee, and the Audit Committee will then make recommendation to the management of the Company and examine the implementation of the rectification and improvement plan by way of follow-up inspection.

C.3 **Audit Committee**

The code provisions that we complied with	C.3.1~C.3.7
The recommended best practices that we complied with	C.3.8

The Board has established the Audit Committee comprising Non-executive Directors, with the majority being Independent Directors and chaired by an Independent Director. The Audit Committee is responsible for the review and supervision of the financial accounting policies, financial reporting procedures and reporting quality of the Group; the evaluation of the soundness and effectiveness of the internal control system of the Company, supervision of fraudulent risk and management measures of the Company; responsible for the coordination with the work of the auditor and the evaluation of its efficiency and quality of work as well as its engagement; the review on the internal audit report and evaluation of the feedback from the management; and responsible for the control and daily management of connected transaction of the Company. Works falling under the scope of risk management are handled by the Risk Management Committee under the Board. Please refer to D.2 below and the "Corporate Governance Summary" in this annual report for the details of the composition of the Audit Committee and Risk Management Committee and their respective performance of duties. The Terms of Reference of the Audit Committee approved by the Board has been published on the websites of the exchanges and the Company. The Company provides the committee with sufficient resources for its performance of duties. During the year, the Audit Committee did not seek for independent professional advice for the performance of duties.

The Board established the Anti-fraudulent Work Regulation and specified the key areas of anti-fraudulent work and the matters including the division of roles, fraud prevention and control, procedures for accusing, investigating, handling and reporting on fraud cases. The Audit Committee and Audit Department have set up independent hotlines and email boxes for reporting any suspected cases, and posted on the internal and external websites of the Company as channels for staff at all levels and stakeholders of the Company to reflect and report the violation of the ethical issues or suspected fraud cases in connection to the Company or its staff. During the year, the Audit Committee communicated with the auditor in relation to the fraudulent risk and control measures in order to understand the recommendation of internal control proposed by the auditor and the Audit Department and the feedback and the rectification and improvement of the management, investigate the reports/complaints against the Company or the management from the perspective of internal control, review the major accounting policies and estimates adopted by the management and provide continual guideline and supervision on the anti-fraudulent work of the Company.

Corporate Governance Report

The report of the auditor:

Upon the approval of general meeting, the Company appointed Ernst & Young as the Company's auditor for the year 2016 to carry out a comprehensive audit for the annual financial statements and the internal control and assume the due duties of an international auditor as provided for by the Listing Rules of the HKEx. PricewaterhouseCoopers Zhong Tian LLP ("PwC") had been appointed by the Company as its statutory auditor from 2004 to 2015. It had been providing audit services to the Company for 12 consecutive years. In 2016, according to the relevant provisions, the accounting firm which had provided continuous service for a certain period of time to the Company shall be rotated.

The remunerations of the Company's auditor for the year 2016 are set out as follows:

(Unit: RMB'000)	2016 Ernst & Young	2015 PwC
Financial statements audit/review fees	2,610	3,720
Internal control audit fees	450	830
Others (non-audit service)	1,210	3,090

Note:

1. The auditor has submitted to the Company a written confirmation in respect of the total amount of the aforementioned remunerations.
2. In 2016, other services provided by Ernst & Young mainly included the assurance services provided in the approval processes of acquisition of Yichang Expressway and Wuhuang Expressway in accordance with the requirements of the securities regulatory rules.

Save as the above-mentioned, Qinglian Company, Advertising Company and Outer Ring Company, subsidiaries of the Company, engaged Pan-China Certified Public Accountants LLP to provide audit services. Magerk Company, a subsidiary of the Company, engaged Wuhan Ronghua Accountant Ltd. to provide audit services to it. The financial audit fees for the year 2016 amounted to RMB80,000, RMB40,000, RMB20,000, and RMB180,000, respectively (2015: RMB80,000, RMB30,000, RMB20,000 and RMB180,000). In 2015, the financial statements of subsidiaries, Qinglong Company and Fengli Company, have been consolidated into the Company's financial statements, which engaged Pan-China Certified Public Accountants LLP and Lau, Cheung, Fung & Chan Certified Public Accountants to provide financial audit services with audit fees amounted to RMB40,000 and RMB6,800, respectively (2015: RMB30,000, and RMB6,400).

The Audit Committee is responsible for conducting an assessment on the completion of the annual audit and the quality of professional services of the auditor, and makes recommendations to the Board in respect of the appointment or replacement of the auditor. The appointment or replacement of the auditor as well as the determination of audit fees are proposed by the Board at the general meeting for the approval or authorization. According to the stipulated procedures of the Company, the Audit Committee already assessed and summarized the 2016 audit work of Ernst & Young. The committee is of the view that Ernst & Young performed well in terms of independence and objectivity, professional skills, quality and efficiency of audit for financial information disclosure and the communication with the Company.

D. Delegation of Authority of the Board

D.1 The management function

The code provisions that we complied with

D.1.1–D.1.4

The functions of the Board and senior management are separated (details are set out in the Articles of Association, Rules of Procedures for the Board of Directors and the Rules on Performing Duties by the President) to protect the relative independence of the decision-making of the Board and operating and management activities of the Company. The above rules has been published on the websites of the exchanges and the Company.

The Board is responsible for leading the Group's development, determining the strategic goals of the Group and ensuring the availability of necessary financial and other resources for the Group to achieve pre-set strategic goals. The Articles of Association of the Company and Rules of Procedures for the Board of Directors have clearly defined the powers in respect of development strategies, management structure, investment and financing, planning, financial control, human resources and corporate governance, and so forth as well as the supervision and inspection of the Company's development and operation.

Without material prejudice to or impairment of the overall capability to perform duties and authorities of the Board, the Board has granted Executive Directors certain authorities, so as to enhance the overall quality and efficiency of decision-making of the Company. The Board has also formulated the Rules of Procedures for the Executive Directors Meeting to strengthen the monitoring and management on the authorized matters through establishing a mechanism on procedural management, filing and regular reviews. Specific information and management procedures relating to the authorization have been clearly set out in the Articles of Association of the Company and Rules of Procedures for the Board of Directors. In 2016, the Executive Directors held six meetings in total, during which they discussed and made decisions on matters regarding remuneration management, organizational structure adjustment, entrusted construction management, investment and progress, and donation within their authorization. Resolutions for such matters have been reported to the Board and Supervisory Committee in time.

D.2 The committees under the Board

The code provisions that we complied with

D.2.1–D.2.2

Five specialized committees have been set up under the Board, and each committee has its terms of reference, which explicitly explain and define their duties and powers, and they have been approved by the Board. These committees are responsible for reviewing and monitoring specific matters of the Company, such as the Company's strategies, financial reports, accounting policies, project investments and the nomination, assessment and remuneration of the management, and make corresponding recommendations to the Board.

As at the end of the Reporting Period, the composition of each specialized committee of the Board of the Company is set out as follows:

	Strategic Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee
Chairman:	Hu Wei Executive director	Hu Chun Yuan Independent Director	Chen Tao Independent Director	Chen Tao Independent Director	Au Sing Kun Independent Director
Member:	Wu Ya De Executive director Liao Xiang Wen Executive director Zhao Jun Rong Non-executive director Lin Chu Chang Independent Director	Au Sing Kun Independent Director Chen Yuan Jun Non-executive director	Au Sing Kun Independent Director Hu Chun Yuan Independent Director Chen Yuan Jun Non-executive director Wang Zeng Jin Executive director	Lin Chu Chang Independent Director Hu Wei Executive director	Tse Yat Hong Non-executive director Liu Ji Non-executive director

Corporate Governance Report

Each specialized committee has appointed a designated member of the management to be the secretary of the committee and clearly defined the meeting and reporting procedures with reference to the procedures for the Board. The meeting minutes of the committees contain the details of the matters discussed in the meetings and are maintained properly according to the file management system of the Company upon the confirmation of all members. The chairman of each committee reports the work progress to the Board regularly and submits the relevant minutes for record. In 2016, the five specialized committees of the Company convened 15 meetings. For details, please refer to the "Corporate Governance Summary" in this annual report.

D.3 Corporate governance function

The code provisions that we complied with

D.3.1~D.3.2

The Board is responsible for the performance of its duty on corporate governance. During 2016, the Board regularly received reports on the reviews of the rules on governance, the compliant operation of the Company, the Directors' compliant performance of duties and the training and growth of the management, and constantly monitored the overall states and level of corporate governance. Moreover, the Audit Committee also regularly reviewed the relevant review checklists submitted by the Audit Department, examined the compliance of corporate governance practices and the disclosure of the corporate governance report of the Company to ensure the related regulations and issues are implemented and disclosed appropriately.

E. Communication with Shareholders

E.1 Effective communication

The code provisions that we complied with

E.1.1~E.1.4

The Company encourages all shareholders to attend the general meetings. In 2016, a total of four general meetings were held by the Company, as well as two A Share class meetings and two H Share class meetings. For details, please refer to the "Corporate Governance Summary" in this annual report.

The Company serves a notice of 45 days prior to the date of the general meeting, and provides the shareholders with any information necessary for them to attend and make decision at the meeting. Each separate matter in substance submitted to the general meeting to consider is put forth respectively as separate resolution. According to the provisions of the Articles of Association of the Company, the qualified shareholders of the Company have the right to call general meetings in accordance with the established procedures, propose impromptu motions or collect voting rights from other shareholders. In addition, a cumulative voting system is adopted for the election of the Directors and the Supervisors by the shareholders. These arrangements are made to protect the rights of minority shareholders and encourage them to fully express their opinions. The specific procedures and requirements of the aforementioned arrangements are set out in details in the Articles of Association of the Company attached the Rules of Procedures for the General Meetings. The full texts of the Articles of Association of the Company and Rules of Procedures for the General Meetings are available on the website of the Company.

During the year, the Chairman of the Company attended the annual general meeting and all chairmen of the specialized committees under the Board or their representatives and the representative of the auditor were also arranged to attend the annual general meeting to answer inquiries from the shareholders when necessary.

At a general meeting, all shareholders present at the meeting are entitled to make inquiries to the Directors and the other management regarding the issues in relation to the resolutions. At any other time other than at the general meeting, the shareholders may make their inquiries and express their opinions to the Board by calling the investor hotline of the Company or in writing (including facsimile, letter, e-mail, online message, etc.). The Company has published detailed methods of contact through its website, notices of the general meeting, circulars to the shareholders and annual reports for the shareholders to express their opinions or make any inquiries. The Board has formulated the Rules of Investor Relationship Management and the Standards of Work for Investor Relationship Management, which clearly define the principles, responsible person, channel and standards of work for the communication with the shareholders. The Board keeps in touch with the shareholders on an ongoing basis. Please refer to “Investor Relations” in this annual report for details.

The Company regularly discloses the details of total share capital, categories of shareholders, substantial shareholders and market value of the shares held by the public. Please refer to “Share Capital and Shareholders” in this annual report for details.

E.2 Voting by poll

The code provisions that we complied with

E.2.1

The Company has formulated the Rules of Procedures for the Shareholders’ Meeting which clearly sets out the voting method and poll procedure at the general meetings to ensure the compliance with the requirements of the Listing Rules and the Articles of Association.

The Company provides detailed explanations on the documents for convening a general meeting on such matters as the way of filling in voting forms, rights of the shareholders, voting procedures and method of vote counting to ensure that the shareholders are familiar with the voting procedures by way of poll. A shareholder who is unable to attend the general meeting in person may appoint his or her proxy (regardless of whether the proxy was a shareholder of the Company or not) to attend and vote at the general meeting.

F. Company Secretary

The code provisions that we complied with

F.1.1–F.1.4

The Secretary to the Board (Company Secretary) of the Company, who is appointed by the Board and reports to the Chairman of the Board for daily routines, is a senior management member of the Company. The Secretary to the Board is responsible for the communication and coordination among the Company, Directors and the shareholders, giving advice to the Board and the management on corporate governance, information disclosure and investor relationship management and the arrangement of specific practices. Ms. Wu Qian has ceased to be the Secretary to the Board since 31 December 2015 and the Board has designated Ms. Gong Tao Tao, the Financial Controller, to perform the duties of the Secretary to the Board (Company Secretary). On 29 January 2016, the Board appointed Mr. Luo Kun as the Secretary to the Board, and Mr. Luo Kun and Ms. Lam Yuen Ling, Eva were appointed as the joint company secretaries of the Company. During the Reporting Period, Mr. Luo Kun and Ms. Lam Yuen Ling, Eva, have completed a total of not less than 15 hours of related training sessions so as to keep their professional knowledge and skills up-to-date and better support the operation of the Board.

During their respective terms of office, all Directors of the Company are able to duly obtain from the Secretary to the Board the information and updates on the relevant statutory, regulatory and other continuing obligations of directors of listed companies, and directly contact the Secretary to the Board individually and independently when necessary to obtain more detailed information and opinions.

Internal Control

I. Statement of Responsibilities towards Internal Control

To develop, improve and effectively implement internal control, assess its effectiveness and accurately disclose the assessment report on the internal control is the responsibility of the Board of the Company. The Supervisory Committee shall supervise the establishment and implementation of internal control by the Board. The management shall be responsible for organising and leading the daily operation of the Company's internal control.

The internal control objectives of the Company are to reasonably ensure that its operations and management are in compliance with the relevant laws and regulations, its assets are managed in a sound manner, and its financial reports and relevant information are truthful and complete, to enhance its operational efficiency and results and facilitate the fulfilment of its development strategy. As the internal control bears inherent limitations, it can only provide reasonable assurance for achieving the aforesaid objectives. Moreover, as changes in the circumstances may render internal control inappropriate, or reduce the degree of compliance with control policies and procedures, it is risky, to a certain extent, to make predictions about the effectiveness of internal control in the future based on the results of internal control evaluation.

The purpose for the establishment of the internal control system is to manage the potential risks as it will be unrealistic to eliminate all of the risks. Meanwhile, the coverage of internal control should be in line with the Company's operating scale, business scope, competition condition and risks levels, and shall be timely adjusted to reflect the change of circumstances. It would be a persistent and continuous task to improve the internal control system, regulate the implementation of the system and strengthen the supervision and examination of the internal control.

II. Establishment of the Internal Control System

The Company always focuses on the standardisation of its internal management. It has established a comprehensive management system and the practical rules for various layers of business operation in order to maintain a stable growth of the Company. Upon continuous update and improvement, the Company has now established its management documentation system covering the key management procedures of various business segments and supporting segments such as investment, project construction, maintenance and repair, toll collection management, financial management, know-how and information management, human resources management, information disclosure management, management of investee companies and internal audit.

From 2008 to 2009, in accordance with the Basic Standard for Enterprise Internal Control jointly issued by five ministries including Ministry of Finance and CSRC and the requirements set out in various internal control application guidelines, the Company appointed an intermediate company to re-organise and review in detail the operations procedures relating to controls on the corporate level, the operational level and the information technology level, with a view to further improving the control documents relating to the internal control procedures and internal control scheme design based on the existing management documentation system. Currently, the Management Manual on Internal Control for the Group has covered all key management procedures in the management documentation system. In addition, the Company formulated the Quality Control Procedures for the Assessment of Internal Control, setting out the measures for the examination of internal control and assessment for the deficiency, and format for the preparation of an assessment report and disclosure procedures.

For the establishment of the sound internal control system and the maintenance of its effectiveness, the Company has considered five major basic aspects of internal control, namely control environment, risk assessments, control activities, information and communication, and supervision.

Control environment	To determine the tone of the organisation to influence people's attitude towards internal control. It includes the structure of the Board of Directors, the management's business ethics and integrity, management philosophy and operating style, the mode of distribution of rights and responsibilities, human resource policies and the competence of personnel etc.	Control objectives <ul style="list-style-type: none"> ✓ Legal compliance management ✓ Security of asset ✓ True and complete financial reports and related information ✓ Improvement of operational efficiency and effectiveness ✓ Promoting the realisation of the development strategy
Risk assessments	To assess the risks associated with achieving the goals as the foundation of establishing the internal control system for the risk management.	
Control activities	To help the management ensure that policies and procedures are implemented in the instructions and intentions. It includes a series of activities, such as approval, authorisation, confirmation, adjustment, check, regular inventory, the division of responsibilities, asset security and so on.	
Information and communication	Information should be identified, acquired and transferred in an appropriate manner. Must maintain a broad and smooth transfer within the Company as well as establish the effective communication with external parties, such as customers, suppliers, government and shareholders.	
Supervision	It includes continuous supervision, independent assessment, or combination of the two way. Internal control deficiency should be reported to the one who has the ability to solve the problem, including the management and the Board of Directors.	

III. Risk Management

The Company improves its management capability and adaptability, and further ensures the realisation of the business objectives and a sustainable growth through active and systematic identification, assessment and response to risk issues occurred in the operation process. The Company has formulated the Procedures for Risk Control and Management to define the risk assessment model and the risk evaluation criteria, and qualitative evaluation was carried out to evaluate risks from two dimensionalities, i.e. probability and impact of the risks. On preparation of the annual work plans and special plans, those risk factors that may affect the achievement of the goals were comprehensively identified and assessed by each operation department and unit of the Company, and corresponding risk response measures and annual risk management plan were formulated. The management identified material risks on the corporation level based thereon as the key area of the annual risk management, and reviewed and assessed the implementation of the risk management plan in the middle and at the end of the year. Since 2010, the Company has formulated the Management Rules on the Warning of Financial Risks (《財務風險預警管理辦法》) to regularly monitor the warning indicator system and hierarchically report the results to the management, Risk Management Committee and the Board.

The Group has established systems and procedures for disseminating inside information as defined under the Securities & Futures Ordinance so as to ensure inside information is promptly identified and escalated. Directors and management of the Group received relevant trainings to ensure inside information remains confidential until the disclosure of such information is appropriately approved, and the dissemination of such information is efficiently and consistently made.

Internal Control

IV. The Supervision and Self-Assessment of the Internal Control Systems

The Board focuses on the five basic elements of the internal control and continues to review the effectiveness of the Group's internal control system through the Audit Committee and its subordinate Audit Department. In August 2000, the Company established the Audit Department, which independently reviews, supervises and evaluates internal control activities regularly and whenever necessary based on possible risks and degrees of importance involved in various businesses and procedures and directly reports to the Audit Committee. Through the following tasks, the Audit Committee continuously supervises and reviews the soundness and effectiveness of the Group's financial reporting and internal control system on an ongoing basis:

- ◆ Review and approve the annual Assessment Plan for Internal Control;
- ◆ Keep abreast of the progress of internal control establishment and evaluation tasks through daily routines, periodical summary and reports submitted by the Audit Department;
- ◆ Comprehend the method and scope of the internal control assessment tests and the key deficiencies found during the tests and their correction;
- ◆ Discuss with the auditor the scope of audit, the audit results and audit opinions in respect of the audit of internal control;
- ◆ Review the annual Assessment Report for Internal Control.

According to the relevant requirements of the Corporate Internal Control Standard System which is based on the Basic Standard for Enterprise Internal Control together with the Company's internal control system and method of evaluation, the Board had assessed the effectiveness of the Company's internal control as at 31 December 2016 (the base date of the Assessment Report) and issued 2016 Assessment Report on Internal Control. The scope of evaluation included Shenzhen Expressway Company Limited, Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited, Shenzhen Meiguan Expressway Company Limited, Guangdong Qinglian Highway Development Company Limited, Hubei Magerk Expressway Management Private Limited, Shenzhen Expressway Advertising Company Limited, Guizhou Guishen Investment Development Company Limited, Shenzhen Outer Ring Expressway Investment Company Limited, Mei Wah Industrial (Hong Kong) Limited, Shenzhen Expressway Engineering Consulting Company Limited, Shenzhen Qinglong Expressway Company Limited, Jade Emperor Limited and Maxprofit Gain Limited, and also covered the main businesses and matters of these companies in terms of corporate governance, business procedures and high-risk areas. The aggregated assets of the assessed companies account for 98.4% of the Group's total assets as per the consolidated financial statements and their aggregated revenues account for 100% of the Group's total revenues.

Assessment Report for Internal Control 2016 of the Company (Chinese version) was disclosed on the website of SSE (<http://www.sse.com.cn>), the website of HKEx (<http://www.hkexnews.hk>) and the website of the Company (<http://www.sz-expressway.com>) in separate reports. According to the identified key deficiencies in the internal control on the Company's financial reporting, there was no key deficiency in the internal control on the Company's financial reporting as at the basis date of the assessment report. The Directors are of the opinion that the Company has maintained an effective internal control on financial reporting in all material aspects according to the Corporate Internal Control Standard System and the relevant regulatory requirements. According to the identified key deficiencies in the internal control on the Company's non-financial reporting, no key deficiency in the internal control on the Company's non-financial reporting was aware of as at the basis date of the assessment report. During the period from the basis date of the assessment report and the issue date of Assessment Report for Internal Control 2016, no factors that affect the conclusions on effectiveness of internal control evaluation occurred.

V. Description on Internal Control Audit

Ernst & Young Hua Ming LLP appointed by the Company had audited the effectiveness of internal control relating to the Company's financial reporting, and issued its unqualified audit opinion. The audit report (Chinese version) was disclosed on the websites of the exchanges and the Company in separate reports.

Investor Relations

The Company advocates a corporate culture that respects investors and holds itself accountable for investors. The Company establishes a smooth communication channel with investors and enhances mutual trust and interaction based on proper information disclosure and initiating various investor relation activities, and fully respects investors' rights of knowledge and option, while asserting to reward its shareholders.

I. Information Disclosure

Credible information disclosure can effectively build a bridge of communication and understanding between investors, regulatory authorities, the public and the Company. This can facilitate a broader and more thorough understanding of the Company's values. For years, according to the basic principles of openness, impartiality and fairness, the Company has been striving to comply with the requirements of the relevant laws and the Listing Rules, and fulfilling the information disclosure obligations in a timely and accurate manner. The Company takes the initiative to understand investors' concerns and voluntarily discloses information in response to these concerns so as to increase its transparency.

In 2016, the Company timely completed the preparation and disclosure of its annual, interim and quarterly reports and approximately 150 announcements and other shareholders' documents and information, disclosing in detail the following information of the Company: operations of the Board, the Supervisory Committee and general meetings, dividend distributions, exchange with investors, corporate governance, operating conditions, investment and financing arrangements and so forth. The Company acted, on its own accord, to disclose its monthly operational statistics by way of announcements. The Company also maintained to provide in-depth analyses on its operating and financial positions as well as the major factors affecting its business performance in its annual reports with a view to strengthening investors' understanding about the operation, management and development trends of the Company.

II. Ongoing Communication

On the basis of a competent disclosure of information, the Company maintains an effective two-way communication with investors through various channels and conveys information which investors are concerned with, so as to boost their confidence in the Company's future development. Meanwhile, the Company extensively collects feedback from the market to elevate the standards of the Company's governance and operations management.

The management of the Company highly values the communication with its investors. During the year, the Chairman, President, Financial Controller, Secretary of the Board and other senior management of the Company participated in the relevant investor relations activities to communicate and interact with investors directly. The investor relations activities were mostly organized by the Company in the following forms:

- ◆ Making the public known the investor hotline and investor relations e-mail, establishing the Investors' Message section on the Company's website, and promptly responding to investors' inquiries. In 2016, the Company replied approximately 240 investors' inquiries through website, telephone or via e-mail.

Investor Hotline: (86) 755 - 8285 3330

Investor Relations Email Box: ir@sz-expressway.com

Company Website: <http://www.sz-expressway.com>

Investor Relations

- ◆ Properly arranging request of visits and researches from the investors. During 2016, the Company received in aggregate of 30 investors' visits involving 53 visitors, with an open-minded attitude communicating with the investors, and has built up a direct communication mechanism between investors and the Company.
- ◆ Conducting various forms of presentation activities, including organizing result presentations and press conferences, online investor meetings and road-shows as well as participating in different types of investor forums. In 2016, the Company conducted face-to-face communications with over 490 investors and media reporters. Details of various presentation activities during 2016 are as follows:

March	◆	Held 2015 annual result presentations and press conferences in Hong Kong and Shenzhen
	◆	Road-shows in Hong Kong
April	◆	Held an online investor meeting
	◆	Road-shows in Europe
May	◆	Participated in "HSBC China Conference" in Shenzhen
	◆	Road-shows in United States
	◆	Organized Hong Kong stock commentators to visit Guilong Project
June	◆	Participated in "Industrial Securities 2016 Interim Strategy Meeting" in Shanghai
	◆	Participated in "America Merrill Lynch China Industrial and Automotive Enterprises Day" in Hong Kong
	◆	Participated in "Essence Securities 2016 Interim Strategy Meeting" in Shenzhen
July	◆	Road-shows in Hong Kong
August	◆	Held 2016 interim result presentations and press conferences in Hong Kong and Shenzhen
	◆	Road-shows in Hong Kong
September	◆	Participated in "Essence International" Shenzhen-Hong Kong Stock Connect" series strategy meeting" in Shenzhen
	◆	Participated in "Sinolink Securities 2016 eighth meeting for private equity investment research directors" in Suzhou
October	◆	Held an online investor meeting
	◆	Road-shows in Australia – New Zealand
November	◆	Organized media-enterprise exchange series activities
	◆	Participated in "2016 CICC Investment Forum" in Beijing
	◆	Participated in "CITIC Securities 2017 annual strategy meeting" in Shenzhen
	◆	Participated in "2016 CICC listed company and investors information exchange meeting" in Shanghai
December	◆	Participated in "Huachuang Securities 2017 annual strategy meeting" in Shanghai
	◆	Participated in "Huatai Securities Research Institute 2016 Investment Forum" in Shenzhen
	◆	Participated in "Citigroup 2016 China Industrial H/A Shares Meeting" in Hong Kong

- ◆ Regularly dispatching information and materials on the operations and development of the Group. The Company prepared and issued a total of 4 issues of E-news and 11 result and progress presentation materials in 2016, providing information to investors on the operating performance and environment of the Company, giving responses to issues which concern investors. Apart from the manner of e-mails, E-news is also uploaded to the Company's website for investors' access at any time.
- ◆ Investors and the public may check out information such as the Group's basic information, rules for the Company's corporate governance, information disclosure documents, profiles of directors, supervisors and the senior management and the Group's monthly operating performance of toll highway projects at any time on the Company's website.
- ◆ The Company also timely handled and replied investors' messages, and uploaded investors' interaction records monthly through the "e-interaction" platform developed by the SSE for listed companies and investors.

III. Shareholder Return

The Company insists in rewarding its shareholders with high returns ever since its listing, which is underpinned by the payment of cash dividends for nineteen consecutive years with an aggregate cash dividend payment of approximately RMB5.88 billion.

The Board of the Company recommended the payment of a cash dividend of RMB0.22 (tax included) per share for the year 2016. Such proposal is to be submitted to the 2016 Annual General Meeting of the Company for approval. For details, policy and payment of cash dividends of the Company, please refer to "Financial Analysis" in "Management Discussion and Analysis" of this annual report.



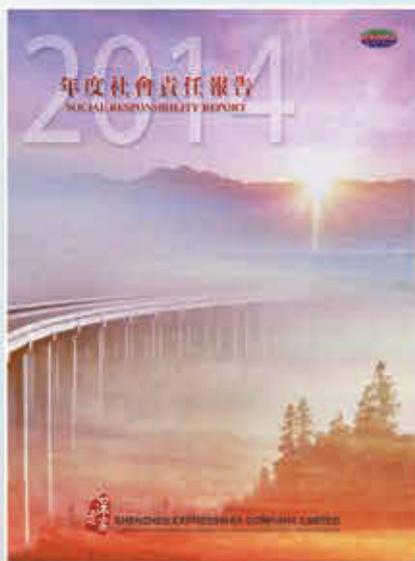
Note: The dividend payout ratio was calculated based on the financial statistics of payout without taking into consideration of the effect of changes in accounting policies thereafter.

Social Responsibility

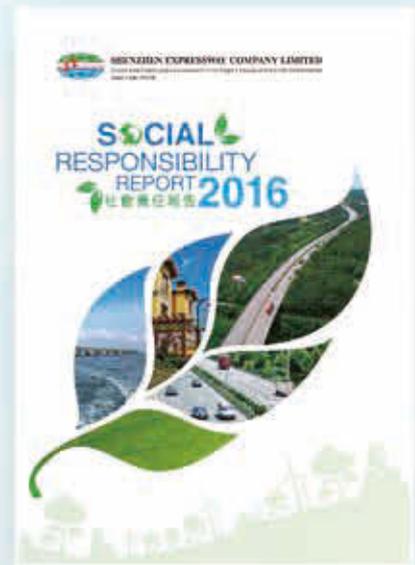
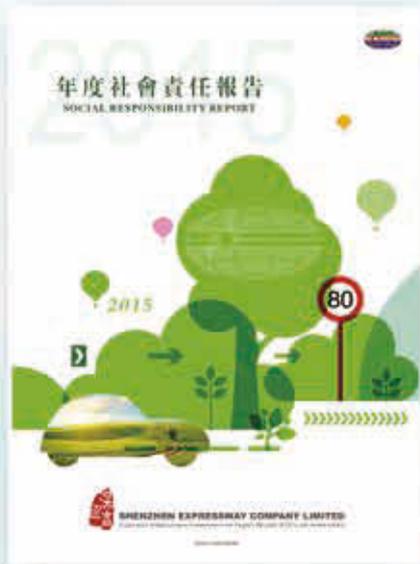
Harmonious internal and external environment is essential for the steady and healthy development of an enterprise; and noble corporate deeds can also help improve its competitiveness. Therefore, while going through sustainable development and providing great returns to its shareholders, Shenzhen Expressway is committed to be a responsible corporate citizen. Since 2009, the Company has completed the preparation and publication of the annual Social Responsibility Report before April every year, with a view to strengthening the understanding and relationship between the stakeholders and the Company, and welcome supervision from the society.

