



SHENZHEN EXPRESSWAY COMPANY LIMITED

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



2014
Annual Report

承接 · 承擔 · 承諾



承接
承擔
承諾



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.

“承 (Undertake)” is an ideogram with the principal meaning of “hold or receive with two hands” and an extended meaning of “keep on, accept and undertake”.

The strategic period of the Company for Year 2010 to 2014 has come to an end. Over the last 5 years, the Company actively explored and opened up new industrial investment areas to achieve synergistic growth in scale and effectiveness by adhering to an established development strategy and focusing on its expressway business. With “承 (Undertake)” as the theme of this year, it reflects that the Company will **continue** to sustain the development and innovation based on its own achievement, good tradition and cultural inheritance from the past in order to foster further and optimised development.

As the domestic economy entered into the “New Normal” phase, there are new opportunities and challenges in the development of toll highway industry. Meanwhile, the Company is obliged to maintain an effective balance between the active and prudent approaches for the research and development of the relevant industry. With “承 (Undertake)” as the theme of this year, it also reflects the determination and belief of the management and staff of the Company in this new stage: being pleasure in **taking up** new task and mission and willing to **bear** the pressure and challenges on the development path.

The seventh session of the Board of the Company was inaugurated in 2015. The theme “承 (Undertake)” also demonstrated the faith and **commitment** of the Company: Shenzhen Expressway will continue to adhere to its principle of integrity and diligence and adopt a progressive and pragmatic approach, making progress and starting a new chapter of sustainable development together with its stakeholders.

Contents

Definition and Cautionary Statement	02
Introduction to the Company	07
Financial and Operational Highlights	09
Events of the Year	13
Chairman's Statement	14
Management Discussion and Analysis	22
<i>Business Review</i>	22
<i>Financial Analysis</i>	32
<i>Outlook and Plans</i>	49
Report of the Directors	56
Share Capital and Shareholders	65
Directors, Supervisors, Senior Management and Employees	70
Corporate Governance	
<i>Corporate Governance Summary</i>	88
<i>Corporate Governance Report</i>	96
<i>Internal Control</i>	110
<i>Investor Relations</i>	113
Social Responsibility	116
Auditor's Report and 2014 Financial Statements	
<i>Auditor's Report</i>	120
<i>Consolidated and Company Balance Sheets</i>	122
<i>Consolidated and Company Income Statements</i>	125
<i>Consolidated and Company Cash Flow Statements</i>	127
<i>Consolidated and Company Statements of Changes in Owners' Equity</i>	129
<i>Notes to Financial Statements</i>	131
<i>Supplementary Information</i>	220
Company Profile	222

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 should 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.

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 2014.
Reporting Date	The date on which Annual Report 2014 of the Company is approved by the Board, i.e. 20 March 2015.
YOY	Year-on-year change rate as compared to the same period of 2013.
The Company, Company, Shenzhen Expressway	Shenzhen Expressway Company Limited.
The Group, 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).
SIHCL	深圳市投資控股有限公司 (Shenzhen Investment Holdings Company Limited).
Shenzhen International	Shenzhen International Holdings Limited.
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).

CM Huajian	招商局華建公路投資有限公司 (China Merchants Hua Jian Highway Investment Co., Ltd.), formerly known as 華建交通經濟開發中心 (Huajian Transportation and Economic Development Centre).
GDRB Company	廣東省路橋建設發展有限公司 (Guangdong Roads and Bridges Construction Development 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 been 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 remain the toll collection.
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).
Yanpai Expressway	The expressway from Yantian to Paibang in Shenzhen City, also referred to as Yantian Subsidiary Road of Jihe Expressway.
Nanguang Expressway	The expressway from Xili to Gongming in Shenzhen City.
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 the outer ring expressway in Shenzhen City (Outer Ring Expressway).
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.
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).

Definition and Cautionary Statement

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.
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.
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.
New Toll Station of Meiguan and Facilities Project	The management of construction project of main line toll station of Meiguan Expressway, ramp toll stations on Qinghu Interchange and corresponding facilities Project undertaken by the Company.
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 .

Guilong Land	The peripheral land of Guilong Project which were successfully bid by the Group. As at the end of the Reporting Period, the area of the land was approximately 1,863 mu (approximately 1,240,000 square meters).
Guilong Development Project	The further property development project of the Guilong Land with an area of 300 mu (approximately 200,000 square meters) conducted by the Group.
Meilin Checkpoint Urban Renewal Project	The project of intended adjustment in the land use of the western land parcel in Meilin Toll Station owned by Meiguan Company and Huatongyuan Logistic Centre land parcel owned by XTC Company, etc., totaling approximately 131,000 square meters, by the Shenzhen government, of which approximately 96,000 square meters will be changed to development and construction land for comprehensive development in accordance with urban renewal policy.
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).
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).
BT (mode)	Build-Transfer mode, refer to a kind of financing mode for non operating infrastructure construction projects by government using non-governmental funds, is also used to describe the process of project operation that the project be handed over to the owners upon general contracting, financing, construction acceptance by project company, and the owners pay the project total investment plus a reasonable return to investors.
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.

Definition and Cautionary Statement

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 to 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>.

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 to the Company

The Company was registered in Shenzhen on 30 December 1996. It is principally engaged in the investment, construction, operation and management of toll highways and roads.

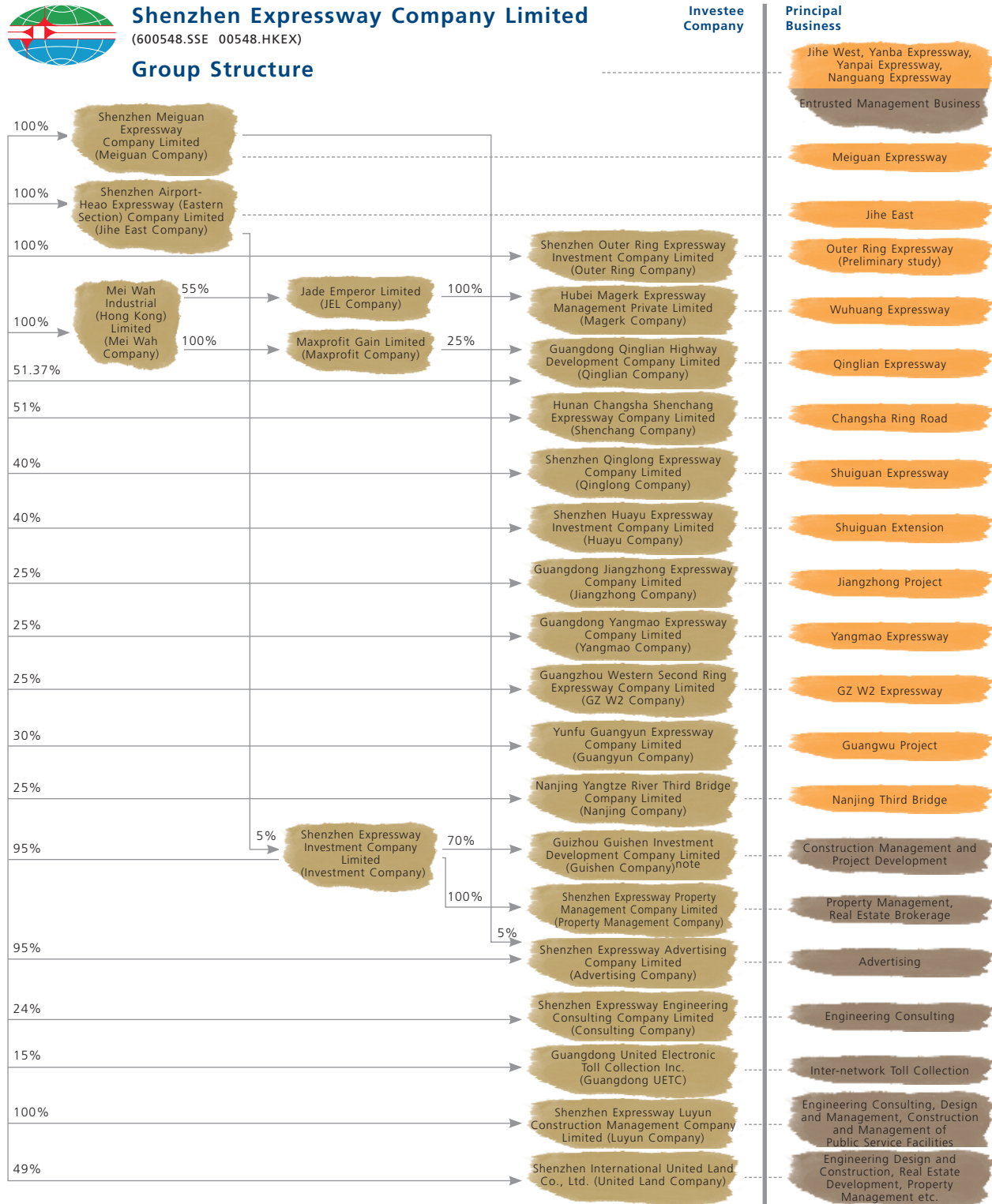
A total of 2,180,770,326 shares were issued by the Company, of which 1,433,270,326 A Shares are listed on SSE and 747,500,000 H Shares are listed on HKEx, representing 65.72% and 34.28% of the total share capital of the Company respectively. XTC Company, which is one of the promoters of the Company and currently is a wholly-owned subsidiary of Shenzhen International (stock code: 00152) which is listed on HKEx, holding 30.03% of the Company's shares at present, 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 a total of 16 toll highway projects, and the mileage of the highways invested by the Company (on an equity basis) is approximately 413km. 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 highway, the Company has launched the businesses related to project development and management, advertising, construction consulting, and inter-network toll collection.



Introduction to the Company

As at 31 December 2014, the Group's investee companies (including their abbreviations) and business structure are as follows:



Note: There are several wholly-owned subsidiaries under Guishen Company, including: Guizhou Shenzhen Expressway Property Company Limited (Property Company), Guizhou Shengbo Property Company Limited (Shenbo Company), Guizhou Yuelong Investment Company Limited (Yuelong Company), and Guizhou Pengbo Investment Company Limited (Pengbo Company).

Remarks: The English names of certain PRC entities are translation of their Chinese names, and are included herein for identification purpose only. In the event of any inconsistency, the Chinese names shall prevail.

Orange box: Toll Highway Business
Grey box: Other Businesses

Financial and Operational Highlights

I. Financial Data and Financial Indicators of the Year

Item (Unit: RMB)	2014	2013	Change as compared to last year (%)	2012
Revenue	3,620,357,480.08	3,279,281,057.26	10.40	3,134,623,093.04
Net profit attributable to owners of the Company	2,186,883,365.49	719,691,617.00	203.86	684,526,701.99
Net profit attributable to owners of the Company – excluding non-recurring items	963,942,971.64	828,414,277.54	16.36	659,695,721.22
Net cash flows from operating activities	1,793,755,282.29	1,761,224,786.28	1.85	1,530,654,667.48

Item (Unit: RMB)	As at 31 Dec 2014	As at 31 Dec 2013 (Restated ^{Note})	Change as compared to the end of last year (%)	As at 31 Dec 2012 (Restated ^{Note})
Owners' equity attributable to owners of the Company	11,797,581,861.32	9,974,420,429.05	18.28	9,536,486,092.32
Total assets	24,329,324,209.02	22,840,107,479.91	6.52	24,209,125,042.19

Item	2014	2013	Change as compared to last year (%)	2012
Earnings per share – basic (RMB)	1.003	0.330	203.86	0.314
Earnings per share – diluted (RMB)	1.003	0.330	203.86	0.314
Earnings per share excluding non-recurring items – basic (RMB)	0.442	0.380	16.36	0.303
Return on equity – weighted average (%)	20.14%	7.40%	Increase 12.74 pct.pt	7.33%
Return on equity excluding non-recurring items – weighted average (%)	8.88%	8.51%	Increase 0.37 pct.pt	7.06%

Note:

Since 2014, the three new/revised accounting standards issued by Ministry of Finance and the application guidance thereof issued later had been adopted by the Group. Accordingly, certain accounting items were reclassified and listed, and retrospective adjustment was applied to the relevant items of the comparative financial statements. For details, please refer to the illustration set out in “Financial Analysis” of “Management Discussion and Analysis” of this report. Each of the financial data contained in this table as at the end of years of 2012 and 2013 remained unchanged in the adjustment.

Financial and Operational Highlights

◆ Non-recurring items deducted and their amounts

Non-recurring item (Unit: RMB)	2014	2013	2012
Profit from entrusted operation management services	17,148,433.34 <small>(Note 1)</small>	16,990,200.00	16,990,200.00
The amortisation of compensation provided by concession grantor	20,252,709.25 <small>(Note 2)</small>	16,394,108.60	13,749,423.41
The gain/(loss) on disposal of assets	1,496,009,613.02 <small>(Note 3)</small>	(241,244,535.65) <small>(Note 4)</small>	450,000.00
The interest income from the compensation receivables of toll collection adjustment of Meiguan Expressway	90,163,340.16	–	–
Other non-operating income and expenses	12,337,900.97	2,608,984.04	(1,411,301.77)
Effect on minority interests	62,015.96	42,740,678.54	432,521.40
Income tax effect	(413,033,618.85)	53,787,903.93	(5,379,862.27)
Total	1,222,940,393.85	(108,722,660.54)	24,830,980.77

Note:

- 1 Mainly from the profit from entrusted operation management services this year from entrusted operation management services of Longda Company.
- 2 The amortisation of compensation to Yanba Expressway and Yanpai Expressway provided by concession grantors recognised according to traffic volume method which disclosed as a deduction of the amortisation of the related concession intangible assets in this year.
- 3 Gain on disposal of assets of Toll Free Section of Meiguan Expressway.
- 4 Loss resulted from disposal of Qinglian Class 2 Road (including relevant cleanup costs).

◆ Items measured at fair value

Item (Unit: RMB)	As at 31 Dec 2013	As at 31 Dec 2014	Change during the Period	Impact on profit for the Period
Derivative liabilities	24,676,144.27	–	(24,676,144.27)	10,051,386.13

II. Statistics Summary for Last Five Years

Project	Average Daily Traffic Volume (Unit: number of vehicles)				
	2014	2013	2012	2011	2010
Meiguan Expressway ^{Note}	84,622	129,769	124,921	118,976	117,244
Jihe East	189,586	149,896	128,414	118,215	111,530
Jihe West	149,921	123,343	106,564	99,390	91,111
Yanba Expressway	35,602	31,260	28,563	27,610	24,313
Yanpai Expressway	57,370	50,188	41,473	38,501	39,734
Nanguang Expressway	86,829	75,029	58,715	55,995	50,612
Shuiguan Expressway	168,728	155,477	138,285	124,714	134,561
Shuiguan Extension	61,655	39,119	29,331	31,941	40,485
Qinglian Expressway	33,026	28,344	22,827	21,445	18,292
Yangmao Expressway	34,935	31,481	26,978	23,477	20,066
Guangwu Project	31,935	27,177	25,339	23,089	17,475
Jiangzhong Project	101,183	89,467	90,556	90,270	68,476
GZ W2 Expressway	46,205	42,175	34,796	33,493	28,768
Wuhuang Expressway	38,891	39,127	39,712	37,856	38,034
Changsha Ring Road	16,188	14,015	13,206	9,516	8,558
Nanjing Third Bridge	27,665	29,312	24,680	23,293	22,057

Project	Average Daily Toll Revenue (Unit: RMB'000)				
	2014	2013	2012	2011	2010
Meiguan Expressway ^{Note}	413.6	803.1	875.6	943.2	951.4
Jihe East	1,614.6	1,328.8	1,239.9	1,407.1	1,414.7
Jihe West	1,267.6	1,048.2	1,079.8	1,229.9	1,169.2
Yanba Expressway	493.2	444.1	387.4	369.3	335.4
Yanpai Expressway	584.2	541.0	514.0	463.8	428.6
Nanguang Expressway	839.7	787.2	628.8	589.0	523.5
Shuiguan Expressway	1,385.6	1,297.7	1,204.5	1,122.0	1,229.9
Shuiguan Extension	230.8	176.1	155.5	196.7	250.6
Qinglian Expressway	2,136.3	1,948.1	1,460.6	1,280.4	1,036.8
Yangmao Expressway	1,547.2	1,469.2	1,326.2	1,209.4	1,094.9
Guangwu Project	802.0	718.5	681.3	644.4	471.9
Jiangzhong Project	1,019.2	924.1	931.6	972.4	870.2
GZ W2 Expressway	917.2	824.8	713.0	740.0	672.3
Wuhuang Expressway	891.0	1,040.4	1,170.4	1,146.2	1,268.3
Changsha Ring Road	167.9	143.6	119.4	86.3	72.8
Nanjing Third Bridge	1,093.5	1,169.5	894.7	828.6	782.9

Note: 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.

Financial and Operational Highlights

Financial Highlights (Unit: RMB million, unless otherwise stated)					
Item	2014	2013	2012	2011	2010 (Restated)
Revenue	3,620	3,279	3,135	2,952	2,765
<i>Of which: Toll revenue</i>	3,008	2,898	2,726	2,716	2,615
Profit before interests and tax	3,499	1,521	1,581	1,755	1,517
Net profit	2,187	720	685	875	746
Net cash inflows from operating activities	1,794	1,761	1,531	1,508	1,887
Net cash inflows from operating activities and cash return on investments	1,889	1,854	1,617	1,633	2,041
Interest covered multiple (Times)	6.57	2.44	2.42	2.92	2.75
Earnings per share (RMB)	1.003	0.330	0.314	0.401	0.342
Cash dividends per share (RMB)	0.45(proposal)	0.16	0.13	0.16	0.16

Item	As at 31 Dec 2014	As at 31 Dec 2013	As at 31 Dec 2012	As at 31 Dec 2011	As at 31 Dec 2010 (Restated)
Total assets	24,329	22,840	24,209	24,609	23,050
Total liabilities	11,209	11,601	13,336	14,111	13,076
Total equity	13,120	11,239	10,873	10,497	9,974
Debt-to-asset ratio (%)	46.07%	50.79%	55.09%	57.34%	56.73%
Gross liabilities-to-equity ratio (%)	85.43%	103.22%	122.66%	134.43%	131.10%
Net borrowings-to-equity ratio (%)	51.78%	73.03%	79.18%	82.99%	89.21%
Net assets per share (RMB)	5.41	4.57	4.37	4.22	3.97

◆ Description on the restatement

As the financial statements of JEL Company have been consolidated into those of the Group since 1 July 2011, which represents the business combinations involving entities under common control, the Group made corresponding restatement to the financial statements for the financial years before 2011 according to the relevant requirements of CASBE.

◆ 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** Entered into the agreement on toll adjustment and compensation arrangement regarding Meiguan Expressway with Shenzhen Government.
Made successful bids for 580 mu of lands of Guilong Project (lands with an accumulative area of 1,863 mu were obtained).
- March** Published 2013 annual results and a net profit of RMB720 million with earnings per share of RMB0.33 was recorded.
- April** The toll adjustment proposal of Meiguan Expressway was formally implemented (charging mileage reduced to 5.4km).



- May** Successfully issued medium-term notes with total amount of RMB1.0 billion bearing a term of 3 years.
Announced the dividend for the year 2013 with a final dividend of RMB0.16 per share.
Construction works of Guilong Municipal Road Phase I (BT Project) was fully completed.

- June** The maintenance works for the road surface of Jihe West was completed.
The inter-network toll collection was adopted and toll-by-weight policy was fully implemented for the expressways in Guangdong Province

- July** Completed the sell-back works of the corporate bonds "11 Shenzhen Expressway".



- August** The construction of foregoing section of Outer Ring Expressway commenced and the Company is responsible for the organisation of the construction works.
Resettlement Phase I (entrusted construction project) was completed.

- September** Dezheng Road Project (entrusted construction project) was completed.

- October** Section B of Nanping Phase II (entrusted construction project) was completed.
The joint venture in establishment of the project company to implement Meilin Checkpoint Urban Renewal Project was approved by shareholders.

- December** Awarded "The Listed Company with the Best Investment Relation Management Award" of the selection of "China Securities Golden Bauhinia".
The members of the seventh session of the Board and the Supervisory Committee were elected.



Chairman's Statement

To all shareholders,

Benefited from the sound performance of the businesses such as toll highway and entrusted construction management services, the Group's operating result maintained steady growth in 2014. Together with the recognition of gains on disposal of Meiguan assets during the Year, the overall profit increased significantly. On behalf of the Board, I hereby report to the shareholders that in 2014, the Group recorded revenue of RMB3,620 million, representing a YOY increase of 10.4%, and realised profit of RMB2,187 million with earnings per share of RMB1.00, representing a YOY increase of 203.86%. The Group has always committed itself to creating higher corporate value and actively implemented the profit distribution policy of cash dividend which can balance the long term and short term interests of the investors, at the same time providing promising and sustainable returns to its shareholders. The Board recommended the payment of a final dividend of RMB0.45 per share in cash for 2014, amounting to 45% of earnings per share, including special dividend of RMB0.255 per share for gains on disposal of Meiguan assets amounting to 50% of such gains on disposal. Excluding the effect of gains on disposal of assets and the special dividend, the annual payout ratio was 40%. Such proposal is to be submitted to the 2014 Annual General Meeting of the Company for approval.

Business Review

During the recent years, with the joint efforts and calm response of the management and staff from all levels, the Group was able to duly handle the difficulties and challenges it faced in operation and management and deliver each management task in a practical way, overcoming the effects and challenges brought by the changes in policy, environment and resources and laying a solid foundation for the business development and sound performance of the Group.

Through arduous negotiations and with its persistent efforts, the Group finally completed a series of work, such as negotiation, agreement and approval, regarding the adjustment of toll collection of Meiguan Expressway in the first half of 2014. Accordingly, the Group will receive a reasonable compensation on market basis for the adjustment of toll collection. Also, it is beneficial to the overall social and economic growth and development of the regions along the highway and therefore is a balanced win-win situation. After the adjustment took effect, the results of the Group for the year improved significantly, which has in turn provided valuable opportunities to explore and attempt investment in new business segments in the future.

The growth of macro-economic has slow down in 2014. Meanwhile, toll-free was implemented for some section of Meiguan Expressway, which has resulted in a decrease of 9-month income contribution and exerted considerable pressure on the overall growth of the Group's toll highway business. Benefited from the hard work and results of the project construction and



HU WEI
Chairman

maintenance during the recent years, as of mid-2014, the expansion works for Meiguan Expressway and the maintenance works for the road surface of the whole Jihe Expressway were completed in succession, which has enhanced the traffic capacity of such projects or even the whole road network. Toll revenue also recovered positive growth at a high speed. During the year, the Group continued to implement its standardised operation and management model, with a view to enhance its operation management level continuously and provide its customers with more accessible and smoother travel services. At the same time, the construction and inter-network switch of provincial-wide inter-network toll collection in Guangdong Province were completed successfully. The Group commenced its toll management work and implemented targeted marketing and promotional measures by fully utilising its information resources, which has effectively boosted the traffic and income growth of the projects such as Qinglian Expressway and Nanguang Expressway. In 2014, the Group realised toll revenue of RMB3.01 billion, representing a YOY increase of RMB110 million, which has exceeded the operation target set at the beginning of the year.

For the construction management, the Group attached great importance to the management of engineering technique and design. During the process, the Group has also strengthened its contract management, quality and safety management as well as completion and acceptance management, and achieved smooth progress for project construction as a result. During the year, the Group, leveraged on its professional experience and advantages, actively expanded the entrusted construction business and strived to achieve various management targets and has delivered remarkable results. Under the tight schedule with

Chairman's Statement

heavy tasks and high requirements, the management teams completed the entrusted projects such as Dezheng Road Project and Xinghai Avenue of Nanping Phase II in Shenzhen District as planned in accordance to the specifications required. Guilong Project and Longli Resettlement Phase I, both of which are located in Guizhou, were also completed smoothly. These work and performance has all received positive remarks and high recognition from the entrusting parties. The Group also proactively pushed forward the measurement and audit work with a view to achieve timely recovery of entrusted construction revenue. These measures were greatly effective as a whole.

The Group continued to step up its effort in research of various financial policies and instruments amid the changes of monetary policy and financing environment. During the year, the Group issued medium-term notes of RMB1 billion, strengthened the funding management and continued to optimise the debt structure based on the overall condition of the Group, so as to exercise effective control over the consolidated capital costs. The Group has also maintained good relationships with other banks and enterprise, abundant reserve of credit facilities and good credit ratings to ensure the soundness of capital structure and financial safety of the Group.

Opportunities, Challenges and Strategies

The Company closely monitored the changes in both internal and external environment, timely accessed its impact on the Company's development, and adopted reasonable initiatives to realise the long-term development of the Company. Over the recent years, China's economy entered a "New Normal" phase in which economic growth maintained at a reasonable level. With structural adjustment in place, the economic growth will have higher quality, stability and sustainability. As economic development is the key factor to determine the growth of transportation demand, we are confident there will be huge development potential and opportunities in toll highway industry.



To satisfy the transportation demand in the future, the central and local government released new plans of highway networks successively, which will enable future highway mileage to grow rapidly. However, due to the surging price of production elements and rising standard on safety, environmental protection and maintenance required by the industry, toll highway faced increasing cost on investment and construction, maintenance and daily operation. With car ownership growing to a reasonable level and optimisation of highway network, it was difficult for traffic flow of highway projects to maintain a continuously rapid growth. On the other hand, in response to the demand and interests of the public, the government would still partially implement adjustment in industry policies, plans of highway network or traffic organisation while supporting the development of the industry, which created a negative effect on overall performance of highway projects and the whole industry. From the perspective of the overall trend, it became a “New Normal” phase that toll highway industry especially newly-constructed toll highway projects experienced declining investment return or lacked commercial investment value under the traditional model of investment and financing mechanism of toll highway.

The domestic toll highway industry, generally operating in “Build-operate-transfer” (BOT) model currently, is a traditional capital intensive industry. The cost of capital is key factor of the corporate profitability and size of fund raising limits the extent of corporate development. Fast growth in finance cost after commencement of operation of highway projects will impose a further pressure on the operating result of immature projects and drag on the growth of overall performance and pace of business development of the whole group.

As it required huge capital to build the highway infrastructure, declining investment return will reduce the attraction of a newly-constructed highway project to private investors. To maintain sustainable development of infrastructure, various parties are actively exploring the corresponding business model and investment and financing mechanism to achieve a win-win situation after consideration of the interests of all parties. Entrusted operation and entrusted construction, repurchase by the government and BT-linked land development are among the positive attempts. Currently, the government also actively promotes application of PPP model and makes full use of the comparative advantages of the government and enterprises in order to provide quality service to the public in the most cost-effective way.



Chairman's Statement

The Group upheld the market-oriented approach and accumulated abundant experience in construction, maintenance and operation management and trained a professional and effective management team. The Group provided entrusted operation and entrusted construction service to the government and enterprises to earn a reasonable return by sharing our management experience and capability. Our quality guarantee and ability to control budget and schedule has earned high praise for the Group from the government and the society and strengthened our good reputation and public praise. As the reform of highway management system deepened, the enterprises which can provide overall solutions in financing, construction and operation management became more competitive. Meanwhile, the progress of urbanisation will create huge market demand for infrastructure construction and maintenance management and more opportunities for the Group for provision of its management skill and experience. During the process of industry reform, more new potential of value and business opportunities will also be created. For example, as the original landlord of the land along Meiguan Expressway, the Group has opportunities to participate in the renewal of cities along the expressway and realise and upgrade commercial value of corporate resources, after implementation of adjustment plan of Meiguan Expressway. It is a pressing task for our management to decide how to capture the opportunities and select development direction and business model that are suitable for the Group.

We are in the midst of a rapid transformation era, filled with tremendous pressure and opportunities. In a longer period of time in future, toll highway will still be the core business and profit source of the Group. The Group needs to raise the management standard, optimise operation model, raise the profitability of our existing assets, selectively acquire quality assets and actively explore new models of business development and profitability in order to respond to the change of the era. In addition, with our professional knowledge and management capability, the Group needs to capture the opportunities of market development of infrastructure, continues to enhance its competitiveness, make full use of innovative capability of business models in investment and financing fields, explore new sustainable business by gathering and integrating resources.

Under the leadership of the new session of the Board in 2015, the Company will continue to conduct in-depth study of the changes in development of both internal and external environment. It will put more effects on the modification of the strategies and formulate, consolidate and deploy the new strategies. During the review and formulation of the upcoming strategies, focus will be placed for the following works and directions:

- ◆ **Consolidate and enhance the main business.** Enhance the revenue level and profit contribution by speeding up the development of the existing highway projects. Review and attempt new investment modes and consolidate the main business, invest and acquire quality highway projects in a moderate manner depending on market conditions and opportunities, and enhance the asset scale, profitability, cash flows and management efficiency of the main business.
- ◆ **Seize the opportunity to obtain high quality resources.** Pay close attention to the reform trend and direction of the toll highway business, grasp the opportunities for assets adjustment and optimisation, strive for high quality resources and obtain bigger development space and potential.
- ◆ **Attempt and expand extension of the main business.** Based on the resources and capacity of the Company and in cooperation with the industry leader, research and attempt related industries that match the Company's core business capacity, consistent with the national policy orientation and development trend, so as to foster synergy effect and mutual benefits.
- ◆ **Promote the industrialisation of the core business capacity.** With integration of corporate management resources of core business, actively study on and promote direction of the improvement, extension and industrialisation of the business capacity of operation and construction. Build the organisation structure and group control mechanism that support the strategic development to enhance management efficiency.

- ◆ **Build a multi-level financing structure.** Strengthen the research on the diversification of equity, equity financing and new debt instruments of the capital market by leveraging the resource advantage, financing platform and financing opportunities from capital market. Promote the financing work in combination with the business development plan to finance and provide financial reserve for the implementation of strategies. Enhance the development capacity and comprehensive return by further optimising the financial structure.
- ◆ **Study on the establishment of long-term incentive mechanism.** Facilitate the mechanism of the talent nourishment as well as long term incentive which accommodate to the corporate development in order to foster mutual growth of value for the Company and employees at the same time.

In the new period of strategy, the Board will follow the Company's culture to respect the investors and be responsible to investors, and be more positive and active in communication with shareholders and investors. Through various activities of investor relations, the Company will enhance trust and interaction with each other, help investors' in-depth comprehensive understanding of the situation and development prospects of the Company as well as more fully and widely knowledge of the value of the Company. The Company believes that by achieving full right of knowledge and choice of investors, and adhering to return to shareholders, growing together with investors, a benign interaction of industrial operation and capital operation as well as a win-win situation of the Company and the shareholders will be realised.

Acknowledgements

2015 is the first year of the seventh session of the Board of the Company. On behalf of the Company and the new session of the Board, I would like to express my gratitude to all members of the sixth session of the Board and Supervisory Committee for their hard work, contribution and support, especially the valuable contribution by Mr. Yang Hai, Mr. Wang Hai Tao and Mr. Zhang Li Min during their respective term of service, all of whom already leaved their position. I would also like to express my thanks to all staff for their hard work and dedication, to all investors, customers, business partners and friends of community for their trust and support.

2015 is also the beginning year of the third Five-Year Plan of the Company, when the Group inherits the past and opens up the future, continues to make its self-development in line with the national overall plan of economic transformation and social advancement, seek a new development path in the face of key opportunities arising from fierce competition landscape and reform. The Group shall sail its boat when wind rises, and step up its development as it shoulder heavy responsibilities. Staff of Shenzhen Expressway will continue to work together to create a better future with determination to seek progress in diligent and responsible way.

HU Wei

Chairman

Shenzhen, the PRC, 20 March 2015



→ **Management
Discussion and
Analysis** _____

承先啓後 · 繼往開來

承接



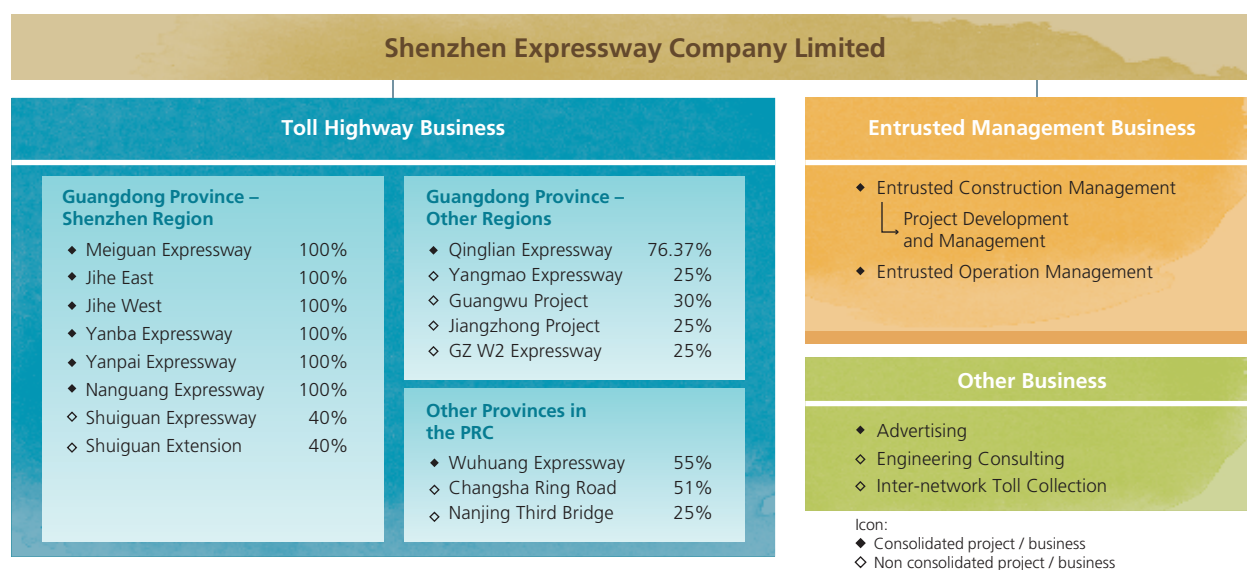
Management Discussion and Analysis



WU YA DE
President

I. Business Review

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 the core business of toll highway, the Company has launched the businesses such as project development and management, advertising, construction consulting, and inter-network toll collection. The principal business structure of the Company is set out as follows:



In 2014, 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 Year, the Group recorded revenue of RMB3,600,000,000, representing a YOY increase of 10.4%, of which toll revenue of RMB3,000,000,000, entrusted management services revenue of RMB 500,000,000, advertising revenue and other business revenue of RMB 110,000,000, accounts for 83%, 14% and 3% of revenue of the Group respectively.

(I) Toll Highway Business

1. Analysis of Economic Environment

(1) Economic environment

In 2014, as macro-economy was generally stable, the GDP of the PRC recorded a YOY growth of 7.4%. Meanwhile, the economic structure continued to optimise with investment growth slowing and funding bottleneck deteriorating and downside risk of the economy still existed. During the year, the GDP of Guangdong Province and Shenzhen recorded a growth of 7.8% and 8.8% on YOY basis respectively, slightly above the national average level. In 2014, total import and export of Guangdong Province and Shenzhen fell at a different degree, and the cargo throughput at Shenzhen Ports also decreased. However, the container throughput reach a high record with a YOY growth of 3.3%, of which that of Yantian Port maintained a YOY growth of 8.1%. In addition, driven by the active adjustment of industrial structure policy in recent years, Guangdong Province recorded a significant growth in consumption in 2014. The total retail sales of consumer goods for the year were RMB2.85 trillion with a YOY growth of 11.9%. In addition, the car ownership in Shenzhen region maintained a fast growth to over 3.1 million as at the end of 2014. Source of data: Governmental statistics information website and the website of Shenzhen Yantian Port Group Co., Ltd.

Under combined effect of macro-economy and regional economic environment, most of our toll highway projects maintained relatively stable organic growth during the Period but showed signs of slowing growth in the fourth quarter.

(2) Policy environment

In 2014, there was no material change on toll highway industry policies. During the Reporting Period, the amendment of the Regulation on the Administration of Toll Highways was not finalised. The Company actively followed up with the progress of the amendment and provided feedback and support on content and positive effect of the amendment through various channels. The Company also continues to closely monitor the risks and development opportunities presented to our investment projects against the backdrop of the rectification work and adjustment in operating environment, and takes effective measures timely to proceed our relevant work.

Guangdong Province implemented provincial-wide inter-network highway toll at the end of June 2014, and the toll-by-weight for freight vehicles at the same time. After the provincial-wide inter-network toll was implemented, the traffic efficiency on the roads would be improved, and more convenient and efficient traffic services could be provided to drivers. However, the reconstruction and integration of the system also increased the capital expenditure and brought new subject areas and challenges for operation management to the Company. For toll-by-weight policy, the northern, western and eastern district of Guangdong Province have implemented the policy in 2009 and 2011, respectively, which involved our Qinglian Expressway, Guangwu Project, Yangmao Expressway and Yanba Expressway. The implementation of the policy had limited actual effect on such projects. 2014 was the first year for central district of Guangdong to implement the policy. From data in second half of 2014, the policy had a more positive effect on GZ W2 Expressway but a slight negative effect on revenue of projects in Shenzhen region since the chance of overloading cases was less likely and vehicles of empty loading enjoyed a favorable price.

Management Discussion and Analysis

In recent years, Standardisation Scheme has been implemented in Guangdong Province, and Toll Free Scheme on Holidays and Green Passage Toll Free Policy have been implemented nationwide, all of above mentioned policies have brought certain negative impact on the toll revenue of projects. In 2014, the impact of the above-mentioned policies still exists. However, the impact on YOY change of projects' revenue has generally been eliminated. According to a rough calculation ^{note}, the implementation of the Standardisation Scheme, Toll Free Scheme on Holidays and Green Passage Toll Free Policy have resulted in the decrease of approximately RMB356 million, RMB162 million and RMB65 million in toll revenue in the consolidated statements of the Group in 2014 annual report, respectively (2013: RMB385 million, RMB136 million and RMB75 million).

Note: Simulation calculation for relevant impact was done by the Company based on the available data and historical data. With the limitation on the adjustment to the data statistical method and the differences of the operating environments in different years, the related estimation cannot be entirely accurate. Such data are for investors' reference only. Investors are advised to use such data cautiously.

2. Business Performance and Analysis

In 2014, the traffic volume and toll revenue of most of the road projects in which the Group operated and invested generally 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)		
	2014	2013	Change	2014	2013	Change
Guangdong Province – Shenzhen region:						
Meiguan Expressway ⁽²⁾	85	130	N/A	414	803	N/A
Jihe East	190	150	26.5%	1,615	1,329	21.5%
Jihe West	150	123	21.5%	1,268	1,048	20.9%
Yanba Expressway ⁽³⁾	36	31	13.9%	493	444	11.1%
Yanpai Expressway	57	50	14.3%	584	541	8.0%
Nanguang Expressway	87	75	15.7%	840	787	6.7%
Shuiguan Expressway	169	155	8.5%	1,386	1,298	6.8%
Shuiguan Extension	62	39	57.6%	231	176	31.1%
Guangdong Province – other regions:						
Qinglian Expressway	33	28	16.5%	2,136	1,948	9.7%
Yangmao Expressway	35	31	11.0%	1,552	1,469	5.6%
Guangwu Project	32	27	17.5%	802	719	11.6%
Jiangzhong Project	101	90	12.9%	1,019	924	10.3%
GZ W2 Expressway	46	42	9.6%	917	825	11.2%
Other Provinces in the PRC:						
Wuhuang Expressway	39	39	-0.6%	891	1,040	-14.4%
Changsha Ring Road	16	14	15.5%	168	144	17.0%
Nanjing Third Bridge	28	29	-5.6%	1,093	1,172	-6.7%

Notes:

- (1) Traffic volume which is toll free during holidays is not included in the figures of average daily mixed traffic volume.
- (2) Toll-free for Meilin to Guanlan section of Meiguan Expressway with a mileage of approximately 13.8 km was implemented from 24:00 on 31 March 2014 and the toll for section from Shenzhen-Dongguan border to Guanlan with a mileage of approximately 5.4 km remained ("Toll Adjustment Proposal"). As there is a relatively great change on the toll mileage, no YOY change data has been provided in this table.
- (3) For the convenience of residents in Shenzhen to go to the eastern coast for leisure and vacation, the government has made collective payment to the Company for the vehicles travelling to and from Yantian and Dameisha Ramp based on the agreed standards and methods since February 2007. During 2013 to 2017, toll fees paid by the government as agreed are RMB19 million annually, which will be included in the toll revenues of Yanba Expressway on a monthly basis. Arrangement after 2017 will be negotiated and confirmed by both parties before the expiry of the agreement.

The effect of factors such as economic environment and policy change on toll highway projects varied due to the difference in the function positioning and operation date of respective projects and conditions of neighboring road network. Operational performance of toll highways is also affected by factors such as competition or synergy effect of neighboring road network, construction of connected or parallel roads, implementation of traffic organisation plans by the government and combined effect of other transportation method. In addition, construction or maintenance of the projects may also have impact on their then operational performance.

(1) Guangdong Province – Shenzhen region:

The projects such as the Second Phase of Qingping Expressway, Coastal Expressway and Boshen Expressway in Shenzhen and its neighbouring areas were completed and operated in succession, affecting the traffic distribution and composition in the road network of Shenzhen region. For instance, the opening of the Second Phase of Qingping Expressway has been driving the traffic volume of Jihe East and Shuiguan Extension but creating a negative impact on the performance of Shuiguan Expressway. The full opening of Coastal Expressway in late of 2013 created slight diversion on the traffic of Nanguang Expressway. Guanjintou toll station of Boshen Expressway commenced operation in October 2014, further driving the traffic volume of Jihe Expressway and Yanpai Expressway. In addition, the New Terminal of Shenzhen Airport was opened in November 2013, boosting the traffic volume of Jihe Expressway and Nanguang Expressway.

The Company commenced the reconstruction and expansion work of the northern Qinghu section of Meiguan Expressway and maintenance works of road surface of Jihe East and Jihe West successively in recent years, which negatively affected the traffic conditions and operational performance of the above mentioned projects and the connected roads. As the maintenance works of road surface of Jihe East and the reconstruction and expansion work of Meiguan Expressway completed in the first half and end of 2013 respectively and the maintenance work of road surface of Jihe West also completed in June 2014, the negative impact of relevant work on relevant projects has diminished. Meanwhile, benefiting from the enhanced traffic capacity and efficiency after the reconstruction and expansion work, the service level and performance of the project was further improved. After the implementation of the Toll Adjustment Proposal in Meiguan Expressway since April 2014, the traffic volume for Toll Free Section increased rapidly. It did not only stimulate the traffic volume of Toll Section, but also enhanced the performance of Jihe Expressway.

Affected by the said various factors, the average daily toll revenue of Jihe East and Jihe West was RMB1,615,000 and RMB1,268,000 during the Reporting Period respectively, with a YOY increase of 21.5% and 20.9%, better than that of other projects in Shenzhen region. Before the implementation of Toll Adjustment Proposal, the average daily toll revenue of Meiguan Expressway in the first quarter of 2014 was RMB853,000 with YOY increase 14.2%. After the implementation of Toll Adjustment Proposal, the average daily toll revenue per km of Meiguan Expressway (average daily toll revenue/highway distance) was RMB49,900/km, representing an increase of approximately 19.4% as compared with RMB41,800/km in 2013. For details of the toll adjustment of Meiguan Expressway, please refer to the relevant content in Business Development below.

(2) Guangdong Province – Other regions:

Benefiting from the gradual improvement of neighboring road networks and consistent marketing measures, Qinglian Expressway recorded a good overall performance in 2014 with average daily toll revenue of RMB2,136,000 at a YOY increase of 9.7%. The reconstruction and expansion work of Guangqing Expressway (Guangzhou – Qingyuan, in Guangdong), which connects to the southern end of Qinglian Expressway, is currently under progress. For the section from north to south of Guangqing Expressway, the restricted access measure for heavy trucks has been eased from October 2014, so the service level of the highway was improved. However, Guangle Expressway (Guangzhou – Lechang, in Guangdong), as the dual line of G4 National Expressway (Guangdong Section) has commenced operation at the end of September 2014, which creates a certain degree of traffic diversion for Qinglian Expressway. Under combined impact of the said factors, Qinglian Expressway recorded a YOY decrease of approximately 6.9% on average daily toll revenue in the fourth quarter of 2014, below the overall performance of prior three quarters.

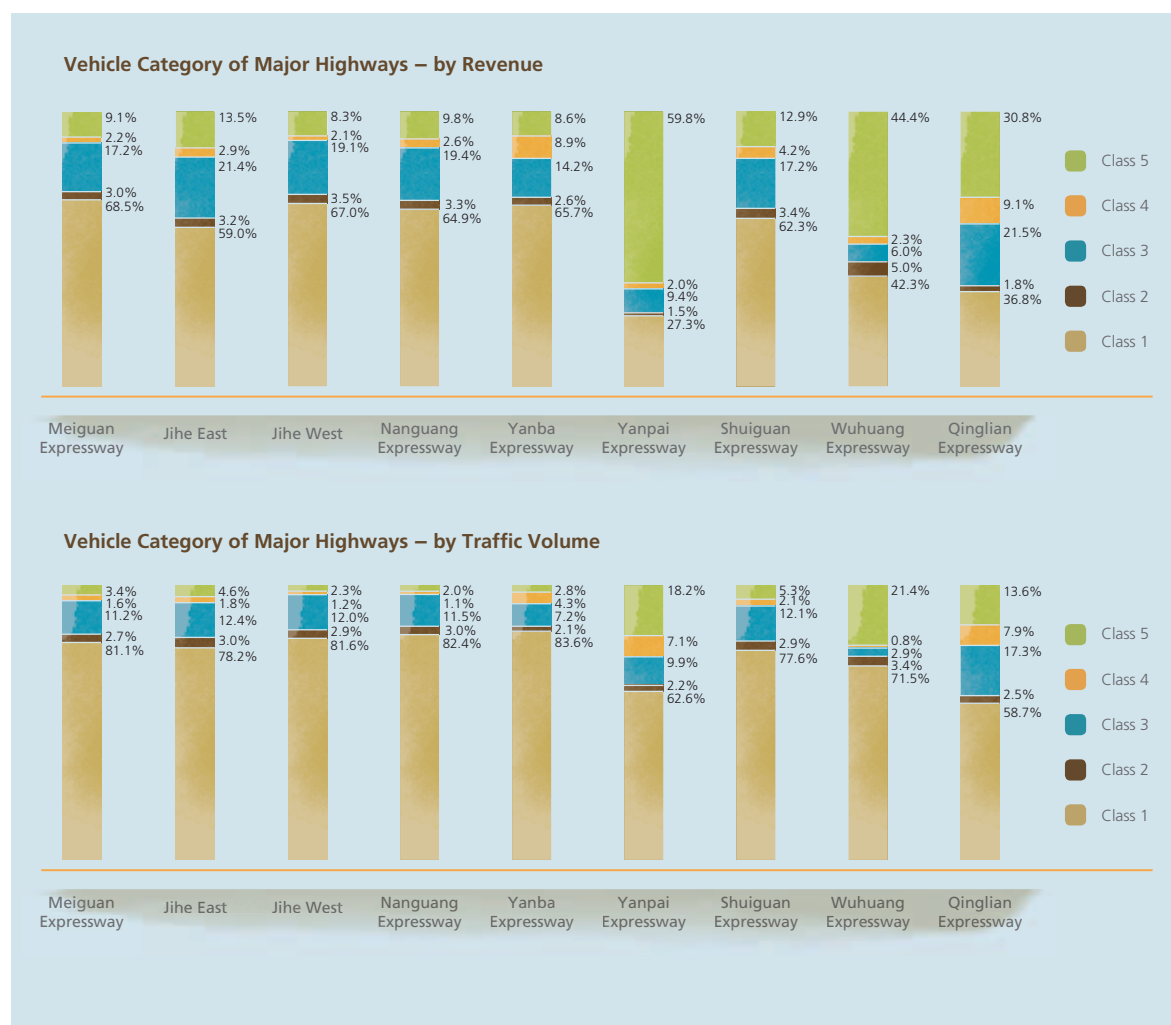
Management Discussion and Analysis

(3) Other provinces in the PRC:

Negatively affected by the further commencement of operation of road networks and the toll sharing model under inter-network toll collection, and the implementation of traffic control measures in Wuhan, Hubei Province, the toll revenue of Wuhuang Expressway recorded a YOY decrease of 14.4%. As vehicles which travel between Hefei and Shanghai did not have to travel through Nanjing after the commencement of operation of Maanshan Yangtze River Bridge in the end of 2013, this caused a certain diversion to the traffic of Nanjing Third Bridge as our Group's investment in Jiangsu Province. Changsha Ring Road in Hunan Province carried out maintenance of road surface at the end of 2014, which created a negative impact on operational performance from November to December 2014, with a YOY decrease on revenue. However, benefiting from the gradual improvement of road networks, the implementation of traffic control measures of neighboring roads and improvement in business of enterprises along the highway, Changsha Ring Road achieved an overall good performance with a YOY increase of 17% on annual average daily toll revenue.

Reference information

There was no substantial change in the vehicle category for each major highway project of the Group in 2014 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

During the year, the Group actively participated in various work, such as formulation and review of technological standard and management system, thorough planning of integrated system, transformation and upgrade and research on installation of software and hardware, which was in line with overall arrangement of highway inter-network toll collection in Guangdong Province. The Group also pre-organised training and rehearsal and successfully completed engineering construction and replacement of inter-network system. By effectively communicating with provincial operation platform and establishing rapid settlement system, the Group can promptly process abnormal cases, timely completed revenue sharing and settlement and ensure normal operation and smooth transition of highways in provincial inter-network system. In addition, by making good use of database in provincial inter-network, the Group has established standardisation of terminal operation and inspection management system, commenced to combat toll evasion on a regular basis, effectively implemented supervision of Green Passage and inspection of overloading vehicles and strived to reduce toll loss. Meanwhile, the Group continued to optimise standardised operation management modules, conducted traffic diversion at peak period based on inter-network data and made preparation on emergency plan, kept improving traffic condition and efficiency and increased competitiveness and operational performance of projects. The Group made best use of its influence as a shareholder in the projects in which the Group has minority interests. With close communication with cooperative parties, the Group can ensure the performance of contracts and facilitate the dividend distribution of such projects so as to effectively guarantee the investment return of the Group.

