



Jiangsu Expressway Company Limited

(Hong Kong Stock Exchange Stock Code: 00177)



2018

Interim Report

CONTENTS

Section I	Definition	2
Section II	Company Information and Principal Financial Indicators	5
Section III	Summary of the Company's Business	9
Section IV	Discussion and Analysis of the Operation	11
Section V	Significant Matters	49
Section VI	Changes in Ordinary Shares and Information on Shareholders	69
Section VII	Information on Preferred Shares	77
Section VIII	Profiles of Directors, Supervisors and Senior Management	78
Section IX	Information on Corporate Bonds	83
Section X	Financial Reporting	84

Important Notice

I. The board of Directors, the supervisory committee, and the directors, supervisors and senior management of the Company warrant the truthfulness, accuracy and completeness of the contents of this interim report and there is no false representation in, misleading statement in, and material omission from, this report and they jointly and severally accept legal responsibility for such contents.

II. Absent Directors

Position held by absent director	Name of absent director	Reasons for absence	Name of proxy
Non-executive Director	Wu Xin Hua	Due to business engagement	Yao Yong Jia
Non-executive Director	Hu Yu	Due to business engagement	Yao Yong Jia
Independent Non-executive Director	Zhang Zhu Ting	Due to business engagement	Chen Liang

III. This interim report is unaudited.

IV. Gu Dejun, Person in Charge of the Company, Sun Xibin, Accounting Chief of the Company, and Ren Zhuohua, Person in Charge of the Accounting Department (Head of the Accounting Department), hereby warrant the truthfulness, accuracy and completeness of the financial statements contained in this interim report.

V. Proposal of profit distribution or proposal of capitalisation of capital reserve for the Reporting Period reviewed by the board of Directors

Not Applicable

VI. Risk warning for forward-looking statements

Certain forward-looking statements with respect to the Company's development strategies, future plans, etc. contained herein shall not constitute a significant undertaking to investors. Investors are advised to beware of the investment risks involved.

VII. Was there any misappropriation of the Company's funds by the Controlling Shareholder and its connected or related parties for non-operational purpose?

No

VIII. Did the Company provide any guarantee to external parties in violation of the required decision-making process?

No

IX. Major risk alert

Not Applicable

X. Others

The Audit Committee consists of three independent non-executive directors. The Audit Committee convened a meeting on 23 August 2018 to consider and review the interim report and interim financial statements of the Group and to submit its observations and recommendations to the board of Directors. The Audit Committee considers that the Company's interim report and interim financial statements for 2018 are in compliance with the applicable accounting standards and have been properly disclosed by the Company.

DEFINITION

Unless the context herein otherwise requires, the following terms shall have the meanings as follows:

DEFINITIONS OF COMMONLY USED TERMS

Company	Jiangsu Expressway Company Limited (江蘇寧滬高速公路股份有限公司)
Group	the Company and its subsidiaries
Director(s)	director(s) of the Company
Controlling Shareholder, Communications Holding	Jiangsu Communications Holding Company Limited (江蘇交通控股有限公司)
China Merchants Expressway Network	China Merchants Expressway Network & Technology Holdings Co., Ltd. (招商局公路網絡科技控股股份有限公司), formerly known as China Merchants Huajian Highway Investments Company Limited (招商局華建公路投資有限公司)
Network Operation Company	Jiangsu Expressway Network Operation and Management Co., Ltd. (江蘇高速公路聯網營運管理有限公司)
Tongxingbao Company	Jiangsu Tongxingbao Smart Transport Technology Co., Ltd. (江蘇通行寶智慧交通科技有限公司)
Expressway Petroleum Company	Jiangsu Expressway Petroleum Development Co., Ltd. (江蘇高速公路石油發展有限公司)
Jiangsu Sundian	Jiangsu Sundian Engineering Co., Ltd. (江蘇現代路橋有限責任公司)
Guangjing Xicheng Company	Jiangsu Guangjing Xicheng Expressway Company Limited (江蘇廣靖錫澄高速公路有限責任公司)
Sujiahang Company	Suzhou Sujiahang Expressway Co., Ltd. (蘇州蘇嘉杭高速公路有限公司)
Yangtze Bridge Company	Jiangsu Yangtze Bridge Co., Ltd. (江蘇揚子大橋股份有限公司)
Ningchang Zhenli Company	Jiangsu Ningchang Zhenli Expressway Company Limited (江蘇寧常鎮溧高速公路有限公司)
Xiyi Company	Jiangsu Xiyi Expressway Company Limited (江蘇錫宜高速公路有限公司)
Jinghu Company	Jiangsu Jinghu Expressway Company Limited (江蘇京滬高速公路有限公司)
Runyang Bridge Company	Jiangsu Runyang Bridge Development Co., Ltd. (江蘇潤揚大橋發展有限責任公司)
Suhuaiyan Company	Jiangsu Suhuaiyan Highway Management Co., Ltd. (江蘇宿淮鹽高速公路管理有限公司)
Wufengshan Toll Bridge Company	Jiangsu Wufengshan Toll Bridge Company Limited (江蘇五峰山大橋有限公司)
Zhendan Company	Jiangsu Zhendan Expressway Company Limited (江蘇鎮丹高速公路有限公司)
Ninghu Investment	Jiangsu Ninghu Investment Development Co., Ltd. (江蘇寧滬投資發展有限責任公司)
Ninghu Properties	Jiangsu Ninghu Properties Co., Ltd. (江蘇寧滬置業有限責任公司)
Yanjiang Company	Jiangsu Yanjiang Expressway Co., Ltd. (江蘇沿江高速公路有限公司)
Kuailu Company	Jiangsu Kuailu Motor Transport Co., Ltd. (江蘇快鹿汽車運輸股份有限公司)
Sujiayong Company	Suzhou Sujiayong Expressway Co., Ltd. (蘇州蘇嘉甬高速公路有限責任公司)
Luode Fund Company	Jiangsu Luode Equity Investment Fund Management Company Limited (江蘇洛德股權投資基金管理有限公司)
Jiangsu Xiexin Gas	Jiangsu Xiexin Gas Co., Ltd. (江蘇協鑫寧滬天然氣有限公司)
Hanwei Company	Nanjing Hanwei Property Development Company Limited (南京瀚威房地產開發有限公司)

DEFINITION

Media Company	Jiangsu Communications & Culture Media Company Limited (江蘇交通文化傳媒有限公司)
Nanlin Hotel	Suzhou Nanlin Hotel Company Limited (蘇州南林飯店有限責任公司)
Bank of Jiangsu	Bank of Jiangsu Co., Ltd. (江蘇銀行股份有限公司)
Far East Shipping Company	Jiangsu Far East Shipping Co., Ltd. (江蘇遠東海運有限公司)
Group Finance Company	Jiangsu Communications Holding Group Finance Co., Ltd. (江蘇交通控股集團財務有限公司)
Information Company	Jiangsu Expressway Information Engineering Technology Co., Ltd. (江蘇高速公路信息工程有限公司)
Maintenance Technology Company	Jiangsu Expressway Engineering Maintenance Technology Co., Ltd. (江蘇高速公路工程養護技術有限公司)
Taixing Oil Products Company	Taixing Hechang Oil Products Trading Co., Ltd. (泰興市和暢油品銷售有限公司)
Orient Operation Company	Jiangsu Orient Expressway Operation and Management Company Limited (江蘇東方高速公路經營管理有限公司)
Orient Road & Bridge Company	Jiangsu Orient Road & Bridge Construction and Maintenance Company Limited (江蘇東方路橋建設養護有限公司)
Highway Bureau	Highway Bureau of Transportation Department of Jiangsu Province (江蘇省交通運輸廳公路局)
Expressway Management Center	Expressway Operation and Management Center Department of Jiangsu Province (江蘇省高速公路經營管理中心)
Liuhe District Government	the People's Government of Liuhe District, Nanjing (南京市六合區人民政府)
Ninghang Company	Jiangsu Ninghang Expressway Co., Ltd. (江蘇寧杭高速公路有限公司)
Changkun Company	Suzhou Changkun Expressway Co., Ltd. (蘇州常昆高速公路有限公司)
Changyi Company	Jiangsu Changyi Expressway Co., Ltd. (江蘇常宜高速公路有限公司)
Yichang Company	Jiangsu Yichang Expressway Co., Ltd. (江蘇宜長高速公路有限公司)
Husuzhe Company	Jiangsu Husuzhe Expressway Company Limited (江蘇滬蘇浙高速公路有限公司)
Huatong Company	Jiangsu HuaTong Engineering Testing Co., Ltd. (江蘇華通工程檢測有限公司)
Sutong Bridge Company	Jiangsu Sutong Bridge Co., Ltd. (江蘇蘇通大橋有限公司)
Fuanda Fund	Fuanda Fund Management Co., Ltd. (富安達基金管理有限公司)
CDB Kai Yuan Phase II Fund	Suzhou Industrial Park CDB Kai Yuan Investment Center Phase II (Limited Partnership)
Hanrui Center	Plot No. 2 Complex Project located in the central business district of new city in the south of Nanjing
Jiangsu Leasing	Jiangsu Financial Leasing Co., Ltd. (江蘇金融租賃股份有限公司)
Shanghai-Nanjing Expressway	Jiangsu Section of Shanghai-Nanjing Expressway
Nanjing-Lianyungang Highway	Nanjing Section of Nanjing-Lianyungang Highway
Panjiahuayuan Toll Station	Panjiahuayuan Toll Station of Nanjing Section of Nanjing-Lianyungang Highway
Guangjing Expressway	Northern connection of Guangling-Jingjiang Section, Jiangyin Yangtze Bridge
Xicheng Expressway	Southern connection of Jiangyin-Wuxi Section, Jiangyin Yangtze Bridge
Jiangyin Bridge	Jiangyin Yangtze Bridge
Sujiahang Expressway	Jiangsu Section of Suzhou-Jiaxing-Hangzhou Expressway
Yanjiang Expressway	Changzhou-Taicang Expressway
Changjia Expressway	Kunshan-Wujiang Section of Changshu-Jiaxing Expressway
Zhendao Expressway	Zhenjiang-Danyang Expressway



DEFINITION

Ningchang Expressway	Lishui Guizhuang Hub-Changzhou North Interchange Expressway
Zhenli Expressway	Dantu Hub-Liyang Qianma Hub Expressway
Xiyi Expressway	Wuxi North Hub-Yixing Xiwu Hub Expressway
Wuxi Huantaihu Expressway	Wuxi Shuofang Hub-Wuxi Nanquan Interchange Expressway
Sujiayong Expressway	Suzhou-Jiaxing-Ningbo Expressway
Wufengshan Toll Bridge	Wufengshan Toll Bridge and North-South Connection Project
Changyi Expressway	Changzhou-Yixing Expressway
Yichang Expressway	Jiangsu Section of Yixing-Changxing Expressway
Reporting Period	the period of six months from 1 January 2018 to 30 June 2018
Year-on-year	as compared with the same period in 2017
CSRC	the China Securities Regulatory Commission
SFC	the Securities and Futures Commission of Hong Kong
SSE	the Shanghai Stock Exchange
Stock Exchange	The Stock Exchange of Hong Kong Limited
A Shares	RMB-denominated ordinary shares issued by the Company and listed on the SSE
H Shares	overseas-listed foreign shares issued by the Company and listed on the Stock Exchange
ADR	Level I depositary receipts of the Company listed and traded in the over-the-counter market of the United States
Listing Rules	the Listing Rules of the SSE and/or Hong Kong Listing Rules
Listing Rules of SSE	the Rules Governing the Listing of Stocks on the Shanghai Stock Exchange
Hong Kong Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
PRC Accounting Standards	the accounting standards for business enterprises and relevant provisions promulgated by the Ministry of Finance of the People's Republic of China
Deloitte	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Corporate Governance Code	the Corporate Governance Code set out in Appendix 14 to the Hong Kong Listing Rules

COMPANY INFORMATION AND PRINCIPAL FINANCIAL INDICATORS

1. COMPANY INFORMATION

Name of the Company in Chinese	江蘇寧滬高速公路股份有限公司
Abbreviated Chinese Name	寧滬高速
Name of the Company in English	Jiangsu Expressway Company Limited
Abbreviated English Name	Jiangsu Expressway
Legal Representative of the Company	Gu De Jun

2. CONTACT PERSONS AND CONTACT METHODS

	Secretary to the Board	Representatives of securities affairs
Name	Yao Yong Jia	Tu Jun and Lou Qing
Address	6 Xianlin Avenue, Nanjing, Jiangsu Province, the PRC	6 Xianlin Avenue, Nanjing, Jiangsu Province, the PRC
Telephone	8625-84469598	8625-84362700-301835, 301315
Fax	8625-84207788	8625-84466643
Email	jsnh@jsexpwy.com	

3. CHANGE OF BASIC INFORMATION

Registered address of the Company	6 Xianlin Avenue, Nanjing, Jiangsu Province, the PRC
Postal code of the Company's registered address	210049
Business address of the Company	6 Xianlin Avenue, Nanjing, Jiangsu Province, the PRC
Postal code of the Company's business address	210049
Website of the Company	http://www.jsexpressway.com
Email	jsnh@jsexpwy.com

4. CHANGE OF PLACES FOR DISCLOSURE AND INSPECTION OF INFORMATION

Designated Media for Information Disclosure	Shanghai Securities News and China Securities Journal
Websites Designated by CSRC for Publication of Interim Reports	www.sse.com.cn www.hkexnews.hk www.jsexpressway.com
Interim Reports Available at	Shanghai Stock Exchange, 528 Pudong Road South, Shanghai, the PRC; Hong Kong Registrars Limited, Shops 1712-1716, 17/F, Hopewell Centre, 183 Queen's Road East, Wanchai, Hong Kong; Reed Smith Richards Butler, 20/F, Alexandra House, 18 Chater Road, Central, Hong Kong; Headquarters of the Company, 6 Xianlin Avenue, Nanjing, Jiangsu Province, the PRC

COMPANY INFORMATION AND PRINCIPAL FINANCIAL INDICATORS

5. INFORMATION ON THE COMPANY'S SHARES

Class of shares	Listing stock exchange	Stock abbreviation	Stock code	Previous stock abbreviation
A Shares	Shanghai Stock Exchange	寧滬高速	600377	–
H Shares	The Stock Exchange of Hong Kong Limited	Jiangsu Express	00177	–
ADR	United States	JEXYY	477373104	–

6. OTHER RELEVANT INFORMATION

Applicable Not Applicable

7. KEY ACCOUNTING DATA AND PRINCIPAL FINANCIAL INDICATORS

(I) Key accounting data

Unit: Yuan Currency: RMB

Key accounting data	The Reporting Period (January–June)	Corresponding period of the previous year	Increase/decrease in the Reporting Period as compared to the corresponding period of the previous year (%)
Operating revenue	5,141,779,834	4,669,035,065	10.13
Net profit attributable to the shareholders of the Company	2,488,142,065	1,899,660,185	30.98
Net profit attributable to the shareholders of the Company net of non-recurring profit or loss	2,064,178,465	1,892,141,366	9.09
Net cash flow from operating activities	2,662,789,107	2,573,346,735	3.48
	As at the end of the Reporting Period	As at the end of the previous year	Increase/decrease at the end of the Reporting Period as compared to the end of the previous year (%)
Net assets attributable to the shareholders of the Company	24,921,458,372	23,520,283,963	5.96
Total assets	45,833,738,275	42,532,491,238	7.76

COMPANY INFORMATION AND PRINCIPAL FINANCIAL INDICATORS

7. KEY ACCOUNTING DATA AND PRINCIPAL FINANCIAL INDICATORS (CONTINUED)

(II) Principal financial indicators

Principal financial indicators	The Reporting Period (January–June)	Corresponding period of the previous year	Increase/ decrease for the Reporting Period as compared with the corresponding period of the previous year (%)
Basic earnings per share (<i>yuan/share</i>)	0.4939	0.3771	30.98
Diluted earnings per share (<i>yuan/share</i>)	N/A	N/A	N/A
Basic earnings per share net of non-recurring profit or loss (<i>yuan/share</i>)	0.4097	0.3756	9.09
Weighted average return on net assets (%)	9.82	8.20	Increased by 1.62 percentage points
Weighted average return on net assets net of non-recurring profit or loss (%)	8.22	8.17	Increased by 0.05 percentage point

Explanations on the key accounting data and financial indicators of the Company

Applicable Not Applicable

8. DIFFERENCES IN ACCOUNTING DATA UNDER DOMESTIC AND FOREIGN ACCOUNTING STANDARDS

Applicable Not Applicable

9. ITEMS AND AMOUNTS OF NON-RECURRING PROFIT/LOSS

Unit: Yuan Currency: RMB

Items of non-recurring profit or loss	Amount	Note (if applicable)
Gain or loss from disposal of non-current assets	-215,505	
Government grants accounted in profit or loss of the period (excluding those that are closely related to the ordinary operations of the Company and granted on fixed amount basis or enjoyed on continuous fixed amount basis subject to certain standards)	1,513,759	Employment subsidy received and compensation recognised during the Reporting Period for construction of Ningchang Expressway



COMPANY INFORMATION AND PRINCIPAL FINANCIAL INDICATORS

9. ITEMS AND AMOUNTS OF NON-RECURRING PROFIT/LOSS (CONTINUED)

Unit: Yuan Currency: RMB

Items of non-recurring profit or loss	Amount	Note (if applicable)
Profits or losses from changes in fair values of financial assets held for trading and financial liabilities held for trading, and investment gains from disposal of financial assets held for trading, financial liabilities held for trading and available-for-sale financial assets, excluding effective hedging activities related to ordinary business operations of the Company	1,325,343	
Profit/loss from external loans	2,598,900	
Other non-operating income and expenses (excluding the above items)	-6,227,504	
Other profit/loss falling within the definition of non-recurring profit/loss	422,571,238	Mainly due to the valuation gain arising from the difference between the fair value and the carrying value of the equity in Hanwei Company held by the Company before the acquisition date and measured at fair value on the acquisition date as Hanwei Company was consolidated during the Reporting Period in accordance with the standards on enterprise merger not under common control.
Effects attributable to minority interests	164,044	
Effects on income tax	2,233,325	
Total	423,963,600	

10. OTHERS

Applicable Not Applicable

SUMMARY OF THE COMPANY'S BUSINESS

I. EXPLANATIONS ON THE PRINCIPAL BUSINESSES AND BUSINESS MODELS OF THE COMPANY AND INDUSTRY OVERVIEW DURING THE REPORTING PERIOD

Established on 1 August 1992 in Jiangsu Province of the People's Republic of China, the Company is the only listed company in the transportation and infrastructure industry of Jiangsu Province. On 27 June 1997, the Company issued 1,222,000,000 H Shares which were listed on the Stock Exchange. On 16 January 2001, the Company issued 150,000,000 A Shares which were listed on the SSE. The Company established the Level I American Depositary Receipt ("ADR") program with effective from 23 December 2002, which enabled the ADRs to be traded in the over-the-counter market in the United States. As at 30 June 2018, the total share capital of the Company comprised 5,037,747,500 shares.

The Group's operating areas are located in the most economically vibrant region in the PRC, the Yangtze River Delta. The road and bridge projects owned or invested by the Company involve the roads and bridges serving as the major transport corridors linking roads stretching east-to-west and south-to-north across Jiangsu Province. The vibrant economy in the region leads to hectic traffic. Shanghai-Nanjing Expressway, as the Company's core assets, links six large and medium cities, namely, Shanghai, Suzhou, Wuxi, Changzhou, Zhenjiang and Nanjing, and has become one of the busiest expressways in the PRC. In addition, the Company also owns the interests, in whole or in part, in other toll roads and bridges located in Jiangsu Province, including Ningchang Expressway, Zhenli Expressway, Xiyi Expressway, Wuxi Huantaihu Expressway, Xicheng Expressway, Guangjing Expressway, Jiangyin Bridge, Sujiahang Expressway and Changjia Expressway. As at the end of this Reporting Period, 16 road and bridge projects were directly operated and invested by the Group, and the length of the highways owned or invested by the Company was approximately 820 kilometers.

The Group is principally engaged in the investment, construction, operation and management of transportation infrastructure as well as the development and operation of ancillary service areas (including refueling, catering, shopping, advertising and accommodation services, etc.) along highways. In addition to the principal businesses, the Group is also actively exploring and venturing into new business fields and engaged in real estate investment and development, expressway advertising and media activities as well as other financial, quasi-financial and industrial investment, aiming to further enhance profitability and achieve sustainable development of the Group. As at the end of this Reporting Period, the Company owned four wholly-owned subsidiaries, three controlling subsidiaries and eleven non wholly-owned associated companies. The Company is one of the listed companies in the highway industry of the PRC with the best quality of assets with total assets amounting to approximately RMB45.834 billion and net assets attributable to shareholders of the Company amounting to approximately RMB24.921 billion.



SUMMARY OF THE COMPANY'S BUSINESS

II. SIGNIFICANT CHANGES IN THE MAJOR ASSETS OF THE COMPANY DURING THE REPORTING PERIOD

Applicable Not Applicable

III. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

The core business of the Company is the investment, construction, operation and management of transport infrastructure. The roads and bridges projects owned or invested by the Company are core road transport corridors linking the two important industrial belts along the Yangtze River and along Shanghai and Nanjing in the southern part of Jiangsu, thus the Company occupies a leading position in the operation of expressway networks in southern Jiangsu. The Company's distinct competitive edges in operation and development include its unique locational advantages, high quality network assets and efficient operating systems. In addition, the Company also leverages on its core capabilities as follows:

Leading capability in operation management. The Company has developed a relatively comprehensive management system of expressway operation and management, and has formulated a relatively advanced system of expressway operation and management; it has also introduced a relatively comprehensive management mechanism on road maintenance and rescue and has accumulated rich experience in maintaining long-term smooth traffic flow. The Company can meet relevant road quality indicators and possess strong capability in maintaining smooth traffic flow, which takes a leading position in the industry.

Excellent capability in investment and financing management. As one of the first batch of listed companies engaged in expressway operation and management in the PRC, the Company is relatively experienced in investment research on expressways, and has gained considerable revenue from the investment projects; as one of the four A Share and H Share companies engaged in expressway operation and management, the Company has also been maintaining a high credit rating and keeping smooth financing channels at low financing costs. The Company's excellent capability in investment and financing management has laid a relatively sound foundation for the integration of its existing high quality road and bridge assets, investment in construction and operation of toll road and bridge projects as well as generation of profits therefrom in the future.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION

(I) Overview

During the Reporting Period, the volume of passenger vehicles and truck of the Company's road and bridge projects continued to see a stable growth rate, coupled with a stable increase in the toll revenue as well as smooth advancement of the new road and bridge projects; for the ancillary business, the stable promotion of upgrading and transformation strategies for the service areas along Shanghai-Nanjing Expressway was achieved. The business models of "contracting + supervision" and platform expansion achieved new breakthroughs in realising economic and social benefits; in terms of equity investment, the capital function was further enlarged together with a further optimized business structure, which broadened both investment and financing channels and nurtured new growth points.

During the Reporting Period, the Group realized total operating revenue of approximately RMB5,141,780,000 with a Year-on-year increase of approximately 10.13%, of which toll revenue amounted to approximately RMB3,593,486,000, representing a Year-on-year increase of approximately 5.62%; revenue from the ancillary business amounted to approximately RMB718,470,000, representing a Year-on-year decrease of approximately 15.29%; revenue from property sales amounted to approximately RMB797,720,000, representing a Year-on-year increase of approximately 106.24%; and revenue from advertising and other non-principal activities amounted to approximately RMB32,104,000, representing a Year-on-year increase of approximately 1.44%.

Under the PRC Accounting Standards, the Group realized operating profit of approximately RMB3,156,461,000 during the Reporting Period, representing a Year-on-year increase of approximately 24.01%; net profit attributable to shareholders of the Company amounted to approximately RMB2,488,142,000, and earnings per share was approximately RMB0.4939, representing a Year-on-year increase of approximately 30.98%. The analyses of the development and performance of various businesses are set out below in this section.

I. Toll road and bridge business

(1) Analyses of operating performance and project operation

During this Reporting Period, the Group recorded a toll revenue of approximately RMB3,593,486,000, representing a Year-on-year increase of approximately 5.62%. Toll revenue accounted for approximately 69.89% of the Group's total operating revenue.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(I) Overview (Continued)

I. Toll road and bridge business (Continued)

(1) Analyses of operating performance and project operation (Continued)

The operating performance of various road and bridge projects in the first half of the year is set out as follows:

Currency : RMB Unit: '000

Projects		Reporting Period	Corresponding period of the previous year	Year-on-year change (%)
Shanghai-Nanjing Expressway	Total traffic volume (vehicle/day)	96,269	91,052	5.73
	Average daily toll revenue (RMB'000/day)	13,399.69	12,753.40	5.07
Xicheng Expressway	Total traffic volume (vehicle/day)	79,600	75,560	5.35
	Average daily toll revenue (RMB'000/day)	1,583.43	1,514.56	4.55
Guangjing Expressway	Total traffic volume (vehicle/day)	69,865	68,582	1.87
	Average daily toll revenue (RMB'000/day)	769.84	779.06	-1.18
Ningchang Expressway	Total traffic volume (vehicle/day)	43,002	37,587	14.41
	Average daily toll revenue (RMB'000/day)	2,393.86	2,126.12	12.59
Zhenli Expressway	Total traffic volume (vehicle/day)	13,461	11,583	16.22
	Average daily toll revenue (RMB'000/day)	711.97	667.72	6.63
Xiyi Expressway	Total traffic volume (vehicle/day)	21,614	20,265	6.66
	Average daily toll revenue (RMB'000/day)	831.99	790.64	5.23
Wuxi Huantaihu Expressway	Total traffic volume (vehicle/day)	9,129	7,620	19.80
	Average daily toll revenue (RMB'000/day)	96.37	75.49	27.66
Jiangyin Bridge	Total traffic volume (vehicle/day)	87,376	83,648	4.46
	Average daily toll revenue (RMB'000/day)	3,025.62	2,922.30	3.54
Sujiahang Expressway	Total traffic volume (vehicle/day)	64,659	59,519	8.64
	Average daily toll revenue (RMB'000/day)	3,170.67	2,856.19	11.01
Yanjiang Expressway	Total traffic volume (vehicle/day)	53,440	51,050	4.68
	Average daily toll revenue (RMB'000/day)	3,978.34	3,788.67	5.01
Changjia Expressway	Total traffic volume (vehicle/day)	15,684	11,793	33.00
	Average daily toll revenue (RMB'000/day)	393.20	271.57	44.79
Nanjing-Lianyungang Highway (Note 1)	Total traffic volume (vehicle/day)	4,982	6,104	-18.39%
	Average daily toll revenue (RMB'000/day)	79.49	89.67	-11.35

Note 1: Panjiahuayuan Toll Station of Nanjing-Lianyungang Highway ceased to charge tolls since 00:00 on 1 June 2018. The data of this table regarding the traffic volume and revenue of Nanjing-Lianyungang Highway are from January to May 2017 and from January to May 2018.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(I) Overview (Continued)

I. Toll road and bridge business (Continued)

(1) Analyses of operating performance and project operation (Continued)

According to the data published by the Jiangsu Bureau of Statistics, Jiangsu Province's economy operated stably with certain improvement in the first half of 2018. The development structure was further adjusted, and the development drivers were further transformed. The GDP increased by approximately 7.0% Year-on-year. Driven by the regional economic development, the overall traffic volume of the road and bridge projects owned by the Group maintained a steady growth.

During the Reporting Period, the average daily traffic volume of Shanghai-Nanjing Expressway was 96,269 vehicles, representing a Year-on-year increase of approximately 5.73%, among which the increase in the volume of passenger vehicles was approximately 6.43% Year-on-year, and the Year-on-year growth rate of the volume of trucks was approximately 3.06%. The proportions of the volumes of passenger vehicles and trucks were approximately 79.83% and 20.17% respectively, which were relatively stable. The average daily toll revenue from Shanghai-Nanjing Expressway amounted to approximately RMB13,399,690 during the Reporting Period, representing a Year-on-year increase of approximately 5.07% and accounting for approximately 67.49% of the Group's total toll revenue.

During the Reporting Period, the traffic volumes of Ningchang Expressway, Zhenli Expressway and Wuxi Huantaihu Expressway continued to remain high with Year-on-year increases of approximately 14.41%, 16.22% and 19.80%, respectively, which saw the highest increases in both average daily traffic volume and toll revenue as compared to those of other roads within the network; Changjia Expressway, which was newly put into operation at the end of 2016, recorded a remarkable growth with an increase of approximately 33% in traffic volume as compared to the same period last year. The traffic volume of Guangjing Expressway recorded a Year-on-year decrease of approximately 3.7% as a result of the large fluctuation in the volume of trucks due to the restrictions on truck traffic for the expansion of Jiangguang Expressway.



DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(I) Overview (Continued)

I. Toll road and bridge business (Continued)

(2) Business Development

Acceleration of the construction of new projects

During the Reporting Period, the Company continued to carry forward the construction of new road and bridge projects in an orderly and proactive manner. As at the end of the Reporting Period, the investment in the Wufengshan Toll Bridge Project has reached approximately RMB5.4 billion in aggregate, accounting for approximately 44.84% of the total investment of the project; the investment in the Zhendan Expressway Project has reached approximately RMB1.576 billion in aggregate, accounting for approximately 91.06% of the total investment of the project, which is expected to be completed and put into operation during this year; and the respective investments in Phase I of the Changyi Expressway Project and the Yichang Expressway Project amounted to approximately RMB1.494 billion and RMB1.211 billion in aggregate, accounting for approximately 39.32% and 30.44%, of their respective total investments.