The social responsibility report of the Company for the year 2016 has been disclosed on the websites of the exchanges in separate report. The Social Responsibility Report of this year placed emphasis on reporting the responsibility and practices of the Company in relation to environment, products, customers, employees, society and community, etc. With the rapid growth of population and social development, resource shortage, environmental deterioration, ecological crisis and other issues have led to a wide range of global concern. Implementing comprehensive environmental governance and strengthening ecological civilization construction have become the mainstream of social progress. At this stage, Shenzhen Expressway has determined

the development strategy of basing on "urban and transportation infrastructure construction and operation service provider" as the main business direction and actively exploring "water environment governance and solid waste treatment" as the new industry development direction, with the hope to promote the harmonious development of human society and the environment by deeply plowing environmental governance industry and with practical action, and to earnestly fulfill corporate social responsibility. Shenzhen Expressway will continue to pursue the concepts of honesty and faithfulness, scientific operation as well as innovation, thereby realizing sustainable development of the Company. We will also continue to take into account the respective interests of shareholders, creditors, service providers, customers, staff, the government and the community to achieve harmonious mutual success between the Company and the stakeholders within our reach.



The social responsibility report for the year 2016 can be viewed and downloaded under the column of "Social Responsibility" of "Company Overview" on the websites of SSE (<http://www.sse.com.cn> (in Chinese)), HKEx (<http://www.hkexnews.hk> (in both Chinese and English)) and the Company (<http://www.sz-expressway.com> (in both Chinese and English)). Through the report, investors can obtain more comprehensive and detailed information in relation to the performance of social responsibility of the Company.



Auditor's Report and 2016 Financial Statements

122	Independent Auditor's Report
127	Consolidated and Company Statements of Financial Position
130	Consolidated and Company Statements of Profit or Loss and Other Comprehensive income
132	Consolidated and Company Statements of Cash Flows
134	Consolidated and Company Statements of Changes in Equity
136	Notes to Financial Statements
228	Supplementary Information





Independent Auditor's Report

EY Hua Ming (2017) Shen Zi No. 61278656_H01

To the shareholders of Shenzhen Expressway Company Limited:

1. OPINION

We have audited the financial statements of Shenzhen Expressway Company Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated and company statements of financial position as at 31 December 2016, and the consolidated and company statements of profit or loss and other comprehensive income, the consolidated and company statements of changes in equity and the consolidated and company statements of cash flows for the year then ended, and notes to the financial statements, including a summary of significant accounting policies.

In our opinion, the financial statements present fairly, in all material respects, the consolidated and company's financial position of Shenzhen Expressway Company Limited as at 31 December 2016, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

2. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the Auditor's responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with China Code of Ethics for Certified Public Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

3. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

We have fulfilled the responsibilities described in the Auditor's responsibilities for the audit of the financial statements section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

3. KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
Amortization of concession intangible assets	
<p>As mentioned in note III.31 (2), the Company applies traffic volume amortization method. This method depends on the estimation of the projected traffic volume, which contains uncertainty, so appropriate adjustments to the amortization of concession intangible assets will be made when there be a material difference between total projected traffic volume and the actual results. Given that Nanguang Expressway, Yanba Expressway, Yanpai Expressway, Qinglian Expressway and Wuhuang Expressway, which are the Company's affiliated toll roads, have the condition that there is a significant gap between the projected traffic volume and the actual result and the gap is considered existing continuously, so the Company appointed an independent professional traffic consultant, at the end of year 2015 and in October 2016, to perform independent professional traffic studies and reforecast the projected traffic volume for the remaining period of the concession of the roads mentioned above. Based on the revised projected traffic volume, the Board of Directors decides to adjust the amortization unit and adopt prospective application from 1 January 2016 and 1 October 2016, respectively. The influences on the financial statements from the change of accounting estimate are as presented in note III.30. The reason for us paying attention to the issue is that the amortization of the concession intangible assets depends on the estimation of the projected traffic volume made by the Company.</p>	<p>We performed the following procedures on amortization of concession intangible assets during the audit:</p> <ol style="list-style-type: none"> 1) We evaluated the important foundation of the estimates made by the management, comparing the actual and the projected traffic volume for the previous years. 2) We obtained the report issued by external professional consultant and compared the key assumptions used in the report with toll road planning issued by the government department of transportation. Meanwhile, we evaluated the certification, objectivity and competency of the external professional consultant. 3) We recalculated the amortization unit according to the revised projected traffic volume. 4) We evaluated the adequacy of the disclosure in the financial statements.

Independent Auditor's Report

3. KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<p>Impairment of concession intangible assets</p> <p>The concession intangible assets take up a significant proportion of the Company's total assets. As mentioned in note III.31 (6), when considering the impairment of the concession intangible assets, the Company has to make estimation of the recoverable amount through calculating the future cash flow. The key assumptions include estimated growth rate of the traffic volume, toll road charge standards, operating period, maintenance cost, required return rate and so on, which have uncertainties, so we consider the issue as key audit matter.</p>	<p>We performed the following procedures on assessing the impairment of concession intangible assets during the audit:</p> <ol style="list-style-type: none"> 1) We discussed the concession intangible assets with management, evaluated the difference between the projected and actual traffic volume, compared the actual toll fee of each expressway with the projected toll fee in order to assess whether an impairment indicator exists. 2) Evaluated the reasonableness of the key assumptions of the discounted cash flow projection (including estimated growth rate of the traffic volume, standards of toll road charge, operating period, maintenance cost, required return rate and so on), discussed them with management and referred to technical reports we obtained. We also compared the key assumptions with public data, evaluated whether the key assumptions changed during the year. 3) Involved our internal valuation experts to evaluate the underlying valuation methodology and key assumptions of the discounted cash flow model; 4) Evaluated the adequacy and completeness of the disclosures in the notes to the financial statements.

4. OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the financial statements and our auditor's report thereon.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

5. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management is responsible for the preparation of the financial statements that give a true and fair view in accordance Accounting Standards for Business Enterprises, and for such internal control as the directors determine is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting unless the directors of the Company either intend to liquidate the Company or to cease operations or have no realistic alternative but to do so.

Those charged with governance are in discharging their responsibilities for overseeing the Company's financial reporting process.

6. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- (1). Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2). Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3). Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- (4). Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.

Independent Auditor's Report

6. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures, and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the Company audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young Hua Ming LLP

Certified Public Accountant: Xie Feng (Engagement Partner)

Beijing, the People's Republic of China
17 March 2017

Certified Public Accountant: Deng Dongmei

Consolidated Statement of Financial Position

31 December 2016

(All amounts in RMB unless otherwise stated)

Item	Note	31 December 2016	31 December 2015
Current assets			
Cash at bank and on hand	V.1	5,663,897,840.79	6,422,377,830.89
Accounts receivable	V.2	545,051,289.43	659,832,794.56
Notes receivable		2,928,300.00	–
Prepayments	V.3	245,985,667.13	242,115,831.87
Interest receivable		15,869,806.93	959,220.83
Other receivables	V.4	99,297,652.11	123,461,626.41
Inventories	V.5	663,113,521.51	648,713,256.36
Held for sale assets		–	169,004,404.40
Current portion of non-current assets	V.6	124,169,139.84	139,082,269.66
Financial Assets at Fair Value through Profit or Loss	V.7	74,991,317.77	–
Other current assets	V.8	564,329,427.09	18,879,520.24
Total current assets		7,999,633,962.60	8,424,426,755.22
Non-current assets			
Long-term prepayments	V.9	184,697,778.86	6,850,959.00
Financial assets available-for-sale	V.10	43,490,000.00	30,170,000.00
Long-term receivable	V.11	16,519,232.87	68,710,261.56
Long-term equity investments	V.12	4,703,281,506.17	1,982,890,024.59
Investment properties		13,526,425.00	14,102,125.00
Fixed assets	V.13	1,027,753,114.01	1,156,211,660.69
Construction in progress	V.14	13,575,497.81	29,456,086.42
Intangible assets	V.15	18,323,851,443.34	19,271,775,774.01
Goodwill		–	1,543,560.21
Long-term prepaid expenses		5,373,382.60	10,980,369.76
Deferred tax assets	V.16	53,142,103.90	77,617,511.95
Other non-current assets	V.17	–	595,920,000.00
Total non-current assets		24,385,210,484.56	23,246,228,333.19
Total assets		32,384,844,447.16	31,670,655,088.41

Consolidated Statement of Financial Position

31 December 2016

(All amounts in RMB unless otherwise stated)

Item	Note	31 December 2016	31 December 2015
Current liabilities			
Accounts payable	V.19	219,558,035.62	182,023,959.15
Advances from customers	V.20	227,629,755.93	232,847,835.82
Employee benefits payable	V.21	108,837,788.48	154,056,117.83
Taxes payable	V.22	156,192,214.34	258,044,934.34
Interest payable	V.23	100,188,323.21	118,790,435.51
Other payables	V.24	2,387,124,807.60	1,325,053,997.31
Current portion of non-current liabilities	V.25	1,582,010,852.14	1,836,240,879.39
Deferred revenue	V.29	2,646,278.06	3,464,972.66
Total current liabilities		4,784,188,055.38	4,110,523,132.01
Non-current liabilities			
Long-term borrowings	V.26	1,783,024,000.00	2,201,928,764.00
Bonds payable	V.27	3,742,863,939.90	2,690,329,788.48
Provisions	V.28	127,474,173.03	125,239,600.71
Deferred revenue	V.29	158,796,925.07	174,680,489.68
Deferred tax liabilities	V.16	1,239,319,854.20	1,339,812,592.32
Other non-current liabilities	V.30	5,837,822,400.00	6,067,060,199.11
Total non-current liabilities		12,889,301,292.20	12,599,051,434.30
Total liabilities		17,673,489,347.58	16,709,574,566.31
Owners' equity			
Share capital	V.31	2,180,770,326.00	2,180,770,326.00
Capital surplus	V.32	2,151,147,518.61	2,274,351,523.42
Other comprehensive income	V.33	894,501,191.30	893,605,520.32
Surplus reserve	V.34	2,031,208,432.81	1,915,883,968.12
Undistributed profits	V.35	5,416,848,490.55	5,104,281,635.31
Total equity attributable to owners of the Company		12,674,475,959.27	12,368,892,973.17
Minority interests	VII.1(2)	2,036,879,140.31	2,592,187,548.93
Total owners' equity		14,711,355,099.58	14,961,080,522.10
Total liabilities and owners' equity		32,384,844,447.16	31,670,655,088.41

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

Legal Representative: **Hu Wei** Chief Financial Officer: **Gong Taotao** Head of Accounting Department: **Zhao Guiping**

Company Statement of Financial Position

31 December 2016

(All amounts in RMB unless otherwise stated)

Item	Note	31 December 2016	31 December 2015
Current assets			
Cash at bank and on hand		2,930,695,804.15	4,888,439,240.81
Accounts receivable	XIV.1	463,878,267.64	495,255,623.24
Advances to suppliers		6,962,705.40	6,985,783.71
Interest receivable		15,089,806.93	956,785.27
Dividends receivable		–	80,000,000.00
Other receivables	XIV.2	1,542,710,679.60	1,269,557,969.42
Inventories		1,088,338.44	1,952,913.31
Financial Assets at Fair Value through Profit or Loss	V.7	74,991,317.77	–
Other current assets		500,000,000.00	–
Total current assets		5,535,416,919.93	6,743,148,315.76
Non-current assets			
Long-term prepayments	V.9	3,329,760.00	3,329,760.00
Financial assets available-for-sale	V.10	43,490,000.00	30,170,000.00
Long-term receivables		3,225,354,145.03	3,112,019,232.87
Long-term equity investments	XIV.3	9,280,473,130.10	6,721,818,997.37
Investment properties		13,526,425.00	14,102,125.00
Fixed assets		445,238,398.93	508,597,421.41
Construction in progress		4,277,528.44	4,008,899.94
Intangible assets		4,113,798,324.87	4,327,665,068.64
Long-term prepaid expenses		1,820,583.14	2,871,534.84
Deferred tax assets		13,037,034.24	41,792,784.92
Other non-current assets		–	595,920,000.00
Total non-current assets		17,144,345,329.75	15,362,295,824.99
Total assets		22,679,762,249.68	22,105,444,140.75
Current liabilities			
Short-term borrowings		–	120,000,000.00
Accounts payable		21,239,839.51	22,230,271.50
Advances from customers		47,179,511.26	1,583,333.37
Employee benefits payable		64,919,960.99	57,554,501.48
Taxes payable		10,579,685.02	42,852,641.21
Interest payable		97,651,044.47	111,110,863.10
Other payables		899,008,576.76	1,367,946,083.86
Current portion of non-current liabilities		1,482,810,852.14	1,567,040,879.39
Total current liabilities		2,623,389,470.15	3,290,318,573.91
Non-current liabilities			
Bonds payable		3,742,863,939.90	2,694,728,466.81
Provisions		127,474,173.03	125,239,600.71
Other non-current liabilities		5,837,822,400.00	6,065,310,000.00
Total non-current liabilities		9,708,160,512.93	8,885,278,067.52
Total liabilities		12,331,549,983.08	12,175,596,641.43
Owners' equity			
Share capital	V.31	2,180,770,326.00	2,180,770,326.00
Capital surplus	XIV.4	2,313,308,096.42	2,315,587,934.74
Surplus reserve	V.34	2,031,208,432.81	1,915,883,968.12
Undistributed profits	XIV.5	3,822,925,411.37	3,517,605,270.46
Total owners' equity		10,348,212,266.60	9,929,847,499.32
Total liabilities and owners' equity		22,679,762,249.68	22,105,444,140.75

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

Legal Representative: **Hu Wei**Chief Financial Officer: **Gong Taotao**Head of Accounting Department: **Zhao Guiping**

Consolidated Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2016

(All amounts in RMB unless otherwise stated)

Item	Note	2016	2015
1. Total Revenue		4,532,209,156.54	3,420,578,335.19
Including: Revenue from services	V.36	4,532,209,156.54	3,420,578,335.19
2. Total costs		3,395,831,380.52	2,940,202,577.45
Including: Cost of services	V.36	2,532,931,316.07	1,678,747,609.45
Business tax and surcharges	V.37	66,285,170.24	122,641,632.55
Selling expenses		18,637,421.34	14,101,934.27
General and administrative expenses	V.38	138,534,737.61	134,011,809.39
Financial expenses	V.39	639,442,735.26	370,699,591.79
Impairment loss on assets	V.40	–	620,000,000.00
Add: Gain or loss from changes in fair values	V.41	74,991,317.77	–
Add: Investment income	V.42	433,982,120.65	1,154,990,808.91
Including: Share of profit of associates and joint ventures		306,095,527.42	247,973,476.09
3. Operating profits		1,645,351,214.44	1,635,366,566.65
Add: Non-operating income	V.43	7,253,541.79	39,930,795.95
Including: Gains on disposal of non-current assets		10,953.38	29,177,997.50
Less: Non-operating expenses	V.44	30,155,853.49	2,970,475.84
Including: Losses on disposal of non-current assets		26,964,418.09	1,840,627.93
4. Total profit		1,622,448,902.74	1,672,326,886.76
Less: Income tax expenses	V.45	306,027,093.14	177,176,928.38
5. Net profit		1,316,421,809.60	1,495,149,958.38
Net profit attributable to owners of the Company		1,169,353,230.77	1,552,656,397.24
Minority interests	VII.1(2)	147,068,578.83	-57,506,438.86
6. Other comprehensive income after tax		895,670.98	1,361.31
Item that may be reclassified subsequently to profit and loss		895,670.98	1,361.31
Including: Foreign exchange gain/loss		895,670.98	1,361.31
7. Total comprehensive income		1,317,317,480.58	1,495,151,319.69
Total comprehensive income attributable to owners of the company		1,170,248,901.75	1,552,657,758.55
Total comprehensive income attributable to minority interest		147,068,578.83	-57,506,438.86
8. Earnings per share			
Basic earnings per share (RMB/share)	V.50(1)	0.536	0.712
Diluted earnings per share (RMB/share)	V.50(1)	0.536	0.712

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

Legal Representative: **Hu Wei**

Chief Financial Officer: **Gong Taotao**

Head of Accounting Department: **Zhao Guiping**

Company Statement of Profit or Loss and Other Comprehensive Income

Year ended 31 December 2016

(All amounts in RMB unless otherwise stated)

Item	Note	2016	2015
1. Revenue from services	XIV.6	1,409,261,538.56	1,271,783,783.22
Less: Cost of services	XIV.6	578,516,502.10	500,565,700.13
Business tax and surcharges		14,135,040.61	43,425,758.99
General and administrative expenses		92,296,287.15	87,580,506.52
Financial expenses		355,957,351.33	159,117,502.36
Impairment loss on assets		–	678,765,149.21
Add: Gain or loss from changes in fair values	V.41	74,991,317.77	–
Add: Investment income	XIV.7	822,285,665.01	633,745,928.04
Including: Share of profit of associates and joint ventures		312,416,068.38	247,973,476.09
2. Operating profit		1,265,633,340.15	436,075,094.05
Add: Non-operating income		1,531,683.35	916,280.86
Including: Gains on disposal of non-current assets		2,245.54	22,520.00
Less: Non-operating expenses		1,309,884.08	1,679,116.55
Including: Losses on disposal of non-current assets		46,348.68	1,345,095.27
3. Total profit		1,265,855,139.42	435,312,258.36
Less: Income tax expenses		112,610,492.49	122,382,874.51
4. Net profit		1,153,244,646.93	312,929,383.85
5. Other comprehensive income		–	–
6. Total comprehensive income		1,153,244,646.93	312,929,383.85

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

Legal Representative: **Hu Wei**

Chief Financial Officer: **Gong Taotao**

Head of Accounting Department: **Zhao Guiping**

Consolidated Statement of Cash Flows

Year ended 31 December 2016

(All amounts in RMB unless otherwise stated)

Item	Note	2016	2015
1. Cash flows from operating activities:			
Cash received from rendering services		4,137,701,400.62	3,686,440,969.35
Refund of taxes		68,227.54	122,411.45
Cash received relating to other operating activities	V.46(1)	129,095,298.18	297,963,315.24
Sub-total of cash inflows		4,266,864,926.34	3,984,526,696.04
Cash paid for goods and services		494,351,383.18	491,054,483.66
Cash paid to and on behalf of employees		543,509,822.50	383,899,841.39
Payments of taxes and surcharges		670,622,177.87	891,866,403.40
Cash paid relating to other operating activities	V.46(2)	431,771,516.34	446,200,837.27
Sub-total of cash outflows		2,140,254,899.89	2,213,021,565.72
Net cash flows from operating activities		2,126,610,026.45	1,771,505,130.32
2. Cash flows from investing activities			
Cash received from recovery of investments		35,795,085.86	16,568,744.77
Cash received from returns on investments		247,659,655.89	154,400,989.32
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		86,977.95	1,572,160,573.05
Cash received from disposal of subsidiaries and other business units	V.46(3)	45,593,284.91	–
Cash received relating to other investing activities	V.46(4)	4,878,006,216.24	256,773,809.68
Sub-total of cash inflows		5,207,141,220.85	1,999,904,116.82
Cash paid to acquire fixed assets and other long-term assets		382,090,574.03	128,354,455.66
Net cash paid to acquire subsidiaries and other business units	V.46(5)	1,998,260,000.00	1,285,601,947.38
Cash paid relating to other investing activities	V.46(6)	5,356,300,000.00	2,324,780.00
Sub-total of cash outflows		7,736,650,574.03	1,416,281,183.04
Net cash flows from investing activities		-2,529,509,353.18	583,622,933.78
3. Cash flows from financing activities			
Cash received from borrowings		31,000,000.00	810,000,000.00
Cash received from issuing bonds		1,967,439,454.47	897,570,000.00
Other cash received relating to financing activities	V.46(7)	–	6,588,000,000.00
Sub-total of cash inflows		1,998,439,454.47	8,295,570,000.00
Cash repayments of borrowings		2,099,901,764.00	4,174,467,000.00
Cash payments for interest expenses and distribution of dividends or profits		1,303,035,523.34	1,548,529,495.06
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		234,695,353.43	115,908,236.22
Cash payments relating to other financing activities	V.46(8)	124,942,614.23	1,548,009.44
Sub-total of cash outflows		3,527,879,901.57	5,724,544,504.50
Net cash flows from financing activities		-1,529,440,447.10	2,571,025,495.50
4. Effect of foreign exchange rate changes on cash		-5,012,626.22	-316,390.91
5. Net increase/(decrease) in cash		-1,937,352,400.05	4,925,837,168.69
Add: Cash at beginning of period		6,180,992,066.06	1,255,154,897.37
6. Cash at end of period		4,243,639,666.01	6,180,992,066.06

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

Legal Representative: **Hu Wei**Chief Financial Officer: **Gong Taotao**Head of Accounting Department: **Zhao Guiping**

Company Statement of Cash Flows

Year ended 31 December 2016

(All amounts in RMB unless otherwise stated)

Item	Note	2016	2015
1. Cash flows from operating activities			
Cash received from rendering services		902,988,242.98	1,302,451,693.65
Cash received relating to other operating activities		39,162,100.69	788,839,225.19
Sub-total of cash inflows		942,150,343.67	2,091,290,918.84
Cash paid for goods and services		124,402,396.83	158,555,080.06
Cash paid to and on behalf of employees		186,814,895.62	166,822,221.93
Payments of taxes and surcharges		188,498,126.52	177,048,378.53
Cash paid relating to other operating activities		52,078,506.59	285,879,275.52
Sub-total of cash outflows		551,793,925.56	788,304,956.04
Net cash flows from operating activities		390,356,418.11	1,302,985,962.80
2. Cash flows from investing activities			
Cash received from recovery of investments		302,650,360.24	115,514,367.79
Cash received from returns on investments		609,187,807.30	1,280,732,299.53
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		–	1,920.00
Cash received relating to other investing activities		4,606,489,706.86	362,402,382.48
Sub-total of cash inflows		5,518,327,874.40	1,758,650,969.80
Cash paid to acquire fixed assets and other long-term assets		17,388,780.16	33,811,489.94
Net cash paid to acquire subsidiaries and other business units		1,978,260,000.00	1,520,220,000.00
Cash paid relating to other investing activities		5,253,654,359.99	2,725,324,780.00
Sub-total of cash outflows		7,249,303,140.15	4,279,356,269.94
Net cash flows from investing activities		-1,730,975,265.75	-2,520,705,300.14
3. Cash flows from financing activities			
Cash received from borrowings		–	930,000,000.00
Cash received from issuing bonds		1,967,439,454.47	897,570,000.00
Other cash received relating to financing activities	V.46(7)	–	6,588,000,000.00
Sub-total of cash inflows		1,967,439,454.47	8,415,570,000.00
Cash repayments of borrowings		1,619,997,000.00	1,710,000,000.00
Cash payments for interest expenses and distribution of dividends or profits		972,860,228.15	1,236,057,022.96
Cash payments relating to other financing activities		2,710,740.59	986,504.24
Sub-total of cash outflows		2,595,567,968.74	2,947,043,527.20
Net cash flows from financing activities		-628,128,514.27	5,468,526,472.80
4. Effect of foreign exchange rate changes on cash		-6,128,945.58	4,609.06
5. Net increase/(decrease) in cash		-1,974,876,307.49	4,250,811,744.52
Add: Cash at beginning of period		4,856,442,761.18	605,631,016.66
6. Cash at end of period		2,881,566,453.69	4,856,442,761.18

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

Legal Representative: **Hu Wei**

Chief Financial Officer: **Gong Taotao**

Head of Accounting Department: **Zhao Guiping**

Consolidated Statement of Changes in Equity

Year ended 31 December 2016

(All amounts in RMB unless otherwise stated)

Item	31 December 2016							Total owners' equity
	Attributable to owners of the Company						Minority interests	
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit			
1. Ending balance on 31 December 2015	2,180,770,326.00	2,274,351,523.42	893,605,520.32	1,915,883,968.12	5,104,281,635.31	2,592,187,548.93	14,961,080,522.10	
2. Movements for the year ended 31 December 2016	-	-123,204,004.81	895,670.98	115,324,464.69	312,566,855.24	-555,308,408.62	-249,725,422.52	
(1) Total comprehensive income	-	-	895,670.98	-	1,169,353,230.77	147,068,578.83	1,317,317,480.58	
Net profit	-	-	-	-	1,169,353,230.77	147,068,578.83	1,316,421,809.60	
Other comprehensive income	-	-	895,670.98	-	-	-	895,670.98	
(2) Profit distribution (Note V.35)	-	-	-	115,324,464.69	-856,786,375.53	-250,823,850.89	-992,285,761.73	
Appropriation to surplus reserves	-	-	-	115,324,464.69	-115,324,464.69	-	-	
Profit distribution to equity owners	-	-	-	-	-741,461,910.84	-250,823,850.89	-992,285,761.73	
(3) Capital paid in and reduced by owners	-	-123,204,004.81	-	-	-	-332,574,633.51	-455,778,638.32	
Acquisition of minority interests	-	-120,924,166.49	-	-	-	-332,574,633.51	-453,498,800.00	
Other	-	-2,279,838.32	-	-	-	-	-2,279,838.32	
(4) Other	-	-	-	-	-	-118,978,503.05	-118,978,503.05	
3. 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	2,036,879,140.31	14,711,355,099.58	

Item	31 December 2015							Total owners' equity
	Attributable to owners of the Company						Minority interests	
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit			
1. Ending balance on 31 December 2014	2,180,770,326.00	2,274,351,523.42	893,604,159.01	1,884,591,029.74	4,564,264,823.15	1,322,590,733.82	13,120,172,595.14	
2. Movements for the year ended 31 December 2015	-	-	1,361.31	31,292,938.38	540,016,812.16	1,269,596,815.11	1,840,907,926.96	
(1) Enterprise merger not under the common control	-	-	-	-	-	1,418,885,943.59	1,418,885,943.59	
(1) Total comprehensive income	-	-	1,361.31	-	1,552,656,397.24	-57,506,438.86	1,495,151,319.69	
Net profit	-	-	-	-	1,552,656,397.24	-57,506,438.86	1,495,149,958.38	
Other Comprehensive Income	-	-	1,361.31	-	-	-	1,361.31	
(2) Profit distribution	-	-	-	31,292,938.38	-1,012,639,585.08	-91,782,689.62	-1,073,129,336.32	
Appropriation to surplus reserves	-	-	-	31,292,938.38	-31,292,938.38	-	-	
Profit distribution to equity owners	-	-	-	-	-981,346,646.70	-91,782,689.62	-1,073,129,336.32	
3. Ending balance on 31 December 2015	2,180,770,326.00	2,274,351,523.42	893,605,520.32	1,915,883,968.12	5,104,281,635.31	2,592,187,548.93	14,961,080,522.10	

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

Legal Representative: **Hu Wei**Chief Financial Officer: **Gong Taotao**Head of Accounting Department: **Zhao Guiping**

Company Statement of Changes in Equity

Year ended 31 December 2016

(All amounts in RMB unless otherwise stated)

Item	31 December 2016				
	Share capital	Capital surplus	Surplus reserve	Undistributed profit	Total owner's equity
1. Ending balance on 31 December 2015	2,180,770,326.00	2,315,587,934.74	1,915,883,968.12	3,517,605,270.46	9,929,847,499.32
2. Movements for the year ended 31 December 2016	-	-2,279,838.32	115,324,464.69	305,320,140.91	418,364,767.28
(1) Total comprehensive income	-	-	-	1,153,244,646.93	1,153,244,646.93
Net profit	-	-	-	1,153,244,646.93	1,153,244,646.93
(2) Profit distribution (Note V.35)	-	-	115,324,464.69	-856,786,375.53	-741,461,910.84
Appropriation to surplus reserves	-	-	115,324,464.69	-115,324,464.69	-
Profit distribution to equity owners	-	-	-	-741,461,910.84	-741,461,910.84
(3) Capital paid in and reduced by owners	-	-2,279,838.32	-	-	-2,279,838.32
Other	-	-2,279,838.32	-	-	-2,279,838.32
(4) Other	-	-	-	8,861,869.51	8,861,869.51
3. 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

Item	31 December 2015				
	Share capital	Capital surplus	Surplus reserve	Undistributed profit	Total owner's equity
1. Ending balance on 31 December 2014	2,180,770,326.00	2,315,587,934.74	1,884,591,029.74	4,217,315,471.69	10,598,264,762.17
2. Movements for the year ended 31 December 2015	-	-	31,292,938.38	-699,710,201.23	-668,417,262.85
(1) Total comprehensive income	-	-	-	312,929,383.85	312,929,383.85
Net profit	-	-	-	312,929,383.85	312,929,383.85
(2) Profit distribution	-	-	31,292,938.38	-1,012,639,585.08	-981,346,646.70
Appropriation to surplus reserves	-	-	31,292,938.38	-31,292,938.38	-
Profit distribution to equity owners	-	-	-	-981,346,646.70	-981,346,646.70
3. Ending balance on 31 December 2015	2,180,770,326.00	2,315,587,934.74	1,915,883,968.12	3,517,605,270.46	9,929,847,499.32

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

Legal Representative: **Hu Wei** Chief Financial Officer: **Gong Taotao** Head of Accounting Department: **Zhao Guiping**

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

I. GENERAL INFORMATION

1. General information of the Company

Shenzhen Expressway Company Limited (the “Company”) was established as a joint stock limited company in the People’s Republic of China (the “PRC”) on 30 December 1996. The Company has its H shares and A shares listing on the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange of the PRC, respectively. The address of the registered office and head office of the Company is 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 and management of toll highways and roads in the PRC.