The Group established a provincial-wide traffic distribution model based on a big database. By way of site inspection, route comparison and data analysis, the Group can continuously track the change of traffic condition and traffic trend of road networks in the region, formulate and take specific promotional measures and promote advantages of road networks and projects through various ways to attract traffic and open up growth potential of projects. During the year, our efforts focused on marketing and management of Qinglian Expressway, Nanguang Expressway and Yanba Expressway. Through measures such as media publicity, design and distribution of road map guidance, display of road boards, marketing activities targeted at customer group and provision of user-friendly service, the Group can promote the competitive advantages, function and features of the projects, enhance vehicle diversion and mobilise the resources of road network. On this basis, Qinglian Company optimised the traffic guideline of alternative routes in response to the implementation of restricted access measure for heavy trucks during the expansion of Guangqing Expressway (Guangzhou–Qingyuan, in Guangdong). This can reduce the indirect negative impact of relevant restricted access on operational performance of Qinglian Expressway, in addition to convenient services offered to drivers. In face of traffic diversion effect on Wuhuang Expressway from improving road networks in Hubei Province, our operation team closely monitored the change of road networks, strengthened analysis and study of data in road sections affected by traffic diversion, increased the number of road boards, stepped up promotion and minimised the negative effect.

The Company conducted quality check on highway regularly and continued inspection on highway administration and built up a two-way mechanism between road assets and traffic operational information, which enabled the Company to take timely measures to remove and rectify the unsafe factors in highway or take maintenance measure to better protect the quality, safety and free traffic of highways. During the year, the Group conducted maintenance works for the road surface of Jihe West, Changsha Ring Road and Section A of Yanba Expressway, and studies on application and improvement of precautionary maintenance technology of road surface. In the course of maintenance work of road surface, the Company formulated emergency plans for dealing with traffic congestion and minimised the impact of maintenance work on the traffic flow of highway by improving the construction work plan of the projects and traffic optimisation plan and strengthening the safety management and traffic arrangement in the site of maintenance work. In addition, the Company established a mechanism to conduct regular review on road maintenance plan and an interactive adjustment mechanism in which maintenance technology plans can be improved at the lowest cost during the whole operation period.

Management Discussion and Analysis

4. Business Development

Based on the holistic consideration of the planning of the economic and transportation development, the Group has conducted an in-depth research and negotiation on relevant matters with Shenzhen government on the toll adjustment of Meiguan Expressway and finally reached a consensus in compliance with the market framework. The Company, Meiguan Company, Transport Commission of Shenzhen Municipality and Shenzhen Longhua New Area Commission entered into Agreement on the Toll Adjustment and Compensation and the Transfer of Assets Regarding Meiguan Expressway (the "Adjustment Agreement") on 27 January 2014. Being approved and authorised by the general meeting of the Company and the Shenzhen government, the Adjustment Agreement has been effective since 31 March 2014. Pursuant to the Adjustment Agreement, toll-free for Meilin to Guanlan section of Meiguan Expressway with a mileage of approximately 13.8 km was implemented on 24:00 31 March 2014 operated by card access, and the toll still applies for the section from Shenzhen-Dongguan border to Guanlan with a mileage of 5.4 km. Shenzhen government will make cash compensation, including the future income of the Toll Free Section for approximately RMB1,598 million and other relevant costs/expenses for approximately RMB1,102 million (preliminary figures, part of the amount is subject to the audit figure of the relevant governmental audit department or the amount actually occurred), payable in three instalments from 2014 to 2016. Upon the toll adjustment of Meiguan Expressway, operational risks of toll highways of the Group will be reduced to a certain extent, and it will also stimulate operational performance of the connected roads. Meanwhile, provided that the future income can be reasonably predicted, the Group can realise its potential income at one time to obtain cash assets, so as to lower the overall liability of the Group, improve its financial status and enhance the capability for sustainable development in the future. For the specific impact of the adjustment to the Group's operating result and financial position, please refer to the relevant content in "Financial Analysis" below. As at the end of the Reporting Period, the Group received the first phase compensation as scheduled. The audit of amount to be confirmed and asset transfer were in progress in accordance with terms of the agreement and planned schedule.

According to the relevant documents issued by the Guangdong Provincial Transportation Department, starting from 24:00 on 30 June 2013, Qinglian Class 2 Road has terminated toll collection. As approved by the Board, the Group coordinated with government authorities in charge in transfer of assets and disposed the net book value of relevant assets of Qinglian Class 2 Road as at the end of 2013 pursuant to the requirements of CASBE. For details please refer to the Annual Report 2013 of the Company. During the Reporting Period, Qinglian Company arranged maintenance for Qinglian Class 2 Road and completed the transfer of assets in accordance with the relevant regulations and the negotiation with government department. After the transfer of Qinglian Class 2 Road was completed, the Group will no longer assume the obligations of repairing, maintenance and management, and the obligation and risks in relation to Qinglian Class 2 Road were basically eliminated.

The Company has the first refusal right for the development of Outer Ring Project. As the project requires large scale of investment with high construction cost, the Company is focusing on revising the design plan and the investment structure, and is discussing and negotiating the feasible proposals of the investment, construction and management with relevant government authorities and strive for achieving the balance of the benefits between the Company and the community. The relevant proposals are yet to be finalised at the moment. In order to cooperate with the government for the overall planning and work arrangement in relation to expressway construction, the Board has approved the Group to carry out the construction organisation works for the foregoing section of Outer Ring Project, on the condition that the Shenzhen government has specified the ultimate responsibility for Outer Ring Project and has made arrangements for the construction funding. The estimated investment amount for the foregoing section of Outer Ring Project of 1.4 km is approximately RMB 500 million. The project will be constructed with the capital arranged by the government and organised and implemented by Outer Ring Company which is a wholly-owned subsidiary of the Company. If the Group and the Shenzhen government finally fail to reach agreement on the investment and exclusive operation right matters regarding the Outer Ring Project, Shenzhen government or other investors determined by Shenzhen government will take over the construction of the foregoing section and the preliminary costs incurred for the Outer Ring Project and bear relevant legal responsibilities and obligations.

(II) Entrusted Management and Other Businesses

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, advertising and construction consultation, and prudently tapping into new business areas as meaningful attempts and auxiliary business in addition to core business for further growth of the Group.

1. Entrusted Management Business

The entrusted construction management business and the entrusted operation management business, also known as agent construction business and agent operation business, are currently the major businesses of the Group in addition to toll highway business. Leveraging on our expertise and experience accumulated in relevant areas during these years, the Group has realised reasonable revenues and returns from the receipt of management fee and/or bonus according to the calculation method as agreed with the entrusting party through the provision of services relating to construction management and toll highway operation management. In the mode of agent construction business and agent operation business, project construction and operation will be funded by the proceeds raised by the principal.

During 2014, the Company has actively expanded the entrusted construction business and undertaken the construction management of Dezheng Road Project, New Toll Station of Meiguan and Facilities Project as entrusted by Shenzhen Longhua New Area Administrative Committee and its authorised body. Also, the Company was pushing forward the approval procedure in respect of the entrusted construction contract of Guanlan Renmin Road – Meiguan Expressway Joints Project. Save as the aforesaid newly additional businesses, during the year, the entrusted construction business and entrusted operation business of the Group mainly includes Coastal Project, Nanping Phase II, Longda Municipal Section, Guilong Project, Resettlement Project and Longda Project etc.

(1) Entrusted construction business

The Coastal Phase I was completed in the third quarter of 2013 and the delivery and inspection procedures have also been completed. During the year, principally the completion settlement and government audit work were launched. During the year, Coastal Company actively pushed forward the various preliminary works of Coastal Phase II, including specific works such as preparation of water and soil conservation plan for the Project, consultation of assessment on environmental effects as well as the revision of the feasibility plan of the Project.

All investment of Section A of Nanping Phase II has been completed in July 2013, and principally the settlement and government audit work were commenced for the project during the year. According to the arrangement and adjustment of the entrusting party, there have been changes in the scale and content of the entrusted construction of Section B of Nanping Phase II. Save as those completed construction works, other works under the original contract will be no more implemented. Meanwhile, construction of the linkage section of Xinghai Avenue and Coastal Expressway was newly added. Following the completion and official opening of the additional linkage section, construction of all the contracted sections of the Section B of Nanping Phase II has been completed and fulfilled the delivery and inspection procedures at the end of October, 2014.

During the Reporting Period, various tasks of Longda Municipal Section, Dezheng Road Project, New Toll Station of Meiguan and Facilities Project were smoothly underway, among which Dezheng Road Project has been completed and delivered for use at the end of September, 2014, and main work of the New Toll Station of Meiguan and Facilities Project were completed and opened for use at middle of February 2015.

With the experience of the entrusted construction business, the Group carried out Guilong Project through Guishen Company, and participated in the regional road construction and development by build-transfer mode (“BT Mode”) in Longli, Guizhou. All construction works, as well as the transfer, of Phase I of Guilong Road has been completed within the first half of 2014. With the successful completion of construction and the meticulous attitude and integrity of its management team, the Group has won reputation in local construction management market, and thus fostering more market opportunities for the Group.

Management Discussion and Analysis

While pushing forward Guilong Project, the Investment Company has also undertaken the entrusted construction business of Resettlement Project. Phase I of the project has a gross area of approximately 35,000 square meters whereas Phase II has a gross area of approximately 62,000 square meters, including residential buildings, commercial buildings and ancillary facilities. The estimated investment amount was approximately RMB230 million. Resettlement Phase I has been fully completed and fulfilled the delivery and inspection procedures in August 2014. Regarding the Resettlement Phase II, 90% of the construction of its main body was completed as at the end of the Reporting Period. The entrusted management of Resettlement Project may help to reduce the impact of demolition and resettlement on the progress of Guilong Project and implementation of related development business, and allow the Investment Company to gain experience in the management of housing construction works, and to develop operating procedures and management system applicable to this sector of business.

(2) Entrusted operation business

In 2014, 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 management task was smoothly carried out. Moreover, pursuant to the Entrusted 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 and among which, the specific arrangement in respect of the entrusted management of the operation period of Coastal Company will be confirmed after further negotiation, and subject to the ultimate approval of Shenzhen Government. As at the Reporting Date, the details of the calculation and payment arrangement of the entrusted management fee are still under negotiation, and are subject to the approval procedures handled by the parties of the agreement as stipulated.

For details of the profits and incomes and expenses of various entrusted management businesses during the Reporting Period, please refer to the following contents of "Financial Analysis" and note V34(a) to the Financial Statements in this annual report.

2. Expansion of Entrusted Management Business

Compared with the simple entrusted construction business, under the BT mode, the entrusted party is required to raise capital during the construction period. Therefore, the recovery of fund is the key part of management under this mode, and the method, period and safety of the recovery will directly affect the success and revenue of the project. The Group, based on the features of the project and the actual circumstances of the Company, has adopted various effective measures through the platform of Investment Company and Guishen Company to carry out an intensive study and discussion on such key issues as how to effectively reduce the risk of fund recovery and timely realise the return on investment, so as to carry out business expansion and practices and cautiously entered into the businesses related to the Company's core business capability while realising reasonable returns.

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 land 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 even more incomes from the project, Guishen Company actively engaged in the land tenders within the development area of Guilong Project. From 2012 to the Reporting Date, Guishen Company has successfully won the bid for the land with an area of approximately 2,310 mu (approximately 1,540,000 square meters) with a total consideration of approximately RMB809 million. Guishen Company has set up several wholly-owned subsidiaries to hold and manage the land use rights of the parcels mentioned above.

The Board approved Guishen Company to adopt a progressive development strategy to conduct further development of the land with an area of 300 mu (approximately 200,000 square meters) in the obtained lands on their own with the expected accumulated amount of investment not exceeding RMB850 million. Currently, Guishen Company has completed the overall planning, housing construction design, landscape design, the main construction and the infrastructure construction of the developed area of Project Experience Zone of Phase I of Guilong Development Project (approximately 110 mu, equivalent to 70,000 square meters), of which the construction of the roof of the main structure has been completed. Meanwhile, the Group also conducted sales and marketing planning in which to make best use of the project's advantages on the environment and strategic location and promote the project as a boutique property of quality on design, construction and management. The project was planned to launch in the first half of 2015. In addition, in July 2014, the Board further approved the Group to transfer 100% interest in Yuelong Company, which currently owns 296 mu (approximately 200,000 square meters) of Guilong land. As at the Reporting Date, the Group had a substantial negotiation with the intended transferee, and the transfer procedure is actively in progress. On such basis, Guishen Company will, through market transfer, cooperative development or self-development regarding the overall market conditions and development opportunities, realise the market value of the lands it holds and the Group's investment gain as soon as possible and prevent the contractual and market risks in relation to the lands in effective way.

3. Urban Renewal Project

Following the implementation of toll-free for Meilin to Guanlan section of Meiguan Expressway with a mileage of approximately 13.8 kilometres, the Shenzhen government gradually carries out urban planning design and renewal work along Meiguan Expressway. According to relevant regulations of Measures on Administration of Urban Renewal of Shenzhen Municipality, the government intends to implement the Meilin Checkpoint Urban Renewal Project, and the Company and SZ International, the controlling shareholder of the Company, as the original owners of the Meilin Checkpoint Renewal Land, has the right to establish a project company as the entity to apply for the Meilin Checkpoint Urban Renewal Project and be responsible for related works in acquiring the land of the project. On 8 August 2014, the Company and SZ International entered into the framework agreement on joint venture in establishment of the Project Company in relation to the Meilin Checkpoint Urban Renewal Project. Pursuant to the agreement, the Company and XTC Company, a wholly-owned subsidiary of SZ International, jointly contributed capital to establish United Land Company, in which the Company and XTC Company own 49% and 51% equity interests respectively. Such arrangement was approved by the independent shareholders of the Company in the second extraordinary general meeting 2014. For the status of their capital contribution to United Land Company during the year and the details related to the terms of the agreement and transaction, please refer to the content of "Financial Analysis" and the content related to connected transactions in "Report of the Directors" in this annual report.

The Meilin Checkpoint Renewal Land is situated at geographically advantageous location with certain advantage on land price over that of the adjacent area, good investment value and appreciation potential. The Company cooperates with SZ International to carry out the project and could meet the government's related requirements on the entity for urban renewal, and to enable both parties to seize the opportunity for urban development and renewal, timely realise the commercial value of current resources, and improve the overall corporate performance and shareholders' returns. As at the end of the Reporting Period, United Land Company commenced the preparatory reporting work of urban renewal transformation project and unit planning and the evaluation and negotiation of compensation for land expropriation and resettlement. Currently the main goal of the Project Company is to obtain the land resources of Meilin Checkpoint Renewal Project on schedule. For the fund arrangement plan related to land acquisition, please refer to the content in "Outlook and Plans" below. Given the strategic positioning and commercial interests of both shareholders of Project Company can be satisfied, transfer of the equity interest of the Project Company or development of the project by Project Company itself will be considered afterward to realise the value of the project. During the Reporting Period, the aforesaid transaction and arrangement had no effect on the financial condition and the operation performance of the Company.

Management Discussion and Analysis

4. Other Businesses

The Group is engaged in the businesses of billboard leasing, advertising agency, design production and related services alongside the toll highways and toll stations through its wholly-owned Advertising Company and acquired high-quality outdoor advertising resources to expand its business scope and market share. In addition, the Company holds 24% and 15% of interests in Consulting Company and Guangdong UETC respectively by way of equity participation. The principal businesses of Consulting Company include project management consultancy, survey, design, engineering supervision, construction costs consultancy, tendering agency and test and inspection, and that of Guangdong UETC include electronic clearing business of the toll highways in Guangdong Province, including investment, management and services of electronic toll and clearing systems, and the sale of related products.

During the year, each of the above business, in general, proceeded smoothly and met the Group's expectation. Limited by the scale, the contribution from these businesses currently accounts for a small proportion of the Group's revenues and earnings. For details of the other businesses of the Company during the Reporting Period, please refer to note \34 to the Financial Statement in this annual report.

II. Financial Analysis

The Group recorded net profit attributable to owners of the Company ("Net Profit") of RMB 2,186,883,000(2013: RMB719,692,000) for 2014, representing a YOY increase of 203.86%. During the Reporting Period, the Group recognised the net gains on disposal of assets after tax of the Toll Free Section of Meiguan Expressway ("Gains on Disposal of Meiguan Assets") of RMB1,114,844,000. Excluding the effect of gains on disposal of such assets and the Loss from Disposal of Qinglian Class 2 Road Assets recognised in the corresponding period of prior year, Net Profit realised a YOY increase of 24.97%. The increase was mainly attributable to the good performance of the Group's core businesses such as toll highways and entrusted construction management services, as well as the reduction in borrowing scale and finance costs.

(I) Analysis of Main Business

1. Summary of Annual Results and Cash Flow

Item	Unit: RMB'000		
	2014	2013	Change (%)
Revenue	3,620,357	3,279,281	10.40
Cost of services	1,705,256	1,526,197	11.73
Selling expenses	4,778	184	2,499.64
General and administrative expenses	88,494	87,531	1.10
Financial expenses	419,278	582,278	-27.99
Investment income	187,042	185,677	0.74
Non-operating income	1,510,538	5,775	26,055.86
Non-operating expenses	2,191	244,411	-99.10
Income tax expenses	695,448	163,411	325.58
Net cash flows from operating activities	1,793,755	1,761,225	1.85
Net cash flows from investing activities	494,868	-505,055	N/A
Net cash flows from financing activities	-2,123,007	-2,121,387	0.08

2. Revenue

During 2014, the Group recorded revenue of RMB3,620,357,000, representing a YOY increase of 10.40%, of which toll revenue of RMB3,007,632,000, representing a YOY increase of 3.77%, was the main source of revenue of the Group.

The growth of the Group's revenue during the Reporting Period was primarily attributable to the increase in the revenue of entrusted construction management services and toll revenue. The detailed analysis of revenue is set out below:

Unit: RMB'000

Revenue item	2014	Percentage of total (%)	2013	Percentage of total (%)	Change (%)	Description
Revenue from main business – toll highways	3,007,632	83.08	2,898,291	88.38	3.77	(1)
Other revenue – entrusted management services	503,436	13.91	266,656	8.13	88.80	(2)
Other revenue – advertising and others	109,289	3.01	114,334	3.49	-4.41	
Total revenue	3,620,357	100.00	3,279,281	100.00	10.40	

Description:

- (1) In 2014, Meiguan Expressway was affected by the adjustment of toll fees, and Wuhuang Expressway was affected by factors including diversion by road network in the surrounding area, as a result, both projects recorded a decrease in toll revenue. Benefiting from the organic growth of traffic volume, improvement of road network and proactive marketing campaign, other affiliated toll highways of the Group achieved certain extent of growth. Of which, the YOY growth of Jihe East and Jihe West exceeded 20% while that of Qinglian Expressway represented a YOY growth of approximately 10%. Details of the operating performance of each project during the Reporting Period are set out in the Business Review above. The income analysed by specific project is set out in point (II) below.
- (2) During the year, the Group adjusted and recognised the revenue from the entrusted management services in respect of both Coastal Phase I and Guilong Project of RMB 235,057,000 and RMB 193,110,000 based on the actual settlement of the work, the audit results of the relevant government departments and the progress of completion, representing a YOY increase of RMB 188,236,000 and RMB 69,987,000 respectively, resulting in a substantial increase in the revenue from the entrusted management services for this period on a YOY basis. Details of the revenue from the entrusted management services are set out in note V34(a) to the Financial Statements in this annual report. The management period of the entrusted construction management projects normally lasts for more than three years. During the respective periods, as affected by the changes of various factors including the scale of each project, progress of construction during the current period, contractual terms, audit results of relevant government department and settlement of works, the related services income and costs recognised by the Group may have a typically higher level of fluctuation.

Given the nature of the Group's business, the target customers of toll highways are not specific. Apart from toll fees, the total revenue from the top five customers of the Group amounted to RMB 502,609,000, representing 13.88% of the overall revenue of the Group.

Management Discussion and Analysis

3. Costs

During 2014, the cost of services of the Group amounted to RMB 1,705,256,000 (2013:RMB1,526,197,000), representing a YOY increase of 11.73%, which was mainly attributable to the increase in the cost of entrusted management services and the maintenance expenses and depreciation and amortisation expenses of other ancillary toll highways. A detailed analysis of the cost of services is set out as follows:

Unit: RMB'000

Sub-segments	Cost items	Situation of the sub-segments					Description
		2014	Percentage of total cost for 2014 (%)	2013	Percentage of total cost for 2013 (%)	Percentage of YOY change (%)	
Cost of main business– toll roads	Employee expenses	194,709	11.42	208,615	13.67	-6.67	(1)
	Road maintenance expenses	156,397	9.17	89,930	5.89	73.91	(2)
	Depreciation and amortisation	944,029	55.36	920,410	60.31	2.57	(3)
	Other business costs	174,439	10.23	190,392	12.47	-8.38	(4)
	Sub-total	1,469,574	86.18	1,409,347	92.34	4.27	(5)
Cost of other businesses– entrusted management services	Employee expenses	42,974	2.52	29,515	1.93	45.60	(6)
	Depreciation and amortisation	1,039	0.06	959	0.06	8.34	
	Other business costs	128,462	7.53	22,587	1.49	468.73	(6)
	Sub-total	172,475	10.11	53,061	3.48	225.05	(6)
Cost of other businesses– advertising and others	Employee expenses	5,017	0.29	4,713	0.31	6.45	
	Depreciation and amortisation	31,101	1.82	33,210	2.18	-6.35	
	Other business costs	27,089	1.59	25,866	1.69	4.73	
	Sub-total	63,207	3.71	63,789	4.18	-0.91	
Total of cost of services	1,705,256	100.00	1,526,197	100.00	11.73		

Description:

- (1) Mainly due to the fact that Meiguan Expressway Toll Free Section has implemented the toll-free policy since 1 April 2014, the employee expenses of the related businesses is accordingly reduced.
- (2) Mainly due to the fact that Qinglian Company completed the maintenance and transfer of Qinglian Class 2 Road during the Reporting Period and recognised the road maintenance expense of RMB38,000,000 and the saving of actual maintenance expenses for Jihe East during 2013, which was RMB21,198,000 less than the provisions, setting off against the current cost.
- (3) Mainly as a result of the combined effect of growth in traffic volume of various highways, adjustment of unit usage of intangible assets of some toll roads and the amount of assets carried forward upon completion of the expansion works of Meiguan Expressway in the end of 2013.
- (4) Mainly resulting from the fact that the entrusted management fee expense of Wuhuang Expressway decreased correspondingly due to decrease in revenue.
- (5) Costs presented based on detailed items are set out in point (II) below.

- (6) Cost of entrusted construction management services mainly represents employee expenses related to the project management and other service cost arising from the audit results on the projects made by the government and the contracted commitment. During the Reporting Period, the increase in employee expenses was mainly attributed to the increase in headcounts and performance bonus for the employees in respect of the entrusted construction management business based on the growth in business. The increase in other business cost was mainly attributed to the adjustment and recognition of the cost of entrusted construction management services according to the settlement of actual progress of Coastal Phase I. The entrusted management cost recognised during the year primarily included the cost of construction management services of Coastal Phase I, Guilong Project, Nanping Phase II and Resettlement Phase I, which amounted to RMB150,761,000, RMB25,516,000, RMB-9,470,000 and RMB757,000 respectively.

The purchases from the Group's top five suppliers amounted to RMB155,169,000, accounting for 21.28% of total purchases of the Group.

4. Expenses

The Group's selling expenses for the year 2014 amounted to RMB4,778,000 (2013: RMB184,000), representing a YOY increase of RMB4,594,000. The increase was mainly attributable to the increase in preliminary selling expenses of Phase I of Guilong Development Project.

The Group's general and administrative expenses for the year 2014 remained same level generally with the corresponding period of prior year, amounted to RMB88,494,000 (2013: RMB87,531,000), representing a YOY increase of 1.10%

The Group's financial expenses for the year 2014 amounted to RMB419,278,000 (2013: RMB582,278,000), representing a YOY decrease of 27.99%, which was mainly attributable to the decrease in the Group's average borrowing scale during the Reporting Period and the recognition of interest income in respect of the compensation receivables as agreed in Meiguan Expressway Adjustment Agreement. Please refer to the Analysis of Asset/Liability for details of the borrowing scale. A detailed analysis on financial expenses is as follows:

Financial expenses item	Unit: RMB'000		
	2014	2013	Change (%)
Interest expenses	525,036	599,086	-12.36
Less: Interest capitalised	83	16,968	-99.51
Interest income	107,937	24,975	332.18
Exchange gain/loss and others	4,941	-632	N/A
Add: Time value of provisions for maintenance/resurfacing	7,203	24,503	-70.60
Total financial expenses	419,278	582,278	-27.99

During the year 2014, the Group's income tax expenses amounted to RMB695,448,000 (2013: RMB163,411,000), representing a YOY increase of 325.58%. Such increase was mainly attributable to the significant increase in taxable income as a result of the recognition of Gains on Disposal of Meiguan Assets during the Reporting Period. Details of the Group's applicable income tax rate and income tax expenses for current year are set out in notes IV and V41 to the Financial Statements in this annual report.

Management Discussion and Analysis

5. Investment Income

During 2014, the Group's investment income from joint ventures and associates amounted to RMB187,042,000 (2013: RMB185,677,000), representing a YOY increase of 0.74%. Excluding Changsha Ring Road, the investment income of other joint ventures and associates recorded a YOY growth to certain extent. This was mainly attributable to the YOY overall increase in toll revenue as a result of the combination of such factors as the regional economic development and the changes in the traffic distribution in the road network, as well as the overall decrease in corporate borrowing scale and financial costs. During the year, Changsha Ring Road recorded certain loss as a result of special road surface maintenance. A detailed analysis on investment income from joint ventures and associates is as follows:

Unit: RMB'000

Toll highway	Toll revenue		Cost of services of toll highways		Gross margin of toll highways		Investment income of the Group ^{Note}	
	2014	Change (%)	2014	Change (%)	2014	Change (pct. pt)	2014	Change
Joint ventures:								
Changsha Ring Road	61,290	16.97	126,282	270.13	-106.04	-140.92	-25,232	-38,278
Associates:								
Shuiguan Expressway	505,727	6.77	173,469	5.20	65.70	0.51	70,535	8,902
Shuiguan Extension	84,254	31.12	65,009	25.78	22.84	3.27	-1,238	3,071
Yangmao Expressway	564,738	5.32	183,813	-3.70	67.45	3.05	64,937	7,996
Guangwu Project	292,718	11.61	123,006	12.87	57.98	-0.47	27,737	6,887
Jiangzhong Project	372,045	10.26	249,478	6.44	32.94	2.41	7,217	4,156
GZ W2 Expressway	334,781	11.21	144,391	3.15	56.87	3.37	13,809	4,149
Nanjing Third Bridge	399,116	-6.66	135,228	-16.11	66.12	3.82	25,649	4,538
Total	/	/	/	/	/	/	183,414	1,421

Note: Investment income of RMB4,505,000 (2013: RMB3,684,000) and RMB-877,000 (2013: Nil) from Consulting Company and United Land Company, respectively were not included in the figures of investment income of the Group as set out in the above table. Details are set out in notes V9 and 38 to the Financial Statements in this annual report.

6. Non-operating Income and Expenses

During 2014, there is a significant increase in the Group's non-operating income mainly resulted from the Group's disposal of the related assets of Meiguan Expressway Toll Free Section and the recognition of gain from disposal of assets. Details of Gains on Disposal of Meiguan Assets are set out below.

In 2014, there is a significant decrease in the Group's non-operating expenses mainly resulted from the disposal of the book value of related assets of Qinglian Class 2 Road made by the Group in 2013. The relevant net asset value and liquidation expense of assets of approximately RMB 241 million were included in non-operating expenses as loss from disposal of assets, resulting in a reduction of RMB 138 million in net profit of the Group for 2013. For details of Disposal of Qinglian Class 2 Road Assets, please refer to the Annual Report 2013 of the Company.

7. Cash Flow

The toll revenue of the Group's principal toll highway operations is collected in cash, thereby providing the Group with a steady operating cash flow. During the Reporting Period, the Group's net cash inflows from operating activities and cash return on investments^{Note} totaled RMB1,888,989,000 (2013: RMB1,853,843,000), representing a slight YOY increase of 1.90%. As a result of the receipt of the first installment of compensation for adjustment of toll fees of Meiguan Expressway and decreased capital expenditures, the net cash inflows from investing activities amounted to RMB495 million. The net cash outflows from financing activities were at the same level as last year as a result of the issue of medium-term notes of RMB1.0 billion, and the relevant financing arrangement and debt structure adjustment.

Note: Aggregated figures of 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.

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 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 our recurring cash flow from the operating and investing activities.

8. Amortisation Policies of Concession Intangible Assets and Differences Analysis

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 reviews on the projected traffic volumes and makes corresponding adjustments to ensure reliability and accuracy of the amortised amount. Details on this accounting policy and accounting estimates are set out in notes III\17(1), 27(2)(a) and 28(2) to the Financial Statements in this annual report.

During the preliminary stages of toll highways' operation 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 2014, the amortisation difference under the two methods of amortisation attributable to the Company based on its share of interests was RMB60 million, representing a YOY decrease of 32%. The adoption of different amortisation methods had no impact on the cash flow generated from various toll highway projects and thus had no impact on the valuation of various projects.

9. Description of General and Special Matters

In 2014, the Group continued to adopt the current strategy as its policy guide. In view of the opportunities and challenges from the changes of internal and external environment, the Group prudently acted and actively responded towards such opportunities and challenges so as to achieve the management objectives as set in the beginning of the year. There is no material difference in the aspects such as income and cost control of main business with the plan formulated in the beginning of the year.

The Group recognised Gains on Disposal of Meiguan Assets of approximately RMB1.1 billion, representing about 51% the net profit for the year. Save for the effect of aforesaid gains on disposal of assets and loss from disposal of assets of 2013, the Group's net profit realised a YOY increase of 24.97% with no material changes in the composition and sources of profit.

Management Discussion and Analysis

Gains on Disposal of Meiguan Assets:

As Meiguan Expressway Toll Free Section has implemented the toll-free policy since 24:00 on 31 March 2014 and thus no longer contributes operating income to the Company, while the ownership of the related assets was transferred to the Shenzhen government since 1 April 2014, the Group disposed the book value of the related assets of Meiguan Expressway Toll Free Section in the second quarter of 2014 pursuant to relevant requirements of CASBE. According to the relevant compensation arrangement as set out in the Adjustment Agreement, after deduction of the relevant tax and cost, Gains on Disposal of Meiguan Assets of RMB1,114,844,000 has been recognised, resulting in a corresponding increase in the Group's net profit for the Reporting Period of RMB1,114,844,000. The relevant analysis of disposal of assets of Meiguan Expressway Toll Free Section is as follows:

		Unit: RMB'000
Items		Amount
1.	Income loss/cost compensation ⁽¹⁾	1,940,870
	Add: Transaction tax compensation ⁽²⁾	574,854
	Less: Book value of net asset value	832,583
	Related taxes such as Business tax ⁽²⁾	150,890
	Other related expenses	36,241
2.	Profit before tax (non-operating income)	1,496,010
	Less: Income tax expense of current period ⁽²⁾	423,964
	Deferred income tax expense	-42,798
3.	Net gain after tax on disposal of assets	1,114,844

Notes:

- (1) Income loss/cost compensation includes present value of future gain of Toll Free Section of RMB1,597,950,000 and share of cost compensation of reconstruction and expansion of Toll Free Section of RMB 342,920,000.
- (2) Transaction tax and related compensation amount are estimated figures, it is subject to the actual levy by Tax Authorities, but have no effect on the net gain on disposal of assets.
- (3) The compensation of future operational expense of additional ramp toll station amounted to RMB162,850,000 which is used as deferred gain to offset relevant operating costs in the future by installments.

Pursuant to the Adjustment Agreement, share of reconstruction and expansion costs of Meiguan Expressway attributable to Toll Free Section shall be compensated based on the actual costs incurred and is subject to the audit figure of the relevant government audit department. Therefore, the final compensation may be different from the preliminary compensation as set out in the Adjustment Agreement. Gains on Disposal of Meiguan Assets will also be adjusted accordingly, but the difference is expected to be immaterial.

(II) Analysis of Industry, Product or Regional Operation

1. Breakdown of Main Business by Industry and Product

Unit: RMB'000

Breakdown of main business by industry						
Industry	Operating income	Operating costs	Gross profit margin (%)	Change in operating income against 2013 (%)	Change in operating costs against 2013 (%)	Change in gross profit margin against 2013 (%)
Toll highway	3,007,632	1,469,574	51.14	3.77	4.27	Decrease of 0.23%
Breakdown of main business by industry						
Product – Toll highway	Operating income	Operating costs	Gross profit margin (%)	Change in operating income against 2013 (%)	Change in operating costs against 2013 (%)	Change in gross profit margin against 2013 (%)
Qinglian Expressway	779,751	438,868	43.72	9.68	2.96	Increase of 3.67%
Jihe East	589,321	304,000	48.42	21.51	20.34	Increase of 0.50%
Jihe West	462,659	101,866	77.98	20.92	13.38	Increase of 1.47%
Wuhuang Expressway	325,202	175,683	45.98	-14.36	-12.23	Decrease of 1.31%
Nanguang Expressway	306,476	159,287	48.03	6.67	10.07	Decrease of 1.61%
Yanpai Expressway	213,233	91,995	56.86	7.98	8.05	Decrease of 0.03%
Yanba Expressway	180,032	109,325	39.28	11.11	10.63	Increase of 0.26%
Meiguan Expressway	150,958	88,550	41.34	-48.50	-20.79	Decrease of 20.52%
Subtotal	3,007,632	1,469,574	51.14	3.77	4.27	Decrease of 0.23%

Description:

During the Reporting Period, the overall profit margin of the Group's affiliated toll highways was 51.14%, remained same level as last year. Of which, the growth and gross profit margin of Qinglian Expressway, Jihe East and Jihe West improved respectively. The amount carried forward upon completion of the expansion works of Meiguan Expressway in the end of 2013 and the Group disposed of the assets of Meiguan Expressway Toll Free Section in the second quarter of 2014. With the combined effect of these aspects, the gross profit margin of Meiguan Expressway decreased as compared to the corresponding period of the previous year. Save for the effect of Meiguan Expressway, the overall gross profit margin of other affiliated toll highways for the year 2014 was 51.66%, representing an increase of 1.46%.

2. Main Business by Regions

Unit: RMB '000

Region	Revenue	Increase or decrease (%) of revenue over last year
Toll highway business – Guangdong Province	2,682,430	6.51
Toll highway business – Hubei Province	325,202	-14.36

(III) Analysis of Assets/Liabilities

The Group's financial position remains solid, and its assets mainly comprise concession intangible assets in high-grade toll highways and equity investments in the enterprises operating toll highways, which accounts for 72.53% of its total assets, and cash at bank and on hand and other assets, which accounts for 6.72% and 20.75% of its total assets, respectively. As at 31 December 2014, the Group's total assets amounted to RMB24,329,324,000 (31 December 2013: RMB22,840,107,000), representing a YOY increase of 6.52%. The increase was mainly attributable to the disposal of the relevant assets of Meiguan Expressway Toll Free Section during the Reporting Period and the recognition of the liabilities thereof and the increase of receivables from entrusted construction projects.

Management Discussion and Analysis

As at 31 December 2014, outstanding bonds payable and bank borrowings of the Group amounted to RMB8,048,610,000 (31 December 2013: RMB9,297,563,000), representing a decrease of 13.43% over the end of 2013. The decrease was mainly attributable to early repayment of part of long-term borrowings by the Group during the reporting period based on its financial position and funding requirements, of which Qinglian Project utilised borrowings of RMB5.18 billion. In 2014, the average size of borrowings of the Group was RMB 8.91 billion (2013: RMB 10.19 billion), representing a YOY decrease of 12.56%.

1. Analysis of Assets and Liabilities

Unit: RMB '000

Name of project	31 December 2014	Share (%) of balance at the end of 2014 to total assets	31 December 2013	Share (%) of balance at the end of 2013 to total assets	YOY change (%)	Description
Cash at bank and on hand	1,634,299	6.72	1,094,797	4.79	49.28	(1)
Accounts receivable	721,307	2.96	495,331	2.17	45.62	(2)
Advances to suppliers	236,722	0.97	134,810	0.59	75.60	(3)
Other receivables	98,912	0.41	165,949	0.73	-40.40	(4)
Inventories	534,748	2.20	345,018	1.51	54.99	(5)
Current portion of non-current asset	800,000	3.29	-	-	N/A	(6)
Long-term receivable	1,291,780	5.31	-	-	N/A	(7)
Short-term borrowings	23,667	0.10	450,400	1.97	-94.75	(8)
Accounts payable	164,271	0.68	375,720	1.65	-56.28	(9)
Taxes payable	529,265	2.18	73,911	0.32	616.09	(10)
Interest payable	102,382	0.42	70,058	0.31	46.14	(11)
Dividend payable	28,626	0.12	-	-	N/A	(12)
Other payables	935,705	3.85	518,800	2.27	80.36	(13)
Current portion of non-current liabilities	1,022,387	4.20	620,327	2.72	64.81	(14)
Provisions	88,745	0.36	206,979	0.91	-57.12	(15)
Deferred income	162,850	0.68	-	-	N/A	(16)
Other non-current liabilities	59,874	0.25	-	-	N/A	(17)

Descriptions:

- (1) Increase in tax payable provision related to the income arising from disposal of Meiguan assets, and the increase in balance of government fund from entrusted construction projects.
- (2) Entrusted construction management services income of the Coastal Phase I and Guilong Project was recognised.
- (3) A subsidiary of the Company successfully bid the land use right of Guilong Land and paid land premium, part of which has not met the delivery condition.
- (4) Recovery of part of construction advances of Guilong Project.
- (5) Transfer of the part of the Guilong Land held by the subsidiary of the Company as the advances into inventories for auditing, and increase in land development expense.
- (6) Second instalment compensation of RMB 800 million for toll adjustment of Meiguan Expressway shall be collected before August 2015.

- (7) Recognition of the third instalment compensation and relevant interests for toll adjustment of Meiguan Expressway and recognition of entrusted management services income of Guilong Project to be collected over one year.
- (8) Repayment of part of short-term borrowings.
- (9) Payment of part of project funds and quality deposits for Qinglian Project and the reconstruction and expansion of Meiguan Expressway.
- (10) Income tax expenses as a result of the recognition of Gains on Disposal of Meiguan Assets were settled in January 2015.
- (11) Interests on medium-term notes issued this year were accrued.
- (12) Recognition of dividend payable to minority shareholders by JEL Company.
- (13) The increase in balance of government fund from entrusted construction projects and provision of entrusted management services cost of the Coastal Phase I.
- (14) Transfer of private placement notes of RMB 800 million to be due in 2015 into non-current liabilities due within one year and repayment of part of long-term borrowings due during the reporting period.
- (15) Transfer of repair expense of Yanpai Expressway and Yanba Expressway to be implemented in 2015 into non-current liabilities due within one year.
- (16) Recognition of compensation to the future operating costs of additional ramp toll stations to be built after the toll adjustment of Meiguan Expressway.
- (17) Recognition of the long-term tax related to compensation relating to the toll adjustment of Meiguan Expressway, the part due within one year being deducted.

2. Description on Changes in Measurement Nature of Assets and Major Assets Measured at Fair Value

All major operations of the Group are located in China, and the majority of the Group's operating payments and capital expenditures are settled in RMB. As at the end of the Reporting Period, the Group had primarily RMB23,731,000 worth of foreign currency-denominated monetary liabilities in HK\$, while RMB1,416,000 and RMB93,000 worth of monetary assets were in HK\$ and other foreign currencies, respectively. Foreign currency-denominated items were net liabilities after netting off. The Company has arranged the financial instrument of Non-Deliverable Gross Currency Swap for a loan of HK\$420 million with a maturity period of five years to lock up the interest rate and exchange rate. As at the end of the Reporting Period, such loan was settled in full on schedule. The aforesaid derivative financial liabilities measured at fair value and the changes in fair value during the Reporting Period are as follows:

Unit: RMB '000

Investment types	Funding sources	Contracting party	Investment amounts	Investment period	Product type	Expected gains	Investment gains/losses (change in fair values during the Period)	Whether involved in litigation
Derivative	Self-owned	Industrial and Commercial Bank of China (Asia) Limited	HK\$420 million	Apr. 2010 – Sep. 2014	Non-deliverable gross currency swap	N/A	10,051	No

Management Discussion and Analysis

3. Capital Structure and Debt Repayment Capability

The Company is always committed to maintaining a rational capital structure and enhancing its profitability, in order to maintain its good credit ratings and solid financial position. During the Reporting Period, owing to the combined effect of such factors as the increase in the Group's profit, recognition of disposal of Meiguan assets and the decrease in the size of net borrowings, the net borrowings-to-equity ratio of the Group decreased significantly YOY as at the end of the Period, and the interest covered multiple and EBITDA interest multiple increased significantly YOY, showing further improvement of the Group's debt repayment capability. Given the Group's stable and robust operating cash flows and its strong capability in financing and capital management, the Directors are of the view that the financial leverage ratios remained at safe levels as at the end of the Reporting Period.

	31 December 2014	31 December 2013
Debt-to-asset ratio (Total liabilities/Total assets)	46.07%	50.79%
Net borrowings-to-equity ratio ((Total borrowings – cash and cash equivalents)/Total equity)	51.78%	73.03%
	2014	2013
Interest covered multiple ((Profit before tax + interest expenses)/Interest expenses)	6.57	2.44
EBITDA interest multiple (Earnings before interests, tax, depreciation and amortisation/Interest expenses)	8.42	3.98

4. Liquidity and Cash Management

During the Reporting Period, as a result of relatively large scale of total liabilities, certain pressure from short-term repayment and the uncertainty of funding requirement due to the sell-back of RMB1.5 billion corporate bonds that may take place in July 2014, the Group continued to improve its debt structure through related financing arrangements to reduce the pressure from current liabilities, strengthen the capital arrangement on subsidiaries and major projects, appropriately increase its cash on hand and maintain sufficient banking facilities so as to prevent liquidity risk.

During the Reporting Period, the Group issued medium-term notes of RMB1.0 billion bearing a term of 3 years, which will be used for repayment and replacement of borrowings that will expire in the near term. The Group also arranged an appropriate amount of capital at the end of June as provision for the sell-back of corporate bonds in July 2014, and arranged an appropriate amount of capital at the end of the year, which will be used for tax provision related to the income arising from disposal of Meiguan assets. As at the end of the Reporting Period, the Group's cash was deposited in commercial banks, with no deposit in non-bank institutions or any amounts applied to investment in securities or entrusted management.

Unit: RMB million

	31 December 2014	31 December 2013	Change
Net current assets	1,092	3	1,089
Cash and cash equivalents	1,255	1,090	165
Banking facilities available	5,507	6,031	-524

5. Contingencies

Details on the Group's contingencies during the Reporting Period are set out in note XI2 to the Financial Statements in this annual report.

(IV) Analysis of Our Investment

1. Equity Investment in External Companies

During the Reporting Period, the equity investment of the Group amounted to RMB482 million (2013: RMB20 million) this year, representing YOY increase of RMB462 million or 2,281.11%. Additional equity investment of the Group in 2014 included establishment of Luyun Company and Property Management Company, being wholly-owned subsidiaries of the Company, and United Land Company, being an associate of the Company, and completion of capital injection in Qinglian Company and Property Company, being subsidiaries of the Company. The details are as follows:

Unit: RMB '000

Name of investee companies	Major business	Shareholding	Investment in 2014	Description
Qinglian Company	Construction, operation and management of Qinglian Expressway and related ancillary facilities.	76.37%	194,774	Shareholders of Qinglian Company increased capital injection with the amount of RMB255,040,000 in cash into Qinglian Company in proportion to their shareholding to meet the funding requirements of the project construction and optimise the capital structure.
Property Company	Comprehensive land development, real estate development and leasing etc.	70%	157,000	Guishen Company, a indirect subsidiary of the Company, increased capital injection with the amount of RMB157,000,000 in cash into Property Company to meet the funding requirements of the project construction and optimise the capital structure.
Luyun Company	Project consultancy, project design, project construction management as well as construction and operating management of public service facilities.	100%	100,000	In order to expand operation and development and financing channels, the Company set up Luyun Company, a wholly-owned subsidiary of the Company in Qianhai, Shenzhen with registered capital of RMB 100 million. The Company completed capital injection into such company in October 2014.
United Land Company	As the entity and legal person to apply for the Meilin Checkpoint Urban Renewal Project and be responsible for related works in acquiring the land and resettling of the Meilin Checkpoint Urban Renewal Project.	49%	29,400	For details, please refer to sections of business review above and "Report of the Directors" in this annual report. The registered capital of first phase of United Land Company was RMB 200 million, of which RMB60 million of capital injection completed as at 31 December 2014. The Company made capital injection of RMB 29,400,000 in proportion to our shareholding.
Property Management Company	Property management, landscaping works, cleaning service, etc.	100%	1,000	Established by Investment Company, a wholly-owned subsidiary of the Company.
Total	/	/	482,174	/

Management Discussion and Analysis

2. Analysis of Major Subsidiaries and Participating Companies

Units: RMB'000

Company name	Percentage of interests held by the Group	Registered capital	31 December 2014		2014			Principal business
			Total assets	Net assets	Revenue	Operating profit	Net profit/(Net loss)	
Meiguan Company	100%	332,400	2,536,905	536,931	151,672	150,477	1,228,628	Construction, operation and management of Meiguan Expressway
Jihe East Company	100%	440,000	2,409,686	1,712,264	590,092	261,039	196,614	Construction, operation and management of Jihe East
Mei Wah Company	100%	HK\$795,381	1,200,508	1,175,221	–	66,620	66,620	Indirectly holding 25% interests in Qinglian Company and 55% interests in Magerk Company
Qinglian Company	76.37%	3,361,000	8,739,236	3,083,551	782,885	1,300	–29,461	Construction, operation and management of Qinglian Expressway and auxiliary facilities
JEL Company/ Magerk Company	55%	US\$28,000	1,045,692	823,717	330,677	145,691	109,208	JEL Company: investment holding (holding interests in Magerk Company); Magerk Company: toll collection and management of Wuhuang Expressway
Qinglong Company	40%	324,000	2,080,908	537,649	512,092	235,941	179,106	Development, construction, toll collection and management of Shuiguan Expressway
Investment Company	100%	400,000	1,159,147	770,769	211,604	145,014	98,748	Investment in industries and project construction
Guishen Company	70%	500,000	1,151,029	741,839	193,110	145,210	141,347	Investment, construction and management of road and urban and rural infrastructure

During the Reporting Period, Meiguan Company has disposed of the assets of Toll Free Section and recognised a net gain from disposal of assets. Excluding the effect of gains from disposal of such assets, the net profit of Meiguan Company had declined YOY; Investment Company recognised the entrusted construction management revenue of the Guilong Project and Resettlement Phase I with YOY increase in net profit. For the operational and financial performance of the major subsidiaries and participating companies mentioned above during the Reporting Period, please refer to the relevant parts of business review and financial analysis as set out in this section.

3. Use of Non-raised Capital

During the Reporting Period, the capital expenditures of the Group on the intangible assets and fixed assets mainly comprised the settlements of projects such as the reconstruction into an expressway for Qinglian Class 1 Highway, the reconstruction and expansion for Meiguan Expressway and the investment in mechanical and electrical facilities in ancillary operating highway section and capital expenditures of the subsidiaries, totaling approximately RMB342 million.

The investments in major projects are as follows:

Units: RMB'000

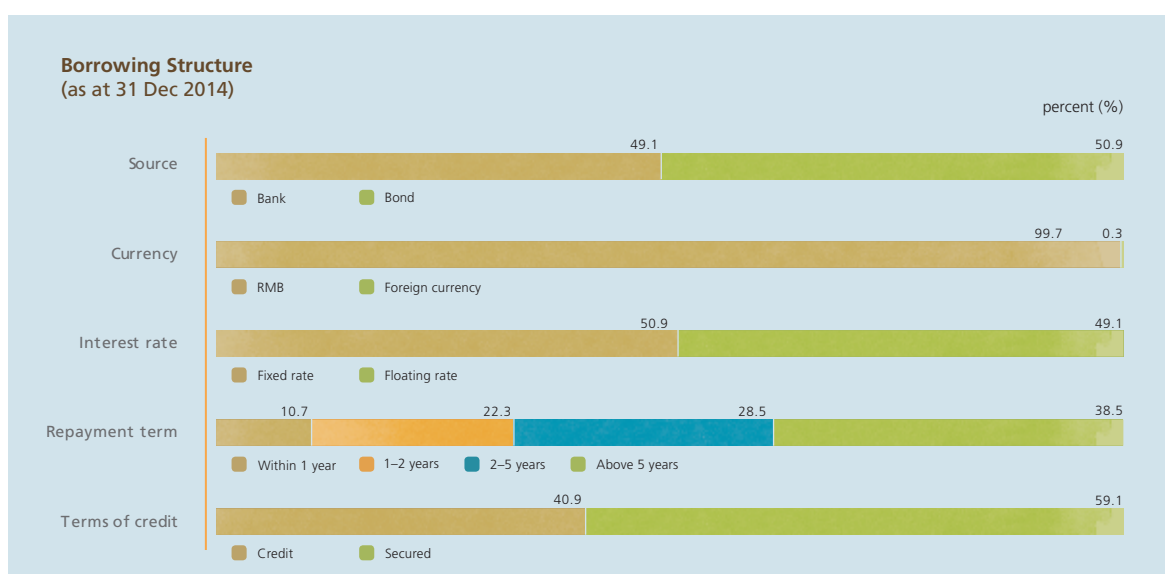
Project name	Project amount	Project progress	Amount invested during the Year	Accumulated amount invested	Gains from the project
Reconstruction and expansion for Meiguan Expressway	727,680	100%	85,246	630,578	For details of the operational performance of related projects during the Period, please refer to the Analysis of Main Business as set out above.
Qinglian Project	6,125,390	100%	98,100	6,041,360	
Nanguang Expressway	3,149,280	99%	14,102	3,068,022	
Total	/	/	197,448	/	

(V) Financial Strategies and Financing Arrangements

During the Reporting Period, the credit growth of financial institutions was stable in general, market liquidity was moderately loose and capital market saw recovery while the funding rate in bond market showed a downward trend. The Company will continue to closely monitor the conditions of the capital market, actively review on new financing channels, and optimise and adjust its financing strategies and capital structure by taking into consideration of the actual requirements of the Company. In May 2014, the Company issued fixed rate medium-term notes of RMB1.0 billion bearing a term of 3 years, which will be used to replace liabilities that are expiring in the near term and replenish its working capital; in the second half of the year, based on the Company's actual financial position and the future fund requirements, repaid part of the bank borrowings in advance so as to lower the consolidated capital costs.