Resolution of the matter concerning the compensation for the removal of Panjiahuayuan Toll Station of Nanjing-Lianyungang Highway

With the accelerated urbanization in the areas along Nanjing-Lianyungang Highway in recent years, Panjiahuayuan Toll Station has already been located at the sub-central business district of the city. For the purpose of facilitating the development of Jiangbei New District, the Nanjing Municipal Government formally made an application to the Jiangsu Provincial Government in relation to the removal of the Panjiahuayuan Toll Station in May 2017. In November 2017, the Jiangsu Provincial Government issued to the Nanjing Municipal Government the Approval for Consent of Removal of Panjiahuayuan Toll Station of Nanjing-Lianyungang Highway (Su Zheng Fu [2017] No. 99) (關於同意撤銷寧連公路潘家花園收費站的批覆(蘇政覆[2017]99號)), granting its approval for the removal of Panjiahuayuan Toll Station. On 24 May 2018, the Company, Jiangsu Provincial Highway Bureau, Expressway Management Center and Liuhe District Government formally entered into the agreement on early termination of the operating right of Nanjing Section of Nanjing-Lianyungang Highway, which provided that the compensation for removal of the toll station shall be borne by the Liuhe District Government. During the Reporting Period, the Company received the compensation of RMB49.93 million as recognized in a valuation report issued by a third-party valuer. For details of the project, please refer to the announcements published by the Company on the websites of the Shanghai Stock Exchange (www.sse.com.cn) and the Stock Exchange (www.hkex.com.hk) on 26 March 2018 and 24 May 2018.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(I) Overview (Continued)

II. Operation of ancillary services

The Company's ancillary services mainly included leasing, the sales of oil products, food and beverage services, the retail of goods and other related businesses in the service areas along Shanghai-Nanjing Expressway. The change in revenue from ancillary services was mainly due to the sales of refined oil and changes in passenger flows of the service areas which were closely related to the change in the traffic volume of Shanghai-Nanjing Expressway. During the Reporting Period, the Company realized a revenue of approximately RMB718,470,000 from the ancillary services business.

In order to promote the overall improvement of economic efficiency and services quality in 6 service areas along Shanghai-Nanjing Expressway, the Company formulated a plan to reform the business models of the service areas. As at the end of this Reporting Period, the upgrading and transformation of Meicun Service Area, Huanglishu Service Area and Xianrenshan Service Area were completed and put into operation; the signing of the contracts regarding the outsourcing of operating rights of Yangcheng Lake Service Area and Fangmaoshan Service Area was completed in April 2018. In particular, Yangcheng Lake Service Area was outsourced for a term of 9 years with a rent totaling RMB185 million, and Fangmaoshan Service Area was outsourced for a term of 8 years with a rent totaling RMB185.26 million. During the Reporting Period, rental income from service areas amounted to approximately RMB80,649,000, representing a Year-on-year increase of approximately 79.81%. The economic benefits of service areas has been gradually achieved.

In terms of oil products, the Company proactively coped with new changes in the supply and demand in the refined oil market and took initiative to secure a greater profit margin. As affected by the Year-on-year decrease of sales volume of oil products, revenue from the ancillary business of the Company during the Reporting Period decreased by approximately 15.29% as compared to that for the same period of last year. However, as the oil product purchase contracts newly entered into by the Company in 2018 resulted in the further growth of profit from oil products, gross profit margin of oil products during this Reporting Period increased by approximately 7.37% Year-on-year, accompanied by a Year-on-year increase of approximately 4.78% in gross profit margin of ancillary services business.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(I) Overview (Continued)

III. Real estate development and sales business

During the Reporting Period, the regulation policies on housing purchase quota and mortgage restriction in Nanjing, Suzhou and Jurong became continuously stringent, where control of housing prices, avoidance of bubbles and destocking were underway concurrently; the Company made great efforts to increase inventory turnover and actively accelerated the delivery of completed properties under the current regulation policies in force. Projects delivered comprised of Nanmen Shijia, a small proportion of flats in Phase II of Jurong B and the odd remaining flats of other projects including Phase I and II of the Jurong “Tongcheng Shijia” Project, Suzhou Qingyuan Project, Huaqiao B19 “Tongcheng Guangmingxinzuo” Project, Huaqiao C4 “Tongcheng Hongqiao Mansion” and Huaqiao B4 “Tongcheng Guangmingjiezuo” Project.

During the Reporting Period, the Company recorded revenue from property sales of approximately RMB797,720,000, representing a substantial Year-on-year increase of approximately 106.24%. At present, property revenue of the Group was mainly derived from Ninghu Properties. Net profit after tax of Ninghu Properties amounted to approximately RMB113,691,000, representing a Year-on-year increase of approximately 66.51%, which was mainly due to the Year-on-year increase in the amount of delivery resulting from the concentrated delivery of new flats in Nanmen Shijia during the Reporting Period.

The construction and sale of the Hanrui Center Project developed by Hanwei Company were underway as scheduled. The Construction Works Commencement Permit for the project has been obtained. 1/F–3/F, and 1/F–4/F of the podium, of the Grade A Office Building (Building No. 1) were completed; 1/F–16/F of the LOFT Building (Building No. 2) were completed; and 1/F–17/F of the Hotel Apartment (Building No. 3) were completed. In November 2017, pre-sale permit for Building No. 2 and No. 3 has been obtained and pre-sale has been commenced and went well.

IV. Advertising and other businesses

Other businesses of the Company mainly comprised the advertising businesses of certain companies including Ninghu Investment, a subsidiary of the Company, and property services provided by certain companies including Ninghu Properties, a subsidiary of the Company. During the Reporting Period, the Group realized revenue from advertising and other businesses of approximately RMB32,104,000, representing a Year-on-year increase of approximately 1.44%.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(II) Analysis of Principal Businesses

1 Analysis on changes in relevant items in the financial statements

Unit: Yuan Currency: RMB

Item	Reporting Period	Corresponding period of the previous year	Change in percentage (%)
Operating income	5,141,779,834	4,669,035,065	10.13
Operating costs	2,256,373,175	2,071,770,067	8.91
Selling expenses	11,592,289	8,647,259	34.06
Administrative expenses	85,500,282	79,798,689	7.14
Financial expenses	253,212,505	211,683,150	19.62
Net cash flow from operating activities	2,662,789,107	2,573,346,735	3.48
Net cash flow from investment activities	-1,010,771,692	-2,753,025,007	-63.29
Net cash flow from financing activities	-1,210,230,628	251,138,196	-
R&D expenditure	-	-	-
Taxes and surcharges	107,395,338	45,218,867	137.50
Gain on changes in fair value	-2,594,467	2,543,880	-
Investment income	730,532,269	291,449,163	150.66
Gain on disposal of assets	-215,505	-1,578,917	-86.35
Non-operating income	9,282,569	1,726,197	437.75

Explanation on the reason for the change of operating income: During the Reporting Period, the toll revenue and the income of the Company's property business increased, resulting in a Year-on-year increase in operating income of approximately 10.13%.

Explanations on the reasons for the changes of operating costs: During the Reporting Period, the income of the Company's property business increased, which led to an increase of approximately RMB258 million in the costs of properties Year-on-year. Meanwhile, the increase in traffic volume led to the increase in the amortization expenses of road concession rights. The Company's total operating costs increased by approximately 8.91% Year-on-year.

Explanations on the reasons for the changes in selling expenses: During the Reporting Period, Hanwei Company was included in the scope of consolidation. The increase in advertisement and promotion fee and commission fee for the agent of real estate sales of South Nanjing New City project resulted in an increase in selling expenses by approximately 34.06% Year-on-year.



DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(II) Analysis of Principal Businesses (Continued)

1 Analysis of changes on relevant items in the financial statements (Continued)

Explanations on the reasons for the changes in administrative expenses: During the Reporting Period, the sharp increase in labour costs and the increase in building maintenance expenses caused a Year-on-year increase in administrative expenses by approximately 7.14%.

Explanations on the reasons for the changes in financial expenses: The successive capital investment in the ongoing road and bridge construction of project companies led to a Year-on-year increase in the average amount of interest-bearing debts of the Company. Due to tightening supervision over the financial market in the first half of the year and other reasons, during the Reporting Period, the capital cost in the market increased, the comprehensive loan interest rate of the Company's interest-bearing debts increased Year-on-year, and the Company's financial expenses increased by approximately 19.62% Year-on-year.

Explanations on the reasons for the changes in net cash flow from operation activities: During the Reporting Period, the Year-on-year increase in the net cash flow from operation activities was mainly attributed to the increase in toll revenue and the net cash inflow attributable to the inclusion of Hanwei Company in the scope of consolidation.

Explanations on the reasons for the changes in net cash flow from investment activities: The net cash outflow from the purchase of wealth management products and the Year-on-year decrease in payment for ongoing road and bridge construction projects resulted in a significant increase in the net cash flow generated from investment activities during the Reporting Period.

Explanations on the reasons for the changes in net cash flow from financing activities: The Year-on-year decrease in the net cash flow from financing activities was mainly attributed to the Year-on-year decrease in the capital contribution received by subsidiaries and the Year-on-year increase in the cash outflow for payments of dividends distributed.

Explanations on the reasons for the changes in R&D expenditure: None

Explanations on the reasons for the changes in taxes and surcharges: During the Reporting Period, the Ninghu Properties, a subsidiary of the Company, delivered property projects and the income from delivery was mainly generated before replacement of business tax with value-added tax and tax provision was made for advance settlement of land appreciation tax. As a result, the taxes and surcharges increased Year-on-year.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(II) Analysis of Principal Businesses (Continued)

1 Analysis of changes on relevant items in the financial statements (Continued)

Explanations on the reasons for the changes in gain on fair value change: mainly due to the Year-on-year decrease in the fair value of held-for-trading financial assets held by Ninghu Investment, a subsidiary of the Company, during the Reporting Period.

Explanations on the reasons for the changes in investment income: mainly due to the Year-on-year increase in investment income contributed by associates during the Reporting Period; and the recognition of the difference between the fair value and book value of the equity interests in Hanwei Company held by the Company prior to the acquisition date as revaluation appreciation gain upon the acquisition of Hanwei Company in accordance with the standards on business acquisitions involving enterprises not under common control.

Explanations on the reasons for the changes in gain on disposal of assets: mainly due to the Year-on-year decrease in the loss from disposal of assets during the Reporting Period.

Explanations on the reasons for the changes in non-operating income: mainly due to the negative goodwill arising from the acquisition of Hanwei Company during the Reporting Period.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(II) Analysis of Principal Businesses (Continued)

1 Analysis of changes on relevant items in the financial statements (Continued)

Principal operating activities classified by industries and products

Unit: Yuan Currency: RMB

By industries	Principal operating activities classified by industries					
	Operating revenue	Operating costs	Gross profit margin (%)	Change in operating revenue over the corresponding period of last year (%)	Change in operating costs over the corresponding period of last year (%)	Change in gross profit margin over the corresponding period of last year
Toll road business	3,593,486,094	1,101,969,427	69.33	5.62	8.43	Decreased by 0.80 percentage point
Shanghai-Nanjing Expressway	2,425,343,255	645,318,177	73.39	5.07	14.05	Decreased by 2.10 percentage points
Nanjing-Lianyungang Highway	12,014,124	2,103,673	82.49	-26.98	-79.30	Increased by 44.27 percentage points
Guangjing Expressway and Xicheng Expressway	425,941,644	108,289,749	74.58	2.60	2.89	Decreased by 0.07 percentage point
Ningchang Expressway and Zhenli Expressway	562,154,981	264,516,223	52.95	11.17	1.55	Increased by 4.46 percentage points
Xiyi Expressway and Wuxi Huantaihu Expressway	168,032,090	81,741,605	51.35	7.18	9.58	Decreased by 1.07 percentage points
Ancillary services business	718,469,872	658,426,686	8.36	-15.29	-19.49	Increased by 4.78 percentage points
Property sales business	797,719,861	485,055,076	39.19	106.24	113.71	Decreased by 2.13 percentage points
Advertising and other businesses	32,104,007	10,921,986	65.98	1.44	2.43	Decreased by 0.33 percentage point
Total	5,141,779,834	2,256,373,175	56.12	10.13	8.91	Increased by 0.49 percentage point

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(II) Analysis of Principal Businesses (Continued)

1 Analysis of changes on relevant items in the financial statements (Continued)

Explanations on the position of principal operating activities classified by industries and by products:

Last year, the Company made provision for impairment of intangible assets for the concession right of Nanjing-Lianyungang Highway of approximately RMB217,738,000. As a result, the concession right of Nanjing-Lianyungang Highway was not subject to amortization over the Reporting Period, resulting in a higher gross profit margin of Nanjing-Lianyungang Highway.

Cost structure

During the Reporting Period, accumulated operating costs amounted to approximately RMB2,256,373,000, representing a Year-on-year increase of approximately 8.91%. The cost structure of each business category is set out below:

Unit: Yuan Currency: RMB

Items of operating costs	Reporting Period	Percentage (%)	Corresponding	Percentage (%)	Year-on-year	Explanation on changes
			period of the previous year		increase/decrease as compared to the corresponding period of last year (%)	
Operating costs of the toll roads	1,101,969,427	48.85	1,016,303,817	49.06	8.43	
Depreciation and amortization	661,405,273	29.31	656,594,285	31.69	0.73	
Costs on toll collection	54,502,098	2.42	51,574,945	2.49	5.68	
Costs on maintenance	74,649,841	3.31	36,612,385	1.77	103.89	The Year-on-year increase in the road maintenance cost was mainly due to the comprehensive improvement of facilities and greening along the expressway during the Reporting Period and the settlement cycle.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(II) Analysis of Principal Businesses (Continued)

1 Analysis of changes on relevant items in the financial statements (Continued)

Cost structure (Continued)

Unit: Yuan Currency: RMB

Items of operating costs	Reporting Period	Percentage (%)	Corresponding period of the previous year	Percentage (%)	Year-on-year increase/decrease as compared to the corresponding period of last year (%)	Explanation on changes
Costs on system maintenance	15,013,035	0.67	8,035,227	0.39	86.84	The Year-on-year increase in costs of system maintenance was mainly due to the upgrading and transformation of the lighting facilities along the expressway during the Reporting Period and the settlement cycle.
Labour costs	296,399,180	13.14	263,486,975	12.72	12.49	The Year-on-year increase in labour costs of the toll road business was due to the rigid increase in labour costs and staff turnover arising from the transformation of the operation mode of service areas during the Reporting Period.
Costs of ancillary businesses	658,426,686	29.18	817,830,971	39.47	-19.49	
Raw materials	515,335,879	22.84	708,256,384	34.18	-27.24	The Year-on-year decrease in the purchasing cost of raw materials was mainly due to the decrease in the sales of oil products and rental of certain service areas during the Reporting Period.
Depreciation and amortization	24,409,509	1.08	12,815,103	0.62	90.47	Mainly due to the adjustment to the accounting basis for service areas.
Labour costs	91,843,962	4.07	78,119,091	3.77	17.57	The Year-on-year increase in labour costs for auxiliary businesses during the Reporting Period was due to the rigid increase in labour costs and reassignment of personnel to the hindrance clearance business following the outsourcing of part of the maintenance business.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(II) Analysis of Principal Businesses (Continued)

1 Analysis of changes on relevant items in the financial statements (Continued)

Cost structure (Continued)

Unit: Yuan Currency: RMB

Items of operating costs	Reporting Period	Percentage (%)	Corresponding period of the previous year	Percentage (%)	Year-on-year increase/decrease as compared to the corresponding period of last year (%)	Explanation on changes
Other costs	26,837,336	1.19	18,640,393	0.90	43.97	Mainly due to the Year-on-year increase in the maintenance and property management costs in support of the upgrading and transformation of service areas during the Reporting Period.
Costs of property sales business	485,055,076	21.50	226,972,213	10.96	113.71	The Year-on-year increase in the costs of property sales business was due to the Year-on-year increase in the scale of property projects delivered and carried forward during the Reporting Period.
Costs of advertising and other businesses	10,921,986	0.47	10,663,066	0.51	2.43	
Total	2,256,373,175	100	2,071,770,067	100	8.91	

2 Others

(1) Detailed explanation on major changes in the composition or source of the Company's profit

Applicable Not Applicable

(2) Others

Applicable Not Applicable



DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(III) Explanation on major changes in profit caused by non-principal businesses

In accordance with the Company's decision made at the 22nd meeting of the eighth session of the board of Directors on 19 March 2018, the Company acquired 30% equity of the joint venture, Hanwei Company, for RMB184,499,800. After the acquisition, Hanwei Company became the Company's wholly-owned subsidiary. Hanwei Company completed relevant procedures for the changes in business registration and other related formalities on 12 April 2018. The Company's acquisition date of Hanwei Company was 12 April. According to the Accounting Standard for Business Enterprises No. 2 – Long-term Equity Investment (Revised in 2014), Accounting Standard for Business Enterprises No. 33 – Combined Financial Statements (Revised in 2014) and other relevant requirements, and in accordance with the standards on exerting control over the investee not under common control, for the equity held by the Company in Hanwei Company before the acquisition date in the combined financial statements, professional institution was employed by the Company to evaluate the net assets of Hanwei Company by using asset-based approach. According to the assessment results, the Company remeasured the equity held by the Company in Hanwei Company before the acquisition date at its fair value on the acquisition date, and value appreciation of approximately RMB430,500,000 from assessment was recognized based on the difference between the fair value and its book value.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(IV) Analysis of assets and liabilities

1. Assets and liabilities

Unit: Yuan

Item	Balance at the end of the current Reporting Period	Proportion of balance to total assets at the end of the Reporting Period (%)	Balance at the end of the last period	Proportion of balance to total assets at the end of the last period (%)	Percentage change in balance at the end of the Reporting Period as compared with balance at the end of last period (%)	Explanation on changes
Cash at bank and on hand	708,100,725	1.54	269,357,751	0.63	162.88	Mainly due to that, during the Reporting Period, Changyi Company and Yichang Company received capital funds, and Hanwei Company was newly included in the scope of consolidation, resulting in an increase in cash at bank and on hand from the beginning of the period.
Held-for-trading financial assets	275,677,344	0.60	38,871,811	0.09	609.20	Mainly because, by Accounting Standard for Business Enterprises No.22, the Group reclassified wealth management products as held-for-trading financial assets from other current assets.



DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(IV) Analysis of assets and liabilities (Continued)

1. Assets and liabilities (Continued)

Item	Balance at the end of the current Reporting Period	Proportion of balance to total assets at the end of the Reporting Period (%)	Balance at the end of the last period	Proportion of balance to total assets at the end of the last period (%)	Percentage change in balance at the end of the Reporting Period as compared with balance at the end of last period (%)	Explanation on changes
Bills receivables and accounts receivables	280,093,402	0.61	309,247,630	0.73	-9.43	
Prepayments	18,030,499	0.04	10,200,712	0.02	76.76	Mainly due to the increase in prepayments for projects and purchases during the Reporting Period as compared to the beginning of the period.
Other receivables	129,970,291	0.28	106,256,683	0.25	22.32	Mainly due to the scope of consolidation during the Reporting Period increased from the beginning of the period; and the associates announced distribution of dividends, resulting in an increase in other receivables from the beginning of the period.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(IV) Analysis of assets and liabilities (Continued)

1. Assets and liabilities (Continued)

Item	Balance at the end of the current Reporting Period	Proportion of balance to total assets at the end of the Reporting Period (%)	Balance at the end of the last period	Proportion of balance to total assets at the end of the last period (%)	Percentage change in balance at the end of the Reporting Period as compared with balance at the end of last period (%)	Explanation on changes
Inventories	4,007,206,523	8.74	3,010,805,685	7.08	33.09	Mainly because of the acquisition of Hanwei Company during the Reporting Period, the Company recognised its inventories at fair value, resulting in an increase in inventories as compared to the beginning of the period.
Non-current assets due within one year	0	0	300,000,000	0.71	-100.00	Mainly due to that Hanwei Company returned the shareholders' loans during the Reporting Period.
Other current assets	82,780,031	0.18	557,742,656	1.31	-85.16	Mainly because, by Accounting Standard for Business Enterprises No.22, the Group reclassified wealth management products as held-for-trading financial assets from other current assets.
Available-for-sale financial assets	0	0	2,329,877,191	5.48	-100.00	Mainly because, by Accounting Standard for Business Enterprises No.22, the Group reclassified available-for-sale financial assets as other equity instruments investment and other non-current financial assets.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(IV) Analysis of assets and liabilities (Continued)

1. Assets and liabilities (Continued)

Item	Balance at the end of the current Reporting Period	Proportion of balance to total assets at the end of the Reporting Period (%)	Balance at the end of the last period	Proportion of balance to total assets at the end of the last period (%)	Percentage change in balance at the end of the Reporting Period as compared with balance at the end of last period (%)	Explanation on changes
Other equity instruments investment	2,942,620,000	6.42	0	0		Mainly because, by Accounting Standard for Business Enterprises No.22, the Group reclassified its equity interest of the restricted outstanding shares of Jiangsu Leasing and of Bank of Jiangsu Co., Ltd. as other equity instruments investment; and the book value of the available-for-sale financial assets recognized at fair value increased as a result of Jiangsu Leasing, partially owned by Guangjing Xicheng Company (a subsidiary of the Company) going public on the A-share market during the Reporting Period.
Other non-current financial assets	763,563,085	1.67	0	0		Mainly because, by Accounting Standard for Business Enterprises No. 22, the Group reclassified its equity investment in limited partnerships as other non-current financial assets.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(IV) Analysis of assets and liabilities (Continued)

1. Assets and liabilities (Continued)

Item	Balance at the end of the current Reporting Period	Proportion of balance to total assets at the end of the Reporting Period (%)	Balance at the end of the last period	Proportion of balance to total assets at the end of the last period (%)	Percentage change in balance at the end of the Reporting Period as compared with balance at the end of last period (%)	Explanation on changes
Long-term equity investment	5,643,475,551	12.31	5,123,326,114	12.05	10.15	Mainly due to increase in the fair value of Jiangsu Leasing held by Yangtze Bridge Company, an associate of the Company, and the associate's contribution to investment income during the Reporting Period.
Construction in progress	9,749,189,352	21.27	8,294,639,339	19.50	17.54	Mainly attributed to investments in road and bridge projects under construction during the Reporting Period.
Deferred income tax assets	201,391,773	0.44	258,020,384	0.61	-21.95	Mainly due to the reversal of deferred income tax assets arising from the making up losses in previous years by Ningchang Zhenli Company, a subsidiary of the Company, during the Reporting Period.
Other non-current assets	11,216,679	0.02	200,216,678	0.47	-94.40	Mainly due to the offsetting of entrusted loans provided by the Company to Hanwei Company as the Group's internal transaction due to the reason that Hanwei Company was included in the scope of consolidation during the Reporting Period.



DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(IV) Analysis of assets and liabilities (Continued)

1. Assets and liabilities (Continued)

Item	Balance at the end of the current Reporting Period	Proportion of balance to total assets at the end of the Reporting Period (%)	Balance at the end of the last period	Proportion of balance to total assets at the end of the last period (%)	Percentage change in balance at the end of the Reporting Period as compared with balance at the end of last period (%)	Explanation on changes
Short-term borrowings	2,999,000,000	6.54	3,599,000,000	8.46	-16.67	Mainly due to the repayment of certain short-term borrowings by the Company during the Reporting Period.
Receipts in advance	-	-	840,007,370	1.97	-100.00	Mainly because, by Accounting Standard for Business Enterprises No.14, the Group reclassified items under receipts in advance as contract liabilities.
Contract liabilities	867,499,785	1.89	-	-	-	Mainly because, by Accounting Standard for Business Enterprises No.14, the Group reclassified items under receipts in advance as contract liabilities.
Taxes payable	205,135,409	0.45	275,210,217	0.65	-25.46	Mainly due to the full payment of corporate income tax for 2017 during the Reporting Period.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(IV) Analysis of assets and liabilities (Continued)

1. Assets and liabilities (Continued)

Item	Balance at the end of the current Reporting Period	Proportion of balance to total assets at the end of the Reporting Period (%)	Balance at the end of the last period	Proportion of balance to total assets at the end of the last period (%)	Percentage change in balance at the end of the Reporting Period as compared with balance at the end of last period (%)	Explanation on changes
Other payables	1,607,857,413	3.51	217,363,761	0.51	639.71	Mainly due to the increase in dividends payable at the end of the Reporting Period, payable medium-term notes and other interests as well as the relevant fees received for obtaining relevant certificates for customers following the delivery of the property units of Ninghu Properties, a subsidiary of the Company, during the Reporting Period.
Non-current liabilities due within one year	379,639,336	0.83	623,841,375	1.47	-39.14	Mainly due to the redemption of medium-term notes in an amount of RMB500 million during the Reporting Period.
Other current liabilities	1,508,601,944	3.29	2,243,200,002	5.27	-32.75	Mainly due to the redemption of ultra-short-term notes upon maturity during the Reporting Period.
Long-term borrowings	4,893,473,689	10.68	3,874,089,201	9.11	26.31	Mainly due to the increase in loans for the construction of toll road and bridge projects under construction during the Reporting Period.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(IV) Analysis of assets and liabilities (Continued)

1. Assets and liabilities (Continued)

Item	Balance at the end of the current Reporting Period	Proportion of balance to total assets at the end of the Reporting Period (%)	Balance at the end of the last period	Proportion of balance to total assets at the end of the last period (%)	Percentage change in balance at the end of the Reporting Period as compared with balance at the end of last period (%)	Explanation on changes
Deferred income tax liabilities	377,762,312	0.82	28,056,831	0.07	1,246.42	Mainly due to the adjustments to other comprehensive income and the corresponding adjustments to deferred income tax liabilities based on the fair value of the equity interest held by Guangjing Xicheng Company, a subsidiary of the Company, in Jiangsu Leasing during the Reporting Period.
Deferred income	44,051,971	0.10	33,638,147	0.08	30.96	Mainly due to the unrealized profits of Hanwei Company prior to the acquisition that were recognized by the Company during the Reporting Period.
Other comprehensive income	1,510,550,167	3.30	380,908,923	0.90	296.56	Mainly due to the adjustment to other comprehensive income based on the fair value of the equity interest in Jiangsu Leasing which went public on the A-share market during the Reporting Period.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(IV) Analysis of assets and liabilities (Continued)

1. Assets and liabilities (Continued)

Item	Balance at the end of the current Reporting Period	Proportion of balance to total assets at the end of the Reporting Period (%)	Balance at the end of the last period	Proportion of balance to total assets at the end of the last period (%)	Percentage change in balance at the end of the Reporting Period as compared with balance at the end of last period (%)	Explanation on changes
Minority interests	3,100,213,107	6.76	2,374,646,649	5.58	30.55	Mainly due to capital contributions received by subsidiaries during the Reporting Period, and the recognition of other comprehensive income to which the minority shareholders are entitled based on the fair value of the equity interest in Jiangsu Leasing during the Reporting Period.
Total assets	45,833,738,275	100	42,532,491,238	100.00	7.76	
Total gearing ratio	38.86%	-	39.12%	-	-0.26	
Net gearing ratio	63.57%	-	64.25%	-	-0.68	

Other explanations

The calculation basis for total gearing ratio: liabilities divided by total assets;

The calculation basis for net gearing ratio: liabilities divided by shareholders' equity.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(IV) Analysis of assets and liabilities (Continued)

2. Restrictions on major assets as at the end of the Reporting Period

Unit: Yuan

Item	Book value as at the end of the Reporting Period	Reasons for restriction
Bank deposits	3,555,238	Deposit of mortgage loans to customers
Intangible assets	1,979,236,745	Pledge of operation rights and concession rights of toll expressways (Xiyi Expressway and Wuxi Huantaihu Expressway)
Intangible assets	367,685,298	Pledge of concession rights of toll expressways (Guangjing Expressway)
Total	<u>2,350,477,281</u>	

(1) Explanations for restrictions on bank deposits

At the end of the Reporting Period, the Company's other cash at bank and on hand included RMB3,555,000 of deposit of mortgage loans to customers.

(2) Explanations for restrictions on intangible assets

Guangjing Xicheng Company, a subsidiary of the Company, absorbed and merged with Xiyi Company, and undertook the obligation for repayment of original borrowings of Xiyi Company, of which an amount of RMB200,000,000 was borrowed from Wuxi branch of Bank of China for construction of Wuxi Huantaihu Expressway project. Such bank loan was guaranteed by Communications Holding, the parent company of the Company, and was further secured by the pledge of the operation rights of Xiyi Expressway and the toll concession rights of Wuxi Huantaihu Expressway. As at the end of the Reporting Period, RMB182,000,000 has been repaid in aggregate and the balance of the borrowing amounted to RMB18,000,000.