Shenzhen International Holdings Limited (“Shenzhen International”) is the parent company of the Company and 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.

2. The consolidation scope

The detailed information of principal subsidiaries consolidated during the year ended 31 December 2016 is disclosed in Note VII.1. The detailed information of changes of consolidation scope during the year ended 31 December 2016 is disclosed in Note VI.

These financial statements have been approved for issue by the Company’s Board of Directors on 17 March 2017.

II. THE BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

1. Basis of preparation

The financial statements were prepared in accordance with the Basic Standard and specific standards of the Accounting Standards for Business Enterprises issued by the Ministry of Finance on 15 February 2006, and the specific accounting standards and the relevant regulations issued thereafter (hereafter collectively referred to as “Chinese Accounting Standards”) and the disclosure requirements in the Preparation Convention of Information Disclosure by Companies Offering Securities to the Public No.15 – General Rules on Financial Reporting issued by the China Securities Regulatory Commission.

2. Going concern

The financial statements are prepared on a going concern basis.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

Specific accounting policies and accounting estimates abstracts:

The Group makes specific accounting policies and accounting estimates according to characteristics of its business operations, which include provision of bad debt of receivables (Note III.10), the criteria for determining impairment of non-current assets (Note III.19), depreciation policy of fixed assets and amortization policy of intangible assets (Note III.15 and 18), measurement of provisions (Note III.22), revenue recognition (Note III.23) and recognition of deferred income tax assets (Note III.25), etc.

Key judgments and estimates applied for critical accounting policies by the Group are disclosed in Note III.30.

1. Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements for the year ended 31 December 2016 are in compliance with the Chinese Accounting Standards, and truly and completely present the consolidated and the Company's state of affairs as of 31 December 2016 and the consolidated and the Company's operating results, cash flows and other information for the year then ended.

2. Accounting period

The accounting year starts on 1 January 2016 and ends on 31 December 2016.

3. Operating cycle

Except for the real estate business, the operating cycle of the Group's business is relatively short. The classification criterion of asset and liability's liquidity is 12-months. The operating cycle of real estate business would generally be longer than 12 months, counted from the commencement of development to collection of sales proceeds, which is also determined as the classification criterion of the liquidity of assets and liabilities in this business.

4. Functional currency

The Company adopts Renminbi ("RMB") as functional currency to prepare its financial statements except that Fameluxe Investment adopts Hong Kong dollar ("HKD") as functional currency. The financial statements are denominated in RMB unless otherwise stated.

5. Business combination

A business combination is a transaction or event that brings together two or more separate entities into one reporting entity. Business combinations are classified into business combinations involving entities under common control and Business combinations not involving entities under common control.

(1). 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 absorbing party, while that other entity participating in the combination is a party being absorbed. The combination date is the date on which the absorbing party effectively obtains control of the party being absorbed.

Assets and liabilities (including goodwill arising from ultimate controller's acquisition of the party being absorbed) that are obtained by the absorbing party in a business combination shall be measured at their carrying amounts at the combination date as recorded by the party being absorbed. 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.

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. Business combination (continued)

(2). 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. The cost of combination and identifiable net assets obtained by the acquirer in a business combination are measured at fair value at the acquisition date. Where the cost of the combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill; where the cost of combination is lower than the acquiree's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized in profit or loss for the current year. Costs directly attributable to the combination are included in profit or loss in the period in which they are incurred. Transaction costs associated with the issue of equity or debt securities for the business combination are included in the initially recognized amounts of the equity or debt securities.

6. Preparation of consolidated financial statements

The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries.

Subsidiaries are consolidated from the date on which the Group obtains control and are de-consolidated from the date that such control ceases. For a subsidiary that is acquired in a business combination involving enterprises under common control, it is included in the consolidated financial statements from the date when it, together with the Company, come under common control of the ultimate controlling party. The portion of the net profit realized before the combination date is presented separately in the consolidated income statement.

When the Group ceases to have control over a subsidiaries due to disposal of part of the equity investment or other reasons, the interest retained should be re-measured according to the fair value at the date when control is lost. The difference between prices get from the disposal plus the fair value of the interest retained and the net assets continuously recorded from the acquisition date is recognized as investment income in the period in which losing the control. The comprehensive income related to the original equity held by the Company is recognized as investment income in the same period. Change of minority interest is regarded as equity transaction when not losing the control.

In preparing the consolidated financial statements, where the accounting policies and the accounting periods are inconsistent between the Company and subsidiaries, the financial statements of subsidiaries are adjusted in accordance with the accounting policies and accounting period of the Company. For subsidiaries acquired from a business combination involving enterprises not under common control, the individual financial statements of the subsidiaries are adjusted based on the fair value of the identifiable net assets at the acquisition date.

All significant inter-group balances, transactions and unrealized profits are eliminated in the consolidated financial statements. The portion of a subsidiary's equity and the portion of a subsidiary's net profit and losses for the period as well as comprehensive income not attributable to Company are recognized as minority interests, net profit and losses attributable to minority interests as well as and comprehensive income attributable to minority interests presented separately in the consolidated financial statements within equity and net profit as well as total comprehensive income respectively. The unrealized profit and losses arising from sales of assets to subsidiaries by the Company are fully eliminated against net profit attributable to owners of the Company. The unrealized profit and losses arising from sales of assets to the Company by subsidiaries are eliminated against net profit attributable to owners of the Company as well as net profit attributable to minority interests respectively according to the Company and minority interests' shareholding on the subsidiaries. The unrealized profit and losses arising from sales of between subsidiaries are eliminated against net profit attributable to owners of the Company as well as net profit attributable to minority interests respectively according to the Company and minority interests' shareholdings on the subsidiary who sold.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Preparation of consolidated financial statements (continued)

The difference on recognizing a same transaction between on the accounting subjects of the Group and of the Company or its subsidiaries would be adjusted on the accounting subject of the Group.

7. The recognition of cash and cash equivalents

Cash and Cash equivalents comprise the Group's cash on hand and deposits that can be readily withdrawn on demand, and 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 transaction translation

Foreign currency transactions are translated into RMB using the exchange rates prevailing at the dates of the transactions.

At the balance sheet date, monetary items denominated in foreign currencies are translated into RMB using the spot exchange rates on the balance sheet date. Exchange differences arising from these translations are recognized in profit or loss for the current period, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalized as part of the cost of those assets. Non-monetary items denominated in foreign currencies that are measured at historical costs are translated at the balance sheet date using the spot exchange rates at the date of the transactions. The effect of exchange rate changes on cash is presented separately in the cash flow statement.

9. Financial instruments

(1). Financial assets

(a) *Classification of financial assets*

Financial assets are, on initial recognition, classified into the following categories: financial assets at fair value through profit or loss, loans and receivables, financial assets available-for-sale 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 financial assets available-for-sale.

Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include trading financial assets and the financial assets that are classified as financial assets at fair value through profit or loss at the initial recognition.

Loans and receivables

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

Financial assets available-for-sale

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

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (continued)

(1). Financial assets (continued)

(b) *Recognition and measurement of financial assets*

Financial assets are recognized at fair value on the balance sheet 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 financial assets available-for-sale 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.

Gain or loss arising from 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 year.

(c) *Impairment of financial assets*

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

The objective evidence of impairment of a financial asset is the event that actually happened after the recognition of the financial asset which has an impact on the estimated future cash flows of the financial asset that can be reliably estimated.

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 book value 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 a financial asset available-for-sale has occurred, the amount of loss is measured at the difference between the asset's book value 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 assets is derecognized when one of the below 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 book value 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)

9. Financial instruments (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, 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 balance sheet date 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 book value 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 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/impracticably obtained, the unobservable inputs would be used.

(4) **Derivative financial instruments**

The Group uses derivative financial instruments, which is 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.

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Receivables

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

(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 exceeds RMB5,000,000.00 is considered to be "individually significant"; for other receivables, the criteria is any individual amount which 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 including the receivables into groups with similar credit risk characteristics and collectively assesses them for impairment. The impairment losses are determined based on the historical actual loss and taking into consideration of the current circumstances.

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 method and other appropriate methods

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

Aging	Provisioning percentage applied for accounts receivable (%)	Provisioning percentage applied for other receivables (%)
Within 3 years (including 3 years)	—	—
Over 3 years	100	100

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. 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 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 later 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 later 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.

(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 book value and present value of estimated future cash flows.

11. Inventories

(1). Classification

Inventories include real estate property 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 developed, properties under development and properties to be developed. Properties developed represent those properties completed and for sale, while properties under development represent those properties still in construction and for the sale purpose, and properties to be developed represent those purchased lands which have been planned to be constructed as properties developed.

(2). Costing of inventories

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

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

Provisions for declines in the value of inventories are determined at the excess of the carrying value of the inventories over their net realizable value. Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs necessary to achieve completion and to make the sale and related taxes.

Inventory system adopts the Perpetual Inventory Systems.

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Held for sale

A non-current asset or a disposal group satisfying the following conditions is classified as held for sale: (1) The non-current asset or disposal group can be disposed immediately according to the customary provisions provided for the disposal of such non-current asset or disposal group; (2) the Group has made a resolution for disposal of the non-current asset or disposal group which has been approved; (3) an irrevocable contract with the transferee has been signed and; (4) the transfer will be completed within one year. Non-current assets, except for financial assets, investment properties measured in fair value and deferred tax assets, which meet the recognition criteria for held for sale are measured at the amount equal to the lower of the fair value less costs to sell and the book value. Any excess of the original book value over the fair value less costs to sell is recognized as an asset impairment loss.

Asset and liability included in the non-current asset or disposal group that has been classified as held for sale are categorized as current asset and current liability, and disclosed separately in the balance sheet.

13. 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 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 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 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. Among which investments remain long-term after disposal are recognized in proportion, investments converted to financial instruments after disposal are recognized in total.

For long-term equity investments acquired not through a business combination: for 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.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Long-term equity investments (continued)

(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 in the period.

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 recognises the investment income according to its share of net profit or loss of the investee. The Group discontinues recognising its share of net losses of an investee after the book value of the long-term equity investment together with any long-term interests that, in substance, form part of the investor's net investment in the investee are 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 recognising 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 into 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 unrealised profits or losses arising from the intra-group transactions amongst the Group and its investees are eliminated in proportion to the Group's equity interest 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 unrealised loss is not eliminated.

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 current period. For a long-term equity investment accounted for using the equity method, when the Group discontinues using 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 entirety. When the Group continues to use 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 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.

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Long-term equity investments (continued)

(3). Basis for determination of the existence of control, jointly control or significant influence over the investee

Control is the power to the investee, to make itself exposed to, or has rights to, variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee.

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

Significant influence is the power to participate in the financial and operational policy decisions 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 is reduced to the recoverable amount if the recoverable amount is below the book value (Note III.19).

14. Investment properties

Investment properties, principally comprising buildings that are held for the purpose of lease, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property is included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and it 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 subsequent measurement of the investment properties. Buildings and land use rights are depreciated or amortized to their estimated net residual values over their estimated useful lives. The estimated useful lives, the estimated net residual values expressed as a percentage of cost and the annual amortization rates 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 book value at the date of the transfer.

The estimated useful life, net residual value of the investment property and the amortization method applied are reviewed and adjusted as appropriate 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 sale, transfer, retirement or damage of an investment property net of its book value and related taxes and expenses is recognized in profit or loss for the current period.

The book value of investment properties is reduced to the recoverable amount if the recoverable amount is below the book value (Note III.19).

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Fixed assets

(1). Recognition and initial measurement of fixed assets

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

Fixed assets are initially recognized at cost, including purchase prices, related tax and any directly attributable expenditure for bring the fixed asset to its working condition for intended use. The cost and accumulated depreciation of fixed assets injected 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 book value of the replaced part is derecognized. All the other subsequent expenditures are recognized in profit or loss in the period when 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 provided for impairment loss, the related depreciation charge is prospectively determined based upon the adjusted book value over their remaining useful lives.

Type	Depreciation method	Estimated useful lives (year)	Estimated residual value rate	Annual depreciation rate
Buildings				
Office building	Straight-line	20-30 years	5%	3.17%-4.75%
Temporary house	Straight-line	10 years	5%	9.50%
Structure	Straight-line	15 years	5%	6.33%
Traffic equipment	Straight-line	8-10 years	5%	9.50%-11.87%
Motor vehicles	Straight-line	5-6 years	5%	15.83%-19.00%
Office and other equipment	Straight-line	3-5 years	5%	19.00%-31.67%

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 as appropriate at least at each year-end.

(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.19).

(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.

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, 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 is transferred to fixed assets when the assets are ready for their intended use, and depreciates from the following month. The book value of construction in progress is reduced to the recoverable amount if the recoverable amount is below the book value (Note III.19).

17. 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 of acquisition and construction for its intended use commence 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 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 used and 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 period of expected duration or shorter period applied discounted to the initial amount of the borrowings.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

18. Intangible assets

Intangible assets include concession intangible assets, billboard use right and software and 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 the third parties instead of providing actual construction service, which comprises construction 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 project completion audit are finalized.

The concession intangible assets relating to the toll roads injected by the state-owned shareholders on 1 January 1997 were stated at valuation, which were 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) injected 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 SASAB on 30 June 1996. The land-use right relating to Meiguan Expressway owned by Shenzhen Meiguan Expressway Company Limited ("Meiguan Company"), the subsidiary, was injected by Xin Tong Chan Development (Shenzhen) Company Limited ("Xin Tong Chan Company"), one of the promoters of the Company, at the value specified in 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 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, and then write off the concession combined with the actual traffic volume during each accounting period.

The Company has set policy 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 difference between actual traffic volume and projected traffic volume exists, 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.

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

18. Intangible assets (continued)

(1). Concession intangible assets (continued)

Respective operating period and amortization unit of the toll roads are set out as follows:

Item	Operating period	The unit usage (RMB)
Yanba Expressway	April 2001 to April 2026 (Section A), July 2003 to July 2028 (Section B), March 2010 to March 2035 (Section C) (Note III.30)	4.49 (Note a)
Yanpai Expressway	May 2006 to March 2027 (Note III.30)	1.97 (Note a)
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 January 2033 (Note III.30)	4.71 (Note a)
Shenzhen Airport-Heao Expressway (Eastern Section)	October 1997 to March 2027	3.49
Wuhuang Expressway	September 1997 to September 2022 (Note III.30)	8.46 (Note b)
Qinglian Expressway	July 2009 to July 2034 (Note III.29)	26.54 (Note a)
Shuiguan Expressway	March 2002 to January 2026	5.86

Note a: As stated in Note III.30(1)(a), at the end of 2015, the Company appointed an independent professional traffic consultant to reforecast the total projected traffic volumes of Yanba Expressway, Yanpai Expressway, Nanguang Expressway and Qinglian Expressway in their remaining operating period and adjusted the unit usage of the aforesaid expressway from RMB3.98, RMB1.49, RMB4.22 and RMB25.19 to RMB4.49, RMB1.97, RMB4.71 and RMB26.54, respectively, from 1 January 2016.

Note b: As stated in Note III.30(1)(b), at the fourth quarter of 2016, the Company appointed an independent professional traffic consultant to reforecast the total projected traffic volumes of Wuhuang Expressway in its remaining operating period and adjusted the unit usage from RMB6.52 to RMB8.46 from 1 October 2016.

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 when 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 of 5-10 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 is reduced to the recoverable amount if the recoverable amount is below the book value (Note III.19).

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives, investment properties measured on 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 balance sheet date; Intangible asset that are not ready for its intended use is 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 separately presented in the financial statements is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. 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.

20. Long-term prepaid expenses

Long-term prepaid expenses comprise the prepaid expenditures that have been made but should be recognized as expenses for the current and subsequent periods, which in total is 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 on the balance sheet date.

21. 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.

(1). Accounting treatment of short-term wages

Short-term wages include wages or salaries, bonuses, allowances and subsidies, staff welfare, medical insurance, work injury insurance, maternity insurance, housing funds, labour union funds, employee education funds and 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 into profit or loss or capitalized in costs of related assets. The non-monetary welfare is measured at fair value.

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Employee benefits (continued)

(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 a separate fund and 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 are mainly pension insurance and unemployment insurance which are both defined contribution plans.

(a) Basic pension insurance

The Group's employees participate in the basic social pension insurance organized and implemented by local labour and social security bureau. The Group paid the basic pension issuance expenses monthly to designated insurance companies for its employees according to the basis amounts and rates determined by the local regulations. After retirement, local labour 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 during the periods when the employees render services and are recognized in profit or loss or capitalized in costs of related assets.

(b) Enterprise annuities plan

Besides 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 corresponding expenditures that appropriated by the certain proportion of employees' total wages, are recorded in profit or loss for the current period. Exception for this, the Company did not have any other significant social insurance commitment to its employees.

(3). Accounting treatment of termination benefits

The Group provides compensation for the termination of employment relationship before the expiry of employment contracts or compensation to encourage employees' voluntary layoffs, which is recognized as a liability and in profit or loss on 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 costs and expenses in relation to the payment of compensation to the termination of employment relationship are recognized.

22. 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, 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 increase in the discounted amount of the provision arising from pass of time is recognized as interest expense.

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

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Revenue recognition

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 transaction can flow into 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 by making reference to the actual construction costs and related management expenses incurred till the balance sheet date 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 services 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 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 doesn't 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 concessions contracts entered with the government departments, according to which the Group participates in developing, financing, operating and maintenance of the toll road construction, the Group recognized no construction services revenue if the Group subcontracts the work to other parties and does not undertake the construction work on its own.
- (6). The Group's revenue from service like engineering consulting is recognized using the completion percentage method when the result of trade in services can be measured reliably. The completion percentage is determined by the measurement of work completed or the proportion of labor provided among the total labor or the proportion of cost provided among the total cost. In the case that result of trade in services cannot be measured reliably, if the labor cost provided can be recovered, the amount of labor income is recognized according to the amount of labor cost provided and to carry forward the same amount of the labor cost. If the labor cost provided cannot be recovered, the labor cost provided is recognized in the current profit and 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.

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Government grants

Government grants are transfers of monetary or non-monetary assets from the government to the Group at Nil consideration, including refund of taxes and financial subsidies, etc.

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 amount received or receivable. The non-monetary grant from the government is measured at its fair value.

(1). The criterion and accounting treatment of government grants related to assets

Government grants related to assets represent grants obtained from government which are to compensate long-term assets purchased or obtained in other ways.

Government grants related to assets are recognized as deferred income and evenly distributed in profit or loss over the useful period of related assets. Government grants measured at their nominal amounts shall be recognized immediately in profit or loss for the current period.

(2). The criterion and accounting treatment of government grants related to income

Government grants related to income represent those government grants other than related to assets.

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; 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.

25. Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognized based on the differences between the tax bases of assets and liabilities and their book value (temporary differences). Deferred tax asset is recognized for the deductible losses that can be carried forward to subsequent years for deduction of the taxable profit in accordance with the tax laws. No deferred tax liability is recognized for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognized for the temporary differences resulting from the initial recognition of assets or liabilities due to a transaction other than a business combination, which affects neither accounting profit nor taxable profit (or deductible loss). At the balance sheet date, deferred tax assets and deferred tax liabilities are measured at the tax rates that are expected to apply to the period when the asset is realized or the liability is settled.

Deferred tax assets are only recognized for deductible temporary differences, deductible losses and tax credits to the extent that it is probable that taxable profit will be available in the future against which the deductible temporary differences, deductible losses and tax credits can be utilized.

Deferred tax liabilities are recognized for temporary differences arising from investments in subsidiaries, joint ventures and associates, except where the Group is able to control the timing of the reversal of the temporary difference, and it is probable that the temporary difference will not reverse in the foreseeable future. When it is probable that the temporary differences arising from investments in subsidiaries, joint ventures and associates will be reversed in the foreseeable future and that the taxable profit will be available in the future against which the temporary differences can be utilized, the corresponding deferred tax assets are recognized.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

Deferred tax assets and liabilities are offset when:

- The deferred taxes are related to the same tax payer within the Group and the same tax authority department; and,
- That tax payer has a legally enforceable right to offset current tax assets against current tax liabilities.

26. 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.

(1). Operating leases

In the case of the 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.

In the case of the lessor of an operating lease

Rent 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.

(2). Finance leases

In the case of the lessee of a finance lease

For an asset that is held under a finance lease, at the lease commencement, the leased asset is recorded at the lower of its fair value at the lease commencement and the present value of the minimum lease payments, and the minimum lease payment is recorded as the carrying amount of the long-term payables; the difference between the recorded amount of the leased asset and the recorded amount of the payable is accounted for as unrecognized finance charge, which is amortized using the effective interest rate method over each period during the lease term. Contingent rents are charged to profit or loss in the period in which they actually arise.

27. Profit distribution

Cash dividend of the Company are recognized as liabilities when passed at the shareholders' meeting.

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. 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 one that 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 in its highest and best use or by selling it to another market participant that would use the asset in 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.

29. 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) whose 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, and (3) for which the information on financial position, operating results and cash flows 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.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Changes in significant accounting policies and accounting estimates

(1). Changes in significant accounting estimates

Details and reasons for changes in accounting estimates	Procedures for approval	Effective date	Note (Financial statement items and amounts affected)
Changes in accounting estimates of unit usage of the concession intangible assets of Nanguang Expressway, Yanba Expressway, Yanpai Expressway and Qinglian Expressway	Approved by the Board of Directors of the Company on 29 January 2016	1 January 2016	(a)
Changes in accounting estimates of unit usage of the Wuhuang expressway	Approved by the Board of Directors of the Company on 17 March 2017	1 October 2016	(b)

(a) *Changes in accounting estimates of unit usage of concession intangible assets of Nanguang Expressway, Yanba Expressway, Yanpai Expressway and Qinglian Expressway*

In the second half of 2015, pursuant to the Company's agreement with Shenzhen Government related to toll adjustment and compensation arrangement of Nanguang Expressway, Yanpai Expressway and Yanba Expressway, and the completion and open to traffic of Guangle Expressway (from Guangzhou to Lechang, in Guangdong) and Erguang Expressway (from Lianzhou to Huaiji, in Guangdong), which had more negative influence than expected as the construction of the link between Qinglian Expressway and related expressways was delayed. In the fourth quarter of 2015, the Company appointed an independent professional traffic consultant to reassess the future traffic volume of the aforesaid expressways. According to the revised projected result, the Board of Directors of the Company approved the change in accounting estimates of unit usage of intangible assets arising from the concession rights of the aforesaid expressways on 29 January 2016, and the Group adjusts the unit usage of the aforesaid expressways according to the revised total projected traffic volume from 1 January 2016 on a prospective basis. Such change in accounting estimates impacts the financial statement items for the year of 2016 as follows:

	Impact amount
Decrease in intangible assets	34,574,714.71
Decrease in deferred income tax liabilities	2,343,569.91
Decrease in taxes payable	6,675,982.29
Increase in cost of services	34,574,714.71
Decrease in income tax expenses	9,019,552.20
Decrease in net profit attributable to owners of the Company	23,713,219.75

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

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Changes in significant accounting policies and accounting estimates (continued)

(1). Changes in significant accounting estimates (continued)

(b) Changes in accounting estimates of unit usage of the Wuhuang expressway

Since the actual traffic volumes of Wuhuang Expressway significantly differed from the projected traffic volume and the difference between the actual traffic volume and the previous projected traffic volumes is expected to continue. Furthermore the surrounding highway networks and traffic diversion impact become stable. According to related arrangement of Mei Wah Company purchasing 45% retained equity of Wuhuang project, the company appointed an independent professional traffic consultant to reassess the traffic volume of Wuhuang expressway in the future operating period, and provide a revised traffic volume report in the fourth quarter. The Board of Directors of the Company approved the change in accounting estimates of unit usage of intangible assets arising from the concession rights of the Wuhuang Expressways on 17 March 2017, and to adjust the unit usage of the aforesaid expressways according to the revised total projected traffic volume from 10 October 2016 using prospective application. Such change in accounting estimates impacts the financial statement items for the year of 2016 as follows:

	Impact amount
Decrease in intangible assets	6,901,359.38
Decrease in deferred tax liabilities	1,725,339.84
Increase in cost of services	6,901,359.38
Decrease in income tax expenses	1,725,339.84
Decrease in net profit attributable to owners of the Company	3,608,759.89

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

31. Others

Critical accounting estimates and judgments:

The Group continuously evaluates the critical accounting estimates and key judgments applied based on historical experience and other factors, including expectation of future events that are believed to be reasonable.

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

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Others (continued)

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

As stated in Note III.23(2), the Group recognized revenue from construction management service using the percentage of completion method when the outcome of the construction management services can be estimated reliably.

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

If the total investment top limit and project costs as well as the actual construction management services costs is different from management's current estimates, the construction management services income and costs will be changed prospectively.

(2). Amortization of concession intangible assets

As stated at Note III.18(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 be a material difference between total projected traffic volume and the actual traffic volume.

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 2006, 2010, 2013, 2014 and 2015 and specifically perform independent traffic volume study on Wuhuang Expressway in 2016, and then prospectively adjusted the amortization unit according to the revised total projected traffic volume.

The Company has entered into an agreement with Transport Commission of Shenzhen Municipality ("Shenzhen Transportation Bureau") related to the tolls adjustment and compensation arrangements of Nanguang Expressway, Yanpai Expressway and Yanba Expressway (the "Three Expressways") at the end of 2015. Because of the uncertainty of the tolls levied by the Shenzhen Transportation Bureau, the agreement does not change amortization method of the Three Expressways as concession intangible assets. The amortization is still based on expected traffic volume during the concession periods.

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Others (continued)

(3). Provisions for maintenance/resurfacing obligations

As stated at Note III.22, the Group has contractual obligations under the 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.

(4). Income tax and deferred tax

The Group is subject to income taxes in several jurisdictions. Some transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. 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 incomes in the foreseeable future that the deductible losses will be utilized. The recognition of deferred tax assets mainly involved management's judgments and estimations about the timing and the amount of taxable incomes of the company which has tax loss. Where the final outcome of timing and 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.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Others (continued)

(5). Estimate of contingent consideration arising from acquisition

During the year 2015 the Company's wholly-owned subsidiary Mei Wah Company purchased 10% equity interests of Qinglong Company indirectly by purchasing 100% equity interests of Fameluxe Investment with cash consideration of RMB280 million. After completion of the transaction, the Group will directly and indirectly hold an aggregate of 50% equity interests of Qinglong Company, and obtain the control on Qinglong Company.

The purchase agreement includes triggering condition for consideration adjustment: 1) Qinglong Company and the local government authority enter into an agreement in relation to the traffic management and adjustment arrangement of Shuiguan Expressway on or before 31 December 2016, and the comparable price calculated based on the arrangement and the purchase price from the share transfer agreement is lower than the preliminary consideration; 2) On or before 31 December 2016, the aforesaid adjustment arrangement is not yet entered into and the relevant government authorities failed to grant the approval for the extension application of Shuiguan Expressway, or if the extension period of concession granted under the approval is shorter than 5 years. Based on 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.

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 and Huayu Company and its actual controller, Mr. Chen Yangnan signed the "Supplemental Agreement", to extend the original time limit on 31 December 2016 to 31 December 2018, the price adjustment trigger conditions were changed to: 1) Shenzhen Government entered into an adjustment fee agreement with Qinglong Company before 31 December 2018, and the comparable price calculated based on the arrangement and the purchase price from the share transfer agreement is lower than the preliminary consideration; 2) On or before 31 December 2018, the aforesaid adjustment arrangement is not yet entered into and the relevant government authorities failed to grant the approval for the extension application of Shuiguan Expressway, or if the extension period of concession granted under the approval is shorter than 5 years. On 31 December 2016, the Company made the best estimate based on the available information and information, and said that Qinglong Company was likely to obtain approval for extension of 4 years before 31 December 2018, correspondingly, purchase price of the 10% equity remained at RMB266 million.