The Group's composite borrowing costs for the Reporting Period amounted to 5.81% (2013: 5.84%), which was 0.03 percentage point slightly lower than that in 2013. 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 Period, the Group's borrowings comprised mainly medium to long-term bank borrowings and bonds. The specific borrowing structure of the Group is shown as follows:



During the Reporting Period, the Company continued to maintain the highest rating of AAA in credit rating for borrowing enterprises, the debt credit rating for the issued medium-term notes was AAA, the follow-up debt credit ratings of enterprise bonds issued in prior years and corporate bonds were maintained at their original ratings of AAA or AA+.

As at 31 December 2014, the Group had obtained a total of RMB13.16 billion of banking facilities, including RMB7.5 billion of credit facilities specifically for projects under construction and RMB5.66 billion of general credit facilities. As at the end of the Reporting Period, unutilised banking facilities amounted to RMB5.51 billion, of which RMB0.21 billion was credit facilities specifically for projects under construction and RMB5.3 billion was general credit facilities.

Management Discussion and Analysis

(VI) Changes in Accounting Policies and Accounting Estimates

1. Changes in Accounting Policies

In early 2014, Ministry of Finance newly issued/revised seven specific accounting standards, including “Accounting Standards for Business Enterprises” No. 2, 9, 30, 33, 39, 40 and 41, and released the application guidance of the above seven accounting standards in third quarter of 2014. The Company, as an A share and H share listed company, has early adopted No. 9, 30, 33, 39 and 40 of the above accounting standards in preparing the financial statements of 2013, No. 2 and 41 of the above accounting standards in preparing the financial statements of the first quarter of 2014, and further adopted specific provisions of the application guidance in preparing the financial statements of the third quarter of 2014 and made relevant changes on accounting policies accordingly. For details, please refer to the relevant content of annual report of 2013 and the first quarterly report and third quarterly report of 2014 of the Company.

In June 2014, Ministry of Finance revised “Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments” that requires all enterprises who implement Accounting Standards for Business Enterprises shall do the same in or after the year of 2014. The Company adopted such accounting standard in preparing the financial statements of 2014 and made relevant changes on accounting policies accordingly. The change on the accounting policies have no impact on the financial statements of 2014 of the Group.

Adoption of the above eight standards and their application guidance by the Group mainly involved reclassifications of “long-term equity investments” and “available-for-sale financial assets” in balance sheets, separate presentation of “deferred income” and “other comprehensive income” and further classification of “other comprehensive income” in income statements. Moreover, retrospective adjustments were applied to the relevant items of the comparative statements. The adjustments above basically have no impact on the Group’s financial position and operating results. The actual condition is as follows:

(1) Effects of the changes of long-term equity investments guidelines on the consolidated financial report

Unit: RMB'000

Investee units	Basic information of transactions	Equity attributable to owners of the Company as at 1 Jan 2013 (+/-)	As at 31 Dec 2013		
			Long-term equity investments (+/-)	Available-for-sale financial assets (+/-)	Equity attributable to owners of the Company (+/-)
Guangdong United Electronic Toll Collection Inc.	The Company holds its 15% interests	-	-30,170	30,170	-
Total	/	-	-30,170	30,170	-

Description:

According to the revised “Accounting Standards for Business Enterprises No. 2 -Long-term Equity Investments”, “Accounting Standards for Business Enterprises No.22 -Recognition and Measurement of Financial Assets” is applicable to the Company’s investment in Guangdong United Electronic Toll Collection Inc., and the investment is classified as an equity investment which does not have a quoted market price in an active market and whose fair value cannot be reliably measured. As such, the Company reclassified it from “long-term equity investments” to “available-for-sale financial assets” and the investment was measured at cost when preparing the financial statements of the first quarterly report of 2014. Relevant items in the comparative financial statements were also adjusted retrospectively.

(2) Effects of other changes of the accounting policies

According to "Accounting Standards for Business Enterprises No. 30 – Presentation of Financial Statements", the Group is obligated to further distinguish the "other comprehensive income" of income statements to "other comprehensive income that may be reclassified to profit and loss in subsequent accounting period after meeting the required conditions" and "other comprehensive income that cannot be reclassified to profit and loss in subsequent accounting period". When preparing the financial statements for 2013, the "other comprehensive income" for 2013 and 2012 amounting to RMB1,743,000 and RMB3,534,000 were both included to "other comprehensive income that may be reclassified to profit and loss in subsequent accounting period after meeting required conditions" by the Company.

According to the application guidance of "Accounting Standards for Business Enterprises No. 30 -Presentation of Financial Statements", the Group is obligated to present "other comprehensive income" separately under owners' equity, which was originally included in "capital surplus" of balance sheets. Relevant items in the comparative statements are adjusted retrospectively at the same time. Accordingly, "capital surplus" and "other comprehensive income" under owners' equity as at 30 September 2014 were reduced and increased by RMB893,604,000 respectively. "Capital surplus" and "other comprehensive income" under owners' equity as at 31 December 2013 were reduced and increased by RMB908,403,000 respectively.

According to the application guidance of "Accounting Standards for Business Enterprises No. 30 -Presentation of Financial Statements", the Group is obligated to present "deferred income" separately under "other current liabilities" and "other non-current liabilities", which was originally included in "other current liabilities" and "other non-current liabilities" of balance sheets. Relevant items in the comparative statements are adjusted retrospectively at the same time. Accordingly, "other non-current liabilities" and "other current liabilities" under liabilities as at 30 September 2014 were reduced by RMB162,850,000 and RMB2,794,000 respectively; "deferred income" under non-current liabilities and current liabilities as at 30 September 2014 were increased by RMB162,850,000 and RMB2,794,000 respectively. "Other current liabilities" and "deferred income" under current liabilities as at 31 December 2013 were reduced and increased by RMB1,924,000 respectively.

The details of the above changes on accounting policies were set out in note III27(1) to the Financial Statements in this annual report. The above changes on accounting policies were already respectively considered and approved in the sixteenth, seventeenth and twenty-second meeting of the sixth session of the board of directors and second meeting of the seventh session of the board of directors.

2. Changes in Accounting Estimates

(1) Changes in accounting estimates for the amortisation amount per intangible asset unit of highway

In compliance with the requirements of the accounting principles and relevant accounting policies of the Company and based on the results of the review on the traffic flow and a revised study on the future traffic flow of the major toll highways of the Company and its subsidiaries, the Company has made adjustments to the amortisation of concession intangible assets per unit of Jihe East, Jihe West and Meiguan Expressway since 1 October 2014. These adjustments represented the changes in accounting estimates on a prospective basis. This change in accounting estimates created an impact on the allocation of amortisation of concession intangible assets of the Group in the future but did not create a significant impact on the overall financial position and operating result of the Group. The change in accounting estimates resulted in an increase of RMB19,947,000 of net profit of 2014, an increase of RMB26,595,000 of total assets as at 31 December 2014 and an increase of RMB19,947,000 of the equity attributable to owners of the Company as at 31 December 2014.

Management Discussion and Analysis

(2) Changes in accounting estimates on deferred tax assets of Qinglian Company for loss deduction

Based on the change of latest operation and prudent forecast of Qinglian Company, a subsidiary of the Company, it is estimated that it may not generate enough taxable incomes in the foreseeable future that the deductible losses will be compensated, for deduction of provision of the operating loss of deferred tax assets in prior years. According to the relevant requirements of the accounting standards, in order to reasonably reflect the deferred tax assets for loss deduction at the end of the period, the Group reduced the carrying amount of deferred tax assets of Qinglian Company by RMB29,679,000 in 2014. These adjustments represented the changes in accounting estimates on a prospective basis. The change in accounting estimates resulted in a decrease of RMB22,666,000 of net profit of 2014, an increase of RMB29,679,000 of total liabilities as at 31 December 2014 and a decrease of RMB22,666,000 of the equity attributable to owners of the Company as at 31 December 2014. Such change in accounting estimates did not create a significant impact on the financial position and operating result of the Group.

The details of the above changes on accounting estimates were set out in note III(27)(2) to the Financial Statements in this annual report. The above changes on accounting estimates were considered and approved in the second meeting of the seventh session of the board of directors. For details, please refer to the announcements of the Company on the resolution of the Board and the changes in accounting estimates dated 20 March 2015.

(VII) Proposed Profit Distribution

Pursuant to the requirement under 《上海證券交易所上市公司現金分紅指引》(“Guidelines on Cash Dividend Distribution by Companies Listed on SSE”), profit distributable shall be calculated based on that in the financial statements of the parent company, and thus, profit distributable of the Company for the year 2014 was RMB2,031,675,541.98. Pursuant to the relevant PRC laws and regulations and the Articles of Association, the Company transferred RMB203,167,554.20 to statutory surplus reserve for the year 2014. The Board of the Company recommended the payment of a final dividend of RMB0.45 (tax included) per share in cash to all shareholders, totaling RMB 981,346,646.70 for the year ended 31 December 2014, representing 45% of the net profit as shown in the consolidated financial statements for the year 2014, of which, the special dividend paid for the gains on disposal of assets of Meiguan Expressway amounted to 0.255 per share, representing 50% of the gains of disposal of assets; Excluding the gains on disposal of assets and special dividend, the annual dividend payout ratio is 40%. The balance be carried forward to next year. The Board did not recommend any conversion of capital reserve into share capital. Such proposal is to be approved by shareholders at the 2014 Annual General Meeting of the Company.

1. Formulation, Implementation or Adjustment of Cash Dividend Distribution

The Company has always adhered to principle of rewarding its shareholders and paid cash dividend for 17 consecutive years since its listing.

Pursuant to the Articles of Association, the Company shall implement the profit distribution policy of cash dividend actively with the principle of attaching great importance to reasonable return on shareholders' investment, as well as considering 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 proposed and considered 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 2014 was in compliance with the requirement of the Articles of Association. In the course of formulation of and determination on the profit distribution proposal, the Independent Directors of the Company has issued an independent opinion based on careful study and analysis on the relevant factors, and the Company is also able to listen to the opinions of the Independent Directors and the shareholders from various channels, and concerns 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
2014 (Proposed)	0	4.50	0	981,346,646.70	2,186,883,365.49	44.9%
2013	0	1.60	0	348,923,252.16	719,691,617.00	48.5%
2012	0	1.30	0	283,500,142.38	684,526,701.99	41.4%

III. Outlook and Plans

(I) Industry Competition Landscape and Development Trend

1. Analysis on Operating Environment

Following the gradual implementation of the “deeper reform” decision from the Third Plenary Session of the 18th CPC Central Committee, China’s economy has undergone some impressive trendy changes and made a balance between “stable growth” and “promoting transformation”. In 2015, the government is expected to continue the deeper reform, promote the expansion of domestic demand, launch and refine the proactive financial policy and prudent monetary policy, adjust the organisation structure and push forward the innovation as its main strategic theme. The macro-economic control would focus on the concept of “liquidise remnant, control increment and boosting efficiency” in response to the new challenges arising from the increasingly more sophisticated environment domestically and overseas. In the foreseeable future, China’s economy would still maintain its growth to some extent, but under more downside pressure. Meanwhile, global economy will recover at a slow pace. Though market confidence resumes, the uncertainty of geopolitics, price adjustment in bulk commodities and the divergence of the major economies may lead to volatility and shock to the global economy. With these backgrounds, the uncertainty of traffic volume and toll revenue growth would be increased, as well as the problems arising from operation management.

Along with the increasing popularity of cars and increasing car ownership, the public and the criticism are paying more attention to the toll highway industry in two ways, namely: the satisfaction on the toll highway products and services and the demand for the related public welfare. Besides, following the social development and the economic transformation, toll highway industry faces new requirements and challenges in various aspects such as safety facilities, service standard, maintenance and environmental protection. It is expected that, with the interactions among the policy orientation, social critics, public demand and the reformation of the toll highway industry, a positive and healthy development of the industry is foreseen.

According to the road network plans formulated by the state and local authorities, the demand for the traffic infrastructure including expressways by the society still exists. At the backdrop of inadequacy in funds for construction and the economic measure of diversified-ownership launched in China, opportunities in acquisition of high quality toll highway project or participation in project investment, construction and operation management by way of innovative investment or financing modes may arise. Regarding the infrastructure construction, the government is pushing forward and promoting the application of PPP mode. Comparing to the traditional investment and financing mode, the PPP mode of cooperation is more complicated, its modes of return are more flexible and diversified, providing more business opportunities to the companies while imposing higher requirements for their capability in innovation of business modes.

Management Discussion and Analysis

Along with the urbanisation progress, pressure will be put on those toll highway projects located in the economically developed regions or peripheral areas which could become the target of repurchase by the government. Following the principle of marketisation and the practice of making compensations to the repurchase project, the interest of the enterprises and their shareholders could be secured. However, the free road access would also bring new changes to the traffic distribution of regional road network, resulting in positive or negative impacts on the results of the enterprises operating toll highways at that period, and new challenges to the sustainable operation and development of the enterprises. On the other hand, the progress of new mode urbanisation would induce huge demand for infrastructure construction or upgrade and reconstruction and for the maintenance management upon putting in use of the infrastructure, provide more opportunities for the Company to develop entrusted management business with its professional skill and experience.

In 2015, it is expected that the Central Bank would adopt more flexible monetary policy, strengthen the coordination of monetary, credit and industry policies, ensure adequate capital liquidity and demand of the priority industries for development. The Company will closely follow the policy and market changes, identify and recognise various new policies, instruments, modes and risks, make reasonable financial arrangement and lower the capital cost.

2. Analysis on Operating Conditions

Since 2013, the projects such as Boshen Expressway, Coastal Expressway, Phase II of Qingping Expressway in Shenzhen and its neighbouring areas has been completed and opened to traffic in succession. Also, the maintenance works for the road surface of Jihe West has been completed, the toll adjustment proposal of Meiguan Expressway has been officially implemented and the mainline toll station has been relocated as well as part of the sections which link municipal roads and with expressways have been opened to traffic or scheduled to be completed in 2015. As such, the traffic distribution and composition in the regional road network will have some changes and adjustment, resulting in certain positive or negative impacts on the Group's toll highway projects in Shenzhen area. In addition, the toll collection in Yantianao Tunnel in Shenzhen has been cancelled with effect from 1 February 2015, bringing greater diversion impact on Yanpai Expressway of the Group.

Guangle Expressway (Guangzhou – Lechang, in Guangdong), being the G4 National Expressway (Guangdong Section) (formerly known as Jingzhu Expressway) Dual-line was commenced operation in September 2014, and Erguang Expressway Yongzhou, Hunan to Lianzhou, Guangdong section was commenced operation in December 2014. As the layout of the above sections is similar to that of Qinglian Expressway, and construction of the link between Erguang Expressway and Qinglian Expressway is under way, a certain diversion on Qinglian Expressway would be resulted at this stage. The reconstruction and expansion work of Guangqing Expressway (Guangzhou – Qingyuan, in Guangdong), which connects to the southern end of Qinglian Expressway is currently under progress. The restricted access measure for heavy transport vehicles for north to south direction was released in October 2014. According to its announced plans, the whole works will be completed by the end of 2016. The construction of the link between Guangqing Expressway and Qinglian Expressway is commenced in November 2014 and is planned to be completed by the end of 2017. Upon completion of these projects, the traffic efficiency and quality of the service of the whole channel will be improved, making full use of its major traffic routes between Hunan and Guangdong Provinces. The operating performance of the Qinglian Expressway is enhanced due to the further optimisation of its competitiveness.

In 2015, the traffic diversion on the Wuhuang Expressway by Han'e Expressway (Wuhan – Ezhou, in Hubei) and Xianhuang Expressway (Xianning – Huangshi, in Hubei) and the negative impact of the municipal traffic measures on the project still continue. However, such impact is gradually weakened as the neighboring road networks of Wuhuang Expressway became stable. In addition, Hubei Province is promoting the launch of accurate toll sorting, the competitive edge in toll prices of Wuhuang Expressway among the peers will then be highlighted, so as to recover and enhance the operating performance of the project. Currently the effective launching date of such measure is not determined yet.

(II) Development Strategies of the Company

Under the leadership of the new session of the Board in 2015, the Company will continue to conduct in-depth study of the changes in development of both internal and external environment. It will put more effects on the modification of the strategies and formulate, consolidate and deploy the new strategies. During the review and formulation of the upcoming strategies, focus will be placed for the following works and directions:

- ◆ Enhance the revenue level and profit contribution by speeding up the development of the existing highway projects. Review and attempt new investment modes and consolidate the main business, invest and acquire quality highway projects in a moderate manner depending on market conditions and opportunities, and enhance the asset scale, profitability, cash flows and management efficiency of the main business.
- ◆ Pay close attention to the reform trend and direction of the toll highway business, grasp the opportunities for assets adjustment and optimisation, strive for high quality resources and obtain bigger development space and potential.
- ◆ Based on the resources and capacity of the Company and in cooperation with the industry leader, research and attempt related industries that match the company's core business capacity, consistent with the national policy orientation and development trend, so as to foster synergy effect and mutual benefits.
- ◆ With integration of corporate management resources of core business, actively study on and promote direction of the improvement, extension and industrialisation of the business capacity of operation and construction. Build the organisation structure and group control mechanism that support the strategic development to enhance management efficiency.
- ◆ Strengthen the research on the diversification of equity, equity financing and new debt instruments of the capital market by leveraging the resource advantage, financing platform and financing opportunities from capital market. Promote the financing work in combination with the business development plan to finance and provide financial reserve for the implementation of strategies. Enhance the development capacity and comprehensive return by further optimising the financial structure.
- ◆ Facilitate the mechanism of the talent nourishment as well as long term incentive which accommodate to the corporate development in order to foster mutual growth of value for the Company and employees at the same time.

(III) Operation Plans

In 2015, 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 toll revenue target for 2015 of not less than RMB3 billion, with the total of operating costs, management expenses and marketing expenses (excluding depreciation and amortisation) approximately RMB0.85 billion. In 2015, it is expected that the average borrowing scale of the Group will be lower on a YOY basis, thus the financial cost of the Group will be decreased as compared to 2014.
- ◆ **Toll highway business:** Strengthen the standardisation management, enhance the overall operation management quality and operational service standard. Improve various measures of inter-network toll collection in Guangdong Province and be well prepared for the national-wide inter-network toll collection. Conduct an in-depth study on road networks and changes in traffic and adopt a customised road networks sales and marketing strategy to meet the toll revenue target. Pursue the concept of optimal maintenance cost control during the whole operation period by preventive maintenance technology to reinforce the management and cost control on road maintenance.
- ◆ **Entrusted Management Business:** Prepare preliminary organisation and planning of the project and enhance procedure control and management during the project. Perform an effective construction cost control and conclude the experience of entrusted construction management. Ensure the co-ordination for the collection of entrusted construction account receivables and actively explore opportunities of entrusted construction business.

Management Discussion and Analysis

- ◆ **Project development and management:** Facilitate the progress of various activities related to the Guilong Project. Obtain land resources of Meilin Checkpoint Urban Renewal Project as planned. Successfully launch the research and proceed negotiations for the investment mode for the Outer Ring Expressway, the operational management mode for the Coastal Project and the development mode for the Urban Renewal Project as well as ongoing risk monitoring and management.
- ◆ **Financing and financial management:** Comprehend the finance environment and the change in credit policy in a timely manner, adjust the overall financing strategy and the execution plan in phases in due course. Conduct an in-depth research on diversification of the shareholder base and equity financing, make comparison and selection in various domestic and overseas financing platform, financing tools and products for implementation when appropriate, combined with the needs of capital and management of the Company. Pay close attention to financial, accounting and tax and other financial and economic policy changes, timely analysis and formulate effective measures. The Group will continue to strengthen the management of financial resources in order to enhance the efficiency of fund use and prevent financial risks.

(IV) Capital Expenditure Plan

As at 31 December 2014, the Group's capital expenditure plan mainly comprised the construction settlements of projects such as Qinglian Project, reconstruction and expansion of Meiguan Expressway and Nanguang Expressway, investment in mechanical and electrical equipments of the highways managed as well as the planned investments on associates. By the end of 2017, the Group's total capital expenditure will be expected to be approximately RMB2.909 billion, of which the planned capital expenditure for the year 2015 was approximately RMB1.618 billion. The Group plans to satisfy such capital needs with its own capital and borrowings. According to the Directors' assessment, the Group's financial resources and financing capability currently are sufficient for satisfying the needs of various capital expenditures.

The capital expenditure plan of the Group from 2015 to 2017:

				Unit: RMB'000
Project	2015	2016	2017	Total
1. Investment of intangible assets and fixed assets				
Reconstruction and expansion of Meiguan Expressway	69,640	–	27,462	97,102
Qinglian Project	80,940	1,850	1,240	84,030
Nanguang Expressway	80,320	200	738	81,258
Other Projects (Investment in mechanical and electrical equipments, etc.)	225,530	–	–	225,530
2. Capital injection to associates				
United Land Company ^{Note}	1,161,300	1,259,300	–	2,420,600
Total	1,617,730	1,261,350	29,440	2,908,520

Note: The investment plan on United Land Company is made on the assumption that there is no transfer of shareholding in such company in future and the current specific arrangement in respect to the current land acquisition and relocation of the Meilin Checkpoint Urban Renewal Project. In the event that there is any change in the abovementioned assumption and work plan, the relevant capital expenditure will be adjusted accordingly.

(V) Risk Management

Through active identification, assessment and response to risk issues occurred in the operation process, the Company applied risk management to all segments of the Company, including corporate strategies, planning, decision-making and operations. For details of the operation and management of the risk management system of the Company, please refer to the section "Internal Control" in this annual report. Currently, the Company focused on internal and external risk issues such as policy, market, business expansion, investment and financing as well as operation management.

1. Policy Risk

Risk position/analysis:

The national inter-network toll collection, a national standard of vehicles classification and a toll-by-weight for lorry within the province are being deployed and promoted in Guangdong Province. Also, it is expected to have an impact on the toll revenue of the Group and increase the investment in equipment-related and subsequent cost of maintenance and management. The Shenzhen government implemented, in phases, restrictive policies on automobile purchase, restriction on the use of non-local small passenger vehicles during certain time-slots and substantial increase in road parking charge to restrain the rapid growth of car ownership and reduce the rate of vehicle use. To some extent, 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 of Shenzhen, there is a need to improve facilities such as lighting and supervision system of the relevant highways of the Group. The above policies will increase the investment and operational costs of the Company and exert greater pressure on management and coordination.

In the event that the “Replacing the business tax with value-added tax scheme” (“VAT Scheme”) is generally fully put into effect by the Government, the income, cost, profit and cash flow of the Company will be affected. At the same time, the Company is required to formulate the business and financial management procedures and adjust accounting and audit treatment as well as tax system so as to be aligned with such policy. It also establishes a higher requirement on supplier management, contract design and management. Currently, the specific plan and implementation schedule is not determined yet.

Management/response measures:

Inter-network toll collection is beneficial to enhancing the traffic capacity and service standard of toll highway network, and to the long term development of the industry. The Group would constantly follow up the implementation progress of inter-network, toll-by-weight system and particular requirements of the road safety regulation. The Group also optimises technical projects and implements projects after satisfying regulatory requirements, makes reasonable saving of the investment cost, conducts analysis and evaluation of the traffic volume, launch targeted marketing and promotional measures for the projects, and minimise negative impact of policies on revenue.

The Group would actively follow up and study the formulation and implementation progress of VAT Scheme, conduct reallocation and training of staff, streamline business flow, arrange contract files in order and analyse financial impact in advance. The Group would also organise studies and proposal of tax timely, actively communicate with related government departments, strive for understanding and improvement, and reduce and minimise the adverse impact.

2. Market Risks

Risk position/analysis:

With further expansion and improvement of the highway network, parallel roads or substitutive routes would increase, which brings negative impact on the growth of toll revenue of the Group. For the possible diversion impact to the Group at current stage, please refer to the above analysis heading “Industry competition landscape and development trend”. For Qinglian Expressway, if the negative impact from the change in road network is worse than expected and cannot be eliminated in short term, the valuation of the project may be affected.

Management/response measures:

Based on the actual condition of the regional road network, the Group would reasonably formulate annual operation plan and continuously follow up the change in road network and its trend. By fully utilising the informatisation platform, and mastering the characteristics of the change in traffic volume and particular impact factors, the Group would adopt targeted marketing and guidance measure in advance, promote improvement of highway network to be beneficial to the Group’s projects and reduce negative impact. Meanwhile, through provision of good traffic service and enhancement of traffic efficiency, the Group continues to increase the competitiveness of the projects.

Management Discussion and Analysis

3. Business Expansion Risks

Risk position/analysis:

The Group carried out Guilong Project through Guishen Company as a platform, and participated in the regional road construction and development by BT Mode. In order to reduce the risk of funds recovery and generate the expected revenue, Guishen Company participated in the bid for the related land, and, taking advantage of this opportunity, conducted further development of part of the land. As there were differences between the new business model and that of the toll highway business, if the Group's capability on capturing the market opportunities, business experience, management model and human resources fail to bridge the difference, or there is significant change in future government policies related to budget management and management in land and real estate industry, the project revenue, capital safety, business expansion achievement and the overall performance of the Group may be affected.

It's agreed that the land transfer agreement shall be entered and the first installment of land premium shall be paid for Meilin Checkpoint Urban Renewal Project by 30 June 2015. If the preparatory work such as project planning could not be completed on schedule or the funds could not be raised in time, the Company would fail to fulfill the obligation and face the risks of raise in land premium as well as acquisition and demolition costs, which directly affect the development cost and realisation of the commercial value of the project. In addition, there exists uncertainty in subsequent realisation of land value as the industry policy and fluctuations in land market price exist great, which may increase the investment and financial risks of the Company.

Management/response measures:

The Group had conduct in-depth study and research on the related risk of Guilong Project, and adopt various risk control measures through our Investment Company and Guishen Company. The Group would continue to strictly execute every management measures and closely follow up the implementation of fund recovery plan and the procedure of payment to ensure timely recovery and repayment of the fund. Meanwhile, the Group would closely follow up the change in national and local governmental policies and regulations on land, and maintain communication and cooperation with the local government. The Group would seriously study the change in related industry policy and the market condition, actively explore the channel and methods to realise the land value, make reasonable arrangement on the scale and pace of development, and timely adjust investment strategy or product development direction. For the Guilong Development Project, the Group strives to control development cost and utilise the competitive advantages of the project for sales and marketing activities and strengthen the sales management. Moreover, after enhancement of the training for team capability, the Group would engage professionals and organisations to advise management and responsible for special purpose, and integrate the high quality resources in the industry to achieve intended effect.

The Group will actively promote the preparatory work such as planning, approval for Meilin Checkpoint Urban Renewal Project, strive for the support from all aspects making full use of the resources of public relations and government. Meanwhile, the Group will keep smooth financing channel, make overall arrangements for the financial resources of the Group, and strengthen the capital planning and budget management. The Group has commenced exploring the channels and methods to realise the value of the land, and will strengthen the research and follow up on the market and policy, enhance preliminary market research, conduct thorough comparison and reference, grasp the trend of changes in the target market, to ensure the accurate positioning of the project.

4. Investment and Financing Risk

Risk position/analysis:

The Company has a pre-emptive right for the development of Outer Ring Expressway. However the project requires large scale of investment and a long return period, of which the return may not meet the Company's expectation and may affect the result and the financial position of the Company in the short term.

Management/response measures:

The Company would closely monitor the change in operation environment, fully utilise the innovation capability of the business model and seek for win-win solutions. By seizing the negotiation with the related government department, the Group would clarify the rights and obligation and risk control. Meanwhile, after full valuation and estimation of the project operation rights, the Group would enrich cooperation modes, expand fund sources, make reasonable arrangement of financing and fund plan for the periods of construction and operation, and reduce financial risk. Through good business management to control construction cost and operation cost, the investment risk can be reduced in substance.

5. Operation Management Risks

Risk position/analysis:

The expansion of the inter-network toll collection called for a higher standard 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 may affect the interest and market image of the Company. Moreover, upon the expansion of the toll collection network, the extent and degree of the seriousness of such toll evading incidents as gate crashing and fake cards and free pass as a result of improper management have increased, resulting in a higher possibility of decrease of toll revenue.

If problems occurred in technical scheme, construction management and traffic organisation of road maintenance and preventive maintenance program, the cash payments and subsequent maintenance costs of the Company would increase, and the traffic flow and traffic safety on related highways would also be affected. In addition, the implementation of preventive maintenance program may be adjusted according to the actual conditions and the extent of damage in the highways, with the overall expenditure facing the risk of cost overrun.

Management/response measures:

The Group handles the problems timely that happen in the toll collection procedure and analyses and summarises reasons, actively coordinates and contacts the related department/unit, system suppliers and other toll highway companies, optimises operation procedure, improves and increases the stability and reliability of the system, and assures 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 prevents and stops toll evading incidents, and fully utilises inter-network database of the province as a whole, realises information sharing, and improves management effectiveness.

The Group will further improve regular assessment and dynamic adjustment mechanism of the highway maintenance planning, and formulate reasonable technical scheme and control costs reasonably oriented by the concept of optimal maintenance cost control during the whole operation period, as well as on the basis of summarising and absorbing the past highway maintenance experience, and in-depth study of damage development trend. Meanwhile, through the improvement of construction management and traffic organisation, the construction cost would be effectively controlled and the impact on traffic safety would 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 2014. The financial statements were prepared in accordance with CASBE, and also were complied with the disclosure requirements under the Hong Kong Companies Ordinance and the Listing Rules of HKEx.

Principle Activities

The principal activities of the Group are the investment, construction and operation management of toll highways and roads in the PRC. During the Reporting Period, there is no substantial change in respect of the Group's businesses.

An analysis of the Group's revenue and contributions to operating profit for the Reporting Period is set out in "Financial Analysis" of "Management Discussion and Analysis" in this annual report. An analysis of the Group's revenue and contributions to operating profit in terms of business segments for the Reporting Period is set out in note XIII to the Financial Statements in this annual report.

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 thereof, 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 2014 are set out in Consolidated Income Statement in this annual report.

The Board recommended the payment of a final dividend of RMB0.45 (tax included) per share in cash for 2014, 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 2014 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 note V29 to the Financial Statements and "Share Capital and Shareholders" in this annual report.

Rating and Interest Payment for Listed Bonds

In April 2014, 中誠信證券評估有限公司 (China Chengxin Securities Rating Co., Ltd.) 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 maintained. In July 2014, the Company completed the payment of interests for the year on schedule as stipulated. An interest of RMB60 (tax included) was paid for each lot of "11 Shenzhen Expressway" (with par value of RMB1,000). Pursuant to the sell-back clauses stipulated in the prospectus of issuance of the bond, the bondholders of "11 Shenzhen Expressway" shall have an option to make declaration to sell back whole or part of the "11 Shenzhen Expressway" bonds held by them during the sell-back declaration period (i.e. 30 June 2014 to 4 July 2014). The sell-back has been completed on 28 July 2014. 3 lots (10 bonds each) of valid sell-back declaration was received with a total sell-back amount of RMB3,000.

Purchase, Sale or Redemption of Securities

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

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 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 2014. Shareholders should seek professional advice from their tax and legal advisors.

Holders of A Shares:

Pursuant to 《關於實施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》 (“Notice on Implementing Differentiated Individual Income Tax Policy for Stock Dividends of Listed Companies”) (Cai Shui [2012] No.85), for shares of listed companies obtained by individuals (including securities investment funds) from public offerings or the market, 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; and where the holding period exceeds one year, 25% 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 《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》 (Notice on Withholding and Paying Enterprise Income Tax Matters Concerning PRC Domestic Enterprise Paying Dividends, Bonuses and Interests to QFII) (Guo Shui Han [2009] No.47), for qualified foreign institutional investors, the Company shall withhold and pay enterprise income tax with tax rate of 10%. If the relevant shareholders consider their dividends enjoy tax treaty (arrangement) benefits, the 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 《中華人民共和國企業所得稅法》 (“Enterprise Income Tax Law of the People’s Republic of China”) and its implementation rules implemented in 2008, any PRC domestic enterprise which pays dividend to a non-resident enterprise shareholder shall withhold and pay enterprise income tax with tax rate of 10%. Pursuant to 《關於國稅發[1993]045號文件廢止後有關個人所得稅征管問題的通知》 (“Notice on Matters Concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No.045”) (Guo Shui Han [2011] No.348) and the letter titled “Tax Arrangements on Dividends Paid to Hong Kong Residents by Mainland Companies” of The Stock Exchange of Hong Kong Limited dated 4 July 2011, when non-foreign investment companies of the Mainland 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 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 Mainland investing H shares listed on HKEx and the investors in Hong Kong investing A shares listed on SSE under Shanghai-Hong Kong Stock Connect Program, please refer to 《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》 (“Notice on Tax Policy Concerning the Pilot Inter-connected Mechanism for Trading on the Stock Markets of Shanghai and Hong Kong”) (Cai Shui [2014] No.81) jointly issued by the Ministry of Finance, State Administration of Taxation and CSRC.

Report of the Directors

Charity Donations

During the Reporting Period, the Group allocated RMB595,000 for charity or public welfares.

Reserves

The amounts and particulars of material transfers to and from reserves of the Group and the Company during the Reporting Period are set out in notes \30~33 to the Financial Statements in this annual report.

Fixed Assets and Intangible Assets

The movements in fixed assets and intangible assets of the Group and the Company during the Reporting Period are set out in notes \11, 13, and notes XIV5, 7 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 \15 and 23~25 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 \9, and VI\1 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 X\5(7)~(8) to the Financial Statements in this annual report.
- (3) Service contracts:
Each of the Directors of the sixth session of the Board had entered into a service contract with the Company. Contents of such contracts are the same in all material respects. All such service contracts were effective from 1 January 2012 to 31 December 2014. Save as the aforesaid, no service contracts that can be terminated within one year with compensation payable as a result (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 the Directors or the Supervisors of the Company had a material interest, whether directly or indirectly, nor any of the aforesaid contract that was still effective 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 which contract or arrangement is subsisting at the date of this annual report and which is significant in relation to the business of the Group.

- (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) Interests in subscription for shares or debentures:
As at 31 December 2014, 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⁽¹⁾:

Name	Number of ordinary shares held as at 31 December 2014	Change during the Period	Approximate percentage of ordinary shares in issued share capital of Shenzhen International	Nature of interests	Capacity
Li Jing Qi	864,840	+36,160	0.05%	Personal	Beneficial owner
Hu Wei	182,000	+182,000	0.01%	Personal	Beneficial owner

Interests in share option of Shenzhen International⁽¹⁾:

Name	Share option unexercised as at 31 December 2014	Change during the Period		Nature of interests	Capacity
		Granted	Exercised		
Yang Hai	1,523,100 ⁽²⁾	+1,050,000 ⁽²⁾	–	Personal	Beneficial owner
Li Jing Qi	1,840,000 ⁽²⁾	+1,330,000 ⁽²⁾	–	Personal	Beneficial owner
Zhao Jun Rong	1,398,657 ⁽²⁾	+1,050,000 ⁽²⁾	–80,343 ⁽⁴⁾	Personal	Beneficial owner
Hu Wei	1,050,000 ⁽³⁾	+1,050,000 ⁽³⁾	–525,000 ⁽⁴⁾	Personal	Beneficial owner
Tse Yat Hong	2,480,000 ⁽²⁾	+1,050,000 ⁽²⁾	–	Personal	Beneficial owner
Zhong Shan Qun	1,523,250 ⁽²⁾	+1,050,000 ⁽²⁾	–	Personal	Beneficial owner

Notes:

- (1) The consolidation of every 10 shares of Shenzhen International with a nominal value of HK\$0.10 each be consolidated into 1 consolidated share with a nominal value of HK\$1.00 each (the "Share Consolidation") became effective on 13 February 2014. The information set out in this section was disclosed on the basis of the information after the Share Consolidation became effective.
- (2) The additional share options owned by Directors Yang Hai, Li Jing Qi, Zhao Jun Rong, Tse Yat Hong and Supervisor Zhong Shan Qun during the Reporting Period were granted on 29 January 2014 and could be exercised during the period from 29 January 2016 to 28 January 2019 pursuant to the grant provisions, with the exercise price HK\$10.40 per share. The remaining share options owned by these Directors and Supervisor were granted on 28 September 2010 and could be exercised during the period from 28 September 2012 to 27 September 2015 pursuant to the grant provisions, with the exercise price HK\$5.80 per share.
- (3) The additional share options owned by Director Hu Wei during the Reporting Period were granted on 29 January 2014 and could be exercised during the period from 29 January 2016 to 28 January 2019 pursuant to the grant provision, with the exercise price HK\$10.40 per share. The remaining share options owned by him were granted on 18 January 2013 and could be exercised during the period from 28 September 2014 to 27 September 2015 pursuant to the grant provision, with the exercise price of HK\$9.10 per share.
- (4) Ordinary shares obtained upon exercise of share options by Directors Zhao Jun Rong, Hu Wei were disposed during the Reporting Period.

Saved as disclosed above, as at 31 December 2014, none of the Management had interests or short positions defined above.

Report of the Directors

Significant Transaction

On 27 January 2014, the Group entered into an agreement with Shenzhen government on the toll adjustment and compensation regarding Meiguan Expressway. As approved and authorised by the general meeting of the Company and Shenzhen Municipal People's Government, the agreement has been effective since 31 March 2014. For details on the agreement and transaction, please refer to the announcements of the Company dated 27 January, 28 March and 31 March 2014 respectively, and the circular to shareholders of the Company dated 6 March 2014. For relevant business discussion, please refer to the contents in "Management Discussion and Analysis" in this annual report.

Connected Transaction

(1) Connected Transaction

On 8 August 2014, the Company and Shenzhen International entered into the "Framework Agreement on Joint Venture in Establishment of the Project Company in Relation to the Meilin Checkpoint Urban Renewal Project". Pursuant to the agreement, the Company and Shenzhen International, through its wholly-owned subsidiary XTC Company, will make capital contributions to establish a project company to implement the Meilin Checkpoint Urban Renewal Project. The Company and XTC Company own 49% and 51% equity interests in the project company respectively and shall make capital contributions in cash and in proportion to their respective interests. The initial registered capital of the project company is RMB200,000,000. Both shareholders of the project company will make further capital contributions to the project company in proportion to their respective interests if additional capital is required by the project company. The aggregate capital contributions (including initial capital contribution and subsequent capital injection) of the parties shall not exceed RMB5,000,000,000. As Shenzhen International indirectly owns 50.889% interests in the Company and XTC Company directly owns 30.025% interests in the Company, in accordance with the Listing Rules of SSE and HKEx, the transaction constitute a connected transaction of the Company. The abovementioned matter was approved by independent shareholders of the Company at the extraordinary general meeting hold on 8 October 2014. For details of the agreement and transaction, please refer to the announcements of the Company dated 8 August, 10 September, 8 October 2014 respectively, and the circular to shareholders of the Company dated 17 September 2014. For relevant business discussion, please refer to the contents in "Management Discussion and Analysis" in this annual report.

On 18 August 2014, Outer Ring Company (a wholly-owned subsidiary of the Company) issued a letter of acceptance to CCCC Second Highway Engineering Bureau Co., Ltd. ("CCCC Second Highway"), confirming that CCCC Second Highway be the construction contractor of the construction of the Tianyuan Interchange of the foregoing section of Outer Ring Project (the first contract section), with the total contract price being RMB439 million. As CCCC Second Highway's wholly-owned subsidiary, CCCC-SHB Fifth Engineering Co. Ltd. ("CCCC SHFE"), holds 30% interest in Guishen Company (a non-wholly owned subsidiary of the Company), according to the Listing Rules of HKEx, the transaction constitutes a connected transaction of the Company. For details thereof, please refer to the announcement of the Company dated 18 August 2014.

On 25 September 2014, Property Company (a non-wholly owned subsidiary of the Company) and CCCC SHFE entered into a construction agreement, agreed that CCCC SHFE be the construction contractor of the construction and installation works on the first contract section of the first phase of Guilong Development Project, with the contract price being RMB55 million. As CCCC SHFE holds 30% interests in Guishen Company (a non-wholly owned subsidiary of the Company), according to the Listing Rules of SSE and relevant guidelines, the transaction could be deemed to be a connected transaction of the Company, according to the Listing Rules of HKEx, the transaction constitutes a connected transaction of the Company. For details thereof, please refer to the announcement of the Company dated 25 September 2014.

(2) Continuing Connected Transaction

On 27 December 2013, the Company entered into an entrusted management agreement with 深圳市寶通公路建設開發有限公司 (Shenzhen Baotong Highway Construction and Development Company Limited, "Baotong Company"), pursuant to which Baotong Company continued to entrust the Company to manage its 89.93% equity interests in Longda Company. The term of the entrusted management commenced on 1 January 2014 and expired on 31 December 2015. The entrusted management fees are RMB18 million per year and will be paid in cash by Baotong Company by installments to the Company. Longda Company is principally engaged in toll collection, maintenance, management of the road asset and its 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, according to the Listing Rules of HKEx, the transaction constitutes a continuing connected transaction of the Company. For details thereof, please refer to the announcement of the Company dated 27 December 2013.

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

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

Save as disclosed above, the related party transactions disclosed in note X\5 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.

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

During the Reporting Period, there is no non-operating fund occupancy by the controlling shareholders and its connected parties arising in the Company. The auditor of the Company have produced a specific report in relation to the sheet of fund occupancy by the controlling shareholders and other connected parties prepared by the Company in accordance with regulations.

Management Contract

Pursuant to a contract dated 7 June 1995 together with subsequent amendments thereof, Magerk Company entrusted the toll collection of Wuhaung Expressway and the usage, management, preservation, maintenance and repair of Wuhaung Expressway and its ancillary facilities to 湖北省高等級公路管理局 (Hubei Bureau for the Administration of Higher Class Public Roads), or other sub-contractors whom it may designate from time to time (湖北武黃高速公路經營有限公司 (Hubei Wuhaung Expressway Management Co. Ltd.) is the sub-contractor currently designated), throughout the operating period of Wuhaung 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 Wuhaung Expressway by the Company.

For the year of 2014, the amount of entrusted assets and entrusted management fees accounted for by Magerk Company was RMB813,142,000 and RMB82,113,000 respectively. Magerk Company recorded net profit of RMB109,208,000, with net profit attributable to the Group being RMB60,065,000 after deducting minority interests, representing 2.75% of the net profit attributable to owners of the Company. This aforesaid management contract has no material impact on the financial position and operating results 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	Amount of guarantee	Date of occurrence (date of agreement)	Commencement of guarantee	End of guarantee	Type of guarantee	Completed or not	Overdue or not	Counter guarantee provided or not	Guarantee for connected party or not
The Company	China Construction Bank Shenzhen Branch	800	20 Apr 2007	Aug 2007	Repayment of corporate bonds of the Company (principal and interests)	Joint liability guarantee ⁽¹⁾	No	No	No	No
Total amount of guarantees occurred during the Reporting Period										0
Total balance of guarantees as at the end of the Reporting Period (A)										800
Guarantees for subsidiaries of the Company										
Total amount of guarantees occurred for subsidiaries during the Reporting Period										0 ⁽²⁾
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)										800
Proportion of total amount of guarantees to the net assets of the Company (%)										6.78
Including:										
Amount of the guarantees for shareholders, de-facto controller and their connected parties (C)										-
Amount of the guarantees directly or indirectly for those whose debt-to-asset ratio exceeded 70% (D)										800
Amount of the guarantees 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										N/A

Description on guarantees:

- (1) The external guarantees to China Construction Bank Shenzhen Branch have been approved by the shareholders in 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 Company entered into agreements on 10 January 2013 with relevant banks, pursuant to which the Company provided guarantees with joint liability in proportion of 70% for the bank loans and debt under credit facilities of Guishen Company with the total amount not more than RMB800 million. The total amount of guarantees is RMB560 million. The above-mentioned guarantee for a subsidiary of the Company had been approved by the Board in the eighth meeting of the sixth session of Board of the Company. Guishen Company had entered into agreements regarding the bank loans/credit facilities of RMB800 million under above-mentioned guarantees. On 31 December 2014, the balance of the loan used by Company was RMB 0, the guarantees provided by the Company is RMB 0 in proportion to the 70% interests.
- (3) The company has no external guarantee in violation of decision-making procedures.
- (4) The Independent Directors of the Company have, in accordance with the relevant regulations of the CSRC, delivered 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	Bank	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 ⁽¹⁾	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)
154,000,000 shares of JEL Company ⁽²⁾	Pledge	Industrial and Commercial Bank of China (Asia) Limited	Principal and interests of bank loans in an aggregate amount of HK\$70 million ⁽²⁾	Until repayment of principal and interests of bank loans and relevant expenses by Mei Wah Company

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 used by Qinglian Company was RMB3,936 million.
- (2) Pledged by Mei Wah Company, a wholly-owned subsidiary of the Company. As at the end of the Reporting Period, the balance of loans used by Mei Wah Company under such facilities was HK\$30 million. As at the Reporting Date, the principal and interests of such bank loan was repaid and related pledge arrangement has been invalid.

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

Report of the Directors

Undertakings

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

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 2014. For details thereof, please refer to “Corporate Governance Report” in this annual report.

Name of Directors

As at the date of this report, the Directors of the Company are Mr. Hu Wei (Executive Director and Chairman of the Board), Mr. Wu Ya De (Executive Director and President), Mr. Li Jing Qi (Non-executive Director), Mr. Zhao Jun Rong (Non-executive Director), Mr. Tse Yat Hong (Non-executive Director), Mr. Wang Zeng Jin (Non-executive Director), Ms. Zhang Yang (Non-executive Director), Mr. Chiu Chi Cheong, Clifton (Non-executive Director), Mr. Au Sing Kun (Independent Director), Mr. Lin Chu Chang (Independent Director), Mr. Hu Chun Yuan (Independent Director) and Mr. Shi Xian Liang (Independent Director).

By Order of the Board

Hu Wei

Chairman

Shenzhen, PRC, 20 March 2015

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

As at the end of the Reporting Period, there is no issuing or listing of the stock or derivative securities by the Company in the last three years.

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 A Shares of the Company (circulating A Share capital × closing price of A Shares (RMB8.29)) was RMB11.882 billion and the circulating market capitalisation of H Shares (circulating H Share capital × closing price of H Shares (HK\$5.17)) was HK\$3.865 billion.

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	34,610
Total number of shareholders as at the end of the fifth trading day prior to the publication of this annual report	37,327

Note:

- (1) The Company had 34,344 holders of A Shares and 266 holders of H Shares as at the end of the Reporting Period.
- (2) The Company had 37,066 holders of A Shares and 261 holders of H Shares as at the end of the fifth trading day prior to the publication of this annual report.

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 ^{note}	+2,426,000	709,375,098	32.53%	–	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 Hua Jian Highway Investment Co., Ltd	–	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
IP KOW	–	9,100,000	0.42%	–	Unknown		Overseas natural person
DEUTSCHE BANK AKTIENGESELLSCHAFT	+8,822,727	8,822,727	0.40%	–	Unknown		Others
WONG KIN PING + LI TAO	–	5,000,000	0.23%	–	Unknown		Overseas natural person
LI KIU	–550,000	3,000,000	0.13%	–	Unknown		Overseas 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 ^{note}	709,375,098	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 Hua Jian Highway Investment Co., Ltd	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
IP KOW	9,100,000	H Share
DEUTSCHE BANK AKTIENGESELLSCHAFT	8,822,727	A Share
WONG KIN PING + LI TAO	5,000,000	H Share
LI KIU	3,000,000	H 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 2014, 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
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)

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 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 43.89% interests in Shenzhen International. Pursuant to Securities and Futures Ordinance, SIHCL was deemed to be interested in shares of the Company owned by Shenzhen International.

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 2014.