Guangjing Xicheng Company, a subsidiary of the Company, entered into a loan contract with Wuxi branch of Industrial and Commercial Bank of China for a sum of RMB1,200,000,000, which was secured by the toll road concession right of Guangjing Expressway. As at the end of the Reporting Period, the loan amounted to RMB50,000,000.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(IV) Analysis of assets and liabilities (Continued)

3. Other explanations

In 2018, the planned total capital expenditure of the Group was approximately RMB7.036 billion, among which approximately RMB1,771,384,000 was incurred during the Reporting Period, representing a decrease of approximately 28.17% Year-on-year. The major items of capital expenditure are as follows:

Item of Capital Expenditure	RMB
Investment in construction of Zhendan Expressway	299,082,834
Investment in construction of Wufengshan Toll Bridge	1,002,322,222
Investment in construction of Changyi Expressway	9,413,525
Investment in construction of Yichang Expressway	129,018,501
Equity investment in Suzhou Industrial Park CDB Kai Yuan Investment Center Phase II (Limited Partnership)	105,504,351
Acquisition of 30% equity interests of minority shareholders of Hanwei Company	184,499,800
Alteration and addition of service areas and toll collection points	2,010,881
Construction project of Three Major Systems	14,418,830
Noise barriers construction project	1,700,000
Setting up of billboards	1,683,661
Other construction and facilities in progress	<u>21,729,026</u>
Total	<u><u>1,771,383,631</u></u>

(1) Capital structure and solvency

The Company attaches great importance to maintaining a reasonable capital structure and continuous enhancement of its profitability in order to maintain the Company's good credit rating and sound financial position. At the end of the Reporting Period, total liabilities of the Group amounted to approximately RMB17,812,067,000 with a decreased in total gearing ratio by 0.26 percentage point to approximately 38.86% as compared to the ratio of the beginning of the Reporting Period (Note: calculation basis of the total gearing ratio: liabilities/total assets). In consideration of the Group's stable and abundant operating cash flow and sound capabilities of financing and capital management, its financial leverage ratio was at a safe level at the end of the Reporting Period.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(IV) Analysis of assets and liabilities (Continued)

3. Other explanations (Continued)

(2) Financial strategy and financing arrangement

During the Reporting Period, the Company actively expanded its financing channels, adjusted its debt structure and controlled financing costs. By means of proactive financing strategy, the Company was able to meet the funding needs for its operation and management and project investment and controlled the financing costs effectively. The Group's borrowing requirements are not subject to seasonality. In the first half of the year, additional direct financing amount was RMB1.5 billion. As at the end of the Reporting Period, the balance of interest-bearing liabilities amounted to approximately RMB13.772 billion, representing a decrease of approximately RMB526 million as compared with the amount at the beginning of the period. The rise in financing costs in market was driven by the increase in the loans for road and bridge projects under construction, including Wufengshan Toll Bridge, and the increasingly tight liquidity in capital market from the second half of last year. During the Reporting Period, the rate of the consolidated borrowing costs on interest-bearing liabilities of the Group were approximately 4.60%, representing an increase of approximately 0.47 percentage point Year-on-year, approximately 0.25 percentage point lower than the bank lending rate for the same period. During the Reporting Period, the Company's major financing activities included:

Type of financing	Date of issuance	Term of product	Amount of financing RMB'000	Interest rate (%)	Bank's prevailing benchmark interest rate (%)	Increase of percentage points in financing costs (%)
Ultra-short-term debenture notes	10 April 2018	185 days	500,000	4.37	4.35	0.02
Ultra-short-term debenture notes	5 June 2018	101 days	1,000,000	4.35	4.35	-

(3) Credit policy

In order to minimize the credit risk, the Group has controlled credit limits, undertaken credit approvals and executed other monitoring procedures to ensure that necessary follow-up actions are taken to recover overdue debts. In addition, the Group reviews its receivables at each balance sheet date to ensure that adequate provisions are made for bad debts. In this regard, the management of the Group considers that the Group's credit risk is relatively low.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(IV) Analysis of assets and liabilities (Continued)

3. Other explanations (Continued)

(4) Contingencies

Ninghu Properties and Hanwei Company, subsidiaries of the Company implement the operating practice in the real estate sector of providing the buyers of commodity housing properties with guarantees with joint liabilities for their mortgage loans. The obligation begins from the date on which the guarantee contract comes into effect and will end when the buyers obtain certifications of the purchased properties and complete registration of mortgage and pass the properties warrants certification to bank. As at 30 June 2018, the outstanding guarantees amounted to approximately RMB2,263,120,000 (31 December 2017: RMB893,282,000).

(5) Pledged assets

A subsidiary of the Company, Guangjing Xicheng Company, has merged with and acquired Xiyi Company and undertaken the original loan of Xiyi Company, of which the original loan in a sum of RMB200,000,000 was obtained from Wuxi branch of Bank of China for the construction of Wuxi Huantaihu Expressway project. The bank loan was guaranteed by the parent company namely Communications Holding and it was secured by the pledge of the operation rights of Xiyi Expressway and was further secured by the pledge of the toll road concession rights of Wuxi Huantaihu Expressway. As at the end of the Reporting Period, RMB182,000,000 has been repaid in aggregate and the balance of the loan was RMB18,000,000.

A subsidiary of the Company, Guangjing Xicheng Company, entered into a loan contract of RMB1,200,000,000 with Industrial and Commercial Bank of China, Wuxi branch. The aforesaid loans are secured by the operation right of Guangjing Expressway. As at the end of the Reporting Period, the balance of the loan was 50,000,000.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(IV) Analysis of assets and liabilities (Continued)

3. Other explanations (Continued)

(6) Entrusted loans

As at 30 June 2018, the entrusted loans obtained by the Company and its subsidiaries in RMB were as follows:

Related/Connected Party	Amount of lending/ borrowing (RMB)	Inception date	Maturity date	Description
Borrowings from Jiangsu Far East Shipping Co., Ltd.	160,000,000	14 August 2017	14 August 2018	Entrusted loan at an annual interest rate of 4.35%
Jiangsu Jinghu Expressway Company Limited	300,000,000	2 May 2018	1 May 2019	Entrusted loan at an annual interest rate of 4.35%

Note: The above entrusted loans were obtained at such interest rates no higher than the prevailing lending rate of banks. The Company and its subsidiaries were not required to provide any guarantee or pledge. The borrowings/loans already due on the date of this report and interests thereon have been fully repaid.

(7) Foreign exchange risks

The Group operates its businesses principally in the PRC. No material foreign exchange risks are involved as the Company's revenues from operations and capital expenditures are all settled in Renminbi, except for payment of dividends for H Shares, and there is no foreign currency investment. A loan of USD9,800,000 at an annual interest rate of 2% was granted to the Group from the Spanish government in 1998 and will be due on 18 July 2027. As at 30 June 2018, the balance of such loan was equivalent to approximately RMB17,213,000, against which no foreign exchange hedging arrangements were made by the Company. The fluctuations in exchange rates will not have any material impact on the Company's results.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(V) Investment Analysis

1. Overall analysis of external equity investment

During the Reporting Period, total external equity investment of the Group amounted to approximately RMB290,003,800, representing an increase of approximately 11.29% as compared with the amount of the corresponding period of last year. Specifically, the items included: the acquisition of 30% equity interests of minority shareholders of Hanwei Company of approximately RMB184,499,800, and equity investment of approximately RMB105,504,000 in Suzhou Industrial Park CDB Kai Yuan Investment Center Phase II (Limited Partnership).

(1) Material equity investments

Listing of an investee, Jiangsu Leasing

In January 2018, Jiangsu Leasing, an investee of Guangjing Xicheng Company whose 85% of its shareholdings were held by the Company, obtained approval for its application for initial public offering and went public on the Shanghai Stock Exchange on 1 March 2018. Guangjing Xicheng Company, being the fourth largest shareholder of Jiangsu Leasing, owns 234 million shares, accounting for approximately 7.83% of the total issued share capital of Jiangsu Leasing. These shares held by Guangjing Xicheng Company are non-transferrable within 36 months from the date of listing of the shares of Jiangsu Leasing. Currently, the Company's interests in such shares are recognized at fair value through other comprehensive income, and thus the net assets of the Group increased accordingly. For details of the investment project, please refer to the announcements of the Company published on the websites of Shanghai Stock Exchange (www.sse.com.cn) and the Stock Exchange (www.hkex.com.hk) on 20 January 2018 and 19 January 2018, respectively.



DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(V) Investment Analysis (Continued)

1. Overall analysis of external equity investment (Continued)

(1) Material equity investments (Continued)

Acquisition of Hanwei Company's equity

In accordance with the Company's decision made at the 22nd meeting of the eighth session of the board of Directors on 19 March 2018, the Company acquired 30% equity of the joint venture, Hanwei Company, for RMB184,499,800. After the acquisition, Hanwei Company became the Company's wholly-owned subsidiary. For details of the acquisition project, please refer to the relevant announcements of the Company dated 20 March 2018 published on the websites of Shanghai Stock Exchange (www.sse.com.cn) and the Stock Exchange (www.hkex.com.hk). On 12 April 2018, Hanwei Company completed relevant procedures for the changes in business registration and other related formalities. The Company's acquisition date of Hanwei Company was 12 April. According to the Accounting Standards for Business Enterprises No. 2 – Long-term Equity Investment (Revised in 2014), Accounting Standards for Business Enterprises No. 33 – Combined Financial Statements (Revised in 2014) and other relevant requirements, and in accordance with the standards on exerting control over the investee not under common control, for the equity held by the Company in Hanwei Company before the acquisition date in the combined financial statements, professional institution was employed by the Company to evaluate the net assets of Hanwei Company by using asset-based approach. According to the assessment results, the Company remeasured the equity held by the Company in Hanwei Company before the acquisition date at its fair value on the acquisition date, and value appreciation of approximately RMB430,500,000 from assessment was recognized based on the difference between the fair value and its book value.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(V) Investment Analysis (Continued)

1. Overall analysis of external equity investment (Continued)

(1) Material equity investments (Continued)

Participating in the establishment of Media Company

On 4 June 2018, after being approved at the 25th meeting of the eighth session of the board of Directors of the Company, the Company, Communications Holding, Jinghu Company, Orient Operation Company and Orient Road & Bridge Company jointly invested RMB200 million to establish Media Company. The Company proposed to contribute RMB60 million, representing 30% of the total share capital. The establishment of Media Company is beneficial to the centralized management of transportation media resources in Jiangsu Province, and will help to further explore and enhance the value of the advertising resources on expressway, so as to improve the Company's social image. As at the date of the Report, the Company has invested RMB24,000,000. For details of the investment project, please refer to the announcements of the Company dated 5 June 2018 and 21 June 2018 published on the website of Shanghai Stock Exchange (www.sse.com.cn), and on the website of the Stock Exchange (www.hkex.com.hk).

Subscription of the units of private equity fund

After being approved by the board of Directors of the Company, Ninghu Investment has subscribed for a total of RMB1.2 billion units in CDB Kai Yuan Phase II Fund. As at the end of the Reporting Period, Ninghu Investment made an accumulative contribution of RMB613,563,000.

Ninghu Investment subscribed for Luode Fund Company for a total of RMB150 million. As of the end of the Reporting Period, the project has completed all capital contributions.

(2) Material non-equity investments

During the Reporting Period, the Company's material non-equity investment of RMB1,439,837,000 in total was mainly dedicated to active facilitation of the construction of new road and bridge projects. In particular, RMB1,002,322,000 was invested in the construction of Wufengshan Toll Bridge project, RMB299,082,000 was invested in the construction of Zhendan Expressway, RMB9,414,000 was invested in the construction of Changyi Expressway and RMB129,019,000 was invested in Yichang Expressway.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(V) Investment Analysis (Continued)

1. Overall analysis of external equity investment (Continued)

(3) Financial assets measured at fair value

Unit: Yuan Currency: RMB

Name of item	Initial investment cost	Source of funds	Details of purchase or sale	Investment income	Fair value changes
Fund investment	9,999,400	Internal resources	-	0	-2,221,867
Wealth management products	239,400,000	Internal resources	-	4,195,261	0
Gold investment	<u>15,710,238</u>	Internal resources	-	<u>-275,451</u>	<u>-372,600</u>

During the Reporting Period, Ninghu Investment, a subsidiary of the Company, continued to hold Fuanda Advantageous Growth Fund purchased in 2011, with approximately 10,000,000 investment units and a net value of approximately RMB22,455,000 at the beginning of the Reporting Period. In particular, the investment cost amounted to approximately RMB9,999,000. The fair value decreased by approximately RMB2,222,000 and the accumulated fair value increased by approximately RMB10,233,000 during the Reporting Period. During the Reporting Period, Ninghu Investment continued to hold the investment in gold, a type of precious metal, purchased in 2014 at an investment cost of approximately RMB15,710,000 with its net value being approximately RMB16,417,000 at the beginning of the Reporting Period. At the end of the Reporting Period, such net value was approximately RMB16,044,000. The fair value decreased by approximately RMB373,000 while the accumulated fair value increased by approximately RMB334,000 during the Reporting Period.

(VI) Material disposal of assets and equity interest

Applicable Not Applicable

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(VII) Analysis of major controlled companies or investees

1. Operations of major subsidiaries

Name of company	Principal business	Investment	Equity	Total	Net	Net	Percentage	Year-on-year
		cost	interest					
		RMB	(%)	RMB	RMB	RMB	(%)	(%)
Guangjing Xicheng Company	Expressway construction, management, maintenance and toll collection	2,125,000,000	85	10,600,384,017	6,355,243,369	337,340,835	13.29	-1.64
Ningchang Zhenli Company	Expressway construction, management, maintenance and toll collection	6,729,236,885	100	7,876,041,830	7,815,834,525	217,742,462	8.58	26.74
Ninghu Investment	Investments in various types of infrastructure, industries and assets	632,100,000	100	900,815,958	880,773,844	13,008,856	0.51	-19.66
Ninghu Properties	Real estate development, operation and consultancy services	500,000,000	100	2,983,920,385	893,077,189	113,690,889	4.48	66.51
Zhendan Company	Expressway construction, management, maintenance and toll collection	423,910,000	70	1,577,510,615	606,469,782	-8,500	-	70
Wufengshan Toll Bridge Company	Expressway construction, management, maintenance and toll collection	1,794,936,830	64.5	5,417,725,590	2,774,122,732	-58,525	-	-53.38
Hanwei Company	Real estate development and operation	184,499,800	100	1,846,676,878	617,523,596	-5,383,507	-	-

* During the Reporting Period, the accumulated operating income of Guangjing Xicheng Company amounted to approximately RMB613,455,000, representing an increase of approximately 4.24% Year-on-year; the accumulated operating costs amounted to approximately RMB214,485,000, representing an increase of approximately 8.51% Year-on-year. During the Reporting Period, due to the Year-on-year increase in dividends distributed by Jiangsu Leasing, an investee, and increase in profit of Yanjiang Company, an investee, the investment income increased by approximately 15.72% Year-on-year. The capital contribution to the project companies such as Changyi Company and Yichang Company resulted in a Year-on-year increase in its average interest-bearing debts during the Reporting Period, and the financing costs increased Year-on-year due to the tightening supervision on the financial market. The financial expenses increased by approximately 62.53% Year-on-year. The above factors led to a decrease in net profit of Guangjing Xicheng Company by approximately 1.64% Year-on-year during the Reporting Period.

* During the Reporting Period, the toll revenue of Ningchang Zhenli Company continued to rise, with net profit of approximately RMB217,742,000 during the Reporting Period, representing a Year-on-year increase of approximately 26.74%.

* During the Reporting Period, with a Year-on-year increase of approximately 472.35% in investment income, Luode Fund Company, an associate invested by Ninghu Investment, recorded an increase in profit. However, due to the combined effects of the income of approximately RMB18,590,000 derived from the transfer of investment properties in the corresponding period of last year, and a Year-on-year decrease in the fair value of held-for-trading financial assets during the Reporting Period, the book value of net profit decreased by approximately 19.66% Year-on-year.

* Please refer to the section headed "Real estate development and sales business" in this report for the operational performance and changes in the results of Ninghu Properties.

* Please refer to the sections headed "Material Equity Investments" and "Real estate development and sales business" in this report for the equity investment in and operational performance of Hanwei Company.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(VII) Analysis of major controlled companies or investees (Continued)

2. Operations of key associates

During the Reporting Period, the investment income of the Group amounted to approximately RMB730,532,000, representing an increase of approximately 150.66% Year-on-year and approximately 28.77% of the Group's net profit. The Year-on-year increase in investment income was mainly due to the facts that: associates, in which the Group had a participating interest, contributed investment income of approximately RMB284,809,000, representing a Year-on-year increase of approximately 30.83%; and a valuation gain of approximately RMB430,500,000 was recognized from the acquisition of Hanwei Company during the Reporting Period. Operating results of certain key associates are set out below:

Name of Company	Principal business	Investment cost RMB	Equity interest attributable to the Company (%)	Net profit	Contribution to investment income RMB	Percentage of the Company's net profit (%)	Year-on-year increase/ decrease (%)
				attributable to the shareholders of the associates RMB			
Sujiahang Company	Management and operation of Sujiahang Expressway	526,090,677	31.55	305,691,857	96,445,781	3.80	18.44
Yangtze Bridge Company	Mainly engaged in the management and operation of Jiangyin Bridge	631,159,243	26.66	350,656,414	93,485,000	3.68	28.49
Yanjiang Company	Mainly engaged in the management and operation of Yanjiang Expressway	1,466,200,000	25.15	330,854,409	91,315,817	3.60	6.61
Sujiayong Company	Mainly engaged in the management and operation of Changjia Expressway	431,609,486	22.77	-10,117,694	-2,303,799	-	-43.60

* Due to the Year-on-year increase in toll revenue driven by the growth in the traffic volume, Sujiahang Company recorded an increase in net profit as compared to that of the corresponding period of last year and its contribution to investment income increased by approximately 18.44% Year-on-year.

* Due to the Year-on-year increase in toll revenue driven by the growth in the traffic volume and Year-on-year increase in investment income from Sutong Bridge (蘇通大橋) and Taizhou Bridge (泰州橋), Yangtze Bridge Company recorded an increase in net profit as compared to that of the corresponding period of last year and its contribution to investment income increased by approximately 28.49% Year-on-year.

* Due to the decrease of interest-bearing liabilities and a Year-on-year decrease in financial expenses, Yanjing Company recorded an increase in net profit as compared to that of the corresponding period of last year and its contribution to investment income increased by approximately 6.61% Year-on-year.

* Due to the Year-on-year increase in toll revenue driven by the growth in the traffic volume, Sujiayong Company recorded a decrease in operating loss of approximately 43.60% as compared to that of the corresponding period of last year.

(VIII) Structured entities controlled by the Company

Applicable Not Applicable

DISCUSSION AND ANALYSIS OF THE OPERATION

II. OTHER DISCLOSURES

(I) **Profit warning and explanation of projected accumulated net loss from the beginning of the year to the end of the next reporting period or material changes over the corresponding period of previous year**

Applicable Not Applicable

(II) **Possible Risks**

With a view to optimizing the corporate governance system, strengthening risk management, and enhancing the Company's capability to deal with risks, the Company determined the basic principles for risk assessment, established the standards of risk assessment, and identified material risks of the Group in combination with the industry risks, thus establishing the risk management system. The risk management system of the Group involves corporate strategy, finance, market, operation, policies, laws and other aspects. As far as its future strategic development is concerned, the Group will pay keen attention to the following main risks and proactively take effective counter-measures:

1. **Policy risks associated with the expressway industry**

Risk analysis: Income from toll fees are susceptible to the direct and indirect influence of changes in the national macro-economic regulation and control policy, financial policy and taxation policy. Divergence between the orientation of governmental policy and the direction of internal development of the Company or unexpected promulgation of governmental policy that is uncongenial to the Company's development may hinder the business development of the Company and affect the sustainable operation of the Company.

Counter-measures: The Company will establish a dynamic tracking and assessing mechanism in response to policy-related risks. It will enhance the contact and communication with competent government authorities, especially the transportation department, financial department, taxation department and price department so as to win their policy support for expressways. Meanwhile, the Company will develop new profit growth points and proactively pursue various business activities related to the principal businesses aiming to reduce risks arising from the relatively homogeneous business structure.



DISCUSSION AND ANALYSIS OF THE OPERATION

II. OTHER DISCLOSURES (CONTINUED)

(II) Possible Risks (Continued)

2. Policy risks associated with the real estate industry

Risk analysis: Considering the relatively long industry chain of real estate, regulation by means of state policy over any part of the industry may have a strong influence on the operation of the real estate enterprises. In the event that macro-control policies adverse to the development of the Company, such as purchase restriction and price caps, are introduced by the government, the Company may be exposed to risks of poor sales or declined performance.

Counter-measures: The Company will build a tracking mechanism, always keep an eye on policies concerning the industry and the development tendency of the macro-economy and the industry, and enhance its capability to judge the policy trend. Meanwhile, the Company will reinforce specialized development and management of projects and strive for specialization and delicacy management in various stages ranging from market and projects selection, planning and design to operation and execution.

(III) Other disclosures

1. Analysis of operation situation

Economy in the Yangtze River Delta was developing steadily with improving quality in the first half of 2018, and is expected to maintain such development momentum in the second half of the year. Given the comparatively stable performance of growth in the traffic volume of both passenger vehicles and trucks of each expressway during the Reporting Period, the toll revenue throughout the year is expected to increase at a steady rate. In respect of reform of mode of operation, the Company steadily advanced the reform plan for the service areas and completed the tendering process for outsourcing six services areas. Meanwhile, the Company also tapped profit potentials of oil products with intensive efforts and witnessed progressive achievement in the overall operating effectiveness of the ancillary services business.

DISCUSSION AND ANALYSIS OF THE OPERATION

II. OTHER DISCLOSURES (CONTINUED)

(III) Other disclosures (Continued)

2. Work priorities in the second half of this year

(1) Capitalizing on the listing status to optimize and integrate expressway resources

Based on its principal business, the Company will capitalize on its listing status to develop an integrative view on the planning and layout of the expressway network, exploring high-quality expressway investment opportunities, optimize and integrate expressway resources and expand investment in traffic infrastructure such that the Company will be skilled, specialized and superior in its principal traffic businesses. The Company will proactively advance such new projects as Wufengshan Toll Bridge and North-South Approach Expressways and complete various construction and preparatory tasks before Zhendan Expressway is open to traffic so as to develop and nurture new profit growth drivers for the principal businesses of the Company and further consolidate the leading position of the Company in the South Jiangsu expressway network.

(2) Upholding corporate reform and innovation to advance the new round of transformation in the service areas

Steadfast in the working though of “prompt action and awaiting belated rewards”, the Company will carry forward the upgrade and transformation of the six service areas along the Nanjing Shanghai expressway emphatically based on the concept of “awaiting belated rewards” and strive to achieve “simultaneous improvement” of social and economic benefits. It will continue to promote transformation of the “3+3” operating model for the preliminary realization of service upgrade and transformation throughout the Nanjing Shanghai expressway, level up internal management of the service areas in a practical manner and enhance the customers’ recognition and satisfaction over the service areas along Nanjing Shanghai expressway through platform expansion, brand partnership, innovation in business modes, etc.. Meanwhile, the Company will, leveraging on opportunities in the wake of changes in the oil products market, develop a set of feasible oil products management mechanism systems to seek for potential benefits.



DISCUSSION AND ANALYSIS OF THE OPERATION

II. OTHER DISCLOSURES (CONTINUED)

(III) Other disclosures (Continued)

2. Work priorities in the second half of this year (Continued)

(3) Proactively mapping out new investment and financing measures by right of the capital advantages of the Company

Under the macro circumstance of reform of the state-owned enterprises, the Company will, in consistent adherence to the guidance of the “13th Five-year” development strategy, broaden its horizon, emphasize macro transportation and macro infrastructure and look ahead to identify new investment opportunities through prudent demonstrations and efficient operation, thereby save up strength for the long-term development of the Company. At the same time, the Company will intensify communication with professional intermediaries, vigorously experiment on all kinds of innovative financing instruments, and further tap the comprehensive financing potential of the Company in domestic and overseas capital markets so as to reduce financing costs, optimize debt structure and provide capital guarantee for the strategic development.

(4) Proactively implementing “smart capacity expansion” and comprehensively enhancing the traffic capacity of the roads

Highlighting the constructing of “smart traffic” and “smart expressways”, the Company will strengthen the application of innovative technology achievements, accelerate the organic integration of technological resources and production and operation, continue to conduct research on the subject of guaranteeing traffic capacity under extra-large traffic volume, and further improve the passing efficiency of expressways by means of “smart capacity expansion”. It will also advance the intelligent comprehensive control and utilize modern information technology integration such as cloud computing, artificial intelligence, big data, etc., in traffic construction to enhance the capability in data analysis and business supporting and level up the networking and intelligent standards of expressway operation and management. Besides, the Company will also press ahead “expressway + Internet”. It has achieved sufficient sharing of on-site information by introduction of cloud technologies including cloud check-in in thorough cooperation with Amap such that it is capable of coping with traffic conjunctions efficiently and guaranteeing smooth traffic at full stretch.

SIGNIFICANT MATTERS

I. OVERVIEW OF THE GENERAL MEETINGS

<u>Session of the meeting</u>	<u>Convening date</u>	<u>Inquiry index of the designated website for publishing the resolutions</u>	<u>Disclosure date of the resolutions</u>
The 2017 Annual General Meeting	21 June 2018	www.sse.com.cn www.hkexnews.hk www.jsexpressway.com	22 June 2018

Information on the general meetings

Applicable Not Applicable

II. PROFIT DISTRIBUTION PLAN OR PLAN FOR CONVERSION OF CAPITAL RESERVES INTO SHARE CAPITAL

(I) Half-yearly profit distribution plan or plan for conversion of capital reserves into share capital

Whether to distribute or convert	No
Number of bonus shares for every share (<i>share</i>)	–
Amount of cash dividends for every share (<i>Yuan</i>) (tax inclusive)	–
Number of shares converted for every share (<i>share</i>)	–

Relevant information on the profit distribution plan or plan for conversion of capital reserves into share capital:

As approved at the 2017 annual general meeting, the Company distributed a cash dividend of RMB0.44 (tax inclusive) per share to all shareholders for the year of 2017 on the basis of a total of 5,037,747,500 shares in the share capital at the end of 2017, representing a payout ratio of 61.78%. Such profit distribution plan was implemented on 13 July 2018.



SIGNIFICANT MATTERS

III. UNDERTAKINGS AND PERFORMANCE OF UNDERTAKINGS

(I) Undertakings of the de facto controller of the Company, Shareholders, related parties, offeror, the Company and other relevant parties during the Reporting Period or continuing up to the Reporting Period

Background of undertaking	Type of undertakings	Undertaking party	Contents of undertaking	Time and term of undertaking	Any term of performance	Whether or not it has been performed in a timely and strict manner	Specific reason(s) for non-	Plans for the next step in case of failure to perform in a timely manner
							performance	
Other undertakings	Others	Communications Holding	In order to properly settle the matter regarding economic compensation for the removal of the Panjiahuayuan Toll Station, according to the contents of the document of Su Zheng Fu [2017] No. 99 and relevant minutes of meeting, the Liuhe District Government undertook to pay a compensation of RMB49.93 million to the Company. As at the end of the Reporting Period, the Company had received the compensation.	None	No	Yes	Not Applicable	Not Applicable

SIGNIFICANT MATTERS

IV. APPOINTMENT AND REMOVAL OF ACCOUNTANT

Information on appointment and removal of accountant

The reappointment of Deloitte as the domestic auditor of the Company for the year of 2018 was approved at the Company's 2017 Annual General Meeting. The audit fee amounted to RMB2,400,000 for the year. Deloitte, a firm of practising certified public accountants approved by the Ministry of Finance (MOF) and the CSRC to act as a reporting accountant and/or an auditor for Hong Kong listed companies incorporated in the Mainland, was engaged to audit the financial statements of the Company for the financial year ended 31 December 2018 prepared in accordance with the PRC Accounting Standards and to discharge the duties as an international auditor under the Hong Kong Listing Rules. Deloitte was also appointed as the internal control auditor of the Company for the year of 2018 at the general meeting. The audit fee was RMB800,000.

Deloitte has been providing audit services to the Company for 15 consecutive years since 2003. For the years of 2008, 2010, 2013, 2014, 2015 and 2018, the firm changed the endorsing certified public accountant responsible for the audit services provided to the Company.