(6). Impairment of concession intangible assets

When considering the impairment of the concession intangible assets, the management of the company had calculated the future cash flow of the toll roads and determined the recoverable amount. The key assumptions of this calculation included the estimated growth rate of the traffic volume, the standards of toll road charge, operating period, maintenance cost and required return rate. After the comprehensive examination which proceeded under the previous assumptions, the Group's management considered that concession intangible asset has a higher recoverable amount than the book value, the impairment of concession intangible asset is not necessary during 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.

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

IV. TAXATION

1. Main categories and rates of taxes:

Category	Tax base	Tax rate
Value added tax (VAT)	Taxable advertisement income, Construction consulting service income	6%
VAT	Entrusted management income and others (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%
Business tax	Revenue from expressway toll road business (from 1 January 2016 to 30 April 2016)	3%
Business tax	Entrusted management income and others (from 1 January 2016 to 30 April 2016)	5%
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 value added of the transfer of real estate	Four level progressive rates, 30%-60%

The applicable CIT rate of the Company and its subsidiaries are analyzed as follows:

Taxpaying bodies	Applicable tax rate
Shenzhen Expressway Engineering Testing Company Limited (Testing Company) (1)	15%
Fameluxe investment (2)	16.5%
Shenzhen Expressway Finance I Limited (3)	N/A

(1) Testing Company was audited and determined as national high and new tech enterprises by Science and Technology Bureau of Shenzhen in 2015, respectively. In accordance with requirements of the Administrative Measures for Determination of High and New Tech Enterprises ("Guo Ke Fa (2008) No. 172") and Corporate Income Tax Law and the accompanying Implementation, Testing Company was entitled to the preferential corporate income tax at the rates of 15% for 3 years as from 2015. Testing Company as the subsidiary of Consulting Company was extracted from the Group's consolidation scope since 30 November 2016 (Note VI.2).

(2) Fameluxe Investment is incorporated in Hong Kong with the applicable income tax rate of 16.5%.

(3) Shenzhen Expressway Finance I Limited is incorporated in British Virgin Islands, where the company is exempt from cooperate income tax.

2. Tax preference

Please refer to Note IV.1 for details.

3. Others

According to Guoshuihan (2010) No.651, "Reply letter from State Administration of Taxation concerning about the recognition as resident enterprises of related overseas enterprises of Shenzhen Expressway Company Limited", issued by 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 with effective date from 2008.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash at bank and on hand

Item	31 December 2016	31 December 2015
Cash on hand	11,843,113.81	12,730,782.03
Bank deposits	5,652,054,726.98	6,409,647,048.86
Total	5,663,897,840.79	6,422,377,830.89
Including: cash abroad	27,938,618.48	75,887,597.04

The Company is engaged to manage highway construction projects. As at 31 December 2016, project funds retained for construction management were RMB1,420,258,174.78 (31 December 2015: RMB241,385,764.83). Cash on hand amounts was RMB68,068.39, and bank deposits were RMB1,420,190,106.39. The above project funds retained for construction management and frozen bank balances(if any) were disclosed as restricted bank balances in the cash flow statement (Note V.47(2)).

2. Accounts receivable

(1). Categories analysis of the accounts receivable:

Category	31 December 2016					31 December 2015				
	Ending balance		Provision for bad debts			Ending balance		Provision for bad debts		
	Amount	% of total balance	Amount	% of total balance	Book value	Amount	% of total balance	Amount	% of total balance	Book value
Individually significant and provision separately assessed receivables that are subject to provision by group with similar credit risk characteristics	545,051,289.43	100.00	-	-	545,051,289.43	659,832,794.56	100.00	-	-	659,832,794.56
Group 1	475,473,402.86	87.23	-	-	475,473,402.86	497,600,067.69	75.41	-	-	497,600,067.69
Group 2	69,577,886.57	12.77	-	-	69,577,886.57	162,232,726.87	24.59	-	-	162,232,726.87
Individually not significant but provision separately assessed	-	-	-	-	-	-	-	-	-	-
Total	545,051,289.43	100.00	-	/	545,051,289.43	659,832,794.56	100.00	-	/	659,832,794.56

Accounts receivable in group 2 of which provision was made collectively using aging analysis method is analyzed as follows:

Aging	31 December 2016		
	Accounts receivable	Provision for bad debts	% of total balance
Within 1 year	69,127,886.57	-	-
1 to 2 years	450,000.00	-	-
2 to 3 years	-	-	-
Total	69,577,886.57	-	-

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Accounts receivable (continued)

(2). The five largest accounts receivable assembled by debtors

	Balance	Provision for bad debts	% of total balance
Total balances due from the five largest accounts receivable assemble	478,874,887.31	–	87.86%

(3). Aging analysis of the accounts receivable:

	31 December 2016	31 December 2015
Within 1 year	110,646,743.13	228,924,786.90
1 to 2 years	59,731,559.61	277,638,044.71
2 to 3 years	258,731,262.15	101,370,814.82
Over 3 years	115,941,724.54	51,899,148.13
Total	545,051,289.43	659,832,794.56

3. Advances to suppliers

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

	31 December 2016	31 December 2015
Prepaid land grant	226,901,955.83	220,088,890.00
Other	19,083,711.30	22,026,941.87
Total	245,985,667.13	242,115,831.87

As at 31 December 2016, the amount represents payment of land-transferring fund and related deed taxes made by Guishen Company and its subsidiaries, as a result of tender for land use right of a piece of land located in Longli County, Guizhou Province with area of approximately 629.41 mu. The amount was recorded in prepayment as the delivery conditions in the acquisition contract had not been met. The Company plans to transfer the land use right in open market or develop the land on its own or through cooperation with others to realize the value of the land.

(2) Aging analysis of the advances to suppliers:

Aging	31 December 2016		31 December 2015	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	103,444,593.16	42.05	155,111,527.01	64.07
1 to 2 years	58,863,155.27	23.93	86,644,014.86	35.79
2 to 3 years	83,565,125.70	33.97	155,290.00	0.06
Over 3 years	112,793.00	0.05	205,000.00	0.08
Total	245,985,667.13	100.00	242,115,831.87	100.00

As at 31 December 2016, advances to suppliers over 1 year mainly comprised prepayment for acquisition of land use rights. The advances to suppliers haven't been carried over because the delivery conditions of the rights specified in the acquisition contracts had not been met or the contracts have not been completed.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Advances to suppliers (continued)

(3) Accumulated advances to suppliers from the five largest suppliers

	Amount	% of total balance
Total accumulated advances to suppliers from the five largest suppliers	233,892,495.67	95.08%

4. Other receivables

(1). Other receivables are analyzed by categories as follows:

Item	31 December 2016					31 December 2015				
	Ending balance		Provision for bad debts		Book value	Ending balance		Provision for bad debts		Book value
	Amount	% of total balance	Amount	% of total balance		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	99,297,652.11	100.00	-	-	99,297,652.11	123,461,626.41	100.00	-	-	123,461,626.41
Group 1	81,385,935.65	81.96	-	-	81,385,935.65	78,988,427.66	63.98	-	-	78,988,427.66
Group 2	17,911,716.46	18.04	-	-	17,911,716.46	44,473,198.75	36.02	-	-	44,473,198.75
Individually not significant but provision separately assessed	-	-	-	-	-	-	-	-	-	-
Total	99,297,652.11	100.00	-	/	99,297,652.11	123,461,626.41	100.00	-	/	123,461,626.41

Other receivables in group 2 whose provision was assessed collectively using aging analysis method is analyzed as follows:

Aging	31 December 2016		
	Other receivables	Provision for bad debts	% of total balance
Within 1 year	14,145,835.77	-	-
1 to 2 years	1,136,944.34	-	-
2 to 3 years	2,628,936.35	-	-
Total	17,911,716.46	-	-

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Other receivables (continued)

(2). Other receivable by nature are analyzed as follows:

Nature	31 December 2016	31 December 2015
Advances	56,671,625.89	5,441,966.56
Refund of land property changes receivable	26,451,077.06	–
Guarantee money for transfer of shares	5,000,000.00	–
Administrative imprest	3,264,894.25	4,151,014.87
Staff advances	2,843,026.52	12,311,630.57
Loans to related parties	–	31,580,381.94
Land expropriation and resettlement compensation receivable	–	28,328,230.00
Construction preserved money	–	16,578,454.06
Penalty receivable	–	8,000,000.00
Advertising receivable	–	4,500,000.00
Others	5,067,028.39	12,569,948.41
Total	99,297,652.11	123,461,626.41

(3). The five entities have largest other receivables ending balance as follows:

Company name	Nature	31 December 2016	Aging	% of total balance	Provision for bad debts
Longhua New District People's Government of Shenzhen	Advances	54,353,901.07	Within 1 year	54.74	–
The Government of Longli County, Guizhou Province	Receivable of refund of land property changes	26,451,077.06	Within 1 year	26.64	–
Shenzhen Ping'an Innovation Capital Investment Co., Ltd.	Guarantee money for equity	5,000,000.00	Within 1 year	5.04	–
Nanguang special inspection station	Advances of water and electricity expenses	1,187,778.47	over 3 year	1.20	–
Sun Hung Kai Real Estate Agency Co., Ltd.	Deposit	941,695.97	1 to 2 year	0.94	–
Total	/	87,934,452.57	/	88.56	–

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Inventories

(1). Inventory classification

Item	31 December 2016			31 December 2015		
	Book value	Allowance for impairment	Net book amount	Book value	Allowance for impairment	Net book amount
Properties under developed (a)	408,182,694.46	-	408,182,694.46	407,110,780.56	-	407,110,780.56
Properties in development (b)	176,361,556.55	-	176,361,556.55	235,827,158.99	-	235,827,158.99
Hold property for sale (c)	74,804,315.38	-	74,804,315.38	-	-	-
Toll tickets	2,843,991.28	-	2,843,991.28	4,729,835.35	-	4,729,835.35
Maintenance and repair parts	619,479.01	-	619,479.01	682,490.24	-	682,490.24
Low value consumables	301,484.83	-	301,484.83	362,991.22	-	362,991.22
Total	663,113,521.51	-	663,113,521.51	648,713,256.36	-	648,713,256.36

(a) Properties under developed 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 construction of Phase II to Phase V of "Interlaken Town Project". For the rest of the lands, the Group had no explicit development plan.

(b) Properties in development

Name of Project	Started time	Estimated completion date	The Amount of Estimated investment	Ending balance on 31 December 2016	Opening Balance on 1 January 2016
Phase I Stage II of "Interlaken Town Project"	April 2016	May 2017	300,000,000.00	103,741,414.11	7,788,677.46
Public area	December 2015	-	-	72,620,142.44	-

(c) Phase I Stage I of "Interlaken Town Project" was completed with a total sales area of 38,768.63 square meters and 29,318.74 square meters had been delivered to buyers for the current year, and 9,449.89 square meters remained available for sale.

(2). Borrowing costs capitalization

During the period, the Group had capitalized borrowing costs, calculated with capitalizing rate of 5.65% (2015: 7.05%), amounting to RMB3,286,595.30 (2015: RMB4,110,240.49) on properties under development.

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Current portion of non-current assets

Item	31 December 2016	31 December 2015
Receivables from Longli BT Project (Note V.11(1)(a))	103,789,895.59	86,023,947.55
Receivables due from the Shenzhen Government in relation to the compensation of the toll adjustment of Meiguan Expressway (Note V.11(1)(b))	20,379,244.25	53,058,322.11
Total	124,169,139.84	139,082,269.66

7. Financial assets at fair value through profit or loss

Item	31 December 2016	31 December 2015
Financial assets designated at fair value and whose changes are recorded in the current profits and losses	74,991,317.77	–
Including: derivative instruments investment	74,991,317.77	–
Total	74,991,317.77	–

The financial assets at fair value through profit or loss mainly comprise a forward foreign exchange contract. On 18 July 2016, the Group issued a 5-year long-term bonds whose face value was USD300 million. On 27 July 2016, the Company signed the USD155 million and USD140 million foreign exchange swap business agreement with China Merchants Bank and CITIC Bank, which is respectively mature on 27 July 2017 and 31 July 2017. These contracts were recognized at fair value through profit or loss. For the year 2016, the financial instruments achieve fair value gains of RMB74,991,317.77 (Note V.41).

8. Other current assets

Item	31 December 2016	31 December 2015
Prepaid taxes	14,329,427.09	18,879,520.24
Financial product	550,000,000.00	–
Total	564,329,427.09	18,879,520.24

On 31 December 2016, financial products recognized as other current assets including Ping An Bank guaranteed financial products RMB150 million, the national development bank guaranteed financial products RMB100 million, Zhuhai Huarun bank guaranteed financial products RMB100 million and Huaxing bank guaranteed financial products RMB200 million. The duration of such financial products are less than half a year, and the group is taking rolling method on the investment.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Long-term prepayments

	31 December 2016	31 December 2015
Construction prepayments from the Outer Ring Company	181,368,018.86	–
Prepayments for resettlement	3,329,760.00	6,850,959.00
Total	184,697,778.86	6,850,959.00

At 31 December 2016, the Outer Ring Company had prepaid the construction funds for Baoan District and Longgang District of Outer Ring Expressway amounting to RMB181,368,018.86, the prepayments will be settled according to the progress of the construction.

10. Financial assets available-for-sale

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

Item	31 December 2016			31 December 2015		
	Book value	Allowance for impairment	Net book amount	Book value	Allowance for impairment	Net book amount
Available-for-sale equity instrument:						
– Measured at cost	43,490,000.00	–	43,490,000.00	30,170,000.00	–	30,170,000.00
Total	43,490,000.00	–	43,490,000.00	30,170,000.00	–	30,170,000.00

(2). Financial assets available-for-sale measured at costs

Investee	Book value				Allowance for impairment				Share holding (%)	Cash dividends during the period
	Opening balance	Additional during the period	Deduction during the period	Closing balance	Opening balance	Additional during the period	Deduction during the period	Closing balance		
United Electronic Company	30,170,000.00	13,320,000.00	–	43,490,000.00	–	–	–	–	12.86%	–
Total	30,170,000.00	13,320,000.00	–	43,490,000.00	–	–	–	–	12.86%	–

On 26 March 2016, upon approval by the Board of Directors, the Company increased the investment to the United Electronic Company amounting to RMB13.32 million. After the capital increase and share expansion, Shares held by the Company dropped from 15% to 12.86%, so the Company's impact on the United Electronic Company doesn't significantly change. The intention of the Company holding the investment doesn't change significantly. Such unlisted equity share did not have a quoted market price in an active market, there is a very large range of variations in its reasonable fair value estimate, as well as the types of probability data, used for determining the fair value. The estimate cannot be made reasonably and, the fair value of the financial assets available-for-sale cannot be reliably measured, hence it is measured at cost.

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Long-term receivables

(1). General information:

Item	31 December 2016			31 December 2015			Range of discount rate
	Book value	Bad debt provision	Net book amount	Book value	Bad debt provision	Net book amount	
Due from Guizhou Longli County Government in relation to the project management services provided to Longli BT Project (a)	103,789,895.59	-	103,789,895.59	142,714,976.24	-	142,714,976.24	9%
Due from the Shenzhen Government in relation to the Compensation resulted from the toll adjustment of Meiguan Expressway (b)	20,379,244.25	-	20,379,244.25	53,058,322.11	-	53,058,322.11	4.75%-6.15%
Compensation interest receivable due from Shenzhen Government related to toll adjustment of Yanba Expressway, Yanpai Expressway and Nanguang Expressway ("Three Expressways")	12,019,232.87	-	12,019,232.87	12,019,232.87	-	12,019,232.87	-
Receivable on Billboard quality deposits	4,500,000.00	-	4,500,000.00	-	-	-	-
Sub-total	140,688,372.71	-	140,688,372.71	207,792,531.22	-	207,792,531.22	
Less: Current portion	124,169,139.84	-	124,169,139.84	139,082,269.66	-	139,082,269.66	
Total	16,519,232.87	-	16,519,232.87	68,710,261.56	-	68,710,261.56	

- (a) The Longli BT project entrusted to Guishen Company was completed at the end of 2014. As on 31 December 2016, accounts receivable due from Longli BT project amounted to RMB103 million, is expected to be received all within one year. For the current period, RMB9,064,158.35 (2015: RMB19,902,485.12) is recognized as interest income based on effective interest method.
- (b) The Company, Meiguan Company (a subsidiary of the Company) entered into an "Agreement on the compensation of the adjustment of Meiguan Expressway and transfer of related assets" (the "Adjustment Agreement") with Shenzhen Transportation Bureau and Shenzhen Longhua New Area Administrative Committee who represented the People's Government of Shenzhen on 27 January 2014. Pursuant to this Adjustment Agreement, the Company implemented toll-free for section from Meilin to Guanlan of Meiguan Expressway with a distance measured at approximately 13.8 km ("Toll Free Section") from the midnight of 31 March 2014, the People's Government of Shenzhen made cash compensation to the Company. The balance represented the compensation receivables and related interest income from Shenzhen Municipal Government as of 31 December 2016, which is expected to be settled in 2017. For the year 2016, the Group reversed the interest income recognized for the period amounting to RMB3,779,327.51 (2015: RMB72,740,084.21) due to adjustment to compensation consideration of reconstruction and extension of the roads according to the Adjustment Agreement.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Long-term equity investments

Investee	31 December 2015	Current period movement							31 December 2016	Share holding (%)	Impairment provided in the current period
		Current period Additions	Additional injection	Investment income/loss recognized under equity method	Cash dividend declared	Investment cost recovered	Provision for impairment	Others			
Joint ventures											
Changsha Shenchang Expressway Company Limited ("Shenchang Company") (1)	161,475,129.93	-	-	26,306,939.44	-	-21,622,027.23	-	-	166,160,042.14	51	-
Gansu Provincial Highway Aviation Tourism Consulting Limited ("Gansu Provincial Highway Aviation") (2)	4,103,978.37	-	-	-1,247,048.50	-	-	-2,856,929.87	-	-	-	-
Sub-total	165,579,108.30	-	-	25,059,890.94	-	-21,622,027.23	-2,856,929.87	-	166,160,042.14	/	-
Associates											
Consulting Company(6)	-	43,747,176.00	-	957,122.83	-	-	-	-	44,704,298.83	24	-
Shenzhen Huayu expressway investment company ("Huayu Company")	47,964,606.61	-	-	4,780,563.94	-	-	-	-	52,745,170.55	40	-
Guangdong Jiangzhong Expressway Company Limited ("Jiangzhong Company")	298,919,348.04	-	-	16,671,997.92	-11,997,500.00	-	-	-	303,593,845.96	25	-
Nanjing Yangtze River Third Bridge Company Limited ("Nanjing Third Bridge Company")	297,424,178.00	-	-	36,217,363.86	-32,099,698.92	-	-	-	301,541,842.94	25	-
Guangdong Yangmao Expressway Company Limited ("Yangmao Company")	288,402,269.13	-	-	79,994,782.70	-76,721,157.01	-	-	-	291,675,894.82	25	-
Guangzhou Western Second Ring Expressway Company Limited ("GZ W2 Company")	239,036,185.76	-	-	34,133,136.47	-25,000,000.00	-	-	-	248,169,322.23	25	-
Yunfu Guangyun Expressway Company Limited ("Guangyun Company")	95,478,776.61	-	-	45,826,941.37	-45,826,941.37	-14,173,058.63	-	-	81,305,717.98	30	-
Guizhou Hengtongli Property Company Limited (Guizhou Hengtongli) (3)	-	42,265,929.51	-	-	-	-	-	-	42,265,929.51	49	-
Shenzhen International United Land Company Limited ("Unit Land Company") (4)	550,085,552.14	-	1,896,300,000.00	-881,762.90	-	-	-	-	2,445,503,789.24	49	-
Bank of Guizhou Co., LTD ("Bank of Guizhou") (5)	-	664,560,000.00	-	63,335,490.29	-	-	-	-2,279,838.32	725,615,651.97	4.41	-
Sub-total	1,817,310,916.29	750,573,105.51	1,896,300,000.00	281,035,636.48	-191,645,297.30	-14,173,058.63	-	-2,279,838.32	4,537,121,464.03	/	-
Total	1,982,890,024.59	750,573,105.51	1,896,300,000.00	306,095,527.42	-191,645,297.30	-35,795,085.86	-2,856,929.87	-2,279,838.32	4,703,281,506.17	/	-

- (1). Shenchang Company's registered and main operated locations are in China. According to the related joint venture contracts and articles of incorporation, the principal financial and operating decisions of Shenchang Company shall be made based on the common consent of both investment parties. As a result, Shenchang Company is deemed as the Company's joint venture and is accounted for using equity method.
- (2). Gansu Public Airlines was the Consulting company's joint venture, the company lost control of Consulting company this year, Gansu Public Airlines is no longer as the Company's joint venture company accounting.
- (3). On 24 June 2016, Guizhou Land Co., Ltd. completed the transfer of entire shareholding and creditor's rights of Guizhou Pengbo Investment Co., Ltd. (Guizhou Pengbo) and 51% equity of Guizhou Hengtongli. After disposal, Guizhou Land Co., Ltd still have significant financial and operation impact on it, so Guizhou Hengtongli is recognized as the Group's associates, and use equity method accounting for its profit.
- (4). As at 20 June 2016, the Company has made capital contribution to United Land Company amounted to RMB1.8963 billion. And the registered capital of United Land Company is amount to RMB5 billion. Then the Company had no more investment commitment to United Land Company.

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Long-term equity investments (continued)

- (5). On 23 December 2015 and on 21 March 2016, the Company respectively entered into an agreement with Bank of Guizhou Co., Ltd, pursuant to which the Company agreed to subscribe shares issued by Bank of Guizhou. The Phase I amount of subscription was RMB595,920,000.00, the Phase II amount of subscription was RMB68,640,000.00. The Company was expected to account for 4.92% of the total share capital for the Bank of Guizhou Company Limited after its increasing in capital and shares. In addition, upon the approval of shareholder's meeting of Bank of Guizhou, the Company take up one position in the Board of Directors of Bank of Guizhou, so the Company had significant influence on its operating and financial activities and use equity method to recognize the investment on the financial statement. At 28 December 2016, other 8 corporate shareholders made capital increase of RMB1,039,700,000.00 to Bank of Guizhou, but Board of Director didn't change. As a result, the company's holding interest decreased from 4.92% to 4.41%, so the company reduced the book value of the capital surplus of Bank of Guizhou amounting to RMB2,279,838.32.
- (6). On 30 November 2016, the Consulting Company became a joint venture of the group and has been accounted for in the equity method, as noted in note VI.2(c).
- (7). The equity interest and voting right held in associates are the same.

13. Fixed assets

(1). Fixed asset movement

Item	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Total
1. Cost					
31 December 2015	712,930,449.33	1,294,442,284.40	37,930,799.91	80,544,195.74	2,125,847,729.38
Current period additions	4,898,163.90	36,478,085.22	2,035,668.09	6,162,924.05	49,574,841.26
-Purchase	4,742,163.90	12,791,830.83	2,035,668.09	5,508,569.33	25,078,232.15
-Transfers from construction in progress	156,000.00	23,686,254.39	-	654,354.72	24,496,609.11
Current period reductions	876,509.00	-	11,085,555.88	41,515,442.12	53,477,507.00
-Other disposal	-	-	1,607,448.00	1,576,008.39	3,183,456.39
-Disposal subsidiary	876,509.00	-	9,478,107.88	39,939,433.73	50,294,050.61
31 December 2016	716,952,104.23	1,330,920,369.62	28,880,912.12	45,191,677.67	2,121,945,063.64
2. Accumulated depreciation					
31 December 2015	193,961,459.14	701,557,853.73	25,699,068.14	48,417,687.68	969,636,068.69
Current period additions	33,551,656.39	112,685,850.64	4,121,503.70	7,926,884.52	158,285,895.25
-Addition	33,551,656.39	112,685,850.64	4,121,503.70	7,926,884.52	158,285,895.25
Current period reductions	83,998.77	-	7,868,723.06	25,777,292.48	33,730,014.31
-Other reductions	-	-	1,477,703.20	1,501,803.30	2,979,506.50
-Disposal subsidiary	83,998.77	-	6,391,019.86	24,275,489.18	30,750,507.81
31 December 2016	227,429,116.76	814,243,704.37	21,951,848.78	30,567,279.72	1,094,191,949.63
3. Net book value					
31 December 2016	489,522,987.47	516,676,665.25	6,929,063.34	14,624,397.95	1,027,753,114.01
31 December 2015	518,968,990.19	592,884,430.67	12,231,731.77	32,126,508.06	1,156,211,660.69

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Fixed assets (continued)

(2). Fixed assets without certificates of ownership

Item	Book value	Reason for lacking certificates of ownership
Buildings	367,641,647.72	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.

In 2016, depreciation expenses amounting to RMB152,375,094.07 and RMB5,910,801.18 had been charged into costs of services and general and administrative expenses respectively (2015: RMB132,380,647.60 and RMB5,471,881.84).

14. Construction in progress

(1). General information of construction in progress

Item	31 December 2016			31 December 2015		
	Book value	Impairment	Net book amount	Book value	Impairment	Net book amount
Extension projects of Fumin Station of Airport-Heao Expressway (Eastern Section)	-	-	-	12,330,609.77	-	12,330,609.77
Nation-wide ETC toll interconnection project	2,142,889.98	-	2,142,889.98	2,804,935.98	-	2,804,935.98
Billboard and light box projects	393,471.69	-	393,471.69	559,000.00	-	559,000.00
Toll-by-weight projects	-	-	-	3,126,975.00	-	3,126,975.00
Others	11,039,136.14	-	11,039,136.14	10,634,565.67	-	10,634,565.67
Total	13,575,497.81	-	13,575,497.81	29,456,086.42	-	29,456,086.42

(2). Movement of significant construction in progress during the period

Item	Budget amount	31 December 2015	Current period additions	Transfer to fixed assets	Other reductions in Current period	Disposal of subsidiaries	31 December 2016	% contribution in budget of current period	Progress of construction	Interests capitalized	Source of funds
Extension projects of Fumin Station of Airport-Heao Expressway (Eastern Section)	20 million	12,330,609.77	2,464,369.96	14,794,979.73	-	-	-	12.32	In progress	-	Self-owned funds
Toll-by-weight projects	22 million	3,126,975.00	1,222,500.00	4,253,774.00	95,701.00	-	-	5.56	Completed	-	Self-owned funds
Nation-wide ETC toll interconnection project	53 million	2,804,935.98	-	662,046.00	-	-	2,142,889.98	-	In progress	-	Self-owned funds
Billboard and light box projects	10 million	559,000.00	779,826.41	810,354.72	135,000.00	-	393,471.69	7.80	In progress	-	Self-owned funds
Others	*	10,634,565.67	16,489,615.30	3,975,454.66	7,600,297.04	4,509,293.13	11,039,136.14	-	In progress	-	Self-owned funds
Total		29,456,086.42	20,956,311.67	24,496,609.11	7,830,998.04	4,509,293.13	13,575,497.81	/	/	-	/

* The amounts of projects were not disclosed respectively as they are not material.