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	Organisation code	Registered capital	Major operating management activities
Xin Tong Chan Development (Shenzhen) Company Limited	Li Jing Qi	8 September 1993	19224376-X	RMB200,000,000	Transportation information consulting, software development of transport platform and investment in various industrial projects (specific project shall be applied separately)

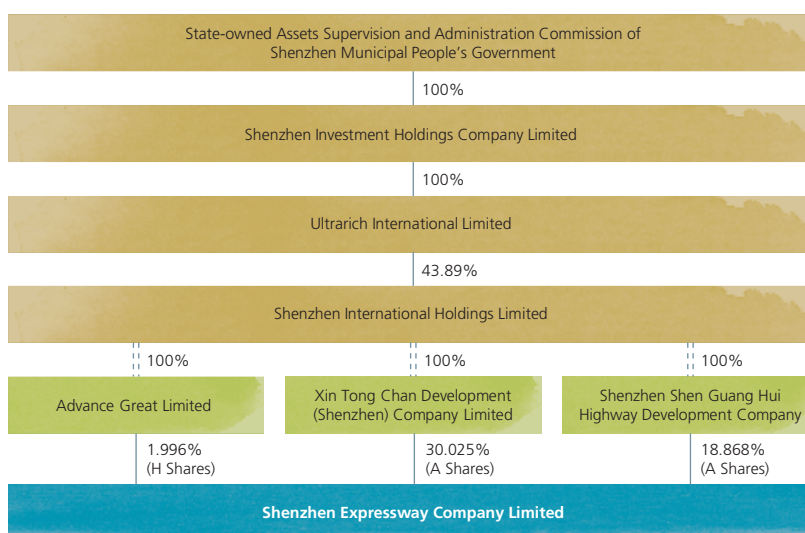
As at the end of the Reporting Period, Shenzhen International indirectly held a total of 50.889% of the Company's shares by its wholly-owned subsidiaries XTC Company, SGH Company and Advance Great Limited. For details, please refer to the following chart of ownership and the relation of control between 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
Organisation code	N/A
Registered capital	HK\$1,891,942,887 (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.
Development strategy	Shenzhen International's development strategy defines the Pearl River Delta, the Yangtze River Delta and the Pan-Bohai Rim in the PRC as strategic regions, through acquisitions, restructuring and integration, the group endeavours to invest, construct and operate logistic infrastructure projects such as logistic parks and toll roads and applies supply-chain management techniques and information technology to provide high-end and value-added logistic services to customers, creating greater value for its shareholders.
Other domestic and overseas listed company controlled or participated during the Reporting Period	It held approximately 5.59% A shares of CSG Holding Co., Ltd., a domestic listed company, as at the end of 2014.
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 2014, SIHCL indirectly held 43.89% 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 the 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	Organisation code	Registered capital	Major operating management activities
Shenzhen Shen Guang Hui Highway Development Company	Li Jing Qi	June 1993	45576829-4	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

Name	Title (as at the end of the Period)	Sex	Age	Commencement of the term of office of this session	End of the term of office of this session
Yang Hai	Chairman of the Board	Male	53	Jan 2012	Dec 2014
Wu Ya De	Executive Director	Male	50	Jan 2012	Dec 2014
Wu Ya De (concurrent position)	President	Male	50	Sep 2012	Aug 2015
Li Jing Qi	Non-executive Director	Male	58	Jan 2012	Dec 2014
Zhao Jun Rong	Non-executive Director	Male	50	Jan 2012	Dec 2014
Hu Wei	Non-executive Director	Male	52	Jan 2012	Dec 2014
Tse Yat Hong	Non-executive Director	Male	45	Jan 2012	Dec 2014
Zhang Yang	Non-executive Director	Female	50	Jan 2012	Dec 2014
Chiu Chi Cheong, Clifton	Non-executive Director	Male	60	Jan 2012	Dec 2014
Wang Hai Tao	Independent Director	Male	69	Jan 2012	Dec 2014
Zhang Li Min	Independent Director	Male	59	Jan 2012	Dec 2014
Au Sing Kun	Independent Director	Male	62	Jan 2012	Dec 2014
Lin Chu Chang	Independent Director	Male	45	Jan 2012	Dec 2014
Zhong Shan Qun	Chairman of the Supervisory Committee	Male	50	Jan 2012	Dec 2014
He Sen	Supervisor	Male	41	Jan 2012	Dec 2014
Fang Jie	Supervisor	Male	54	Jan 2012	Dec 2014
Li Jian	Vice President	Male	56	Sep 2012	Aug 2015
Zhou Qing Ming	Vice President	Male	58	Sep 2012	Aug 2015
Ge Fei	Vice President	Male	46	Sep 2012	Aug 2015 ^{note}
Liao Xiang Wen	Vice President	Male	46	Sep 2012	Aug 2015
Gong Tao Tao	Financial Controller	Female	41	Sep 2012	Aug 2015
Wu Xian	Chief Engineer	Male	56	Sep 2012	Aug 2015
Wu Qian	Secretary of the Board	Female	43	Sep 2012	Aug 2015

Note: Mr. Ge Fei, Vice president, has applied for resignation for personal development, which was approved by the Board and became effective on 20 March 2015.

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

Unit: RMB million (before tax)

Name	Whether hold or trade shares of the Company	Remuneration receivable from the Company during the Reporting Period			Whether receive remuneration from shareholder entities during the Period
		Fee	Salary ⁽³⁾	Total	
Yang Hai	No	N/A	0.910	0.910	No
Wu Ya De	No	N/A	0.910	0.910	No
Li Jing Qi	No	N/A	N/A	–	Yes
Zhao Jun Rong	No	N/A	N/A	–	Yes
Hu Wei	No	N/A	N/A	–	Yes
Tse Yat Hong	No	N/A	N/A	–	Yes
Zhang Yang	No	N/A	N/A	–	Yes
Chiu Chi Cheong, Clifton	No	0.350	N/A	0.350	No
Wang Hai Tao	No	0.180	N/A	0.180	No
Zhang Li Min	No	0.180	N/A	0.180	No
Au Sing Kun	No	0.180	N/A	0.180	No
Lin Chu Chang	No	0.180	N/A	0.180	No
Zhong Shan Qun	No	N/A	N/A	–	Yes
He Sen	No	N/A	N/A	–	Yes
Fang Jie ⁽³⁾	No	N/A	0.660	0.660	No
Li Jian ⁽³⁾	No	N/A	0.745	0.745	No
Zhou Qing Ming	No	N/A	0.759	0.759	No
Ge Fei ⁽³⁾	No	N/A	0.765	0.765	No
Liao Xiang Wen ⁽³⁾	No	N/A	0.721	0.721	No
Gong Tao Tao ⁽³⁾	No	N/A	0.761	0.761	No
Wu Xian ⁽³⁾	No	N/A	0.772	0.772	No
Wu Qian ⁽³⁾	No	N/A	0.746	0.746	No
Total	/	/	/	8.819	/

Directors, Supervisors, Senior Management and Employees

Notes:

- (1) According to the plan approved at the general meeting, the Directors and the Supervisors who attended/observed any relevant meetings are entitled to receive meeting subsidies. In 2014, the meeting subsidies (after tax) receivable for Directors Yang Hai, Wu Ya De, Li Jing Qi, Zhao Jun Rong, Hu Wei, Tse Yat Hong, Zhang Yang, Chiu Chi Cheong, Clifton, Wang Hai Tao, Zhang Li Min, Au Sing Kun, Lin Chu Chang and the Supervisors Zhong Shan Qun, He Sen, Fang Jie were RMB12,000, RMB12,000, RMB9,000, RMB8,500, RMB10,000, RMB11,000, RMB11,000, RMB12,000, RMB13,000, RMB12,500, RMB14,000, RMB9,000, RMB8,000, RMB7,000 and RMB8,500 respectively. Among them, Directors Yang Hai, Wu Ya De, Li Jing Qi, Zhao Jun Rong, Hu Wei, Tse Yat Hong and Supervisor Zhong Shan Qun have declined the meeting subsidies receivable for the year.
- (2) An employee's remuneration of the Company comprises position salary and performance bonus. In addition, pursuant to statutory requirements and the Company's regulations, employees enjoyed the statutory and company fringe benefits, including the contributions to social retirement insurance, other kinds of social insurance, the supplemental retirement scheme and the housing allowances. During the Reporting Period, Directors Yang Hai and Wu Ya De, Supervisor Fang Jie, senior management members namely, Li Jian, Zhou Qing Ming, Ge Fei, Liao Xiang Wen, Gong Tao Tao, Wu Xian and Wu Qian enjoyed benefits in amount of RMB165,000, RMB165,000, RMB138,000, RMB159,000, RMB161,000, RMB161,000, RMB160,000, RMB160,000, RMB159,000 and RMB159,000 respectively.
- (3) According to relevant policy guidelines of the Shenzhen Municipal Government, the Company adopts business vehicle reform plan. For management members who participated in the plan, the Company will pay monthly vehicle subsidies in lieu of providing or arranging business vehicles for them. During the Reporting Period, the Supervisor Fang Jie and senior management members namely, Li Jian, Ge Fei, Liao Xiang Wen, Gong Tao Tao, Wu Xian and Wu Qian participated in the above plan. During the Reporting Period, the aforesaid persons received vehicle subsidies of RMB43,000, RMB60,000, RMB60,000, RMB60,000, RMB60,000, RMB60,000 and RMB60,000 respectively.

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 IV below.

3. Biography of the Directors, Supervisors and Senior Management

The term of office of the member of the sixth session of the Board and the Supervisory Committee of the Company expired on 31 December 2014. Mr. Yang Hai, a Director, as well as Mr. Wang Hai Tao and Mr. Zhang Li Min, Independent Directors, ceased to be directors of the Company upon the expiry of their term of office.

At the Third Extraordinary General Meeting 2014 of the Company hold on 19 December 2014, Mr. Hu Wei, Mr. Wu Ya De, Mr. Li Jing Qi, Mr. Zhao Jun Rong, Mr. Tse Yat Hong, Mr. Wang Zeng Jing, Ms. Zhang Yang and Mr. Chiu Chi Cheong, Clifton were appointed as Directors of the seventh session of the Board, Mr. Au Sing Kun, Mr. Lin Chu Chang, Mr. Hu Chun Yuan and Mr. Shi Xian Liang were appointed as Independent Directors of the seventh session of the Board, and Mr. Zhong Shan Qun and Mr. He Sen were appointed as shareholders' representative Supervisors of the seventh session of the Supervisory Committee. Besides, Mr. Fang Jie was elected as staff representative Supervisor of the seventh session of the Supervisory Committee in the staff representatives' meeting. The term of office of the member of the seventh session of the Board and the Supervisory Committee commenced on 1 January 2015 and shall end on 31 December 2017. Mr. Hu Wei and Mr. Zhong Shan Qun have been elected as the Chairman of the Board at the Directors' meeting and the chairman of the Supervisory Committee at the Supervisors' meeting held on 5 January 2015 respectively.

Biography of the Directors, Supervisors and senior management of the Company (including major working experience in recent five years) is as follows:

Members of the Seventh Session of the Board:



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 June 2001 to August 2011, and has been a Vice President of Shenzhen International since August 2011.



WU Ya De

*Executive Director, President,
Member of Strategic Committee.*

Director since Jan. 1997,
Acting President/President since Jan. 2002.

Born in 1964. Mr. Wu has extensive experiences in toll highway management and investment as well as corporate management.

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 an unlisted subsidiary of the Company.



LI Jing Qi

*Non-executive Director,
Member of Strategic Committee.*

Director since Apr. 2005.

Born in 1956. Mr. Li has over 20 years of experiences in international banking and corporate management.

Mr. Li has been an Executive Director of Shenzhen International since March 2000, and has been the President of Shenzhen International since August 2006.



ZHAO Jun Rong

*Non-executive Director,
Member of Strategic Committee.*

Director since Jan.2009.

Born in 1964. Mr. Zhao has extensive experiences in corporate management and the legal profession.

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.

Directors, Supervisors, Senior Management and Employees



TSE Yat Hong

*Non-executive Director,
Member of Risk Management Committee.*

Director since Jan. 2009.

Born in 1969. Mr. Tse has extensive experiences in accounting, finance and corporate governance matters of listed companies for many years.

Mr. Tse has been the Chief Financial Officer of Shenzhen International since June 2000.



WANG Zeng Jing

*Non-executive Director,
Member of Remuneration Committee.*

Director since Jan. 2015.

Born in 1970. Mr. Wang has more than ten years experiences in human resource management and corporate management.

Mr. Wang joined Shenzhen International in October 2004 as Secretary to the Chairman and has been the General Manager of human resource department of Shenzhen International since June 2005.



ZHANG Yang

*Non-executive Director,
Member of Risk Management Committee.*

Director since Mar. 2001.

Born in 1964. Ms. Zhang has extensive experiences in investment and management in expressway as well as human resources management and administrative management.

Ms. Zhang joined CM Huajian in 1994, and has been a Deputy General Manager of CM Huajian since April 2007.



CHIU Chi Cheong, Clifton

*Non-executive Director,
Member of Audit Committee,
Member of Remuneration Committee.*

Director since Dec. 1996 (Independent Director: 1996-2002).

Born in 1954. Mr. Chiu has extensive experiences in finance, securities, financial management and corporate governance.

Mr. Chiu has been the Managing Director of Harvester (Holdings) Company Limited since January 1994, and he also had been a Vice Chairman of the Takeover and Mergers Panel of the SFC, a member of Process Review Panel of the SFC, and the Vice Chairman of the Listing Committee of the Main Board of HKEx and the Listing Committee of the Growth Enterprises Market of HKEx, etc. Mr. Chiu is also a member of the University Grants Committee of Hong Kong Special Administrative Region.



AU Sing Kun

Independent Director,
Chairman of Risk Management Committee,
Member of Audit Committee,
Member of Remuneration Committee,

Independent Director since Jan.2012.

Born in 1952. Mr. Au has many years in depth experiences in international banking and risk management.

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 has been a Director of Nice International Investments Limited since his retirement in 2009.



LIN Chu Chang

Independent Director,
Member of Strategic Committee,
Member of Nomination Committee.

Independent Director since Jan.2012.

Born in 1969. Mr. Lin has experiences in financial investment and real estate development for many years.

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.



HU Chun Yuan

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

Independent Director since Jan.2015.

Born in 1969. Mr. Hu has well experiences in restructuring and listing, assets reorganisation and bonds reorganisation, 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.



SHI Xian Liang

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

Independent Director since Jan.2015.

Born in 1971. Mr. Shi has high theoretical level and rich practical experiences in development strategy and planning of logistics, supply chain and logistics management, logistics informatisation.

Mr. Shi has worked in Beijing Jiaotong University since 1993, and had been the Deputy Director of logistics institute, Director and Associate Professor of the logistics management department of the School of Economics and Management. He is currently the Deputy Dean and Professor of the School of Economics and Management of Beijing Jiaotong University.

Directors, Supervisors, Senior Management and Employees

Members of the Seventh Session of the Supervisory Committee:



ZHONG Shan Qun

*(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.

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.



HE Sen

(Shareholders' representative) Supervisor.

Supervisor since Jan. 2010.

Born in 1973. Mr. He has experiences in financial management and corporate management in toll highway industry.

Mr. He joined GDRB Company in March 2001, serving as the Deputy Manager of finance department of GDRB Company, and has been the Manager of financial department/Minister of financial management department of GDRB Company since November 2009.



FANG Jie

(Staff representative) Supervisor.

Supervisor since Aug. 2008.

Born in 1960. Mr. Fang has experiences in project management and personnel administration for many years.

From January 2001 to March 2007, Mr. Fang had worked in XTC Company. He joined the Company in April 2007, serving successively as the General Manger of project development department and the Director of chief engineer office of the Company. Mr. Fang is also a Supervisor of an unlisted subsidiary of the Company.

Senior Management:



LI Jian

Vice President.

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

Born in 1958. Mr. Li is now responsible for business strategy, equity financing and management of investment projects as well as the overall study of new industries.

Mr. Li joined the Company in 1996, and has been the Operations Controller and a Vice President of the Company since August 2005. Mr. Li is also a Director/Chairman of some unlisted subsidiaries of the Company. He is also a Vice Chairman of GZ W2 Company, Jiangzhong Company and Nanjing Company, which are all investee companies of the Group.



ZHOU Qing Ming

Vice President,
Management Representative of corporate's
quality management system.

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

Born in 1956. Mr. Zhou is mainly responsible for toll highway maintenance and administration, management of projects under construction as well as the Company's quality management system.

Mr. Zhou joined the Company in 1998 and has been the Administrative Controller and a Vice President since November 2004. Mr. Zhou is also a Director of an unlisted subsidiary of the Company. As a representative of the Company, Mr. Zhou is also the Chairman of Longda Company, the Executive Director and General Manager of Coastal Company and the Chairman of Shenzhen Freeway Industry Co., Ltd.



GE Fei

Vice President.

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

Born in 1968. Mr. Ge is mainly responsible for development of new industries of the Company and management of specific projects of such industries.

Mr. Ge joined the Company in 1998, and has been the Engineering Controller and a Vice President of the Company since August 2005, and he is also a Director/Chairman of some unlisted subsidiaries of the Company.



LIAO Xiang Wen

Vice President.

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

Born in 1968. Mr. Liao is mainly responsible for toll collections business and relative mechanical/ electrical maintenance, human resources, legal affairs, public relations, development of corporate culture and administrative affairs of the Company.

Mr. Liao joined the Company in 2004. He has been a Vice President since September 2009. Mr. Liao is also a Director of some unlisted subsidiaries of the Company and a Director of Guangdong UETC, which is an investee company of the Group.

Directors, Supervisors, Senior Management and Employees



GONG Tao Tao

Financial Controller.

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

Born in 1973. 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.

Ms. Gong joined the Company in 1999, and has been the Financial Controller since November 2002. Ms. Gong is also a Director of some unlisted subsidiaries of the Company.



WU Xian

Chief Engineer.

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

Born in 1958. Mr. Wu is mainly responsible for technical works, project prophase management and safety management of the Company.

Mr. Wu joined the Company in 1996, and has been the Chief Engineer of the Company since August 2007. Mr. Wu is also a Director of some unlisted subsidiaries of the Company.



WU Qian

Secretary of the Board/Company Secretary.

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

Born in 1971. Ms. Wu is mainly responsible for information disclosure, investor relations and corporate governance of the Company.

Ms. Wu joined the Company in 2003, and has been the Secretary of the Board since September 2004 and has been the Company Secretary since September 2007.

Other Directors in Office at the End of the Reporting Period:

YANG Hai



Mr. Yang had been the Chairman of the Company from April 2005 to December 2014, and also had been the Chairman of the Strategic Committee and a member of the Nomination Committee of the sixth session of the Board.

Mr. Yang had been a Deputy General Manager of the Company from 1997 to 2000. He joined Shenzhen International in March 2000, had been the General Manager of a subsidiary of Shenzhen International and a Vice President of Shenzhen International. He had been an Executive Director of Shenzhen International from August 2007 to December 2014.

WANG Hai Tao



Mr. Wang had been an Independent Director of the Company from January 2009 to December 2014, and had been the Chairman of the Nomination Committee and the Remuneration Committee of the sixth session of the Board.

Mr. Wang joined China Merchants Bank in April 1994 and had been the Executing Deputy Officer of administrative office of headquarter, the Officer of training centre, the General Manager of administrative department and the Vice Chairman of the labour union of headquarter. Mr. Wang retired in February 2006.

ZHANG Li Min



Mr. Zhang had been an Independent Director of the Company from January 2009 to December 2014, and had been the Chairman of the Audit Committee and a member of the Remuneration Committee of the sixth session of the Board.

Mr. Zhang had worked in Tianjin University of Finance & Economics, School of Business of Sun Yat-Sen University, and has been a Professor in accounting and a Tutor of Doctorship in School of Economics and Management of Beijing Jiaotong University since 2009.

Directors, Supervisors, Senior Management and Employees

II. Main Position of the Directors, Supervisors and Senior Management Hold

1. Positions in Shareholder Entities

Name	Name of shareholder entity	Position	Term
Hu Wei	XTC Company	Director	Oct 2012 – Now
	Shenzhen International	Vice President	Aug 2011 – Now
Li Jing Qi	XTC Company	Chairman, General Manager	Nov 2013 – Now
	SGH Company	Chairman	Jun 2009 – Now
	Shenzhen International	Executive Director and President	Aug 2006 – Now
	Ultrarich International Ltd	Director	May 2007 – 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
Wang Zeng Jing	Shenzhen International	General Manager of Human Resource Department	Jun 2005 – Now
Zhang Yang	CM Huajian	Deputy General Manager	Apr 2007 – Now
Zhong Shan Qun	XTC Company	Director	Sep 2005 – Now
	Shenzhen International	Vice President	Jun 2007 – Jan 2015
		Executive Director	Jan 2015 – Now
He Sen	GDRB Company	Minister of Financial Management Department	Nov 2009 – Now
Yang Hai	Shenzhen International	Executive Director	Aug 2007 – Dec 2014
The description of position in shareholder entities		In addition to abovementioned main positions in shareholders entities, Director Hu Wei, Li Jing Qi, Zhao Jun Rong, Tse Yat Hong and Supervisor Zhong Shan Qun and He Sen are also concurrently serving as a Director or Supervisor in some unlisted subsidiaries or investee companies of the relevant shareholders entities.	

2. Positions in Other Entities

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

Name	Name of other entity	Position	Term
Wu Ya De	Shenzhen Fenda Technology Co., Ltd.	Independent Director	Jul 2010 – Dec 2014
Li Jing Qi	CSG Holding Co., Ltd.	Director	May 2000 – Now
Tse Yat Hong	Casablanca Group Limited	Independent Director	Oct 2012 – Now
	China Huirong Financial Holdings Limited	Independent Director	Oct 2013 – Now
Zhang Yang	Jilin Expressway Co., Ltd.	Vice Chairman	Feb 2010 – Now
	Jiangsu Expressway Co., Ltd.	Director	Nov 2007 – Now
	Henan Zhongyuan Expressway Co., Ltd.	Director	Nov 2009 – 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
Zhang Li Min	Tianjin Benefo Tejing Electric Co., Ltd.	Independent Director	Apr 2009 – Now
	Shenzhen Centralcon Investment Holding Co., Ltd.	Independent Director	Oct 2013 – Now
	Gemdale Corporation	Independent Director	Apr 2014 – Now

III. Changes of the Directors, Supervisors or Senior Management

During the Reporting period, there is no change about the Directors, Supervisors or senior management of the Company. The term of office of the sixth session of the Board and the Supervisory Committee of the Company expired on 31 December 2014. For the information on the election and position of the members of the new session of the Board and the Supervisory Committee, please refer to Point I above.

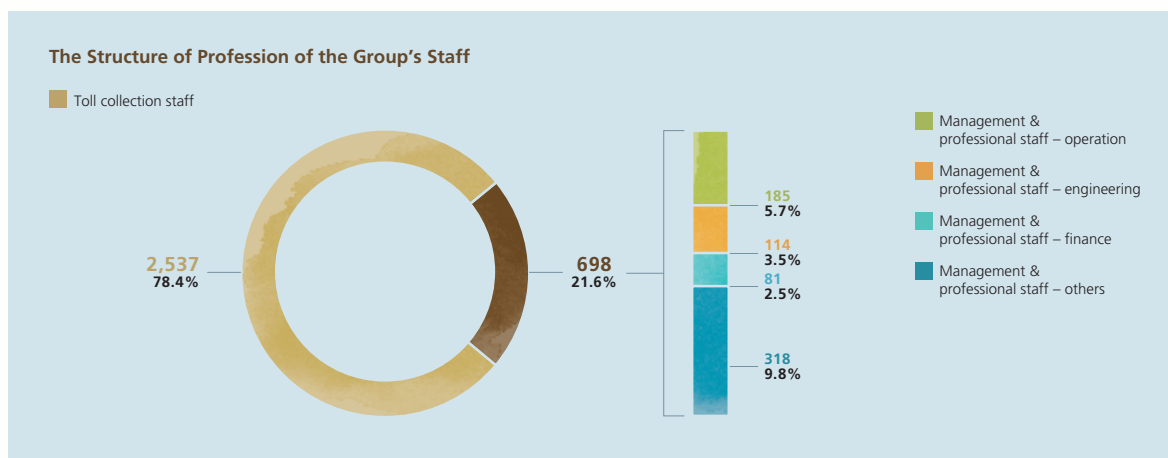
Directors, Supervisors, Senior Management and Employees

VI. Basic Information of Employees and Human Resource Management

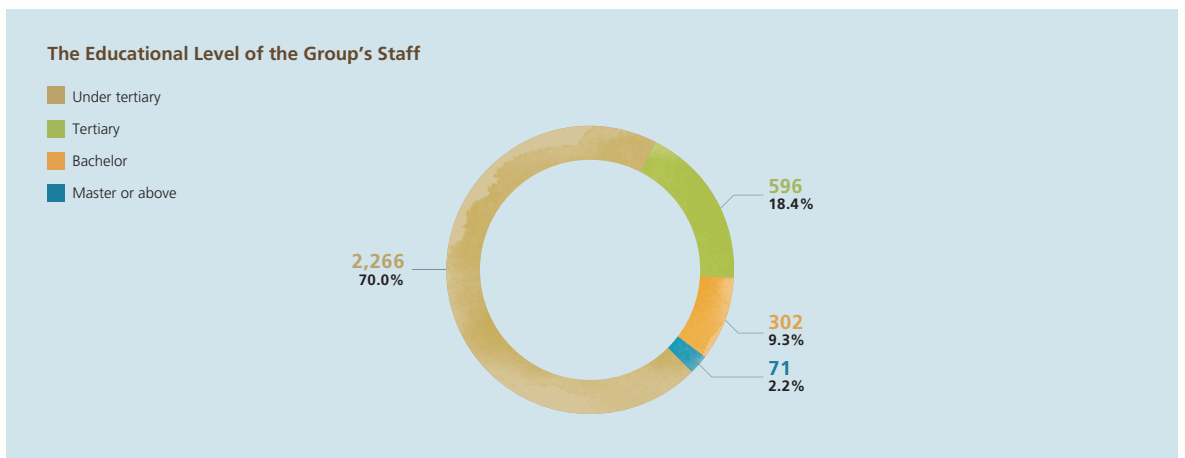
1. Basic Information of Employees:

Amount of employees in the parent company	1,152
Amount of employees in main subsidiaries	2,083
The total amount of employees	3,235
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), 2,537 were toll collection staff, representing 78.4% of total number, while 698 were management and professional staff, including staff of operation, engineering, finance and other series, representing 21.6% of the total number. The structure of profession of the Group's staff is as follows:



Among the employees of the Group, 30.0% held tertiary or above qualifications, of which 85.4% 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. By the end of 2014, The Remuneration Committee submitted the proposal of the remuneration of Directors of the seventh session of the Board with reference to the market remuneration standard, the actual circumstances of the Company and the candidates.

According to the proposed plans approved by the general meeting, Independent Directors and Director who were not nominated by the shareholders of the Company received Directors' emoluments, and the Company would not separately determine or pay any additional emoluments to the Directors and the Supervisors who are entitled to receive management remuneration 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 sixth session of the Board and the Supervisory Committee was strictly implemented as approved by the general meeting. The proposal for the remuneration of the seventh session of the Board and the Supervisory Committee was submitted to the Third Extraordinary General Meeting 2014 and was approved by the shareholders.

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. Staff remuneration and benefits, comprising wage, performance bonus and statutory and company benefits, are determined according to the market value of the position and the overall performance of the staff members, which are strategy, market and performance oriented and internally and externally impartial.

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, and unemployment 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 and housing provident fund management center respectively as social insurance contributions for items such as pension and medical insurance and housing provident fund 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 2014, the Group has a total of 29 retired staff. The registration procedures in relation to their retirement have been completed through Shenzhen or local social security authorities, and there is no obligation for the Group to bear the retirement costs. For details of the remuneration and benefits for employees during the reporting period, please refer to note V18 to the Financial Statements in this annual report.

The Company's Executive Directors, senior management and the staff representative Supervisor received management remuneration 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 beginning of 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 2014, 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.

Currently, the Company has not yet established any long-term incentive regime or implemented any share option incentive scheme for the time being. In order to encourage the management to pay more attention on the long-term performance and strengthen the restrictive regime, the Company established a deferred payment scheme of annual bonus for the core management members by the establishment of bonus pool. The payment of their annual performance bonus shall be deferred in accordance with a certain proportion and principles. The amount deferred is to be reviewed, confirmed and paid upon completion of the proposed target so as to attract, motivate and retain the talents. In 2014, based on the completion of the proposed target, the deferred annual bonus (before tax) receivable for senior management Li Jian, Zhou Qing Ming, Ge Fei, Liao Xiang Wen, Gong Tao Tao, Wu Xian and Wu Qian were RMB100,000, RMB100,000, RMB101,000, RMB101,000, RMB99,000, RMB94,000 and RMB98,000 respectively. The Remuneration Committee of the Company considers that based on the factors such as difficulty in implementation of the strategy, stimulating enthusiasm and creativity of core team as well as guiding the behavior for a long-term operation, the Company should taking into account the regulatory policies and requirements, timely conduct the research and discussion on long-term incentives.

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 2014, the Company and its departments have organised 62 training sessions, which covered all business segments of the Company, including general management, operating management and professional skills. The training hours totalled 11,546 hours, with 1,455 person-times participation and covering staff of all levels from toll collection staff to senior management.

Corporate Governance Summary	88
Corporate Governance Report	96
Internal Control	110
Investor Relations	113

A scenic landscape featuring a paved road with white lane markings and a metal guardrail in the foreground. The road curves through a valley with lush green hills and mountains in the background. The sky is filled with soft, white clouds, creating a misty atmosphere. The overall color palette is dominated by blues, greens, and whites.

▶ Corporate Governance

敢於承擔 · 迎難而上

承擔



Corporate Governance Summary

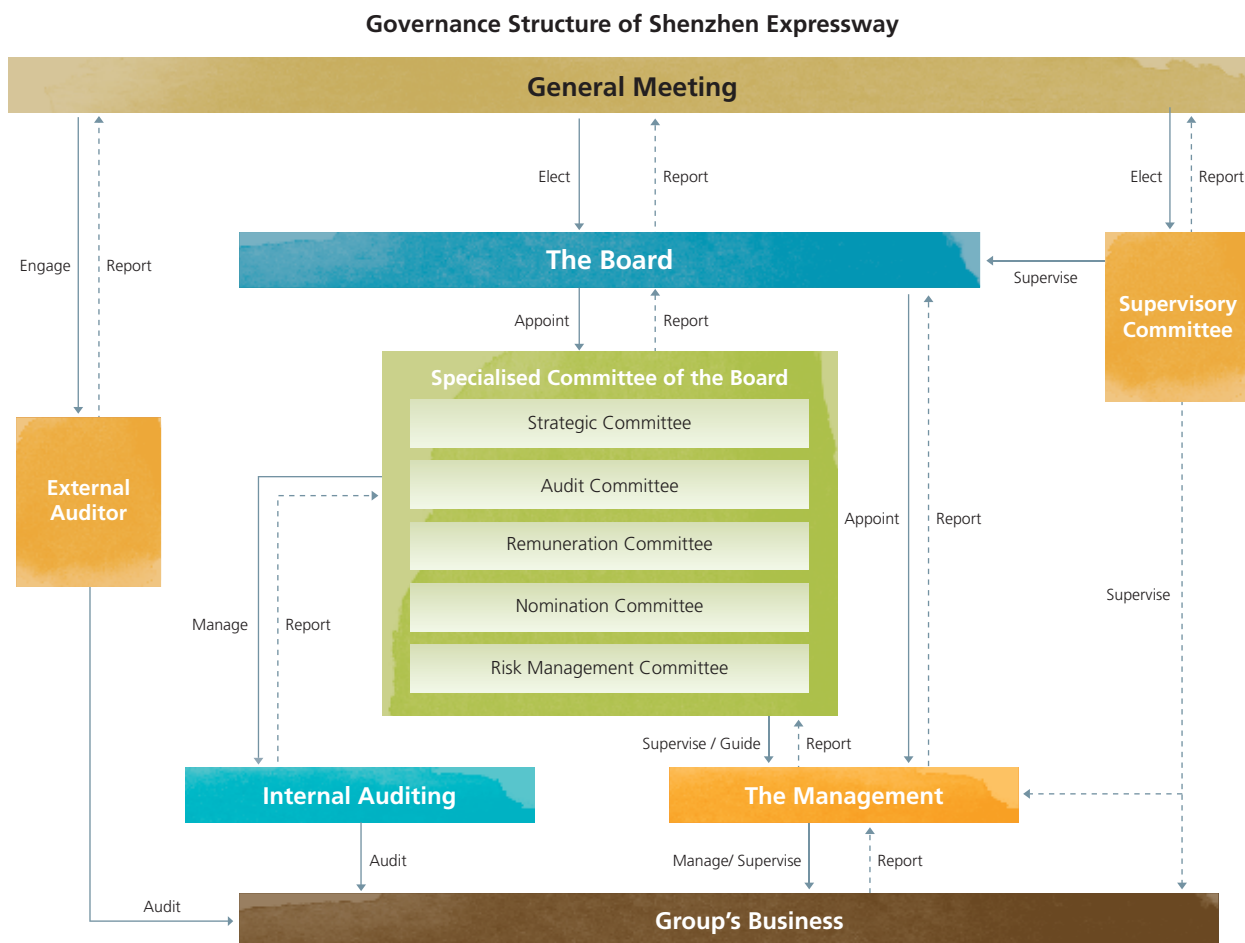
I. The Description of the Overall Corporate Governance

The Company believes that sound corporate governance enables the Company to achieve healthy and stable development. The Company has always been committed to promoting sound 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 has 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” of HKEx. 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.



The key documents of the governance documents of the Company include “Articles of Association” and its appendices (Rules of Procedures for the Shareholders, 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.), of which can be found and downloaded in the section of “Corporate Governance” on the Company’s website.

The implementation of the management system of insider:

The Company attaches great importance to the observance and compliance of the directors, supervisors and senior management and forbids any insider trading of the shares of the Company. The Company has established various systems including Securities Transaction Code, Rules Governing Insider Information, and Code of Conduct in Relation to Information Disclosure to Shareholders so as to enhance the secrecy management of the inside information, regulate the insider trading of the shares of the Company and maintain the principle of equality among the Company’s interest and 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.

Corporate Governance Summary

III. The Introduction of the General Meeting

During 2014, four general meetings were held by the Company at the conference room of the Company. Details of the general meetings are as follows:

Name of the meeting	Convening date	The name of the resolution	The result
The First Extraordinary General Meeting 2014	28 March 2014	The resolution in relation to the toll adjustment in Meiguan Expressway and compensation by the government	Passed
The 2013 Annual General Meeting	13 May 2014	The report of the board of directors for the year 2013; The report of the supervisory committee for the year 2013; The audited accounts for the year 2013; The proposed distribution scheme of profits for the year 2013; The budget report for the year 2014; The reappointment of the auditor of the Company for 2014; The resolution in relation to the grant of a general mandate to the board of directors of the Company to issue debentures denominated in Renminbi. (Special Resolution).	Passed
The Second Extraordinary General Meeting 2014	8 October 2014	The resolution in relation to the joint venture with SZ International in establishment of the project company to implement Meilin Checkpoint Urban Renewal Project	Passed
The Third Extraordinary General Meeting 2014	19 December 2014	The election of the directors of the seventh session of the board of directors; The election of the independent directors of the seventh session of the board of directors; The election of the supervisors of the seventh session of the supervisory committee; The remuneration of the seventh session of the board of directors and the supervisory committee.	Passed

Note: The above resolutions of the general meetings are available on the website of Shanghai Stock Exchange at <http://www.sse.com.cn>, the website of Hong Kong Stock Exchange 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).

IV. The Performance of Duties of the Directors

(I) Attendance of Directors at the Board Meetings and the General Meetings in 2014

Name	The service in 2014	Attendance at the Board Meetings						Attendance at the General Meetings
		The total number of the meetings	Attendance in person	Attendance at the meetings by way of telecommunication ⁽¹⁾	Attendance at the meetings by proxy ⁽²⁾	Frequency of absence	Absence from two successive meeting in person	Attendance in person
Yang Hai	Executive Director	9	8	1	1	–	No	4
Wu Ya De	Executive Director	9	9	–	–	–	No	4
Li Jing Qi	Non-executive Director	9	7	1	2	–	No	4
Zhao Jun Rong	Non-executive Director	9	8	–	1	–	No	1
Hu Wei	Non-executive Director	9	8	–	1	–	No	2
Tse Yat Hong	Non-executive Director	9	9	3	–	–	No	4
Zhang Yang	Non-executive Director	9	8	2	1	–	No	4
Chiu Chi Cheong, Clifton	Non-executive Director	9	7	1	2	–	No	2
Wang Hai Tao	Independent Director	9	9	4	–	–	No	4
Zhang Li Min	Independent Director	9	7	2	2	–	No	3
Au Sing Kun	Independent Director	9	9	–	–	–	No	4
Lin Chu Chang	Independent Director	9	6	–	3	–	No	2

Notes:

- (1) 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.
- (2) Directors who were unable to attend meetings in person had appointed other Directors to attend and vote at the meetings on their behalf.

Corporate Governance Summary

(II) Attendance of Directors at the Meetings of the Specialised Committees

Name	Title held in the specialised committees of the sixth session of the Board	Attendance (Attendance in person/Total number of meeting)					
		Strategic Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee	Independent Director Meeting
Yang Hai	Chairman of Strategic Committee Member of Nomination Committee	1/1	Note 3	Note 1	2/2	Note 1	N/A
Wu Ya De	Member of Strategic Committee	1/1	Note 6	Note 1	Note 2	Note 2	N/A
Li Jing Qi	Member of Strategic Committee	1/1	N/A	N/A	N/A	N/A	N/A
Zhao Jun Rong	–	Note 1	N/A	N/A	N/A	N/A	N/A
Hu Wei	Member of Risk Management Committee	Note 1	N/A	N/A	N/A	2/2	N/A
Tse Yat Hong	–	Note 1	N/A	N/A	N/A	N/A	N/A
Zhang Yang	Member of Risk Management Committee	Note 1	N/A	N/A	N/A	2/2	N/A
Chiu Chi Cheong, Clifton	Member of Strategic Committee Member of Audit Committee Member of Remuneration Committee	1/1	7/7	2/2	N/A	N/A	N/A
Wang Hai Tao	Independent Director/ Chairman of Nomination Committee Chairman of Remuneration Committee	Note 1	Note 1	2/2	2/2	N/A	3/4
Zhang Li Min	Independent Director/ Chairman of Audit Committee Member of Remuneration Committee	Note 1	7/7	2/2	N/A	N/A	4/4
Au Sing Kun	Independent Director/ Chairman of Risk Management Committee Member of Audit Committee	Note 1	7/7	N/A	N/A	2/2	4/4
Lin Chu Chang	Independent Director/ Member of Strategic Committee Member of Nomination Committee	-/1	N/A	N/A	2/2	N/A	4/4

Note: Observed at the meeting

(III) The Performance of Duties of Independent Directors

During 2014, the Independent Directors gave no dissent to the matters discussed by the Board and did not propose to convene any Board meeting and general meeting or publicly collect voting rights from the shareholders. During the year, the four Independent Directors of the Company have provided independent advice on matters such as annual review of the Company's external guarantees, profit distribution plan, changes in accounting policies, nomination of directors, remuneration package, connected transactions and continuing connected transactions according to the requirements of the regulatory requirements and guidelines, and provided constructive opinion on the business development, strategic plan and management of investor relations of the Company, in order to protect the overall interest of the Company and shareholders through its monitoring and balancing role. For the details of the annual duty report of the Independent Directors, please refer to the "2014 Duty Report of the Independent Directors (2014年度獨立董事述職報告)" (Chinese version) published on the website of the exchanges on the Reporting Date.

V. The Annual Performance of Duties of Specialised Committees of the Board

The Board of the Company established five specialised committees, namely Strategic Committee, Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee. Members of the specialised 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 2014, the specialised committees convened 14 meetings in total. For the formation of each specialised committees and the attendance at the committee meeting, 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 2014, the Strategic Committee held one meeting, in which the committee was informed by the management of the Company in relation to the actual progress of the financial data of the Company in 2013, the comparison and analysis of the key financial indicators of the counterparties and the review and conclusion of the practical implementation of the development strategies, and had the discussion on the research and planning of the new development strategies, the preliminary outcome from the research and discussion and the report of concrete planning.

(II) Audit Committee

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

In 2014, the Audit Committee held seven meetings, and conducted the work actively and performed its duties according to the performance goal set in the beginning of the year, reviewed the regular reports, internal control reports, specific audit report and material connected transactions, and provided professional opinions and suggestions on various aspects including the financial reports, accounting policies and estimates, audit work, corporate governance, risk management and internal control. During the year, auditors attended four meetings to discuss the matters in relation to the review of regular reports. In addition, auditors also held one independent meeting in the absence of management of the Company to ensure the independence and objectivity. The major works of the Committee for the year included:

- ◆ periodical review of the Group’s financial statements, including the annual financial statements of 2013 and the unaudited financial statements for the first quarter, interim and the third quarter of 2014, and making recommendation to the Board for approval;
- ◆ assisting the Board in making independent evaluation on the effectiveness of the Group’s internal control;
- ◆ supervision and guidance for the internal auditing work;
- ◆ supervision for material connected transaction, 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 financial reporting, the review on financial statements, the internal control and relevant work of auditor as well as the opinions on the above matters are set out in “Corporate Governance Report” and “Internal Control” in the annual report. For the details of the annual duties of the Audit Committee, please refer to the “2014 Duty Report of the Audit Committee (審核委員會2014年度履職情況報告)” (Chinese version) published on the website of the exchanges on the Reporting Date.

Corporate Governance Summary

(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 regime 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 members or their associates is allowed to set his/her own remuneration. For the remuneration of the Directors, the Committee only made recommendations to the Board and the remuneration of the Directors and senior management shall be specifically determined in the General Meetings or by the Board.

In 2014, the Remuneration Committee held two meetings, and the major tasks completed during the year include:

- ◆ evaluating the operating performance of the management and the Executive Directors for 2013, 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 2013 for the Directors and senior management;
- ◆ reviewing the formulation of the operating performance target of the Company for 2014 and giving the review opinions;
- ◆ submitting the review and evaluation report on the remuneration of the sixth session of the Board and the proposal on the remuneration of the seventh session of the Board.

The Remuneration Committee held one meeting in early 2015 (up to the Reporting Date) to assess and evaluate the operating performance of the management and the Executive Directors for 2014, and review the annual disclosure proposal for the remunerations for the Directors and senior management and concluded that the relevant disclosure met the requirements of securities regulations. Details of the remuneration policies and incentive regime of the Company and the relevant recommendation of the committee are set out in the section of “Directors, Supervisors, Senior Management and Employees” in this annual report.

(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 making proposals in respect of nominees, nomination criteria and nomination procedures for the Directors and senior management of the Company.

In 2014, the Nomination Committee held two meetings, the major tasks completed during the year include:

- ◆ reviewing the structure, number of members and composition of the Board;
- ◆ listening to the adjustment report from the representatives of investee companies;
- ◆ reviewing the qualification of the candidates of the seventh session of the Board of the Company and providing recommendations on the matters including the appointment and re-appointment of the Board and the formation of the Board according to the nomination procedures of the Company and the diversity policy of the Board.

Details of the nomination and election of the seventh session of the Board of the Company are set out in the section of “Directors, Supervisors, Senior Management and Employees” and “Corporate Governance Report” 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, instructing the management to establish a risk management system, supervising the group's overall risk position, and analysing and monitoring the risk position of the Company's material projects.

In 2014, the Risk Management Committee held two meetings, and the major tasks completed during the year include:

- ◆ reviewing the annual risk report and risk management plans of the Group, understating the changes of the risk of the Company and the implementation of responsive measures, and discussing the major risks and responsive measures of the Company facing in the future with the management;
- ◆ reviewing the updates of financial warning indicator system and monitoring the material changes of the warning indicator;
- ◆ reviewing the material connected transactions of the Company and providing opinions and recommendation to the Board from the risk control aspect.

VI. The Work of Supervisory Committee

In 2014, the Supervisory Committee held six meetings, and the supervisors also attended and observed all the shareholders' meetings and Board meetings. They considered the matters including the regular reports of the Company, the financial accounts and budget reports, proposed profit distribution, changes in accounting estimates and connected transactions, the nomination and remuneration proposal of supervisors, and supervised the legality and compliance of the decision making procedures in the shareholders' meetings and Board meetings, the implementation of the resolutions of the shareholders' meetings by the Board, the implementation of Company's profit distribution policy, the disclosures of periodic reports and other information, the performance of the duties by the directors and senior management and the implementation of relevant 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 corporate governance 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 exercises management and decision-making powers according to the authorities 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 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 the substantial shareholder or a Director has material conflict of interest on 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 authorisation. When considering the related issues, any Director who is affiliated with or interested in the same do not have the voting right and shall be absent when necessary.

In 2014, the Board convened nine plenary Board meetings to discuss and make decisions on issues covering the Group’s operating and financial performance, planning and supervision, business development, investment and financing plans, changes in accounting policies, connected transaction and general elections, and reviewed and evaluated the implementation of the Company’s strategies. During the year, the Board considered 3 connected transactions, of which, the directors of Shenzhen International Holdings Limited had waived their voting rights while considering the connected transaction in relation to the implementation of Meilin Guan with the joint venture established by the controlling shareholders of Shenzhen International Holdings Limited. For 2 remaining connected transactions, the directors were not required to waive their voting rights.

The meeting minutes of the Board and Board Committees contains the details of the discussing matters in the meeting, which includes the factors taken into consideration by various directors, the questions proposed, the objection and the decision made. The draft of the meeting minutes should be delivered to various directors for comments after the meeting within reasonable time. 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 marking 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 specialised 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 protect the independence of the professional institutions, the specific selection and employment work is conducted by the independent directors and independent board committee for the engagement of independent financial advisory of the connected transactions. The employment is 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 2014, the qualified independent financial advisor engaged by the Independent Board Committee consisting all Independent Directors and provided professional recommendation on the Directors' decisions, while considering the connected transaction in relation to the implementation of Meilin Guan with the joint venture established by the controlling shareholders of Shenzhen International Holdings Limited

In accordance with the approval and authorisation of the general meeting, the Company has purchased liability insurance for the Directors, the Supervisors and senior management since 2008, and purchased insurance for any 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**

The code provisions that we complied with	A.2.1~A.2.6; A.2.8~A.2.9
The code provision that we did not comply with	<p>A.2.7</p> <p>Description: In view of only 2 Executive Directors (including the Chairman) in the Company and the understanding of the Company's situation and the effective communication through various channels by all directors, the Chairman and Non-executive Directors (including Independent Directors) did not comply with the requirement of the code provision of A.2.7 to convene at least a meeting in the absence of the Executive Directors after having the written opinions from all Non-executive Directors.</p>

The Company clearly defines the duties between the Chairman and the President, so that the functions of the Board and senior management are separated to protect the balance of power and authority. In 2014, the Chairman of the Board of the Company is Yang Hai, 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 practice and procedures for the Company. The President, with the support and assistance of the Board and other senior management members 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.

Corporate Governance Report

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

The Board encourages the Directors to maintain a prudent and doubtful attitude, build an open discussion atmosphere to encourage any dissenting Directors to raise their point of views, and motivate the Directors, especially Non-executive Directors to have effective contributions in the Board. The Company has in place a relatively established governance structure and formulated multi-tier governance rules. Please refer to “Overview of Corporate Governance” 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 establishing 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 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 requirement of the Articles of Association of the Company, the Board comprises 12 Directors and regularly evaluates the structure, number and composition of the Board (including their skill, knowledge and experience etc.) through the Nomination Committee.

In 2014, the members of the Board include:

The composition of the sixth session of the Board		
Executive Directors	Non-executive Directors	Independent Directors
Yang Hai (<i>Chairman</i>) Wu Ya De	Li Jing Qi, Zhao Jun Rong Hu Wei, Tse Yat Hong Zhang Yang, Chiu Chi Cheong, Clifton	Wang Hai Tao, Zhang Li Min Au Sing Kun, Lin Chu Chang

The current Board is the sixth session of the Board of the Company with a term from 1 January 2012 to 31 December 2014. The current Board members came from various industry backgrounds with professional expertise in highway industry, project construction, accounting and auditing, finance and securities, law, property development and administration and human resources, and three of them (including one Independent Director) possess professional financial and accounting qualifications. The members of the Board have various industry backgrounds and maintain diversity in terms of various aspects including experience, skill and judgment, allowing the Board to analyse and discuss the issues in different perspectives and making a more cautious and careful decision.

The Company has appointed four Independent Directors, representing one-third of the number 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 current Independent Directors of the sixth session of the Board have all complied with the relevant guidelines as stipulated in such rule and are regarded as independent during 2014.

Since 1 January 2015, the seventh session of the Board elected by the general meeting starts their performance of duties with members as follows:

The composition of the seventh session of the Board		
Executive Director	Non-executive Directors	Independent Directors
Hu Wei (<i>Chairman</i>), Wu Ya De	Li Jing Qi, Zhao Jun Rong Tse Yat Hong, Wang Zeng Jin Zhang Yang, Chiu Chi Cheong, Clifton	Au Sing Kun, Lin Chu Chang Hu Chun Yuan, Shi Xian Liang

For the details of the election and changes of the Board and their biographies, terms of office and principal 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 Article of Association of the Company and its attachments, Directors are elected or replaced at 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 appointment is subject to further 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 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 inspection and quality assessment on the candidates for directorship, as well as making proposals to the Board and providing explanations to the general meetings. In order to make the shareholders clearly understanding the ways of nomination of directors, the Company has extracted the relevant clause for the ways of nomination of directors and posted it on the Company’s website.

The term of the sixth session of the Board has expired in the end of 2014. In view of this, the Company has published a voluntary announcement on 29 September 2014 in relation to the arrangement of the general election of the Board and the matters relating to the nomination, including the general election procedure, the qualification of the nominee, the basic requirement of the Directors and the documents required for the proposers and nominees, to ensure the nomination right of the shareholders. In 19 December 2014, the Company convened an extraordinary general meeting for the election of the members of the seventh session of the Board. Please refer to “Directors, Supervisors, Senior Management and Employees” in the annual report for the details.

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 “Overview of Corporate Governance” 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 in the website of the exchanges and the Company. The Company provided the committee with sufficient resources for the 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 the Director candidates during the selection, evaluation and nomination of its members. It will also consider the actual situation and development needs of the Company and the diversity principle of Board members. The Board will consider and assess the availability of diversification for a member in the aspects of age, cultural background, educational background, experience and expertise and the length of service, and authorise the Nomination Committee to oversee the implementation of policy, and when appropriate, review the policy, expand and review the measurable targets. After the review, the members of the sixth session of the Board embody pluralism in the aspects of experience and background, length of service, age, cultural background and independence in a better manner. During the year, while selecting and assessing the members of the seventh session of the Board, the Company has fully taking the balance of the above aspects and diversity into account.

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 of the Company, the terms of reference of each specialised committees 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 2014 was 100%, while attendance in person was 88%. Attendance of members in person at the meetings of the specialised committees of the Board (including the meetings of the Independent Directors) was 95.8%. Attendance of members in person at the general meeting was 79.2%. Please refer to the “Overview of the Corporate Governance” in the 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 specialised committee meetings in a prudent, responsible, proactive and serious manner. After gaining an understanding of the Company’s operation and operating development, they adequately capitalised 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 to the best interests of the Company as its objective.

Upon the acceptance of the appointment and after the appointment, each directors and supervisor of the Company have to provide the information about their services in other companies, including their services in other listed companies for the last three years. The relevant information is disclosed in the announcements and the shareholder documents relating to the nomination and election of the directors and 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 entitled “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 by the Directors, the Supervisors and relevant staff members. The “Securities Transaction Code” of the Company has

incorporated the standards as set out in under Appendix 10 to the Listing Rules of HKEx, and has gone beyond such standards to certain extents. After making specific enquiry to all of the Directors, the Supervisors and senior management, the Company confirms that all of them had complied with the standards on securities transactions as stipulated in the aforementioned code during the Reporting Period.