Information on change of accountant during the auditing period

Applicable Not Applicable

Explanation from the Company on the "Non-Standard Audit Report" issued by the accountant

Applicable Not Applicable

Explanation from the Company on the certified public accountant's issuance of "Non-Standard Audit Report" in respect of the financial statements in the annual report for the preceding year

Applicable Not Applicable

V. MATTERS CONCERNING BANKRUPTCY AND RESTRUCTURING

Applicable Not Applicable

VI. MATERIAL LITIGATION AND ARBITRATION

The Company was involved in material litigations and arbitrations during the Reporting Period

The Company was not involved in any material litigations or arbitrations during the Reporting Period

SIGNIFICANT MATTERS

VII. SANCTIONS AND RECTIFICATIONS ON THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS, CONTROLLING SHAREHOLDER, DE FACTO CONTROLLER AND OFFERER

Applicable Not Applicable

VIII. EXPLANATION FOR INTEGRITY OF THE COMPANY AND ITS CONTROLLING SHAREHOLDER AND DE FACTO CONTROLLER DURING THE REPORTING PERIOD

Applicable Not Applicable

IX. THE EQUITY INCENTIVE SCHEME, EMPLOYEE SHARE OWNERSHIP SCHEME OR OTHER EMPLOYEE INCENTIVE MEASURES OF THE COMPANY AND THE IMPACT THEREOF

(I) Equity incentive events disclosed in provisional announcements with no further progress or changes after implementation

Applicable Not Applicable

(II) Incentive events which have not been disclosed in provisional announcements or have seen further progress

Equity Incentive Scheme

Applicable Not Applicable

Other information

Applicable Not Applicable

Employee Share Ownership Scheme

Applicable Not Applicable

Other Incentive Measures

Applicable Not Applicable

SIGNIFICANT MATTERS

X. MAJOR RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS

(I) Related party transactions/connected transactions relating to day-to-day operations

1. Matters which were disclosed in a provisional announcement but had no further progress or no changes after implementation

Description of the Event	Enquiry Index
<p>On 25 August 2017, the Company and Jiangsu Sundian entered into the contract for renewal of the property lease in respect of the office building located in No. 2 Xianlin Avenue, Nanjing City, Jiangsu Province. The term of lease was from 1 September 2017 to 31 December 2019 and the annual rent was RMB1,690,000.</p>	<p>For details, please refer to the announcement on the continuing related party transaction/continuing connected transaction published by the Company on the website of the SSE at www.sse.com.cn on 28 August 2017 and the website of the Stock Exchange at www.hkexnews.hk on 25 August 2017 respectively.</p>
<p>On 25 March 2016, Ningchang Zhenli Company, a subsidiary of the Company, entered into the Service Area Petrol Station Lease Contract with Expressway Petroleum Company with a lease term from 1 April 2016 to 31 March 2019, under which the petrol stations along both sides of the service area owned by Ningchang Zhenli Company were leased to Expressway Petroleum Company for operation. The estimated rents for the following three years were RMB10,000,000, RMB13,000,000 and RMB17,000,000, respectively.</p>	<p>For details, please refer to the announcement on the continuing related party transaction/continuing connected transaction published by the Company on the website of the SSE at www.sse.com.cn and the website of the Stock Exchange at www.hkexnews.hk respectively on 28 March 2016.</p>
<p>On 23 March 2018, each of the Company, Guangjing Xicheng Company and Ningchang Zhenli Company entered into Contracts on Maintenance of Monitoring and Communication Systems and Procurement of Spare Parts with Information Company respectively. The contract term was from 1 April 2018 to 31 March 2019 and the respective cumulative contract amounts were no more than RMB14,000,000, RMB4,500,000 and RMB2,000,000.</p>	<p>For details, please refer to the announcement on the continuing related party transactions/continuing connected transactions published by the Company on the website of the SSE at www.sse.com.cn on 27 March 2018, and on the website of the Stock Exchange at www.hkexnews.hk on 23 March 2018.</p>



SIGNIFICANT MATTERS

X. MAJOR RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS (CONTINUED)

(I) Related party transactions/connected transactions relating to day-to-day operations (Continued)

1. Matters which were disclosed in a provisional announcement but had no further progress or no changes after implementation (Continued)

Description of the Event

Enquiry Index

On 27 March 2017, the Company, Guangjing Xicheng Company and Ningchang Zhenli Company entered into Expressway Network Management Services Framework Agreement with Network Operation Company respectively, for a term of three years. The amount of the service contract in 2018 shall not exceed RMB39,000,000, RMB11,000,000 and RMB9,000,000, respectively. The Company, Guangjing Xicheng Company and Ningchang Zhenli Company entered into Expressway Network Technical Services Framework Agreements with Tongxingbao Company for a term of three years respectively. The amounts of the service contract in 2018 shall not exceed RMB10,000,000, RMB3,300,000 and RMB3,000,000, respectively.

For details, please refer to the announcements on the continuing related party transaction/continuing connected transaction published by the Company on the website of the SSE at www.sse.com.cn and the website of the Stock Exchange at www.hkexnews.hk on 27 March 2017.

On 23 March 2018, each of the Company, Guangjing Xicheng Company and Ningchang Zhenli Company respectively entered into the ETC Customer Service Outlets Management Agreements with Tongxingbao Company for a term of 1 year. The total amount of the service contract in 2018 shall not exceed RMB1,080,000.

For details, please refer to the announcement on the continuing related party transactions/continuing connected transactions published by the Company on 26 March 2018 on the website of the SSE at www.sse.com.cn and the website of the Stock Exchange at www.hkexnews.hk respectively.

SIGNIFICANT MATTERS

X. MAJOR RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS (CONTINUED)

(I) Related party transactions/connected transactions relating to day-to-day operations (Continued)

1. Matters which were disclosed in a provisional announcement but had no further progress or no changes after implementation (Continued)

<u>Description of the Event</u>	<u>Enquiry Index</u>
<p>On 23 March 2018, each of the Company, Guangjing Xicheng Company and Ningchang Zhenli Company respectively entered into the Expressway Maintenance Services Contracts with Jiangsu Sundian for a service term expiring on 31 December 2018. The total amount of the project contract in 2018 of each of the Company, Guangjing Xicheng Company and Ningchang Zhenli Company is expected to be no more than RMB108,000,000, RMB50,000,000 and RMB35,000,000 respectively.</p>	<p>For details, please refer to the announcement on the continuing related party transactions/continuing connected transactions published by the Company on 26 March 2018 on the website of the SSE at www.sse.com.cn and the website of the Stock Exchange at www.hkexnews.hk respectively.</p>
<p>On 23 March 2018, each of the Company, Guangjing Xicheng Company and Ningchang Zhenli Company respectively entered into the maintenance technology research and services contract with Maintenance Technology Company for a term expiring on 31 December 2018. Fees to be paid for the year shall not exceed RMB7,900,000, RMB2,600,000 and RMB2,600,000, respectively.</p>	<p>For details, please refer to the announcement on the continuing related party transactions/continuing connected transactions published by the Company on 26 March 2018 on the website of the SSE at www.sse.com.cn and the website of the Stock Exchange at www.hkexnews.hk respectively.</p>
<p>On 23 March 2018, the Company and Railway Investment Company entered into the property leasing agreement in respect of the office property located at No. 189 Maqun Avenue, Nanjing City, Jiangsu Province, with a term of lease commencing from 1 April 2018 to 31 December 2020. The annual rent for the year of 2018 is RMB2,709,300, and the rent does not include management fees, maintenance fees, utilities and other expenses to be paid by lessee for the use of the premises.</p>	<p>For details, please refer to the announcement on the continuing related party transaction/continuing connected transaction published by the Company on 26 March 2018 on the website of the SSE at www.sse.com.cn and the website of the Stock Exchange at www.hkexnews.hk respectively.</p>



SIGNIFICANT MATTERS

X. MAJOR RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS (CONTINUED)

(I) Related party transactions/connected transactions relating to day-to-day operations (Continued)

1. Matters which were disclosed in a provisional announcement but had no further progress or no changes after implementation (Continued)

Description of the Event	Enquiry Index
<p>On 23 March 2018, Guangjing Xicheng Company entered into Service Area Petrol Stations Leasing and Operation Agreement with each of Expressway Petroleum Company and Taixing Oil Products Company respectively. The Agreements shall be valid from 1 April 2018 to 31 December 2020. The aggregate amount of the Agreements for the years of 2018 to 2020 shall not exceed RMB7,500,000, RMB10,000,000 and RMB12,000,000, respectively.</p>	<p>For details, please refer to the announcement on the continuing related party transactions/continuing connected transactions published by the Company on 26 March 2018 on the website of the SSE at www.sse.com.cn and the website of the Stock Exchange at www.hkexnews.hk respectively.</p>
<p>On 23 March 2018, Ningchang Zhenli Company and Huatong Engineering Testing Company entered into the 2018 Bridge Emergency Reinforcement and Maintenance Agreement. The target amount of the Agreement shall not exceed RMB1,510,000.</p>	<p>For details, please refer to the announcement on the continuing related party transaction/continuing connected transaction published by the Company on 26 March 2018 on the website of the SSE at www.sse.com.cn and the website of the Stock Exchange at www.hkexnews.hk respectively.</p>
<p>On 4 June 2018, the Company, Communications Holding, Jinghu Company, Orient Operation and Management Company and Orient Road & Bridge Company contracted to make a joint capital contribution of RMB200,000,000 for the establishment of Jiangsu Communications & Culture Media Company Limited. The Company made a capital contribution of RMB60,000,000, representing 30% of the shareholding.</p>	<p>For details, please refer to the announcements on the related party transaction/connected transaction published by the Company on the website of the SSE at www.sse.com.cn and on the website of the Stock Exchange at www.hkexnews.hk on 5 June 2018 and 21 June 2018 respectively.</p>

SIGNIFICANT MATTERS

X. MAJOR RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS (CONTINUED)

(I) Related party transactions/connected transactions relating to day-to-day operations (Continued)

2. **Matters which were disclosed in a provisional announcement but had further progress or changes after implementation**

Applicable Not Applicable

3. **Matters which were not disclosed in a provisional announcement**

Applicable Not Applicable

(II) Related party transactions/connected transactions as a result of acquisition of assets or acquisition of or disposal of equities

1. **Matters which were disclosed in a provisional announcement but had no further progress or changes after implementation**

Applicable Not Applicable

2. **Matters which were disclosed in a provisional announcement but had further progress or changes after implementation**

Applicable Not Applicable

3. **Matters which were not disclosed in a provisional announcement**

Applicable Not Applicable

4. **Status of the realization of the agreed performance targets for the Reporting Period required to be disclosed**

Applicable Not Applicable



SIGNIFICANT MATTERS

X. MAJOR RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS (CONTINUED)

(III) Major related party transactions related to joint external investment

1. **Matters which were disclosed in a provisional announcement but had no further progress or changes after implementation**

Applicable Not Applicable

2. **Matters which were disclosed in a provisional announcement but had further progress or changes after implementation**

Applicable Not Applicable

3. **Matters which were not disclosed in a provisional announcement**

Applicable Not Applicable

SIGNIFICANT MATTERS

X. MAJOR RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS (CONTINUED)

(IV) Related party transactions/connected transactions involving creditors' rights and debts

1. Matters which were disclosed in a provisional announcement but had no further progress or changes after implementation

Description of the Event	Enquiry Index
<p>On 30 March 2016, the Company entered into the Financial Services Agreement with Group Finance Company with a term of three years commencing from 1 April 2016. The maximum daily deposit balance shall not exceed RMB500,000,000, and the aggregate maximum amount of daily deposit shall not exceed 5% of total assets, audited revenue and market capitalisation of the Company calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, whichever was lower.</p>	<p>For details, please refer to the announcement on the continuing related party transaction/continuing connected transaction published by the Company on the website of the SSE at www.sse.com.cn on 31 March 2016 and the website of the Stock Exchange at www.hkexnews.hk on 30 March 2016 respectively.</p>
<p>On 27 March 2017, the Company entered into a loan agreement with Guangjing Xicheng Company with the balance of not exceeding RMB2,000,000,000, which shall be valid for three years on the date of approval by the general meeting. The interest was calculated at the prevailing rate of the ultra-short-term notes to be issued by the Company. Expenses in relation to the repayment of the principal and interest payment shall be paid by Guangjing Xicheng Company.</p>	<p>For details, please refer to the announcement on the continuing related party transaction/continuing connected transaction and the circular on the continuing connected transaction published by the Company on the websites of the SSE at www.sse.com.cn and the Stock Exchange at www.hkexnews.hk on 27 March 2017 and on 5 May 2017 respectively.</p>

2. Matters which were disclosed in a provisional announcement but had further progress or changes after implementation

Applicable Not Applicable

SIGNIFICANT MATTERS

X. MAJOR RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS (CONTINUED)

(IV) Related party transactions/connected transactions involving creditors' rights and debts (Continued)

3. Matters not disclosed in provisional announcements

Unit: Yuan Currency: RMB

Related/connected party	Related/connected relationship	Funding provided to related/connected parties			Funding provided by related/connected parties to the listed Company		
		Opening balance	Amount incurred	Closing balance	Opening balance	Amount incurred	Closing balance
Communications Holding	Parent company	-	-	-	767,116,438	-7,170,548	759,945,890
Guangjing Xicheng Company	Controlled subsidiary	-	-	-	-	-	-
Group Finance Company	Controlled subsidiary of the parent company	-	-	-	781,010,167	-67,667	780,942,500
Far East Shipping Company	Controlled subsidiary of the parent company	-	-	-	160,212,667	-19,334	160,193,333
Sutong Bridge Company	Controlled subsidiary of the parent company	-	-	-	400,531,667	-400,531,667	-
Runyang Bridge Company	Controlled subsidiary of the parent company	-	-	-	-	300,362,500	300,362,500
Total		-	-	-	2,108,870,939	-107,426,716	2,001,444,223

Reasons for related/connected creditor's rights and debts	The related/connected creditor's rights and debts were formed due to the borrowing and lending of funds among the related/connected parties. The above funds shall be provided at a rate not exceeding the prevailing bank loan interest rate in the same period. The Company and its subsidiaries were not required to provide any guarantee and pledge.
Effect of related/connected creditor's rights and debts on the Company's operation result and financial condition	The related/connected creditor's rights and debts did not have material impact on the Company's operation result and financial condition.

SIGNIFICANT MATTERS

X. MAJOR RELATED PARTY TRANSACTIONS/CONNECTED TRANSACTIONS (CONTINUED)

(V) Other major related party/connected transactions

Applicable Not Applicable

(VI) Others

1. Confirmation Opinion by Independent Non-executive Directors on Related Party/ Connected Transactions

The independent non-executive Directors of the Company have reviewed all related party/ connected transactions and confirmed that:

- (1) Such transactions were conducted in the ordinary and usual course of business of the Group;
- (2) Such transactions were conducted on normal commercial terms; and
- (3) Such transactions were conducted in accordance with the terms of the agreements governing the relevant transactions. The transaction terms were fair and reasonable and in the interests of the Company's shareholders as a whole.

XI. MATERIAL CONTRACTS AND THEIR PERFORMANCE

1 Mandated, contracting and lease matters

(1) Mandated matters

Applicable Not Applicable

(2) Contracting matters

Applicable Not Applicable

SIGNIFICANT MATTERS

XI. MATERIAL CONTRACTS AND THEIR PERFORMANCE (CONTINUED)

1 Mandated, contracting and lease matters (Continued)

(3) Lease matters

Unit: Yuan Currency: RMB

Name of lessor	Name of lessee	Status of leased assets	Amount of leased assets	Date of commencement of lease	Date of expiry of lease	Lease of income	Basis of determination of lease income	Effect of lease income on the Company	Related party/connected transaction	Related party/connected relationship
The Company	Jiaxing Kaitong Investment Co., Ltd. (嘉興市凱通投資有限公司)	Zone within the renovation and control area of the southern and northern zones of Meicun Service Area (located at (G2) K1110+693, Jinghu Expressway)	12,321,098.23	10 January 2017	9 January 2023	280,000,000	A tender agency was engaged by the Company for open tendering at a price starting from RMB200,000,000 and for selection of the bidder with the highest score based on its comprehensive review, which was considered and approved by the board of Directors of the Company.	During the Reporting Period, the profit derived from such service area increased by RMB18,318,000 Year-on-year, achieving a turnaround from loss to profit.	No	Other

SIGNIFICANT MATTERS

XI. MATERIAL CONTRACTS AND THEIR PERFORMANCE (CONTINUED)

1 Mandated, contracting and lease matters (Continued)

(3) Lease matters (Continued)

Name of lessor	Name of lessee	Status of leased assets	Amount of leased assets	Date of commencement of lease	Date of expiry of lease	Lease income	Basis of determination of lease income	Effect of lease income on the Company	Related party/ connected transaction	Related party/ connected relationship
The Company	Jiaxing Tonghui Expressway Service Zone Operation and Management Co., Ltd. (嘉興市同輝高速公路服務區經營管理有限公司)	Red-line zone within the renovation and control area of the southern and northern zones of Xianrenshan Service Area (located at K236+330m, Jiangsu Section, Hurong Expressway (G42))	9,815,132.06	16 June 2017	15 June 2023	143,510,346	A tender agency was engaged by the Company for open tendering at a price starting from RMB100,300,000 and for selection of the bidder with the highest score based on its comprehensive review, which was considered and approved by the board of Directors of the Company.	During the Reporting Period, the profit derived from such service area increased by RMB11,699,000 Year-on-year.	No	Other
The Company	Tongxiang Yintong Expressway Service Zone Operation and Management Co., Ltd. (桐鄉市銀通高速公路服務區經營管理有限公司)	Red-line zone within the renovation and control area of the southern and northern zones of Huanglishu Service Area (located at K271+140m, Jiangsu Section, Hurong Expressway (G42))	20,853,480.22	1 July 2017	30 June 2023	133,070,000	A tender agency was engaged by the Company for open tendering at a price starting from RMB108,020,000 and for selection of the bidder with the highest score based on its comprehensive review, which was considered and approved by the board of Directors of the Company.	During the Reporting Period, the profit derived from such service area increased by RMB9,655,000 Year-on-year.	No	Other

SIGNIFICANT MATTERS

XI. MATERIAL CONTRACTS AND THEIR PERFORMANCE (CONTINUED)

1 Mandated, contracting and lease matters (Continued)

(3) Lease matters (Continued)

Name of lessor	Name of lessee	Status of leased assets	Amount of leased assets	Date of commencement of lease	Date of expiry of lease	Lease income	Basis of determination of lease income	Effect of lease income on the Company	Related party/connected transaction	Related party/connected relationship
The Company	Jiaxing Kaitong Investment Co., Ltd. (嘉興市凱通投資有限公司)	Yangcheng Lake Service Area (located at K1153+609, Jiangsu Section, Hurong Expressway (G42))	30,200,817.68	15 May 2018	14 May 2027	185,000,000	A tender agency was engaged by the Company for open tendering at a price starting from RMB176,080,000 and for selection of the bidder with the highest score based on its comprehensive review, which was considered and approved by the board of Directors of the Company.	During the Reporting Period, the profit derived from such service area increased by RMB3,290,000 Year-on-year.	No	Other
The Company	Dragon City Tourism Holding Group Co., Ltd. (龍城旅遊控股集團有限公司)	Fangmaoshan Service Area (located at K161+560m, Jiangsu Section, Hurong Expressway (G42))	10,637,005.67	11 May 2018	10 May 2026	185,260,000	A tender agency was engaged by the Company for open tendering at a price starting from RMB160,000,000 and for selection of the bidder with the highest score based on its comprehensive review, which was considered and approved by the board of Directors of the Company.	During the Reporting Period, the profit derived from such service area increased by RMB3,438,000 Year-on-year.	No	Other

SIGNIFICANT MATTERS

XI. MATERIAL CONTRACTS AND THEIR PERFORMANCE (CONTINUED)

1 Mandated, contracting and lease matters (Continued)

(3) Lease matters (Continued)

Explanations on lease

Nil

2 Guarantees

Applicable Not Applicable

3 Other material contracts

Applicable Not Applicable

XII. POVERTY ALLEVIATION WORK OF THE LISTED COMPANY

1. Plan for targeted poverty alleviation

The Company attaches great importance on poverty alleviation works. Actively leveraging on its own corporate characteristics, it systematically participates in targeted poverty alleviation programs and provides capital assistance to the impoverished areas for infrastructure construction, integrated agricultural development and investment in emerging industries.

2. Summary of targeted poverty alleviation during the Reporting Period

During the Reporting Period, the Company contributed RMB600,000 to participate in the project of "Targeted Poverty Alleviation in Guannan County". Focusing on improving the collective income of the whole village and assisting low-income families in poverty alleviation and development, the project carried out targeted poverty alleviation work orienting towards Jiqiao Village and Penyao Village of Bailu Town, Guannan County. To be specific, the new factory construction project for the small and medium enterprises park increased the local tax income and addressed employment issues for certain labor force; the project emphatically supported rural economic development by implementing the project of poverty alleviation through photovoltaic industry and establishing two agricultural machinery cooperatives. In addition, it also made practical efforts to improve the appearance of the village and enable the villagers to live conveniently by building the Jiqiao Village comprehensive service center and conducting administrative offices modification at Penyao Village.

SIGNIFICANT MATTERS

XII. POVERTY ALLEVIATION WORK OF THE LISTED COMPANY (CONTINUED)

3. Achievements for targeted poverty alleviation work

Unit: 0'000 Currency: RMB

Indicator	Amount and progress of development
I. Overview	
II. Investment by items	
1. Poverty alleviation through industrial development	The new factory construction project for the small and medium enterprises park addressed certain employment issues; the project of poverty alleviation through photovoltaic industry was implemented and two agricultural machinery cooperatives were established.
Including: 1.1 Type of poverty alleviation through industry	<input type="checkbox"/> Poverty alleviation through agriculture and forestry industries <input type="checkbox"/> Poverty alleviation through tourism <input type="checkbox"/> Poverty alleviation through e-commerce <input type="checkbox"/> Poverty alleviation through assets income <input type="checkbox"/> Poverty alleviation through technology <input checked="" type="checkbox"/> Others
4. Development in phases in respect of the targeted poverty alleviation work being carried out to fulfil its social responsibility	
<input type="checkbox"/> Applicable <input checked="" type="checkbox"/> Not Applicable	
5. Subsequent targeted poverty alleviation plan	
<input type="checkbox"/> Applicable <input checked="" type="checkbox"/> Not Applicable	

SIGNIFICANT MATTERS

XIII. CONVERTIBLE CORPORATE BONDS

Applicable Not Applicable

XIV. ENVIRONMENT-RELATED INFORMATION

(I) Description on the environmental protection of the company and its key subsidiaries falling under key sewage emission entities announced by the environment protection authorities

Applicable Not Applicable

(II) Description on the environmental protection of companies not falling under key sewage emission entities

The Company published its 2017 Corporate Governance and Social Responsibility Report on 23 March 2018, which provides a detailed introduction and explanation of the Company's environmental indicators, use of resources, environmental protection measures, etc. For more details please refer to the relevant announcements made by the Company on 23 March 2018 on the website of Shanghai Stock Exchange at www.sse.com.cn and the website of the Stock Exchange at www.hkex.com.hk.

(III) Reason for failure to disclose environmental information by companies not falling under key sewage emission entities

Applicable Not Applicable

(IV) Explanations on subsequent progresses or changes in respect of environmental information disclosed during the Reporting Period

Applicable Not Applicable



SIGNIFICANT MATTERS

XV. EXPLANATION ON OTHER SIGNIFICANT MATTERS

(I) Details, reasons and impact of the changes to the accounting policies, accounting estimates and audit methods compared with those in the last accounting period

With effect from 1 January 2018, the Group adopted the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments (Cai Kuai [2017] No. 7), Accounting Standards for Business Enterprises No. 23 – Transfer of Financial Assets (Cai Kuai [2017] No. 8), Accounting Standards for Business Enterprises No. 24 – Hedge Accounting (Cai Kuai [2017] No. 9), Accounting Standards for Business Enterprises No. 37 – Presentation of Financial Instruments (Cai Kuai [2017] No. 14) and Accounting Standards for Business Enterprises No. 14 – Revenue (Cai Kuai [2017] No. 22) issued by the Ministry of Finance in 2017. In addition, the financial statements of the Group during the Reporting Period were prepared in accordance with the Circular on the Revision and Publication of the Format of the Financial Statements of General Enterprises for 2018 (Cai Kuai [2018] No. 15) issued by the Ministry of Finance on 15 June 2018 and presentation of comparative data was adjusted accordingly.

The decision-making process in respect of these changes in accounting policies is in compliance with the relevant laws, regulations and the provisions of the Articles of Association without any prejudice to the interests of the Company and its shareholders, especially the interests of minority shareholders.

(II) Particulars, correction amount, reasons and its impact of significant accounting errors which required to be amended by retrospective restatement during the Reporting Period

Applicable Not Applicable

(III) Others

Applicable Not Applicable

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

I. CHANGES IN SHARE CAPITAL

(I) Table of changes in shares

1. Table of changes in shares

There is no change in the total number of shares and share capital structure of the Company during the Reporting Period.

2. Explanation on the changes in shares

Applicable Not Applicable

3. For changes in shares occurred during the period after the Reporting Period until the disclosure date of the Interim Report, their impact on financial indicators such as earnings per share and net assets per share (if any)

Applicable Not Applicable

4. Other matters which the Company thought it is necessary to disclose or which were required to be disclosed by securities regulatory authorities

Applicable Not Applicable

(II) Changes in shares subject to selling restrictions

Applicable Not Applicable

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

II. SHAREHOLDERS

(I) Total number of shareholders

Total number of ordinary shareholders as of the end of the Reporting Period 23,043 (including 427 holders of H shares)

(II) Table of shareholdings of top ten shareholders and top ten holders of shares in circulation (or holders of shares without selling restrictions) as of the end of the Reporting Period

Unit: Share

Name of shareholder (full name)	Increase or decrease during the Reporting Period	Shareholdings of top ten shareholders			Shares pledged or frozen Status of shares	Nature of shareholder
		Numbers of shares held at the end of the Reporting Period	Share holding percentage (%)	Numbers of shares held subject to selling restrictions		
Jiangsu Communications Holding Company Limited	0	2,742,578,825	54.44	0	Nil	0 State-owned legal person
China Merchants Expressway Network & Technology Holdings Co., Ltd.	0	589,059,077	11.69	0	Nil	0 State-owned legal person
Commonwealth Bank of Australia	11,880,800	147,487,300	2.93	0	Unknown	0 Foreign legal person
BlackRock, Inc.	1,522,276	122,598,378	2.43	0	Unknown	0 Foreign legal person
JPMorgan Chase & Co.	-9,684,154	73,217,693	1.45	0	Unknown	0 Foreign legal person
Guotai Junan Securities Co.,Ltd.	16,963,510	72,945,765	1.45	0	Unknown	0 Others
Jiantou Zhongxin Asset Management Co., Ltd.	0	21,410,000	0.42	0	Unknown	0 Others
China Life Insurance (Taiwan) Co Ltd—Own funds	-10,727,142	9,953,812	0.20	0	Unknown	0 Foreign legal person
Cathay Lujiazui Life Insurance Company Limited—Own funds	0	9,553,937	0.19	0	Unknown	0 Others
China Life Insurance (Taiwan) Co Ltd—Own funds	0	9,432,500	0.19	0	Unknown	0 Foreign legal person

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

II. SHAREHOLDERS (CONTINUED)

(II) Table of shareholdings of top ten shareholders and top ten holders of shares in circulation (or holders of shares without selling restrictions) as of the end of the Reporting Period (Continued)

Shareholding of top ten shareholders without selling restrictions

Name of shareholder	Number of shares without selling restrictions in circulation	Class	Class and number of shares Number
Jiangsu Communications Holding Company Limited	2,742,578,825	RMB ordinary shares	2,742,578,825
China Merchants Expressway Network & Technology Holdings Co., Ltd.	589,059,077	RMB ordinary shares	589,059,077
Commonwealth Bank of Australia	147,487,300	Overseas listed foreign shares	147,487,300
BlackRock, Inc.	122,598,378	Overseas listed foreign shares	122,598,378
JPMorgan Chase & Co.	73,217,693	Overseas listed foreign shares	73,217,693
Guotai Junan Securities Co.,Ltd.	72,945,765	RMB ordinary shares	72,945,765
Jiantou Zhongxin Asset Management Co., Ltd.	21,410,000	RMB ordinary shares	21,410,000
China Life Insurance (Taiwan) Co Ltd – Own funds	9,953,812	RMB ordinary shares	9,953,812
Cathay Lujiazui Life Insurance Company Limited – Own funds	9,553,937	RMB ordinary shares	9,553,937
China Life Insurance (Taiwan) Co Ltd – Own funds	9,432,500	RMB ordinary shares	9,432,500

- Illustration on the related/connected relationship or acting-in-concert arrangement with respect to the above shareholders
- (1) The Company is not aware of the existence of related/connected relationship or acting-in-concert arrangement with respect to the above shareholders;
 - (2) During the Reporting Period, none of the related/connected parties, strategic investors of the Company and general legal persons became the top ten shareholders of the Company because of placing of new shares; and
 - (3) The number of shares of H shareholders is based on the record of the register kept according to the Securities and Futures Ordinance (Cap. 571 of the Laws of Hong Kong) (the “SFO”).

Illustration on the preference shareholders with voting rights restored and the shareholding thereof

Nil

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

II. SHAREHOLDERS (CONTINUED)

(II) Table of shareholdings of top ten shareholders and top ten holders of shares in circulation (or holders of shares without selling restrictions) as of the end of the Reporting Period (Continued)

Shareholdings of top ten shareholders subject to selling restrictions and their selling restrictions

Unit: Share

Serial No.	Name of shareholders subject to selling restrictions	Number of shares held subject to selling restrictions	Listing and trading status of shares subject to selling restrictions		Selling restrictions
			Date permissible for listing and trading	Number of additional shares permissible for listing and trading	
1	Shareholder of other social legal person shares	17,766,145	16 May 2007	0	Note 1
	Illustration on the related/connected relationship or acting-in-concert arrangement with respect to the above shareholders	Nil			

Note 1: Prior consent shall be obtained from the holders of the shares not in circulation who have advanced the consideration on behalf of them and the consideration so advanced shall be repaid by the relevant non-circulating shareholder. For repayment, the relevant shareholders may opt to transfer the number of shares being paid for by the holder of the shares in circulation or to pay in cash in an amount equivalent to the average closing price of the five trading days following the implementation date of the share segregation reform of the Company as the consideration for such shares. Application for the listing status of such shares will then be submitted by the Company to the stock exchange.