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Intangible assets

(1). General information of intangible assets

Item	Concession intangible assets (a)	Office software	Billboard land use rights	Total
1. Cost				
31 December 2015	24,831,125,591.54	27,688,766.60	153,846,610.25	25,012,660,968.39
Current period additions	126,993,177.37	1,799,404.24	-	128,792,581.61
- Purchased	-	1,799,404.24	-	1,799,404.24
- Other additions	126,993,177.37	-	-	126,993,177.37
Current period reductions	-	13,936,293.17	93,892,769.37	107,829,062.54
- Disposal subsidiary	-	13,935,555.27	-	13,935,555.27
- Other	-	737.90	93,892,769.37	93,893,507.27
31 December 2016	24,958,118,768.91	15,551,877.67	59,953,840.88	25,033,624,487.46
2. Accumulated amortization				
31 December 2015	4,989,822,563.90	6,983,461.64	124,079,168.84	5,120,885,194.38
Current period additions	1,049,712,780.05	5,163,420.28	11,578,597.64	1,066,454,797.97
- Additions	1,049,712,780.05	5,163,420.28	11,578,597.64	1,066,454,797.97
Current period reductions	-	3,705,424.16	93,861,524.07	97,566,948.23
- Disposal subsidiary	-	3,705,424.16	-	3,705,424.16
- Other	-	-	93,861,524.07	93,861,524.07
31 December 2016	6,039,535,343.95	8,441,457.76	41,796,242.41	6,089,773,044.12
3. Impairment				
31 December 2015	620,000,000.00	-	-	620,000,000.00
31 December 2016	620,000,000.00	-	-	620,000,000.00
4. Net book value				
31 December 2016	18,298,583,424.96	7,110,419.91	18,157,598.47	18,323,851,443.34
31 December 2015	19,221,303,027.64	20,705,304.96	29,767,441.41	19,271,775,774.01

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

	Cost	31 December 2015	Current period additions	Current period amortization	31 December 2016	Accumulated amortization	Impairment
Qinglian Expressway (b)	9,280,989,698.71	7,417,405,717.33	-	204,867,563.16	7,212,538,154.17	1,448,451,544.54	620,000,000.00
Nanguang Expressway	2,806,658,377.38	2,417,600,561.86	3,526,553.77	84,955,106.81	2,336,172,008.82	470,486,368.56	-
Shenzhen Airport-Heao							
Expressway -Eastern Section	3,092,170,511.84	1,962,847,346.57	-	183,567,940.31	1,779,279,406.26	1,312,891,105.58	-
Shuiguan Expressway	4,448,811,774.58	4,394,590,612.30	-	313,578,353.39	4,081,012,258.91	367,799,515.67	-
Yanba Expressway	1,255,337,192.11	955,623,462.74	-	51,368,205.14	904,255,257.60	351,081,934.51	-
Wuhuang Expressway	1,523,192,561.64	689,087,255.88	-	95,380,230.92	593,707,024.96	929,485,536.68	-
Meiguan Expressway	614,047,345.55	374,432,982.97	999,795.48	35,677,008.37	339,755,770.08	274,291,575.47	-
Yanpai Expressway	910,532,308.18	570,311,423.45	-	39,604,986.46	530,706,436.99	379,825,871.19	-
Shenzhen Airport-Heao							
Expressway -Western Section	843,517,682.25	379,009,175.99	-	40,713,385.49	338,295,790.50	505,221,891.75	-
Outer Ring Expressway	182,861,316.67	60,394,488.55	122,466,828.12	-	182,861,316.67	-	-
Total of Concession intangible assets	24,958,118,768.91	19,221,303,027.64	126,993,177.37	1,049,712,780.05	18,298,583,424.96	6,039,535,343.95	620,000,000.00

(b) The pledge information relating to the concession intangible assets of Qinglian Expressway is set out in Note V.26(1)(b).

(c) In 2016, the amount of amortization of intangible assets is RMB1,066,454,797.97 (2015: RMB757,967,793.92), which was the same as that charged to current period's income statement.

(d) During the period, the Group had capitalized RMB435,741.47 (2015: Nil) borrowing cost in intangible assets, and the capitalization rate used in calculating the capitalized borrowing cost is 4.36% (2015: Nil).

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Deferred tax assets and deferred tax liabilities

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

Item	31 December 2016		31 December 2015	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provisions for maintenance and resurfacing of the toll roads (a)	151,909,757.93	38,083,478.80	192,283,479.98	48,070,870.04
Compensation provided by concession grantors (b)	76,978,938.56	19,244,734.64	81,305,822.20	20,326,455.55
Deductible losses (c)	233,903,147.40	58,475,786.85	282,214,932.56	70,553,733.14
Operating compensation of newly built tolls of Meiguan Expressway (d)	134,074,025.09	33,518,506.27	147,210,600.81	36,802,650.20
Difference between estimated cost of extension of Meiguan Expressway allocated to Toll Free Section with its preliminary compensation (e)	54,949,460.88	13,737,365.22	28,189,460.88	7,047,365.22
Payroll accrued but not paid	6,554,327.00	1,638,581.75	10,758,383.00	2,689,595.75
Other	3,968,474.72	992,118.68	4,661,533.52	1,165,383.38
Total	662,338,131.58	165,690,572.21	746,624,212.95	186,656,053.28
Including:				
Expected to be utilized within 1 year (including 1 year)		36,482,464.15		34,028,489.49
Expected to be utilized over 1 year		129,208,108.06		152,627,563.79
Total		165,690,572.21		186,656,053.28

- (a) The deferred tax asset was recognized based on temporary difference between the tax base and book value of provisions for maintenance/resurfacing obligations of toll roads.
- (b) The deferred tax asset was recognized based on temporary difference between the tax base and book value of compensation provided by concession grantors in prior years.
- (c) The Group forecasted the operating revenue and profit of Guangdong Qinglian Road Development Co, Ltd. (Qinglian Company), and based on which the Group estimated that Qinglian Company could generate profit against which the deductible losses incurred in prior years can be recovered in the future. Accordingly, a deferred tax asset on deductible losses was recognized.
- (d) In 2015, the Group received compensation from the Shenzhen government to cover the operating cost of new toll station constructed for adjustment arrangement of Meiguan Expressway, and recognized the differences between the tax bases and book value as deferred income tax assets.
- (e) The Group recognized a deferred tax asset on the basis of the difference between actual costs of reconstruction and extension incurred to Toll Free Section and its preliminary compensation according to Toll Adjustment Agreement of Meiguan Expressway.

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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

Item	31 December 2016		31 December 2015	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
The amortization of concession intangible assets (a)	154,883,671.40	38,720,917.85	167,696,493.92	41,924,123.48
Business combinations involving enterprises not under common control (b)				
– Qinglian Company	670,393,610.23	164,293,595.65	689,435,714.73	169,054,121.78
– Shenzhen Airport-Heao Expressway (Eastern Section)	1,245,608,189.65	311,402,049.41	1,374,117,364.92	343,529,343.23
– Qinglong Company	2,804,765,901.80	701,191,475.45	3,024,112,334.55	756,028,083.64
– JEL Company	453,112,488.94	113,142,288.70	523,960,267.86	130,854,233.43
– Meiguan Company	25,562,026.78	4,370,166.01	28,246,239.17	5,041,219.11
– Consulting Company	–	–	15,202,927.17	2,280,439.08
Interest income from the Compensation resulted from the toll adjustment of Meiguan Expressway	–	–	558,279.66	139,569.90
Foreign exchange swap (c)	74,991,317.77	18,747,829.44	–	–
Total	5,429,317,206.57	1,351,868,322.51	5,823,329,621.98	1,448,851,133.65
Including:				
Expected to be utilized within 1 year (including 1 year)		132,058,461.03		111,441,358.28
Expected to be utilized over 1 year		1,219,809,861.48		1,337,409,775.37
Total		1,351,868,322.51		1,448,851,133.65

- (a) The deferred tax liability was recognized based on the temporary difference between the tax basis (straight line basis) and accounting basis (traffic volume basis) of the amortization of toll road concession intangible assets.
- (b) When the Company acquired equity interests of Qinglian Company, Shenzhen Airport-Heao Expressway (Eastern Section), Qinglong Company, JEL Company and Meiguan Company, deferred tax liabilities were recognized on temporary differences between the fair values and book value of respective identifiable assets and liabilities acquired.
- (c) On 18 July 2016, the Group issued a 5-year long-term bond whose face value is 300 million dollars. On 27 July 2016, the company signed 155 million dollars and 140 million dollars currency swap agreements respectively with China Merchants Bank and China CITIC Bank and decided to recognize them as financial instruments on accounting. For the year 2016, the financial instruments have achieved fair value gains of RMB74,991,317.77, the corresponding deferred income tax liabilities amounting to RMB18,747,829.44 is recognized.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. 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 2016	Net values of deferred tax assets/liabilities as at 31 December 2016	Deferred tax assets and liabilities offset as at 31 December 2015	Net values of deferred tax assets/liabilities as at 31 December 2015
Deferred tax assets	-112,548,468.31	53,142,103.90	-109,038,541.33	77,617,511.95
Deferred tax liabilities	112,548,468.31	1,239,319,854.20	109,038,541.33	1,339,812,592.32

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

Item	31 December 2016	31 December 2015
Deductible losses	256,109,046.62	258,256,269.70
Total	256,109,046.62	258,256,269.70

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

Year	31 December 2016	31 December 2015
Year 2017	88,750,103.43	88,750,103.43
Year 2018	146,242,571.78	146,425,448.01
Year 2019	878,206.68	6,217,971.96
Year 2020	981,082.14	16,862,746.30
Year 2021	19,257,082.59	–
Total	256,109,046.62	258,256,269.70

17. Other non-current assets

Item	31 December 2016	31 December 2015
Share subscription fee	–	595,920,000.00
Total	–	595,920,000.00

The Company made an investment of RMB595,920,000.00 for proposed subscription of 382 million shares issued by Bank of Guizhou Company Limited. As up to 31 December 2015, related equity alteration procedures were not completed, so the balance was recorded as other non-current assets temporarily. On 17 June 2016, the non-current asset has been transferred to long-term equity investment, please refer to Note V.12 for more details.

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Provision for impairment of assets

2016

Item	31 December 2015	Additions	Reductions	31 December 2016
Provision for impairment of concession intangible asset	620,000,000.00	-	-	620,000,000.00
Total	620,000,000.00	-	-	620,000,000.00

2015

Item	31 December 2014	Additions	Reductions	31 December 2015
Provision for impairment of concession intangible asset	-	620,000,000.00	-	620,000,000.00
Total	-	620,000,000.00	-	620,000,000.00

19. Accounts payable

(1). Analysis of accounts payable

Item	31 December 2016	31 December 2015
Payables for construction projects and quality deposits	203,791,383.02	169,985,515.87
Others	15,766,652.60	12,038,443.28
Total	219,558,035.62	182,023,959.15

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

Item	31 December 2016	Reason for unsettlement
Shenzhen Municipal Engineering Corporation	49,003,110.00	Project settlement has not completed.
Zhejiang Bayong Highway Project Company Limited	12,418,636.00	Project settlement has not completed.
Qingyuan Land Resource Bureau	5,882,280.00	Project settlement has not completed.
Jiangxi Tongwei Highway Construction Project Group Company Limited	3,507,602.57	Project settlement has not completed.
China Railway 18th Bureau Group Co., Ltd.	3,292,564.00	Project settlement has not completed.
Total	74,104,192.57	

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Advances from customers

(1). General information of advances from customers

Item	31 December 2016	31 December 2015
Advances from sales of properties developed	167,578,202.00	148,038,128.10
Advances from agent-construction fee of Coastal Project Phase II	33,207,547.17	–
Advances from agent-construction fee of Outer Ring Project	13,971,964.09	–
Advances from advertising customers	11,584,919.03	13,318,867.21
Advances from construction consulting service	–	69,397,903.14
Others	1,287,123.64	2,092,937.37
Total	227,629,755.93	232,847,835.82

As at 31 December 2016, account collected in advances from customers over 1 year is RMB22,332,858.81 (31 December 2015: RMB19,725,690.37) mainly comprised the advances from customers from Interlaken Town Project of Guishen Company. The balance of the advances from customers of sales of properties developed of Phase I Stage II, which is expected to be completed in May 2017, is RMB135,145,405.00, and the presale proportion of the properties developed is 61%.

21. Employee benefits payable

(1). Analysis of employee benefits payable

Item	31 December 2015	Additions	Reductions	31 December 2016
I. Short-term wages	153,837,190.98	509,681,742.64	554,876,755.02	108,642,178.60
II. Pension benefits – defined contribution plans	218,926.85	38,360,370.69	38,383,687.66	195,609.88
Total	154,056,117.83	548,042,113.33	593,260,442.68	108,837,788.48

(2). Analysis of short-term wages

Item	31 December 2015	Additions	Reductions	31 December 2016
I. Wages and salaries, bonuses, allowances and subsidies	149,452,412.87	431,109,825.83	476,726,579.41	103,835,659.29
II. Staff welfare	–	32,291,119.35	32,291,119.35	–
III. Social security contributions	65,725.53	15,639,082.74	15,658,969.65	45,838.62
Including: Medical insurance	55,209.63	13,136,873.05	13,153,578.11	38,504.57
Work injury insurance	3,440.92	818,750.27	819,791.41	2,399.78
Maternity insurance	7,074.98	1,683,459.42	1,685,600.13	4,934.27
IV. Housing funds	6,437.41	20,453,850.31	20,460,287.72	–
V. Labor union funds and employee education funds	3,615,207.91	9,434,617.40	9,013,302.61	4,036,522.70
VI. Others	697,407.26	753,247.01	726,496.28	724,157.99
Total	153,837,190.98	509,681,742.64	554,876,755.02	108,642,178.60

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Employee benefits payable (continued)

(3). Analysis of defined contribution plans

Item	31 December 2015	Additions	Reductions	31 December 2016
I. Basic pensions	119,830.98	28,513,220.66	28,549,478.53	83,573.11
II. Unemployment insurance	2,484.87	591,264.30	592,016.16	1,733.01
III. Enterprise annuities	96,611.00	9,255,885.73	9,242,192.97	110,303.76
Total	218,926.85	38,360,370.69	38,383,687.66	195,609.88

22. Taxes payable

Item	31 December 2016	31 December 2015
Corporate income tax payable	119,478,565.68	230,045,738.13
VAT payable	28,791,052.28	1,514,128.09
City maintenance and construction tax payable	1,956,555.02	1,501,233.94
Educational surcharge payable	913,933.73	684,403.02
Business tax payable	–	19,519,486.82
Others	5,052,107.63	4,779,944.34
Total	156,192,214.34	258,044,934.34

23. Interest payable

Item	31 December 2016	31 December 2015
Interest of medium-term notes	52,227,279.28	52,224,448.99
Interest of corporate bonds	45,423,765.19	57,292,164.11
Interest of long-term borrowings with interest payable in installment and principal payable upon maturity	2,537,278.74	9,273,822.41
Total	100,188,323.21	118,790,435.51

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Other payables

(1). Analysis of other payables by nature

Item	31 December 2016	31 December 2015
Project funds retained for construction management contracts (a)	1,420,258,174.78	241,385,764.83
Acquisition of minority interests of JEL company (b)	333,498,800.00	–
Payable related to costs of entrusted construction management services	152,775,168.12	157,775,168.12
Payable related to roads maintenance	148,337,388.98	85,313,040.99
Payable of tender and performance deposit and warranty	86,753,369.95	61,640,011.19
Payables due to associates	74,276,376.43	74,276,376.43
Advance project expenditure and administrative special expenses	48,614,719.39	37,206,599.48
Equity deposit payable to Guizhou Wanjin Co., Ltd.	29,968,000.00	–
Payables of acquisition of Fameluxe Investment	26,000,000.00	46,000,000.00
Borrowing from CCCC Second Highway Engineering Co., Ltd.	20,000,000.00	–
Payable of Longli BT project funds	15,015,088.43	27,883,037.20
Mechanical and electrical costs payable	11,204,391.89	19,685,903.22
Subscription funds and down deposits received for real estate sales	1,190,000.00	3,997,000.00
Compensation received related to Toll Adjustment of Three Expressways	–	548,920,000.00
Others	19,233,329.63	20,971,095.85
Total	2,387,124,807.60	1,325,053,997.31

- (a) The Company was entrusted by the Shenzhen Government for 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 has to set a special deposit accounts to settle the payment. As at 31 December 2016, project funds retained in the special deposit accounts is amounting to RMB1,420,258,174.78 (31 December 2015: RMB241,385,764.83) were classified as deposit in special account of entrusted construction management and disclosed as restricted bank balance in the cash flow statements.
- (b) On 2 December 2016, Mei Wah Company entered into an equity transfer agreement with Shenzhen International's wholly-owned subsidiary, Flywheel Investments Limited. (Flywheel Investments). Pursuant to the Equity Transfer Agreement, Flywheel Investments transferred 45% interest of JEL Company it owned to Mei Wah Company at a transfer price of RMB453,498,800.00. On 5 December 2016, the Group had paid the first RMB120 million and the remaining consideration of RMB333,498,800.00 was accrued at the one-year benchmark interest rate.

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Other payables (continued)

(2). Significant other payables with aging over 1 year:

Item	31 December 2016	Reason for unsettlement
Guangzhou West Second Ring Expressway Co., Ltd.	40,750,000.00	Dividend distribution not assigned
Nanjing Third Bridge Company	33,526,376.43	Dividend distribution not assigned
Hetai Investment Company Limited	26,000,000.00	Contract settlement is not completed
Shandong Provincial Highway and Bridge Group Co., Ltd.	19,535,239.86	Contract settlement is not completed
CCCC Second Highway Engineering Co., Ltd.	11,098,957.00	Contract settlement is not completed
Total	130,910,573.29	/

25. Current portion of non-current liabilities

Item	31 December 2016	31 December 2015
Non-current bonds due within one year (Notes V.27(1))	999,325,267.24	1,499,997,000.00
Compensations related to the toll adjustment of Three Expressways due within one year (Notes V.30)	459,050,000.00	–
Current portion of non-current borrowings (Notes V.26(1)(b))	99,200,000.00	269,200,000.00
Including: Pledged	99,200,000.00	269,200,000.00
Current portion of provisions (Notes V.28)	24,435,584.90	67,043,879.39
Total	1,582,010,852.14	1,836,240,879.39

26. Long-term borrowings

(1). Analysis of long-term borrowings

Item	31 December 2016	31 December 2015
Pledged	1,783,024,000.00	2,201,928,764.00
Total	1,783,024,000.00	2,201,928,764.00

(a) On 31 December 2016, the Group's borrowings were repayable as follows:

Item	31 December 2016	31 December 2015
1 to 2 years	49,600,000.00	278,320,000.00
2 to 5 years	745,040,000.00	418,524,764.00
Over 5 years	988,384,000.00	1,505,084,000.00
Total	1,783,024,000.00	2,201,928,764.00

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Long-term borrowings (continued)

(1). Analysis of long-term borrowings (continued)

(b) As at 31 December 2016, details of long-term pledged borrowings are set out as follows:

Item	Interest rate	Currency	Amount	Pledge details
Syndicated borrowings	5.085%/5.65%	RMB	1,882,224,000.00	Operating rights of Qinglin Expressway
Less: Current portion			99,200,000.00	
Total			1,783,024,000.00	

27. Bonds payable

(1). Bonds payable

Item	31 December 2016	31 December 2015
Corporate bonds	2,845,177,819.25	2,295,598,321.67
Medium-term notes	1,897,011,387.89	1,894,728,466.81
Sub-total	4,742,189,207.14	4,190,326,788.48
Less: Current portion of long-term bonds	999,325,267.24	1,499,997,000.00
Total	3,742,863,939.90	2,690,329,788.48

(2). Movement of bonds payable

Name	Par value	Date of issuance	Maturity	Issued amount	Balance at 31 December 2015	Current period issued	Accrual of interest by Par Value	Amortization	Exchange loss	Current period repaid	31 December 2016
Corporate bonds (a)	800,000,000.00	31 July 2007	15 years	800,000,000.00	795,601,321.67	-	44,800,000.00	668,153.64	-	-	796,269,475.31
Corporate bonds (a)	1,500,000,000.00	2 August 2011	5 years	1,500,000,000.00	1,499,997,000.00	-	51,040,990.89	-	-	1,499,997,000.00	-
Corporate bonds (a)	1,995,330,000.00	18 July 2016	5 years	1,995,330,000.00	-	1,965,548,041.47	26,264,586.44	3,242,464.74	80,117,837.73	-	2,048,908,343.94
Medium-term notes (b)	1,000,000,000.00	7 May 2014	3 years	1,000,000,000.00	997,337,571.00	-	55,052,750.04	1,987,696.24	-	-	999,325,267.24
Medium-term notes (b)	900,000,000.00	14 August 2015	3 years	900,000,000.00	897,390,895.81	-	37,374,277.56	295,224.84	-	-	897,686,120.65
Total	/	/	/	6,195,330,000.00	4,190,326,788.48	1,965,548,041.47	214,532,604.93	6,193,539.46	80,117,837.73	1,499,997,000.00	4,742,189,207.14

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Bonds payable (continued)

(2). Movement of bonds payable (continued)

(a) Corporate bonds

The Company issued long-term corporate bonds with principal amount of RMB800,000,000.00 bearing a term of 15 years and interest of 5.5% per annum on 31 July 2007 in accordance with the approval of Fa Gai Cai Jin (2007) No.1791 issued by National Development & Reform Commission. Interest is repayable annually (on 31 July every year) and the principal is repayable in full upon maturity on 31 July 2022. The principal and interest of the bonds is unconditionally and irrevocably guaranteed by China Construction Bank Corporation, which is in turn secured by the Company's 100% equity interest in Meiguan Company.

Upon the approval of Zheng Jian Xu Ke (2011) No.1131 issued by China Securities Regulatory Commission, the Company issued long-term corporate bonds with principal amount of RMB1,500,000,000.00 on 2 August 2011. The bonds bear interest of 6.0% per annum, with the interest repayable annually and the principal repayable in full upon maturity on 27 July 2016. The term of the bonds is five-year. At the end of the third year, the Company has an option to increase the coupon interest of the bonds and the bondholders have put options to sell the bonds back to the Company. A total amount of RMB3,000.00 was sold back according to the declaration result in July 2014. On 27 July 2016, the Company had repaid the remaining principal amounting to RMB1,499,997,000.00 and the interest for the last period.

The Company held a shareholder's 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 Group issued a long-term bonds with principal value of 300 million dollars, bond issuance price is 99.46% of the principal value, bearing a term of 5 years and interest of 2.875% per annum. Interest began 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 use of the bond is to repay the bank loans and supplement the Group's operating capital.

(b) Medium-term notes

Upon the approval from the National Association of Financial Market Institutional Investors in relation to the issuance of Medium term notes amounting to RMB1,000,000,000.00, the Company completed the issuance on 7 May 2014, which bear a term of 3 years and interest rate of 5.50% per annum with interest repayable annually and the principal repayable in full upon maturity on 8 May 2017.

The Company obtained the approval from the National Association of Financial Market Institutional Investors in relation to the issuance of medium-term notes amounting to RMB1,500,000,000.00. The registered quota is valid within 2 years from the date of issue of the Notice of the Acceptance of Registration, and the Company is allowed to issue the medium-term notes in tranches during the validity period. On 14 August 2015, the Company issued the initial tranche of medium-term notes amounting to RMB900,000,000.00, which bear a term of 3 years and interest rate of 3.95% per annum with interest repayable annually and the principal repayable in full upon maturity on 18 August 2018.

28. Provisions

Item	31 December 2016	31 December 2015
Provisions for maintenance/resurfacing obligations	151,909,757.93	192,283,480.10
Less: Current portion	24,435,584.90	67,043,879.39
Total	127,474,173.03	125,239,600.71

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Deferred income

Item	31 December 2015	Current year addition	Current year reductions	31 December 2016	Explanation
Non-current liabilities					
– Compensation to operating costs for Toll Free Section of Meiguan Expressway	147,210,600.81	–	13,136,575.72	134,074,025.09	Compensation to the operating costs for Toll Free Section of Meiguan Expressway before transferred provided by Shenzhen Government.
– Government compensation of demolition	27,469,888.87	–	2,746,988.89	24,722,899.98	Government compensation of demolition of Qinglong Company.
Sub-total	174,680,489.68	–	15,883,564.61	158,796,925.07	
Current liabilities					
– Return of deed taxes	3,464,972.66	–	818,694.60	2,646,278.06	Return of deed taxes provided from Guizhou Longli County Government to Guishen Company.
Sub-total	3,464,972.66	–	818,694.60	2,646,278.06	
Total	178,145,462.34	–	16,702,259.21	161,443,203.13	/

Government grants items:

Item	31 December 2015	Additional grants in current period	Recognized in non-operating income in current period	Other changes	31 December 2016	Related to assets/revenue
Return of deed taxes	3,464,972.66	–	818,694.60	–	2,646,278.06	In related to assets
Compensation of demolition	27,469,888.87	–	2,746,988.89	–	24,722,899.98	In related to assets
Total	30,934,861.53	–	3,565,683.49	–	27,369,178.04	/

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Other non-current liabilities

Item	31 December 2016	31 December 2015
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
Including: unrecognized finance fee	904,210,000.00	904,210,000.00
Add: the cumulative recognition of financial expense	337,302,400.00	26,230,000.00
Less: the cumulative deduction of toll income containing tax	628,430,000.00	–
Balances of compensations related to the toll adjustment of Three Expressways	6,296,872,400.00	6,614,230,000.00
Including: unrecognized finance fee	566,907,600.00	877,980,000.00
Less: current portion of compensations related to the toll adjustment of Three Expressways/Balances reclassified to other payables	459,050,000.00	548,920,000.00
Sub-Total	5,837,822,400.00	6,065,310,000.00
Compensations related to the toll adjustment of Meiguan Expressway		
Long-term tax and fee of compensations related to the toll adjustment of Meiguan Expressway	–	1,750,199.11
Less: current portion of long-term tax and fee of compensations related to the toll adjustment of Meiguan Expressway	–	–
Sub-Total	–	1,750,199.11
Total	5,837,822,400.00	6,067,060,199.11

- (a) On 30 November 2015, the Company signed an agreement with Shenzhen Transportation Bureau regarding toll adjustment and compensation arrangement of the Three Expressways. The first phase will commence from 7 February 2016 to 31 December 2018, namely 2 years plus 10 months and 24 days. During this phase, under the circumstance that the Company retains the fee entitlement right and is responsible for the maintenance and repair of the Three Expressways, Shenzhen Transportation Bureau will purchase passing service of the related section from the Company and provide corresponding cash compensation for exemption of tolls. The Company and the Government will jointly engage third party consultant to audit the actual amount of toll revenue for the Three Expressways in each of the financial years and settle with the adjusted actual traffic volume according to the agreed approach. The second phase will commence from 1 January 2019 to maturity of the operating period of the Three Expressways. In this phase, Shenzhen Transportation Bureau may select to adopt one of the two available options, namely Option 1 and Option 2 on the basis of different conditions. Under Option 1, the Company and Shenzhen Transportation Bureau will continue to implement toll-free in the same manner in Phase 1 until the end of their respective operation periods. Under Option 2, the fee entitlement right of the Three Expressways will be returned to Shenzhen Transportation Bureau and the Group will have correspondent compensation, so the Company will lose the fee entitlement of the Three Expressways and not be responsible for managing and maintaining the expressways any more. Pursuant to the Three Expressways Adjustment Agreement, the Company agreed to make the Three Expressways free of charge from 7 February 2016 in two phases in exchange for the cash compensation based on adjustment arrangement imposed by Shenzhen Transportation Bureau. The agreement has been approved by the Company's shareholders' meeting on 29 January 2016. As at 31 December 2016, the Company had received the first cash compensation amounting to RMB6,588,000,000.00 that includes unrecognized finance fees, part of which was transferred into financial expense for this period amounting to RMB311,072,400.00 (2015: RMB26,230,000.00).

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Share capital

Year 2016	31 December 2015	Movement				Sub-total	31 December 2016
		New shares issued	Right issue	Transfer from surplus	Others		
Total share capital	2,180,770,326.00	-	-	-	-	-	2,180,770,326.00

Year 2015	31 December 2014	Movement				Sub-total	31 December 2015
		New shares issued	Right issue	Transfer from surplus	Others		
Total share capital	2,180,770,326.00	-	-	-	-	-	2,180,770,326.00

32. Capital surplus

Year 2016	31 December 2015	Current period additions	Current period reductions	31 December 2016
Share premium	2,274,351,523.42	-	-	2,274,351,523.42
Acquisition of minority interests(a)	-	-	120,924,166.49	120,924,166.49
Others(b)	-	-	2,279,838.32	2,279,838.32
Total	2,274,351,523.42	-	123,204,004.81	2,151,147,518.61

Year 2015	31 December 2014	Current period additions	Current period reductions	31 December 2015
Share premium	2,274,351,523.42	-	-	2,274,351,523.42
Total	2,274,351,523.42	-	-	2,274,351,523.42

- (a) As disclosed in Note V.24, as at 2 December 2016 the Company's wholly-owned subsidiaries Mei Wah Company purchase 45% interest of JEL Company owned by Flywheel Investments, Shenzhen International's wholly-owned subsidiary at a price of RMB453,498,800.00. After the acquisition, Mei Wah Company held 100% interest of JEL Company, resulting in decrease of capital surplus amounting to RMB120,924,166.49 and minority interests amounting to RMB332,574,633.51.
- (b) Other capital reserve reduce RMB2,279,838.32, please refer to Note V.12(5).

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Other comprehensive income

Year 2016	31 December 2015	Amount incurred in current period		31 December 2016
		amount incurred in current period before tax	Post-tax amount attributable to owners of the Company	
Item that may be reclassified subsequently to profit and loss:	893,605,520.32	895,670.98	895,670.98	894,501,191.30
Including: 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
Others	67,121.58	895,670.98	895,670.98	962,792.56
Total of other comprehensive income	893,605,520.32	895,670.98	895,670.98	894,501,191.30

Year 2015	31 December 2014	Amount incurred in current period		31 December 2015
		amount incurred in current period before tax	Post-tax amount attributable to owners of the Company	
Item that may be reclassified subsequently to profit and loss:	893,604,159.01	1,361.31	1,361.31	893,605,520.32
Including: 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
Others	65,760.27	1,361.31	1,361.31	67,121.58
Total of other comprehensive income	893,604,159.01	1,361.31	1,361.31	893,605,520.32

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Surplus reserve

Year 2016	31 December 2015	Current year additions	Current period reductions	31 December 2016
Statutory surplus reserve	1,462,492,638.06	115,324,464.69	–	1,577,817,102.75
Discretionary surplus reserve	453,391,330.06	–	–	453,391,330.06
Total	1,915,883,968.12	115,324,464.69	–	2,031,208,432.81

Year 2015	31 December 2014	Current year additions	Current year reductions	31 December 2015
Statutory surplus reserve	1,431,199,699.68	31,292,938.38	–	1,462,492,638.06
Discretionary surplus reserve	453,391,330.06	–	–	453,391,330.06
Total	1,884,591,029.74	31,292,938.38	–	1,915,883,968.12

In accordance with Company Law of the Peoples Republic of China, the Company's Articles of Association and the resolution of Board of Directors, companies should appropriate 10% of net profit for the year to the statutory surplus reserve, and companies can cease appropriation 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 RMB115,324,464.69 for the year 2016 (2015: RMB31,292,938.38) to the statutory surplus reserve.