In 2014, according to their own needs, the Directors/supervisors of the Company participated in the training sessions on specific topics arranged by the Company and the training courses held by securities regulatory authorities. In addition, the Company has prepared 6 issues of "Reference Document Summaries of the Board" and 42 regulatory documents relating to various laws and regulations of the listed company and industry to the Directors/supervisors. It also provides explanation, advices and interpretation on the key points of the relevant rules and the matters to be brought to the attention of the Directors/supervisors through the guided documents and the explanation on the meetings. The above measures allow the Directors/supervisors to update the knowledge and information required in an ongoing basis to ensure their performance of duties. The details for the Directors/supervisors to participate in training in 2014 are set out as follows:

Name	Title	Training programs attended in 2014		
		Directors' liabilities of listed companies	Updates of Listing Rules and regulations	Practice of corporate governance/financial management and related issues
Yang Hai	Executive Director	√	√	—
Wu Ya De	Executive Director	√	√	√
Li Jing Qi	Non-executive Director	√	√	√
Zhao Jun Rong	Non-executive Director	√	√	√
Hu Wei	Non-executive Director	√	√	√
Tse Yat Hong	Non-executive Director	√	√	√
Zhang Yang	Non-executive Director	√	√	√
Chiu Chi Cheong, Clifton	Non-executive Director	√	√	—
Wang Hai Tao	Independent Director	√	√	—
Zhang Li Min	Independent Director	√	√	√
Au Sing Kun	Independent Director	√	√	√
Lin Chu Chang	Independent Director	√	√	—
Zhong Shan Qun	Supervisor	√	√	√
He Sen	Supervisor	√	√	√
Fang Jie	Supervisor	√	√	—

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 Specialised Committees of the Board and the Supervisor Committee with the materials and information necessary for the consideration of each resolution within a reasonable period. After the Directors/supervisors have raised reasonable enquiries, the management is able to 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 members of the Board and the Supervisor Committee at least three days before the meetings. In addition, each Director and supervisor is provided with channels to independently contact and communicate with the Company's senior management and secretaries to specialised 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 2014, the Company support the performance of duties of the Directors/supervisors through the following approaches:

- ◆ To arrange the management to report the progress of the material matters on the meetings of the Board;
- ◆ To arrange the presentation of the work for the year to provide a detailed report on the completion of the work in 2013 and the work plan in 2014, as well as the progress of the key projects including Qinglian Expressway and Guilong Project;
- ◆ To organise the on-site visit to understand the construction and operation of Guilong Project and relevant businesses, allowing the Directors/supervisors to have an in-depth understanding on the operating environment and performance of the Company and specific projects;
- ◆ To dispatch "Operation Information Monthly" to Directors each month, which regularly reports information such as the operation performances of the Group's highway projects, progress of construction projects and major works, updates on invested enterprises, monitoring of the early warning of financial risks and work progress during adjournments;
- ◆ To publish four issues of "Market New Briefings" and four issues of "Quarterly Analysis Report on Investors' Relation", assisting the Directors/supervisors to timely understand the news of the Company and other listed companies in the same industry, the most updated regulations and policies, the market performance and the share price;
- ◆ To organise one training on specific topic and arrange the candidates of the Independent Directors to participate in the training of assumption of duty, and provide "Manual of Directors/Supervisors" for all members of the seventh session of the Board/Supervisor Committee, allowing them to understand the operation and the domestic and international rules and principles relating to the governance in a comprehensive and systematic manner.

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

B.1 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 "Overview of Corporate Governance" in this annual report for the details of the composition and performance of duties of the Remuneration Committee. The Terms of Reference of the Remuneration Committee approved by the Board has been published in the website of the exchanges and the Company. The Company provided the committee with sufficient resources for the 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 periodical 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 disclose information under the principle of as more and strict 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, in order 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 the annual report 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 information should be sufficient to allow the Board to assess the Company's performance and make decisions. Please refer to A.6 and A.7 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 – PricewaterhouseCoopers Zhong Tian LLP (hereinafter "PwC Zhong Tian"). 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 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 in accordance with all accounting standards as the Board deems appropriate. It is the responsibility of the Directors to ensure that the account 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 authorisation granted by the Board, the Audit Committee is responsible for reviewing and monitoring the quality and procedures of the Group's financial reporting. During 2014, the Committee reviewed the periodic financial statements and made recommendation to the Board for approval. The specific works of the Committee include the following:

- ◆ The Committee reviewed the interim and the quarterly financial statements of the Group, heard the report on the reviewing from the auditor and discussed the handling of the significant financial and accounting matters with the management and the auditor.
- ◆ Before the annual audit began, the Committee held meetings with the auditor and discussed the composition of its audit team, risks for the year, scope of audit, method of audit and focus of audit, and the schedule for the annual audit in order to understand the overall arrangement of the financial statement of the Company for the year and conduct preliminary review and issue opinion in writing for the statements.
- ◆ During the annual audit process, the Committee maintained an ongoing communication with the management and auditor and discusses and confirmed over the handling of the 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 2015 (up to the Reporting Date) to review the 2014 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 had the opinion that the Group's 2014 financial statements truthfully and reasonably reflected the operating results for the year and the financial position of the Group, and thus recommend the Board for approval.

C.2 Internal control

The code provisions that we complied with	C.2.1-C.2.2
The recommended best practices that we complied with	C.2.3-C.2.5

Having an improved and practical internal control system is the basis of good corporate governance. The Board is responsible for developing and maintaining an internal control system of the Company for the review of the effectiveness of those important control procedures such as finance, operations, compliance and risk management, thereby protecting shareholders' interests and safeguarding the Group's assets. During 2014, the Company carried out reviews on the soundness and effectiveness of the internal control system of the Group and issued an internal control self-assessment report, and the assessment of which included but not limited to the aspects required by C.2.1~C.2.4 of the code provisions. In addition, the Company has been engaging an auditor to audit the effectiveness of internal control relating to the financial reporting of the Company in order to provide independent and subjective assessment and recommendation through the 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 and the audit.

In August 2000, the Company established the Audit Department, and has carried out an independent internal audit system and reviewed the Group's operating and management activities and the effectiveness of the internal control system since then. Internal audit personnel had the authority to access all information about the Company and made inquiries to relevant personnel at work. The General Manager of Audit Department directly reported to the Audit Committee the result of his work, and the Audit Committee would then make recommendation to the management of the Company after reviewing the result and examine the implementation of the reform plan by way of follow-up inspection. In addition, the Standards Management Department was set up by the Company as an internal quality control unit of the Company to continuously examine the compliance of the internal control system of the Group.

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 procedure and reporting quality of the Group, the evaluation of the soundness and effectiveness of the internal control system of the Company, the control on fraudulent risk and management measures, the coordination of the auditor and the evaluation of its efficiency, quality and engagement, the review on the internal audit report and evaluation of the feedback from the management, and the control of connected transaction and daily management of the Company. Please refer to D.2 below and the “Overview of Corporate Governance” in this annual report for the details of the composition of the Audit Committee and the performance of duties. The Terms of Reference of the Audit Committee approved by the Board has been published in the website of the exchanges and the Company. The Company provided the committee with sufficient resources for the 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 labour, 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 and suspected fraud cases in connection to the Company and its staff. During the year, the Audit Committee had a communication 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 revision of the management, investigate the reports and complaints against the Company and 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.

The report of the auditor:

Upon the approval of general meeting, the Company appointed PwC Zhong Tian as the Company’s auditor for the year 2014 to carry out a comprehensive audit for the annual financial statements and the internal control system and perform such duties as performed by the Company’s international auditor as provided for by the Listing Rules of the Stock Exchange. PwC Zhong Tian has been appointed by the Company as its official auditor since 2004. It has been providing audit services to the Group for 11 consecutive years and has changed its endorsing certified public accountants in the year of 2006, 2008, 2009, 2011, 2013 and 2014 respectively.

The remunerations of the Company’s auditor (PwC Zhong Tian and any other entities under the common control, ownership or management, including but not limited to PricewaterhouseCoopers) for the year 2014 are set out as follows:

(Unit: RMB’000)	2014	2013
Financial statements audit/review fees	3,670	3,570
Internal control audit fees	630	630
Others (non-audit service)	680	240

Note (1): The auditor has submitted to the Company a written confirmation in respect of the total amount of the aforementioned remunerations.

Note (2): In 2014, other services provided by PwC Zhong Tian mainly include the assurance services in the approval processes of toll adjustment of Meiguan Expressway and the Meilin Checkpoint Urban Renewal Project in accordance with the requirements of the securities regulatory rules.

Corporate Governance Report

Save as the above-mentioned, Qinglian Company and Advertising Company, the subsidiaries of the Company, engaged Pan-China Certified Public Accountants LLP to perform financial audit services, Magerk Company, a subsidiary of the Company, engaged Wuhan Ronghua Accountant Ltd. to perform financial audit services. The financial audit fees for the year 2014 amounted to RMB80,000, RMB25,000 and RMB180,000 respectively (2013: RMB80,000, RMB25,000 and RMB180,000).

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 authorisation. According to the stipulated procedures of the Company, the Audit Committee had assessed and summarised the 2014 auditing work of PwC Zhong Tian. The Committee had the opinion that PwC Zhong Tian 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 and proposed to re-appoint it as the Company's auditor for the year 2015.

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 of the Company, Rules of Procedures for the Board of Directors and the Rules on performing Duties by the President) to protect the relative independence of the Board's decision-making and operating and management activities. The above system has been published in the website 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 to achieve pre-set strategic goals. The Articles of Association of the Company and Rules of Procedures for the Board of Directors has 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 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 authorised matters through establishing a regime on procedural management, documentation and regular reviews. Specific information regarding the authorisation and management procedures has been clearly set out in the Articles of Association of the Company and Rules of Procedures for the Board of Directors. In 2014, the Executive Directors held five meetings, in which they discussed and made decisions on matters regarding investments, commissioned construction management, human resource management and charity donations within their authorisation. 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 specialised 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 recommendation, assessment and remuneration of the management, and make corresponding recommendations to the Board.

During the reporting period, the composition of each specialised committees of the sixth session of the Board of the Company is set out as follows:

	Strategic Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee
Chairman :	Yang Hai Executive Director	Zhang Li Min Independent Director	Wang Hai Tao Independent Director	Wang Hai Tao Independent Director	Au Sing Kun Independent Director
Member :	Wu Ya De Executive Director Li Jing Qi Non-Executive Director Lin Chu Chang Independent Director	Au Sing Kun Independent Director Chiu Chi Cheong, Clifton Non-Executive Director	Zhang Li Min Independent Director Chiu Chi Cheong, Clifton Non-Executive Director	Lin Chu Chang Independent Director Yang Hai Executive Director	Yang Hai Executive Director Hu Wei Non-Executive Director

Each specialised committees designated the management to be the secretary of the committee and clearly defined the meeting and reporting procedures with reference to the Rules of Procedures for the Board of Directors. The meeting minutes of the committees contains the details of the matters discussed in the meetings and are maintained properly according to the file management system 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 recording. In 2014, the five specialised committees convened 14 meetings. For details, please refer to the "Overview of Corporate Governance" in this annual report.

The seventh session of the Board of the Company has performed their duties since 1 January 2015 and the composition of each specialised committees under which 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	Shi Xian Liang Independent Director	Shi Xian Liang Independent Director	Au Sing Kun Independent Director
Member :	Wu Ya De Executive Director Li Jing Qi Non-Executive Director Zhao Jun Rong Non-Executive Director Lin Chu Chang Independent Director	Au Sing Kun Independent Director Chiu Chi Cheong, Clifton Non-Executive Director	Au Sing Kun Independent Director Hu Chun Yuan Independent Director Chiu Chi Cheong, Clifton Non-Executive Director Wang Zeng Jin Non-Executive Director	Lin Chu Chang Independent Director Hu Wei Non-Executive Director	Zhang Yang Non-Executive Director Tse Yat Hong Non-Executive Director

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 2014, 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 for 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.

Corporate Governance Report

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. During the year 2014, a total of four general meetings were held by the Company. Please refer to the “Overview of Corporate Governance” 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 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 detail in the “Articles of Association of the Company” and the “Rules of Procedures for the General Meetings”, the schedules to the Articles. The full text of “Articles of Association of the Company” and “Rules of Procedures for the General Meetings” is 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 specialised committees under the Board and the representative of the auditor were also arranged to attend the annual general meeting to answer enquiries from the shareholders when necessary. While considering the connected transaction of the Company in the 2014 Second Extraordinary General Meeting, the independent board committee and the representative of the independent financial adviser attended the meeting to give response to the enquiries of the shareholders in relation to this transaction.

At a general meeting, all shareholders are entitled to make enquiries 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 enquiries or 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 enquiries. 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 in 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, major shareholders and market value of the shares held by the public. Please refer to “Share Capital and Shareholders” in this annual report.

E.2 Voting by poll

The code provision that we complied with

E.2.1

The Company has formulated the “Rules of Procedures for the Shareholders’ Meeting” which clearly set out the voting method and poll procedure at the general meeting to ensure the compliance with the requirement of the Listing Rules and the Articles of Association.

The Company provided 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 were familiar with the voting procedures by way of poll. A shareholder who was unable to attend the general meeting in person might 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 of the Company (Company Secretary), 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. In 2014, the Secretary to the Board of the Company completed a total of not less than 15 hours of related training sessions organised by the securities regulators and professional training institutions so as to keep his professional knowledge up-to-date and better support the operation of the Board.

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

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 or 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.

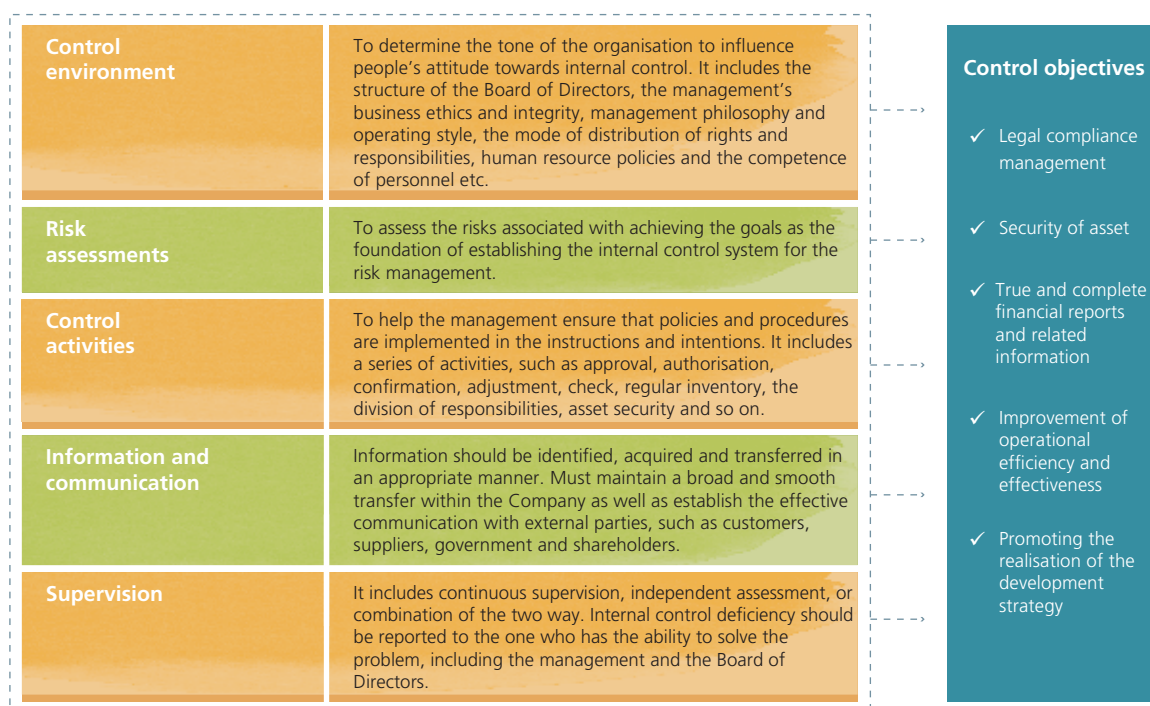
The purpose for the establishment of the internal control system is to manage the potential risks as it will be unrealistic to eliminate all of the risks. Meanwhile, the coverage of internal control should be in line with the Company's operating scale, business scope, competition condition and risks 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 Internal Control of Enterprises-Basic Principles 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.



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 correspondent 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.

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 when it is 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 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 Assessment Report for Internal Control.

According to the requirements of the corporate internal control standard system which is based on the Internal Control of Enterprise Basic Principles together with the Company's internal control system and method of evaluation, the Board assessed the effectiveness of the internal control on 31 December 2014 (the basis date of the assessment report) and issued the Assessment Report for Internal Control 2014 on the basis of routine supervision and specific supervision. The scope of evaluation included the Company, Meiguan Company, Jihe East Company, Qinglian Company, Magerk Company, Advertising Company, Guishen Company, Mei Wah Company and Outer Ring Company, and covered main business and matters of these aforementioned companies in terms of corporate governance, business procedures and high-risk areas. The asset value of the aforementioned companies incorporated into the scope of evaluation accounts for 99.3% of the Group's total assets of the combined statements and the business revenue accounts for 99.5% of the Group's total business revenue.

Assessment Report for Internal Control 2014 of the Company (Chinese version) were 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 2014, no factors that affect the conclusions on effectiveness of internal control evaluation occurred.

V. Description on Internal Control Audit

PricewaterhouseCoopers Zhong Tian LLP appointed by the Company had audited the effectiveness of internal control relating to the 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 good information disclosure and initiating various investor relation activities, and 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 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 2014, the Company timely completed the preparation and disclosure of its annual, interim and quarterly reports and released over 100 announcements and other shareholders' document and information disclosing in detail the following information of the Company: operations of the Board, the Supervisory Committee and general meetings, operating conditions, asset changes, investment, dividends and distribution, exchange with investors, corporate governance, 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 and comprehensive 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 convey 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.

- ◆ Making the public known the investor hotline, investor relations e-mail box, and the Investors' Message section on the Company's website, and promptly responding to investors' enquiries. In 2014, the Company replied over 240 investors' enquiries through website, telephone or via e-mail.
- ◆ Properly arranging request of visits and researches from the investors. During 2014, the Company received in aggregate of 22 investors' visits involving 42 visitors, with an open-minded attitude communicating with the investors, and has built up a direct communication mechanism between investors and the Company.

Investor Hotline: (86) 755 - 8285 3330
Investor Relations Email Box: ir@sz-expressway.com
Company Website: <http://www.sz-expressway.com>

Investor Relations

- ◆ Conducting various forms of presentation activities, including organising result presentations and press conferences, online investor meetings and non-deal road-shows as well as participating in different investor forums and exchange meetings. In 2014, the Company conducted face-to-face communications with 240 investors and media reporters. Details of various presentation activities of the Company during 2014 are as follows:

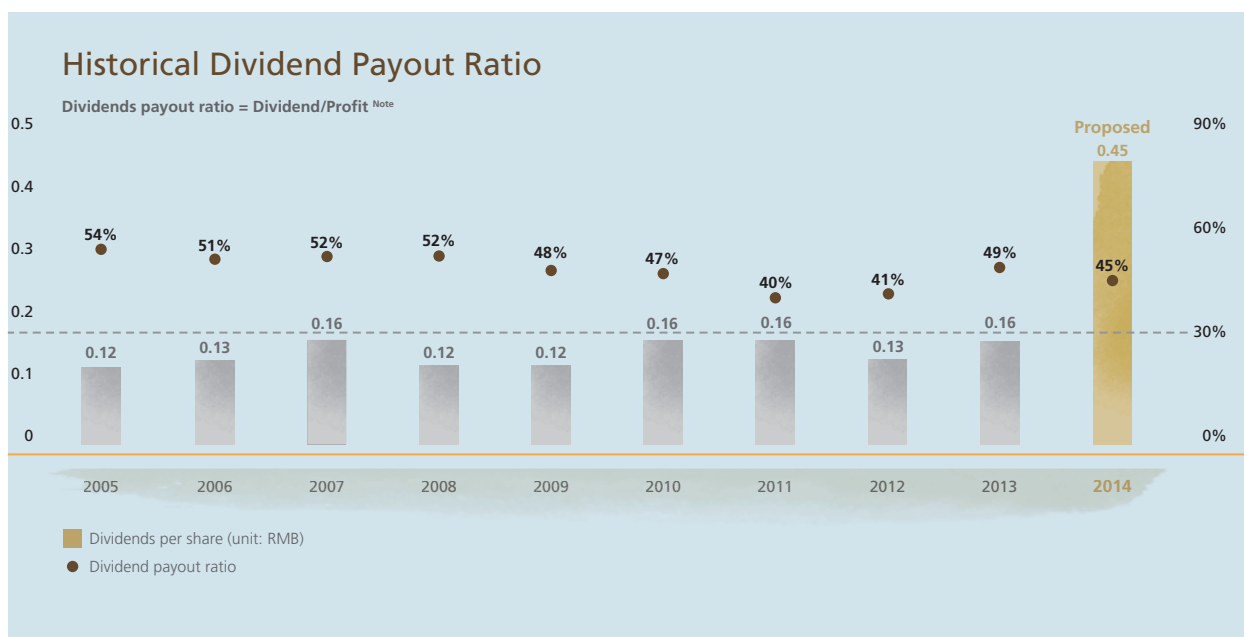
January	◆	Participated in investor exchange meeting held by Shenyin Wanguo in Shenzhen
March	◆	Held annual result presentations and press conferences in Hong Kong and Shenzhen
	◆	Organised non-deal road-shows in Hong Kong
April	◆	Held an online investor meeting
August	◆	Held interim results presentations and press conferences in Hong Kong and Shenzhen
	◆	Organised non-deal road-shows in Hong Kong
September	◆	Organised media road-show
	◆	Participated in "Corporate Access Day for Shanghai-Hong Kong Stock Connect" held by Morgan Stanley in Shenzhen
October	◆	Held an online investor meeting
December	◆	Participated in "Asian Infrastructure Corporate Access Day" held by J.P. Morgan in Hong Kong

- ◆ Regularly dispatching investor information on the operations and development of the Group. The Company prepared and issued a total of 3 issues of E-news and 4 result presentation materials in 2014, providing information to the 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 return ever since its flotation, underpinned by the payment of cash dividends for seventeen consecutive years with an aggregate cash dividend payment of approximately RMB4.4 billion.

The Board of the Company recommended the payment of a cash dividend of RMB0.45 (tax included) per share for the year 2014. Such proposal is to be submitted to the 2014 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 development of a company. While going through sustainable development and creating profits, Shenzhen Expressway is committed to be a responsible corporate citizen who respects and protects the interests of the stakeholders. Since 2009, the Company completes the preparation and publication of the Annual Social Responsibility Report before April every year, to strengthen the understanding and relationship between the stakeholders and the Company, and accept supervision of society.

The social responsibility report of the Company for the year 2014 was disclosed on the website of the exchanges in separate report. The social responsibility report for this year has described the responsibility and practices of the Company in relation to products, customers, employees, environment and community. With the change of competition layout and the common increase of social awareness, the Company will face more challenges in terms of self-development and assuming social responsibility, and there is still much to reform and improve as well. The Company will continue to pursue the concept of honesty and faithfulness, scientific operation and constantly improve various aspects of tasks to achieve a harmonious mutual success between the Company and the stakeholders. The Company will also continue to develop and practise noble business ethics and corporate deeds to make a positive contribution to the mutual growth of the enterprise and the society.



The social responsibility report for the year 2014 can be found 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 and data in relation to the performance of social responsibility of the Company.



Auditor's Report	120
Consolidated and Company Balance Sheets	122
Consolidated and Company Income Statements	125
Consolidated and Company Cash Flow Statements	127
Consolidated and Company Statements of Changes in Owners' Equity	129
Notes to Financial Statements	131
Supplementary Information	220



Auditor's Report and 2014 Financial Statements



信守承諾 · 待之以誠

承諾



Auditor's Report



普华永道

To the Shareholders of Shenzhen Expressway Company Limited

We have audited the accompanying financial statements of Shenzhen Expressway Company Limited (hereinafter 'Shenzhen Expressway Company'), which comprise the consolidated and company balance sheets as at 31 December 2014, and the consolidated and company income statements, the consolidated and company statements of changes in owners' equity and the consolidated and company cash flow statements for the year then ended, and the notes to the financial statements.

MANAGEMENT'S RESPONSIBILITY FOR THE FINANCIAL STATEMENTS

Management of Shenzhen Expressway Company is responsible for the preparation and fair presentation of these financial statements in accordance with the requirements of Accounting Standards for Business Enterprises, and for such internal control as management determines is necessary to enable the preparation of financial statements that are free from material misstatement, whether due to fraud or error.

AUDITOR'S RESPONSIBILITY

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with China Standards on Auditing. Those standards require that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

普华永道中天会计师事务所(特殊普通合伙)

PricewaterhouseCoopers Zhong Tian LLP, 11/F PricewaterhouseCoopers Center
2 Corporate Avenue, 202 Hu Bin Road, Huangpu District, Shanghai 200021, PRC
T: +86 (21) 2323 8888, F: +86 (21) 2323 8800, www.pwccn.com

OPINION

In our opinion, the accompanying financial statements present fairly, in all material respects, the consolidated and company's financial position of Shenzhen Expressway Company as at 31 December 2014, and their financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

PricewaterhouseCoopers Zhong Tian LLP

Certified Public Accountant Zhou Wei Ran

Shanghai, the People's Republic of China
20 March 2015

Certified Public Accountant Hou Ying Hua

Consolidated Balance Sheet

As at 31 December 2014

(All amounts in RMB unless otherwise stated)

Item	Note	31 December 2014	31 December 2013 (Restated)	1 January 2013 (Restated)
Current assets				
Cash at bank and on hand	V.1	1,634,298,872.34	1,094,796,690.93	1,956,056,006.44
Accounts receivable	V.2	721,306,986.74	495,330,807.64	385,812,938.72
Advances to suppliers	V.3	236,721,569.18	134,809,901.75	320,335,136.60
Interest receivable		489,718.03	–	2,236,957.19
Dividends receivable		–	68,146.67	–
Other receivables	V.4	98,912,102.78	165,948,978.57	37,496,747.37
Inventories	V.5	534,747,975.10	345,018,118.72	2,980,022.26
Current portion of non-current assets	V.6	800,000,000.00	–	–
Other current assets		34,204.14	1,755,109.55	–
Total current assets		4,026,511,428.31	2,237,727,753.83	2,704,917,808.58
Non-current assets				
Long-term prepayments		3,814,521.00	4,814,364.00	–
Available-for-sale financial assets	V.7	30,170,000.00	30,170,000.00	30,170,000.00
Long-term receivable	V.8	1,291,779,890.93	–	–
Long-term equity investments	V.9	1,695,490,572.34	1,574,214,371.24	1,623,573,186.99
Investment properties	V.10	14,677,825.00	15,253,525.00	15,829,225.00
Fixed assets	V.11	1,031,397,945.38	1,112,824,141.67	1,098,074,917.42
Construction in progress	V.12	26,931,901.19	36,340,507.58	16,357,384.44
Intangible assets	V.13	16,154,661,734.98	17,756,263,229.13	18,636,247,042.26
Long-term prepaid expenses		2,384,813.62	4,650,620.40	4,717,014.07
Deferred tax assets	V.14	51,503,576.27	67,848,967.06	79,238,463.43
Total non-current assets		20,302,812,780.71	20,602,379,726.08	21,504,207,233.61
Total assets		24,329,324,209.02	22,840,107,479.91	24,209,125,042.19

Item	Note	31 December 2014	31 December 2013 (Restated)	1 January 2013 (Restated)
Current liabilities				
Short-term borrowings	V.15	23,667,000.00	450,400,000.00	1,000,000.00
Accounts payable	V.16	164,270,951.61	375,719,993.22	661,807,999.88
Advances from customers	V.17	18,321,684.85	18,889,050.32	19,343,485.00
Employee benefits payable	V.18	107,549,071.63	104,360,502.53	82,952,114.94
Taxes payable	V.19	529,265,388.87	73,910,675.99	66,885,479.35
Interest payable	V.20	102,381,629.53	70,058,287.20	102,406,437.69
Dividends payable	V.21	28,625,546.59	–	–
Other payables	V.22	935,704,622.38	518,799,906.45	416,155,154.40
Current portion of non-current liabilities	V.23	1,022,387,329.23	620,326,885.32	2,538,991,115.62
Deferred revenue	V.27	2,794,486.25	1,923,817.30	–
Total current liabilities		2,934,967,710.94	2,234,389,118.33	3,889,541,786.88
Non-current liabilities				
Long-term borrowings	V.24	3,898,864,000.00	5,257,014,000.00	5,217,739,400.00
Bonds payable	V.25	3,290,387,574.51	3,088,801,980.40	3,081,681,079.84
Provisions	V.26	88,745,908.12	206,979,215.61	195,892,410.37
Deferred revenue	V.27	162,850,000.00	–	–
Deferred tax liabilities	V.14	773,462,469.63	813,937,505.37	935,283,505.52
Other non-current liabilities	V.28	59,873,950.68	–	–
Derivative financial liabilities		–	–	16,070,892.42
Total non-current liabilities		8,274,183,902.94	9,366,732,701.38	9,446,667,288.15
Total liabilities		11,209,151,613.88	11,601,121,819.71	13,336,209,075.03
Owners' equity				
Share capital	V.29	2,180,770,326.00	2,180,770,326.00	2,180,770,326.00
Capital surplus	V.30	2,274,351,523.42	2,274,351,523.42	2,274,351,523.42
Other comprehensive income	V.31	893,604,159.01	908,402,840.07	906,659,977.96
Surplus reserve	V.32	1,884,591,029.74	1,681,423,475.54	1,604,265,015.87
Undistributed profits	V.33	4,564,264,823.15	2,929,472,264.02	2,570,439,249.07
Total equity attributable to owners of the Company		11,797,581,861.32	9,974,420,429.05	9,536,486,092.32
Minority interests	VII.1(2)	1,322,590,733.82	1,264,565,231.15	1,336,429,874.84
Total owners' equity		13,120,172,595.14	11,238,985,660.20	10,872,915,967.16
Total liabilities and owners' equity		24,329,324,209.02	22,840,107,479.91	24,209,125,042.19

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

Legal representative: **Hu Wei** Chief Financial Officer: **Gong Taotao** Head of accounting department: **Sun Bin**

Balance Sheet

As at 31 December 2014

(All amounts in RMB unless otherwise stated)

Item	Note	31 December 2014	31 December 2013 (Restated)	1 January 2013 (Restated)
Current assets				
Cash at bank and on hand		751,278,240.85	420,707,294.65	1,168,598,474.41
Accounts receivable	XIV.1	530,410,157.03	338,977,218.48	340,856,332.71
Advances to suppliers		2,084,326.00	5,524,838.14	4,090,690.03
Interest receivable		383,184.71	–	2,236,957.19
Dividends receivable		692,000,000.00	68,146.67	–
Other receivables	XIV.2	736,893,668.46	655,248,023.99	818,899,488.99
Inventories		3,175,552.09	1,425,434.87	1,634,514.63
Current assets		2,716,225,129.14	1,421,950,956.80	2,336,316,457.96
Non-current assets				
Long-term prepayments		1,664,880.00	3,016,095.00	–
Available-for-sale financial assets		30,170,000.00	30,170,000.00	30,170,000.00
Long-term receivable	XIV.3	1,250,000,000.00	1,210,000,000.00	818,333,335.01
Long-term equity investments	XIV.4	6,626,784,885.87	6,456,731,917.37	6,596,068,971.59
Investment properties		14,677,825.00	15,253,525.00	15,829,225.00
Fixed assets	XIV.5	547,373,562.80	557,392,774.26	590,628,811.45
Construction in progress	XIV.6	12,161,401.55	22,671,420.10	2,837,057.32
Intangible assets	XIV.7	4,529,457,659.04	4,739,650,469.50	4,982,655,389.41
Long-term prepaid expenses		843,318.50	1,219,704.41	2,134,482.53
Deferred tax assets		50,164,928.19	66,337,054.28	77,553,285.95
Total non-current assets		13,063,298,460.95	13,102,442,959.92	13,116,210,558.26
Total assets		15,779,523,590.09	14,524,393,916.72	15,452,527,016.22
Current liabilities				
Short-term borrowings	XIV.9	100,000,000.00	350,400,000.00	–
Accounts payable	XIV.8	29,353,391.40	48,248,517.62	86,207,026.06
Advances from customers		1,583,333.37	1,583,333.02	750,000.00
Employee benefits payable		56,568,532.10	64,618,304.14	56,868,475.27
Taxes payable		58,802,114.76	12,129,818.10	30,057,866.34
Interest payable		96,737,767.55	62,922,086.97	94,227,811.89
Other payable		513,786,044.91	285,996,101.87	263,316,621.65
Current portion of non-current liabilities	XIV.9	940,227,329.23	428,967,101.05	2,372,232,167.49
Total current liabilities		1,797,058,513.32	1,254,865,262.77	2,903,659,968.70
Non-current liabilities				
Long-term borrowings	XIV.9	–	1,052,500,000.00	837,462,400.00
Bonds payable	XIV.9	3,295,454,406.48	3,094,536,966.01	3,088,084,219.09
Provisions	XIV.10	88,745,908.12	206,979,215.61	195,892,410.37
Total non-current liabilities		3,384,200,314.60	4,354,016,181.62	4,121,439,029.46
Total liabilities		5,181,258,827.92	5,608,881,444.39	7,025,098,998.16
Owners' equity				
Share capital		2,180,770,326.00	2,180,770,326.00	2,180,770,326.00
Capital surplus		2,315,587,934.74	2,315,587,934.74	2,315,587,934.74
Surplus reserve		1,884,591,029.74	1,681,423,475.54	1,604,265,015.87
Undistributed profits		4,217,315,471.69	2,737,730,736.05	2,326,804,741.45
Total owners' equity		10,598,264,762.17	8,915,512,472.33	8,427,428,018.06
Total liabilities and owners' equity		15,779,523,590.09	14,524,393,916.72	15,452,527,016.22

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

Legal representative: **Hu Wei** Chief Financial Officer: **Gong Taotao** Head of accounting department: **Sun Bin**

Consolidated Income Statement

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

Item	Note	2014	2013
1. Total revenue		3,620,357,480.08	3,279,281,057.26
Including: revenue from services	V.34	3,620,357,480.08	3,279,281,057.26
2. Total costs		2,348,829,257.53	2,312,148,815.81
Including: Cost of services	V.34	1,705,255,936.85	1,526,197,293.57
Business tax and surcharges	V.35	131,023,341.41	115,958,588.67
Selling expenses		4,778,132.27	183,800.00
General and administrative expenses	V.36	88,493,966.36	87,531,411.14
Finance expenses	V.37	419,277,880.64	582,277,722.43
Add: Investment income	V.38	187,042,277.71	185,676,580.93
Including: Share of profit of associates and joint ventures		187,042,277.71	185,676,580.93
3. Operating profit		1,458,570,500.26	1,152,808,822.38
Add: Non-operating income	V.39	1,510,538,187.04	5,775,141.66
Including: Gains on disposal of non-current assets		1,497,451,546.14	3,111,920.32
Less: Non-operating expenses	V.40	2,190,673.04	244,410,693.27
Including: Losses on disposal of non-current assets		448,542.09	242,851,139.89
4. Total profit		2,966,918,014.26	914,173,270.77
Less: Income tax expenses	V.41	695,448,484.89	163,410,632.99
5. Net profit		2,271,469,529.37	750,762,637.78
Net profit attributable to owners of the Company		2,186,883,365.49	719,691,617.00
Minority interests	VII.1(2)	84,586,163.88	31,071,020.78
6. Other comprehensive income after tax		-14,798,681.06	1,742,862.11
Other comprehensive income after tax attributable to owners of the Company		-14,798,681.06	1,742,862.11
(1) Item that may not be reclassified subsequently to profit and loss		-	-
(2) Item that may be reclassified subsequently to profit and loss:		-14,798,681.06	1,742,862.11
The effective profit/loss parts of cash flow hedges		-14,798,681.06	1,742,862.11
7. Total comprehensive income		2,256,670,848.31	752,505,499.89
Total comprehensive income attributable to owners of the company		2,172,084,684.43	721,434,479.11
Total comprehensive income attributable to minority interest		84,586,163.88	31,071,020.78
8. Earnings per share			
Basic earnings per share (RMB/share)	V.46	1.003	0.330
Diluted earnings per share (RMB/share)	V.46	1.003	0.330

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

Legal representative: **Hu Wei** Chief Financial Officer: **Gong Taotao** Head of accounting department: **Sun Bin**

Income Statement

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

Item	Note	2014	2013
1. Revenue from services	XIV.11	1,462,654,232.79	1,183,683,246.78
Less: Cost of services	XIV.11	610,192,530.02	458,096,322.44
Business tax and surcharges		55,802,842.56	43,319,264.02
General and administrative expenses		70,039,957.92	77,191,480.47
Finance expenses	XIV.12	196,230,662.56	228,239,365.83
Add: Investment income	XIV.13	1,623,802,349.30	486,984,134.50
Including: Share of profit of associates and joint ventures		187,042,277.71	185,676,580.93
2. Operating profit		2,154,190,589.03	863,820,948.52
Add: Non-operating income		10,759,318.11	1,074,083.08
Including: Gains on disposal of non-current assets		1,428,666.32	–
Less: Non-operating expenses		1,338,847.96	873,383.69
Including: Losses on disposal of non-current assets		100,349.44	77,599.69
3. Total profit		2,163,611,059.18	864,021,647.91
Less: Income tax expenses	XIV.14	131,935,517.18	92,437,051.26
4. Net profit		2,031,675,542.00	771,584,596.65
5. Other comprehensive income		–	–
6. Total comprehensive income		2,031,675,542.00	771,584,596.65

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

Legal representative: **Hu Wei** Chief Financial Officer: **Gong Taotao** Head of accounting department: **Sun Bin**

Consolidated Cash Flow Statement

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

Item	Note	2014	2013
1. Cash flows from operating activities			
Cash received from rendering services		3,265,796,281.42	3,169,272,156.49
Cash received relating to other operating activities	V.42(1)	244,269,942.55	252,180,721.39
Sub-total of cash inflows		3,510,066,223.97	3,421,452,877.88
Cash paid for goods and services		471,920,370.87	492,275,280.46
Cash paid to and on behalf of employees		300,009,084.70	280,742,859.97
Payments of taxes and surcharges		408,908,252.61	397,009,563.09
Cash paid relating to other operating activities	V.42(2)	535,473,233.50	490,200,388.08
Sub-total of cash outflows		1,716,310,941.68	1,660,228,091.60
Net cash flows from operating activities	V.43(1)	1,793,755,282.29	1,761,224,786.28
2. Cash flows from investing activities			
Cash received from disposal of investments		12,763,473.60	25,839,395.60
Cash received from returns on investments		82,470,749.68	66,779,549.37
Net cash received from disposal of fixed assets, intangible assets and other non-current assets		726,468,602.05	7,305,482.84
Cash received relating to other investing activities	V.42(3)	17,867,369.27	27,016,905.14
Sub-total of cash inflows		839,570,194.60	126,941,332.95
Cash paid to acquire fixed assets, intangible assets and other non-current assets		312,902,589.45	610,569,380.06
Net cash paid to acquire subsidiaries and other business units		29,400,000.00	16,250,000.00
Cash paid relating to other investing activities		2,400,000.00	5,176,756.94
Sub-total of cash outflows		344,702,589.45	631,996,137.00
Net cash flows from investing activities		494,867,605.15	-505,054,804.05
3. Cash flows from financing activities			
Cash received from capital contributions		60,265,952.56	-
Including: Cash received from capital contributions by minority shareholders of subsidiaries		60,265,952.56	-
Cash received from borrowings		55,141,000.00	1,506,650,000.00
Cash received from issuance of bonds		994,250,000.00	-
Sub-total of cash inflows		1,109,656,952.56	1,506,650,000.00
Cash repayments of borrowings		2,307,675,160.00	2,681,497,280.00
Cash payments for interest expenses and distribution of dividends or profits		891,608,608.38	943,853,700.95
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		58,201,067.18	102,935,664.47
Cash payments relating to other financing activities	V.42(4)	33,380,179.79	2,686,408.95
Sub-total of cash outflows		3,232,663,948.17	3,628,037,389.90
Net cash flows from financing activities		-2,123,006,995.61	-2,121,387,389.90
4. Effect of foreign exchange rate changes on cash		-97,657.56	649,944.21
5. Net increase/(decrease) in cash		165,518,234.27	-864,567,463.46
Add: Cash at beginning of year		1,089,636,663.10	1,954,204,126.56
6. Cash at end of year	V.43(2)	1,255,154,897.37	1,089,636,663.10

The attached notes are an integral part of these financial statements

Legal representative: **Hu Wei** Chief Financial Officer: **Gong Taotao** Head of accounting department: **Sun Bin**

Cash Flow Statement

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

Item	2014	2013
1. Cash flows from operating activities		
Cash received from rendering services	1,271,027,613.35	1,183,582,711.64
Cash received relating to other operating activities	81,844,185.22	9,143,050.45
Sub-total of cash inflows	1,352,871,798.57	1,192,725,762.09
Cash paid for goods and services	182,444,127.32	170,483,981.15
Cash paid to and on behalf of employees	155,633,785.03	140,634,765.68
Payments of taxes and surcharges	128,010,905.82	145,144,021.65
Cash paid relating to other operating activities	68,123,099.77	154,729,619.21
Sub-total of cash outflows	534,211,917.94	610,992,387.69
Net cash flows from operating activities	818,659,880.63	581,733,374.40
2. Cash flows from investing activities		
Cash received from disposal of investments	98,629,088.14	115,817,634.09
Cash received from returns on investments	923,602,488.52	368,087,102.95
Net cash received from disposal of fixed assets, intangible assets and other non-current assets	1,510,630.00	–
Cash received relating to other investing activities	779,884,727.88	849,155,446.29
Sub-total of cash inflows	1,803,626,934.54	1,333,060,183.33
Cash paid to acquire fixed assets, intangible assets and other non-current assets	82,248,411.56	39,763,401.08
Net cash paid to acquire subsidiaries and other business units	260,414,049.21	16,250,000.00
Cash paid relating to other investing activities	856,000,000.00	892,830,793.27
Sub-total of cash outflows	1,198,662,460.77	948,844,194.35
Net cash flows from investing activities	604,964,473.77	384,215,988.98
3. Cash flows from financing activities		
Cash received from borrowings	100,100,000.00	1,170,000,000.00
Cash received from issuance of bonds	994,250,000.00	–
Sub-total of cash inflows	1,094,350,000.00	1,170,000,000.00
Cash repayments of borrowings	1,740,891,800.00	2,337,709,700.00
Cash payments for interest expenses and distribution of dividends or profits	584,923,407.09	546,861,344.85
Cash payments relating to other financing activities	1,960,118.45	2,573,812.97
Sub-total of cash outflows	2,327,775,325.54	2,887,144,857.82
Net cash flows from financing activities	-1,233,425,325.54	-1,717,144,857.82
4. Effect of foreign exchange rate changes on cash	-115,279.02	-3,833.27
5. Net increase/(decrease) in cash	190,083,749.84	-751,199,327.71
Add: Cash at beginning of year	415,547,266.82	1,166,746,594.53
6. Cash at end of year	605,631,016.66	415,547,266.82

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

Legal representative: **Hu Wei**

Chief Financial Officer: **Gong Taotao**

Head of accounting department: **Sun Bin**

Consolidated Statement of Changes in Owners' Equity

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

Item	2014						
	Attributable to owners of the Company						Total owners' equity
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits	Minority interests	
1. Ending balance on 31 December 2013	2,180,770,326.00	3,182,754,363.49	-	1,681,423,475.54	2,929,472,264.02	1,264,565,231.15	11,238,985,660.20
Add: changes in accounting policies	-	-908,402,840.07	908,402,840.07	-	-	-	-
2. Opening balance on 1 January 2014 (restated)	2,180,770,326.00	2,274,351,523.42	908,402,840.07	1,681,423,475.54	2,929,472,264.02	1,264,565,231.15	11,238,985,660.20
3. Movements for the year ended 31 December 2014	-	-	-14,798,681.06	203,167,554.20	1,634,792,559.13	58,025,502.67	1,881,186,934.94
(1) Total comprehensive income	-	-	-14,798,681.06	-	2,186,883,365.49	84,586,163.88	2,256,670,848.31
Net profit	-	-	-	-	2,186,883,365.49	84,586,163.88	2,271,469,529.37
Other comprehensive income	-	-	-14,798,681.06	-	-	-	-14,798,681.06
(2) Capital injection by investors	-	-	-	-	-	60,265,952.56	60,265,952.56
Capital injection by investors	-	-	-	-	-	60,265,952.56	60,265,952.56
(3) Profit distribution	-	-	-	203,167,554.20	-552,090,806.36	-86,826,613.77	-435,749,865.93
Appropriation to surplus reserves	-	-	-	203,167,554.20	-203,167,554.20	-	-
Profit distribution to equity owners	-	-	-	-	-348,923,252.16	-86,826,613.77	-435,749,865.93
4. 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

Item	2013						
	Attributable to owners of the Company						Total owners' equity
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profits	Minority interests	
1. Ending balance on 31 December 2012	2,180,770,326.00	3,181,011,501.38	-	1,604,265,015.87	2,570,439,249.07	1,336,429,874.84	10,872,915,967.16
Add: changes in accounting policies	-	-906,659,977.96	906,659,977.96	-	-	-	-
2. Opening balance on 1 January 2013 (restated)	2,180,770,326.00	2,274,351,523.42	906,659,977.96	1,604,265,015.87	2,570,439,249.07	1,336,429,874.84	10,872,915,967.16
3. Movements for the year ended 31 December 2014	-	-	1,742,862.11	77,158,459.67	359,033,014.95	-71,864,643.69	366,069,693.04
(1) Total comprehensive income	-	-	1,742,862.11	-	719,691,617.00	31,071,020.78	752,505,499.89
Net profit	-	-	-	-	719,691,617.00	31,071,020.78	750,762,637.78
Other comprehensive income	-	-	1,742,862.11	-	-	-	1,742,862.11
(2) Profit distribution	-	-	-	77,158,459.67	-360,658,602.05	-102,935,664.47	-386,435,806.85
Appropriation to surplus reserves	-	-	-	77,158,459.67	-77,158,459.67	-	-
Profit distribution to equity owners	-	-	-	-	-283,500,142.38	-102,935,664.47	-386,435,806.85
4. Ending balance on 31 December 2014	2,180,770,326.00	2,274,351,523.42	908,402,840.07	1,681,423,475.54	2,929,472,264.02	1,264,565,231.15	11,238,985,660.20

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

Legal representative: **Hu Wei** Chief Financial Officer: **Gong Taotao** Head of accounting department: **Sun Bin**

Statement of Changes in Owners' Equity

For the year ended 31 December 2014

(All amounts in RMB unless otherwise stated)

Item	2014					Total owners' equity
	Share capital	Capital surplus	Surplus reserve	Undistributed profits		
1. Ending balance on 31 December 2013	2,180,770,326.00	2,315,587,934.74	1,681,423,475.54	2,737,730,736.05	8,915,512,472.33	
Add: changes in accounting policies	-	-	-	-	-	
2. Opening balance on 1 January 2014	2,180,770,326.00	2,315,587,934.74	1,681,423,475.54	2,737,730,736.05	8,915,512,472.33	
3. Movements for the year ended 31 December 2014	-	-	203,167,554.20	1,479,584,735.64	1,682,752,289.84	
(1) Total comprehensive income	-	-	-	2,031,675,542.00	2,031,675,542.00	
Net profit	-	-	-	2,031,675,542.00	2,031,675,542.00	
(2) Profit distribution	-	-	203,167,554.20	-552,090,806.36	-348,923,252.16	
Appropriation to surplus reserves	-	-	203,167,554.20	-203,167,554.20	-	
Profit distribution to equity owners	-	-	-	-348,923,252.16	-348,923,252.16	
4. 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	

Item	2013					Total owners' equity
	Share capital	Capital surplus	Surplus reserve	Undistributed profits		
1. Ending balance on 31 December 2012	2,180,770,326.00	2,315,587,934.74	1,604,265,015.87	2,326,804,741.45	8,427,428,018.06	
Add: changes in accounting policies	-	-	-	-	-	
2. Opening balance on 1 January 2013	2,180,770,326.00	2,315,587,934.74	1,604,265,015.87	2,326,804,741.45	8,427,428,018.06	
3. Movements for the year ended 31 December 2014	-	-	77,158,459.67	410,925,994.60	488,084,454.27	
(1) Total comprehensive income	-	-	-	771,584,596.65	771,584,596.65	
Net profit	-	-	-	771,584,596.65	771,584,596.65	
(2) Profit distribution	-	-	77,158,459.67	-360,658,602.05	-283,500,142.38	
Appropriation to surplus reserves	-	-	77,158,459.67	-77,158,459.67	-	
Profit distribution to equity owners	-	-	-	-283,500,142.38	-283,500,142.38	
4. Ending balance on 31 December 2014	2,180,770,326.00	2,315,587,934.74	1,681,423,475.54	2,737,730,736.05	8,915,512,472.33	

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

Legal representative: **Hu Wei** Chief Financial Officer: **Gong Taotao** Head of accounting department: **Sun Bin**

Notes to Financial Statements

For the year ended 31 December 2014
(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 principal activities of the Company and its subsidiaries (collectively the 'Group') are the construction, operation and management of toll highways and expressways in the PRC.

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.

Shenzhen International Holdings Limited ('Shenzhen International') is the parent company of the Company and Shenzhen Investment Holdings Company Limited ('SIHCL') is the ultimate controlling company of the Company.

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.

2 The consolidation scope

The detailed information of principal subsidiaries consolidated during the year is disclosed in Note VII.1(1). The Group started to consolidate Shenzhen Expressway Property Management Company Limited ('Property Company') and Shenzhen Expressway Luyun Project Construction Management Company Limited ('Luyun Company') during the year, detailed information is disclosed in Note VI.1.

These financial statements have been approved for issue by the Company's Board of Directors on 20 March 2015.

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.18), depreciation policy of fixed assets and amortisation policy of intangible assets (Note III.14 and 17), measurement of provisions (Note III.21), 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.28.

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

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

1 Statement of compliance with the Accounting Standards for Business Enterprises

The financial statements for the year ended 31 December 2014 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 2014 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 and ends on 31 December.

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 functional currency of the Company is Renminbi (RMB).

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

(1) Business combinations involving enterprises under common control

The consideration paid and net assets obtained by the absorbing party in a business combination are measured at the carrying amount. The difference between the carrying amount of the net assets obtained from the combination and the carrying amount of the consideration paid for the combination is treated as an adjustment to capital surplus (share premium). If the capital surplus (share premium) is not sufficient to absorb the difference, the remaining balance is adjusted against retained earnings. 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 recognised amounts of the equity or debt securities.