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

II. SHAREHOLDERS (CONTINUED)

(II) Table of shareholdings of top ten shareholders and top ten holders of shares in circulation (or holders of shares without selling restrictions) as of the end of the Reporting Period (Continued)

Interests or Short Positions

Name of shareholder	Capacity	Direct interests	Number of A Shares	
			Number of A Shares	Percentage of A Shares (the entire share capital)
Jiangsu Communications Holding Company Limited	Others	Yes	2,742,578,825 (L)	71.88% (54.44%) (L)
China Merchants Expressway Network & Technology Holdings Co., Ltd. ⁽¹⁾	Others	Yes	589,059,077 (L)	15.44% (11.69%) (L)

Name of shareholder	Capacity	Direct interests	Number of H Shares	
			Number of H Shares	Percentage of H Shares (the entire share capital)
Commonwealth Bank of Australia	Interest of controlled corporation	No	147,487,300 (L)	12.07 (2.93) (L)
BlackRock, Inc.	Interest of controlled corporation ⁽²⁾	No	122,598,378 (L)	10.03 (2.43) (L)
JPMorgan Chase & Co.	Interest of controlled corporation ⁽³⁾	No	73,217,693 (L) 240,000 (S) 67,334,502 (P)	5.99 (1.45) (L) 0.02(0.00) (S) 5.51(1.34) (P)



CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

II. SHAREHOLDERS (CONTINUED)

(II) Table of shareholdings of top ten shareholders and top ten holders of shares in circulation (or holders of shares without selling restrictions) as of the end of the Reporting Period (Continued)

Interests or Short Positions (Continued)

Notes: (L) Long position; (S) Short position; (P) Lending pool

- (1) China Merchants Group Limited was deemed to be interested in the Company by virtue of its controlling interests in its subsidiary, China Merchants Expressway Network.
- (2) BlackRock, Inc. was deemed to hold a total of 122,598,378 H Shares (long position) of the Company, of which 84,000 H Shares were held through cash settled derivatives (off exchange), by virtue of its control over numerous corporations, which were indirectly wholly-owned by BlackRock, Inc., except for the following:
 - (a) BR Jersey International Holdings L.P. was indirectly owned as to 86% by BlackRock, Inc.. BR Jersey International Holdings L.P. held interest in the Company through the following indirectly wholly-owned corporations:
 - (i) BlackRock Japan Co. Ltd. held 1,546,883 H Shares (long positions) of the Company.
 - (ii) BlackRock Asset Management Canada Limited held 2,018,000 H Shares (long positions) of the Company.
 - (iii) BlackRock Investment Management (Australia) Limited held 326,000 H Shares (long positions) of the Company.
 - (iv) BlackRock Asset Management North Asia Limited held 760,295 H Shares (long positions) of the Company.
 - (b) 90% of the interest of BlackRock Group Limited was owned by BR Jersey International Holdings L.P. (please refer to note 2(a) above). BlackRock Group Limited held interest in the Company through the following directly or indirectly wholly-owned corporations:
 - (i) BlackRock (Netherlands) B.V. held 300,000 H Shares (long positions) of the Company.
 - (ii) BlackRock Advisors (UK) Limited held 177,539 H Shares (long positions) of the Company.
 - (iii) BlackRock International Limited held 450,000 H Shares (long positions) of the Company.
 - (iv) BlackRock Asset Management Ireland Limited held 11,213,865 H Shares (long positions) of the Company.
 - (v) BLACKROCK (Luxembourg) S.A. held 10,856,000 H Shares (long positions) of the Company.
 - (vi) BlackRock Investment Management (UK) Limited held 7,949,094 H Shares (long positions) of the Company.
 - (vii) BlackRock Fund Managers Limited held 1,211,644 H Shares (long positions) of the Company.
 - (viii) BlackRock Asset Management (Schweiz) AG held 6,000 H Shares (long positions) of the Company.
 - (ix) BlackRock Investment Management (Taiwan) Limited held 86,000 H Shares (long positions) of the Company.

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

II. SHAREHOLDERS (CONTINUED)

(II) Table of shareholdings of top ten shareholders and top ten holders of shares in circulation (or holders of shares without selling restrictions) as of the end of the Reporting Period (Continued)

Interests or Short Positions (Continued)

- (3) JPMorgan Chase & Co. was deemed to hold a total of 73,217,693 H Shares (long position) of the Company, of which 200,000 H Shares were held through physically settled derivatives (off exchange); 4,000 H Shares were held through cash settled derivatives (off exchange), and 240,000 H Shares (short positions), of which 218,000 H Shares were held through physically settled derivatives (off exchange); 22,000 H Shares were held through cash settled derivatives (off exchange). JPMorgan Chase & Co. held the interest in the following capacities:

Capacity	Number of shares (long positions)	Number of shares (short positions)	Number of shares (lending pool)
Beneficial owner	4,341,660	240,000	
Investment manager	1,541,531		
Approved lending agent			67,334,502

Except for the 49% interests in China International Fund Management Co. Ltd. (1,078,000 H shares) indirectly held by JPMorgan Chase & Co. in the capacity of investment manager, all the above interests are indirectly owned through wholly-owned subsidiaries.

Save as disclosed above, to the best of the Company's knowledge, no person was required to make disclosure under the SFO as at 30 June 2018.

(III) Strategic investors or general legal persons becoming the top ten shareholders because of the placing of new Shares

Applicable Not Applicable

III. CHANGE OF CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLERS

Applicable Not Applicable

IV. DIRECTORS' INTERESTS AND SHORT POSITIONS IN SHARES, UNDERLYING SHARES AND DEBENTURES

As at 30 June 2018, none of the Directors and chief executives of the Company had any interests, long positions or short positions in the shares or underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) that was required to be recorded in the register maintained by the Company pursuant to section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the provisions under the Model Code for Securities Transactions by the Directors.



CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

V. REPURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Reporting Period, there was no repurchase, sale or redemption of any of its securities by the Company and any of its subsidiaries; and no person exercised conversion rights or subscription rights over convertible securities, options, warrants or other similar rights issued or granted by the Company or any of its subsidiaries at any time.

VI. PUBLIC FLOAT

According to public information and as far as the Directors know, the Board is of the view that the public float of the shares of the Company as at 24 August 2018 (being the latest practicable date prior to the publication of this Report) complied with the requirements of the Hong Kong Listing Rules.

VII. DIVIDEND ARRANGEMENT WAIVED OR AGREED BY THE SHAREHOLDERS

During the Reporting Period, no dividend arrangement was waived by any of the shareholders.

VIII. CORPORATE GOVERNANCE

For the period of six months ended 30 June 2018, other than the code provisions A2.1, A2.7, A4.2 and A6.7, the Company has complied with all of the applicable code provisions of the Corporate Governance Code under Appendix 14 to the Hong Kong Listing Rules, and details of deviation from code provisions A2.7, A4.2 and A6.7 have been disclosed in the Corporate Governance Report of the Company. From the date of the general meeting of shareholders on 21 June 2018 to the date of this Report, Mr. Gu Dejun were both Chairman and General Manager of the Company due to personnel adjustment, which failed to fully comply with Appendix 14A.2.1 of the Hong Kong Listing Rules stipulating that the roles of Chairman and Chief Executive should not be performed by the same individual. As of the date of this Report, the board of Directors of the Company has approved the appointment of Mr. Sun Xiebin as the General Manager of the Company.

IX. MODEL CODE FOR SECURITIES TRANSACTIONS BY DIRECTORS OF LISTED ISSUERS

The Company has adopted a Code of Conduct for securities transactions by its directors on standards no lower than the provisions under the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") under Appendix 10 of the Hong Kong Listing Rules. Having made specific enquiries to all the Directors, the Directors have fully complied with the provisions stipulated under the Model Code and the Company's code of conduct for securities transactions by directors.

INFORMATION ON PREFERRED SHARES

Applicable Not Applicable

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

I. CHANGES IN SHAREHOLDINGS

(I) Changes in shareholdings held by current or resigned directors, supervisors and members of senior management officers during the Reporting Period

Applicable Not Applicable

(II) Equity incentives granted to directors, supervisors and senior management officers during the Reporting Period

Applicable Not Applicable

II. CHANGES OF DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT OFFICERS OF THE COMPANY

Name	Position Held	Change
Gu Dejun	Chairman of the board of Directors	Appointed
Chen Yanli	Director	Appointed
Chen Yongbing	Director	Appointed
Zhou Shudong	Independent Director	Appointed
Yu Lanying	Chairman of the Supervisory Committee	Appointed
Ding Guozhen	Supervisor	Appointed
Sun Xibin	General Manager	Appointed
Bian Chuanshan	Secretary to the Disciplinary Committee of the Party	Appointed
Ren Zhuohua	Financial controller	Appointed
Zhu Zhiwei	Deputy secretary of the Party Committee	Appointed
Zhou Chongming	Executive Deputy General Manager	Appointed
Yin Hong	Financial controller and Deputy general manager	Appointed
Gu Dejun	General Manager	Resigned
Zhang Erzhen	Independent Director	Resigned
Zhou Chongming	Executive Deputy General Manager	Resigned
Yu Lanying	Financial controller and Deputy general manager	Resigned
Yin Hong	Financial controller and Deputy general manager	Resigned

Explanation on the changes of directors, supervisors and senior management officers

Applicable Not Applicable

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

II. CHANGES OF DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT OFFICERS OF THE COMPANY (CONTINUED)

Biographical details of new directors, supervisors and senior management officers:

Born in 1963, Mr. Gu Dejun is a senior engineer of professor grade who is a holder of postgraduate academic qualifications and a bachelor's degree. Mr. Gu is currently serving as the chairman and secretary of the Party Committee of the Company. He has served as the deputy dean of Transport Planning and Design Institute of Huaiyin City, deputy chief engineer of Communications Engineering Company of Jiangsu Province (江蘇省交通工程總公司), deputy director of the first division of the headquarters of expressway construction in Jiangsu Province (江蘇省高速公路建設指揮部工程一處), director of the Administration Department of Ninglian Ningtong expressway of Jiangsu Province (江蘇省寧連寧通公路管理處), and head and secretary of the Party Committee of the Jiangsu Expressway Operation and Management Center (江蘇省高速公路經營管理中心). He received a number of provincial Science and Technology Awards (Awards of Grades I, II and III). Mr. Gu has long been engaged in strategic research, project construction and operation management, etc. in the transport industry and has extensive experience in corporate management and operation.

Born in 1963, Mr. Chen Yanli is a senior economist with postgraduate academic qualifications. Mr. Chen is currently serving as the deputy chief economist and the head of the Human Resources Department of Jiangsu Communications Holding Company Limited. From 1983 to 2001, Mr. Chen has worked in Xuzhou Lifting and Transportation Company (徐州市起重運輸公司), Xuzhou Harbour Engineering Company (徐州市航務工程公司) and Waterways Administration Bureau of Xuzhou (徐州市航道管理處) and served as deputy director of Xuzhou Waterways Administration Bureau. From 2001 to 2016, he has successively served as the manager of the Comprehensive Department, assistant to general manager, deputy general manager and general manager of Jiangsu Lianxu Expressway Co., Ltd. (江蘇連徐高速公路有限公司). He has been serving as the head of the Human Resources Department of Jiangsu Communications Holding Company Limited since 2016. Mr. Chen has long been engaged in transportation management and is a senior expert with extensive experience in transportation management.

Born in 1974, Mr. Chen Yongbing is a university graduate who holds a bachelor's degree. He is currently serving as the head of the Investment Development Department of Jiangsu Communications Holding Company Limited. From 1996 to 2014, Mr. Chen has worked in the Enterprise Division of Jiangsu Administrative Bureau of State-owned Property (江蘇省國有資產管理局企業處), the Administrative Office of State-owned Property of the Department of Finance of Jiangsu Province (江蘇省財政廳國有資產管理辦公室) and the State-owned Assets Supervision and Administration Commission of Jiangsu Provincial Government (Jiangsu SASAC). Mr. Chen served as Deputy Division Chief of the Division of Enterprise Development and Reform (企業發展改革處) of Jiangsu SASAC from 2014 to 2016 and Deputy Head of the Investment Development Department of Jiangsu Communications Holding Company Limited from 2016 to January 2018. Mr. Chen has long been engaged in corporate management of state-owned enterprises and is a senior expert with extensive experience in corporate management.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

II. CHANGES OF DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT OFFICERS OF THE COMPANY (CONTINUED)

Biographical details of new directors, supervisors and senior management officers: (Continued)

Born in March 1961, Mr. Zhou Shudong is a holder of a doctorate degree, a professor and a doctoral tutor. He is currently a professor of the Economics and Management Department of the School of Economics and Management of Nanjing Agricultural University, Deputy Director of the Institute of Agricultural Economy of Nanjing Agricultural University, the dean of the E-commerce Research Center of Nanjing Agricultural University, a consultant expert to the United Nations Environment Programme, Vice President of Jiangsu Internet Service Society and Vice Chairman of Jiangsu Statistical Society (江蘇省統計學會). He was granted special government subsidies from the State Council. Mr. Zhou has been in charge of and has undertaken 40 key research programs at national, ministerial and provincial levels in various areas. He is a senior expert in many fields.

Born in 1971, Ms. Yu Lanying serves as the chairman of the supervisory committee. Ms. Yu holds a master's degree in economics with credentials as a senior accountant and certified public accountant. She is currently serving as the head of the Audit and Risk Control Department of Jiangsu Communications Holding Company Limited. She was the accountant of Nanjing Runtai Industrial Trading Company (南京潤泰實業貿易公司), Jiangsu United Trust and Investment Company (江蘇聯合信託投資公司) and Communications Holding. She has held various positions in the Company since 2008, including deputy manager and manager of the Finance and Accounting Department, deputy financial controller, financial controller and deputy general manager. Since Ms. Yu has started her career, she has been engaging in the financial management and has gained extensive experience in corporate financial management.

Born in 1962, Mr. Ding Guozhen serves as a supervisor. Mr. Ding is a senior economist with university academic qualifications. He is currently serving as the head of the Corporate Management and Legal Affairs Department of Jiangsu Communications Holding Company Limited. From 1983 to 2004, Mr. Ding has worked in Jiangsu Provincial Automobile Transportation Company and Jiangsu Yangtze Bridge Co., Ltd. From 2004 to 2017, he has held various positions in Jiangsu Communications Holding Company Limited, including director, assistant head and deputy head of the Human Resources Department, dean of the Talent and Staff Education and Training Office and head of the Department of Affairs on Old Cadres. He has been working in the current position since 2018. Mr. Ding has long been engaged in corporate management and is a senior expert with extensive experience in corporate management.

Born in 1970, Mr. Sun Xibin holds a master's degree with postgraduate education. Mr. Sun currently serves as the general manager and the deputy secretary of the Party Committee of the Company. Mr. Sun has successively acted as the deputy general manager and a member of the Party Committee of Jiangsu Ninghang Expressway Co., Ltd., the deputy director and a member of the Party Committee of the Jiangsu Expressway Operation and Management Center (江蘇省高速公路經營管理中心), and the general manager and the deputy secretary of the Party Committee of Jiangsu Coastal Highway Management Co., Ltd. (江蘇沿海高速公路管理有限公司) since 2003. Mr. Sun has been engaged in the corporate operation and management in the transport industry for a long term with profound knowledge and rich practical experience in modern corporate management.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

II. CHANGES OF DIRECTORS, SUPERVISORS, AND SENIOR MANAGEMENT OFFICERS OF THE COMPANY (CONTINUED)

Biographical details of new directors, supervisors and senior management officers: (Continued)

Born in 1973, Mr. Bian Chuanshan is a senior political work specialist with a bachelor's degree and postgraduate academic qualification. Mr. Bian currently acts as the deputy head of the Corporate Management and Legal Affairs Department of Jiangsu Communications Holding Company Limited and the secretary to the Disciplinary Committee and a member of the Party Committee of the Company. He had served as an officer at vice-section level of the Youth League of the Jiangsu Provincial Party Committee since 1996. Since 2001, he has successively served as the person-in-charge, the assistant manager, the vice-director of Huaian Management Office (淮安管理處處長) and the manager of the Comprehensive Department of Jiangsu Jinghu Expressway Company Limited (江蘇京滬高速公路有限公司), and the deputy head of the Corporate Management and Legal Affairs Department of Jiangsu Communications Holding Company Limited. Mr. Bian has long been engaged in the corporate management with extensive legal affairs and corporate management experience.

Born in 1972, Ms. Ren Zhuohua is the financial controller and a senior accountant with a bachelor's degree. She has successively served as an accountant of the Construction Command Department of Jiangsu Expressway (江蘇省高速公路建設指揮部) and the Finance Director of Expansion and Construction Command Department of Jiangsu Shanghai-Nanjing Expressway (江蘇滬寧高速公路擴建工程指揮部), an officer of the Finance Department of operation and development company (經營發展公司財務部) of the Company, the manager of the Finance and Accounting Department of the Company and an assistant to the general manager of Jiangsu Communications Holding Group Finance Co., Ltd. (江蘇交通控股集團財務有限公司). Ms. Ren has been engaging in works related to financial management and corporate management since she started her career, and she has professional and extensive experience in financial management and corporate management.

Born in 1977, Mr. Zhu Zhiwei is a senior engineer with a bachelor's degree and a master's degree. Mr. Zhu currently serves as the deputy secretary of the Party Committee, a member of the Party Committee and the director of Ningzhen Management Office (寧鎮管理處處長) of the Company. Since 1996, Mr. Zhu had served as an employee in Machinery and Equipment Leasing Company of Roads & Bridges Company under Jiangsu Communications Department (江蘇省交通廳路橋公司機械設備租賃公司), an officer, the head of the Engineering and Technology Department, the assistant to the manager, the vice manager, the manager of the Corporate Management Department, the director of Ningzhen Management Office, and the deputy secretary to the Party general branch of the Company since 1996. Mr. Zhu has long been engaged in corporate management with extensive corporate management experience.



PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

III. OTHER EXPLANATIONS

(I) Independent Non-executive Directors

The Company has appointed a sufficient number of independent non-executive Directors. Zhang Zhuting, Chen Liang, Lin Hui and Zhou Shudong were appointed as independent non-executive Directors of ninth session of the board of Directors of the Company, accounting for more than one-third of the members of the board of Directors. Four independent non-executive Directors are currently serving at renowned universities in the PRC, and are senior experts in the academic fields of economic management, industry policies and regulations, financial accounting and online finance respectively and are well-versed with academic theories and management experience. Independent Directors respectively serve as members of various committees of the board of Directors. Independent non-executive directors represent a majority in the Audit Committee, the Nomination Committee and the Remuneration and Appraisal Committee, and an independent non-executive Director acts as the Chairman at each of these committees.

(II) Staff Remuneration and Training

As at 30 June 2018, the Group (including its controlled subsidiaries) had 5,403 staff members in total, comprising 772 managerial and technical staff members and 4,631 manufacturing staff members. During the Reporting Period, total amount of staff remuneration reached RMB431,654,895. The Company gave full play to the incentive and restrictive role of the position-based salary system in the first half of 2018. The Company continued to optimize staff remuneration, comprising basic wages to provide reasonable protection, performance-based remuneration acting as an incentive for their potential driving force as well as welfare and insurance to secure their livelihood and rights and interests. Based on the principle of “fixing salary based on position, remuneration is gained based on performance”, remuneration and benefits are paid reasonably with reference to the scientific assessment of an employee’s performance at work. In the meantime, the Company makes contributions to “five social insurances and the housing provident fund” for the employees in accordance with law, and provides a number of tailor-made welfare benefits schemes such as supplemental medical treatment and enterprise annuity.

In terms of staff education and training, the Company totally organized staff training for up to over 2,000 participants during the Reporting Period, which has enhanced the business capability and competitiveness of employees through a vast array of training activities. Employees of operating-level and intermediate-level core personnel participated in the relevant trainings organized by Communications Holding where participants reached 26. The contents of training mainly involved the capability of directors and supervisors to perform their duties, legal affairs management, the leadership of technical cadres, the capability of secretaries of the Disciplinary Committee of the Party to perform their duties as well as human resources management. To improve the vocational skills of the front-line staff and further enhance their competitiveness in line with technical reforms of the industry, the Company organized a 7-day pilot training session in small groups on computer network and information technology with 50 participants for junior employees who work at toll stations and check-in sections. The contents of training covered industrial knowledge such as computer network and information technology as well as cutting-edge contents such as virtualization, cloud computing etc.

INFORMATION ON CORPORATE BONDS

Applicable Not Applicable

CONSOLIDATED BALANCE SHEET

At 30 June 2018

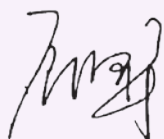
Unit: RMB

Item	Notes	Closing balance	Opening balance	Item	Notes	Closing balance	Opening balance
Current Assets:				Current Liabilities:			
Cash and bank balances	VI.1	708,100,725	269,357,751	Short-term borrowings	VI.20	2,999,000,000	3,599,000,000
Held-for-trading financial assets	VI.2	275,677,344	38,871,811	Notes payable and accounts payable	VI.21	942,821,723	921,349,151
Notes receivable and accounts receivable	VI.3	280,093,402	309,247,630	Receipts in advance	VI.22	-	840,007,370
Prepayments	VI.4	18,030,499	10,200,712	Contract liabilities	VI.23	867,499,785	-
Other receivables	VI.5	129,970,291	106,256,683	Employee benefits payable	VI.24	2,963,503	3,636,736
Inventories	VI.6	4,007,206,523	3,010,805,685	Taxes payable	VI.25	205,135,409	275,210,217
Non-current assets due within one year	VI.7	-	300,000,000	Other payables	VI.26	1,607,857,413	217,363,761
Other current assets	VI.8	82,780,031	557,742,656	Non-current liabilities due within one year	VI.27	379,639,336	623,841,375
				Other current liabilities	VI.28	1,508,601,944	2,243,200,002
Total Current Assets		5,501,858,815	4,602,482,928	Total Current Liabilities		8,513,519,113	8,723,608,612
Non-current Assets:				Non-current Liabilities:			
Available-for-sale financial assets	VI.9	-	2,329,877,191	Long-term borrowings	VI.29	4,893,473,689	3,874,089,201
Investments in other equity instruments	VI.10	2,942,620,000	-	Bonds payable	VI.30	3,975,249,711	3,970,157,835
Other non-current financial assets	VI.11	763,563,085	-	Deferred income	VI.31	44,051,971	33,638,147
Long-term equity investment	VI.12	5,643,475,551	5,123,326,114	Provisions	VI.32	8,010,000	8,010,000
Investment properties	VI.13	19,568,207	20,019,608	Deferred tax liabilities	VI.18	377,762,312	28,056,831
Fixed assets	VI.14	1,670,864,191	1,740,197,103				
Construction in progress	VI.15	9,749,189,352	8,294,639,339	Total Non-current Liabilities		9,298,547,683	7,913,952,014
Intangible assets	VI.16	19,328,719,575	19,962,642,227				
Long-term prepaid expenses	VI.17	1,271,047	1,069,666	TOTAL LIABILITIES		17,812,066,796	16,637,560,626
Deferred tax assets	VI.18	201,391,773	258,020,384				
Other non-current assets	VI.19	11,216,679	200,216,678	Shareholders' Equity:			
Total Non-current Assets		40,331,879,460	37,930,008,310	Share capital	VI.33	5,037,747,500	5,037,747,500
				Capital reserve	VI.34	10,428,388,235	10,428,388,235
				Other comprehensive income	VI.35	1,510,550,167	380,908,923
				Surplus reserve	VI.36	3,273,492,299	3,273,492,299
				Retained profits	VI.37	4,671,280,171	4,399,747,006
				Total shareholders' equity attributable to equity holders of the Company		24,921,458,372	23,520,283,963
				Minority interests		3,100,213,107	2,374,646,649
				TOTAL SHAREHOLDERS' EQUITY		28,021,671,479	25,894,930,612
TOTAL ASSETS		45,833,738,275	42,532,491,238	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		45,833,738,275	42,532,491,238

The accompanying notes form part of the financial statements.

The financial statements on pages 84 to 232 were signed by the following:

Legal Representative:



Person in Charge of the Accounting Body:



Chief Accountant:



BALANCE SHEET OF THE COMPANY

At 30 June 2018

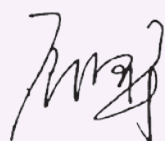
Unit: RMB

Item	Notes	Closing balance	Opening balance	Item	Notes	Closing balance	Opening balance
Current Assets:				Current Liabilities:			
Cash and bank balances		105,436,098	135,125,679	Short-term borrowings		3,279,000,000	2,863,000,000
Notes receivable and accounts receivable	(XV)1	192,957,409	213,001,356	Notes payable and accounts payable		283,917,043	341,840,658
Prepayments		4,565,948	2,379,548	Receipts in advance		-	15,441,862
Other receivables	(XV)2	200,356,156	96,016,166	Contract liabilities		117,508,003	-
Inventories		14,531,762	22,502,218	Employee benefits payable		841,191	978,932
Non-current assets due within one year		50,000,000	350,000,000	Taxes payable		99,461,976	185,938,684
Other current assets		50,000,000	404,000,000	Other payables		1,541,013,335	173,994,541
				Non-current liabilities due within one year		1,639,336	500,841,376
				Other current liabilities		1,508,601,944	2,243,200,002
Total Current Assets		617,847,373	1,223,024,967	Total Current Liabilities		6,831,982,828	6,325,236,055
Non-current Assets:				Non-current Liabilities:			
Available-for-sale financial assets		-	1,383,230,000	Long-term borrowings		15,573,689	16,189,201
Investments in other equity instruments		1,171,240,000	-	Bonds payable		3,975,249,711	3,970,157,835
Long-term equity investment	(XV)3	15,699,128,312	15,027,677,472	Deferred income		-	24,766,288
Fixed assets		976,621,262	1,016,202,346	Provisions		8,010,000	8,010,000
Construction in progress		14,872,012	13,073,662				
Intangible assets		10,411,904,731	10,736,032,358				
Long-term prepaid expenses		26,923,712	-				
Deferred tax assets		1,990,000,000	-				
Other non-current assets		623,374,938	2,190,581,936	Total Non-current Liabilities		3,998,833,400	4,019,123,324
		30,914,064,967	30,366,797,774	TOTAL LIABILITIES		10,830,816,228	10,344,359,379
				Shareholders' Equity:		5,037,747,500	5,037,747,500
				Share capital		7,327,650,327	7,327,650,327
				Capital reserve		535,567,951	362,483,691
				Other comprehensive income		2,518,873,750	2,518,873,750
				Surplus reserve		5,281,256,584	5,998,708,094
				Retained profits		20,701,096,112	21,245,463,362
Total Non-current Assets		31,531,912,340	31,589,822,741	TOTAL SHAREHOLDERS' EQUITY		31,531,912,340	31,589,822,741

The accompanying notes form part of the financial statements.

The financial statements on pages 84 to 232 were signed by the following:

Legal Representative:



Person in Charge of the Accounting Body:



Chief Accountant:



CONSOLIDATED INCOME STATEMENT

For the period ended 30 June 2018

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Total operating income	VI.38	5,141,779,834	4,669,035,065
Including: Operating income		5,141,779,834	4,669,035,065
Less: Total operating costs		2,714,073,589	2,417,118,032
Including: Operating costs	VI.38	2,256,373,175	2,071,770,067
Taxes and levies	VI.39	107,395,338	45,218,867
Selling expenses	VI.40	11,592,289	8,647,259
Administrative expenses	VI.41	85,500,282	79,798,689
Financial expenses	VI.42	253,212,505	211,683,150
Including: Interest expenses		239,697,636	208,360,927
Interest income		3,481,804	2,598,542
Impairment losses of assets		–	–
Add: Gains from changes in fair values	VI.43	(2,594,467)	2,543,880
Investment income	VI.44	730,532,269	291,449,163
Including: Income from investments in associates and joint ventures		284,808,956	217,692,115
Gains (losses) from disposal of assets	VI.45	(215,505)	(1,578,917)
Other income	VI.46	1,032,811	922,484
II. Operating profit		3,156,461,353	2,545,253,643
Add: Non-operating income	VI.47	9,282,569	1,726,197
Less: Non-operating expenses	VI.48	15,029,125	12,997,570
III. Total profit		3,150,714,797	2,533,982,270
Less: Income tax expenses	VI.49	611,486,734	580,981,311
IV. Net profit		2,539,228,063	1,953,000,959
(I) Categorized by the nature of continuing operation			
1. Net profit (loss) from continuing operations		2,539,228,063	1,953,000,959
2. Net profit (loss) from discontinued operations		–	–
(II) Categorized by ownership:			
1. Profit or loss attributable to minority interests		2,488,142,065	1,899,660,185
2. Net profit (loss) attributable to owners of the Company		51,085,998	53,340,774

CONSOLIDATED INCOME STATEMENT

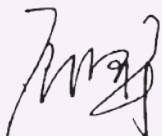
For the period ended 30 June 2018

Item	Notes	Amount for the current period	Amount for the prior period
V. Other comprehensive income, net of tax	VI.50	1,298,445,418	(9,670,915)
Other comprehensive income attributable to owners of the Company, net of tax		1,129,641,244	(9,670,915)
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss		801,486,984	–
1. Share of other comprehensive income of the investee that cannot be reclassified to profit or loss under the equity method			–
2. Changes in the fair value of investments in other equity instruments		801,486,984	–
(II) Other comprehensive income that will be reclassified to profit or loss		328,154,260	(9,670,915)
1. Other comprehensive income convertible to profit or loss under the equity method		328,154,260	(9,670,915)
2. Changes in the fair value of investments in other equity instruments			–
Other comprehensive income attributable to minority interests, net of tax		168,804,174	–
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss			
1. Changes in the fair value of investments in other equity instruments		168,804,174	
(II) Other comprehensive income that will be reclassified to profit or loss			
1. Changes in the fair value of investments in other equity instruments			–
VI. Total comprehensive income		3,837,673,481	1,943,330,044
Total comprehensive income attributable to owners of the Company		3,617,783,309	1,889,989,270
Total comprehensive income attributable to minority interests		219,890,172	53,340,774
VII. Earnings per share			
(I) Basic earnings per share		0.4939	0.3771
(II) Diluted earnings per share		N/A	N/A

The accompanying notes form part of the financial statements.