The Company appropriates 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 2016 (2015: Nil).

35. Undistributed profits

Item	31 December 2016	31 December 2015
Undistributed profits at the beginning of the year	5,104,281,635.31	4,564,264,823.15
Add: Net profit attributable to equity holders of the Company for the year	1,169,353,230.77	1,552,656,397.24
Less: Appropriation for statutory surplus reserve	115,324,464.69	31,292,938.38
Dividends	741,461,910.84	981,346,646.70
Undistributed profits at the end of the year	5,416,848,490.55	5,104,281,635.31

According to the resolution passed in the Annual General Meeting held on 19 May 2016, the Company proposed a cash dividend to all shareholders amounting to RMB741,461,910.84, which was calculated by reference to 2,180,770,326 shares issued and a dividend of RMB0.34 per share. The dividend represents 47.75% of the company's net profit for the year 2015. As at 31 December 2016, the dividend had been paid in full.

In accordance with the resolution passed in the Board on 17 March 2017, the Directors of Board proposed a cash dividend to all shareholders amounting to RMB479,769,471.72, which was calculated by reference to the 2,180,770,326 shares issued and a dividend of RMB0.22 per share. The proposed final dividend resolution is subject to be approved in the shareholders' meeting (Note XII.2). The proposed cash dividend represents 41% of the net profit for the year ended 31 December 2016.

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Revenue and cost of services

Item	2016		2015	
	Revenue	Cost	Revenue	Cost
Main business – toll road	3,679,988,086.44	1,863,000,759.27	3,014,057,419.87	1,419,449,529.10
Other services –				
Construction consulting service	333,917,584.13	278,150,139.08	191,395,731.53	143,283,969.75
Real estate development	253,685,024.38	213,008,459.05	–	–
Management services revenue	121,416,600.09	92,649,162.96	94,616,571.10	39,480,267.24
Advertising services revenue	109,682,513.35	61,490,496.75	94,413,581.70	50,528,959.99
Others	33,519,348.15	24,632,298.96	26,095,030.99	26,004,883.37
Sub-total of other services	852,221,070.10	669,930,556.80	406,520,915.32	259,298,080.35
Total	4,532,209,156.54	2,532,931,316.07	3,420,578,335.19	1,678,747,609.45

On 8 September 2016, Phase I Stage I of Interlaken Town Project was completed and passed the acceptance. For the current year, area of 29,318.74 square meters were sold and delivered, and the thus properties sales income was recognized amounting to RMB253,685,024.38 (2015: Nil).

37. Business tax and surcharges

Item	2016	2015
Business tax	38,845,008.12	106,070,204.24
City maintenance and construction tax	11,283,732.83	8,054,725.06
Educational surcharge	8,208,247.26	5,777,607.37
Construction fee for country culture development	2,678,576.64	2,169,767.73
Property tax	3,979,809.14	–
Others	1,289,796.25	569,328.15
Total	66,285,170.24	122,641,632.55

38. General and administrative expenses

Item	2016	2015
Salary and wages	74,862,173.32	74,256,089.00
Lawyers and consulting fees	13,242,035.80	16,160,362.11
Depreciation and amortization	6,261,927.95	7,114,211.41
Rental fees	8,624,391.27	5,039,501.93
Stock exchange fees	5,532,719.30	3,263,044.91
Audit fees	4,098,249.27	5,035,100.00
Office and communication charges	3,556,757.53	3,333,581.66
Office building management fees	2,498,988.06	2,815,388.41
Others	19,857,495.11	16,994,529.96
Total	138,534,737.61	134,011,809.39

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. General and administrative expenses (continued)

Expenses by nature:

Costs of services, selling expenses, general and administrative expenses in income statement by nature are analyzed as follows:

Item	2016	2015
Depreciation and amortization	1,231,072,539.96	898,886,848.42
Salary and wages	537,111,241.93	415,754,734.65
Real estate development costs	213,008,459.05	–
Costs of construction consulting service	160,626,124.22	85,387,288.12
Road maintenance expenses	151,357,976.16	103,076,398.16
Entrusted management expenses for Wuhuang Expressway	88,559,532.08	83,726,461.39
Costs of construction management services	63,319,390.61	18,278,071.86
Material, water and electrical costs	51,527,841.54	42,919,636.11
Mechanical and electrical costs	29,289,034.99	36,293,752.15
Costs of agencies	19,838,241.48	23,345,329.62
Integrated tolls settlement service expenses	16,385,481.26	16,165,970.05
Promotion and marketing expense	11,302,397.93	10,807,345.20
Other expenses	116,705,213.81	92,219,517.38
Total	2,690,103,475.02	1,826,861,353.11

39. Financial expenses

Item	2016	2015
Interest expenses	628,603,309.89	485,089,447.34
Including: Interest expenses from borrowings	100,091,360.80	207,341,033.48
Interest expenses from bonds payable	220,726,144.39	255,628,654.35
Other financing expense(a)	311,072,400.00	26,230,000.00
Interest capitalization	-3,286,595.30	-4,110,240.49
Time value of provision for maintenance/resurfacing	–	4,194,569.00
Exchange losses – net(b)	87,518,024.13	5,220,376.26
Less: interest income	78,826,290.07	124,480,035.92
Others	2,147,691.31	675,235.11
Total	639,442,735.26	370,699,591.79

(a) Other financing expense was resulted from the amortization of unrecognized finance fee arising from the cash compensation amounting to RMB6,588,000,000.00 in related to toll adjustment of “Three Expressways”. The amount of unrecognized finance fee was RMB904 million in total, which would be amortized into financial expense from December 2015 to December 2018. The detailed information is disclosed in Note. V.30(a).

(b) On 18 July 2016, the Group issued a long-term bonds with a term of 5 year and principal value of USD300 million, and for this year the bond recognized exchange losses of RMB85,770,000.00. At the same time, the Company signed the 155 million dollars and 140 million dollars foreign exchange swap business agreement with China Merchants Bank and CITIC Bank. These financial instruments realized fair value gains of RMB74,991,317.76 for the current period, please refer to Note V.7 for more details.

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Impairment losses on assets

Item	2016	2015
Impairment loss of concession intangible assets	–	620,000,000.00
Total	–	620,000,000.00

41. Gains on change in fair value

Item	2016	2015
Financial assets at fair value through profit or loss	74,991,317.77	–
Including: derivative financial instruments	74,991,317.77	–
Total	74,991,317.77	–

42. Investment income

Item	2016	2015
Investment income from long-term equity investments under the equity method of joint ventures	25,059,890.94	13,822,650.42
Investment income from long-term equity investments under the equity method of associates	281,035,636.48	234,150,825.67
Investment income from disposal of long-term equity investment generated investment income	52,828,171.39	–
Investment income financial assets available-for-sale	38,200,000.00	3,000,000.00
Investment income from revaluing the remaining equity at fair value after loss of control	21,304,871.82	–
Investment income from financial products	15,553,550.02	–
Investment income from revaluing the original interest at fair value not under common control	–	904,017,332.82
Total	433,982,120.65	1,154,990,808.91

43. Non-operating income

Item	2016	2015	Amount recorded as non-recurring profit or loss in 2016
Meilin toll demolition compensation	–	28,328,230.00	–
Gains on disposal of related assets of Toll Free Section of Meiguan Expressway	–	821,897.50	–
Gains on disposal of other fixed assets	10,953.38	27,870.00	10,953.38
Gains on penalties	–	8,000,000.00	–
Income from settlement of debts	–	127,667.60	–
Government incentives	2,312,264.13	–	2,312,264.13
Government grants related to deferred revenue	3,565,683.49	968,785.63	3,565,683.49
Others	1,364,640.79	1,656,345.22	1,364,640.79
Total	7,253,541.79	39,930,795.95	7,253,541.79

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Non-operating expenses

Item	2016	2015	Amount recorded as non-recurring profit or loss in 2016
Total loss on disposal of non-current assets	26,964,418.09	1,840,627.93	26,964,418.09
Including: loss on disposal of fixed assets	204,418.09	1,840,627.93	204,418.09
loss on adjustment of compensation consideration of toll adjustment of Meiguan Expressway	26,760,000.00	–	26,760,000.00
Donation	1,788,865.00	509,350.00	1,788,865.00
Others	1,402,570.40	620,497.91	1,402,570.40
Total	30,155,853.49	2,970,475.84	30,155,853.49

45. Income tax expenses

(1). Classification of income tax expense

Item	2016	2015
Income tax expense	382,044,423.21	405,101,634.61
Deferred income tax	-76,017,330.07	-227,924,706.23
Total	306,027,093.14	177,176,928.38

(2). Income tax expense reconciliation from profit before tax

Item	2016	2015
Profit before tax	1,622,448,902.74	1,672,326,886.76
Income tax expenses calculated at applicable tax rate	405,612,225.69	418,081,721.69
lower tax rate made by special province or local authorities	-3,236,837.08	-4,332,468.48
Effect of withholding tax on distributable profits of the Group's PRC subsidiaries	1,358,890.42	–
Income not subject to tax	-94,231,237.29	-291,712,461.89
The adjustment of deferred income tax assets	–	45,934,300.00
Unrecognized tax losses	1,276,822.54	4,215,686.58
Use of unrecognized tax losses at previous periods	-6,691,309.98	-2,476,331.23
Expenses not deductible for tax purposes	1,938,538.84	7,466,481.71
Income tax expenses	306,027,093.14	177,176,928.38

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Notes to consolidated cash flow statement

(1). Cash received relating to other operating activities

	2016	2015
Cash received relating to confiscated margin from Shenzhen United Property And Share Rights Exchanged	37,968,000.00	-
Received guarantee deposit from the China Railway 23th Bureau	26,753,328.30	-
Received compensation for change of land nature Pengbo company	26,451,077.07	-
Cash received from Longli Country Government in relation to Longli Resettlement (Phase II) Project	10,000,000.00	23,000,000.00
Cash received relating to funding of Shenzhen Guangshen Coastal Expressway Investment ("Coastal Company")	4,384,565.96	-
Received operating expenses for new toll station of free section of Meiguan Expressway	-	162,850,000.00
Received advances of Longli BT project development	-	90,285,351.08
Received account from Guangzhou Western Second Ring Company	-	3,250,000.00
Others	23,538,326.85	18,577,964.16
Total	129,095,298.18	297,963,315.24

(2). Cash paid relating to other operating activities

	2016	2015
Payment for further development of land	129,674,388.82	117,277,638.29
Payment for acquisition of land use right	55,861,692.00	156,446,829.00
Meiguan fee adjustment facilities project construction management expenses	54,494,818.20	2,084,413.86
Prepaid management fees of outer ring project	40,117,394.22	8,830,432.90
Cash advanced to Longli BT Project	12,000,000.00	66,681,519.29
Cash advanced to Longli Resettlement (Phase I) Project	10,000,000.00	14,417,867.15
Audit, valuation, lawyers and advisory fees paid	11,577,354.46	13,381,701.71
Expenses paid to stock exchanges	4,475,092.12	3,519,537.87
Management expenses paid for Coastal Project	3,021,585.31	4,755,860.27
Management expenses paid for Nanping (Phase II) Project	1,156,569.62	1,136,252.16
Management expenses paid for Longda Municipal Section	456,000.00	-
Management expenses paid for Guanlan People Road Project	409,494.09	-
Management expenses paid for Adjustment of Freight Traffic Organization Project	361,540.60	-
Management expenses paid for Dezheng Road Project	348,676.64	-
Payment related to Coastal Company	-	179,067.15
Other operating expenses paid	107,816,910.26	57,489,717.62
Total	431,771,516.34	446,200,837.27

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Notes to consolidated cash flow statement (continued)

(3). Cash received relating to disposal of subsidiaries and other business units

Item	2016	2015
The price of disposal of subsidiaries and other business units	150,259,311.84	–
Cash and cash equivalent received from disposal of subsidiaries and other business units	150,259,311.84	–
Less: cash and cash equivalent owned by subsidiaries and other business units when losing control of them	104,666,026.93	–
Total	45,593,284.91	–

(4). Cash received relating to other investment activities

Item	2016	2015
Cash received from the maturity of Financial products	4,800,000,000.00	–
Interests income received	57,678,271.03	18,385,926.22
Received principle and interest of Qinglong Company returned by Huayu Investment	20,327,945.21	–
Interest received on fee adjustment compensation of Meiguan Expressway	–	162,075,864.76
Increased monetary funds from Consulting Company consolidation	–	76,240,218.69
Others	–	71,800.01
Total	4,878,006,216.24	256,773,809.68

(5). Cash paid relating to acquire subsidiaries and other business units

Item	2016	2015
Capital increase to Joint Land Company	1,896,300,000.00	524,300,000.00
Equity subscription to Bank of Guizhou Co., Ltd.	68,640,000.00	595,920,000.00
Paid withholding income tax due to transfer Hetai Company's equity interest	20,000,000.00	–
Investment funds to Qinglong Company	–	161,277,969.01
Investment funds to Gansu Provincial Highway Aviation	–	4,103,978.37
Capital increase to United Electronic Company	13,320,000.00	–
Total	1,998,260,000.00	1,285,601,947.38

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Notes to consolidated cash flow statement (continued)

(6). Cash paid relating to other investment activities

Item	2016	2015
Purchased financial products	5,350,000,000.00	–
Guarantee deposit of bidding for equity	5,000,000.00	–
Others	1,300,000.00	2,324,780.00
Total	5,356,300,000.00	2,324,780.00

(7). Other cash received relating to financing activities

Item	2016	2015
Received toll adjustment of Three Expressways	–	6,588,000,000.00
Total	–	6,588,000,000.00

(8). Other cash paid relating to financing activities

Item	2016	2015
Cash paid for purchasing minority interest	120,000,000.00	–
Other	4,942,614.23	1,548,009.44
Total	124,942,614.23	1,548,009.44

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. Supplementary information to consolidated cash flow statements

(1). Supplementary information to consolidated cash flow statements

Additional materials	2016	2015
1. Reconciliation from net profit to cash flows from operating activities		
Net profit	1,316,421,809.60	1,495,149,958.38
Depreciation of fixed assets	158,285,895.25	137,852,529.44
Amortization of investment properties	575,700.00	575,700.00
Amortization of intangible assets	1,066,454,797.97	757,967,793.92
Amortization of long-term prepaid expenses	5,756,146.74	2,490,825.06
Net (gains)/losses on disposal of fixed, intangible, and other long-term assets	26,953,464.71	-27,337,369.57
Losses on changes in the fair values (gains are listed with "-")	-74,991,317.77	-
Financial expenses (earnings are listed with "-")	639,442,735.26	370,699,591.79
Investment losses (gains are listed with "-")	-433,982,120.65	-1,154,990,808.91
Impairment losses	-	620,000,000.00
Decrease of deferred income tax assets (increase are listed with "-")	24,475,408.05	-26,113,935.68
Increase of deferred income tax liabilities (decrease are listed with "-")	-100,492,738.12	-201,810,770.55
Decrease in inventories (increase are listed with "-")	-14,400,265.15	-113,965,281.26
Decrease in operating receivables (increase are listed with "-")	132,149,887.89	-51,398,251.87
Increase in operating payables (decrease are listed with "-")	-620,039,377.33	-37,614,850.43
Net cash flow from operating activities	2,126,610,026.45	1,771,505,130.32
2. Net changes in cash and cash equivalents:		
The ending balance of the cash	4,243,639,666.01	6,180,992,066.06
Less: the opening balance of the cash	6,180,992,066.06	1,255,154,897.37
Net increase in cash and cash equivalents	-1,937,352,400.05	4,925,837,168.69

(2). Cash and cash equivalents

Item	31 December 2016	31 December 2015
Cash		
Including: Cash on hand	11,775,045.42	12,671,446.03
Cash at bank	4,231,864,620.59	6,168,320,620.03
Cash at the end of the period	4,243,639,666.01	6,180,992,066.06
Including: Restricted cash held by the Company and group companies (Note V.1)	1,420,258,174.78	241,385,764.83
Total cash at bank and on hand	5,663,897,840.79	6,422,377,830.89

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48. Assets with ownership or use right restricted

Item	31 December 2016	Reason of restriction
Operating right of Qinglian Expressway	7,212,538,154.17	The Group's syndicated borrowings are pledged by operating right of Qinglian Expressway.
The equity interest in Meiguan Company	528,365,040.46	The Group's 100% equity interest in Meiguan Company is pledged for certain long-term notes.
Cash at bank and on hand	1,420,258,174.78	Restricted project funds retained for construction management.
Total	9,161,161,369.41	/

49. Monetary items denominated in foreign currency

(1). Monetary items denominated in foreign currency

Item	Original amount	Exchange rate	Equivalent to RMB
Monetary capital			
Denominated in: USD	16,902.97	6.9370	117,255.90
HKD	8,367,482.68	0.8945	7,484,713.26
CHF	11.70	1.0812	12.65
PTAS	446.00	0.0468	20.87
GBP	30.00	8.5094	255.28
EUR	257.00	7.3068	1,877.85
JPY	380.00	0.0596	22.65
Other receivables			
Denominated in: HKD	10,811,427.49	0.8945	9,670,821.89
USD	166.35	6.9370	1,153.97
Employee benefits payable			
Denominated in: HKD	6,748.40	0.8945	6,036.44
Other payables			
Denominated in: HKD	9,508,828.25	0.8945	8,505,646.87
Interest payable			
Denominated in: USD	3,905,208.33	6.9370	27,090,430.19
Bonds payable			
Denominated in: USD	295,359,426.83	6.9370	2,048,908,343.94

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50. Others

(1). Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

Item	2016	2015
Consolidated net profit attributable to ordinary shareholders of the Company	1,169,353,230.77	1,552,656,397.24
Weighted average number of ordinary shares outstanding	2,180,770,326.00	2,180,770,326.00
Basic earnings per share	0.536	0.712
Including: Basic earnings per share from continuing operations	0.536	0.712

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing 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 up to 31 December 2016, diluted earnings per share were equal to basic earnings per share.

VI. CHANGE IN CONSOLIDATION

1. Change in consolidation due to subsidiaries newly incorporated

The Company's subsidiary, Guizhou Land Co., Ltd. established on 6 April 2016, established a wholly-owned subsidiary, Guizhou Hengtongsheng Property Co., Ltd. ("Guizhou Hengtongsheng") with registered capital of RMB1 million, which is included in the consolidation scope this year. At the same time, on 25 November 2016, Guizhou Land and Shenzhen International Logistics Development Co., Ltd.(SZ Logistics Company) signed an "equity and debt transfer contract", its 100% interest of Guizhou Hengtongsheng transferred to SZ Logistics Company, please refer to Note VI.2.

The Group set up a wholly-owned subsidiary Shenzhen Expressway Operation and Development Company Limited, which registered capital is RMB30,000,000.00. The scope of business of this company is providing operating and technical services and construction and maintenance of traffic safety devices to high-grade highways, urban roads, general highways (including bridges, tunnels).

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

VI. CHANGE IN CONSOLIDATION (CONTINUED)

2. Change in consolidation due to disposal of subsidiaries

Name of subsidiaries	Price	Equity disposal percentage (%)	Equity disposal approach	Control losing date	Basis for determination control losing date	The difference between the disposal price and the net asset owned by the Group on the consolidated financial statement	Remained equity interest (%) at the disposed date	Book value of remained equity interest at the disposed date	Fair value of remained equity interest at the disposed date	Gain or loss arising from remained equity interest remeasured at fair value	Method and assumptions at fair value of remainder equity interest on the disposed date	The amount of other comprehensive income transfer to investment income
Guizhou Hengtongli(a)	43,991,069.49	51%	lose control by disposal of investment of subsidiary at one time	24 June 2016	Business license obtained from change of business registration	17,353,962.44	49%	25,592,514.62	42,265,929.51	16,673,414.89	Method: Assets foundation approach Assumption: Public market assumption, continuing use assumption, continuing operation assumption, trading assumption	-
Guizhou Pengbo(a)	94,583,136.00	100%	lose control by disposal of investment of subsidiary at one time	24 June 2016	Business license obtained from change of business registration	30,860,908.24	-	-	-	-		-
Guizhou Hengtongsheng (b)	11,685,106.35	100%	lose control by disposal of investment of subsidiary at one time	20 December 2016	Business license obtained from change of business registration	4,613,300.71	-	-	-	-		-
Consulting Company(c)	-	-	lose control by disposal of investment of subsidiary at one time	30 November 2016	Board Change	-	24%	39,115,719.07	43,747,176.00	4,631,456.93	Method: income approach Assumption: going-concern assumption; tax rate consistence assumption; accounting policies consistence assumption	-

- (a) On 30 December 2015, Guizhou Land Company signed "Agreement of Equity and Debts Transfer" with Shenzhen International Logistics Company to dispose all the equity and debt of Guizhou Pengbo and 51% equity of Guizhou Hengtongli it hold after restructuring the related lands of Guilong No.2 land parcel and changing the land properties of some lands, according to the Agreement, at transfer prices of RMB94,583,136.00 and RMB43,991,069.49 respectively. The transaction was completed on 24 June 2016. The gain on the transaction is amounting to RMB48,214,870.68 and the gain on remeasurement of the remained equity interests is amounting to RMB16,673,414.89.
- (b) On 25 November 2016, Guizhou Land and Shenzhen International Logistics signed the "Equity and Creditor's Rights Transfer Contract", which transferred its 100% interest and RMB6,079,749.96 creditor's rights of Guizhou Hengtongsheng to Shenzhen International Logistics Company at a price of RMB11,685,106.35. The transaction was completed on 20 December 2016. The transaction resulted in an investment income of RMB4,613,300.71.
- (c) On 30 November 2016, the Consulting Company convened the second provisional shareholders' meeting, in which the Company and the Tibet Trust Company jointly signed the resolution of the shareholders' meeting, agreed to amend the articles of association of the Consulting Company and re-elected the Board of Directors of the Consulting Company. According to the latest articles of association signed by the two sides, The numbers of directors that the Company has the right to appoint changed from 4 to 2 (7 in total), so far, the Company cannot control the board of directors of the Consulting Company and thus lost the actual control of the Consulting Company. After the loss of control, the Company still has a significant impact on the important financial and operation decisions made by Consulting Company. Since 30 November 2016, the Consulting Company has become an associate of the Group and the Company adopted equity method for accounting measurement. The Group recognized a gain of RMB4,631,456.93 arising from revaluing the remained equity interests at fair value.

VII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1). Group companies forming the Group

Name of subsidiaries	Place of main business	Place of registration	Nature of business and principal activities	Equity interest (%)		Acquired through
				Direct	Indirect	
Shenzhen Outer Ring Expressway Investment Company Limited (Outer Ring Company)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	100%	-	Incorporation
Expressway Investment Company (Investment Company)	Longli County, Guizhou Province, PRC	Shenzhen City, Guangdong Province, PRC	Investment	95%	5%	Incorporation
Guishen Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Infrastructure construction	-	70%	Incorporation
Guizhou Land Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land Development	-	70%	Incorporation
Guizhou Shengbo Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	-	70%	Incorporation
Guizhou Yuelong Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	-	70%	Incorporation
Property Company	Longli County, Guizhou Province, PRC	Shenzhen City, Guangdong Province, PRC	Property management	-	100%	Incorporation
Environment Company(a)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Project management	100%	-	Incorporation
JEL Company	Hubei Province, PRC	Cayman Islands	Investment holding	-	100%	Business combinations involving enterprises under common control
Magerk Company	Hubei Province, PRC	Hubei Province, PRC	Toll road operation	-	100%	Business combinations involving enterprises under common control
Qinglian Company	Qingyuan City, Guangdong Province, PRC	Qingyuan City, Guangdong Province, PRC	Toll road operation	51.37%	25%	Business combinations involving enterprises not under common control
Advertising Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Advertising agency	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	100%	-	Business combinations involving enterprises not under common control
Mei Wah Company	Hubei Province and Guangdong Province, PRC	Hong Kong	Investment holding	100%	-	Business combinations involving enterprises not under common control
Maxprofit Company	Guangdong Province, PRC	British Virgin Islands	Investment holding	-	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	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	-	70%	Incorporation

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (continued)

(1). Group companies forming the Group (continued)

Name of subsidiaries	Place of main business	Place of registration	Nature of business and principal activities	Equity interest (%)		
				Direct	Indirect	Acquired through
Henghongda Property Company Limited	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	-	70%	Incorporation
Shenzhen Expressway Finance I Limited	The British Virgin Islands	The British Virgin Islands	Investment holding	-	100%	Incorporation
Fameluxe Investment	Hong Kong	Hong Kong	Investment holding	-	100%	Business combinations involving enterprises not under common control
Qinglong Company(b)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll Road Operation	40%	10%	Business combinations involving enterprises not under common control
Shenzhen Expressway Operation and Development Company limited	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll Road Operation	100%	-	Incorporation

(a) On 30 December 2016, the original Shenzhen Expressway Luyun Construction Management Co., Ltd. (Luyun Company), was renamed Shenzhen Expressway Environment Co., Ltd. (Environment Company), the nature of whose business changed from construction consulting to environmental industrial projects consulting.

(b) As at 31 December 2016, the Company holds 40% interest of Qinglong Company directly and the wholly-owned subsidiary Mei Wah Company holds 10% interest of Qinglong Company, so the Group actually holds 50% interest of Qinglong Company. Furthermore, the Group has the right to nominate 5 directors (7 in total) in the Board of Directors, so the Group has actual control on Qinglong Company's operation and financial decisions.

(2). Subsidiaries with material minority interests

Name of subsidiaries	Equity interest held by minority interests	Net profit attributable to minority shareholders for the period	Dividend declared by subsidiaries to the minority shareholders for the period	Minority interests as at 31 December 2016
Qinglian Company	23.63%	5,187,319.15	-	606,290,622.82
JEL Company(a)	-	44,420,197.55	-69,965,068.62	-
Guishen Company	30%	20,077,844.64	-30,000,000.00	212,200,562.15
Qinglong Company	50%	56,960,061.25	-146,501,685.49	1,218,387,955.34
Consulting Company(b)	-	20,423,156.24	-4,357,096.78	-

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (continued)

(3). Main financial information of subsidiaries with material minority interest

Name of subsidiaries	31 December 2016					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	95,570,003.26	7,559,806,522.04	7,655,376,525.30	259,083,783.20	4,833,587,070.96	5,092,670,854.16
Guishen Company	1,111,219,633.27	44,666,165.29	1,155,885,798.56	448,550,170.93	-	448,550,170.93
Qinglong Company	116,811,523.74	4,228,950,518.13	4,345,762,041.87	113,071,755.75	1,795,914,375.43	1,908,986,131.18

Name of subsidiaries	31 December 2015					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	133,388,916.32	7,806,223,673.29	7,939,612,589.61	251,979,735.50	5,146,879,443.45	5,398,859,178.95
JEL Company (a)	209,802,776.83	731,516,415.98	941,319,192.81	14,643,838.10	130,854,233.43	145,498,071.53
Guishen Company	1,219,812,362.45	59,486,016.08	1,279,298,378.53	438,888,899.71	100,000,000.00	538,888,899.71
Qinglong Company (c)	84,711,525.16	4,561,432,558.71	4,646,144,083.87	347,082,188.20	1,683,202,736.51	2,030,284,924.71
Consulting Company (b)	250,303,801.16	46,572,672.89	296,876,474.05	157,003,980.23	4,461,383.83	161,465,364.06

Name of subsidiaries	31 December 2016				
	Revenue	Net (loss)/profit	Total comprehensive income	Net cash flows from operating activities	
Qinglian Company	675,754,524.69	21,952,260.47	21,952,260.47	545,591,632.67	
Guishen Company	253,822,167.23	66,926,148.80	66,926,148.80	146,257,487.02	
Qinglong Company	627,228,100.57	113,920,122.49	113,920,122.49	460,078,928.74	

Name of subsidiaries	31 December 2015			
	Revenue	Net (loss)/profit	Total comprehensive income	Net cash flows from operating activities
Qinglian Company	641,550,137.46	-542,797,214.13	-542,797,214.13	452,045,589.14
JEL Company (a)	337,237,180.17	110,509,694.26	110,509,694.26	162,509,791.32
Guishen Company	10,088,723.92	-1,429,663.86	-1,429,663.86	-1,491,104.84
Qinglong Company (c)	108,044,712.03	15,462,462.61	15,462,462.61	97,528,730.02
Consulting Company (b)	191,395,731.53	18,059,010.89	18,059,010.89	57,981,309.70

- (a) On 2 December 2016, Mei Wah Company entered into an equity transfer agreement with Shenzhen International's wholly-owned subsidiary, Flywheel Investment. Pursuant to the Equity Transfer Agreement, Flywheel Investments transferred 45% of its JEL's interest to Mei Wah Company at a transfer price of RMB453,498,800.00. So far, the Company holds 100% interest in JEL Company and JEL Company becomes the Group's wholly-owned subsidiary, so JEL Company is not disclosed here for the year 2016.
- (b) The Consulting Company became a subsidiary of the Company since 1 July 2015, and the amount disclosed for year 2015 due from 1 July 2015 to 31 December 2015. Since at 30 November 2016, the Consulting Company become an associate company of the Group, so the Consulting Company is not disclosed here for the year 2016.
- (c) Since Qinglong Company became a subsidiary of the Company as at 30 October 2015, the amounts of income statement are recognized from 30 October 2015 to 31 December 2016.