(2) Business combinations involving enterprises not under common control

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 recognised as goodwill; where the cost of combination is lower than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognised 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 recognised amounts of the equity or debt securities.

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

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 realised before the combination date is presented separately in the consolidated income statement.

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 unrealised 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 recognised 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 unrealised 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 unrealised 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 unrealised 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' share holdings on the subsidiary who sold.

The difference on recognising 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 cash on hand, call deposits with banks and short-term and 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 recognised in profit or loss for the current year, except for those attributable to foreign currency borrowings that have been taken out specifically for the acquisition or construction of qualifying assets, which are capitalised 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.

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

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

9 Financial instruments

(1) Financial assets

(a) *Classification of financial assets*

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

Receivables

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

Available-for-sale financial assets

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

(b) *Recognition and measurement of financial assets*

Financial assets are recognised 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 recognised in profit or loss for the current year. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in their initial recognition amounts.

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

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

9 Financial instruments (continued)

(1) Financial assets (continued)

(c) *Impairment of financial assets*

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

When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of loss is measured at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss. When an impairment loss on an available-for-sale financial asset has occurred, the amount of loss is measured at the difference between the asset's carrying amount and the present value of its estimated future cash flows determined according to the market yield of similar financial assets and recognised in profit or loss. Once the above asset impairment loss is recognised, it will not be reversed in the subsequent periods.

(d) *Derecognition of financial assets*

A financial asset is derecognised 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 carrying amount and the consideration received and the cumulative changes in fair value that had been recognised directly in equity, is recognised in profit or loss.

(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 and other payables, are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method.

Borrowings and bonds payable are recognised initially at fair value, net of transaction costs incurred and subsequently measured at amortised 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 derecognised or partly derecognised when the current obligation is discharged or partly discharged. The difference between the carrying amount of the financial liability or the derecognised part of the financial liability and the consideration paid is recognised in profit or loss.

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

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

9 Financial instruments (continued)

(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.

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 recognised 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 carrying amount 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 group with similar credit risk characteristics and collectively assesses them for impairment. The impairment losses are determined based on the historical actual loss, taking into consideration the current circumstances.

Bad debt provision for receivables that are subject to provision by group with similar credit risk characteristics

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

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)

The provision ratios used under the aging analysis method for the above groupings 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

Ratios used in other method amongst aforesaid 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 carrying amount and present value of estimated future cash flows.

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

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

11 Inventories

(1) Classification

Inventories include real estate properties, toll tickets, low value consumables, maintenance and repair parts and materials in stock, and are measured at the lower of cost and net realisable 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 is determined using specific identification method. Cost of real estate properties includes costs of land purchased, construction costs and other costs. 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 realisable 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 realisable value. Net realisable 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.

12 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 venturers. 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 investments acquired through a business combination involving enterprises under common control, the investment cost shall be the absorbing party's share of the carrying amount of owners' equity of the party being absorbed at the combination date; for long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination costs.

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)

12 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 recognised as investment income in profit or loss.

For long-term equity investments accounted for using the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the long-term equity investment is measured at the initial investment cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the difference is included in profit or loss and the cost of the long-term equity investment is adjusted upwards 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. If the accounting policies and the accounting periods are inconsistent between the Company and investees, the financial statements of investees are adjusted in accordance with the accounting policies and accounting period of the Company. The Group discontinues recognising its share of net losses of an investee after the carrying amount 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, the Group records its proportionate share directly into capital surplus, provided that the Group's proportion of shareholding in the investee remains unchanged. The carrying amount 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 recognised. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment, any unrealised loss is not eliminated.

(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, and 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 operating policy decisions of the investee, but is not control or joint control over those policies.

(4) Impairment of long-term equity investments

The carrying amount of long-term equity investments in subsidiaries, joint ventures and associates is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note III.18).

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

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

13 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 its cost can be reliably measured; otherwise, the expenditures are recognised 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 amortised 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 amortisation rates of the investment properties are as follows:

	Estimated useful lives	Estimated residual value rate	Annual amortisation rate
Car parking spaces	30 years	–	3.33%

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

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

An investment property is derecognised 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 after its carrying amount and related taxes and expenses is recognised in profit or loss for the current year.

The carrying amount of investment properties is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note III.18).

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

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

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

14 Fixed assets (continued)

(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 carrying amounts 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	5 years	5%	19.00%

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 carrying amount of fixed assets is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note III.18).

(4) Disposal of fixed assets

A fixed asset is derecognised 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 carrying amount and related taxes and expenses is recognised in profit or loss for the current year.

15 Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs, borrowing costs that are eligible for capitalisation and other costs necessary to bring the fixed assets ready for their intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month. The carrying amount of construction in progress is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note III.18).

16 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 capitalised 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 capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use, the borrowing costs incurred thereafter are recognised in profit or loss for the current year. Capitalisation 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.

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

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

16 Borrowing costs (continued)

For the specific borrowings obtained for the acquisition or construction of a qualifying asset, the amount of borrowing costs eligible for capitalisation 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 capitalisation period.

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

17 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. Rather than provide construction services by itself, the Group subcontracts all the infrastructure construction to other parties, concession intangible assets are therefore measured at actual cost, which comprises construction related costs and borrowing costs that are eligible for capitalisation and incurred before the toll roads are ready for their intended use. The concession intangible assets are first stated at actual project costs or budget costs and then adjusted when project completion audit are finalised.

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 certified by the State-owned Assets Supervision and Administration Bureau 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 was stated at revaluation admitted by State-owned Assets Supervision and Administration Bureau 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 value specified in related investment agreement.

When toll roads are ready for their intended use, amortisation of concession intangible assets is calculated to write off their costs on a units-of-usage basis ('unit usage'), whereby amortisation is provided based on the proportion of actual traffic volume of a particular period over the total projected traffic volume throughout the operation periods.

The Company assesses of the total projected traffic volume annually. The Group will appoint an independent professional traffic consultant to perform independent professional traffic studies when material difference exists and probably endures or every 3 to 5 years and then prospectively adjust the amortisation unit according to the revised total projected traffic volume, to ensure that the relative concession intangible assets would be fully amortised in the operation periods.

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

17 Intangible assets (continued)

(1) Concession intangible assets (continued)

Respective operating period and amortisation 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)	3.98
Yanpai Expressway	May 2006 to March 2027	1.49
Meiguan Expressway	May 1995 to March 2027	0.84 (Note 1)
Shenzhen Airport-Heao Expressway (Western Section)	May 1999 to March 2027	0.78 (Note 1)
Nanguang Expressway	January 2008 to January 2033	4.22
Shenzhen Airport-Heao Expressway (Eastern Section)	October 1997 to March 2027	3.49 (Note 1)
Wuhuang Expressway	September 1997 to September 2022	6.52
Qinglian Expressway	July 2009 to July 2034	25.36

Note 1: As stated in Note III.27(2), the Company appointed an independent professional traffic consultant to reassess the future traffic volumes of Meiguan Expressway, Shenzhen Airport-Heao Expressway (Western Section) and Shenzhen Airport-Heao Expressway (Eastern Section) and adjusted the unit usage of the aforesaid expressway from RMB1.51, RMB1.22 and RMB4.54 to RMB0.84, RMB0.78 and RMB3.49, respectively, from 1 October 2014.

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 recognised in profit or loss in the period in which they are incurred.

(2) Other intangible assets

Billboard use rights are amortised on the straight-line basis over their approved useful lives of 5 years. Purchased software is amortised on the straight-line basis over their contracted useful lives of 5 years.

(3) Periodical review of useful life and amortisation method

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

(4) Impairment of intangible assets

The carrying amount of intangible assets is reduced to the recoverable amount if the recoverable amount is below the carrying amount (Note III.18).

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

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

18 Impairment of long-term assets

Fixed assets, construction in progress, intangible assets with finite useful lives, investment properties measured using the cost model and long-term equity investments in subsidiaries, joint ventures and associates are tested for impairment if there is any indication that an asset may be impaired at the balance date. Intangible asset that is not ready for its intended use is tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. If the result of the impairment test indicates that the recoverable amount of the asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount 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 recognised 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 carrying amount, the corresponding impairment loss is recognised. The impairment loss is first deducted from the carrying amount of goodwill that is allocated to the asset group or group of asset groups, and then deducted from the carrying amounts of other assets within the asset groups or groups of asset groups in proportion to the carrying amounts of other assets.

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

19 Long-term prepaid expenses

Long-term prepaid expenses include the prepaid expenditures that have been made but should be recognised as expenses over more than one year in the current and subsequent periods. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

20 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 recognised as liabilities in the periods when the employees render services and are charged into profit or loss or capitalised in costs of related assets. The non-monetary welfare is measured at fair value.

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

20 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 that is not a defined contribution plan. During the reporting period, the Group's pension benefits are basic pension insurance and unemployment insurance which are all defined contribution plans.

(a) *Basic pension insurance*

The Group's employees participated in the basic social pension insurance organised 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 recognised as liabilities during the periods when the employees render services and are charged to profit or loss or capitalised in costs of related assets.

(b) *Enterprise annuities plan*

Besides the above social basic 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 year. Exception for this, the Company did not have any other significant social insurance comment 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 recognised as a liability and charged to profit or loss on the earlier one when the Group is unable to unilaterally withdraw the plan on the termination of employment relationship or the layoff proposal and costs and expenses in relation to the payment of compensation to the termination of employment relationship are recognised.

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

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

21 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 recognised 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 passage of time is recognised as interest expense.

The carrying amount of provisions is reviewed at each balance sheet date and adjusted to reflect the current best estimate.

22 Dividends distribution

Cash dividend is recognised as a liability for the period in which the dividend is approved in the shareholders' meeting.

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 recognised when the economic benefits associated with 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 recognised 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 income, when the outcome of the construction management services can be estimated reliably, related income is recognised using the percentage of completion method and the stage of completion is measured by making reference to the project construction costs and related management expenses incurred to date as a percentage to the total estimated construction costs and management expenses. When the outcome of the construction management services cannot be estimated reliably, construction management services income is recognised at the same amount of project management expenses incurred only to the extent that such expenses are probable to be recovered.
- (3) 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 recognised revenue and cost of services using the percentage of completion method during the construction period if the Group undertake the construction work on its own. The stage of completion is measured by reference to construction costs of the related infrastructures incurred up to the settlement date as a percentage of total estimated costs for each contract. No construction services income would be recognised if the Group sub-contract the work to other parties.
- (4) Advertising revenue is recognised on a straight-line basis over the contract period.

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

23 Revenue recognition (continued)

- (5) 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.
- (6) Income from an operating lease is recognised on a straight-line basis over the period of the lease.

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 recognised 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 other ways.

Government grants related to assets are recognised as deferred income and evenly included in profit or loss over the useful period of related assets. Government grants measured at their nominal amounts shall be directly included in the profits and losses.

(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 by the Group in the subsequent periods, the grant is recognised as deferred income, and included in profit or loss over the periods in which the related costs are recognised; where the grant is a compensation for related expenses or losses already incurred by the Group, the grant is recognised immediately in profit or loss for the current year.

25 Deferred tax assets and deferred tax liabilities

Deferred tax assets and deferred tax liabilities are calculated and recognised based on the differences arising between the tax bases of assets and liabilities and their carrying amounts (temporary differences). Deferred tax asset is recognised 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 recognised for a temporary difference arising from the initial recognition of goodwill. No deferred tax asset or deferred tax liability is recognised 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 realised or the liability is settled.

Deferred tax assets are only recognised 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 utilised.

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

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

25 Deferred tax assets and deferred tax liabilities (continued)

Deferred tax liabilities are recognised 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 utilised, the corresponding deferred tax assets are recognised.

Deferred tax assets and liabilities are offset when:

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

26 Other significant accounting policies and accounting estimates

Segment information

The Group identifies operating segments based on the internal organisation 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.

27 Changes in significant accounting policies and estimates

(1) Changes in significant accounting policies

In 2014, Ministry of Finance issued and amended 'Accounting Standards for Enterprises No. 9 – Employee Benefits', 'Accounting Standards for Enterprises No. 30 – Presentation of Financial Statements', 'Accounting Standards for Enterprises No. 33 – Consolidation', 'Accounting Standards for Enterprises No. 39 – Fair value measurement', 'Accounting Standards for Enterprises No. 40 – Joint Arrangement', 'Accounting Standards for Enterprises No. 2 – Long-term equity investment' and 'Accounting Standards for Enterprises No. 41 – Disclosure of interests in other entities' (collectively for the 'Seven Standards') and 'Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments'. The effective date of the Seven Standards is 1 July 2014 and early adoption by enterprises with shares listed overseas is encouraged while the 'Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments' is effected for the year ended 31 December 2014. Since the Company is a listed company with both A shares and H shares, the Company has early adopted 'Accounting Standards for Enterprises No. 9 – Employee Benefits', 'Accounting Standards for Enterprises No. 30 – Presentation of Financial Statements', 'Accounting Standards for Enterprises No. 33 – Consolidation', 'Accounting Standards for Enterprises No. 39 – Fair value measurement' and 'Accounting Standards for Enterprises No. 40 – Joint arrangement' when preparing the financial statements for the year ended 31 December 2013. The Company further early adopted 'Accounting Standards for Enterprises No. 2 – Long-term equity investment' and 'Accounting Standards for Enterprises No. 41 – Disclosure of interests in other entities' when preparing the financial statements for the period ended 31 March 2014. Ministry of Finance issued the application guidances for the Seven Standards in the third quarter of 2014, the Group adopted the detailed application guidances when preparing the financial statements for the period ended 30 September 2014. Meanwhile, the Group adopted the 'Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments' when preparing the financial statements for the year ended 31 December 2014.

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

27 Changes in significant accounting policies and estimates (continued)

(1) Changes in significant accounting policies (continued)

The impacts of adoption of 'Accounting Standards for Enterprises No. 2 – Long-term equity investment', 'Accounting Standards for Enterprises No. 41 – Disclosure of interests in other entities', the application guidances for the Seven Standards and 'Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments' on the Group's financial statement for the year ended 31 December 2014 are listed as follows:

Details and reasons for changes of accounting policies	Procedures for approval	Note (Financial statement items and amounts affected)
(a) Long-term equity investment As stated above, the Group early adopted 'Accounting Standards for Enterprises No. 2 – Long-term equity investment' (Revised in 2014) when preparing the financial statements for the period ended 31 March 2014. According to the revised standard, the Company's investment in Guangdong Untied Electronic Collection Inc ('United Electronic Company') applies 'Accounting Standards for Enterprises No. 22 – Financial instruments: recognition and measurement' and is reclassified from long-term equity investment to available-for-sale financial assets because it is an equity instrument which does not have a quoted market price in an active market and whose fair value cannot be reliably measured. According to applies 'Accounting Standards for Enterprises No. 22 – Financial instruments: recognition and measurement', such 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. Long-term equity investment and available-for-sale financial assets on comparative financial statements are restated accordingly.	The changes of such accounting policies have been approved by the Board of Directors of the Company on 29 April 2014.	The investment in United Electronic Company amounting to 30,170,000.00 as at 1 January 2014 and 1 January 2013 were reclassified from long-term equity investment to available-for-sale financial assets.

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

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

27 Changes in significant accounting policies and estimates (continued)

(1) Changes in significant accounting policies (continued)

Details and reasons for changes of accounting policies	Procedures for approval	Note (Financial statement items and amounts affected)
(b) Disclosure of interests in other entities		
As stated above, the Company further early adopted 'Accounting Standards for Enterprises No. 41 – Disclosure of interests in other entities' (Issued in 2014) when preparing the financial statements for the period ended 31 March 2014. These changes in accounting policies impact the disclosure of separate financial statement information of those subsidiaries with significant minority interests as well as of significant joint ventures and significant associates of the Company. These changes in accounting policies do not have any impact on the Group's financial position as at 31 December 2014 and its operating results and cash flows for the year then ended.	The changes of such accounting policies have been approved by the Board of Directors of the Company on 29 April 2014.	None.
(c) Other comprehensive income		
As stated above, the Company adopted the application guidances of 'Accounting Standards for Enterprises No. 30 – Presentation of Financial Statements' (Revised in 2014) when preparing the financial statements for the period ended 30 September 2014. According to the application guidances, 'other comprehensive income' which was originally recognised in 'capital reserves' item should be disclosed as a separate item in the owner's equity section in balance sheet. 'Capital reserves' item and 'other comprehensive income' item on comparative financial statements are restated accordingly.	The changes of such accounting policies have been approved by the Board of Directors of the Company on 30 October 2014.	Decrease and increase 'capital reserves' and 'other comprehensive income' in owners' equity, each amounted to RMB908,402,840.07 as at 1 January 2014. Decrease and increase 'capital reserves' and 'other comprehensive income' in owners' equity, each amounted to RMB906,659,977.96, as at 1 January 2013.

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

27 Changes in significant accounting policies and estimates (continued)

(1) Changes in significant accounting policies (continued)

Details and reasons for changes of accounting policies	Procedures for approval	Note (Financial statement items and amounts affected)
(d) Deferred revenue As stated above, the Company adopted the application guidances of 'Accounting Standards for Enterprises No. 30 – Presentation of Financial Statements' (Revised in 2014) when preparing the financial statements for the period ended 30 September 2014. According to the application guidances, 'deferred revenue' which was originally recorded in 'other non-current liabilities' item and 'other current liabilities' item should be disclosed as a separate item in the liabilities section in balance sheet. 'Other non-current liabilities' item, 'other current liabilities' item and 'deferred revenue' item on comparative financial statements are restated accordingly.	The changes of such accounting policies have been approved by the Board of Directors of the Company on 30 October 2014.	Decrease and increase 'other current liabilities' and 'deferred revenue' in current liabilities section amounted to RMB1,923,817.30 as at 1 January 2014.
(e) Presentation of financial instruments As stated above, the Company adopted 'Accounting Standards for Enterprises No. 37 – Presentation of Financial Instruments' (Revised in 2014) when preparing the financial statements for the year ended 31 December 2014. These changes in accounting policies do not have any impact on the Group's financial position as at 31 December 2014 and its operating results and cash flows for the year then ended.	The changes of such accounting policies have been approved by the Board of Directors of the Company on 20 March 2015.	None.

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

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

27 Changes in significant accounting policies and estimates (continued)

(2) 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 concession intangible assets.	Approved by the Board of Directors of the Company on 20 March 2015.	1 October 2014	(a)
Changes in accounting estimates of deferred income tax assets.	Approved by the Board of Directors of the Company on 20 March 2015.	31 December 2014	(b)

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

Since the actual traffic volumes of Meiguan Expressway, Shenzhen Airport-Heao Expressway (Western Section) and Shenzhen Airport-Heao Expressway (Eastern Section) largely differed from the traffic volume forecasts as a result of the surrounding highway networks of these expressways have become more and more stable recently, the difference between the actual traffic volume and the previous traffic volumes is expected to continue. In the fourth quarter of 2014, 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 20 March 2015. Since the difference between the actual traffic volume and the previous traffic volume of the aforesaid expressways has largely differed during the fourth quarter of 2014, the Board of Directors of the Company approved to adjust the unit usage of the aforesaid expressways according to the revised total projected traffic volume from 1 October 2014 on a prospective basis. Such change in accounting estimates impacts the financial statement items for 2014 as follows:

	Impact amount
Increase in intangible assets	26,595,498.55
Increase in deferred income tax liabilities	3,305,757.21
Increase in taxes payable	3,343,117.42
Decrease in cost of services	26,595,498.55
Increase in income tax expenses	6,648,874.63
Increase in net profit attributable to owners of the Company	19,946,623.92

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

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

27 Changes in significant accounting policies and estimates (continued)

(2) Changes in significant accounting estimates (continued)

(b) Changes in accounting estimates of deferred income tax assets

During the fourth quarter of 2014, there were certain changes in surrounding highway networks of Qinglian Expressway operated by Guangdong Qinglian Highway Development Company Limited ('Qinglian Company'). The Group re-estimated Qinglian Company's future operating revenue and profit and reviewed the extent of realisation of tax benefits arising from the tax loss carried-forward from prior years. Based on such information, the Group changed its accounting estimates of deferred income tax assets recognised on Qinglian Company's tax losses. Pursuant to the approval of the Board of Directors of the Company, the Group adjusted the deferred income tax assets of Qinglian Company as at 31 December. Such change in accounting estimates impacts the financial statement items for the year 2014 as follows:

	Impact amount
Increase in deferred income tax liabilities (Note 1)	29,678,900.00
Decrease in minority interests	7,013,124.07
Increase in income tax expenses	29,678,900.00
Decrease in profit and losses attributable to minority interests	7,013,124.07
Decrease in net profit attributable to owners of the Company	22,665,775.93

Note 1: The change in accounting estimate decreased the Group's deferred income tax assets before offset of RMB29,678,900.00 as at 31 December 2014. Taking into consideration the offsetting of balances, the change in accounting estimate increased the Group's net balance of deferred income tax liabilities of RMB29,678,900.00 as at 31 December 2014.

The change in accounting estimates will decrease the magnitude of deferred tax assets to be reversed in the future.

28 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 expectations 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 carrying amounts of assets and liabilities within the next financial year are addressed below.

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

As stated in Note III.23(2), when the outcome of the construction management services can be estimated reliably, related income is recognised using the percentage of completion method.

During the current year, the directors of the Company recognised construction management services income and costs of Guangshen Coastal Expressway (Shenzhen Section) (the 'Coastal Project Phase I') according to the optimum estimation on the total investment top limit, project costs as well as other construction management services costs.

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

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

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

28 Others (continued)

Critical accounting estimates and judgments: (continued)

(2) Amortisation of concession intangible assets

As stated at Note III.17(1), amortisation of concession intangible assets is provided under the traffic volume amortisation method. Appropriate adjustments to the amortisation of concession intangible assets will be made should there be a material difference between total projected traffic volume and the actual results.

The directors perform periodic assessment on the total projected traffic volume. The Group will appoint an independent professional traffic consultant to perform independent professional traffic studies and make an appropriate adjustment if there is a material 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 and 2014 and prospectively adjusted the amortisation unit according to the revised total projected traffic volume.

(3) Provisions for maintenance/resurfacing obligations

As stated at Note III.21, 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 recognised 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. There are many 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 recognises 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 utilised. 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.

IV TAXATION

1 Main categories and rates of taxes:

Category	Tax base	Tax rate
Corporate income tax ('CIT')	Taxable income	25%
Business tax	Revenue from expressway toll road business	3%
Business tax	Revenue from businesses other than expressway toll road	5%
City maintenance and construction tax	Amount of business tax paid	7%
Educational surcharge	Amount of business tax paid	3%
Local educational surcharge	Amount of business tax paid	2%
Construction fee for culture undertakings	Amount of revenue from advertisement business	3%
Value added tax	Taxable advertisement income	6%

2 Others

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

	Applicable tax rate
The Company	25%
Shenzhen Expressway Advertising Company Limited ('Advertising Company')	25%
Meiguan Company	25%
Shenzhen Airpor-Heao Expressway (Eastern Section) Company Limited ('Airpor-Heao Eastern Company')	25%
Qinglian Company	25%
Mei Wah Industrial (Hong Kong) Limited ('Mei Wah Company')	25%
Maxprofit Gain Limited ('Maxprofit Company')	25%
Shenzhen Outer Ring Expressway Investment Company Limited ('Outer Ring Company')	25%
Jade Emperor Limited ('JEL Company')	25%
Hubei Magerk Expressway Management Private Limited ('Magerk Company')	25%
Shenzhen Expressway Investment Company Limited ('Expressway Investment Company')	25%
Guizhou Guishen Investment and Development Company Limited ('Guishen Company')	25%
Guizhou Shenzhen Expressway Land Company Limited ('Guishen Land Company')	25%
Guizhou Shengbo Landholding Company Limited ('Shengbo Company')	25%
Guizhou Pengbo Investment Company Limited ('Pengbo Company')	25%
Guizhou Yuelong Investment Company Limited ('Yuelong Company')	25%
Property Company	25%
Luyun Company	25%

- (1) 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 recognised as resident enterprises of China and would be subject to the relevant taxation administration with effective date from 2008.
- (2) According to the Notice of Tax Matters ('Long Di Shui (2014) No.53') issued by Local Tax Bureau of Longli County, Guizhou Province in 2014, Guishen Company, the subsidiary of the Company, is entitled to CIT verification collection method for the period from 1 January 2014 to 31 December 2014 and the taxable income is calculated at 8% of total revenue for the period from 1 January 2014 to 31 December 2014.

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 Cash at bank and on hand

	31 December 2014	31 December 2013
Cash on hand	11,445,715.38	13,334,591.16
Bank deposits	1,622,853,156.96	1,081,462,099.77
Total	1,634,298,872.34	1,094,796,690.93
Including: cash abroad	73,477,121.92	28,835,039.47

The Company has been engaged to manage certain highway construction projects. As at 31 December 2014, project funds retained for construction management were RMB379,143,974.97 (31 December 2013: 1,371,284.40). No bank balances have been frozen due to dispute (31 December 2013: 3,788,743.43). 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.43(2)).

2 Accounts receivable

(1) Accounts receivable are analysed by categories as follows:

Category	31 December 2014					31 December 2013				
	Ending balance		Provision for bad debts		Book value	Ending balance		Provision for bad debts		Book value
	Amount	% of total balance	Amount	Ratio		Amount	% of total balance	Amount	Ratio	
Individually significant and provision separately assessed	-	-	-	-	-	-	-	-	-	-
Provision assessed collectively	721,306,986.74	100.00	-	-	721,306,986.74	495,364,307.64	100.00	33,500.00	0.01	495,330,807.64
Group 1	660,438,689.36	91.56	-	-	660,438,689.36	404,791,473.15	81.72	-	-	404,791,473.15
Group 2	60,868,297.38	8.44	-	-	60,868,297.38	90,572,834.49	18.28	33,500.00	0.04	90,539,334.49
Individually not significant but provision separately assessed	-	-	-	-	-	-	-	-	-	-
Total	721,306,986.74	-	-	-	721,306,986.74	495,364,307.64	-	33,500.00	0.01	495,330,807.64

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2 Accounts receivable (continued)

(1) Accounts receivable are analysed by categories as follows: (continued)

Accounts receivable in group of which provision was made collectively using ageing analysis method is analysed as follows:

Age	31 December 2014		Ratio
	Accounts receivable	Provision for bad debts	
Within 1 year	60,016,983.04	–	–
1 to 2 years	851,314.34	–	–
Total	60,868,297.38	–	–

(2) Accounts receivable written-off during the year

Item	Written-off amount
Accounts receivable written-off	33,500.00

(3) The five largest accounts receivable assembled by debtors

	Balance	Provision for bad debts	% of total balance
Total balances due from the five largest accounts receivables assembled	673,972,371.73	–	93.44%

(4) The ageing of accounts receivable is analysed as follows

	31 December 2014	31 December 2013
Within 1 year	478,418,880.42	292,931,673.58
1 to 2 years	132,910,177.74	181,982,712.71
2 to 3 years	89,714,242.23	14,250.00
Over 3 years	20,263,686.35	20,435,671.35
Total	721,306,986.74	495,364,307.64

3 Advances to suppliers

As at 31 December 2014, the amount represents payment of land transfer fund and related deed taxes paid by Guishen Company, a subsidiary of the Company, as a result of tendering for a land use right of a piece of land located in Longli County, Guizhou Province with an area of approximately 633 acres. The amount was recorded as advances to suppliers as the delivery conditions laid down 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 other parties.

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3 Advances to suppliers (continued)

(1) The ageing of advances to suppliers is analysed below:

Ageing	31 December 2014		31 December 2013	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	177,612,645.17	75.04	134,112,305.08	99.48
1 to 2 years	58,552,894.01	24.73	697,596.67	0.52
2 to 3 years	556,030.00	0.23	-	-
Total	236,721,569.18	100.00	134,809,901.75	100.00

As at 31 December 2014, advances to suppliers over 1 year mainly comprised advances for acquisition of land use rights and advances for designing fees which were not fully settled since the delivery conditions of the rights specified in the acquisition contracts had not been met or the contracts have not been completed.

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

	Amount	% of total balance
Total accumulated advances to suppliers from the five largest suppliers	230,812,262.30	97.50%

4 Other receivables

(1) Other receivables are analysed by categories as follows:

Item	31 December 2014					31 December 2013				
	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	-	-	-	-	-	-	-	-	-	-
Provision assessed collectively	98,912,102.78	100.00	-	-	98,912,102.78	165,948,978.57	100.00	-	-	165,948,978.57
Group 1	91,225,577.55	92.23	-	-	91,225,577.55	156,994,438.43	94.60	-	-	156,994,438.43
Group 2	7,686,525.23	7.77	-	-	7,686,525.23	8,954,540.14	5.40	-	-	8,954,540.14
Individually not significant but provision separately assessed	-	-	-	-	-	-	-	-	-	-
Total	98,912,102.78	-	-	-	98,912,102.78	165,948,978.57	-	-	-	165,948,978.57

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4 Other receivables (continued)

(1) Other receivables are analysed by categories as follows: (continued)

Other receivables in group whose provision was assessed collectively using ageing analysis method is analysed as follows:

Ageing	31 December 2014		
	Other receivables	Provision for bad debts	% of total balance
Within 1 year	6,011,643.13	–	–
1 to 2 years	140,662.60	–	–
2 to 3 years	1,534,219.50	–	–
Total	7,686,525.23	–	–

(2) Other receivable by nature are analysed as follows:

Nature	31 December 2014	31 December 2013
Advances	93,585,886.18	157,163,045.20
Others	5,326,216.60	8,785,933.37
Total	98,912,102.78	165,948,978.57

(3) As at 31 December 2014, the five largest other receivables are analysed as follows:

Company name	Nature	31 December 2014	Ageing	% of total balance	Provision for bad debts
Guizhou Longli County Government	In relation to the Longli BT Project	89,725,351.08	Within 1 year	90.71	–
Nanguang Checkpoint Station	Advance funds in relation to water and electricity charges paid	1,187,778.47	1 to 4 years	1.20	–
Advance of funds paid on behalf of from Guangdong Jingtong Highway Project Company	Advance paid	629,535.21	1 to 3 years	0.64	–
Jiangsheng Real Estate Development (Shenzhen) Company Limited	Leasing deposits	626,034.00	1 to 3 years	0.63	–
Jiantao (Lianzhou) Copper Foil Company Limited	Advance paid	500,000.00	Within 1 year	0.51	–
Total	/	92,668,698.76	/	93.69	–

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5 Inventories

(1) Inventory classification

Item	31 December 2014			31 December 2013		
	Carrying amount	Allowance for impairment	Net book amount	Carrying amount	Allowance for impairment	Net book amount
Properties under developed	404,864,764.34	–	404,864,764.34	342,246,344.33	–	342,246,344.33
Properties in development	124,497,961.74	–	124,497,961.74	–	–	–
Toll tickets	4,236,049.20	–	4,236,049.20	2,249,284.15	–	2,249,284.15
Maintenance and repair parts	887,613.87	–	887,613.87	348,798.49	–	348,798.49
Low value consumables	261,585.95	–	261,585.95	166,667.75	–	166,667.75
Others	–	–	–	7,024.00	–	7,024.00
Total	534,747,975.10	–	534,747,975.10	345,018,118.72	–	345,018,118.72

(2) Borrowing costs capitalisation

During the year, the Group had capitalised borrowing costs amounting to RMB82,849.32 (2013: nil) on properties under development.

6 Current portion of non-current assets

Item	31 December 2014	31 December 2013
Receivables due from the Shenzhen Government in relation to the compensation of the toll adjustment of Meiguan Expressway ("Compensation") (Note V.8(1)(a))	800,000,000.00	–
Total	800,000,000.00	–

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7 Available-for-sale financial assets

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

Item	31 December 2014			31 December 2013		
	Carrying amount	Allowance for impairment	Net book amount	Carrying amount	Allowance for impairment	Net book amount
Available-for-sale equity instrument: Measured at cost	30,170,000.00	–	30,170,000.00	30,170,000.00	–	30,170,000.00
Total	30,170,000.00	–	30,170,000.00	30,170,000.00	–	30,170,000.00

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

	Carrying amount			Closing balance	Allowance for impairment		Share holding (%)	Cash dividends during the year
	Opening balance	Additional during the year	Deduction during the year		Opening balance	Closing balance		
United Electronic Company	30,170,000.00	–	–	30,170,000.00	–	–	15	–
Total	30,170,000.00	–	–	30,170,000.00	–	–	15	–

As at 31 December 2014 and 31 December 2013, available-for-sale financial assets represented the Company's investment in 15% of United Electronic Company's equity interests. Since 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 can not be made reasonably and, the fair value of the available-for-sale financial assets cannot be reliably measured. The Group does not have any plan to dispose the available-for-sale financial assets.

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8 Long-term receivables

(1) General information:

Item	31 December 2014			31 December 2014			Rang of discount rate
	Carrying amount	Bad debt provision	Net book amount	Carrying amount	Bad debt provision	Net book amount	
Receivables due from the Shenzhen Government in relation to the Compensation resulted from the toll adjustment of Meiguan Expressway (a)	1,980,587,517.90	-	1,980,587,517.90	-	-	-	5.60%~6.15%
Due from Guizhou Longli County Government in relation to the project management services provided to Longli BT Project	111,192,373.03	-	111,192,373.03	-	-	-	9%
Sub-total	2,091,779,890.93	-	2,091,779,890.93	-	-	-	
Less: Current portion	800,000,000.00	-	800,000,000.00	-	-	-	
Total	1,291,779,890.93	-	1,291,779,890.93	-	-	-	

(a) As approved by the Board of Directors of the Company on 26 January 2014, 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' ('Adjustment Agreement') with Shenzhen Traffic and Transportation Committee ('Shenzhen Transportation Bureau') and Shenzhen Longhua New Area Administrative Committee who represented the People's Government of Shenzhen on 27 January 2014. Pursuant to the 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, but the toll tariff of the Shenzhen-Dongguan border to Guanlan of Meiguan Expressway at a distance of 5.4 km will remain unchanged. The People's Government of Shenzhen undertook to make cash compensation to the Company, mainly represents compensation for the present value of future income of the Toll Free Section at approximately RMB1,597,950,000.00 and compensation for other cost/fee of RMB1,102,370,000.00 (preliminary figures, subject to the actual amount or audit figure of the relevant government audit department) (collectively defined as "Compensation resulted from the toll adjustment of Meiguan Expressway"). The Group disposed of the related intangible assets, fixed assets and construction in progress with net book values of RMB792,538,218.87, RMB37,420,064.23 and RMB2,625,214.83 on 1 April 2014, respectively, which were calculated based on estimation using the highway length and location of main structures and ancillary facilities. According to the compensation arrangement of the Adjustment Agreement and further progress, the Group recognised net gain after tax of RMB1,496,009,613.02 and RMB1,114,844,183.71 respectively from the disposal of the related assets. The Group received the first instalment payment of the Compensation resulted from the toll adjustment of Meiguan Expressway amounting to RMB800 million in April 2014. According to the Adjustment Agreement, the Shenzhen Government is obliged to pay another RMB800 million and the remaining compensation amount as well as its interests to the Group before 31 August 2015 and before 31 December 2016 respectively.

(b) Interest income recognised during the year using effective interest method was RMB90,163,340.16 (2013: nil).

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9 Long-term equity investments

Investee	31 December 2013	Current year movement				31 December 2014	Voting rights held (%)	Impairment provided in the current year
		Additional injection	Investment income/loss recognised under equity pick-up method	Cash dividend declared	Investment cost recovered			
Joint ventures								
Changsha Shenchang Expressway Company Limited ('Shenchang Company')	183,996,250.12	-	-25,231,790.75	-	-	158,764,459.37	51	-
Sub-total	183,996,250.12	-	-25,231,790.75	-	-	158,764,459.37	-	-
Associates								
Shenzhen Qinglong Expressway Company Limited ('Qinglong Company')	152,251,021.13	-	70,534,916.79	-	-	222,785,937.92	40	-
Consulting Company	19,229,296.35	-	4,504,902.58	-840,000.00	-	22,894,198.93	24	-
Huayu Company	47,039,552.57	-	-1,237,576.73	-	-	45,801,975.84	40	-
Guangdong Jiangzhong Expressway Company Limited ('Jiangzhong Company')	292,404,222.22	-	7,216,777.06	-1,250,000.00	-	298,370,999.28	25	-
Nanjing Yangtze River Third Bridge Company Limited ('Nanjing Third Bridge Company')	265,732,321.32	-	25,649,119.16	-2,576,076.61	-	288,805,363.87	25	-
Guangdong Yangmao Expressway Company Limited ('Yangmao Company')	258,779,973.01	-	64,937,140.34	-50,000,000.00	-	273,717,113.35	25	-
Guangzhou Western Second Ring Expressway Company Limited ('GZ W2 Company')	229,970,739.53	-	13,808,813.53	-	-	243,779,553.06	25	-
Yunfu Guangyun Expressway Company Limited ('Guangyun Company')	124,810,994.99	-	27,736,526.40	-27,736,526.40	-12,763,473.60	112,047,521.39	30	-
Shenzhen International Joint Land Company Limited ('Joint Land Company')	-	29,400,000.00	-876,550.67	-	-	28,523,449.33	49	-
Sub-total	1,390,218,121.12	29,400,000.00	212,274,068.46	-82,402,603.01	-12,763,473.60	1,536,726,112.97	-	-
Total	1,574,214,371.24	29,400,000.00	187,042,277.71	-82,402,603.01	-12,763,473.60	1,695,490,572.34	-	-

- (1) The places of registration and main business of Shenchang Company are both located in the PRC. According to the joint venture contracts and articles of incorporation of Shenchang Company, the principal financial and operating decisions of Shenchang Company shall be made based on the common consent of both investing parties. As a result, Shenchang Company is deemed as the Company's joint venture and is accounted for using equity method.
- (2) The equity interest and voting right held in associates are the same.

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10 Investment properties

(1) Investment properties measured at cost

Item	Car parking spaces	Total
1. Cost		
31 December 2013	18,180,000.00	18,180,000.00
31 December 2014	18,180,000.00	18,180,000.00
2. Accumulated depreciation and amortisation		
31 December 2013	2,926,475.00	2,926,475.00
Current year additions	575,700.00	575,700.00
– Depreciation and amortisation made	575,700.00	575,700.00
31 December 2014	3,502,175.00	3,502,175.00
3. Impairment		
31 December 2013	–	–
31 December 2014	–	–
4. Net book value		
31 December 2014	14,677,825.00	14,677,825.00
31 December 2013	15,253,525.00	15,253,525.00

In 2014, the investment properties generated lease income of RMB2,199,453.00 (2013: RMB2,502,162.00), and incurred direct expenditures of RMB1,449,079.63 (2013: RMB1,168,146.38).

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11 Fixed assets

(1) Fixed asset movement

Item	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Total
1. Cost					
31 December 2013	641,494,552.03	1,164,098,738.87	31,214,309.18	56,146,459.22	1,892,954,059.30
Current year additions	5,390,740.95	75,703,276.82	1,740,872.00	2,665,140.75	85,500,030.52
– Purchase	1,278,670.53	25,850,152.83	1,740,872.00	2,665,140.75	31,534,836.11
– Transfers from construction in progress (Note V.12)	4,112,070.42	49,853,123.99	–	–	53,965,194.41
Current year reductions	32,750,794.53	70,087,583.16	2,938,962.00	4,212,035.70	109,989,375.39
– Disposal in relation to the Toll Free Section of Meiguan Expressway	30,990,000.00	70,087,583.16	–	2,830,667.55	103,908,250.71
Other disposal	1,760,794.53	–	2,938,962.00	1,381,368.15	6,081,124.68
31 December 2014	614,134,498.45	1,169,714,432.53	30,016,219.18	54,599,564.27	1,868,464,714.43
2. Accumulated depreciation					
31 December 2013	162,098,277.13	552,792,851.09	22,331,821.44	42,906,967.97	780,129,917.63
Current year additions	24,521,881.32	96,360,688.09	2,832,788.45	3,969,994.80	127,685,352.66
– addition	24,521,881.32	96,360,688.09	2,832,788.45	3,969,994.80	127,685,352.66
Current year reductions	18,476,469.52	45,633,756.66	2,715,729.50	3,922,545.56	70,748,501.24
– Disposal in relation to the Toll Free Section of Meiguan Expressway	18,225,886.52	45,633,756.66	–	2,628,543.30	66,488,186.48
– Other reductions	250,583.00	–	2,715,729.50	1,294,002.26	4,260,314.76
31 December 2014	168,143,688.93	603,519,782.52	22,448,880.39	42,954,417.21	837,066,769.05
3. Impairment					
31 December 2013	–	–	–	–	–
31 December 2014	–	–	–	–	–
4. Net book value					
31 December 2014	445,990,809.52	566,194,650.01	7,567,338.79	11,645,147.06	1,031,397,945.38
31 December 2013	479,396,274.90	611,305,887.78	8,882,487.74	13,239,491.25	1,112,824,141.67

(2) Fixed assets lacking certificates of ownership

Item	Carrying amount	Reason for lacking certificates of ownership
Buildings	RMB318,259,768.10	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 2014, depreciation expenses amounting to RMB122,896,335.51 and RMB4,789,017.15 had been charged into costs of services and general and administrative expenses, respectively (2013: RMB117,336,457.71 and RMB5,591,575.26).

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12 Construction in progress

(1) General information of construction in progress

Item	31 December 2014			31 December 2013		
	Carrying amount	Impairment	Net book amount	Carrying amount	Impairment	Net book amount
Road monitoring projects	4,820,816.97	-	4,820,816.97	-	-	-
Extension projects of Fumin Station of Airport-Heao Expressway (Eastern Section)	4,200,872.11	-	4,200,872.11	-	-	-
Billboard and light box projects	2,100,232.05	-	2,100,232.05	3,707,530.00	-	3,707,530.00
Compound toll lanes projects	1,873,880.55	-	1,873,880.55	-	-	-
Renovation project of Tingzu Station of Wuhuang Expressway	1,838,000.00	-	1,838,000.00	-	-	-
Toll-by-weight projects	150,000.00	-	150,000.00	13,905,659.64	-	13,905,659.64
Integrated toll system projects	-	-	-	3,443,800.00	-	3,443,800.00
Toll lanes reconstruction projects	-	-	-	3,477,755.27	-	3,477,755.27
Others	11,948,099.51	-	11,948,099.51	11,805,762.67	-	11,805,762.67
Total	26,931,901.19	-	26,931,901.19	36,340,507.58	-	36,340,507.58

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12 Construction in progress (continued)

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

Item	Budget amount	31 December 2013	Current year additions	Transfer to fixed assets	Transfer to intangible assets	Disposal in relation to the Toll Free Section of Meiguan Expressway	Other reductions in current year	31 December 2014	% contribution in budget of current year	Progress of construction	Interests capitalised	Source of funds
Toll-by-weight projects	22 million	13,905,659.64	-	-13,033,916.13	-	-721,743.51	-	150,000.00	-	In progress	-	Self-owned funds
Billboard and light box projects	10 million	3,707,530.00	707,679.47	-2,226,977.42	-	-	-88,000.00	2,100,232.05	7.08	In progress	-	Self-owned funds
Integrated toll system projects	82 million	3,443,800.00	23,494,169.21	-25,717,875.62	-868,658.51	-351,435.08	-	-	28.65	Completed	-	Self-owned funds
Toll lanes reconstruction projects	5 million	3,477,755.27	-	-3,477,755.27	-	-	-	-	-	Completed	-	Self-owned funds
Road monitoring projects	5 million	-	4,820,816.97	-	-	-	-	4,820,816.97	96.42	In progress	-	Self-owned funds
Extension projects of Fumin Station of Airpor-Heao Expressway (Eastern Section)	20 million	-	4,200,872.11	-	-	-	-	4,200,872.11	21.00	In progress	-	Self-owned funds
Compound toll lanes projects	3 million	-	1,873,880.55	-	-	-	-	1,873,880.55	62.46	In progress	-	Self-owned funds
Renovation project of Tingzu Station of Wuhuang Expressway	8 million	-	3,478,000.00	-1,640,000.00	-	-	-	1,838,000.00	43.48	In progress	-	Self-owned funds
Resident projects for talents	7 million	-	1,885,093.00	-1,885,093.00	-	-	-	-	26.93	Completed	-	Self-owned funds
Others	*	11,805,762.67	7,677,950.05	-5,983,576.97	-	-1,552,036.24	-	11,948,099.51	*	In progress	-	Self-owned funds
Total		36,340,507.58	48,138,461.36	-53,965,194.41	-868,658.51	-2,625,214.83	-88,000.00	26,931,901.19				

* The budgets of these projects were not disclosed as the amounts are not material.

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13 Intangible assets

(1) Movement of intangible assets

Item	Concession intangible assets											Total
	Shenzhen Airport-Heao Expressway					Shenzhen Airport-Heao Expressway (Western Section)				Billboard land use rights		
	Qinglian Expressway (a)	Nanguang Expressway	Expressway (Eastern Section)	Yanba Expressway	Wuhuang Expressway	Meiguan Expressway	Yanpai Expressway	Expressway	Outer Ring Expressway	Office software	land use rights	
1. Cost												
31 December 2013	9,228,999,209.22	2,790,981,381.35	3,092,170,511.84	1,255,337,192.11	1,523,192,561.64	1,772,314,036.53	910,532,308.18	843,668,552.23	59,052,244.96	5,772,672.00	150,323,430.73	21,632,344,100.79
Current year additions	19,173,012.03	11,697,446.72	-	-	-	1,341,125.54	-	-	1,342,243.59	7,130,600.13	3,417,023.60	44,101,451.61
- Purchased	-	-	-	-	-	-	-	-	-	6,261,941.62	3,417,023.60	9,678,965.22
- Transfer from construction in progress (Note V.12)	-	-	-	-	-	-	-	-	-	868,658.51	-	868,658.51
- Other additions	19,173,012.03	11,697,446.72	-	-	-	1,341,125.54	-	-	1,342,243.59	-	-	33,553,827.88
Current year reductions	-	-	-	-	-	1,158,266,690.98	-	150,869.98	-	448,856.00	-	1,158,866,416.96
- Disposal in relation to the Toll Free Section of Meiguan Expressway	-	-	-	-	-	1,158,266,690.98	-	-	-	448,856.00	-	1,158,715,546.98
- Other reductions	-	-	-	-	-	-	-	150,869.98	-	-	-	150,869.98
31 December 2014	9,248,172,221.25	2,802,678,828.07	3,092,170,511.84	1,255,337,192.11	1,523,192,561.64	615,388,471.09	910,532,308.18	843,517,682.25	60,394,488.55	12,454,416.13	153,740,454.33	20,517,579,135.44
2. Accumulated amortisation												
31 December 2013	837,393,846.56	225,920,943.43	720,950,312.51	206,414,838.69	666,301,610.32	506,639,808.03	254,648,758.64	376,282,996.22	-	1,342,069.35	80,185,687.91	3,876,080,871.66
Current year additions	225,673,028.62	78,673,297.08	223,465,640.85	47,745,319.14	83,078,897.19	65,141,145.42	49,399,911.19	50,025,425.42	-	1,767,008.59	28,114,899.71	853,084,573.21
- Additions	225,673,028.62	78,673,297.08	223,465,640.85	47,745,319.14	83,078,897.19	65,141,145.42	49,399,911.19	50,025,425.42	-	1,767,008.59	28,114,899.71	853,084,573.21
Current year reductions	-	-	-	-	-	366,139,037.45	-	70,716.30	-	38,290.66	-	366,248,044.41
- Disposal in relation to the Toll Free Section of Meiguan Expressway	-	-	-	-	-	366,139,037.45	-	-	-	38,290.66	-	366,177,328.11
- Other reductions	-	-	-	-	-	-	-	70,716.30	-	-	-	70,716.30
31 December 2014	1,063,066,875.18	304,594,240.51	944,415,953.36	254,160,157.83	749,380,507.51	205,641,916.00	304,048,669.83	426,237,705.34	-	3,070,787.28	108,300,587.62	4,362,917,400.46
3. Impairment												
31 December 2013	-	-	-	-	-	-	-	-	-	-	-	-
31 December 2014	-	-	-	-	-	-	-	-	-	-	-	-
4. Net book value												
31 December 2014	8,185,105,346.07	2,498,084,587.56	2,147,754,558.48	1,001,177,034.28	773,812,054.13	409,746,555.09	606,483,638.35	417,279,976.91	60,394,488.55	9,383,628.85	45,439,866.71	16,154,661,734.98
31 December 2013	8,391,605,362.66	2,565,060,437.92	2,371,220,199.33	1,048,922,353.42	856,890,951.32	1,265,674,228.50	655,883,549.54	467,385,556.01	59,052,244.96	4,430,602.65	70,137,742.82	17,756,263,229.13

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13 Intangible assets (continued)

(1) Intangible assets movement (continued)

- (a) The pledge information relating to the concession intangible assets of Qinglian Expressway is set out in Note V.24(1)(a).
- (b) In 2014, the amortisation of intangible assets amounting to RMB853,084,573.21 was charged to current year's income statement (2013: RMB 837,096,565.66).
- (c) During the year, the Group did not capitalise borrowing costs (2013: capitalise borrowing costs amounting to RMB16,968,020.02) on intangible assets.

14 Deferred tax assets and deferred tax liabilities

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

Item	31 December 2014		31 December 2013	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provisions for maintenance and resurfacing of the toll roads (a)	230,642,183.10	57,660,545.82	301,283,116.66	75,320,779.21
Compensation provided by concession grantors (b)	85,142,569.96	21,285,642.49	89,163,919.56	22,290,979.89
Deductible tax losses (c)	453,559,912.88	113,389,978.22	611,063,786.28	152,765,946.57
Accrued operating costs for Toll Free Section of Meiguan Expressway before transferred (d)	4,676,191.28	1,169,047.82	-	-
The difference between estimated cost of extension of Meiguan Expressway allocated to Toll Free Section with its preliminary compensation (d)	28,189,460.88	7,047,365.22	-	-
Payroll accrued but not paid	9,552,882.00	2,388,220.50	9,285,357.00	2,321,339.25
Other	5,354,592.32	1,338,648.08	6,047,651.12	1,511,912.78
Total	817,117,792.42	204,279,448.15	1,016,843,830.62	254,210,957.70
Including:				
Expected to be utilised within 1 year (including 1 year)		39,770,292.62		39,678,757.29
Expected to be utilised over 1 year		164,509,155.53		214,532,200.41
Total		204,279,448.15		254,210,957.70

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14 Deferred tax assets and deferred tax liabilities (continued)

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

- (a) Deferred tax asset was recognised based on the temporary difference between tax base and accounting base of provisions for maintenance/ resurfacing obligations of toll roads.
- (b) Deferred tax asset was recognised based on the temporary difference between tax base and book value of compensation provided by concession grantors in prior years.
- (c) The Group estimated that Qinglian Company could generate profit against which the deductible tax losses incurred in prior years can be utilised in the future. Accordingly, a deferred tax asset on deductible tax losses was recognised.
- (d) The Group recognised estimated operating costs undertaken by the Company for Toll Free Section of Meiguan Expressway before transferred and the difference between estimated cost of extension of Meiguan Expressway allocated to Toll Free Section with its preliminary compensation according to the Adjustment Agreement, deferred tax assets were recognised on temporary differences between the tax bases and book values.