The financial statements on pages 84 to 232 were signed by the following:

Legal Representative:



Person in Charge of the Accounting Body:



Chief Accountant:



INCOME STATEMENT OF THE COMPANY

For the period ended 30 June 2018

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Total operating income	(XV)4	3,123,478,169	3,142,761,425
Less: Operating costs	(XV)4	1,249,352,091	1,351,004,868
Taxes and levies		22,661,054	19,950,780
Administrative expenses		59,413,330	56,820,872
Financial expenses		181,590,147	160,765,517
Including: Interest expenses		180,782,307	157,685,381
Interest income		1,228,164	904,840
Impairment losses of assets		—	—
Add: Investment income	(XV)5	318,900,779	634,192,767
Including: Income from investments in associates and joint ventures		186,460,559	134,586,783
Gains (losses) from disposal of assets		93,722	76,774
Other income			
II. Operating profit		1,929,456,048	2,188,488,929
Add: Non-operating income		503	316,463
Less: Non-operating expenses		10,789,909	8,321,364
III. Total profit		1,918,666,642	2,180,484,028
Less: Income tax expenses		419,509,252	406,889,992
IV. Net profit		1,499,157,390	1,773,594,036
(I) Net profit (loss) from continuing operations		1,499,157,390	1,773,594,036
(II) Net profit (loss) from discontinued operations			
V. Other comprehensive income, net of tax		173,084,260	(9,670,915)
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss		(155,070,000)	—
1. Share of other comprehensive income of the investee that cannot be reclassified to profit or loss under the equity method		—	
2. Changes in the fair value of investments in other equity instruments		(155,070,000)	

INCOME STATEMENT OF THE COMPANY

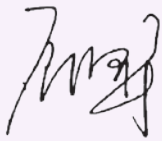
For the period ended 30 June 2018

Item	Notes	Amount for the current period	Amount for the prior period
(II) Other comprehensive income that will be reclassified to profit or loss		328,154,260	(9,670,915)
1. Other comprehensive income convertible to profit or loss under the equity method		328,154,260	(9,670,915)
2. Changes in the fair value of investments in other equity instruments		—	—
VI. Total comprehensive income		<u>1,672,241,650</u>	<u>1,763,923,121</u>

The accompanying notes form part of the financial statements.

The financial statements on pages 84 to 232 were signed by the following:

Legal Representative:



Person in Charge of the Accounting Body:



Chief Accountant:



CONSOLIDATED CASH FLOW STATEMENT

For the period ended 30 June 2018

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		4,859,995,310	4,776,634,399
Other cash receipts relating to operating activities	VI.52(1)	89,814,612	107,827,215
Sub-total of cash inflows from operating activities		4,949,809,922	4,884,461,614
Cash payments for goods purchased and services received		952,677,534	1,133,449,908
Cash payments to and on behalf of employees		426,008,900	381,011,869
Payments of various types of taxes		820,832,908	744,260,886
Other cash payments relating to operating activities	VI.52(2)	87,501,473	52,392,216
Sub-total of cash outflows from operating activities		2,287,020,815	2,311,114,879
Net Cash Flow from Operating Activities		2,662,789,107	2,573,346,735
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		2,670,700,000	2,471,903,747
Cash receipts from investment income		148,155,465	150,439,334
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		57,725,610	49,928
Other cash receipts relating to investing activities	VI.52(3)	430,771,364	-
Sub-total of cash inflows from investing activities		3,307,352,439	2,622,393,009
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		1,330,219,781	2,205,521,753
Cash payments to acquire investments		2,507,904,350	3,049,896,263
Net cash payments for acquisitions of subsidiaries and other business units		-	-
Other cash payments relating to investing activities	VI.52(4)	480,000,000	120,000,000
Sub-total of cash outflows from investing activities		4,318,124,131	5,375,418,016
Net Cash Flow used in Investing Activities		(1,010,771,692)	(2,753,025,007)

CONSOLIDATED CASH FLOW STATEMENT

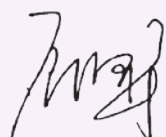
For the period ended 30 June 2018

Item	Notes	Amount for the current period	Amount for the prior period
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		520,768,164	984,437,120
Including: cash receipts from capital contributions from minority owners of subsidiaries		520,768,164	984,437,120
Cash receipts from borrowings		3,951,000,000	2,315,000,000
Cash receipts from issue of bonds		1,498,986,400	2,797,234,748
Other cash receipts relating to financing activities	VI.52(5)	-	-
Sub-total of cash inflows from financing activities		5,970,754,564	6,096,671,868
Cash repayments of borrowings		5,977,528,802	5,640,860,251
Cash payments for distribution of dividends or profits or settlement of interest expenses		1,184,440,069	204,094,128
Including: payments for distribution of dividends or profits to minority owners of subsidiaries		-	-
Other cash payments relating to financing activities	VI.52(6)	19,016,321	579,293
Sub-total of cash outflows from financing activities		7,180,985,192	5,845,533,672
Net Cash Flow used in Financing Activities		(1,210,230,628)	251,138,196
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
		-	-
V. Net Increase (decrease) in Cash and Cash Equivalents			
	VI.53	441,786,787	71,459,924
Add: Opening balance of Cash and Cash Equivalents	VI.53	262,758,700	194,272,978
VI. Closing Balance of Cash and Cash Equivalents			
	VI.53	704,545,487	265,732,902

The accompanying notes form part of the financial statements.

The financial statements on pages 84 to 232 were signed by the following:

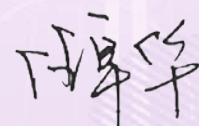
Legal Representative:



Person in Charge of the Accounting Body:



Chief Accountant:



CASH FLOW STATEMENT OF THE COMPANY

For the period ended 30 June 2018

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
I. Cash Flows from Operating Activities:			
Cash receipts from the sale of goods and the rendering of services		3,327,054,517	3,370,742,131
Other cash receipts relating to operating activities		53,171,033	5,681,524
Sub-total of cash inflows from operating activities		3,380,225,550	3,376,423,655
Cash payments for goods purchased and services received		745,945,500	944,226,154
Cash payments to and on behalf of employees		284,391,767	249,420,249
Payments of various types of taxes		623,960,143	565,805,100
Other cash payments relating to operating activities		35,331,793	23,343,878
Sub-total of cash outflows from operating activities		1,689,629,203	1,782,795,381
Net Cash Flow from Operating Activities		1,690,596,347	1,593,628,274
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		2,299,000,000	1,183,000,000
Cash receipts from investment income		154,278,170	567,053,982
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		57,719,500	146,478
Other cash receipts relating to investing activities		369,000,000	100,000,000
Sub-total of cash inflows from investing activities		2,879,997,670	1,850,200,460
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		36,733,077	49,641,799
Cash payments to acquire investments		2,162,339,800	2,762,194,880
Net cash payments for acquisitions of subsidiaries and other business units		—	—
Other cash payments relating to investing activities		530,000,000	120,000,000
Sub-total of cash outflows from investing activities		2,729,072,877	2,931,836,679
Net Cash Flow used in Investing Activities		150,924,793	(1,081,636,219)

CASH FLOW STATEMENT OF THE COMPANY

For the period ended 30 June 2018

Item	Notes	Amount for the current period	Amount for the prior period
III. Cash Flows from Financing Activities:			
Cash receipts from borrowings		2,810,000,000	1,800,000,000
Cash receipts from issue of bonds		1,498,986,400	2,797,234,749
Sub-total of cash inflows from financing activities		4,308,986,400	4,597,234,749
Cash repayments of borrowings		5,095,528,802	4,980,860,251
Cash payments for distribution of dividends or profits or settlement of interest expenses		1,078,651,998	143,696,916
Other cash payments relating to financing activities		6,016,321	579,293
Sub-total of cash outflows from financing activities		6,180,197,121	5,125,136,460
Net Cash Flow used in Financing Activities		(1,871,210,721)	(527,901,711)
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents			
		-	-
V. Net Decrease in Cash and Cash Equivalents			
		(29,689,581)	(15,909,656)
Add: Opening balance of Cash and Cash Equivalents		135,125,679	98,649,203
VI. Closing Balance of Cash and Cash Equivalents			
		105,436,098	82,739,547

The accompanying notes form part of the financial statements.

The financial statements on pages 84 to 232 were signed by the following:

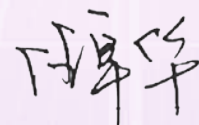
Legal Representative:



Person in Charge of the Accounting Body:



Chief Accountant:



CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the period ended 30 June 2018

Unit: RMB

Item	Amount for the current period											Total shareholders' equity		
	Attributable to owners of the Company										Minority interests			
	Share capital	Preference shares	Perpetual bonds	Others	Capital reserve	Treasury shares	Less: comprehensive income	Other comprehensive income	Special reserve	Surplus reserve			Risk Provision	General
I. Balance at 31 December 2017	5,037,747,500	-	-	-	10,428,388,235	-	380,908,923	-	3,273,492,299	-	-	4,399,747,006	2,374,646,649	25,894,930,612
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of last period errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effect of business combinations involving enterprises under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance at 1 January 2018	5,037,747,500	-	-	-	10,428,388,235	-	380,908,923	-	3,273,492,299	-	-	4,399,747,006	2,374,646,649	25,894,930,612
III. Changes for the period	-	-	-	-	-	-	1,129,641,244	-	-	-	-	271,533,165	725,566,468	2,126,740,867
(I) Total comprehensive income	-	-	-	-	-	-	1,129,641,244	-	-	-	-	2,488,142,065	219,880,172	3,837,673,481
(II) Owners' contributions and reduction in capital	-	-	-	-	-	-	-	-	-	-	-	-	520,768,164	520,768,164
1. Ordinary share contributions from shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from other equity instrument holders	-	-	-	-	-	-	-	-	-	-	-	-	520,768,164	520,768,164
3. Share-based payment recognised in owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Effect of business combinations involving enterprises under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. General Risk Provision	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Distributions to owners (or shareholders)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Transfers within owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve (or state capital)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Provision of special reserve in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Amount utilised in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at 30 June 2018	5,037,747,500	-	-	-	10,428,388,235	-	1,510,550,167	-	3,273,492,299	-	-	4,671,280,171	3,100,213,107	28,021,671,479

The financial statements on pages 84 to 232 were signed by the following:

Legal Representative:



Person in Charge of the Accounting Body:



Chief Accountant:



CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the period ended 30 June 2018

Unit: RMB

Item	Amount for the last period												
	Attributable to owners of the Company						Other						
	Share capital	Preference shares	Perpetual debts	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General Risk Provision	Retained profits	Minority interests	Total shareholders' equity
I. Balance at 31 December 2016	5,037,747,500	-	-	-	10,428,388,235	-	542,393,052	-	3,153,173,160	-	3,048,058,238	732,100,804	22,941,856,989
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Effect of business combinations involving enterprises under common control	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
II. Balance at 1 January 2017	5,037,747,500	-	-	-	10,428,388,235	-	542,393,052	-	3,153,173,160	-	3,048,058,238	732,100,804	22,941,856,989
III. Changes for the period													
(I) Total comprehensive income	-	-	-	-	-	-	(9,670,915)	-	-	-	(216,193,765)	964,920,907	739,056,227
(II) Owners' contributions and reduction in capital	-	-	-	-	-	-	(9,670,915)	-	-	-	1,839,660,185	53,340,774	1,943,330,044
1. Ordinary share contributions from shareholders	-	-	-	-	-	-	-	-	-	-	-	984,437,120	984,437,120
2. Capital contribution from other equity instrument holders	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment recognised in owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Effect of business combinations involving enterprises under common control	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	-	-	-	(72,866,987)	(72,866,987)
2. General Risk Provision	-	-	-	-	-	-	-	-	-	-	(2,115,863,950)	-	(2,115,863,950)
3. Distributions to owners (or shareholders)	-	-	-	-	-	-	-	-	-	-	(2,115,863,950)	(72,866,987)	(2,188,710,937)
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Transfers within owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Provision of special reserve in the period	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Amount utilised in the period	-	-	-	-	-	-	-	-	-	-	-	-	-
VI. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at 30 June 2017	5,037,747,500	-	-	-	10,428,388,235	-	532,718,137	-	3,153,173,160	-	2,831,864,473	1,697,021,711	23,680,913,216

The financial statements on pages 84 to 232 were signed by the following:

Legal Representative:



Person in Charge of the Accounting Body:



Chief Accountant:



STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

For the period ended 30 June 2018

Unit: RMB

Item	Amount for the current period						Amount for the current period	Amount for the current period	Amount for the current period	Amount for the current period	Amount for the current period
	Amount for the current period	Preference shares	Perpetual bonds	Others	Amount for the current period	Amount for the current period					
I. Balance at 31 December 2017	5,037,747,500	-	-	-	7,327,650,327	362,483,691	2,518,873,750	-	5,998,708,094	21,245,463,362	-
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-
Corrections of last period errors	-	-	-	-	-	-	-	-	-	-	-
Effect of business combinations involving enterprises under common control	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-
II. Balance at 1 January 2018	5,037,747,500	-	-	-	7,327,650,327	362,483,691	2,518,873,750	-	5,998,708,094	21,245,463,362	-
III. Changes for the period											
(I) Total comprehensive income	-	-	-	-	-	173,084,260	-	-	(717,451,510)	(544,367,250)	-
(II) Owners' contributions and reduction in capital	-	-	-	-	173,084,260	-	-	-	1,498,157,390	1,672,241,650	-
1. Ordinary share contributions from shareholders	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from other equity instrument holders	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment recognised in owners' equity	-	-	-	-	-	-	-	-	-	-	-
4. Effect of business combinations involving enterprises under common control	-	-	-	-	-	-	-	-	-	-	-
5. Others	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	(2,216,608,900)	(2,216,608,900)	-
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	-	-	-
2. General Risk Provision	-	-	-	-	-	-	-	-	-	-	-
3. Distributions to owners (or shareholders)	-	-	-	-	-	-	-	-	(2,216,608,900)	(2,216,608,900)	-
4. Others	-	-	-	-	-	-	-	-	-	-	-
(IV) Transfers within owners' equity	-	-	-	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve (or share capital)	-	-	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve (or share capital)	-	-	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-
1. Provision of special reserve in the period	-	-	-	-	-	-	-	-	-	-	-
2. Amount utilised in the period	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-
IV. Balance at 30 June 2018	5,037,747,500	-	-	-	7,327,650,327	535,567,951	2,518,873,750	-	5,281,256,584	20,701,096,112	-

The financial statements on pages 84 to 232 were signed by the following:

Legal Representative:



Person in Charge of the Accounting Body:



Chief Accountant:



STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

For the period ended 30 June 2018

Unit: RMB

Item	Amount for the current period			Amount for the last period			Amount for the current period	Amount for the current period	Amount for the current period	Amount for the current period
	Preference shares	Perpetual bonds	Others	Amount for the current period	Amount for the current period	Amount for the current period				
I. Balance at 31 December 2016										
5,037,747,500				7,327,650,327			2,518,873,750			20,864,203,361
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-	-	-	-	-
Effect of business combinations involving enterprises under common control	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-
II. Balance at 1 January 2017										
5,037,747,500				7,327,650,327			2,518,873,750			20,864,203,361
III. Changes for the period										
(I) Total comprehensive income	-	-	-	-	(9,670,915)	-	-	(9,670,915)	(9,670,915)	(351,930,829)
(II) Owners' contributions and reduction in capital	-	-	-	-	(9,670,915)	-	-	(9,670,915)	1,773,594,036	1,763,923,121
1. Ordinary share contributions from shareholders	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from other equity instrument holders	-	-	-	-	-	-	-	-	-	-
3. Share-based payment recognised in owners' equity	-	-	-	-	-	-	-	-	-	-
4. Effect of business combinations involving enterprises under common control	-	-	-	-	-	-	-	-	-	-
5. Others	-	-	-	-	-	-	-	-	(2,115,853,950)	(2,115,853,950)
(III) Profit distribution	-	-	-	-	-	-	-	-	(2,115,853,950)	(2,115,853,950)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	-	-
2. General Risk Provision	-	-	-	-	-	-	-	-	-	-
3. Distributions to owners (or shareholders)	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-
(IV) Transfers within owners' equity	-	-	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve (or share capital)	-	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve (or share capital)	-	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-
1. Provision of special reserve in the period	-	-	-	-	-	-	-	-	-	-
2. Amount utilised in the period	-	-	-	-	-	-	-	-	-	-
VI. Others	-	-	-	-	-	-	-	-	-	-
IV. Balance at 30 June 2017										
5,037,747,500				7,327,650,327	514,292,905		2,518,873,750		4,613,714,050	20,212,278,532

The financial statements on pages 84 to 232 were signed by the following:

Legal Representative:



Person in Charge of the Accounting Body:



Chief Accountant:





NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

I. BASIC INFORMATION ABOUT THE COMPANY

Jiangsu Expressway Co., Ltd. (the “Company”) is a joint-stock limited company incorporated in Nanjing, Jiangsu province on 1 August 1992, with headquarter located in Nanjing. The principal activities of the Company and its subsidiaries (collectively referred it as the “Group”) mainly include: construction, operation and management of the Jiangsu section of Shanghai-Nanjing Expressway (the “Shanghai-Nanjing Expressway”), Nanjing-Lianyungang Class 1 Highway – Nanjing Section (“Nanjing-Lianyungang Highway”) and other toll roads in Jiangsu Province PRC, and the provision of passenger transport services and other supporting services along the toll roads.

The Company issued 1,222,000,000 shares on the Stock Exchange of Hong Kong Limited (“H shares”) and 150,000,000 shares on the Shanghai Stock Exchange (“A shares”) with par value of RMB1 in June 1997 and December 2000 respectively.

The parent company and ultimate shareholder of the Company is Jiangsu Communications Holding Company Limited (“Communications Holding”).

The company and the consolidated financial are approved by the board of Directors on 24 August 2018.

Subsidiaries consolidated in the financial statements are listed in Note VIII “Equity in other entities”.

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

Basis of preparation

The Group has adopted the Accounting Standards for Business Enterprises (“ASBE”) issued by the Ministry of Finance (“MOF”) and related rules. The Group has disclosed relevant financial information in accordance with Information Disclosure and Presentation Rules for Companies Offering Securities to the Public No. 15 – General Provisions on Financial Reporting (Revised in 2014). In addition, the Group also disclosed relevant disclosure in accordance with the disclosure requirements of the Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

Basis of accounting and principle of measurement

The Group has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Group adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

Where the historical cost is adopted as the measurement basis, assets are recorded at the amount of cash or cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds or assets received or the contractual amounts for assuming the present obligation, or, at the amounts of cash or cash equivalents expected to be paid to settle the liabilities in the normal course of business.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using valuation technique. Fair value measurement and disclosure in the financial statements are determined according to the above basis.

Fair value measurements are categorized into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are unadjusted quoted prices in active markets for identical assets or liabilities that the entity can access at the measurement date;
- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and
- Level 3 inputs are unobservable inputs for the asset or liability.

Going concern

As at 31 June 2018, the Group had total current liabilities in excess of total current assets of RMB2,731,660,300. As at 31 June 2018, the Group has available unutilized bank loan facilities with a time limit over one year of approximately RMB21,558,960,000 and authorized but not issued super short-term bonds and medium term notes with a time limit over one year of approximately RMB6,500,000,000. The Group's management believes the facilities above are to provide all necessary financial support to the Group in the foreseeable future so as to maintain the Group's ability to continue as a going concern, the financial statements have been prepared on a going concern basis.



NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group are principally engaged in toll road operation. The Group determines the specific accounting policies according to the toll road industry characteristics, shown mainly on the bad debt provision for receivables, depreciation for fixed assets, amortization for toll road operation rights and recognition timing of revenue. Refer to Note III 10, 14, 17 and 22 for detail specific accounting policies. For description of significant accounting judgments, estimation and assumption made by management, see Note IV.

1. Statement of compliance with the ASBE

The financial statements of the Company have been prepared in accordance with ASBE, and present truly and completely, the Company's and consolidated financial position as of 30 June 2018, and the Company's and consolidated results of operations and cash flows for the year then ended.

2. Accounting period

The Group has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

3. Business Cycle

Except for the real estate industry, the Group's business cycle is short, the determining criterion of asset-liability liquidity is 12 months. The real estate industry business cycle is from real estate development to sales realization, generally in more than 12 months, the specific period is determined according to the development conditions of the project, and its criterion of asset-liability liquidity is based on the business cycle.

4. Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its subsidiaries operate. Therefore, the Company and its subsidiaries choose RMB as their functional currency. The Group adopts RMB to prepare its financial statements.

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

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

5.1 Business combinations involving enterprises under common control

A business combination involving enterprises under common control is a business combination in which all of the combining enterprises are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control (Continued)

5.1 Business combinations involving enterprises under common control (Continued)

Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

5.2 Business combinations not involving enterprises under common control and goodwill

A business combination not involving enterprises under common control is a business combination in which all of the combining enterprises are not ultimately controlled by the same party or parties before and after the combination.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria shall be measured at fair value at the acquisition date.

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognized as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognizes the remaining difference immediately in profit or loss for the current period.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements.



NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control exists when the investor has power over the investee; is exposed, or has rights, to variable returns from its involvement with the investee; and has the ability to use its power over the investee to affect its returns. The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes of the above elements of the definition of control.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control or the party being absorbed under merger by absorption are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period or from the date when they first came under the common control of the ultimate controlling party are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

The effects of all intra-group transactions are eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to minority interests is presented as "minority interests" in the consolidated income statement below the "net profit" line item.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount are still allocated against minority interests.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Preparation of consolidated financial statements (Continued)

Acquisition of minority interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the Company's interests and minority interests are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under owners' equity. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognized as investment income in the period in which control is lost, and at the same time adjusted against goodwill. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

7. Cash and cash equivalents

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

8. Translation of transactions denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of the transaction.

At the balance sheet date, foreign currency monetary items are translated into RMB using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognized in profit or loss for the period, except that (i) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalization are capitalized as part of the cost of the qualifying asset during the capitalization period; (ii) exchange differences related to hedging instruments for the purpose of hedging against foreign currency risks are accounted for using hedge accounting; (iii) exchange differences arising from available-for-sale non-monetary items (such as shares) denominated in foreign currencies and changes in the carrying amounts (other than the amortized cost) of available-for-sale monetary items are recognized as other comprehensive income.



NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

8. Translation of transactions denominated in foreign currencies (Continued)

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions and the amounts in functional currency remain unchanged. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognized in profit and loss or as other comprehensive income.

9. Financial instruments

The Group has adopted the following accounting policies for financial instruments since 1 January 2018 (“new standards for financial instruments”):

Financial assets and financial liabilities are recognised when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognised in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognised amounts. When the Group recognizes the accounts receivable excluding significant financing component or does not consider the financing component in the contract within one year in accordance with the *Accounting Standards of Business Enterprise No. 14 – Revenue* (“new standards for revenue”), the accounts receivable upon initial recognition is initially measured at transaction price as defined in new standards for revenue.

9.1 Classification and measurement of the financial assets

On initial recognition, the Group’s financial assets are classified into the following categories, including financial assets measured at amortized cost, financial assets at fair value through other comprehensive income and financial assets at fair value through profit or loss.

9.1.1 Categorized into financial assets measured at amortized cost

If the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding and the financial asset is held within a business model whose objective is achieved by collecting contractual cash flows, the Group will classify these financial assets into financial assets measured at amortized costs.

Financial assets measured at amortized cost are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from impairment or derecognition is recognised in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

9.1 Classification and measurement of the financial assets (Continued)

9.1.1 Categorized into financial assets measured at amortized cost (Continued)

9.1.1.1. Effective interest method and amortized cost

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability and of allocating the interest income or interest expense over the relevant accounting period.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms (such as repayment in advance, term extension, call option or other alike options and etc.) of the financial asset or financial liability without considering expected credit losses.

The amortized cost of a financial asset or a financial liability is an accumulatively amortized amount arising from the initially recognized amount of the financial asset or the financial liability deducting repaid principals plus or less amortization of balances between the initially recognized amount and the amount on maturity date using the effective interest method, and then deducting accumulated provisions for losses (only applicable to financial assets).

For financial assets measured at amortized cost and financial assets at fair value through other comprehensive income, the Group recognizes interest income using effective interest method. The Group will calculate and recognize interest income through book value of financial assets multiplying effective interest, except for the following circumstances:

- For purchased or originated credit-impaired financial assets, the Group will calculate and recognize its interest income based on amortized cost of the financial asset and the effective interest through credit adjustment since initial recognition.
- For purchased or originated financial assets without credit impairment incurred but becoming financial assets with credit impairment incurred in subsequent periods, the Group will calculate and recognize its interest income based on amortized cost of the financial asset and the effective interest in subsequent periods. If the credit risk of the financial asset is reduced during subsequent periods and credit impairment does not exist, the Group will calculate and recognize interest income through book value of financial assets multiplying effective interest.



NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

9.1 Classification and measurement of the financial assets (Continued)

9.1.2. Categorized into financial assets at fair value through other comprehensive income ("FVTOCI")

If the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets, the financial asset is categorized into the financial assets at FVTOCI.

Impairment losses or gains related to financial assets, interest income measured using effective interest method and exchange gains or losses are recognized into profit or loss for the current period, Except for the above circumstances, changes in fair value of the financial assets are included in other comprehensive income. When the financial asset is derecognized, the cumulative gains or losses previously recognised in other comprehensive income shall be removed from other comprehensive income and recognised in profit or loss.

9.1.3. Categorized into financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL include financial assets at FVTPL and those designated as at FVTPL.

- Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI are categorized into financial assets measured at FVTPL.
- On initial recognition, the Group may irrevocably designate a financial asset as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

Other than financial assets included in a portion of hedging relations, the Group subsequently measured these financial assets at fair value, gains or losses arising from changes in fair value and dividends and interest income related to these financial assets shall be recognized into profit or loss for the period.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

9.1 Classification and measurement of the financial assets (Continued)

9.1.4. Designated as financial assets at fair value through other comprehensive income (“FVTOCI”)

On initial recognition, the Group may irrevocably designate a non-tradable investment in equity instrument as financial asset measured at FVTOCI. Financial assets arising from contingent consideration recognised by an acquirer in a business combination not involving enterprises under common control should be classified into financial assets measured at FVTPL but not be designated as financial assets measured at FVTOCI.

After designation, changes in fair value of the financial asset should be recognized in other comprehensive income, when the financial asset is derecognized, the accumulative gains or losses previously recognised in other comprehensive income shall be removed from other comprehensive income and recognised in retained earnings. During the period that the Group holds these non-tradable equity instrument, the Group has established the right of collecting dividends, economic benefit related to dividends is probably flow into the Group, and the amount of the dividends can be reliably measured, dividends income is recognized and included in profit or loss.

9.2. Impairment of financial assets

The Group shall recognise a loss allowance for expected credit losses on a financial asset measured at amortized cost, financial assets categorized into those measured at FVTOCI, a lease receivable, a contract asset, accounts receivable, loan commitment and financial guarantee.

The Group makes a loss allowance against amount of expected credit losses equal to the whole life of the contract assets and accounts receivable that exclude significant financing component or do not consider the financing component in the contract within one year arising from transactions adopting new standards for revenue, the contract assets and accounts receivable that include significant financing component arising from transactions adopting new standards for revenue and lease receivables.



NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

9.2. Impairment of financial assets (Continued)

For other financial instrument, other than purchased or originated credit-impaired financial assets, the Group assesses changes in credit risks of the relevant financial asset since initial recognition at each balance sheet date. If the credit loss of the financial instrument has been significantly increased since initial recognition, the Group will make a loss allowance at an amount equal to expected credit loss during the whole life; if not, the Group will make a loss allowance for the financial instrument at an amount equal to 12-month expected credit losses. The increased or reversed amount of credit, except for financial assets at FVTOCI, is recognized in profit or loss as impairment loss or gain. For the financial asset categorized into those measured at FVTOCI, the Group will recognize its credit loss allowance in other comprehensive income and include the impairment losses or gains into profit or loss for the current period but not decrease carry amount of the financial assets listed in the balance sheet.

The Group has makes a loss allowance against amount of expected credit losses equal to the whole life in the prior accounting period. However, at the balance sheet date, the credit risk on a financial instrument has not increased significantly since initial recognition; the Group will measure the loss allowance for that financial instrument at an amount equal to 12-month expected credit losses. Reversed amount of loss allowance arising from such circumstances shall be included in profit or loss as impairment gains.

9.2.1. Significant increase of credit risk

The Group will make use of reasonable and supportable forward-looking information that is available to determine whether credit risk has increased significantly since initial recognition through comparing the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. For loan commitment and financial guarantee contract, when applying the requirements of impairment of financial assets, the Group will take the date on which the Group has become a party makes irrevocable commitment as the initial recognition date.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

9.2. Impairment of financial assets (Continued)

9.2.1. Significant increase of credit risk (Continued)

The Group will take the following factors into consideration when assessing whether credit risk has increased significantly:

- (1) Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life. These indicators include the length of time or the extent to which the fair value of a financial asset has been less than its amortised cost and other market information related to the borrower, such as changes in the price of a borrower's debt and equity instruments.
- (2) An actual or expected internal credit rating downgrade for the borrower.
- (3) Adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations.
- (4) An actual or expected significant change in the operating results of the borrower.
- (5) Significant increases in credit risk on other financial instruments of the same borrower.
- (6) Significant adverse change in the regulatory, economic, or technological environment of the borrower.
- (7) Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring.
- (8) Significant changes in circumstances expected to reduce the borrower's economic incentive to make scheduled contractual payments;



NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

9.2. Impairment of financial assets (Continued)

9.2.1. Significant increase of credit risk (Continued)

- (9) Expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the financial instrument.
- (10) Significant changes in the expected performance and behavior of the borrower.
- (11) Changes in the entity's credit management approach in relation to the financial instrument.
- (12) Past due period of contract payment exceeds (includes) 30 days.

At balance sheet date, if the Group judges that the financial instrument solely has lower credit risk, the Group will assume that the credit risk of the financial instrument has not been significantly increased since initial recognition.