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (continued)

(4). Substantial restriction to the usage of assets or the settlement of liabilities of the Group

As at 31 December 2016, no substantial restriction existed which prohibited the usage of assets or the settlement of liabilities of the Group (31 December 2015: Nil).

2. Interests in joint ventures or associates

(1). Main financial information of insignificant joint ventures and associates

	As at and for the year ended 31 December 2016	As at and for the year ended 31 December 2015
Joint ventures:		
Total book value of investment	166,160,042.14	165,579,108.30
Sub-Total amount of the following items calculated in the Group's equity proportion in joint ventures:		
– Net profit	25,059,890.94	13,822,650.42
– Total comprehensive income	25,059,890.94	13,822,650.42
Associates:		
Total book value of investment	4,537,121,464.03	1,817,310,916.29
Sub-total amount of the following items calculated in the Group's equity proportion in associates:		
– Net profit	281,035,636.48	234,150,825.67
– Total comprehensive income	281,035,636.48	234,150,825.67

As the Group's investment income/loss attributed to each of the joint ventures and associates in the same period of this year and year 2015 is less than 10% of the Group's total profit for the respective period, the directors of the Group determined that the joint ventures and associates were insignificant.

(2). Explanation to substantial restriction exists which prohibits the transfer of funds between the Group and the joint ventures and associates

As at 31 December 2016, there's no substantial restriction exists which prohibits the transfer of funds between the Group and the joint ventures and associates (31 December 2015: Nil).

VIII. FINANCIAL INSTRUMENTS AND RISK

1. Categories of financial instrument

2016

Financial assets

	Financial assets at fair value through profit or loss	Loans and receivables	Financial assets available-for-sale	Total
Cash	–	5,663,897,840.79	–	5,663,897,840.79
Financial assets at fair value through profit or loss	74,991,317.77	–	–	74,991,317.77
Financial assets available-for-sale	–	–	43,490,000.00	43,490,000.00
Notes receivables	–	2,928,300.00	–	2,928,300.00
Accounts receivable and long-term receivables	–	561,570,522.30	–	561,570,522.30
Interest receivables	–	15,869,806.93	–	15,869,806.93
Other receivables	–	99,297,652.11	–	99,297,652.11
Current portion of non-current assets	–	124,169,139.84	–	124,169,139.84
Other current assets (financial products)	–	550,000,000.00	–	550,000,000.00
Total	74,991,317.77	7,017,733,261.97	43,490,000.00	7,136,214,579.74

Financial liabilities

	Other financial liabilities	Total
Current portion of non-current borrowings	99,200,000.00	99,200,000.00
Long-term borrowings	1,783,024,000.00	1,783,024,000.00
Accounts payable	219,558,035.62	219,558,035.62
Interest payables	100,188,323.21	100,188,323.21
Bonds payables	3,742,863,939.90	3,742,863,939.90
Other payables	2,387,124,807.60	2,387,124,807.60
Current portion of non-current liabilities	1,582,010,852.14	1,582,010,852.14
Other non-current liabilities	5,837,822,400.00	5,837,822,400.00
Total	15,751,792,358.47	15,751,792,358.47

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

VIII. FINANCIAL INSTRUMENTS AND RISK (CONTINUED)

1. Categories of financial instrument (continued)

2015

Financial assets

	Loans and receivables	Financial assets available-for-sale	Total
Cash	6,422,377,830.89	–	6,422,377,830.89
Financial assets at fair value through profit or loss	–	–	–
Financial assets available-for-sale	–	30,170,000.00	30,170,000.00
Accounts receivable and long-term receivables	728,543,056.12	–	728,543,056.12
Interest receivables	959,220.83	–	959,220.83
Other receivables	123,461,626.41	–	123,461,626.41
Current portion of non-current assets	139,082,269.66	–	139,082,269.66
Other current assets (financial products)	595,920,000.00	–	595,920,000.00
Total	8,010,344,003.91	30,170,000.00	8,040,514,003.91

Financial liabilities

	Other financial liabilities	Total
Current portion of non-current borrowings	269,200,000.00	269,200,000.00
Long-term borrowings	2,201,928,764.00	2,201,928,764.00
Accounts payable	182,023,959.15	182,023,959.15
Interest payables	118,790,435.51	118,790,435.51
Bonds payables	2,690,329,788.48	2,690,329,788.48
Other payables	1,325,053,997.31	1,325,053,997.31
Current portion of non-current liabilities	1,836,240,879.39	1,836,240,879.39
Other non-current liabilities	6,067,060,199.11	6,067,060,199.11
Total	14,690,628,022.95	14,690,628,022.95

VIII. FINANCIAL INSTRUMENTS AND RISK (CONTINUED)

2. Risk of financial instruments

The Group's principal financial instruments, other than derivative financial instruments, include cash and cash equivalents, bank loans, other loans including interest, etc. The main purpose of these financial instruments is to support the Group's operations. The Group has various other financial assets and liabilities directly generated from operation, such as accounts receivable and accounts payable.

The Group's principal derivative financial instruments mainly include forward foreign exchange contracts with the purpose of exchange rate risk management. The Group's principal risks of financial instruments are credit risk, liquidity risk, and market risk (mainly comprise foreign exchange risk and interest rate risk). The risk management of the Group is to focus on the uncertainty of the financial market and tries to lower the negative influence on the Group's financial performance.

(1). Foreign exchange risk

The Group is principally engaged in business in the PRC and its vast majority of transactions are settled in RMB. However, foreign currency assets and liabilities recognized by the Group and future foreign currency transactions (except denominated in US dollars denominated bonds, foreign currency assets and liabilities and currency denominated in foreign currency transactions are mainly Hong Kong dollars) still have foreign exchange risk. The Group's headquarters' finance department is responsible for monitoring the Group's size of foreign currency transactions and foreign currency assets and liabilities to minimize the risk of foreign exchange.

The following table shows the sensitivity of the Group's net profit or loss due to reasonable changes in the exchange rate when other variables remain the same at the balance sheet date.

2016

	Exchange rate % of Increase/ (decrease)	Net profit Increase/ (decrease)	Other comprehensive income after tax Increase/ (decrease)	Total equity Increase/ (decrease)
USD	10%	(882,941.39)	-	(882,941.39)
USD	(10%)	882,941.39	-	882,941.39
HKD	10%	648,289.04	-	648,289.04
HKD	(10%)	(648,289.04)	-	(648,289.04)

The Group attaches importance to the study of exchange rate risk management policies and strategies. To avoid the exchange rate risk of repayment of principal and interest on US dollar bonds, the Group entered into forward foreign exchange contracts with banks, please refer to Note V.7.

(2). Interest rate risk

The Group's risk of interest rate mainly arises from interest-bearing long-term liabilities including long-term borrowings and bonds payable. Financial liabilities issued at floating rates exposed the Group to risk of interest rate on cash flow. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 31 December 2016, the book value of the Group's interest-bearing long-term liabilities at floating rates is amounting to RMB1,882,224,000.00 (31 December 2015: RMB2,371,928,764.00).

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

VIII. FINANCIAL INSTRUMENTS AND RISK (CONTINUED)

2. Risk of financial instruments (continued)

(2). Interest rate risk (continued)

Increases in interest rates will increase the cost of new interest-bearing liabilities and the Group's outstanding interest expenses at floating interest rate, which could have a material adverse effect on the Group's financial performance. The Group's finance department continuously monitors the interest rate of the Group and makes adjustment according to the latest market conditions.

In current period, if interest rates calculated on the floating rate of interest-bearing long-term liabilities had risen/fallen 50 basis points while all other variables was stay constant, the Group's net profit would have decreased/increased by approximately RMB7,400,987.33 (31 December 2015: approximately RMB12,613,227.40).

(3). Credit risk

The Group expects that there is no significant credit risk. The maximum credit risk mainly arises from cash at bank and on hand, receivables and other receivables.

The table below shows the bank deposits of the major counterparties of the Group as at the balance sheet date:

	31 December 2016	31 December 2015
State-owned banks	3,226,558,755.70	2,956,678,979.73
Other banks	2,425,495,971.28	3,452,968,069.13
Total	5,652,054,726.98	6,409,647,048.86

The Group expected that there is no significant credit risk or any other significant loss arising from breach of contracts associated with bank deposits in state-owned banks for them having support of government and the others are listed banks or commercial banks at medium or large size.

As at 31 December 2016, the Group's receivables due from Shenzhen government derived from entrusted management services and receivables due from government authorities in Guizhou Longli County relating to the Longli BT Project and Longli Resettlement (Phase II) Project were approximately amounting to RMB407 million (31 December 2015: RMB432 million) in aggregate. Considered the operation nature of the Group, the directors of the Company considered that the related credit risks were controllable. The Group did not have significant credit risk arising from other customers.

(4). Liquidity risk

Each subsidiary of the Group is responsible for its own cash flow forecasting. The Group's finance department at its headquarters monitors the Group's short-term and long-term liquidity requirements based on the forecasting from the subsidiaries to ensure that the Group has sufficient cash and securities that are readily convertible to cash, meanwhile to continuously monitors that if the Group condition can meet the borrowing agreements, in order to borrow sufficient cash in till from major financial institution to satisfied the short-term and long-term requirements.

VIII. FINANCIAL INSTRUMENTS AND RISK (CONTINUED)

2. Risk of financial instruments (continued)

(4). Liquidity risk (continued)

The financial assets and liabilities of the Group as at the balance sheet date are analyzed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2016				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial liabilities –					
Current portion of non-current liabilities (Note 2/Note 3)	1,909,595,067.32	–	–	–	1,909,595,067.32
Payables (Note 1)	2,622,060,041.03	–	–	–	2,622,060,041.03
Long-term borrowings	78,698,238.85	127,412,087.55	949,395,909.12	1,036,171,910.61	2,191,678,146.13
Bonds payables	137,315,737.50	1,037,315,737.50	2,184,695,737.50	844,000,000.00	4,203,327,212.50
Other non-current liabilities (Note 3)	–	6,111,189,985.98	–	–	6,111,189,985.98
Total	4,747,669,084.70	7,275,917,811.03	3,134,091,646.62	1,880,171,910.61	17,037,850,452.96

	31 December 2015				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial liabilities –					
Current portion of non-current liabilities (Note 2)	1,865,655,847.57	–	–	–	1,865,655,847.57
Payables (Note 1)	1,586,587,956.46	–	–	–	1,586,587,956.46
Long-term borrowings	112,274,198.05	382,978,091.86	678,262,526.46	1,628,233,733.06	2,801,748,549.43
Bonds payables	135,050,000.00	1,135,050,000.00	1,067,950,000.00	888,000,000.00	3,226,050,000.00
Other non-current liabilities	–	752,590,000.00	6,111,189,985.98	–	6,863,779,985.98
Total	3,699,568,002.08	2,270,618,091.86	7,857,402,512.44	2,516,233,733.06	16,343,822,339.44

Note 1: Payables comprise accounts payable and other payables.

Note 2: Including current portion of long-term borrowings, current portion of bonds payables and current portion of other non-current liabilities, excluding current portion of provisions.

Note 3: Other non-current liabilities and Current portion of non-current liabilities were the compensation related to toll adjustment of “Three Expressways”, which were settled by the first stage of toll revenue and the second stage of final transaction consideration in subsequent years. Details please refer to V.30(a).

Since the Group has steady and sufficient cash flow from operation and sufficient credit line, in addition proper financing arrangements were made to fulfill the needs of payment of debts and capital expenditures, the directors consider that the Group has no significant liquidity risk.

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

VIII. FINANCIAL INSTRUMENTS AND RISK (CONTINUED)

3. Capital management

The Group's main objective of capital management is to ensure the Group's ability to continue to operate and maintain a healthy capital ratio to support business development and maximize shareholder value.

The Group's capital structure is adjusted according to the changes in the economic situation and the risk characteristics of the underlying assets. In order to maintain or adjust the capital structure, the Group may adjust the distribution of profits to the shareholders, return the capital to the shareholders or issue new shares. The Group is not bound by external mandatory capital requirements. In 2016 and 2015, the objectives, policies or procedures of capital management have not changed.

The Group uses the financial leverage ratio to monitor the use of capital, that is, the sum of interest-bearing liabilities divided by the owner's equity and interest-bearing liabilities. The financial leverage ratio at the balance sheet date is as follows:

	2016	2015
Interest-bearing bank loans	1,882,224,000.00	2,471,128,764.00
Interest-bearing Bonds	4,742,189,207.14	4,190,326,788.48
Interest-bearing other liabilities	6,316,872,400.00	6,614,230,000.00
Total of interest-bearing liabilities	12,941,285,607.14	13,275,685,552.48
Equity	14,711,355,099.58	14,961,080,522.10
Total of equity and interest-bearing liabilities	27,652,640,706.72	28,236,766,074.58
Financial leverage ratio	47%	47%

IX. FAIR VALUE DISCLOSURE

The level of the result from calculation for the fair value is decided by the lowest level which the most important inputs of the fair value calculation belongs to.

The first level: The unadjusted quoted price of the same assets or liabilities for the active trading market.

The second level: The direct and indirect observable inputs other than that from the first level.

The third level: The unobservable inputs of the assets or liabilities.

IX. FAIR VALUE DISCLOSURE (CONTINUED)

1. Financial assets and liabilities measured at fair value

2016

	Fair value measurement using			Total
	Quoted price in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
Financial assets at fair value through profit and loss	74,991,317.77	-	-	74,991,317.77
Total	74,991,317.77	-	-	74,991,317.77

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 financial assets at fair value through profit or loss held by the Group are determined based on the forward interest rate in the active markets as at 31 December 2016.

In year 2016, there was no transfer of fair value measurements between Level 1 and Level 2 and no transfer into or out of Level 3.

2. Financial assets and liabilities not measured at fair value

Financial assets and liabilities held by the Group at amortized cost mainly comprised: accounts receivable, Current portion of long-term borrowings, Current portion of bonds payables, payables, long-term borrowings and other non-current liabilities.

Except for the listed financial liabilities below, the difference between the book value and the fair value of other financial assets and liabilities is small:

	31 December 2016		31 December 2015	
	Book value	Fair value	Book value	Fair value
Financial liabilities –				
Current portion of bonds payables	999,325,267.24	1,040,230,233.12	1,499,997,000.00	1,514,410,024.63
Current portion of other non-current liabilities (Note 1)	459,050,000.00	718,463,007.16	548,920,000.00	614,016,290.24
Bonds payable	3,742,863,939.90	3,935,190,028.06	2,690,329,788.48	2,789,194,244.29
Other non-current liabilities	5,837,822,400.00	5,569,519,413.52	6,065,310,000.00	6,034,251,595.47
Total	11,039,061,607.14	11,263,402,681.86	10,804,556,788.48	10,951,872,154.63

Note 1: Current portion of other non-current liabilities represents compensations received relating to the toll adjustment of Three Expressways

Long-term borrowings and bonds that do not have an active market, the fair value is determined by discounted future cash flows specified in the contract using the discounted interest rate that with comparable credit ratings and providing almost the same cash flow under the same conditions.

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1. General information of the parent company

Name	Place of registration	Nature of business	Registered capital	Equity interest in the Company (%)	Voting right in the Company (%)
Shenzhen International	Bermuda	Investment holding	HKD2,000,000,000.00	50.89%	50.89%

The Company's ultimate controlling party is SZ SASAC.

2. Information of subsidiaries

The information for the subsidiaries is set out in Note VII.1.

3. Information of joint ventures and associates

Joint ventures and associates who have related party transactions with the Group during the year ended 31 December 2016 or have related party balance with the Group resulted from related party transaction in prior years are listed as follows:

Item	Relationship with the Group
Consulting Company	Associated Enterprises(1 January 2015 to 30 June 2015 and 1 December 2016 to 31 December 2016)
Qinglong Company	Associated Enterprises(1 January 2015 to 29 October 2015)
Huayu Company	Associated Enterprises
Nanjing Third Bridge Company	Associated Enterprises
GZ W2 Company	Associated Enterprises
Joint Land Company	Associated Enterprises
Guangyun Company	Associated Enterprises
Jiangzhong Company	Associated Enterprises
Yangmao Company	Associated Enterprises

The Company consolidated the Consulting Company into the consolidated financial statements of the Group from 1 July 2015 to 30 November 2016. From 1 January 2015 to 30 June 2015 and from 1 December 2016 to 31 December 2016, Consulting Company is an associate of the Company.

The Company consolidated the Qinglong Company into the consolidated financial statements of the Group on 30 October 2015. The amount of the related transactions with Qinglong Company is counted from January 1 2015 to 29 October 2015.

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Information of other related parties

Item	Relationship with the Group
Shenzhen Baotong Highway Construction and Development Limited ("Baotong Company")	Parent company's wholly-owned subsidiary
Shenzhen Longda Expressway Company Limited ("Longda Company")	Parent company's holding subsidiary
Shenzhen International South-China Logistics Co., Ltd. ("SC Logistics Company")	Parent company's holding subsidiary
Shenzhen International Logistics Company	Parent company's wholly-owned subsidiary
Flywheel Investment	Parent company's wholly-owned subsidiary
Xin Tong Chan Company	Shareholder of the Company
Coastal Company	Others
United Electronic Company	Others
Guangzhou Cement Company Limited	Others
Huayu Investment Group	Others

5. Related party transactions

(1). Rendering or receiving of services

Receiving of services

Name of related party	Nature of transaction	2016	2015
Consulting Company (a)	Receiving construction consulting and testing services	17,150,206.50	2,746,524.00
United Electronic Company (b)	Accepted project management services	16,385,481.26	16,165,970.05
Others (c)	Receiving power supply services and others	1,014,526.01	862,439.98

- (a) The Consulting Company became a joint venture of the Group since 1 December 2016. The Group had entered into management service contracts with the Consulting Company to provide for construction consulting and testing services for the Outer Ring project and other roads of the Group. The amount of related party transactions for the purchase of goods/services is the amount counted when the Consulting Company as the associates of the Company (From 1 January 2015 to 30 June 2015 and from 1 December to 31 December 2016).
- (b) United Electronic Company is appointed by the People's Government of Guangdong Province to take charge of the management of 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 tolls 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 individual toll roads. The related service charges are determined by commodity price bureau of Guangdong Province.
- (c) Advertising Company, subsidiaries of the Company, received 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; At the same time, the Company and its subsidiaries received service of collection of toll fees under integrated toll system provided by GZ W2 Company, Guanyun Company, Longda Company, Coastal Company, Yangmao Company and Jiangzhong Company. The respective transaction amounts were not disclosed as they are not material.

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (continued)

(1). Rendering or receiving of services (continued)

Rendering of services

Name of related party	Nature of transaction	2016	2015
Coastal Company (a)	Provide construction consulting services	5,451,183.97	3,083,259.44
Others (b)	Supply of water and electricity for offices	1,523,893.51	666,003.00
Coastal Company (c)	Provide construction management services	-9,494,251.39	24,665,543.79

- (a) The Consulting Company was the Company's subsidiaries from 1 July 2015 to 30 November 2016 and during which it provides the Group with services of construction consulting.
- (b) The Group provided Huayu Investment, Huayu Company, United Electronic Company, Consulting Company and Shenzhen International with services of water and electricity supply and others and charged them based on the expenses the Company paid to the administration of water and electricity supply. At the same time, the Company and its subsidiaries provided service of collection of toll fees under integrated toll system to GZ W2 Company, Guangyun Company, Longda Company, Coastal Company, Yangmao Company and Jiangzhong Company. The respective transaction amounts were not disclosed as they are not material.
- (c) On 9 September 2011, the Coastal Company signed an "entrusted construction management agreement" with the Company and entrusted the Company to complete the construction and operation of the Coastal Project Phase I. Pursuant to the agreement, the management service revenue is calculated by 1.5% of the construction budget and the Company would share 20% of any savings of the total budgeted contract costs. During the year, the Company has reversed construction management services fee amounting to RMB9,494,251.39 calculated based on the latest investment control and estimation of savings. Furthermore, the Company recognized entrusted operation management income for the year, please refer to Note X.5(2)(b).

(2). Related party trusteeship/contractual operation/situation of outsourcing

The company trusteeship is analyzed 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 in 2016
Baotong Company (a)	The Company	Equity	1 January 2016	31 December 2018	Negotiated price	17,320,754.72
Coastal Company (b)	The Company	Equity	1 January 2014	31 December 2016	Negotiated price	50,943,396.23

- (a) The Company was entrusted by Baotong Company to operate and manage Longda Expressway by an agreement of equity trusteeship. The Company renew the agreement and the trusteeship is extended to 31 December 2018. Pursuant to the agreement, the management service fee is RMB18million per year including tax. During the period, the Company recognized revenue related to the transaction amounting to RMB17,320,754.72 (2015: RMB18,000,000.00).
- (b) The Company signed an "Entrustment Management Agreement" on June 2016 with the Coastal Company, who entrusted the Company to manage operation of Coastal project Phase I from January 1 2014 to December 31 2016, with the management service fee is RMB18,000,000.00 per year including tax. During the period, the Company recognized the management revenue amounting to RMB50,943,396.23 (2015: Nil). On 30 December 2016, the entrustment agreement was renewed, with service period from 1 January 2017 to 31 December 2019.

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (continued)

(3). Leases

As a Lessor:

Item	Assets leased	Total rental income in 2016	Total rental income in 2015
United Electronic Company, Consulting Company and Consulting Company	Office building	519,431.17	639,595.00

As a Lessee:

Item	Assets leased	Total rental expenses in 2016	Total rental expenses in 2015
Longda company, Huayu company, Qinglong company, Xin Tong Chan Company and Coastal Company	Billboard land use rights	1,681,761.86	2,367,000.00

The individual transaction amounts were not disclosed as they are not material.

(4). Remuneration of key management personnel

Item	31 December 2016	31 December 2015
Remuneration of key management personnel	11,790,913.12	11,182,000.00

Key management personnel include directors, supervisors and senior management personnel. The Company has a total of 19 key management personnel (2015: 25) during the year.

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (continued)

(4). Remuneration of key management personnel (continued)

(a) Remuneration of Directors and Supervisors

The remuneration of each director and supervisor in 2016 is as follows:

Name	Remuneration	Wages and bonuses	Total
Hu Wei*	–	1,231,000.00	1,231,000.00
Wu Yade*	–	1,085,000.00	1,085,000.00
Wang Zengjin*	–	838,000.00	838,000.00
Liao Xiangwen*	–	967,000.00	967,000.00
Zhao Zhichang	68,000.00	–	68,000.00
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	93,500.00	–	93,500.00
Xin Jian*	–	261,000.00	261,000.00

The remuneration of each director and supervisor in 2015 is as follows:

Name	Remuneration	Wages and bonuses	Total
Hu Wei*	–	960,000.00	960,000.00
Wu Yade*	–	920,000.00	920,000.00
Wang Zengjin*	–	360,000.00	360,000.00
Zhao Zhichang	350,000.00	–	350,000.00
Ou Shengqin	180,000.00	–	180,000.00
Lin Juchang	180,000.00	–	180,000.00
Hu Chunyuan	180,000.00	–	180,000.00
Fang Jie*	–	706,000.00	706,000.00

* Remuneration of directors and supervisors has been reflected in the remuneration of key management personnel.

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (continued)

(4). Remuneration of key management personnel (continued)

(a) Remuneration of Directors and Supervisors (continued)

In this year, Chairman Hu Wei, Executive Director and President Wu Yade, Executive Director Wang Zengjin, Executive Director Liao Xiangwen, Director Zhao Junrong, Xie Rikang, Liu Ji, Chen Yuanjun, Ou Shengqin, Lin Juchang, Hu Chunyuan, Chen Tao and supervisors Zhong Shanqun, Liang Xin and Xin Jian's the meeting allowance (before tax) is RMB14,000.00, RMB14,500.00, RMB16,000.00, RMB2,000.00, RMB9,000.00, RMB11,500.00, RMB2,000.00, RMB1,040.00, RMB19,720.00, RMB8,120.00, RMB20,880.00, RMB2,080.00, RMB10,000.00, RMB1,040.00 and RMB14,323.12. Among them, Chairman Hu Wei, Executive Director and President Wu Yade, Executive Director Wang Zengjin, Executive Director Liao Xiangwen, Directors Zhao Junrong, Xie Rikang, Liu Ji and supervisor Zhong Shanqun had waived the meeting allowance receivable this year.

In this year, Chairman Hu Wei, Executive Director and President Wu Yade, Executive Director Wang Zengjin, Executive Director Liao Xiangwen and supervisor Xin Jian were entitled to the pension schemes contribution of RMB121,000.00 (2015: RMB106,000.00), RMB120,000.00 (2015: RMB106,000.00), RMB119,000.00 (2015: RMB43,000.00), RMB116,000.00 (2015: Nil) and RMB45,000.00 (2015: Nil).

In addition, Chairman Hu Wei, Executive Director and President Wu Yade, Executive Director Wang Zengjin, Executive Director Liao Xiangwen and Supervisor Xin Jian also obtained other benefits and allowances, including medical care contribution and others, with amount of RMB72,000.00 (2015: RMB67,000.00), RMB72,000.00 (2015: RMB67,000.00), RMB133,000.00 (2015: 54,000.00), RMB132,000.00 (2015: Nil) and RMB76,000.00 (2015: Nil).

(b) The top five paid of management team

During the year, the top five remunerations of the Group included three directors (2015: 2 directors) whose remuneration was reflected in the above table; the total amount of the other two (2015: 3) remuneration amounts are as follows:

	2016	2015
Basic salary, bonus, housing subsidy and other subsidies	2,173,000.00	2,950,000.00
Pension	246,000.00	302,000.00
	2,419,000.00	3,252,000.00

	Number of individuals	
	2016	2015
Salary range:		
HKD0 to1,000,000	–	–
HKD1,000,000 to 1,500,000	2	3
HKD1,500,000 to 2,000,000	–	–

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (continued)

(5). Others

Name of related party	Nature of transaction	31 December 2016
Shenzhen International(a)	Disposal all of the equity and debt of Guizhou Pengbo	94,583,136.00
Shenzhen International(a)	Disposal 51% of shares of Guizhou Hengtongli	43,991,069.49
Shenzhen International(b)	The sale of Hengtongsheng all the shares and claims	11,685,106.35
Flywheel Investment(c)	Purchase 45% equity of JEL Company	453,498,800.00

- (a) On 30 December 2015, Guizhou Land Company and Shenzhen International Logistics Company signed "Agreement of Equity and Debts Transfer" to dispose all of the equity and debt of Guizhou Pengbo and 51% equity of Guizhou Hengtongli. Details please refer to Note VI.2 (a).
- (b) On 25 November 2016, Guizhou Land Company and Shenzhen International Logistics Company signed "Agreement of Equity and Debts Transfer" to dispose all of the equity and debt of Guizhou Hengtongsheng. Details please refer to Note VI.2 (b).
- (c) On 2 December 2016, Mei Wah Company and Flywheel Investment, wholly-owned subsidiaries of Shenzhen International, signed "Agreement of Equity Transfer" to purchase 45% equity of JEL Company. Details please refer to Note V.24 (1)(b).