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

Item	31 December 2014		31 December 2013	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
The amortisation of concession intangible assets (a)	179,224,505.20	44,806,126.30	217,196,863.44	54,299,215.86
Business combinations involving enterprises not under common control (b)				
– Qinglian Company	1,338,965,721.63	331,436,623.51	1,375,969,267.29	340,687,509.92
– Airport-Heao Eastern Company	1,503,564,116.20	375,891,031.05	1,659,900,403.72	414,975,100.92
– JEL Company	584,152,614.13	145,902,319.99	642,644,315.52	160,538,931.28
– Meiguan Company	30,726,985.23	5,661,405.62	119,194,952.08	29,798,738.02
Interest income from the Compensation resulted from the toll adjustment of Meiguan Expressway (c)	90,163,340.16	22,540,835.04	–	–
Total	3,726,797,282.55	926,238,341.51	4,014,905,802.05	1,000,299,496.00
Including:				
Expected to be settled within 1 year (including 1 year)		86,540,937.60		90,326,157.26
Expected to be settled over 1 year		839,697,403.91		909,973,338.74
Total		926,238,341.51		1,000,299,496.00

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14 Deferred tax assets and deferred tax liabilities (continued)

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

- (a) The deferred tax liability was recognised based on the temporary difference between tax base (straight line basis) and accounting base (traffic volume basis) of the amortisation of toll road concession intangible assets.
- (b) When the Company acquired equity interests of Qinglian Company, Airport-Heao Eastern Company, JEL Company and Meiguan Company, deferred tax liabilities were recognised on temporary differences between the fair values and book values of the respective identifiable assets and liabilities acquired.
- (c) As stated in Note V.8(1)(a), the Company recognised interest income due to the Shenzhen Government's installment payment term of the Compensation resulted from the toll adjustment of Meiguan Expressway.

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

Item	Deferred tax assets and liabilities offset as at 31 December 2014	Net values of deferred tax assets/ liabilities as at 31 December 2014	Deferred tax assets and liabilities offset as at 31 December 2013	Net values of deferred tax assets/ liabilities as at 31 December 2013
Deferred tax assets	-152,775,871.88	51,503,576.27	-186,361,990.64	67,848,967.06
Deferred tax liabilities	152,775,871.88	773,462,469.63	186,361,990.64	813,937,505.37

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

Item	31 December 2014	31 December 2013
Deductible tax losses	308,513,151.90	183,574,616.04
Total	308,513,151.90	183,574,616.04

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

Year	31 December 2014	31 December 2013
Year 2015	126,651,015.07	126,651,015.07
Year 2016	60,643,626.07	15,668,426.07
Year 2017	45,584,595.75	19,663,795.75
Year 2018	69,410,979.15	21,591,379.15
Year 2019	6,222,935.86	-
Total	308,513,151.90	183,574,616.04

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15 Short-term borrowings

(1) Classification of short-term borrowings

Item	31 December 2014	31 December 2013
Unsecured borrowings	–	450,400,000.00
Secured borrowings	23,667,000.00	–
Total	23,667,000.00	450,400,000.00

As at 31 December 2014, the weighted average interest rate of short-term borrowings was 5.07% per annum (31 December 2013: 5.82%).

16 Accounts payable

(1) Analysis of accounts payable

Item	31 December 2014	31 December 2013
Payables for construction projects and quality deposits	153,250,144.52	375,719,993.22
Others	11,020,807.09	–
Total	164,270,951.61	375,719,993.22

(2) Significant accounts payable with aging over 1 year

Item	Balance at 31 December 2014	Reason for unsettlement
Shenzhen Municipal Engineering Corporation	12,033,643.00	Project settlement has not completed.
Zhejiang Bayong Highway Project Company Limited	11,031,374.00	Project settlement has not completed.
China Railway 18th Bureau Group Company Limited	7,774,979.00	Project settlement has not completed.
Shenzhen Haodian advertisement Company Limited	3,079,500.00	The contract has not been settled.
Jiangsi Tongwei Highway Construction Project Group Company Limited	2,387,189.33	Project settlement has not completed.
Total	36,306,685.33	/

17 Advances from customers

(1) Analysis of advances from customers

Item	31 December 2014	31 December 2013
Advances from advertising customers	16,738,351.48	17,305,717.29
Others	1,583,333.37	1,583,333.03
Total	18,321,684.85	18,889,050.32

As at 31 December 2014 and 31 December 2013, the aging of advances from customers was within one year.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18 Employee benefits payable

(1) Analysis of employee benefits payable

Item	31 December 2013	Current year additions	Current year reductions	31 December 2014
I. Short-term wages	103,625,310.74	281,897,251.46	278,053,619.24	107,468,942.96
II. Pension benefits – defined contribution plans	735,191.79	24,839,680.48	25,494,743.60	80,128.67
Total	104,360,502.53	306,736,931.94	303,548,362.84	107,549,071.63

(2) Analysis of short-term wages

Item	31 December 2013	Current year additions	Current year reductions	31 December 2014
I. Wages and salaries, bonuses, allowances and subsidies	98,650,314.07	230,185,989.82	225,774,601.75	103,061,702.14
II. Staff welfare	–	24,409,188.23	24,409,188.23	–
III. Social security contributions	43,785.31	9,739,080.09	9,782,865.40	–
Including: Medical insurance	34,786.75	8,611,775.04	8,646,561.79	–
Work injury insurance	4,486.36	611,471.58	615,957.94	–
Maternity insurance	4,512.20	515,833.47	520,345.67	–
IV. Housing funds	–	11,288,699.29	11,288,699.29	–
V. Labor union funds and employee education funds	4,110,066.10	6,054,663.03	6,502,418.57	3,662,310.56
VI. Others	821,145.26	219,631.00	295,846.00	744,930.26
Total	103,625,310.74	281,897,251.46	278,053,619.24	107,468,942.96

(3) Analysis of defined contribution plans

Item	31 December 2013	Current year additions	Current year reductions	31 December 2014
I. Basic pensions	83,038.33	17,686,765.70	17,769,804.03	–
II. Unemployment insurance	9,737.61	324,018.19	333,755.80	–
III. Enterprise annuities	642,415.85	6,828,896.59	7,391,183.77	80,128.67
Total	735,191.79	24,839,680.48	25,494,743.60	80,128.67

19 Taxes payable

Item	31 December 2014	31 December 2013
Corporate income tax payable	501,576,347.83	60,444,435.82
Business tax payable	22,435,189.64	9,455,666.63
City maintenance and construction tax payable	1,553,894.11	694,340.17
Educational surcharge payable	718,531.21	351,812.08
VAT payable	350,623.39	478,877.93
Others	2,630,802.69	2,485,543.36
Total	529,265,388.87	73,910,675.99

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20 Interest payable

Item	31 December 2014	31 December 2013
Interest of corporate bonds	57,292,164.11	57,292,239.11
Interest of medium-term notes	36,651,833.30	–
Interest of long-term borrowings with interest payable in installment and principal payable upon maturity	7,092,374.63	10,510,889.91
Interest of private placement notes	1,338,770.14	1,338,770.06
Interest of short-term borrowings	6,487.35	916,388.12
Total	102,381,629.53	70,058,287.20

21 Dividends payable

Item	31 December 2014	31 December 2013
Dividends payable to minority interests of JEL Company	28,625,546.59	–
Total	28,625,546.59	–

22 Other payables

(1) Analysis of other payables by nature

Item	31 December 2014	31 December 2013
Project funds retained for construction management contracts (a)	379,143,974.97	1,371,284.40
Payable related to costs of construction management services	159,888,687.26	46,724,431.93
Project funds payables to the contractors of Longli BT Project	87,208,338.23	61,289,758.87
Advance from associates	75,678,639.61	70,636,595.28
Payable related to maintenance for roads	74,279,355.02	91,321,952.90
Guaranteed deposits for construction projects contracts or pitches (b)	55,500,398.85	68,968,758.66
Payable related to the maintenance of Airport-Heao Expressway	39,324,433.69	41,671,815.42
Mechanical and electrical costs payable	20,129,964.53	36,253,586.05
Payable related to land expropriation of Longli joint land development	1,002,855.33	55,683,914.00
Others	43,547,974.89	44,877,808.94
Total	935,704,622.38	518,799,906.45

- (a) The Company was entrusted by Shenzhen Government for the management of the construction of highway projects. The projects are funded by Shenzhen Government. The related project payments are made by the Company through special deposit accounts opened for the project in accordance with relevant provision in the construction management contracts. As at 31 December 2014, project funds retained in the special deposit accounts amounting to RMB379,143,974.97 (31 December 2013: RMB1,371,284.40) are classified as restricted bank balance in cash flow statements.
- (b) Guaranteed deposits for construction projects and pitches are deposits received from the contractors as guarantees for pitches and performance commitment relating to construction projects of Qinglian Expressway, Nanguang Expressway and the Reconstruction and Expansion of Meiguan Expressway Project.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22 Other payables (continued)

(2) Significant other payables with aging over 1 year

Item	31 December 2014	Reason for unsettlement
Nanjing Third Bridge Company	33,526,376.43	Distribution in advance.
GZ W2 Company	30,000,000.00	Distribution in advance.
CCCC Second Highway Engineering Co.,Ltd.	16,949,062.00	Contract settlement has not completed.
Shandong Provincial Highway and Bridge Group Co.,Ltd.	15,378,998.13	Contract settlement has not completed.
Shenzhen Municipal Engineering Corporation	5,004,000.00	Contract settlement has not completed.
Total	100,858,436.56	/

23 Current portion of non-current liabilities

Item	31 December 2014	31 December 2013
Current portion of non-current borrowings	37,360,000.00	501,346,840.00
Including: Pledged (Note V.24(1)(a))	37,360,000.00	151,353,640.00
Guaranteed	–	27,830,000.00
Unsecured	–	322,163,200.00
Current portion of provisions (Note V.26)	141,896,274.98	94,303,901.05
Current portion of Private placement notes (Note V.25(1))	798,331,054.25	–
Current portion of compensations to the tax and surcharges from the toll adjustment of Meiguan Expressway (Note V.28)	44,800,000.00	–
Current portion of derivative financial liabilities	–	24,676,144.27
Total	1,022,387,329.23	620,326,885.32

24 Long-term borrowings

(1) Analysis of long-term borrowings

Item	31 December 2014	31 December 2013
Pledged (a)	3,898,864,000.00	4,923,524,000.00
Guaranteed	–	83,490,000.00
Unsecured	–	250,000,000.00
Total	3,898,864,000.00	5,257,014,000.00

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24 Long-term borrowings (continued)

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

(a) As at 31 December 2014, details of long-term pledged borrowings are set out as follows:

	Interest rate	Currency	Amount in RMB	Pledge details
Syndicated borrowings	5.895%~6.55%	RMB	3,936,224,000.00	Operating rights of Qinglian Expressway
Less: Current portion			37,360,000.00	
Total			3,898,864,000.00	

(b) As at 31 December 2014, the weighted average interest rate of long-term borrowings was from 5.895% to 6.55% per annum (31 December 2013: from 1.88% to 6.55%).

25 Bonds payable

(1) Analysis of bonds payable

Item	31 December 2014	31 December 2013
Corporate bonds	2,294,930,168.03	2,290,537,514.39
Medium-term notes	995,457,406.48	-
Private placement notes	798,331,054.25	798,264,466.01
Sub-total	4,088,718,628.76	3,088,801,980.40
Less: Current portion	798,331,054.25	-
Total	3,290,387,574.51	3,088,801,980.40

(2) Movement of bonds payable

Name of bonds	Par value	Date of issuance	Maturity	Issued amount	Balance at 31 December 2013	Current year issued	Current year issuance cost	Amortisation	Current year repaid	Balance at 31 December 2014
Corporate bonds (i)	800,000,000.00	31 July 2007	15 years	800,000,000.00	793,810,014.39	-	-	1,123,153.64	-	794,933,168.03
Corporate bonds (ii)	1,500,000,000.00	2 August 2011	5 years	1,500,000,000.00	1,496,727,500.00	-	-	3,272,500.00	3,000.00	1,499,997,000.00
Medium-term notes (ii)	1,000,000,000.00	7 May 2014	3 years	1,000,000,000.00	-	1,000,000,000.00	(5,750,000.00)	1,207,406.48	-	995,457,406.48
Private placement notes (iii)	800,000,000.00	20 December 2012	3 years	800,000,000.00	798,264,466.01	-	-	66,588.24	-	798,331,054.25
Total	4,100,000,000.00			4,100,000,000.00	3,088,801,980.40	1,000,000,000.00	(5,750,000.00)	5,669,648.36	3,000.00	4,088,718,628.76

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25 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 RMB3,000.00 amount was sold back according to the declaration result in July 2014.

(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.

(c) Private placement notes

On 18 December 2012, the Company obtained the approval from the National Association of Financial Market Institutional Investors in relation to the issuance of private placement notes amounting to RMB1,500,000,000.00. The registered quota is valid within two years from the date of issue of the Notice of the Acceptance of Registration, and the Company is allowed to issue the private placement notes in tranches during the validity period. On 20 December 2012, the Company issued the initial tranche of private placement notes amounting to RMB800,000,000.00, which bear a term of 3 years and interest rate of 5.90% per annum with interest repayable annually and the principal repayable in full upon maturity on 20 December 2015.

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26 Provisions

	31 December 2014	31 December 2013
Provisions for maintenance/resurfacing obligations	230,642,183.10	301,283,116.66
Less: Current portion	141,896,274.98	94,303,901.05
Total	88,745,908.12	206,979,215.61

27 Deferred income

Item	31 December 2013	Current year addition	Current year reductions	31 December 2014	Explanation
Non-current liabilities					
– Compensation to operating costs for Toll Free Section of Meiguan Expressway	–	162,850,000.00	–	162,850,000.00	Compensation to the accrued operating costs for Toll Free Section of Meiguan Expressway before transferred provided by Shenzhen Government.
Current liabilities					
– Return of deed taxes	1,923,817.30	870,668.95	–	2,794,486.25	Return of deed taxes provided from Guizhou Longli County Government to Guishen Company.
Total	1,923,817.30	163,720,668.95	–	165,644,486.25	

Government grants items:

Item	31 December 2013	Additional grants in current year	Recognised in non-operating income in current year	Other movement	31 December 2014	In related to assets/income
Return of deed taxes	1,923,817.30	870,668.95	–	–	2,794,486.25	In related to assets
Total	1,923,817.30	870,668.95	–	–	2,794,486.25	/

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28 Other non-current liabilities

Item	31 December 2014	31 December 2013
Long-term tax and surcharges from the toll adjustment of Meiguan Expressway	104,673,950.68	–
Less: Current portion	44,800,000.00	–
Total	59,873,950.68	–

29 Share capital

Year 2014	31 December 2013	New shares issued	Right issue	Movement Transfer from surplus	Others	Sub-total	31 December 2014
Total share capital	2,180,770,326.00	–	–	–	–	–	2,180,770,326.00
Year 2013	31 December 2012	New shares issued	Right issue	Transfer from surplus	Others	Sub-total	31 December 2013
Total share capital	2,180,770,326.00	–	–	–	–	–	2,180,770,326.00

30 Capital surplus

	31 December 2013 (Audited)	Changes in accounting policies	1 January 2014 (Restated)	Current year additions	Current year reductions	31 December 2014
Share premium	2,274,351,523.42	–	2,274,351,523.42	–	–	2,274,351,523.42
Other capital surplus —						
Appreciation of initial equity interest upon						
business combination	893,132,218.74	-893,132,218.74	–	–	–	–
Cash flow hedges-after tax	14,798,681.06	-14,798,681.06	–	–	–	–
Equity investment reserve	406,180.00	-406,180.00	–	–	–	–
Others	65,760.27	-65,760.27	–	–	–	–
Total	3,182,754,363.49	-908,402,840.07	2,274,351,523.42	–	–	2,274,351,523.42
	31 December 2012 (Audited)	Changes in accounting policies	1 January 2013 (Restated)	Current year additions	Current year reductions	31 December 2013
Share premium	2,274,351,523.42	–	2,274,351,523.42	–	–	2,274,351,523.42
Other capital surplus —						
Appreciation of initial equity interest						
upon business combination	893,132,218.74	-893,132,218.74	–	–	–	–
Cash flow hedges-after tax	13,055,818.95	-13,055,818.95	–	–	–	–
Equity investment reserve	406,180.00	-406,180.00	–	–	–	–
Others	65,760.27	-65,760.27	–	–	–	–
Total	3,181,011,501.38	-906,659,977.96	2,274,351,523.42	–	–	2,274,351,523.42

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31 Other comprehensive income

Year 2014	31 December 2013 (Audited)	Changes in accounting policies	2014			31 December 2014
			1 January 2014 (Restated)	Pre-tax amount incurred in current year	Post-tax amount attributable to owners of the Company	
Item that may be reclassified subsequently to profit and loss:	-	908,402,840.07	908,402,840.07	-14,798,681.06	-14,798,681.06	893,604,159.01
- Appreciation of initial equity interest upon business combination	-	893,132,218.74	893,132,218.74	-	-	893,132,218.74
- Cash flow hedges	-	14,798,681.06	14,798,681.06	-14,798,681.06	-14,798,681.06	-
- Equity investment reserve	-	406,180.00	406,180.00	-	-	406,180.00
- Others	-	65,760.27	65,760.27	-	-	65,760.27
Total	-	908,402,840.07	908,402,840.07	-14,798,681.06	-14,798,681.06	893,604,159.01

Year 2013	31 December 2012 (Audited)	Changes in accounting policies	1 January 2013 (Restated)	2013		31 December 2013
				Pre-tax amount incurred in current year	Post-tax amount attributable to owners of the Company	
Item that may be reclassified subsequently to profit and loss:	-	906,659,977.96	906,659,977.96	1,742,862.11	1,742,862.11	908,402,840.07
- Appreciation of initial equity interest upon business combination	-	893,132,218.74	893,132,218.74	-	-	893,132,218.74
- Cash flow hedges	-	13,055,818.95	13,055,818.95	1,742,862.11	1,742,862.11	14,798,681.06
- Equity investment reserve	-	406,180.00	406,180.00	-	-	406,180.00
- Others	-	65,760.27	65,760.27	-	-	65,760.27
Total	-	906,659,977.96	906,659,977.96	1,742,862.11	1,742,862.11	908,402,840.07

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32 Surplus reserve

Year 2014	31 December 2013	Current year additions	Current year reductions	31 December 2014
Statutory surplus reserve	1,228,032,145.48	203,167,554.20	–	1,431,199,699.68
Discretionary surplus reserve	453,391,330.06	–	–	453,391,330.06
Total	1,681,423,475.54	203,167,554.20	–	1,884,591,029.74

Year 2013	31 December 2012	Current year additions	Current year reductions	31 December 2013
Statutory surplus reserve	1,150,873,685.81	77,158,459.67	–	1,228,032,145.48
Discretionary surplus reserve	453,391,330.06	–	–	453,391,330.06
Total	1,604,265,015.87	77,158,459.67	–	1,681,423,475.54

In accordance with the Companies Law, 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 RMB203,167,554.20 for the year 2014 (2013: 10% of the net profit for year, amounting to RMB77,158,459.67) 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 2014 (2013: nil).

33 Undistributed profits

Item	2014	2013
Undistributed profits at the beginning of the year	2,929,472,264.02	2,570,439,249.07
Total adjustments to opening undistributed profits	–	–
Opening undistributed profits adjusted	2,929,472,264.02	2,570,439,249.07
Add: Net profit attributable to equity holders of the Company in current year	2,186,883,365.49	719,691,617.00
Less: Appropriation for statutory surplus reserve	203,167,554.20	77,158,459.67
Dividends	348,923,252.16	283,500,142.38
Undistributed profits at the end of the year	4,564,264,823.15	2,929,472,264.02

As at 31 December 2014, included in the undistributed profits, RMB399,791,795.28 represents subsidiaries' surplus reserve attributable to the Company (31 December 2013: RMB365,486,530.30), including RMB38,590,478.40 which represented subsidiaries' surplus reserve appropriated in current year (2013: RMB40,551,365.90).

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33 Undistributed profits (continued)

In accordance with the resolution passed in the Annual General meeting on 13 May 2014, the Company proposed a cash dividend to all shareholders amounting to RMB348,923,252.16, which was calculated by reference to the 2,180,770,326 shares issued and a dividend of RMB0.16 per share. The cash dividend has been fully settled. The cash dividend represented 48.48% of the net profit for the year ended 31 December 2013.

In accordance with the resolution passed in the Board of Directors' meeting dated on 20 March 2015, the Board of Directors proposed a cash dividend in the amount of RMB0.45 per share, amounting to RMB981,346,646.70 as calculated by total number of issued shares of 2,180,770,326 shares. The proposed final dividend resolution is subject to the approval in the shareholders' meeting (Note XII.2). The proposed cash dividend represents 44.90% of the net profit for the year ended 31 December 2014.

34 Revenue and cost of services

Item	2014		2013	
	Revenue	Cost	Revenue	Cost
Main business – toll road business	3,007,632,196.48	1,469,574,017.81	2,898,290,836.01	1,409,347,264.49
Other businesses –				
Management services (a)	503,436,013.28	172,475,017.91	266,655,579.94	53,061,451.64
Advertising services	97,980,069.65	61,677,530.05	100,636,927.57	62,620,431.06
Others	11,309,200.67	1,529,371.08	13,697,713.74	1,168,146.38
Sub-total of other businesses	612,725,283.60	235,681,919.04	380,990,221.25	116,850,029.08
Total	3,620,357,480.08	1,705,255,936.85	3,279,281,057.26	1,526,197,293.57

(a) Management service revenue

In current year, the Company was mainly engaged to manage the construction of toll road construction projects namely the Nanping (Phase II) Project, the Coastal Project Phase I, Longli BT Project, Guilong Urban Economic Zone Wangguan Comprehensive Resettlement Area Project Phase I ("Longli Resettlement (Phase I) Project") and Guilong Urban Economic Zone Wangguan Comprehensive Resettlement Area Project Phase II ("Longli Resettlement (Phase II) Project"). Returns from these projects were recognised as management services income. The management services income is determined based on the cost savings achieved in managing these construction management projects according to the provisions of the relevant contracts. For Nanping (Phase II) Project, the Company is solely granted all the cost savings in construction in case the savings does not exceed by 2.5% of the total budgeted contract costs; while the Company would share 20% of any savings exceeding 2.5% of the total budgeted contract costs. For Coastal Project Phase I, the management service revenue is 1.5% of the construction budget while the Company would share 20% of any savings of the total budgeted contract costs. For Longli BT Project, the Company would benefit from both of the return on capital costs and return on investments. Return on capital costs is calculated by 8% of construction funds advanced to the project by the Company while return on investments is calculated by 5% of construction funds advanced to the project plus return on capital costs. For Longli Resettlement (Phase I) Project and Longli Resettlement (Phase II) Project, the Company is solely granted all the cost savings in construction.

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34 Revenue and cost of services (continued)

(a) Management service revenue (continued)

According to the related management services contracts, the Company undertakes to bear cost overruns incurred in the above projects. For Longli Resettlement (Phase I) Project and Longli Resettlement (Phase II) Project, the Company is obliged to bear all the cost overruns incurred in construction as compared to the original budget; For Coastal Project Phase I, the Company is obliged to bear 20% of the cost overruns incurred in construction as compared to the original budget. Nevertheless, the outflow of resources arising from expected cost overruns of these projects is considered to be remote by the directors of the Company, after taking into account the actual progress and the status of these projects.

In current year, the Company recognised construction management service revenue of Coastal Project Phase I at RMB235,057,291.43 (2013: RMB46,821,193.56) in accordance with the latest total investment cap amount and the estimation of project savings; the Company recognised construction management service revenue of Nanping (Phase II) Project, Longli BT Project and Longli Resettlement (Phase I) Project at RMB32,476,017.92, RMB193,109,881.82 and RMB18,443,232.62 respectively according to the percentage of completion of the projects (2013: RMB75,178,305.93, RMB123,123,121.28 and RMB610,114.54 respectively); for Longli Resettlement (Phase II) Project and etc., as the outcome of the construction management services could not be reliably estimated though the costs incurred were expected to be fully recovered, the Group recognised construction management services income based on actual project management expenses and taxes incurred amounting to RMB6,182,922.82 in total (2013: RMB2,922,844.63).

On 29 December 2011, the Company entered into an operation and management entrustment agreement with Baotong Company, a wholly-owned subsidiary of Shenzhen International. Pursuant to the agreement, Baotong Company entrusts the Company to manage its 89.93% equity interests in Shenzhen Longda Expressway Company Limited ("Longda Company"). However, Baotong Company retains the legal ownership in Longda Company and its entitlement to risks and rewards/obligations of Longda Company. In return for the services rendered, the Company is entitled to an annual management entrustment fee of RMB18,000,000.00. The management entrustment fee for the current year amounted to RMB18,000,000.00 (2013: RMB18,000,000.00).

35 Business tax and surcharges

Item	2014	2013
Business tax	112,968,301.54	99,379,787.98
City maintenance and construction tax	8,129,561.51	7,221,273.84
Educational surcharge	5,913,211.68	5,159,291.75
Construction fee for country culture development	2,921,657.47	3,030,412.61
Others	1,090,609.21	1,167,822.49
Total	131,023,341.41	115,958,588.67

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36 General and administrative expenses

Item	2014	2013
Salary and wages	55,434,235.89	56,485,507.69
Depreciation	7,062,735.55	7,930,123.58
Audit fees	4,020,000.00	3,840,000.00
Expenses paid to stock exchanges	3,488,154.95	2,958,829.07
Office management expenses	2,042,464.33	2,353,660.29
Others	16,446,375.64	13,963,290.51
Total	88,493,966.36	87,531,411.14

Expenses by nature

Costs of services, selling expenses and general and administrative expenses in income statement by nature are analysis as follows:

Item	2014	2013
Depreciation and amortisation	984,158,950.15	962,493,003.67
Salary and wages	300,059,948.84	299,328,926.49
Costs of construction management services	128,476,580.96	18,905,752.27
Road maintenance expenses	123,277,859.36	70,859,851.27
Entrusted management expresses for Wuhuang Expressway	82,112,898.67	95,887,104.99
Material, water and electricity consumed	35,476,301.16	36,963,842.74
Mechanical and electrical costs	33,185,527.59	25,781,131.37
Integrated tolls settlement service expenses	16,389,026.70	17,233,013.26
Other expenses	95,390,942.05	86,459,878.65
Total	1,798,528,035.48	1,613,912,504.71

37 Financial expenses

Item	2014	2013
Interest expense	524,953,143.47	582,118,380.29
Including: Interest expenses of borrowings	299,062,226.05	336,017,826.02
Interest expenses of bonds	225,973,766.74	263,068,574.29
Interest capitalisation	-82,849.32	-16,968,020.02
Time value of provision for maintenance/ resurfacing obligations	7,202,706.36	24,502,875.48
Less: Interest income	107,937,294.12	24,975,054.59
Exchange gains – net	5,558,169.67	246,838.10
Others	617,494.60	878,359.35
Total	419,277,880.64	582,277,722.43

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

37 Financial expenses (continued)

Interest expenses analysed by the repayment terms of bank and other borrowings are as follows:

	2014		2013	
	Borrowings	Bonds payable	Borrowings	Bonds payable
Borrowings and bonds wholly repayable within five years	51,641,261.30	180,505,613.10	38,664,760.67	218,400,420.65
Borrowings and bonds not wholly repayable within five years	247,420,964.75	45,468,153.64	297,353,065.35	44,668,153.64
Total	299,062,226.05	225,973,766.74	336,017,826.02	263,068,574.29

38 Investment income

Item	2014	2013
Income from long-term equity investments under equity method	187,042,277.71	185,676,580.93
Total	187,042,277.71	185,676,580.93

The Group's investment income are all generated from investment in unlisted companies for the year 2014 and 2013.

39 Non-operating income

Item	2014	2013	Amount recorded as non-recurring profit or loss in 2014
Total gains on disposal of non-current assets	1,497,451,546.14	3,111,920.32	1,497,451,546.14
Including: Gains on disposal of related assets of Toll Free Section of Meiguan Expressway (Note V.8(1)(a))	1,496,009,613.02	–	1,496,009,613.02
Gains on disposal of other intangible assets	1,419,846.32	–	1,419,846.32
Gains on disposal of other fixed assets	22,086.80	3,111,920.32	22,086.80
Gains on liquidation of claim	5,894,338.00	–	5,894,338.00
Compensation to the projects of upgrading toll stations' landscape	4,834,000.00	–	4,834,000.00
Government incentives	152,080.25	950,000.00	152,080.25
Others	2,206,222.65	1,713,221.34	2,206,222.65
Total	1,510,538,187.04	5,775,141.66	1,510,538,187.04

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39 Non-operating income (continued)

Government grants recognised in current year's profit or losses

Grant item	2014	2013	In related to assets/income
Government incentives	152,080.25	950,000.00	In related to income.
Total	152,080.25	950,000.00	

40 Non-operating expense

Item	2014	2013	Amount recorded as non-recurring profit or loss in 2014
Total loss on disposal of non-current assets	448,542.09	242,851,139.89	448,542.09
Including: Loss on disposal of fixed assets	448,542.09	2,351,609.68	448,542.09
Loss on disposal of concession intangible assets	–	240,499,530.21	–
Donation	594,779.00	560,000.00	594,779.00
Others	1,147,351.95	999,553.38	1,147,351.95
Total	2,190,673.04	244,410,693.27	2,190,673.04

41 Income tax expenses

(1) Classification of income tax expense

Item	2014	2013
Current income tax	719,578,129.84	273,367,136.77
Deferred income tax	-24,129,644.95	-109,956,503.78
Total	695,448,484.89	163,410,632.99

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41 Income tax expenses (continued)

(2) Income tax expense reconciliation from profit before tax

Item	2014	2013
Profit before tax	2,966,918,014.26	914,173,270.77
Income tax expenses calculated at applicable tax rate of 25% (2013: 25%)	741,729,503.57	228,543,317.69
Difference from the CIT verification collection method of Guishen company	-32,439,749.86	-23,742,355.77
Income not subject to tax	-50,873,313.21	-50,776,122.84
The adjustment of deferred income tax assets (Note III.27(2)(b))	29,678,900.00	–
Unrecognised tax losses	1,555,733.96	5,397,844.79
Expenses not deductible for tax purposes	5,797,410.43	4,278,102.96
Deduction of the amortisation of transaction costs of convertible bonds	–	(290,153.84)
Income tax expenses	695,448,484.89	163,410,632.99

42 Cash flow statement items

(1) Cash received relating to other operating activities

Item	2014	2013
Cash received relating to Longli BT Project and the joint land development	182,765,266.56	166,469,503.64
Cash received relating to funding of Shenzhen Guangshen Coastal Expressway Investment ('Coastal Company')	37,045,540.41	–
Cash received from GZ W2 Company	7,500,000.00	7,500,000.00
Cash received from Longli Country Government in relation to Longli Resettlement (Phase II) Project	6,000,000.00	–
Project funds received from Guizhou Longli County Government in relation to Longli Resettlement (Phase I) Project	–	39,389,885.46
Cash received from Shenzhen Press Group Subway Advertisement Company	–	27,839,268.00
Cash received from other operating activities	10,959,135.58	10,982,064.29
Total	244,269,942.55	252,180,721.39

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42 Cash flow statement items (continued)

(2) Cash paid relating to other operating activities

Item	2014	2013
Payment for acquisition of land use right	203,156,085.00	139,879,903.00
Cash advanced to Longli BT Project	125,515,643.04	209,108,028.82
Payment for further development of land	77,554,325.68	–
Cash advanced to Longli Resettlement (Phase I) Project	38,782,372.90	18,918,898.49
Payment related to Coastal Company	28,176,902.46	8,385,331.16
Repayments of quality deposits for Nanping (Phase II) Project	9,334,626.10	20,049,108.60
Audit, valuation, lawyers and advisory fees paid	7,834,857.06	4,492,017.72
Management expenses paid for Coastal Project	5,011,903.89	5,718,555.92
Management expenses paid for Nanping (Phase II) Project	3,265,535.46	7,955,010.84
Expenses paid to stock exchanges	2,871,252.11	3,012,496.63
Repayment to Shenzhen Press Group Subway Advertisement Company	–	27,839,268.00
Other operating expenses paid	33,969,729.80	44,841,768.90
Total	535,473,233.50	490,200,388.08

(3) Cash received relating to other investing activities

Item	2014	2013
Interests income received	17,867,369.27	27,016,905.14
Total	17,867,369.27	27,016,905.14

(4) Cash paid relating to other financing activities

Item	2014	2013
Cash paid for the settlement of derivative financial instrument	29,423,439.20	–
Cash paid for transaction costs of bonds	2,500,000.00	1,639,099.50
Cash paid for other financing expenses	1,456,740.59	1,047,309.45
Total	33,380,179.79	2,686,408.95

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43 Supplementary information to consolidated cash flow statements

(1) Supplementary information to consolidated cash flow statements

Item	2014	2013
1. Reconciliation from net profit to cash flows from operating activities		
Net profit	2,271,469,529.37	750,762,637.78
Amortisation of investment properties	575,700.00	575,700.00
Depreciation of fixed assets	127,685,352.66	122,928,032.97
Amortisation of intangible assets	853,084,573.21	837,096,565.66
Amortisation of long-term prepaid expenses	2,813,324.28	1,892,705.04
Net (gains)/losses on disposal of non-current assets	-1,497,003,004.05	239,739,219.57
Financial expenses	419,277,880.64	582,277,722.43
Investment income	-187,042,277.71	-185,676,580.93
(Increase)/decrease of deferred tax assets	-16,345,390.79	11,389,496.37
Increase/(decrease) of deferred tax liabilities	40,475,035.74	-121,346,000.15
Increase in inventories	-189,729,856.38	-342,038,096.46
Increase in operating receivables	-57,027,635.89	-52,444,865.27
Decrease/(increase) in operating payables	25,522,051.21	-83,931,750.73
Net cash flows from operating activities	1,793,755,282.29	1,761,224,786.28
2. Net change in cash		
Cash at the end of the year	1,255,154,897.37	1,089,636,663.10
Less: Cash at the beginning of the year	1,089,636,663.10	1,954,204,126.56
Net increase/(decrease) in cash	165,518,234.27	-864,567,463.46

(2) Cash and cash equivalents

Item	31 December 2014	31 December 2013
Cash		
Including: Cash at hand	11,445,715.38	13,334,591.16
Cash at bank	1,243,709,181.99	1,076,302,071.94
Cash at the end of the year	1,255,154,897.37	1,089,636,663.10
Add: Restricted cash held by the Company and group companies (Note V.1)	379,143,974.97	5,160,027.83
Total cash at bank and on hand	1,634,298,872.34	1,094,796,690.93

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44 Assets with ownership or use right restricted

Item	Balance at 31 December 2014	Reason of restriction
Operating right of Qinglian Expressway	8,185,105,346.07	The Group's syndicated borrowings are pledged by operating right of Qinglian Expressway.
The equity interest in JEL Company	590,295,379.00	The Group's 55% equity interest in JEL Company is pledged for certain short-term borrowings.
The equity interest in Meiguan Company	534,219,058.11	The Company's 100% equity interest in Meiguan Company is used for a counter guarantee for certain long-term bonds.
Cash at bank and on hand	379,143,974.97	Restricted project funds retained for construction management.
Total	9,688,763,758.15	/

45 Monetary items denominated in foreign currency

(1) Monetary items denominated in foreign currency

Item	Original currency at 31 December 2014	Currency exchange	RMB at 31 December 2014
Cash at bank and at hand			
Denominated in: USD	14,849.56	6.1190	90,864.46
HKD	1,794,624.75	0.7889	1,415,779.47
CHF	11.70	1.0812	12.65
PTAS	446.00	0.0468	20.87
GBP	30.00	9.5437	286.31
EUR	257.00	7.4556	1,916.09
JPY	380.00	0.0514	19.53
Short-term borrowing			
Denominated in: HKD	30,000,000.00	0.7889	23,667,000.00
Other payables			
Denominated in: HKD	73,099.00	0.7889	57,667.80
Interest payable			
Denominated in: HKD	8,223.29	0.7889	6,487.35

V NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46 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:

	2014	2013
Consolidated net profit attributable to ordinary shareholders of the Company	2,186,883,365.49	719,691,617.00
Weighted average number of ordinary shares outstanding	2,180,770,326.00	2,180,770,326.00
Basic earnings per share	1.003	0.330
Including: Basic earnings per share from continuing operations	1.003	0.330

(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 for the year ended 31 December 2014, diluted earnings per share were equal to basic earnings per share.

(2) Net current assets

	Group 31 December 2014	31 December 2013
Current assets	4,026,511,428.31	2,237,727,753.83
Less: Current liabilities	2,934,967,710.94	2,234,389,118.33
Net current assets	1,091,543,717.37	3,338,635.50

(3) Total assets less current liabilities

	Group 31 December 2014	31 December 2013
Total assets	24,329,324,209.02	22,840,107,479.91
Less: Current liabilities	2,934,967,710.94	2,234,389,118.33
Total assets less current liabilities	21,394,356,498.08	20,605,718,361.58

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

VI CHANGE IN CONSOLIDATION

1 Change in consolidation due to subsidiaries newly incorporated

Expressway Investment Company and the Company newly incorporated and consolidated wholly owned subsidiaries namely Property Company and Luyun Company by cash amounting to RMB1,000,000.00 and RMB100,000,000.00 on 27 March 2014 and 15 August 2014, respectively.

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 (%)		
				Direct	Indirect	Acquired through
Outer Ring Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	100%	–	Incorporation
Expressway 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
Guishen Land Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land Development	–	70%	Incorporation
Shengbo Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	–	70%	Incorporation
Pengbo Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	–	70%	Incorporation
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
Luyun Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Project management	100%	–	Incorporation
JEL Company	Hubei Province, PRC	Cayman Islands	Investment holding	–	55%	Business combinations involving enterprises under common control
Magerk Company	Hubei Province, PRC	Hubei Province, PRC	Toll road operation	–	55%	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

VII INTERESTS IN OTHER ENTITIES (CONTINUED)

1 Interests in subsidiaries (continued)

(2) Subsidiaries with material minority interests

Name of subsidiaries	Equity interest held by minority interests	Net profit attributable to minority shareholders for the year ended 31 December 2014	Dividend declared by subsidiaries to the minority shareholders for the year ended 31 December 2014	Minority interests as at 31 December 2014
Qinglian Company	23.63%	-6,961,683.41	-	729,366,285.38
JEL Company	45%	49,143,781.68	86,826,613.77	370,672,831.80
Guishen Company	30%	42,404,065.61	-	222,551,616.64

(3) Main financial information of significant partly-owned subsidiaries

Name of subsidiaries	31 December 2014					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	101,856,542.88	8,637,378,963.49	8,739,235,506.37	180,451,090.05	5,475,233,791.54	5,655,684,881.59
JEL Company	228,151,124.94	817,541,001.81	1,045,692,126.75	76,072,402.75	145,902,319.99	221,974,722.74
Guishen Company	1,037,295,209.60	113,733,904.12	1,151,029,113.72	409,189,971.02	-	409,189,971.02

Name of subsidiaries	31 December 2013					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	166,550,814.43	8,924,804,111.52	9,091,354,925.95	567,406,571.39	5,665,976,524.31	6,233,383,095.70
JEL Company	184,360,509.29	902,700,242.37	1,087,060,751.66	19,064,789.49	160,538,931.28	179,603,720.77
Guishen Company	971,173,552.99	1,547,586.45	972,721,139.44	288,738,882.14	83,490,000.00	372,228,882.14

Name of subsidiaries	2014				2013			
	Revenue	Net (loss)/profit	Total comprehensive income	Net cash flows from operating activities	Revenue	Net (loss)/profit	Total comprehensive income	Net cash flows from operating activities
Qinglian Company	782,885,089.50	-29,461,207.82	-29,461,207.82	564,141,150.45	714,484,930.05	-240,193,120.87	-240,193,120.87	569,061,352.39
JEL Company	330,677,369.66	109,208,403.72	109,208,403.72	170,523,812.40	380,866,473.89	127,837,336.26	127,837,336.26	87,243,754.02
Guishen Company	193,109,881.82	141,346,885.38	141,346,885.38	-217,619,726.24	123,123,121.28	101,006,179.74	101,006,179.74	-192,070,953.64

Notes to Financial Statements

For the year ended 31 December 2014
(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 2014 and 2013, no substantial restriction existed which prohibited the usage of assets or the settlement of liabilities of the Group.

2 Interests in joint ventures or associates

(1) Main financial information of insignificant joint ventures and associates

	2014	2013
Joint ventures:		
Total book value of investment	158,764,459.37	183,996,250.12
Sub-total amount of the following items calculated in the Group's equity proportion in joint ventures:		
– Net profit	-25,231,790.75	13,045,940.84
– Other comprehensive income	–	–
– Total comprehensive income	-25,231,790.75	13,045,940.84
Associates:		
Total book value of investment	1,536,726,112.97	1,390,218,121.12
Sub-total amount of the following items calculated in the Group's equity proportion in associates:		
– Net profit	212,274,068.46	172,630,640.09
– Other comprehensive income	–	–
– Total comprehensive income	212,274,068.46	172,630,640.09

The directors of the Company considered that the Group has no material joint venture or associate for the year 2014 and 2013 as the investment income/(loss) from individual joint venture or associate does not exceed 10% of the total profit of the Group for the respective years.

(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 2014, there's no substantial restriction exists which prohibits the transfer of funds between the Group and the joint ventures and associates (31 December 2013: Nil).

VIII FINANCIAL INSTRUMENTS AND RISK

The Group's activities expose it to a variety of financial risks: market risk (primarily foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management programme focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance.

1 Foreign exchange risk

The Group's major operational activities are carried out in Mainland China and majority of the transactions are denominated in RMB. The Group is exposed to foreign exchange risk arising from the recognised assets and liabilities, and future transactions denominated in foreign currencies, primarily with respect to HK dollars. The Group's finance department at its headquarters is responsible for monitoring the amount of assets and liabilities, and transactions denominated in foreign currencies to mitigate the foreign exchange risk. The Group has entered into cross currency interest rate swap contract to minimise foreign exchange risk.

As at 31 December 2014 and 31 December 2013, the carrying amounts in RMB equivalent of the Group's assets and liabilities denominated in foreign currencies are summarized below:

	31 December 2014		
	HKD	Other foreign currencies	Total
Financial assets denominated in foreign currency –			
Cash at bank and on hand	1,415,779.47	93,119.91	1,508,899.38
Financial liabilities denominated in foreign currency –			
Short-term borrowings	23,667,000.00	–	23,667,000.00
Other payables	57,667.80	–	57,667.80
Interest payable	6,487.35	–	6,487.35
Total financial liabilities denominated in foreign currency	23,731,155.15	–	23,731,155.15
	31 December 2013		
	HKD	Other foreign currencies	Total
Financial assets denominated in foreign currency –			
Cash at bank and on hand	1,201,692.44	95,453.12	1,297,145.56
Financial liabilities denominated in foreign currency –			
Current portion of non-current liabilities	281,616,840.00	–	281,616,840.00

As at 31 December 2014, if RMB had strengthened/weakened by 10% against the HKD while all other variables hold constant, the Group's net profit for the period would have been approximately RMB2,218,716.07 (31 December 2013: RMB1,625,408.11 considering of the impact of cross currency interest rate swap).

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

VIII FINANCIAL INSTRUMENTS AND RISK (CONTINUED)

2 Interest rate risk

The Group's interest rate risk arises from long-term interest bearing borrowings including long-term borrowings and bonds payable. Financial liabilities issued at floating rates expose the Group to cash flow interest rate risk. Financial liabilities issued at fixed rates expose the Group to fair value interest rate risk. The Group determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 31 December 2014, the Group's long-term interest bearing borrowings and bonds payable with floating rates amounting to RMB3,898,864,000.00 (31 December 2013: approximately RMB4,692,014,000.00).

Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Group's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Group's financial position. The Group's finance department at its headquarters continuously monitors the interest rate position of the Group and makes decisions with reference to the latest market conditions.

In current year, if interest rates on the floating rate borrowings and bonds payable had risen/fallen 50 basis points while all other variables hold constant, the Group's net profit would have decreased/increased by approximately RMB15,377,241.42 (31 December 2013: approximately RMB16,528,461.18).

3 Credit risk

The Group expects that there is no significant credit risk. The carrying values of cash at bank and on hand and receivables accounted for the maximum credit risk of the Group.

The table below shows the bank deposits of the major counterparties of the Group as at the balance sheet date:

	31 December 2014	31 December 2013
State-owned banks	689,678,681.03	826,419,772.59
Other banks	933,174,475.93	255,042,327.18
Total	1,622,853,156.96	1,081,462,099.77

It is expected that there is no significant credit risk associated with the bank deposits as the state-owned banks have the support of the government and the others are the listed banks or commercial banks at large/medium scale. The management does not expect any losses from breaching the contracts of these counterparties.

Due to the business nature of the Group, as at 31 December 2014, the Group derived management services revenue and Compensation resulted from the toll adjustment of Meiguan Expressway from local government authorities in Shenzhen and the amounts due from government authorities in Guizhou Longli County relating to the Longli BT Project and Longli Resettlement (Phase I) Project were approximately RMB2.499 billion (31 December 2013: RMB562 million) in aggregate, the directors of the Company considered that the related credit risks were controllable. The Group did not have other significant concern of credit risk arising from other customers.

As at 31 December 2014 and 2013, the Group has no significant overdue receivables.

VIII FINANCIAL INSTRUMENTS AND RISK (CONTINUED)

4 Liquidity risk

Cash flow forecasting is performed by each subsidiary of the Group and aggregated by the Group's finance department in its headquarters. The Group's finance department at its headquarters monitors rolling forecasts of the Group's short-term and long-term liquidity requirements to ensure it has sufficient cash and securities that are readily convertible to cash to meet operational needs, while maintaining sufficient headroom on its undrawn committed borrowing facilities from major financial institution so that the Group does not breach borrowing limits or covenants on any of its borrowing facilities so as to meet the short-term and long-term liquidity requirements.

The financial assets and liabilities of the Group as at the balance sheet date are analysed by their maturity date below at their undiscounted contractual cash flows:

	31 December 2014				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial liabilities –					
Short-term borrowings	23,676,118.63	–	–	–	23,676,118.63
Current portion of non-current liabilities (Note 2)	886,161,196.85	–	–	–	886,161,196.85
Payables (Note 1)	1,099,975,573.99	–	–	–	1,099,975,573.99
Long-term borrowings	229,838,032.80	522,402,992.63	1,842,280,840.31	2,566,313,798.63	5,160,835,664.37
Bonds payables	189,099,820.00	1,689,096,820.00	1,187,100,000.00	932,000,000.00	3,997,296,640.00
Total	2,428,750,742.27	2,211,499,812.63	3,029,380,840.31	3,498,313,798.63	11,167,945,193.84

	31 December 2013				
	Within 1 year	1 to 2 years	2 to 5 years	Over 5 years	Total
Financial liabilities –					
Short-term borrowings	463,160,569.86	–	–	–	463,160,569.86
Current portion of non-current liabilities (Note 2)	545,446,886.01	–	–	–	545,446,886.01
Payables (Note 1)	894,519,899.67	–	–	–	894,519,899.67
Long-term borrowings	306,732,949.80	783,510,887.10	2,527,713,230.59	3,338,288,596.54	6,956,245,664.03
Bonds payables	181,200,000.00	981,200,000.00	1,722,000,000.00	976,000,000.00	3,860,400,000.00
Total	2,391,060,305.34	1,764,710,887.10	4,249,713,230.59	4,314,288,596.54	12,719,773,019.57

Note 1: Payables comprise accounts payable and other payables.

Note 2: Excluding current portion of provisions for maintenance/resurfacing obligations.

Borrowings and bonds payable are analysed by repayment terms as follows:

	31 December 2014		31 December 2013	
	Borrowings	Bonds payable	Borrowings	Bonds payable
Wholly repayable within five years	23,667,000.00	3,299,997,000.00	1,471,336,840.00	2,300,000,000.00
Not wholly repayable within five years	3,936,224,000.00	800,000,000.00	4,737,424,000.00	800,000,000.00
	3,959,891,000.00	4,099,997,000.00	6,208,760,840.00	3,100,000,000.00

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

VIII FINANCIAL INSTRUMENTS AND RISK (CONTINUED)

4 Liquidity risk (continued)

Since the Group has steady and sufficient cash flow from operation, sufficient banking facilities and proper financing arrangement to fulfill the needs of payment of debts and capital expenditures, the directors consider that the Group has no significant liquidity risk.

IX FAIR VALUE DISCLOSURE

1 Assets and liabilities with fair value disclosure but not measured at fair value

Financial assets and liabilities measured at amortisation cost mainly include accounts receivable, short-term borrowings, current portion of long-term borrowings, current portion of bond payables, accounts payable, long-term borrowings and bonds payable.

Except for the financial liabilities listed below, the carrying amounts of financial assets and liabilities not measured at fair value approximated to their fair values.

	31 December 2014		31 December 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities -				
Long-term borrowings	-	-	565,000,000.00	553,704,494.72
Bonds payable	3,290,387,574.51	3,157,993,121.89	3,088,801,980.40	2,985,348,814.86
	3,290,387,574.51	3,157,993,121.89	3,653,801,980.40	3,539,053,309.58

The fair value of long-term borrowings with fixed interest rates and bonds payable with fixed interest rates not quoted in an active market is the present value of the contractual future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows on the same terms.