6. Receivable due from and payables to related parties

(1). Receivable items

Item	Related parties	31 December 2016		31 December 2015	
		Book value	Provision for bad debts	Book value	Provision for bad debts
Accounts receivable	Coastal Company	281,255,696.39	-	281,255,696.39	-
Accounts receivable	Baotong Company	2,295,854.23	-	2,337,298.33	-
Other receivables	Longda company	110,000.00	-	10,000.00	-
Other receivables	Huayu company	20,000.00	-	20,000.00	-
Other receivables	Consulting Company	84,050.00	-	-	-
Advances to suppliers	Consulting Company	7,180,105.20	-	-	-

X. RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Receivable due from and payables to related parties (continued)

(2). Payable items

Item	Related parties	31 December 2016	31 December 2015
Accounts payable	Consulting Company	504,712.30	–
Accounts payable	United Electronic Company	113,747.32	101,665.72
Accounts payable	Coastal project company	35,000.00	1,015,000.00
Accounts payable	Huayu Company	15,000.00	16,000.00
Accounts payable	SC Logistics Company	4,500.00	12,000.00
Accounts payable	Xin Tong Chan Company	2,000.00	–
Advances from related parties	Coastal Company(Phase II)	33,207,547.17	–
Other payables	Flywheel Investment	333,498,800.00	–
Other payables	GZ W2 Company	40,750,000.00	40,750,000.00
Other payables	Nanjing Third Bridge Company	33,526,376.43	33,526,376.43
Other payables	Consulting Company	13,664,819.12	–
Other payables	Shenzhen International Logistics Company	815,687.07	–
Other payables	United Electronic Company	480,523.61	384,999.13
Other payables	Coastal Company	465,573.60	–
Other payables	Guangzhou Cement Company Limited	40,000.00	40,000.00
Other payables	Shenzhen International	5,000.00	5,000.00

7. Commitments to related parties

(1). Receive service

The following table represents the commitments that had been contracted but not yet recognized on the balance sheet.

	2016
Consulting Company	92,877,082.50

(2). Investment Commitment

On 31 December 2016, the Group has no investment commitments to related parties (31 December 2015: RMB1,896,300,000.00), because the investment commitment to United Land has realized in the current period. Details please refer to Note V.12 (4).

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

XI. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

(1). Capital commitment

(a) *Capital commitments approved by the management but not yet contracted as at balance sheet date:*

	31 December 2016	31 December 2015
Expressway construction projects	3,056,514,408.84	122,367,117.88

As at 31 December 2016, the joint ventures had no capital commitments.

(b) *Capital commitment contracted by the management but not yet recognized:*

	31 December 2016	31 December 2015
Real estate and expressway development project	3,520,138,579.35	104,797,401.76

On 31 December 2016, Capital commitment contracted by the management but not yet recognized related to expressway development is amounting to RMB3,446,962,144.65, and related to real estate development is RMB73,176,434.70.

(2). Investment commitment

As at 31 December 2016, the Group has no investment commitments (31 December 2015: RMB1,896,300,000.00). Details please refer to Note X.7 (2).

(3). Material operating lease

Pursuant to the operating lease agreements entered into with lessors, the minimum lease payments under irrevocable operating leases are fall due as follows:

	31 December 2016	31 December 2015
Within 1 year (including 1 year)	11,863,518.60	11,691,483.60
Over 1 year but within 2 years (including 2 years)	7,514,467.80	11,776,464.60
Over 2 years but within 3 years (including 3 years)	4,961,250.00	7,514,467.80
Over 3 years	16,422,357.65	21,383,607.65
Total	40,761,594.05	52,366,023.65

XI. COMMITMENTS AND CONTINGENCIES (CONTINUED)

2. Contingencies

(1). Significant contingencies at balance sheet date:

- (a) The Company was entrusted by Shenzhen Transportation Bureau to manage the construction project of Nanping Phase II Project. Pursuant to the contract, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Transportation Bureau amounting to RMB15,000,000.00.
- (b) The Company was entrusted by Shenzhen Traffic Public Facilities Construction Center to manage the construction project of Longda Municipal Section. Pursuant to the contract, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Traffic Public Facilities Construction Center amounting to RMB2,000,000.00.
- (c) The Company was entrusted by Shenzhen Longhua New Area Construction Management Center to manage the construction project of the Intersection of Dezheng Road Project. Pursuant to the contract, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Longhua New Area Construction Management Center amounting to RMB35,850,000.00.
- (d) The Company was entrusted by Shenzhen Longhua New Area Construction Management Center to manage the node road rebuilding project of People Road of Meiguan expressway. Pursuant to the contract, the Company had arranged with bank to issue irrevocable performance guarantees to Shenzhen Longhua New Area Construction Management Center amounting to RMB25,273,500.00.
- (e) As at 31 December 2016, the Company guaranteed banks for its mortgaged home owners with associated surety responsibility amounting to RMB177,940,000.00. According to the relevant provisions, the Company had the responsibility to repay the loan as well as its related interests and forfeit if mortgaged home owners default on loans. As a result, the Company could repossess the ownership of the house. The period of guarantee started from the date the bank released the loan to the date the mortgaged home owner obtained the certificate of the house ownership. The directors consider that the value of owned recoverable amount is enough to cover the loan as well as its related interests and forfeit, so the broad hadn't arranged provisions to such guarantees.
- (f) The Company is entrusted by Coastal Company to operate and construct Coastal Project Phase II. Pursuant to the agreement of construction management, the Company had arranged with bank to issue irrevocable performance guarantees to Coastal Company amounting to RMB100,000,000.00.

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

XII. EVENTS AFTER THE BALANCE SHEET DATE

1. Significant unadjusted events after the balance sheet date

- (1). On 20 January 2017, the Company entered into an equity transfer agreement with Shenzhen Ping An Innovation Capital Investment Co., Ltd. Pursuant to the Agreement, the Company agreed to acquire a 100% equity interest in Hunan Yichang Expressway Development Co., Ltd. for RMB1.27 billion. As of the date of the disclosure, the transaction has not yet been completed.

2 Dividend distribution

Dividends proposed to distribute

Dividends proposed by the Board of Directors on 17 March 2017
which is subject to be approved in the shareholders' meeting

479,769,471.72

XIII. OTHER SIGNIFICANT MATTERS

1. Segment information

(1). The recognition and accounting policies of reportable segment:

The reportable segments of the Group are the business units that provide different products or service. Different businesses require different technologies and marketing strategies, therefore, the Group separately manages the production and operation of the reportable segment and evaluates its operating performance in order to make decisions about resources to be allocated to the segment and assess its performance.

The Group has only one reportable segment, which is toll road segment. The segment takes charge of operation and management of toll roads in mainland China.

Other businesses principally comprise entrusted management service, advertising services, properties development and other services. The Group has no inter-segment transaction. These businesses do not compose separate reportable segments.

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

1. Segment information (continued)

(2). Segment information

Year 2016	Toll road	Others	Unallocated	Total
Revenue from external customers	3,679,988,086.44	852,221,070.10	–	4,532,209,156.54
Cost of service	1,863,000,759.27	669,930,556.80	–	2,532,931,316.07
Interest income	53,213,175.47	22,070,368.32	3,542,746.28	78,826,290.07
Interest expenses	627,315,759.68	1,287,550.21	–	628,603,309.89
Investment income from associates and joint ventures	244,888,848.53	61,206,678.89	–	306,095,527.42
Depreciation and amortization	1,189,679,115.92	34,620,346.33	6,773,077.71	1,231,072,539.96
Total profit	1,485,561,999.02	233,529,454.56	-96,642,550.84	1,622,448,902.74
Income tax expense	274,795,380.72	31,231,712.42	–	306,027,093.14
Net profit	1,210,766,618.30	202,297,742.14	-96,642,550.84	1,316,421,809.60
Total assets	27,313,360,172.38	4,886,806,428.10	184,677,846.68	32,384,844,447.16
Total liabilities	16,333,791,452.29	828,540,480.43	511,157,414.86	17,673,489,347.58
Long-term equity investments in associates and joint ventures	1,442,911,998.30	3,260,369,507.87	–	4,703,281,506.17
Increase in original value of non-current assets other than financial assets, long-term equity investments and deferred tax assets	333,435,261.73	35,775,639.30	866,978.34	370,077,879.37
Year 2015	Toll road	Others	Unallocated	Total
Revenue from external customers	3,014,057,419.87	406,520,915.32	–	3,420,578,335.19
Cost of service	1,419,449,529.10	–	–	1,419,449,529.10
Interest income	97,277,883.50	21,992,323.80	5,209,828.10	124,480,035.40
Interest expenses	444,507,177.81	14,352,269.53	–	458,859,447.34
Investment income from associates and joint ventures	248,425,215.11	-451,739.02	–	247,973,476.09
Impairment loss of assets	620,000,000.00	–	–	620,000,000.00
Depreciation and amortization	866,209,174.13	26,448,384.18	6,229,290.11	898,886,848.42
Total profit	1,653,462,074.32	101,607,851.34	-82,743,038.90	1,672,326,886.76
Income tax expense	153,571,623.24	23,605,305.14	–	177,176,928.38
Net profit	1,499,890,451.08	78,002,546.20	-82,743,038.90	1,495,149,958.38
Total assets	28,906,760,110.67	2,004,472,015.84	759,422,961.90	31,670,655,088.41
Total liabilities	15,861,073,982.20	683,432,323.38	165,068,260.73	16,709,574,566.31
Long-term equity investments in associates and joint ventures	1,428,700,494.08	554,189,530.51	–	1,982,890,024.59
Increase in original value of non-current assets other than financial assets, long-term equity investments and deferred tax assets	4,742,220,355.06	30,207,643.28	5,051,844.18	4,777,479,842.52

(3) Other instructions

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 China.

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

(1). Accounts receivable is analyzed by categories as follows:

	31 December 2016					31 December 2015				
	Ending balance		Provision for bad debts		Net book amount	Ending balance		Provision for bad debts		Net book amount
	Amount	%	Amount	%		Amount	%	Amount	%	
Individually significant and provision separately made	-	-	-	-	-	-	-	-	-	-
Provision made collectively	463,878,267.64	100.00	-	-	463,878,267.64	495,255,623.24	100.00	-	-	495,255,623.24
- Group 1	451,429,372.53	97.32	-	-	451,429,372.53	464,820,092.41	93.85	-	-	464,820,092.41
- Group 2	12,448,895.11	2.68	-	-	12,448,895.11	30,435,530.83	6.15	-	-	30,435,530.83
Not individually significant but provision separately made	-	-	-	-	-	-	-	-	-	-
Total	463,878,267.64	100.00	-	/	463,878,267.64	495,255,623.24	100.00	-	/	495,255,623.24

In group 2, the accounts receivable of provision for bad debts by aging is analyzed as follows:

Aging	31 December 2016		
	Accounts receivable	Provision for bad debts	Provision for bad debts
Within 1 year	12,448,895.11	-	-
1 to 2 years	-	-	-
Total	12,448,895.11	-	-

(2). The five largest accounts receivable assembled by debtors:

	Balance	Provision for bad debts	% of total balance
Total balances from five largest accounts receivable assembled	443,734,604.22	-	95.66%

XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables

(1). Other receivables is analyzed by categories as follows:

	31 December 2016					31 December 2015				
	Ending balance		Provision for bad debts		Net book amount	Ending balance		Provision for bad debts		Net book amount
	Amount	%	Amount	%		Amount	%	Amount	%	
Individually significant and provision separately made	-	-	-	-	-	-	-	-	-	-
Provision made collectively	1,542,710,679.60	100.00	-	-	1,542,710,679.60	1,269,557,969.42	100.00	-	-	1,269,557,969.42
- Group 1	1,535,368,510.65	99.52	-	-	1,535,368,510.65	1,268,960,891.68	99.95	-	-	1,268,960,891.68
- Group 2	7,342,168.95	0.48	-	-	7,342,168.95	597,077.74	0.05	-	-	597,077.74
Not individually significant but provision separately made	-	-	-	-	-	-	-	-	-	-
Total	1,542,710,679.60	100.00	-	-	1,542,710,679.60	1,269,557,969.42	100.00	-	-	1,269,557,969.42

In group 2, the accounts receivable of provision for bad debts by aging is analyzed as follows:

Aging	31 December 2016		
	Other receivables	Provision for bad debts	Provision for bad debts
Within 1 year	7,335,518.95	-	-
1 to 2 years	-	-	-
2 to 3 years	6,650.00	-	-
Total	7,342,168.95	-	-

(2). Other receivables by nature are analyzed as follows:

Nature	31 December 2016	31 December 2015
Loans	1,198,333,335.00	913,563,870.59
Advances	337,646,761.52	354,296,038.18
Others	6,730,583.08	1,698,060.65
Total	1,542,710,679.60	1,269,557,969.42

Notes to Financial Statements

31 December 2016

(All amounts in RMB unless otherwise stated)

XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (continued)

(3). As at 31 December 2016, the five largest other receivables are analyzed as follows:

Name of the company	Nature	Balance	Aging	% of total balance	Bad debt provision at 31 December 2016
Qinglong Company	Loans	1,070,000,000.00	Within 1 year	69.36%	–
Mei Wah Company	Advances	201,748,218.59	1 to 3 year	13.08%	–
Investment Company	Loans	110,000,000.00	Within 1 year	7.13%	–
Airport-Heao Eastern Company	Advances	77,393,035.37	Within 1 year	5.02%	–
Shenzhen Longhua New District Municipal Government	Advances	54,353,901.07	Within 1 year	3.52%	–
Total	/	1,513,495,155.03	/	98.11%	–

3. Long-term equity investment

Item	31 December 2016			31 December 2015		
	Book value	Provision for impairment	Net book amount	Book value	Provision for impairment	Net book amount
Subsidiaries	5,298,222,702.65	678,765,149.21	4,619,457,553.44	5,421,798,100.36	678,765,149.21	4,743,032,951.15
Joint ventures and associates	4,661,015,576.66	–	4,661,015,576.66	1,978,786,046.22	–	1,978,786,046.22
Total	9,959,238,279.31	678,765,149.21	9,280,473,130.10	7,400,584,146.58	678,765,149.21	6,721,818,997.37

(1). Investment in subsidiaries

Investee	Balance at 31 December 2015	Additional injection	Investment cost recovered	Disposal	Balance at 31 December 2016	Cash dividend declared	Impairment provided at 31 December 2016
Airport-Heao Eastern Company	820,681,839.52	–	96,381,881.32	–	724,299,958.20	260,434,436.39	–
Meiguan Company	532,358,498.56	–	2,013,159.29	–	530,345,339.27	11,843,988.82	–
Qinglong Company	164,269,052.70	–	–	–	164,269,052.70	117,201,348.38	–
Advertising Company	3,325,000.01	–	–	–	3,325,000.01	24,633,542.95	–
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	–	–
Investment Company	380,000,000.00	–	–	–	380,000,000.00	38,000,000.00	–
Environment Company	500,000,000.00	–	–	–	500,000,000.00	–	–
Consulting Company (a)	25,180,357.10	13,935,361.97	–	39,115,719.07	–	1,375,925.30	–
Total	4,743,032,951.15	13,935,361.97	98,395,040.61	39,115,719.07	4,619,457,553.44	453,489,241.84	678,765,149.21

(a) In the year 2016, the Company lost the control on the Consulting Company, resulting in conversion from cost method to equity method on the Company's financial statement, which increased the undistributed profit amounting to RMB8,861,869.51 and the investment income at equity method amounting to RMB5,073,492.46.

XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investment (continued)

(2). Investment in joint ventures and associates

The detailed information of joint ventures and associates are set out in Note V.12. Except for the investment in joint venture company named Gansu Provincial Highway Aviation Tourism Consulting Company and associate company named Guizhou Hengtongli Property Company, other Investments in joint ventures and associates are directly held by the Company.

4. Capital surplus

2016	31 December 2015	Addition	Reduction	31 December 2016
Share premium	2,315,587,934.74	–	2,279,838.32	2,313,308,096.42
Total	2,315,587,934.74	–	2,279,838.32	2,313,308,096.42

2015	31 December 2014	Addition	Reduction	31 December 2015
Share premium	2,315,587,934.74	–	–	2,315,587,934.74
Total	2,315,587,934.74	–	–	2,315,587,934.74

Please refer to Note V.12 (5) for the details of change for the period.

5. Undistributed profit

Item	2016	2015
Undistributed profits at the beginning of the year	3,517,605,270.46	4,217,315,471.69
Add: Undistributed profits at the beginning of the year	1,153,244,646.93	312,929,383.85
Other adjustment	8,861,869.51	–
Less: Appropriation for statutory surplus reserve	115,324,464.69	31,292,938.38
Dividends payable	741,461,910.84	981,346,646.70
Undistributed profits at the end of the year	3,822,925,411.37	3,517,605,270.46

Please refer to Note XIV.3 (1)(a) for other adjustment.

6. Revenue and costs of services

Item	31 December 2016		31 December 2015	
	Revenue	Cost	Revenue	Cost
Main businesses	1,284,475,356.04	458,284,001.08	1,199,206,996.97	467,183,895.96
Other businesses	124,786,182.52	120,232,501.02	72,576,786.25	33,381,804.17
Total	1,409,261,538.56	578,516,502.10	1,271,783,783.22	500,565,700.13

7. Investment income

Item	2016	2015
Investment income from long-term equity investments under cost method	453,489,241.84	382,772,451.95
Investment income from long-term equity investments under equity method	312,416,068.38	247,973,476.09
Investment income from financial assets available-for-sale	38,200,000.00	3,000,000.00
Investment income from financial products	13,548,897.86	–
After the loss of control, the remained equity measured at fair value	4,631,456.93	–
Total	822,285,665.01	633,745,928.04

Supplementary Information

31 December 2016

(All amounts in RMB unless otherwise stated)

1. DETAILED LIST OF NON-RECURRING PROFIT OR LOSS ITEMS

Item	Amount	Note
Gain on change in the fair value of the foreign exchange swap business	74,991,317.77	To lock the exchange rate risk, the Group entered into foreign exchange swap businesses for the bond with principal value of 300 million dollar, and related gains on change in fair value were recognized during the current period.
Income from entrusted management services	66,479,849.06	Income from entrusted management services provided to Coastal Company and Longda Company in current period.
Gain on disposal of non-current assets	52,828,171.39	Gain on transfer of all of the equity and debt of Guizhou Pengbo and 51% equity of Guizhou Hengtongli.
Gain on revaluation of remaining equity at fair value after losing control	21,304,871.82	Gain on revaluation of the remaining 49% equity of Guizhou Hengtongli and 24% equity of Consulting Company at fair value.
The amortization of compensation provided by concession grantor	21,404,863.52	The amortization of compensation to Yanpai Expressway and Yanba Expressway provided by concession grantors recognized in current period according to traffic volume method which disclosed as a deduction of the amortization of the related concession intangible assets.
Income from financial products	15,553,550.02	
Interest reversal from the compensation resulted from the toll adjustment of Meiguan Expressway	-3,779,327.51	
Adjustment to the compensation resulted from the toll adjustment of Meiguan Expressway	-26,760,000.00	
Other profit or loss items that meet the definition of non-recurring profit or loss	3,857,688.30	
Impact of income tax	-41,144,653.59	
Impact of minority interests	-20,100,057.77	
Total	164,636,273.01	

Basis for preparation of 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 profit or loss (2008) (“Explanatory announcement No.1”) from CSRC, non-recurring profit or loss refer to those arising from transactions and events that are not directly relevant to ordinary business, or that are relevant to ordinary business, but are so extraordinary that would have an influence on users of financial statements making proper judgments on the performance and profitability of an enterprise.

2. Return on net assets and earnings per share

2016

Profits of 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	9.35%	0.536	0.536
Net profit after deducting non-recurring profit or loss attributable to ordinary owners of the Company	8.08%	0.461	0.461

2015

Profits of 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	12.94%	0.712	0.712
Net profit after deducting non-recurring profit or loss attributable to ordinary owners of the Company	4.39%	0.242	0.242

Company Information

I. Company Profile

Registered name	深圳高速公路股份有限公司
Chinese abbreviation	深高速
English name	Shenzhen Expressway Company Limited
English abbreviation	SZEW
Legal representative	HU Wei

II. Contact Information

	Secretary of the Board	Joint Company secretary	Securities officer
Name	LUO Kun	LUO Kun, Lam Yuen Ling Eva	GONG Xin, XIAO Wei
Contact address	Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen		
Telephone	(86) 755-8285 3331; (86) 755-8285 3338		
Fax	(86) 755-8285 3400		
E-mail	secretary@sz-expressway.com		
Investor hotline	(86) 755-8285 3330		

III. General Information

Registered address and place of business	Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen (Postal Code: 518026)
Website	http://www.sz-expressway.com
E-mail	ir@sz-expressway.com
Place of business in Hong Kong	Room 1603, 16/F, China Building, 29 Queen's Road Central, Hong Kong Tel: (852) 2543 0633 Fax: (852) 2543 9996

IV. Information Disclosure and Site for Inspection

Designated publication newspaper	Shanghai Securities News, Securities Times, China Securities Journal, Securities Daily (for A Shares only)
Designated publication website	http://www.sse.com.cn http://www.hkexnews.hk http://www.sz-expressway.com http://www.sz-expressway-ir.com.hk (for H Shares only)
Annual report available at	PRC: Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen Hong Kong: Room 1603, 16/F, China Building, 29 Queen's Road Central, Hong Kong

V. Security Profile

Type of securities	Listing exchange	Abbreviation	Security code
A Share	The Shanghai Stock Exchange	Shenzhen Expressway	600548
H Share	The Stock Exchange of Hong Kong Limited	Shenzhen Expressway	00548
Bond	The Stock Exchange of Hong Kong Limited	SZEW B2107 ^{Note}	5684

Note: "SZEW B2107" has been listed on HKEx since 19 July, 2016.

VI. Other Information

Auditor	Ernst & Young Hua Ming LLP Level 16, Ernst & Young Tower Oriental Plaza No.1 East Chang An Avenue Dong Cheng District Beijing, China Signing auditor: XIE Feng, DENG Dongmei
PRC legal adviser	Guangdong Junyan Law Firm Room C, 10th Floor, Block5 Dachong International Centre, Huarun, Shennan Street, Nanshan District, Shenzhen, China
Hong Kong legal adviser	Loong & Yeung, Solicitors Room 1603, 16/F, China Building, 29 Queen's Road Central, Hong Kong
Domestic share registrar and transfer office	China Securities Depository and Clearing Corporation Limited, Shanghai Branch 36/F, China Insurance Building, 166 Lujiazui Road East, Pudong New District, Shanghai
Share registrar and transfer office in Hong Kong	Hong Kong Registrars Limited 46/F, Hopewell Centre, 183 Queen's Road East, Hong Kong
Investor relations consultant of A Shares	Everbloom Investment Consultant Company Limited Room 511-515, 5th Floor, Rongchao Trade Centre, 4028 Jintian Road, Futian District, Shenzhen

Company Information

Investor relations consultant of H Shares

Wonderful Sky Financial Group
6/F, Nexxus Building, No. 41 Connaught Road Central, Hong Kong

Principal banks

China Development Bank
Industrial and Commercial Bank of China
China Merchants Bank

VII. Project Information (as at March 2017)

Toll highway	Interest held by the Company	Location	Toll mileage (km)	No. of lanes	Status	The expiry date of toll concession period
Meiguan Expressway	100%	Shenzhen	5.4	8	Under operation	2027.03
Jihe East	100%	Shenzhen	23.7	6	Under operation	2027.03
Jihe West	100%	Shenzhen	21.8	6	Under operation	2027.03
Yanba Expressway ⁽¹⁾	100%	Shenzhen	29.1	6	Under operation	Section A:2026.04 Section B:2028.07 Section C:2035.03
Shuiguan Expressway	50%	Shenzhen	20.0	10	Under operation	2025.12
Shuiguan Extension	40%	Shenzhen	6.3	6	Under operation	2025.12
Yanpai Expressway ⁽¹⁾	100%	Shenzhen	15.6	6	Under operation	2027.03
Nanguang Expressway ⁽¹⁾	100%	Shenzhen	31.0	6	Under operation	2033.01
Yangmao Expressway	25%	Guangdong	79.8	4	Under operation	2027.07
Guangwu Project	30%	Guangdong	37.9	4	Under operation	2027.11
Jiangzhong Project	25%	Guangdong	39.6	4	Under operation	2027.08
GZ W2 Expressway	25%	Guangdong	40.2	6	Under operation	2030.12
Qinglian Expressway	76.37%	Guangdong	216.0	4	Under operation	2034.07
Wuhuang Expressway ⁽²⁾	100%	Hubei	70.3	4	Under operation	2022.09
Changsha Ring Road	51%	Hunan	34.7	4	Under operation	2029.10
Nanjing Third Bridge	25%	Jiangsu	15.6	6	Under operation	2030.10

Note:

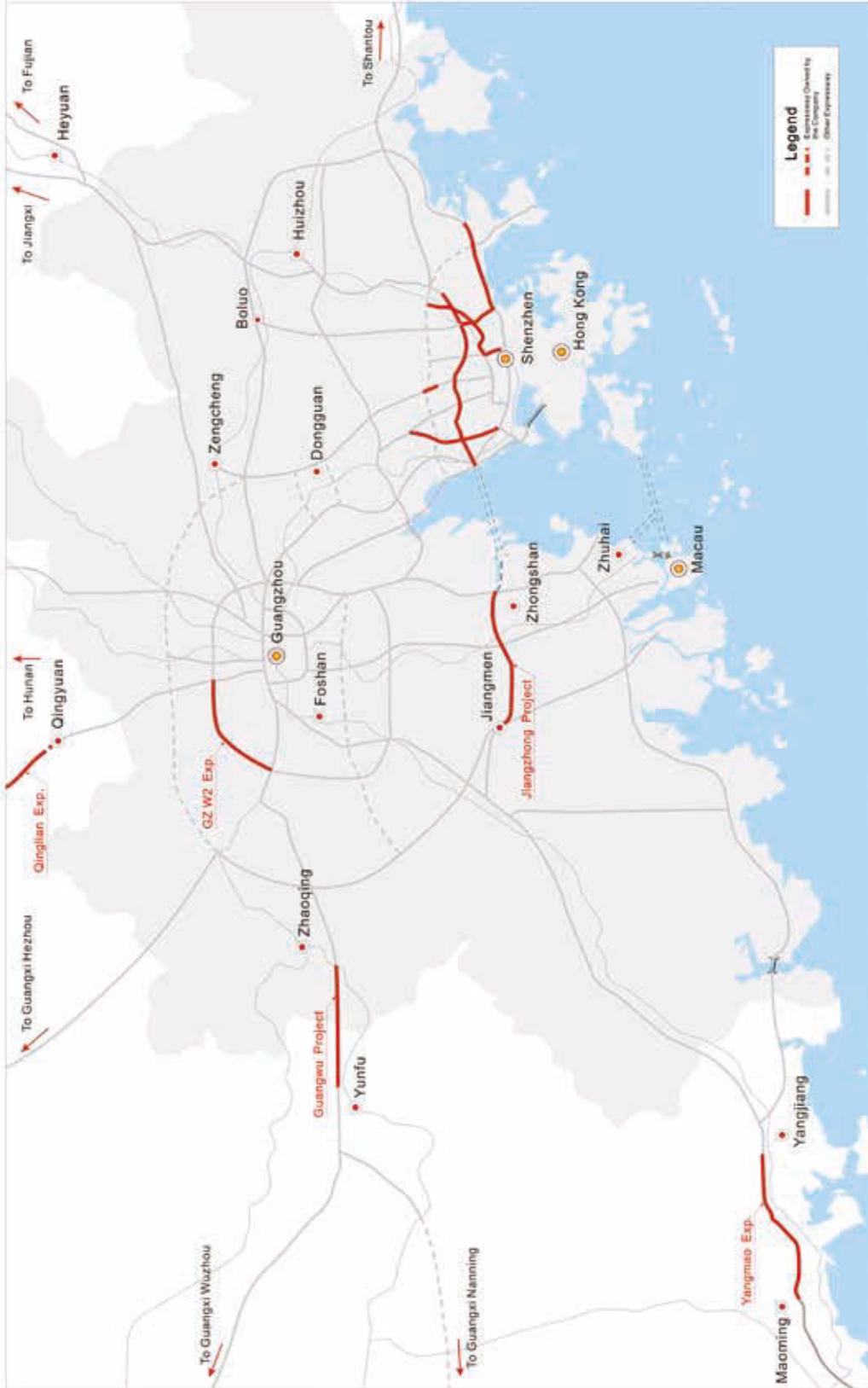
- (1) Pursuant to the agreement between the Company and Transport Commission, the toll of Nanguang Expressway, Yanba Expressway and Yanpai Expressway has been adjusted since 7 February 2016. During the first phrase up to 31 December 2018, the Company will retain its fee entitlement right and be responsible for the maintenance and repair of the Three Projects, and will implement toll-free for the Three Projects in exchange for cash compensation from the Transport Commission. For details, please refer to the announcements of the Company dated 2 December 2015 and 1 February 2016.
- (2) The Company further acquired 45% equity interests in Wuhuang Expressway in December 2016. For details, please refer to the announcement of the Company dated 2 December 2016.
- (3) For detailed information, toll fees, historical operational data of above projects, and road network of peripheral area of the above projects, please refer to the column "Toll Roads & Bridges" under "Company Business", "Operational Statistics" under "Investor Relations" and "IR Materials" under "Investor Relations" in the website of the Company at <http://www.sz-expressway.com>.

Road Network of Shenzhen



Company Information

Road Network of Pearl River Delta



Road Network of Qinglian Expressway



- ◆ *Unless otherwise stated, the amounts stated in this report are in RMB.*
- ◆ *The total of breakdown and the total may not equal in mantissa due to rounding.*



SHENZHEN EXPRESSWAY COMPANY LIMITED

www.sz-expressway.com