2 Others

Based on the lowest level input that is significant to the fair value measurement in its entirety, the fair value hierarchy has the following levels:

Level 1: Quoted prices (unadjusted) in active markets for identical assets or liabilities;

Level 2: Inputs observable directly or indirectly for identical assets or liabilities other than inputs included within level 1;

Level 3: Inputs for the asset or liability that are not based on observable market data.

As at 31 December 2014, the Group has no financial asset or liability constantly measured at fair value by the above three levels.

IX FAIR VALUE DISCLOSURE (CONTINUED)

2 Others (continued)

As at 31 December 2013, the Group's financial assets and liability that constantly measured at fair value by the above three levels are analysed as follows:

	Level 1	Level 2	Level 3	Total
Financial assets	-	-	-	-
Financial liabilities –				
Current portion of derivative financial liabilities	-	24,676,144.27	-	24,676,144.27

X RELATED PARTIES AND RELATED PARTY TRANSACTIONS

1 General information of the parent company:

Name of the parent company	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 SIHCL.

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 transaction with the Group during the year or have related party balance with the Group resulted from related party transaction in prior years are listed as follows:

Name of joint ventures and associates	Relationship with the Group
Qinglong Company	Associate
Consulting Company	Associate
Huayu Company	Associate
Nanjing Third Bridge Company	Associate
GZ W2 Company	Associate
Joint Land Company	Associate

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

X RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

4 Information of other related parties

Name of other related parties	Relationship with the Group
Baotong Company	Under same control of Shenzhen International
Longda Company	Under same control of Shenzhen International
Shenzhen International South-China Logistics Co., Ltd. ('SC Logistics Company')	Under same control of Shenzhen International
Xin Tong Chan Company	Shareholder of the Company
Shenzhen International Huatongyuan Logistics Co., Ltd. ('Huatongyuan Company')	Under same control of Shenzhen International
Coastal Company	Ultimately controlled by SIHCL
United Electronic Company	One of its directors is the Company's key management personnel
Flywheel Investments Limited	Under same control of Shenzhen International
Guangzhou Cement Company Limited	Minority interests of one subsidiary of Company

5 Related party transactions

(1) Rendering or receiving of services

(a) Receiving of services

Name of related parties	Nature of transactions	2014	2013
Consulting Company	Receiving project management services	13,555,264.18	31,280,718.91
United Electronic Company	Receiving integrated toll system settlement services	16,389,026.70	17,233,013.26
Others	Receiving power supply services and others	798,646.21	636,676.28

The Group signed management services contracts with Consulting Company, which mainly in relation to the project management services provided to Qinglian Expressway and Shenzhen Airport-Heao Expressway (Eastern Section).

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 and Qinglian 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.

Advertising Company, Airport-Heao Eastern Company and Meiguan Company, subsidiaries of the Company, received power supply services for its advertising boards from SC Logistics Company, Xin Tong Chan Company, Huayu Company, Longda Company, Qinglong Company and Guangzhou Cement Company Ltd.. The respective transaction amounts were not disclosed as they are not material.

X RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5 Related party transactions (continued)

(1) Rendering or receiving of services (continued)

(b) Rendering of services

Name of related parties	Nature of transactions	31 December 2014	31 December 2013
Coastal Company	Entrusted construction management services	235,057,291.43	46,821,193.56
Qinglong Company	Provide integrated toll services	10,887.05	–
Others	Supply of water and electricity for offices	1,391,853.02	1,418,929.00

On 6 November 2009, SIHCL signed an 'operation and management entrustment agreement' with the Company and entrusted the Company to operate and manage its wholly owned subsidiary, Coastal Company. During the entrustment period, the Company operates and manages Coastal Company in accordance with the agreement 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, which was also stated in the 'entrusted construction management agreement' signed by Coastal Company and the Company on 9 September 2011. The terms of entrusted operation have not been formally entered. During the year, the Company has recognised construction management services fee amounting to RMB235,057,291.43, calculated based on the stage of completion (2013: RMB46,821,193.56).

In accordance with the contract signed between the Company and Qinglong Company, which agreed to settle the receivable and payable of toll on a net basis and pay a service fee to the party which has a net receivable balance, the Company recognised service income amounting to RMB10,887.05 according to the net amount settled with Qinglong Company in current year (2013: nil).

The Company supplied water and electricity to Shenzhen International, Consulting Company and United Electronic Company with prices that are determined based on those charged by water and electricity supply companies. The individual transaction amounts were not disclosed as they are not material.

(2) Related party trusteeship

The company trusteeship is analysed as follows:

Entrusting party	Entrusted party	Type of entrustment	Date of the commencement of the trusteeship	Date of the termination of the trusteeship	The basis of pricing for the trusteeship	Entrusted revenue recognised in 2014
Baotong Company	The Company	Equity	1 January 2014	31 December 2015	Negotiated price	18,000,000.00

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

X RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5 Related party transactions (continued)

(3) Leases

(a) As a lessor

Lessee	Assets leased	Recognised rental income in 2014	Recognised rental income in 2013
United Electronic Company and Consulting Company	Office building	304,252.00	120,998.00

(b) As a lessee

Lessor	Assets leased	Total rental expenses in 2014	Total rental expenses in 2013
Longda Company, Huayu Company, Qinglong Company, SC Logistics Company, Xin Tong Chan Company, Huatongyuan Company and Coastal Company	Billboard land use rights	2,990,500.00	2,678,400.00

The individual transaction amounts were not disclosed as they are not material.

(4) Financing

Related party	Financing amount	Starting date	Ending date
Advance from: GZ W2 Company	7,500,000.00	21 November 2014	No fixed repayment date, but repayable on demand

(5) Advance on behalf of related companies

During current year, according to the framework agreements signed with SIHCL on 6 November 2009 in relation to the entrustment of operation and management on Coastal Company, the Group paid upfront operating costs amounting to RMB25,657,650.17 on behalf of Coastal Company (2013: RMB8,385,331.16). Up to 31 December 2014, the advance has been repaid by Coastal Company.

(6) Joint investment with related parties

On 20 August 2014, the Company and Xin Tong Chan Company, a wholly-owned subsidiary of Shenzhen International, entered into a joint investment transaction and set up Joint Land Company to carry out the Meilin Checkpoint Urban Renewal Project. The registered capital of Joint Land Company amounts to RMB200,000,000.00. The Company holds equity proportion of 49% of Joint Land Company. Up to 31 December 2014, the Company has made cash contribution to Joint Land Company amounting to RMB29,400,000.00.

X RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5 Related party transactions (continued)

(7) Remuneration of key management personnel

Item	2014	2013
Remuneration of key management personnel	10,900,000.00	10,944,500.00

Key management personnel include directors, supervisor and senior management staff. In current year, the Company has 22 key management personnel (2013: 22 personnel).

(8) Others

(a) Directors and supervisors' emoluments

Directors and supervisors' emoluments for the year ended 31 December 2014 are as follows:

Name	Remuneration	Salary and bonus	Total
Yang Hai*	–	910,000.00	910,000.00
Wu Ya De*	–	910,000.00	910,000.00
Chiu Chi Cheong	350,000.00	–	350,000.00
Au Sing Kun	180,000.00	–	180,000.00
Lin Chu Chang	180,000.00	–	180,000.00
Wang Hai Tao	180,000.00	–	180,000.00
Zhang Li Min	180,000.00	–	180,000.00
Fang Jie*	–	660,000.00	660,000.00

Directors and supervisors' emoluments for the year ended 31 December 2013 are as follows:

Name	Remuneration	Salary and bonus	Total
Yang Hai*	–	959,000.00	959,000.00
Wu Ya De*	–	960,000.00	960,000.00
Chiu Chi Cheong	350,000.00	–	350,000.00
An Sing Kun	180,000.00	–	180,000.00
Lin Chu Chang	180,000.00	–	180,000.00
Wang Hai Tao	180,000.00	–	180,000.00
Zhang Li Min	180,000.00	–	180,000.00
Fang Jie*	–	604,000.00	604,000.00

* The directors and supervisor's emoluments have been included in remuneration of key management personnel in Note X.5(7).

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

X RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

5 Related party transactions (continued)

(8) Others (continued)

(a) Directors and supervisors' emoluments (continued)

During the year ended 31 December 2014, The Chairman, Yang Hai, the executive director and chief executive officer, Wu Ya De, the directors, Li Jing Qi, Zhao Jun Rong, Hu Wei, Tse Yat Hong, Zhang Yang, Chiu Chi Cheong, Wang Hai Tao, Zhang Li Min, Au Sing Kun, Lin Chu Chang and the supervisors, Zhong Shan Qun, He Sen and Fang Jie are entitled to allowance (after individual income tax) amounting to RMB12,000.00, RMB12,000.00, RMB9,000.00, RMB8,500.00, RMB10,000.00, RMB11,000.00, RMB11,000.00, RMB12,000.00, RMB13,000.00, RMB12,500.00, RMB14,000.00, RMB9,000.00, RMB8,000.00, RMB7,000.00, and RMB8,500.00. The Chairman, Yang Hai, the executive director and chief executive officer, Wu Ya De, the directors, Li Jing Qi, Zhao Jun Rong, Hu Wei, Tse Yat Hong and the supervisor, Zhong Shan Qun have waived to receive the directors' allowance of the current year.

During the year ended 31 December 2014, The Chairman, Yang Hai, the executive director and chief executive officer, Wu Ya De, were entitled to the pension schemes contribution of RMB106,000.00 (2013: RMB103,000.00) and RMB106,000.00 (2013: RMB104,000.00), respectively.

In addition, The Chairman, Yang Hai, the executive director and chief executive officer, Wu Ya De, are also entitled to other benefits and allowances including medical care contribution and others, with amounts of RMB60,000.00 (2013: RMB58,000.00) and RMB 60,000.00 (2013: RMB58,500.00) respectively during the year ended 31 December 2014.

(b) The five top paid individuals

The five top paid individuals of the Group for the year include 2 (2013: 2 directors) directors whose emoluments are reflected in the analysis presented above. The emoluments payable to the remaining 3 (2013: 3 directors) individuals during the year are as follows:

	2014	2013
Basic salaries, bonus, housing allowance, other allowances	2,658,000.00	2,654,500.00
Pension	302,000.00	294,000.00
Total	2,960,000.00	2,948,500.00

	Number of individuals	
	2014	2013
Emolument range:		
HKD0 – HKD1,000,000	–	–
HKD1,000,001 – HKD1,500,000	3	3
HKD1,500,001 – HKD2,000,000	–	–

X RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

6 Receivables due from and payables to related parties

(1) Receivable items

Item	Related parties	31 December 2014		31 December 2013	
		Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Accounts receivables	Coastal Company	340,620,152.60	–	105,562,861.17	–
Accounts receivables	Baotong Company	2,295,854.23	–	2,295,854.23	–
Other receivables	Huayu Company	20,000.00	–	20,000.00	–
Other receivables	Longda company	10,000.00	–	10,000.00	–
Advances to suppliers	Consulting Company	80,000.00	–	3,035,060.00	–

(2) Payables items

Item	Related parties	31 December 2014	31 December 2013
Accounts payable	Coastal Company	1,000,000.00	–
Accounts payable	Longda company	85,000.00	–
Accounts payable	Huayu Company	45,000.00	–
Accounts payable	Consulting Company	13,500.00	6,738,801.10
Accounts payable	SC Logistics Company'	12,000.00	–
Accounts payable	Shenzhen International	3,500.00	–
Other payables	GZ W2 Company	37,500,000.00	30,000,000.00
Other payables	Nanjing Third Bridge Company	33,526,376.43	33,526,376.43
Other payables	Consulting Company	4,607,463.18	7,110,218.85
Other payables	Coastal Company	483,306.79	–
Other payables	Qinglong Company	44,800.00	–
Other payables	Guangzhou Cement Company Limited	40,000.00	–
Other payables	United Electronic Company	5,000.00	1,477,986.12
Other payables	Shenzhen International	5,000.00	5,000.00
Dividend payable	Flywheel Investments Limited	28,625,546.59	–

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

X RELATED PARTIES AND RELATED PARTY TRANSACTIONS (CONTINUED)

7 Commitments to related parties

Commitments in relation to related parties contracted for but not yet recognised on the balance sheet by the Group as at the balance sheet date are as follows:

(1) Receiving of services

	2014	2013
Consulting Company	35,653,696.20	36,483,921.26

(2) Investment commitment

As stated in Note X.5(6), the Company jointly set up a joint land development company ("Joint Land Company") with Xin Tong Chan Company, a wholly-owned subsidiary of Shenzhen International. The Company and Xin Tong Chan Company will make capital contributions in cash to the Joint Land Company in proportion to their respective equity interests if additional capital is required by Joint Land Company. The aggregate capital contributions (including initial capital contribution and subsequent capital injection) of both parties shall not exceed RMB5,000,000,000.00, in which the Company's aggregate capital contributions shall not exceed RMB2,450,000,000.00. Up to 31 December 2014, the Company has made cash contribution to Joint Land Company amounted to RMB29,400,000.00. The remaining investment commitment is RMB2,420,600,000.00 accordingly.

XI COMMITMENTS AND CONTINGENCIES

1 Significant commitments

(1) Capital commitments

(a) Capital commitments approved by the management but are not yet contracted for as of balance sheet date:

	31 December 2014	31 December 2013
Expressway construction projects	133,255,934.78	148,380,999.50

As at 31 December 2014 and 31 December 2013, the joint ventures had no capital commitments.

(2) Commitment in related to real estate projects

	31 December 2014	31 December 2013
Contracted but not yet recognised on the balance sheet	110,563,248.39	18,740,504.00

(3) Investment commitment

As at 31 December 2014, the Group's investment commitments amounted to RMB2,420,600,000.00, which mainly represented the Group's capital injection commitment to Joint Land Company. Detailed information is disclosed in Note X.7(2).

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 in Shenzhen Longhua New Area with Shenzhen Longda Expressway and the construction project of the extension of the eastern section of Dezheng Road. 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.

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

XI COMMITMENTS AND CONTINGENCIES (CONTINUED)

2 Contingencies (continued)

(1) Significant contingencies at balance sheet date (continued)

(d) Arbitration in progress

Upon the government approval, Qinglian Company upgraded Qinglian Class I Highway to an expressway and the project was completed on 25 January 2011. In 2011, Qingyuan Fengyun Eco-tourism Development Company Limited sued against Qinglian Company in Qingyuan Intermediate Court for the closing of exits of expressway due to construction. Qinglian Company was judged to win in the first trial. Qingyuan Fengyun Eco-tourism Development Company Limited appealed to the High Court of Guangdong Province. The High Court of Guangdong Province judged a trial de novo executed by Qingyuan Intermediate Court and the Company still win in this trial de novo. As at the date of approval of these financial statements, the litigation was still in progress. Considering the nature of project and construction status of upgrading project, the directors of the Company considered that the outcome of the litigation would not lead to any significant impact on the Company's operating results.

XII EVENTS AFTER THE BALANCE SHEET DATE

1 Significant unadjusted events after the balance sheet date

Up to the date of approval of these financial statements, except for below new establishment of a subsidiary, the Group did not have any significant unadjusted events after the balance sheet date.

On 22 January 2015, the Company newly incorporated Guizhou Hengfengxin Property Company Limited, Guizhou Henghongda Property Company Limited and Guizhou Hengtongli Property Company Limited, all of which are wholly owned subsidiaries of the Company. The registered capital of these subsidiaries is all amounting to RMB1,000,000.00, which has been fully paid up by the Company in March 2015.

2 Dividend distribution

Dividends proposed to distribute

Final dividends proposed by the Board of Directors on 20 March 2015 which is subject to the approval in the shareholders' meeting	RMB981,346,646.70
---	-------------------

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, or operate in the different areas. Different businesses or areas require different technologies and marketing strategies. Therefore, the Group separately manages the production and operation of the reportable segment and evaluates its operating results in order to make decisions about resources to be allocated to the segment and to assess its performance.

The Group has two reportable segments, namely toll road segment and management service segment. Toll road segment takes charge of operation and management of toll roads in mainland China, while management service segment takes charge of entrusted project construction and operation management in mainland China.

Other businesses are principally comprised of advertising services and other services. The Group has no inter-segment revenues. These businesses do not compose separate reportable segments.

XIII OTHER SIGNIFICANT MATTERS (CONTINUED)

1 Segment information (continued)

(2) Segment information

Year 2014	Toll road	Management service	Other	Unallocated	Total
Revenue from external customers	3,007,632,196.48	503,436,013.28	109,289,270.32	–	3,620,357,480.08
Cost of services	1,469,574,017.81	–	–	–	1,469,574,017.81
Interest income	93,308,657.03	579,134.69	329,398.80	13,720,103.60	107,937,294.12
Interest expense	515,185,510.41	9,767,633.06	–	–	524,953,143.47
Share of profit of associates and joint ventures	183,413,925.80	–	3,628,351.91	–	187,042,277.71
Depreciation and amortisation	944,028,500.70	1,038,767.64	32,249,495.47	6,842,186.34	984,158,950.15
Total profit	2,718,525,956.45	306,498,305.73	6,054,441.19	-64,160,689.11	2,966,918,014.26
Income tax expenses	650,499,073.11	36,244,498.17	8,704,913.61	–	695,448,484.89
Net profit	2,068,026,883.34	270,253,807.56	-2,650,472.42	-64,160,689.11	2,271,469,529.37
Total assets	22,980,137,472.67	301,072,894.17	869,309,018.57	178,804,823.61	24,329,324,209.02
Total liabilities	10,381,194,615.33	623,197,316.94	92,542,414.08	112,217,267.53	11,209,151,613.88
Long-term equity investments in associates and joint ventures	1,644,072,924.08	–	51,417,648.26	–	1,695,490,572.34
Additions to non-current assets other than financial assets, long-term equity investments and deferred income tax assets	116,452,931.83	17,358.00	4,721,068.26	2,262,249.98	123,453,608.07

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

XIII OTHER SIGNIFICANT MATTERS (CONTINUED)

1 Segment information (continued)

(2) Segment information (continued)

Year 2013	Toll road	Management service	Other	Unallocated	Total
Revenue from external customers	2,898,290,836.01	266,655,579.59	114,334,641.66	–	3,279,281,057.26
Cost of services	1,409,347,264.49	–	–	–	1,409,347,264.49
Interest income	3,250,214.92	2,218,636.49	578,748.51	18,927,454.67	24,975,054.59
Interest expense	578,836,323.08	3,282,057.21	–	–	582,118,380.29
Share of profit of associates and joint ventures	181,992,713.34	–	3,683,867.59	–	185,676,580.93
Depreciation and amortisation	920,409,639.56	1,128,446.77	34,186,619.81	6,768,297.53	962,493,003.67
Total profit	761,297,404.69	201,581,372.17	28,502,894.10	-77,208,400.19	914,173,270.77
Income tax expenses	127,700,471.39	26,601,832.54	9,108,329.06	–	163,410,632.99
Net profit	633,596,933.30	174,979,539.63	19,394,565.04	-77,208,400.19	750,762,637.78
Total assets	21,637,909,725.11	485,415,500.38	554,617,977.32	162,164,277.10	22,840,107,479.91
Total liabilities	11,023,026,560.68	423,374,779.04	41,725,552.08	112,994,927.91	11,601,121,819.71
Long-term equity investments in associates and joint ventures	1,554,985,074.89	–	19,229,296.35	–	1,574,214,371.24
Additions to non-current assets other than financial assets, long-term equity investments and deferred income tax assets	538,804,717.45	66,049.01	52,341,760.35	1,656,005.50	592,868,532.31

(3) Other disclosure

The Group's revenue from external customers and all non-current assets other than financial assets and deferred tax assets are derived from the PRC.

XIV NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

1 Accounts receivables

(1) Accounts receivable is analysed by categories as follows:

Categories	31 December 2014					31 December 2013				
	Ending balance		Provision for bad debts			Ending balance		Provision for bad debts		
	Amount	% of total balance	Amount	Ratio	Book value	Amount	% of total balance	Amount	Ratio	Book value
Individually significant and provision separately made	-	-	-	-	-	-	-	-	-	-
Provision made collectively	530,410,157.03	100.00	-	-	530,410,157.03	338,977,218.48	100.00	-	-	338,977,218.48
– Group 1	507,026,089.06	95.59	-	-	507,026,089.06	300,275,148.32	88.58	-	-	300,275,148.32
– Group 2	23,384,067.97	4.41	-	-	23,384,067.97	38,702,070.16	11.42	-	-	38,702,070.16
Not individually significant but provision separately made	-	-	-	-	-	-	-	-	-	-
Total	530,410,157.03	-	-	-	530,410,157.03	338,977,218.48	-	-	-	338,977,218.48

The accounts receivable of provision for bad debts by aging is analysed as follows:

Aging	31 December 2014		
	Accounts receivable	Provision for bad debts	Ratio
Within 1 year	23,384,067.97	-	-
Total	23,384,067.97	-	-

(2) The five largest accounts receivables assembled by debtors:

Categories	Amounts	Provision for bad debts	% of total balance
Total balances from five largest accounts receivables assembled	512,340,298.46	-	96.59%

2 Other receivables

(1) Other receivables are analysed by categories as follows:

Categories	31 December 2014					31 December 2013				
	Ending balance		Provision for bad debts			Ending balance		Provision for bad debts		
	Amount	% of total balance	Amount	% of total balance	Book amount	Amount	% of total balance	Amount	% of total balance	Book amount
Individually significant and provision separately made	-	-	-	-	-	-	-	-	-	-
Provision made collectively	736,893,668.46	100.00	-	-	736,893,668.46	655,248,023.99	100.00	-	-	655,248,023.99
– Group 1	735,455,095.46	99.80	-	-	735,455,095.46	652,571,769.66	99.59	-	-	652,571,769.66
– Group 2	1,438,573.00	0.20	-	-	1,438,573.00	2,676,254.33	0.41	-	-	2,676,254.33
Not individually significant but provision separately made	-	-	-	-	-	-	-	-	-	-
Total	736,893,668.46	-	-	-	736,893,668.46	655,248,023.99	-	-	-	655,248,023.99

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

XIV NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2 Other receivables (continued)

(1) Other receivables are analysed by categories as follows: (continued)

The accounts receivable of provision for bad debts by aging is analysed as follows:

Aging	31 December 2014		
	Other receivables	Provision for bad debts	% of total balance
Within 1 year	1,394,260.40	–	–
1 to 2 years	7,262.60	–	–
2 to 3 years	37,050.00	–	–
Total	1,438,573.00	–	–

(2) Receivables by nature are analysed as follows:

Item	31 December 2014	31 December 2013
Advances	460,115,624.66	499,226,246.52
Loans to Guishen Company	256,000,000.00	135,128,054.79
Loans to Qinglian Company	19,167,376.10	19,093,239.13
Others	1,610,667.70	1,800,483.55
Total	736,893,668.46	655,248,023.99

(3) As at 31 December 2014, the five largest other receivables are analysed as follows:

Categories	Nature	Amount	Aging	% of total balance	Bad debt provision at 31 December 2014
Meiguan Company	Advances	359,901,161.01	Within 1 year	48.84	–
Guishen Company	Loans	256,000,000.00	Within 1 year	34.74	–
Airport-Heao Eastern Company	Advances	95,079,384.43	Within 1 year	12.90	–
Qinglian Company	Loans	19,167,376.10	Within 1 year	2.60	–
Mei Wah Company	Advances	1,628,761.12	Within 1 year	0.22	–
Total	/	731,776,682.66	/	99.30	–

3 Long-term receivables

Item	31 December 2014			31 December 2013		
	Carrying amount	Bad debt provision	Net book amount	Carrying amount	Bad debt provision	Net book amount
Loans to Qinglian Company	1,250,000,000.00	–	1,250,000,000.00	1,210,000,000.00	–	1,210,000,000.00
Total	1,250,000,000.00	–	1,250,000,000.00	1,210,000,000.00	–	1,210,000,000.00

XIV NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4 Long-term equity investments

Item	31 December 2014			31 December 2013		
	Carrying amount	Impairment	Net book value	Carrying amount	Impairment	Net book value
Subsidiaries	4,931,294,313.53	-	4,931,294,313.53	4,882,517,546.13	-	4,882,517,546.13
Joint ventures	158,764,459.37	-	158,764,459.37	183,996,250.12	-	183,996,250.12
Associates	1,536,726,112.97	-	1,536,726,112.97	1,390,218,121.12	-	1,390,218,121.12
Total	6,626,784,885.87	-	6,626,784,885.87	6,456,731,917.37	-	6,456,731,917.37

(1) Subsidiaries

Investee	31 December 2013	Addition	Investment cost recovered	31 December 2014	Impairment	Cash dividend declared	Impairment provided in the current year
Airport-Heao Eastern Company	1,003,632,517.47	-	85,865,614.53	917,766,902.94	-	196,613,741.23	-
Meiguan Company	630,590,725.39	-	96,371,667.28	534,219,058.11	-	1,228,628,332.72	-
Advertising Company	3,325,000.01	-	-	3,325,000.01	-	11,517,997.64	-
Mei Wah Company	831,769,303.26	-	-	831,769,303.26	-	-	-
Qinglian Company	1,933,200,000.00	131,014,049.21	-	2,064,214,049.21	-	-	-
Outer Ring Company	100,000,000.00	-	-	100,000,000.00	-	-	-
Expressway Investment Company	380,000,000.00	-	-	380,000,000.00	-	-	-
Luyun Company	-	100,000,000.00	-	100,000,000.00	-	-	-
Total	4,882,517,546.13	231,014,049.21	182,237,281.81	4,931,294,313.53	-	1,436,760,071.59	-

The Company uses cost method to account for investments in the above subsidiaries.

As stated in Note V.25(2)(a), the full amount of principal and interest of the Company's corporate 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.

(2) Investment in joint ventures and associates

The detailed information of joint ventures and associates are set out in Note V.9.

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

XIV NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

5 Fixed assets

Item	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Total
1. Cost					
31 December 2013	402,087,751.20	584,886,867.03	16,708,231.45	38,569,150.24	1,042,251,999.92
Current year additions	1,885,093.00	52,252,192.09	386,000.00	1,613,351.18	56,136,636.27
– Purchase	–	18,189,436.77	386,000.00	1,613,351.18	20,188,787.95
– Transfer from construction in progress	1,885,093.00	34,062,755.32	–	–	35,947,848.32
Current year reductions	–	–	1,514,940.00	869,275.79	2,384,215.79
– Disposal	–	–	1,514,940.00	869,275.79	2,384,215.79
31 December 2014	403,972,844.20	637,139,059.12	15,579,291.45	39,313,225.63	1,096,004,420.40
2. Accumulated depreciation					
31 December 2013	103,028,448.35	336,305,023.37	13,800,587.77	31,725,166.17	484,859,225.66
Current year additions	14,371,357.08	48,817,550.27	748,252.75	2,093,519.03	66,030,679.13
– Addition	14,371,357.08	48,817,550.27	748,252.75	2,093,519.03	66,030,679.13
Current year reductions	–	–	1,439,193.00	819,854.19	2,259,047.19
– Disposal	–	–	1,439,193.00	819,854.19	2,259,047.19
31 December 2014	117,399,805.43	385,122,573.64	13,109,647.52	32,998,831.01	548,630,857.60
3. Impairment					
31 December 2013	–	–	–	–	–
31 December 2014	–	–	–	–	–
4. Net book value					
31 December 2014	286,573,038.77	252,016,485.48	2,469,643.93	6,314,394.62	547,373,562.80
31 December 2013	299,059,302.85	248,581,843.66	2,907,643.68	6,843,984.07	557,392,774.26

Fixed assets lacking certificates of ownership:

Item	Carrying amount	Reason for lacking certificates of ownership
Buildings	RMB184,107,194.21	As all toll roads and the affiliated buildings and structures would be returned to the government when the approved operating periods expire, the Company has no intention to acquire the related property ownership certificates.

In 2014, depreciation expenses amounting to RMB61,606,221.83 (2013: RMB59,308,419.79) and RMB4,424,457.30 (2013: RMB5,387,822.25) had been charged in costs of services and general and administrative expenses, respectively.

XIV NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

6 Construction in progress

(1) General information of construction in progress

Name	31 December 2014			31 December 2013		
	Carrying amount	Impairment	Net book value	Carrying amount	Impairment	Net book value
Road monitoring projects	1,629,698.94	-	1,629,698.94	-	-	-
Duplex toll lane projects	1,566,877.32	-	1,566,877.32	-	-	-
Toll-by-weight projects	150,000.00	-	150,000.00	8,460,481.04	-	8,460,481.04
Toll lanes reconstruction projects	-	-	-	3,025,555.27	-	3,025,555.27
Integrated toll system projects	-	-	-	2,847,755.00	-	2,847,755.00
Others	8,814,825.29	-	8,814,825.29	8,337,628.79	-	8,337,628.79
Total	12,161,401.55	-	12,161,401.55	22,671,420.10	-	22,671,420.10

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

Item	Budget	31 December 2013	Current year additions	Transfer to fixed assets	Transfer to intangible assets	31 December 2014	% contribution in budget of current year	Progress of construction	Interests capitalised	Source of funds
Toll-by-weight projects	12 million	8,460,481.04	-	(8,310,481.04)	-	150,000.00	-	In progress	-	Self-owned funds
Toll lanes reconstruction projects	3 million	3,025,555.27	-	(3,025,555.27)	-	-	-	Completed	-	Self-owned funds
Integrated toll system projects	46 million	2,847,755.00	14,718,773.25	(17,171,971.54)	(394,556.71)	-	32.00	Completed	-	Self-owned funds
Road monitoring projects	2 million	-	1,629,698.94	-	-	1,629,698.94	81.48	In progress	-	Self-owned funds
Duplex toll lane projects	2 million	-	1,566,877.32	-	-	1,566,877.32	78.34	In progress	-	Self-owned funds
Resident projects for talents	5 million	-	1,885,093.00	(1,885,093.00)	-	-	37.80	Completed	-	Self-owned funds
Others	*	8,337,628.79	6,031,943.97	(5,554,747.47)	-	8,814,825.29	*	In progress	-	Self-owned funds
Total		22,671,420.10	25,832,386.48	(35,947,848.32)	(394,556.71)	12,161,401.55				

* The budgets of these projects are not disclosed as the amounts are not material.

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

XIV NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

7 Intangible assets

Item	Concession intangible assets					Total
	Nanguang Expressway	Yanba Expressway	Yanpai Expressway	Shenzhen Airpor-Heao Expressway (Western Section)	Office software	
1. Cost						
31 December 2013	2,790,981,381.35	1,255,337,192.11	910,532,308.18	843,668,552.23	3,282,461.58	5,803,801,895.45
Current year additions	11,697,446.72	-	-	-	5,160,076.27	16,857,522.99
- Purchased	-	-	-	-	4,765,519.56	4,765,519.56
- Transfer from construction in progress	-	-	-	-	394,556.71	394,556.71
- Other additions	11,697,446.72	-	-	-	-	11,697,446.72
Current year reductions	-	-	-	150,869.98	-	150,869.98
- Disposal	-	-	-	150,869.98	-	150,869.98
31 December 2014	2,802,678,828.07	1,255,337,192.11	910,532,308.18	843,517,682.25	8,442,537.85	5,820,508,548.46
2. Accumulated amortisation						
31 December 2013	225,920,943.43	206,414,838.69	254,648,758.64	376,282,996.22	883,888.97	1,064,151,425.95
Current year additions	78,673,297.08	47,745,319.14	49,399,911.19	50,025,425.42	1,126,226.94	226,970,179.77
- Additions	78,673,297.08	47,745,319.14	49,399,911.19	50,025,425.42	1,126,226.94	226,970,179.77
Current year reductions	-	-	-	70,716.30	-	70,716.30
- Disposal	-	-	-	70,716.30	-	70,716.30
31 December 2014	304,594,240.51	254,160,157.83	304,048,669.83	426,237,705.34	2,010,115.91	1,291,050,889.42
3. Impairment						
31 December 2013	-	-	-	-	-	-
31 December 2014	-	-	-	-	-	-
4. Net book value						
31 December 2014	2,498,084,587.56	1,001,177,034.28	606,483,638.35	417,279,976.91	6,432,421.94	4,529,457,659.04
31 December 2013	2,565,060,437.92	1,048,922,353.42	655,883,549.54	467,385,556.01	2,398,572.61	4,739,650,469.50

In 2014 the amortisation of intangible assets amounting to RMB226,970,179.77 was charged into current year's income statement (2013: RMB 205,398,724.58).

8 Accounts payable

The aging of accounts payable based on their recording dates is analysed as follows:

Aging	31 December 2014	31 December 2013
Within 1 year (including 1 year)	563,467.00	1,071,742.00
Over 1 year	28,789,924.40	47,176,775.62
Total	29,353,391.40	48,248,517.62

XIV NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

9 Borrowings and bonds payable

Borrowings and bonds payables are analysed by repayment terms as follows:

	31 December 2014		31 December 2013	
	Borrowings	Bonds payable	Borrowings	Bonds payable
Wholly repayable within five years	100,000,000.00	3,299,997,000.00	1,172,563,200.00	2,300,000,000.00
Not wholly repayable within five years	–	800,000,000.00	565,000,000.00	800,000,000.00
Total	100,000,000.00	4,099,997,000.00	1,737,563,200.00	3,100,000,000.00

As at 31 December 2014, short-term borrowings amounting to RMB100,000,000.00 (31 December 2013: RMB100,000,000.00) of the Company are borrowed from Magerk Company, a subsidiary of the Company, in the form of entrusted loans.

10 Provisions

	31 December 2013	Current year movement	31 December 2014
Provisions for maintenance/resurfacing obligations	301,283,116.66	-70,640,933.56	230,642,183.10
Less: Current portion	94,303,901.05	47,592,373.93	141,896,274.98
Total	206,979,215.61	-118,233,307.49	88,745,908.12

11 Revenue and costs of services:

Item	31 December 2014		31 December 2013	
	Revenue	Cost	Revenue	Cost
Main businesses	1,162,400,569.97	462,472,880.85	1,029,443,252.92	418,521,773.10
Other businesses	300,253,662.82	147,719,649.17	154,239,993.86	39,574,549.34
Total	1,462,654,232.79	610,192,530.02	1,183,683,246.78	458,096,322.44

12 Financial expenses

Item	31 December 2014	31 December 2013
Interest expense	196,260,112.53	230,144,871.98
Including: Interest expenses from borrowings	21,863,117.91	40,007,659.08
Interest expenses from bonds payable	174,396,994.62	207,105,232.92
Interest capitalised	–	-16,968,020.02
Time value of provision for maintenance/resurfacing obligations	7,202,706.36	24,502,875.48
Less: Interest income	10,832,082.75	17,497,138.96
Exchange (losses)/gains – net	-3,340,531.97	9,537,160.96
Others	259,394.45	625,918.29
Total	196,230,662.56	228,239,365.83

Notes to Financial Statements

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

XIV NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

12 Financial expenses (continued)

Interest expenses are analysed by the repayment terms of borrowings and bonds as follows:

	2014		2013	
	Bank borrowings	Bonds payable	Bank borrowings	Bonds payable
Borrowings and bonds wholly repayable within five years	21,863,117.91	174,396,994.62	4,757,954.08	207,105,232.92
Borrowings and bonds not wholly repayable within five years	–	–	35,249,705.00	–
Total	21,863,117.91	174,396,994.62	40,007,659.08	207,105,232.92

13 Investment income

Item	2014	2013
Income from long-term equity investments under cost method	1,436,760,071.59	301,307,553.57
Income from long-term equity investments under equity method	187,042,277.71	185,676,580.93
Total	1,623,802,349.30	486,984,134.50

14 Income tax expenses

(1) Classification of income tax expenses

Item	2014	2013
Current income tax	115,763,391.09	81,220,819.59
Deferred income tax	16,172,126.09	11,216,231.67
Total	131,935,517.18	92,437,051.26

(2) The reconciliation of income tax from profit before tax:

Item	2014	2013
Profit before tax	2,163,611,059.18	864,021,647.91
Income tax expenses calculated at applicable tax rate of 25% (2013: 25%)	540,902,764.80	216,005,411.98
Income not subject to tax	-410,063,331.11	-126,103,011.23
Expenses not deductible for tax purposes	1,096,083.49	2,824,804.35
Deduction of the amortisation of transaction costs of convertible bonds	–	-290,153.84
Income tax expenses	131,935,517.18	92,437,051.26

XIV NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

15 Others

(1) Net current assets

	Company	
	31 December 2014	31 December 2013
Current assets	2,716,225,129.14	1,421,950,956.80
Less: Current liabilities	1,797,058,513.32	1,254,865,262.77
Net current assets	919,166,615.82	167,085,694.03

(2) Total assets less current liabilities

	Company	
	31 December 2014	31 December 2013
Total assets	15,779,523,590.09	14,524,393,916.72
Less: Current liabilities	1,797,058,513.32	1,254,865,262.77
Total assets less current liabilities	13,982,465,076.77	13,269,528,653.95

Supplementary Information

For the year ended 31 December 2014
(All amounts in RMB unless otherwise stated)

I DETAILED LIST OF NON-RECURRING PROFIT OR LOSS ITEMS

	Amount	Note
Gains on disposal of related assets of Toll Free Section of Meiguan Expressway	1,496,009,613.02	
Interest income from the Compensation resulted from the toll adjustment of Meiguan Expressway	90,163,340.16	
The amortisation of compensation provided by concession grantor	20,252,709.25	The amortisation of compensation to Yanpai and Yanba Expressway provided by concession grantors recognised in current year according to traffic volume method which disclosed as a deduction of the amortisation of the related concession intangible assets
Profits from entrusted management services	17,148,433.34	Mainly represents profits from entrusted management services provided to Longda Company in current year.
Other profit or loss items that meet the definition of non-recurring profit or loss	12,337,900.97	
Impact of income tax	-413,033,618.85	
Impact of minority interests (after tax)	62,015.96	
Total	1,222,940,393.85	

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 arise 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.

II RETURN ON NET ASSETS AND EARNINGS PER SHARE

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	20.14	1.003	1.003
Net profit after deducting non- recurring profit or loss attributable to ordinary owners of the Company	8.88	0.442	0.442

III SUPPLEMENTARY INFORMATION TO CHANGES IN ACCOUNTING POLICIES

The Group changed accounting policies and restated its comparative financial statements according to the eight accounting standards such as 'Accounting Standards for Enterprises No. 2 – Long-term equity investment' issued by Ministry of Finance in 2014 (please refer to Note III.27(1)). The consolidated balance sheets as at 1 January 2013 has also been restated.

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/Company secretary	WU Qian
Securities officer	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	Suite 2001-2006, 20th Floor, Jardine House, 1 Connaught Place, 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: Suite 2001-2006, 20th Floor, Jardine House, 1 Connaught Place, Central, Hong Kong

V. Security Profile

Listing exchange	A Share The Shanghai Stock Exchange Security code: 600548 Abbreviation: Shenzhen Expressway H Share The Stock Exchange of Hong Kong Limited Security code: 00548 Abbreviation: Shenzhen Expressway Bond The Shanghai Stock Exchange Security code: 122085 Abbreviation: 11 Shenzhen Expressway
------------------	--

VI. Other Information

Auditor	PricewaterhouseCoopers Zhong Tian LLP 11/F, PricewaterhouseCoopers Centre, 202 Hubin Road, Shanghai
PRC legal adviser	Guangdong Junyan Law Firm 13/F, Dutyfree Business Building, First Fuhua Road, Shenzhen
Hong Kong legal adviser	Loong & Yeung, Solicitors Suite 2001-2006, 20th Floor, Jardine House, 1 Connaught Place, 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 512-515, 5th Floor, Rongchao Trade Centre, 4028 Jintian Road, Futian District, Shenzhen
Investor relations consultant of H Shares	Wonderful Sky Financial Group 6/F, Nexus Building, No. 41 Connaught Road Central, Hong Kong
Principal banks	China Development Bank Industrial and Commercial Bank of China China Merchants Bank

Company Information

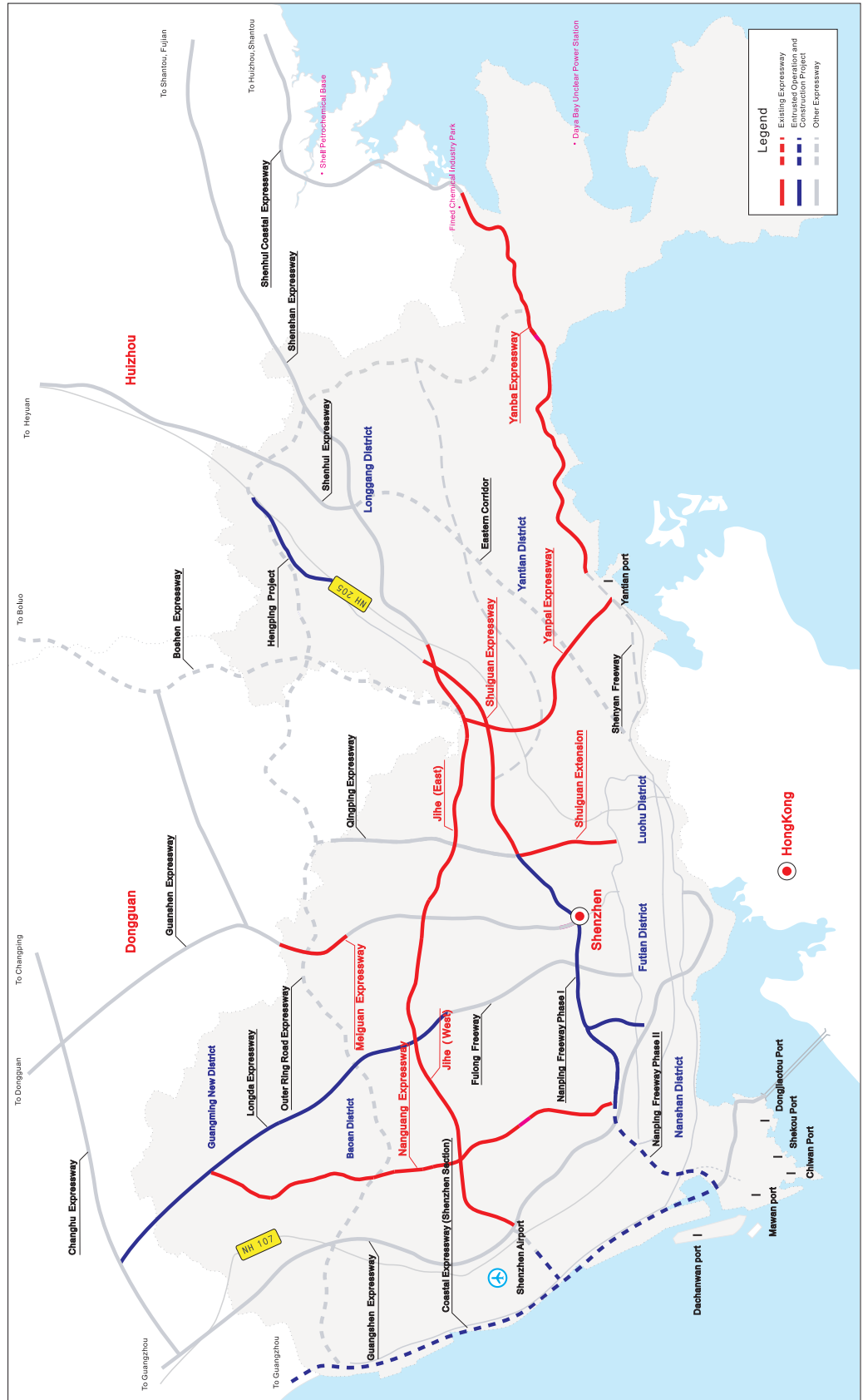
VII. Project Information (as at March 2015)

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 ^{note}	8	Under operation	Mar 2027
Jihe East	100%	Shenzhen	23.7	6	Under operation	Mar 2027
Jihe West	100%	Shenzhen	21.8	6	Under operation	Mar 2027
Yanba Expressway	100%	Shenzhen	29.1	6	Under operation	Section A: Apr 2026 Section B: Jul 2028 Section C: Mar 2035
Shuiguan Expressway	40%	Shenzhen	20.0	10	Under operation	Dec 2025
Shuiguan Extension	40%	Shenzhen	6.3	6	Under operation	Dec 2025
Yanpai Expressway	100%	Shenzhen	15.6	6	Under operation	Mar 2027
Nanguang Expressway	100%	Shenzhen	31.0	6	Under operation	Jan 2033
Yangmao Expressway	25%	Guangdong	79.8	4	Under operation	Jul 2027
Guangwu Project	30%	Guangdong	37.9	4	Under operation	Nov 2027
Jiangzhong Project	25%	Guangdong	39.6	4	Under operation	Aug 2027
GZ W2 Expressway	25%	Guangdong	40.2	6	Under operation	Dec 2030
Qinglian Expressway	76.37%	Guangdong	216.0	4	Under operation	Jul 2034
Wuhuang Expressway	55%	Hubei	70.3	4	Under operation	Sep 2022
Changsha Ring Road	51%	Hunan	34.7	4	Under operation	Oct 2029
Nanjing Third Bridge	25%	Jiangsu	15.6	6	Under operation	Oct 2030

Note:

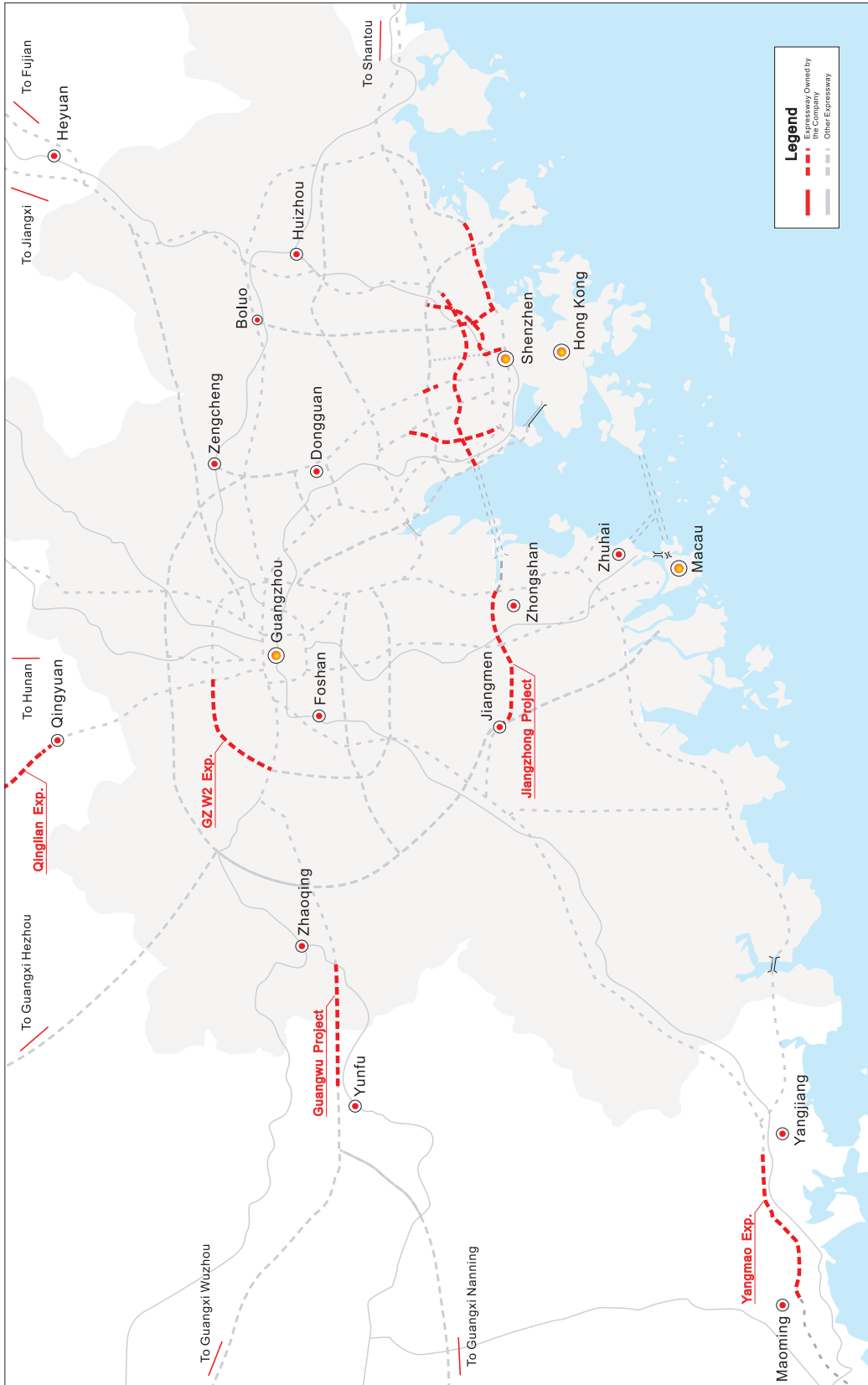
1. Pursuant to the agreement between the Company and Shenzhen Government, the toll of Meiguan Expressway has been adjusted since 1 April 2014. The toll mileage was adjusted to 5.4km from 19.2km. For details, please refer to the announcement of the Company dated 27 January 2014, 28 March 2014, and 31 March 2014.
2. For detailed information, toll fees, historical operational data of above projects, and road network of peripheral area, 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



Company Information

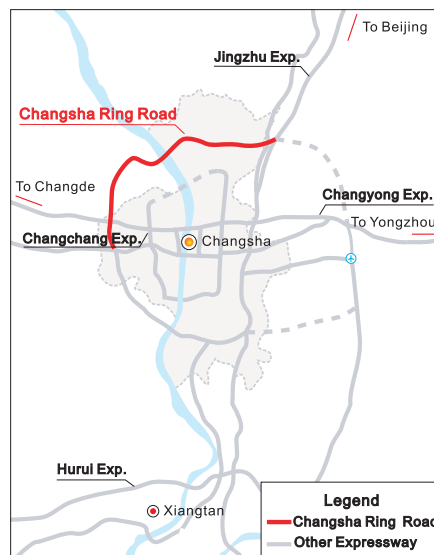
Road Network of Wuhuang Expressway



Road Network of Nanjing Third Bridge



Road Network of Changsha Ring Road



- ◆ *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