9.2.2. Credit-impaired financial assets

When the Group expected occurrence of one or more events which may cause adverse impact on future cash flows of a financial asset, the financial asset will become a credit-impaired financial assets. Objective evidence that a financial asset is impaired includes the following observable events:

- (1) Significant financial difficulty of the issuer or obligor;
- (2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- (3) The creditor, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;
- (4) It becoming probable that the borrower will enter bankruptcy or other financial reorganizations;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer or the borrower;
- (6) Purchase or originate a financial asset with a large scale of discount, which reflects facts of credit loss incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

9.2. Impairment of financial assets (Continued)

9.2.3. Determination of expected credit loss

The Group uses a provision matrix to determine the expected credit losses for relevant financial instruments based on a collective basis. The Group classifies financial instruments into different groups based on common risk characteristics. The common risk characteristics adopted by the Group include: types of financial instrument, credit risk ratings, types of collaterals, initial recognition date, values of collaterals against the financial assets and etc.

The Group determines expected credit losses of relevant financial instruments using the following methods:

- For financial assets, a credit loss is the present value of the difference between the contractual cash flows that are due to the Group under the contract and the cash flows that the Group expects to receive;
- For a financial asset that is credit-impaired at the balance sheet date, but that is not a purchased or originated credit-impaired financial asset, the Group shall measure the expected credit losses as the difference between the asset's gross carrying amount and the present value of estimated future cash flows discounted at the financial asset's original effective interest rate;
- For financial guarantee contracts, the credit losses shall be the present value of differences between estimated payments made to reimburse the holder for a credit loss it incurs less the amount collected by the Group from the contractual holder, debtor or any other parties.

The factors reflected in methods of measurement of expected credit losses include an unbiased and probability-weighted amount that is determined by evaluating a range of possible outcomes; time value of money; reasonable and supportable information about past events, current conditions and forecasts on future economic status at balance sheet date without unnecessary additional costs or efforts.

9.2.4. Write-down of financial assets

When the Group will no longer reasonably expect that the contractual cash flows of financial assets can be collected in aggregate or in part, the Group will directly write down the carrying amount of the financial asset. Such write-down constitutes derecognition of relevant financial assets.



NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

9.3. Transfer of financial assets

The Group derecognises a financial asset if one of the following conditions is satisfied: (i) the contractual rights to the cash flows from the financial asset expire; or (ii) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (iii) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognises the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability. The Group measures relevant liabilities as follows:

- For the transferred financial asset measure at amortized cost, the carrying amount of relevant liabilities equals to carrying amount of the continuously-involved transferred financial asset less amortized cost of rights retained by the Group (if the Group retains relevant right due to transfer of financial assets) plus amortized costs of the obligation assumed by the Group (if the Group retains relevant right due to transfer of financial assets), relevant liabilities shall not be designated as financial liabilities at FVTPL;
- For the transferred financial asset measure at fair value, the carrying amount of relevant liabilities equals to carrying amount of the continuously-involved transferred financial asset less fair value of rights retained by the Group (if the Group retains relevant right due to transfer of financial assets) plus fair value of the obligation assumed by the Group (if the Group retains relevant right due to transfer of financial assets), the fair value of the right and obligation is fair value measured on stand-alone basis.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, for financial assets categorized into those measured at amortized cost or categorized those measured at FVTOCI, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised in other comprehensive income, is recognised in profit or loss. For the non-tradable equity instrument designated as financial assets at FVTOCI, cumulative gain or loss that has been recognised in other comprehensive income should be removed from other comprehensive income but be recognized in retained earnings.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

9.3. Transfer of financial assets (Continued)

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognised and the part that is continuously involved, based on the respective fair values of those parts on transfer date. The difference between (1) the sum of the consideration received for the part derecognised and any cumulative gain or loss allocated to the part derecognised which has been previously recognised in other comprehensive income (2) the carrying amount allocated to the part derecognised on derecognition date; and, is recognised in profit or loss or retained earnings.

For a transfer of a financial asset in its entirety that does not satisfy the derecognition criteria, the Group will continuously recognize the transferred financial asset in its entirety. Considerations received due to transfer of assets should be recognized as a liability upon receipts.

9.4. Classification and measurement of financial liabilities

Financial instruments issued by the Group are classified into financial liabilities or equity instruments on the basis of the substance of the contractual arrangements and the economic nature not only its legal form, together with the definition of financial liability and equity instruments.

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

9.4.1. Financial liabilities at fair value through profit or loss

Financial liabilities at FVTPL consist of financial liabilities held for trading (including derivatives included in financial liabilities) and those designated as at FVTPL.

A financial liability may be irrevocably designated as at FVTPL upon initial recognition when one of the following conditions is satisfied: (i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring liabilities or recognising the gains or losses on them on different bases; or (ii) make management and performance evaluation on a fair value basis, in accordance with the Group's formally documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis. (iii) The qualified hybrid financial instrument combines financial asset with embedded derivatives.



NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

9.4. Classification and measurement of financial liabilities (Continued)

9.4.1. Financial liabilities at fair value through profit or loss (Continued)

Financial liabilities held for trading are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest expenses paid on the financial liabilities are recognized in profit or loss.

For financial liabilities designated as those measured at FVTOCI, changes in fair value arising from the Group's own changes in credit risks are recognized in other comprehensive income, the cumulative changing amount of fair value arising from the Group's own changes in credit risks shall be transferred to retained earnings. Other gains or losses arising from changes in the fair value and any dividend or interest expenses paid on the financial liabilities are recognized in profit or loss. If make treatment on effect of the changes in own credit risks by the aforesaid means which may cause or enlarge an accounting mismatch in profit or loss, the Group will recognize all gains or losses (including the affected amount arising from changes in the enterprise's own credit risk) of the financial liability into profit or loss.

Financial liabilities arising from contingent consideration recognised by the Group as an acquirer in a business combination not involving enterprises under common control, the Group will make accounting treatment for the financial liability as that measured at FVTPL.

9.4.2. Other financial liabilities

Other financial liabilities, except for financial liabilities arising from transfer of financial assets does not satisfy derecognition criteria or continue involvement of transferred financial assets and financial guarantee contracts liability, are subsequently measured at amortised cost, with gain or loss arising from derecognition or amortisation recognised in profit or loss.

That the Group and its counterparty modify or renegotiate the contract does not result in derecognition of a financial liability subsequently measured at amortized cost but result in changes in contractual cash flows, the Group will recalculate the carrying amount of the financial liability, with relevant gain or loss recognised in profit or loss. The Group will determine carrying amount of the financial liability based on the present value of renegotiated or modified contractual cash flows discounted at the financial liability's original effective interest rate. For all costs or expenses arising from modification or renegotiation of the contract, the Group will adjust the modified carrying amount of the financial liability and make amortization during the remaining term of the modified financial liability.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Financial instruments (Continued)

9.4. Classification and measurement of financial liabilities (Continued)

9.4.3. Financial guarantee contract

A contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument. The financial guarantee contract that is not included in financial liabilities measured at FVTPL shall be measured at the higher of loss allowance amount and the initial recognition amount less accumulative amortization amount as specified in the standards for revenue after initial recognition.

9.5. Derecognition of financial liabilities

The Group derecognises a financial liability (or part of it) only when the underlying present obligation (or part of it) is discharged. An agreement between the Group (an existing borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognises a financial liability or a part of it, it recognises the difference between the carrying amount of the financial liability (or part of the financial liability) derecognised and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

9.6. Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued (including refinanced), repurchased, sold and cancelled by the Group are recognized as changes of equity. Change of fair value of equity instruments is not recognized by the Group. Transaction costs related to equity transactions are deducted from equity.

The Group recognizes the distribution to holders of the equity instruments as distribution of profits, and dividends paid do not affect total amount of shareholders equity.

9.7. Offsetting financial assets and financial liabilities

Where the Group has a legal right that is currently enforceable to set off the recognised financial assets and financial liabilities, and intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Receivables

10.1 Receivables that are individually significant and for which bad debt provision is individually assessed

Basis or monetary criteria for determining an individually significant receivable

Accounts receivable that exceeds RMB2,500,000 or other receivable and prepayment that exceeds RMB750,000 is deemed as an individually significant receivable by the Group.

Method of determining provision for receivables that are individually significant and for which bad debt provision is individually assessed

For receivables that are individually significant, the Group assesses the receivables individually for impairment. For a financial asset that is not impaired individually, the Group includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Receivables for which an impairment loss is individually recognized are not included in a collective assessment of impairment.

10.2 Receivables for which bad debt provision is collectively assessed on a portfolio basis

Bad debt provision method for the portfolio according to the credit risk characteristics (Aging analysis, percentage of receivables, other methods etc.)

Portfolio 1

Receivables from government, petty cash advanced to employees, security deposit, toll road receivables and receivables from related parties of the Company and its subsidiaries. Bad debt provision is recognized individually

Portfolio 2

Portfolio 2 mainly includes receivables arising from operating activities other than Portfolio 1. Bad debt provision is recognized based on percentage of accounts balances

10.2.1 Portfolios where percentage of receivable method is used for bad debt provision:

Name of portfolio	Provision as a proportion of accounts receivable (%)	Provision as a proportion of other receivables (%)
Portfolio 2	<u>2</u>	<u>2</u>

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Receivables (Continued)

10.3 Receivables that are not individually significant but for which bad debt provision is individually assessed:

Reasons for making individual bad debt provision	There exists objective evidence that the Group will not be able to collect the amount under the original terms of the receivable.
Bad debt provision methods	Impairment losses are recognized based on the difference between the carrying amount and the present value of estimated future cash flows.

11. Inventories

11.1 Categories of inventories

The Group's inventories mainly include spare parts for repairs and maintenance of toll roads infrastructure, petrol for sales and real estate under development etc. Inventories are initially measured at cost. Cost of real estate under development include payments for land acquisition, costs for infrastructure, construction and installation costs, borrowing costs capitalized before project is ready for intended use, and other relevant costs during development. Cost of other inventories comprises all costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

11.2 Valuation method of inventories upon delivery

The actual cost of real estate under development is calculated using the specific identification method. Other inventories are calculated using the first-in-first-out method.

11.3 Basis for determining net realizable value of inventories

At the balance sheet date, inventories are measured at the lower of cost and net realizable value. If the net realizable value is below the cost of inventories, a provision for decline in value of inventories is made. Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realizable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.



NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Inventories (Continued)

11.3 Basis for determining net realizable value of inventories (Continued)

For large quantity and low value items of inventories, provision for decline in value is made based on categories of inventories. For items of inventories relating to a product line that are produced and marketed in the same geographical area, have the same or similar end uses or purposes, and cannot be practicably evaluated separately from other items in that product line, provision for decline in value is determined on an aggregate basis. Provision for decline in value of other inventories is made based on the excess of cost of inventory over its net realisable value on an item-by-item basis.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realizable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

11.4 Inventory count system

The perpetual inventory system is maintained for stock system.

12. Long-term equity investments

12.1 Basis for determining joint control and significant influence over investee

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy 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. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Long-term equity investments (Continued)

12.2 Determination of investment cost

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment is the attributable share of the carrying amount of the shareholders' equity of the acquiree at the date of combination in the consolidated financial statements of the ultimate controlling party. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed is adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings. If the consideration of the combination is satisfied by the issue of equity securities, the initial investment cost of the long-term equity investment is the attributable share of the carrying amount of the shareholders' equity of the acquiree in the consolidated financial statements of the ultimate controlling party. The aggregate face value of the shares issued is accounted for as share capital. The difference between the initial investment cost and the aggregate face value of the shares issued is adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings.

For a long-term equity investment acquired through business combination not involving enterprises under common control, the initial investment cost of the long-term equity investment is the cost of acquisition at the date of combination.

The intermediary fees incurred by the absorbing party or acquirer such as audit, legal, valuation and consulting fees, etc. and other related administrative expenses attributable to the business combination are recognised in profit or loss when they are incurred.

The long-term equity investment acquired otherwise than through a business combination is initially measured at its cost. When the entity is able to exercise significant influence or joint control (but not control) over an investee due to additional investment, the cost of long-term equity investments is the sum of the fair value of previously-held equity investments determined in accordance with Accounting Standard for Business Enterprises No.22 – Financial Instruments: Recognition and Measurement (ASBE No. 22) and the additional investment cost.



NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Long-term equity investments (Continued)

12.3 Subsequent measurement and recognition of profit or loss

12.3.1 Long-term equity investment accounted for using the cost method

Long-term equity investments in subsidiaries are accounted for using the cost method in the Company's separate financial statements. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment is adjusted accordingly. Investment income is recognised in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

12.3.2 Long-term equity investment accounted for using the equity method

The Group accounts for investment in associates and joint ventures using the equity method. An associate is an entity over which the Group has significant influence; a joint venture is a joint arrangement whereby the Group has rights to the net assets of the arrangement.

Under 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 time of acquisition, no adjustment is made to 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 time of acquisition, the difference is recognised in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Long-term equity investments (Continued)

12.3 Subsequent measurement and recognition of profit or loss (Continued)

12.3.2 Long-term equity investment accounted for using the equity method (Continued)

Under the equity method, the Group recognises its share of the net profit or loss and other comprehensive income made by the investee as investment income and other comprehensive income respectively, and adjust the carrying amount of the long-term equity investment accordingly; The carrying amount of the investment is reduced by the portion of any profit distributions or cash dividends declared by the investee that is distributed to the Group; the share of the changes in owners' equity of the investee other than those arising from net profit or loss, other comprehensive income and profit distribution are recognized in the capital reserve and the carrying amount of the long-term equity investment is adjusted accordingly. The Group recognises its share of the investee's net profit or loss after making appropriate adjustments based on the fair value of the investee's individual separately identifiable assets, etc. at the acquisition date. Where the accounting policies and accounting period adopted by the investee are not consistent with those of the Group, the Group shall adjust the financial statements of the investee to conform to its own accounting policies and accounting period, and recognise investment income and other comprehensive income based on the adjusted financial statements. For the Group's transactions with its associates and joint ventures where assets contributed or sold does not constitute a business, unrealised intra-group profits or losses are recognised as investment income or loss to the extent that those attributable to the Group's proportionate share of interest are eliminated. However, unrealised losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated.

The Group discontinues recognising its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognised according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognising its share of those profits only after its share of the profits exceeds the share of losses previously not recognised.



NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Long-term equity investments (Continued)

12.4 Disposal of long-term equity investments

On disposal of a long-term equity investment, the difference between the proceeds actually received and the carrying amount is recognised in profit or loss for the period. For long-term equity investments accounted for using the equity method, if the remaining interest after disposal is still accounted for using the equity method, other comprehensive income previously recognised for using the equity method is accounted for on the same basis as would have been required if the investee had directly disposed of related assets or liabilities, and transferred to profit or loss for the period on a pro rata basis; owners' equity recognised due to changes in other owners' equity of the investee (other than net profit or loss, other comprehensive income and profit distribution) is transferred to profit or loss for the period on a pro rata basis. For long-term equity investments accounted for using the cost method, if the remaining interest after disposal is still accounted for using the cost method, other comprehensive income previously recognised for using the equity method or in accordance with the standards for the recognition and measurement of financial instruments before obtaining the control over the investee, is accounted for on the same basis as would have been required if the investee had directly disposed of related assets or liabilities, and transferred to profit or loss for the period on a pro rata basis; changes in other owners' equity in the investee's net assets recognised under the equity method (other than net profit or loss, other comprehensive income and profit distribution) is transferred to profit or loss for the period on a pro rata basis.

13. Investment Properties

Investment property is property held to earn rentals or for capital appreciation or both. It includes building that is leased out.

An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognised in profit or loss in the period in which they are incurred.

The Group uses the cost model for subsequent measurement of investment property, and adopts a depreciation or amortisation policy for the investment property which is consistent with that for buildings or land use rights.

When an investment property is sold, transferred, retired or damaged, the Group recognises the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Fixed assets

14.1 Recognition criteria for fixed assets

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rental to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost and the effect of any expected costs of abandoning the asset at the end of its use is considered.

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

14.2 Depreciation of each category of fixed assets

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Category	Depreciation period (years)	Residual value rate (%)	Annual depreciation rate (%)
Buildings	10–30	0	3.33–10
Safety equipment	10	3	9.7
Communication and surveillance equipment	8	3	12.1
Toll and ancillary equipment	8	3	12.1
Machine and equipment	10	3	9.7
Electronic equipment	5	3	19.4
Motor vehicles	8	3	12.1
Furniture and others	5	3	19.4

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.



NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Fixed assets (Continued)

14.3 Other explanations

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognized. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognized in profit or loss for the period.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and accounts for any change as a change in an accounting estimate.

15. Construction in progress

Construction in progress is measured at its actual costs. The actual costs include various construction expenditures during the construction period, borrowing costs capitalised before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.

16. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. If construction or production of assets qualifying capitalization is interrupted abnormally for a continuous 3-month-or-above period, the capitalization of borrowing costs should be ceased until the assets resume construction or production. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific-purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings. During the capitalisation period, exchange differences related to a specific-purpose borrowing denominated in foreign currency are all capitalised. Exchange differences in connection with general-purpose borrowings are recognised in profit or loss in the period in which they are incurred.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Intangible assets

Intangible assets include land use rights, toll road operation rights and software etc.

An intangible asset is measured initially at cost. When an intangible asset with a finite useful life is available for use, its original cost less net residual value and any accumulated impairment losses is amortised over its estimated useful life using the straight-line method. If the Group has right to charge users of the public service in certain period but the amounts is not determined when relevant infrastructure completed, the Group measures the intangible asset initially at fair value of received or receivable consideration. The intangible asset is amortized using traffic volume method by using the ratio of traffic volume between certain period and whole operation period. When there is significant difference between actual and estimated traffic volume, the Group will re-evaluate the total traffic volume and calculate the amortization amount. An intangible asset with an indefinite useful life is not amortized. The amortization method, years of useful life and net residual value are as follows:

Category	Amortization method	Useful life (year)	Net residual value (%)
Land use rights	Straight-line method	22–30	0
Toll road operation rights	Traffic volume method	25–35	0
Software	Straight-line method	5	0

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at the end of the period, and makes adjustments when necessary.

18. Long-term assets impairment

The Group assesses at each balance sheet date whether there is any indication that the long-term equity investment, investment property measured at cost method, fixed assets, construction in progress and intangible assets with a finite useful life may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets. Intangible assets with indefinite useful life and intangible assets not yet available for use are tested for impairment annually, irrespective of whether there is any indication that the assets may be impaired.

Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. The recoverable amount of an asset or asset group is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset or asset group.

If such recoverable amount is less than its carrying amount, a provision for impairment losses in respect of the deficit is recognised in profit or loss for the period.



NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

18. Long-term assets impairment (Continued)

Goodwill should be tested for impairment at least at the end of each year. For the purpose of impairment testing, goodwill is considered together with the related assets group(s), i.e., goodwill is reasonably allocated to the related assets group(s) or each of assets group(s) expected to benefit from the synergies of the combination. An impairment loss is recognized if the recoverable amount of the assets group or sets of assets groups (including goodwill) is less than its carrying amount. The impairment loss is firstly allocated to reduce the carrying amount of any goodwill allocated to such assets group or sets of assets groups, and then to the other assets of the group pro-rata on the basis of the carrying amount of each asset (other than goodwill) in the group.

Once the impairment loss of such assets is recognized, it is not be reversed in any subsequent period.

19. Long-term prepaid expenses

Long-term prepaid expenses represent expenses incurred that should be borne and amortised over the current and subsequent periods (together of more than one year). Long-term prepaid expenses are amortised using the straight-line method over the expected periods in which benefits are derived.

20. Employee benefits

20.1 Accounting method for short-term employee benefits

Actually occurred short-term employee benefits are recognized as liabilities, with a corresponding charge to the profit or loss for the period or in the costs of relevant assets in the accounting period in which employees provide services to the Group. Staff welfare expenses incurred by the Group are recognized in profit or loss for the period or the costs of relevant assets based on the actually occurred amounts when it actually occurred. Non-monetary staff welfare expenses are measured at fair value.

Payment made by the Group of social security contributions for employees such as premiums or contributions on medical insurance, work injury insurance and maternity insurance, etc. and payments of housing funds, as well as union running costs and employee education costs provided in accordance with relevant requirements, are calculated according to prescribed bases and percentages in determining the amount of employee benefits and recognized as relevant liabilities, with a corresponding charge to the profit or loss for the period or the costs of relevant assets in the accounting period in which employees provide services.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

20. Employee benefits (Continued)

20.2 Accounting method for post-employment benefits

Post-employment benefits are all defined contribution.

The contribution payable to the defined contribution plan is recognized as liabilities, with a corresponding charge to the profit or loss for the period or in the costs of relevant assets in the accounting period in which employees provide services to the Group.

20.3 Accounting method for termination benefits

When the Group provides termination benefits to employees, employee benefit liabilities are recognized for termination benefits, with a corresponding charge to the profit or loss for the period at the earlier of: (1) when the Group cannot unilaterally withdraw the offer of termination benefits because of the termination plan or a curtailment proposal; and (2) when the Group recognizes costs or expenses related to restructuring that involves the payment of termination benefits.

21. Accrued liabilities

Accrued liabilities are recognized when obligations relevant to product quality assurance contingency are present obligations that the Group shall undertake, fulfilling the obligation is likely to result in the outflow of economic benefits and the amount of the obligations can be reliably measured.

As at the balance sheet date, considering factors that are relevant to contingency such as risks, uncertainties and time value of money, accrued liabilities are measured in accordance with best estimate needed to be paid to fulfill relevant present obligations. If the impact of time value of money is significant, best estimate is then determined by the discounted amount of estimated future cash flow.



NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. Revenue

The Group has adopted the following accounting policies for revenue (“new standards for revenue”) since 1 January 2018:

The Group’s revenue sources mainly include revenues from tolls, road auxiliary services, and other businesses such as troubleshooting, property development and advertisement. Revenues from tolls represent tolls from operating tollways, accounting for more than 70% of the Group’s revenue, which shall be recognized upon charging tolls. Revenues from road auxiliary services mainly are revenues from oils, accounting for about 20% of the Group’s revenues, which shall be recognized upon rendering of refuel services and the amount can be reliably measured. Revenues from other businesses such as troubleshooting and advertisement shall be recognized upon rendering of services, the amount can be reliably measured and it is probable that relevant economic benefits may flow into the enterprise. As agreed in the contract, revenues from property development shall be recognized upon completion of relevant property formalities and transfer to customers. Interest income shall be determined as per the length of time for using the monetary funds by others and actual interest rate.

When the Group has implemented the performance obligation in the contract, namely, when the customer acquires controls over relevant goods or services, revenues will be recognized as per transaction prices allocated to such performance obligation. Performance obligation represents the Group’s commitment to transfer distinct goods or services to the customer in the contract. The transaction price is the amount of consideration to which an entity expects to be entitled in exchange for transferring promised goods or services to a customer, excluding amounts collected on behalf of third parties and amounts expected to be refunded to a customer.

A significant financing component

In those circumstances, the contract contains a significant financing component, the Group shall determine the transaction price on the assumption that the customer has paid the amount payable by cash when obtaining the control over the goods or services. Balances between transaction price and contract consideration are amortized using effective interest method during the contract life. At contract inception, if the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the Group need not consider the significant component in the contract.

Costs of obtaining a contract

The incremental costs of obtaining a contract (i.e. it would not have incurred if the contract had not been obtained) which are expected to be collected shall be recognize as an asset. If the amortization period of the asset is less than one year, it will be included in profit or loss when incurred. Other expenditures incurred to obtain the contract are included in profit or loss when incurred, except for expenditures clearly borne by the customer.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. Revenue (Continued)

Costs of obtaining a contract (Continued)

Contract asset refers to the Group's right to consideration in exchange for goods that the Group has transferred to a customer when that right is conditioned on something other than the passage of time. The Group's right of unconditional (i.e. solely depending on the passage of time) collection of consideration from the customer shall be separately set out as receivables.

Contract liability refers to the Group's obligation to transfer goods to a customer for which the Group has received consideration (or the amount is due) from the customer.

23. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognized only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable.

23.1 Basis of judgment and accounting methods for assets-related government grant

Compensation for the construction of Ningchang Expressway from the Group's government grant is relevant to the construction of Ningchang Expressway. This grant is classified as assets-related government grant.

A government grant related to an asset is recognized as deferred income, and recorded in profit or loss over the useful life of the related asset with the traffic volume method in installment.

23.2 Basis of judgment and accounting methods for income-related government grant

Subsidies for working steadily from the Groups' government grant are used as a compensation for incurred relevant costs. This grant is classified as income-related government grant.

For a government grant related to income, if the grant is a compensation for related costs or losses to be incurred in subsequent periods, it is recognized as deferred income, and recognized in profit or loss over the periods in which the related costs or losses are recognized. If the grant is a compensation for related costs or losses already incurred, it is recognized immediately in profit or loss for the period. Government grants that are difficult to tell the nature are wholly classified as income-related government grant.

A government grant related to the Group's daily activities is recorded in other income according to the nature of economic business. A government grant not related to the Group's daily activities is recorded in non-operating income and expenses.



NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Deferred tax assets/deferred tax liabilities

The income tax expenses include current income tax and deferred income tax.

24.1 Current income tax

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

24.2 Deferred tax assets and deferred tax liabilities

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

Deferred tax is generally recognized for all temporary differences. Deferred tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized.

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, 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. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

At the balance sheet date, deferred tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realised or the liability is settled.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

24. Deferred tax assets/deferred tax liabilities (Continued)

24.2 Deferred tax assets and deferred tax liabilities (Continued)

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

At the balance sheet date, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilised. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

24.3 Offsetting of income taxes

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realise the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and deferred tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realise the assets and liabilities simultaneously, in each future period in which significant amounts of deferred tax assets or liabilities are expected to be reversed, deferred tax assets and deferred tax liabilities are offset and presented on a net basis.

25. Operating leases and finance leases

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

25.1 Accounting treatment on operating leases

25.1.1 The Group as lessee under operating leases

Operating lease payments are recognized on a straight-line basis over the term of the relevant lease, and are either included in the cost of related asset or charged to profit or loss for the period. Initial direct costs incurred are charged to profit or loss for the period. Contingent rents are charged to profit or loss in the period in which they are actually incurred.



NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. Operating leases and finance leases (Continued)

25.1 Accounting treatment on operating leases (Continued)

25.1.2 The Group as lessor under operating leases

Rental income from operating leases is recognized in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs with more than an insignificant amount are capitalized when incurred, and are recognized in profit or loss on the same basis as rental income over the lease term. Other initial direct costs with an insignificant amount are charged to profit or loss in the period in which they are incurred. Contingent rents are charged to profit or loss in the period in which they actually arise.

26. Changes in significant accounting policies and accounting estimates

26.1 Changes in accounting policies

Changes in accounting policies and reasons

The Group has adopted five accounting policies including the Accounting Standards for Business Enterprises (“ASBE”) No. 14 – Revenue, ASBE No. 22 – Recognition and Measurement of Financial Instrument, ASBE No. 23 – Transfer of Financial Assets, ASBE No. 24 – Hedging Accounting and ASBE No. 37 – Presentation of Financial Instrument modified by the Ministry of Finance (“MoF”) in 2017 since 1 January 2018. In addition, the financial statements are prepared in accordance with the *Circular on Modification and Printing Template of Financial Statements for General Enterprises* in 2018 (Cai Kuai [2018] No.15) issued by the MoF on 15 June 2018.

Revenue

ASBE No. 14 – Revenue includes both standards for existing revenue and construction contract in the revenue recognition model, transfer of control is the judgement standard of the point of time for revenue recognition, instead of transfer of risk and rewards, provides more clear instructions for accounting treatment on contracts including multiple transaction arrangements and provides clear requirements on revenue recognition and measurement of certain specific transactions (or events).

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Changes in significant accounting policies and accounting estimates (Continued)

26.1 Changes in accounting policies (Continued)

Changes in accounting policies and reasons

Financial Instruments

A series of standards for financial instruments such as ASBE No. 22 – Recognition and Measurement of Financial Instrument, ASBE No. 23 – Transfer of Financial Assets, ASBE No. 24 – Hedging Accounting and ASBE No. 37 - Presentation of Financial Instruments increase some instructions for recognition and derecognition of financial instruments, propose a new model for classification and measurement of financial assets; as for impairment of financial assets, adopt expected losses model to replace the incurred losses model; as for hedging accounting, the scope of qualifying hedged items and hedging instruments is enlarged; replacing the quantification criteria of the 80–125% effectiveness and retrospective testing requirements by a stability test with a focus on economical correlations.

The changes in accounting policies is reasonable changes as required by the MoF. See notes for effects on the Group's operating performance and financial results as well as disclosure of financial information.

On 1 January 2018, effects of initial implementation of new standards for revenue and financial instruments on the Group's assets, liabilities and owner's equity are summarized as follows:

Item	31/12/2017	Effects of new standards		01/01/2018
		Effects of new standards for revenue	for financial instruments	
Other current assets	557,742,656	–	(491,380,000)	66,362,656
Held-for-trading financial assets	38,871,811	–	491,380,000	530,251,811
Available-for-sale financial assets	2,306,957,191	–	(2,306,957,191)	–
Investments in other equity instruments	–	–	1,648,898,457	1,648,898,457
Other non-current financial assets	–	–	658,058,734	658,058,734
Receipts in advance	840,007,370	(840,007,370)	–	–
Contract liability	–	840,007,370	–	840,007,370

Note: On 1 January 2018, there is no significant changes in loss allowance recognized of financial assets measured at amortized cost in accordance with the original and new standards for financial instruments.



NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

IV. CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES

In the application of the Group's accounting policies, which are described in Note III, the Group is required to make judgments, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainty of the operating activities. These judgments, estimates and assumptions are based on historical experiences of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates.

The aforementioned judgments, estimates and assumptions are reviewed regularly on a going concern basis. The effect of a change in accounting estimate is recognised in the period of the change, if the change affects that period only; or recognised in the period of the change and future periods, if the change affects both.

– Key assumptions and uncertainties in accounting estimates

Amortization of toll road operation rights

The toll road operation rights are amortized using traffic volume method, namely, the amortized amount of the toll road operation rights for a month is calculated at a proportion of the actual traffic volume occupying the sum of the actual traffic volume and the estimated remaining future traffic volume at that month.

The Group's management shall estimate the total traffic volume in the remaining operation period in the future. When there is a large difference between the actual traffic volume and the estimated traffic volume, the management will exercise their judgment in the accuracy of the estimated traffic volume of the remaining operation period to determine if a re-estimation is required and adjust the amortization per traffic volume provided for future years.

Estimated impairment of toll road operation rights

Determining whether toll road operation rights are impaired requires an estimation of the recoverable amount.

In measuring the recoverable amount of the toll road operation rights, the Group has looked at the value in use based on the following factors: the current and expected future traffic volume, current and expected future toll fee level, length of operating rights, maintenance costs and discount rate.

In arriving at the recoverable amount of the toll road operation rights, the management exercised their judgment with reference to these Relevant Factors in estimating the recoverable amounts of the toll road operation rights. As a result, the management considered that the recoverable amounts are above their carrying amounts and no impairment was made accordingly.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

IV. CRITICAL JUDGMENTS IN APPLYING ACCOUNTING POLICIES AND KEY ASSUMPTIONS AND UNCERTAINTIES IN ACCOUNTING ESTIMATES (CONTINUED)

– Key assumptions and uncertainties in accounting estimates (Continued)

Deferred tax assets

The benefit of the deferred tax assets may depend on the future taxable profits and the expected tax rate when associated deductible temporary differences is realised. If future taxable profits or actual tax rate is less than expected, the carrying amounts of deferred tax assets will be reduced and the reduction will be reversed to profits or losses in the corresponding period. For the deductible losses that can be carried forward for the year, due to the uncertainty of the amount of taxable income in the future, deferred tax assets is not fully recognized. The detail information for deductible tax losses and deductible temporary differences recognized or not recognized as deferred tax assets of the Group please refer to note VI, 18.

V. TAXES

Major categories of taxes and tax rates

Category of tax	Basis of tax computation		Tax rate (percentage charges)
Value Added Tax ("VAT")	General taxation method	Other taxable business income other than those determined by using simple taxation method	17%, 16% 6%
	Simple taxation method	Toll income Real estate rental income and Real estate sales income	3% 5%
City maintenance and construction tax	Actual paid business tax and VAT		5%–7%
Educational surtax and surcharge	Actual paid business tax and VAT		3%
Local educational surtax and surcharge	Actual paid business tax and VAT		2%
Land appreciation tax	Value added of Real estate transfer		Progressive rates ranging from 30%–60%
Enterprise income tax	Taxable income		25%



NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

V. TAXES (CONTINUED)

Major categories of taxes and tax rates (Continued)

Other explanations:

Pursuant to the “Circular on the Timeline for the Full Promotion of Business Tax to VAT Reform Pilot Program” (Cai Shui [2016] No. 36) issued by the MoF and State Administration of Taxation Bureau, the VAT shall apply in the Group’s toll income, food and beverage income included in the ancillary services income, maintenance income, real estate rental income, and real estate sales income in accordance with the provisions which came into effect in May 1, 2016, of which:

- Toll income: The expressways currently operated are the expressways with the commencement date before 30 April 2016, which shall be taxed by using applicable simple tax method, paying VAT at 3%.
- Food and beverage income and maintenance income: The income shall be taxed by using applicable general tax method, paying VAT at the tax rate of 6%.
- Real estate rental income: The commencement date on the construction permit of all the real estate development projects involved is prior to 30 April 2016, and a simple taxable method is applied to pay VAT at a rate of 5%.
- Real estate sales income: The commencement date on the construction permit of all the real estate development projects involved is prior to 30 April 2016, and a simple taxable method is applied to pay VAT at a rate of 5%.

Pursuant to the “Circular on Adjusting the Value-Added Tax Rate”(Cai Shui [2018] No. 32), issued by the MoF and the State Administration of Taxation Bureau, the Group’s sales of goods has been adjusted from 17% to 16% since 1 May 2018.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Unit: RMB

Item	Closing balance			Opening balance		
	Foreign currency	Exchange rate	Amount in RMB	Foreign currency	Exchange rate	Amount in RMB
Cash:						
RMB			<u>404,911</u>			<u>408,466</u>
Bank balances:						
RMB			<u>681,774,881</u>			<u>261,404,636</u>
HKD	838,892	0.8431	<u>707,270</u>	838,893	0.8359	<u>701,238</u>
Other currency funds:						
RMB			<u>25,213,663</u>			<u>6,843,411</u>
Total			<u>708,100,725</u>			<u>269,357,751</u>

Other explanations:

The closing balance of the Group's other currency funds stated above includes security deposits for certain mortgage loans to customers of RMB3,555,238 (opening balance: security deposits for certain mortgage loans to customers RMB3,552,281, supervised advance from customers RMB3,046,769).



NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Held-for-trading financial assets

Unit: RMB

Item	Fair value at the end of the period	Fair value at the beginning of the period
Held-for-trading financial assets		
Including: Fund investment (Note 1)	20,232,786	22,454,653
Gold investment (Note 2)	16,044,558	16,417,158
Wealth management products (Note 3)	239,400,000	–
Total	<u>275,677,344</u>	<u>38,871,811</u>

Other explanations:

Note 1: The cost of open fund investment is RMB9,999,400, the fair value at the end of the period is RMB20,232,786 as per the market price. Market price of the above investments at the end of the period and related information were sourced from related public information of the net value of fund.

Note 2: The cost of gold investment is RMB15,710,238, the fair value at the end of the period is RMB16,044,558 as per the market price. Market price of the above investments at the end of the period and related information were sourced from related public information of the net value of gold.

Note 3: Pursuant to the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instrument, the Group transfers the wealth management products from other current assets to held-for-trading financial assets.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Notes receivable and accounts receivable

<u>Item</u>	<u>Note</u>	<u>Closing balance</u>	<u>Opening balance</u>
Notes receivable	(1)	998,409	2,880,000
Accounts receivable	(2)	279,094,993	306,367,630
Total		<u>280,093,402</u>	<u>309,247,630</u>

(1) Notes receivable

(i) Disclosure of notes receivable by categories:

Unit: RMB

<u>Category</u>	<u>Closing balance</u>	<u>Opening balance</u>
Bank acceptance notes	<u>998,409</u>	<u>2,880,000</u>

(ii) The group has no pledged notes receivable at the period end.

(iii) There is no endorsed or discounted notes receivable that is not yet due at the end of the period.

(iv) There is no notes receivable transferred to accounts receivable due to the default of the drawers.



NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Notes receivable and accounts receivable (Continued)

(2) Accounts receivable

(i) Disclosure of accounts receivable by categories:

Unit: RMB

Category	Carrying amount		Closing balance		Net book value	Carrying amount		Opening balance		Net book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	-	-	-	-	-	-	-	-	-	-
Accounts receivable for which bad debt provision has been assessed by portfolios – Portfolio 1	271,158,601	96	-	-	271,158,601	298,431,238	96	-	-	298,431,238
Accounts receivable for which bad debt provision has been assessed by portfolios – Portfolio 2	8,098,359	3	161,967	9	7,936,392	8,098,359	3	161,967	9	7,936,392
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	1,699,980	1	1,699,980	91	-	1,699,980	1	1,699,980	91	-
Total	<u>280,956,940</u>	<u>100</u>	<u>1,861,947</u>	<u>100</u>	<u>279,094,993</u>	<u>308,229,577</u>	<u>100</u>	<u>1,861,947</u>	<u>100</u>	<u>306,367,630</u>

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Notes receivable and accounts receivable (Continued)

(2) Accounts receivable (Continued)

(i) Disclosure of accounts receivable by categories: (Continued)

Accounts receivable portfolios for which bad debt provision has been assessed using the percentage of total receivables outstanding approach:

Unit: RMB

Name of portfolio	Closing balance		Proportion (%)
	Accounts receivable	Bad debt provision	
Portfolio 2	<u>8,098,359</u>	<u>161,967</u>	<u>2</u>
Total	<u><u>8,098,359</u></u>	<u><u>161,967</u></u>	<u><u>2</u></u>

Basis for determining the above portfolio: See Note III. 10.2.

(ii) The following is an aging analysis of accounts receivable presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

Unit: RMB

Aging	Closing balance				Opening balance			
	Amount	Proportion (%)	Bad debt provision	Net book value	Amount	Proportion (%)	Bad debt provision	Net book value
Within 1 year	<u>278,990,547</u>	<u>99</u>	<u>156,639</u>	<u>278,833,908</u>	306,263,184	99	156,639	306,106,545
More than 1 year but not exceed 2 years	<u>266,413</u>	<u>-</u>	<u>5,328</u>	<u>261,085</u>	266,413	-	5,328	261,085
More than 2 years but not exceed 3 years	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	-	-	-	-
More than 3 years	<u>1,699,980</u>	<u>1</u>	<u>1,699,980</u>	<u>-</u>	1,699,980	1	1,699,980	-
Total	<u><u>280,956,940</u></u>	<u><u>100</u></u>	<u><u>1,861,947</u></u>	<u><u>279,094,993</u></u>	<u><u>308,229,577</u></u>	<u><u>100</u></u>	<u><u>1,861,947</u></u>	<u><u>306,367,630</u></u>



NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Notes receivable and accounts receivable (Continued)

(2) Accounts receivable (Continued)

- (iii) There is no bad debt provision, reversal or written off recorded in current period.
- (iv) Top five entities with the largest balances of accounts receivable.

Unit: RMB

Name of entity	Amount	Bad debt provision	Proportion of the amount to the total accounts receivable (%)
Jiangsu Expressway Network Operation and Management Co., Ltd. ("Network Operation Company")	207,616,217	–	74
Jiaxing Kaitong Investment Co., Ltd.	17,659,373	–	6
Tongxiang Yintong Expressway Management Co., Ltd.	7,848,364	–	3
Suzhou Sujiahang Expressway Co., Ltd. ("Sujiahang Company")	5,689,410	–	2
Jiaxing Tonghui Expressway Management Co., Ltd.	5,153,293	–	2
Total	<u>243,966,657</u>	<u>–</u>	<u>87</u>

(v) Other explanations

Majority toll road and ancillary services income are settled by cash, others are settled by receipts in advance. The accounts receivable mainly represent the receivables due from other toll operation companies by toll network internal income reallocation and the rent receivables from service zones outsourcing.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Prepayments

(1) The aging analysis of prepayments is as follows:

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	17,928,499	99	9,793,248	96
More than 1 year but not exceed 2 years	—	—	305,464	3
More than 2 years but not exceed 3 years	10,000	—	10,000	—
More than 3 years	92,000	1	92,000	1
Total	<u>18,030,499</u>	<u>100</u>	<u>10,200,712</u>	<u>100</u>

(2) Top five entities with the largest balances of prepayments

Unit: RMB

Name of entity	Amount	Proportion of the amount to the total prepayments (%)
Jiangsu Sundian Engineering Co., Ltd. ("Sundian Company")	4,560,000	25
Jiangsu Expressway Information Engineering Co., Ltd ("Information Company")	3,000,000	17
Suzhou Water Supply Co., Ltd.	2,439,600	14
Suzhou Steamship Transportation Co., Ltd.	750,000	4
Jiangsu Wuxi Electric Co., Ltd.	462,134	3
Total	<u>11,211,734</u>	<u>63</u>

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables

Item	Note	Closing balance	Opening balance
Interest receivable	(1)	–	80,231,500
Dividends receivable	(2)	86,533,600	4,989,960
Others	(3)	43,436,691	21,035,223
Total		129,970,291	106,256,683

(1) Other receivables – interest receivable

Unit: RMB

Item	Closing balance	Opening balance
Loan interest due from joint venture	–	80,231,500
Total	–	80,231,500

Other explanations:

Please refer to Note VI. 19.

(2) Other receivables – dividends receivable

Unit: RMB

Item	Closing balance	Opening balance
Jiangsu Kuailu Motor Transport Co., Ltd. ("Kuailu Co., Ltd.")	4,989,960	4,989,960
Jiangsu Yangtze Bridge Co., Ltd. ("Yangtze Bridge Company")	34,190,140	
Sujiahang Company	47,353,500	
Total	86,533,600	4,989,960

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables (Continued)

(3) Other receivables – others

(i) Disclosure of other receivables by categories:

Unit: RMB

Category	Closing balance					Opening balance				
	Carrying amount		Bad debt provision		Net book value	Carrying amount		Bad debt provision		Net book value
Amount	Proportion (%)	Amount	Proportion (%)	Amount		Proportion (%)	Amount	Proportion (%)		
Other receivables that are individually significant and for which bad debt provision has been assessed individually	15,812,140	26	15,812,140	99	11,024,347	15,812,140	43	15,812,140	99	-
Other receivables for which bad debt provision has been assessed by portfolios – Portfolio 1	37,831,665	64	-	-	26,807,318	15,430,197	42	-	-	15,430,197
Other receivables for which bad debt provision has been assessed by portfolios – Portfolio 2	5,719,414	10	114,388	1	5,605,026	5,719,414	15	114,388	1	5,605,026
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	-	-	-	-	-	-	-	-	-	-
Total	59,363,219	100	15,926,528	100	43,436,691	36,961,751	100	15,926,528	100	21,035,223

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables (Continued)

(3) Other receivables – others (Continued)

(i) Disclosure of other receivables by categories: (Continued)

Other receivable that are individually significant and for which bad debt provision has been assessed individually:

Unit: RMB

Other receivables (by entity)	Other receivables	Bad debt provision	Closing balance	
			Proportion (%)	Reasons
Yicao Highway	15,812,140	15,812,140	100	Aging is over 3 years, which is not expected to be recovered

Other receivables portfolios for which bad debt provision have been assessed using the percentage of total receivables outstanding approach:

Unit: RMB

Name of portfolio	Other receivables	Closing balance	
		Bad debt provision	Proportion (%)
Portfolio 2	5,719,414	114,388	2

Basis for determining the above portfolio please refer to Note III. 10.2.

(ii) There is no bad debt provision, reversal or written off recorded in current period.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables (Continued)

(3) Other receivables – others (Continued)

(iii) Disclosure of other receivables by nature:

Unit: RMB

<u>Nature of other receivables</u>	<u>Closing balance</u>	<u>Opening balance</u>
Amounts of investment clearance	15,812,140	15,812,140
Petty cash	5,981,845	5,157,559
Maintenance funds from owners	4,800,941	4,811,123
Mortgage security for provident fund loans	4,367,500	4,252,500
Highway property compensation	790,000	–
Mortgage security for equity transfer of Shenzhen Ruijin Co., Ltd.	408,710	–
Amount of engineering premium	11,024,347	–
Compensations for accidents on behalf of others	2,807,485	–
Rents	2,117,014	–
Other insignificant amounts	11,253,237	6,928,429
Total	<u>59,363,219</u>	<u>36,961,751</u>



NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Other receivables (Continued)

(3) Other receivables – others (Continued)

(iv) Top five entities with the largest balances of other receivables

Unit: RMB

Name of entity	Nature of other receivables	Closing balance	Aging	Proportion of the amount to total other receivables (%)	Closing balance of bad debt provision
Jiangsu Yixing Highway Administration Department	Amount of investment clearance	15,812,140	More than 3 years	27	15,812,140
China Construction Eighth Engineering Division Co., Ltd.	Amount of engineering premium	11,024,347	Within 1 year	19	-
Suzhou Housing Guarantee Co., Ltd.	Mortgage deposits for housing fund loan	4,367,500	1-2 years	7	-
Sundian Company	Lease payments	977,699	Within 1 year	2	-
Jiangsu Railway Investment & Development Co., Ltd. ("Railway Investment")	Lease payments	903,100	Within 1 year	2	-
Total		33,084,786		57	15,812,140

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Inventories

Inventory categories

Unit: RMB

Item	Carrying amount	Closing balance	Net book value	Carrying amount	Opening balance	Net book value
		Provision for decline in value of inventories			Provision for decline in value of inventories	
Properties under development	2,366,123,691	-	2,366,123,691	1,677,529,645	-	1,677,529,645
Properties for sale	1,625,039,867	-	1,625,039,867	1,309,242,056	-	1,309,242,056
Spare parts for repair and maintenance	8,107,257	-	8,107,257	15,527,242	-	15,527,242
Petrol	7,935,708	-	7,935,708	8,506,742	-	8,506,742
Total	<u>4,007,206,523</u>	<u>-</u>	<u>4,007,206,523</u>	<u>3,010,805,685</u>	<u>-</u>	<u>3,010,805,685</u>

Details of properties under development are as follows:

Unit: RMB

Project name	Commencement date	Estimated completion date	Estimated total investment amount	Opening balance	Closing balance
Baohua Hongyan Community A Project	September 2018	September 2024	2,455,800,000	311,932,670	313,833,161
Huaqiao Urban Core Project	December 2012	June 2023	3,089,100,000	523,619,590	592,989,437
Suzhou Nanmen Road G25 Project (Phase 2)	October 2018	October 2020	82,000,000	841,977,385	65,305,991
Hanrui Core (Note 1)	October 2016	November 2019	1,660,000,000	-	1,393,995,102
Total			<u>7,286,900,000</u>	<u>1,677,529,645</u>	<u>2,366,123,691</u>

Note 1: During the reporting period, the Company appointed a professional institution to assess the value of total shareholder's equity of Hanwei Company after acquiring 30% equity of Hanwei Company held by Deshi Fund and remeasured total assets and liabilities held by Hanwei Company on the acquisition date based on the assessment results.



NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Inventories (Continued)

Inventory categories (Continued)

Details of properties for sale are as follows:

Unit: RMB

Project name	Completion date	Opening balance	Addition	Decrease	Closing balance
Suzhou Qingyuan	December 2013	568,373,818	–	–	568,373,818
Baohua Hongyan Community B1 Tongchengshijia Project	April 2014	114,159,768	–	–	114,159,768
Baohua Hongyan Community B2 Tongchengshijia Project	November 2016	294,754,789	–	37,835,744	256,919,045
Huaqiao Urban Core C4 Tongcheng Hongqiao Mansion	August 2012	11,573,341	–	–	11,573,341
Huaqiao Urban Core C7 Pujiang Building	June 2014	252,179,129	–	–	252,179,129
Huaqiao Urban Core B4 Tongcheng Guangmingjiezuo	June 2015	45,335,759	–	1,671,073	43,664,686
Huaqiao Urban Core B19 Tongcheng Guangmingxinzu Mansion	December 2016	22,865,452	–	1,036,310	21,829,142
Suzhou Nanmen Road G25 – Suzhou Nanmen Shijiahuating	January 2018	–	800,863,924	444,522,986	356,340,938
Total		<u>1,309,242,056</u>	<u>800,863,924</u>	<u>485,066,113</u>	<u>1,625,039,867</u>

7. Non-current assets due within one year

Unit: RMB

Item	Closing balance	Opening balance
JV's loans due within one year	<u>–</u>	<u>300,000,000</u>

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Wealth management products	–	491,380,000
Income tax paid in advance	7,636,417	–
Business taxes and levies related to real estate sales paid in advance	36,664,775	62,533,217
Value-added tax paid in advance	38,478,839	3,829,439
Others	–	–
Total	82,780,031	557,742,656

9. Available-for-sale financial assets

(1) Available-for-sale financial assets

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Impairment provision	Net book value	Carrying amount	Impairment provision	Net book value
Available-for-sale financial assets						
Measured at fair value	–	–	–	1,378,000,000	–	1,378,000,000
Measured at cost	–	–	–	951,877,191	–	951,877,191
Total	–	–	–	2,329,877,191	–	2,329,877,191

Note: Pursuant to the Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instrument, the Group transfers the available-for-sale financial assets to other equity instruments and other non-current financial assets.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

10. Other investments in equity instruments (Continued)

(2) Other investments in equity instruments measured at at fair value at the end of the period (Continued)

Note 1: Shenzhen Ruijin Industrial Co., Ltd. ("Shenzhen Ruijin") is invested by the Company and the Company holds 17.24% equity share. The Company appoints a director to participate in significant daily operating decisions of Shenzhen Ruijin. The board seats of Shenzhen Ruijin are seceded together with the original shareholder, decreasing from 5 seats to 3 seats from 2017 to 2018. The Company further improves its influence power over Shenzhen Ruijin. Therefore, the investment in Shenzhen Ruijin is transferred from other equity instrument investment to long-term equity investment.

Note 2: Network Operation Company is invested by the Company and the Company holds 14.49% equity share, the investment proportion is ranked only second to the Company's controlling shareholder Jiangsu Communications Holding Co., Ltd. ("Communications Holding"). As the representative of the Company and Communications Holding, Mr. Gu Dejun, the board chairman of the Company and Network Operation Company, participates in significant operating decisions during daily operating course of Network Operation Company. Network Operation Company has dispersed equity and numerous directors. The Company's equity share proportion is relatively high and the appointed director can have a significant influence on operating events as specified in the Articles of Association of Network Operation Company. Therefore, the investment in Network Operation Company is transferred from other equity instrument investment to long-term equity investment.

Note 3: It is a restricted outstanding shares of A-share listed company Jiangsu Financial Leasing Co., Ltd ("Jiangsu Leasing") held by the Group. Jiangsu Leasing was listed in 2018, the Group designated as a financial asset measured at fair value through other comprehensive income ("FVTOCI"), subsequent changes in fair values are included in other comprehensive income, and no provision for impairment is required.

Note 4: It is a restricted outstanding shares of A-share listed company Bank of Jiangsu Financial Leasing Co., Ltd. ("Bank of Jiangsu") held by the Group. Bank of Jiangsu was listed in 2016, the Group designated as a financial asset measured at fair value through other comprehensive income ("FVTOCI"), subsequent changes in fair values are included in other comprehensive income, and no provision for impairment is required.

11. Other non-current financial assets

(1) Other non-current financial assets

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Impairment provision	Net book value	Carrying amount	Impairment provision	Net book value
Other non-current financial assets						
Measured at fair value	763,563,085	-	763,563,085	-	-	-
Total	763,563,085	-	763,563,085	-	-	-



NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

11. Other non-current financial assets (Continued)

(2) Other non-current financial assets measured at at fair value at the end of the period

Unit: RMB

Investee	Opening balance	Carrying amount		Closing balance	Opening balance	Impairment provision		Closing balance	The proportion of shareholding in the Investee (%)	Cash dividends in the year
		Addition	Decrease			Addition	Decrease			
Equity investment in the Partnership (Note)										
Suzhou Industrial Park Guochuang Kaiyuan Term II Investment Center LLP	-	613,563,085	-	613,563,085	-	-	-	-	7.86	-
Nanjing Luode Dening Real Estate Investment LLP	-	150,000,000	-	150,000,000	-	-	-	-	33.00	-
Total	-	763,563,085	-	763,563,085	-	-	-	-	-	-

Note: The equity investment in the limited partnership invested by the Group. Under the limited partnership agreement, the Group participates as a limited partner and has no control, joint control and significant influence on the daily operation and decision-making of the related partnership. Therefore, equity investment in the Partnership is measured fair value.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Long-term equity investment

(1) Details of long-term equity investments are as follows:

Unit: RMB

Investee (Note 1)	Opening balance	Changes in the current period							Closing balance	Closing balance of impairment provision
		Increase	Decrease	Investment income or expenses under the equity method	Adjustment of other comprehensive income	Other changes in equity	Declaration of cash dividends or profits	Provision for impairment losses		
Joint ventures										
Hanwei Company (Note 2)	-	-	-	-	-	-	-	-	-	-
Associates										
Kuailu Co., Ltd.	58,365,294	-	-	(2,114,399)	-	-	-	-	-	56,250,895
Yangtze Bridge Company	1,247,092,181	-	-	93,485,000	328,154,260	-	(68,380,279)	-	-	1,600,351,162
Sujiahang Company	1,160,143,798	-	-	96,445,781	-	-	(47,353,500)	-	-	1,209,236,079
Suzhou Sujiaoyong Expressway Co., Ltd. ("Sujiaoyong Company")	418,458,779	-	-	(2,303,799)	-	-	-	-	-	416,154,980
Jiangsu Xiexin Gas Co., Ltd. ("Xiexin Company")	11,304,128	-	-	71,851	-	-	-	-	-	11,375,979
Suzhou Nanlin Hotel Co., Ltd. ("Nanlin Hotel")	171,213,840	-	-	632,969	-	-	-	-	-	171,846,809
Jiangsu Yanjiang Expressway Co., Ltd. ("Yanjiang Company")	2,010,350,606	-	-	91,315,817	-	-	-	-	-	2,101,666,423
Jiangsu Luode Equity Investment Fund Management Co., Ltd. ("Luode Equity Company")	13,875,921	-	-	5,367,499	-	-	-	-	-	19,243,420
Sundian Company (Note 3)	32,521,567	-	-	1,578,447	-	-	-	-	-	34,100,014
Network Operation Company		-	-	329,790	-	-	-	-	20,920,000	21,249,790
Shenzhen Ruijin Co., Ltd.		-	-	-	-	-	-	-	2,000,000	2,000,000
Total	5,123,326,114	-	-	284,808,956	328,154,260	-	(115,733,779)	-	22,920,000	5,643,475,551



NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Long-term equity investment (Continued)

(2) Other explanations

Note 1: The above investees are non-listed companies in China.

Note 2: Pursuant to resolution of the 22nd session of the eighth meeting of the Board of Chairman of the Company on 19 March 2018, the Company acquired 30% equity interest in the joint venture Hanwei Company at the consideration of RMB184,499,800.00. After the acquisition, Hanwei Company has become the Company's wholly-owned subsidiary. Hanwei Company has completed formalities of changes in commerce and industry registration on 12 April 2018. The Company combines Hanwei Company in accordance with standards of business combination not under common control taking April 12 as the acquisition date.

Note 3: The Group holds 22.5% equity of Sundian Company. As the Group has a board seat in Sundian Company, it can exert a significant impact on the production and operation of Sundian Company. Therefore, the Group's investment in Sundian Company is accounted for using the equity method.

13. Investment properties

(1) Investment properties measured at cost

Unit: RMB

Item	Buildings
I. Total original carrying amount	
1. Opening balance	25,079,440
2. Addition Amount	–
(1) Transfer from fixed assets	–
3. Decrease Amount	–
(1) Disposal or retirement	–
4. Closing balance	25,079,440
II. Total accumulated depreciation and amortization	
1. Opening balance	5,059,832
2. Addition Amount	451,401
(1) Provision or amortization	451,401
3. Decrease Amount	–
(1) Disposal or retirement	–
4. Closing balance	5,511,233
III. Total provision for impairment losses	
1. Opening balance	–
2. Addition Amount	–
3. Decrease Amount	–
4. Closing balance	–
IV. Total net book value of investment properties	
1. Closing balance Net book value	19,568,207
2. Opening balance Net book value	20,019,608

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

13. Investment properties (Continued)

(2) Details of investment properties are as follows:

Project Name	Address	Purpose	Term of lease
Four offices in Huijie Office Building and stores in A, B buildings	No. 888 South Renmin Road, Kunshan City	Commercial	Medium-term

14. Fixed assets

(1) Information of fixed assets

Unit: RMB

Item	Buildings	Safety equipment	Communication and surveillance equipment	Toll and ancillary equipment	Machinery and equipment	Electronic equipment	Motor vehicles	Furniture and others	Total
I. Total original carrying amount									
1. Opening balance	1,901,440,324	861,342,585	514,403,955	421,482,967	521,403,805	63,065,824	76,859,006	40,186,927	4,400,185,393
2. Increase in the current period	5,236,398	3,311,515	4,803,181	10,035,097	7,711,751	2,316,691	206,692	441,443	34,062,768
(1) Purchase	-	-	1,257,433	1,938,852	7,711,751	2,316,691	206,692	441,443	13,872,862
(2) Transfer from Intangible assets	3,483,660	2,975,706	2,834,804	-	-	-	-	-	9,294,170
(3) Transfer from construction in progress	1,752,738	335,809	710,944	8,096,245	-	-	-	-	10,895,736
(4) Reclassification	-	-	-	-	-	-	-	-	-
3. Decrease in the current period	2,893,049	450,911	78,989	5,687,234	112,000	790,746	896,196	13,045	10,922,170
(1) Disposal or retirement	2,864,787	450,911	78,989	2,476,655	112,000	790,746	896,196	13,045	7,683,329
(2) Transfer to construction in progress	28,262	-	-	-	-	-	-	-	28,262
(3) Transfer to intangible assets	-	-	-	3,210,579	-	-	-	-	3,210,579
4. Closing balance	1,903,783,673	864,203,189	519,128,147	425,830,830	529,003,556	64,591,769	76,169,502	40,615,325	4,423,325,991



NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Fixed assets (Continued)

(1) Information of fixed assets (Continued)

Unit: RMB

Item	Buildings	Safety equipment	Communication and surveillance equipment	Toll and ancillary equipment	Machinery and equipment	Electronic equipment	Motor vehicles	Furniture and others	Total
II. Total accumulated depreciation									
1. Opening balance	800,633,134	752,364,104	334,453,504	265,437,928	381,873,162	42,025,824	52,841,172	30,359,462	2,659,988,290
2. Increase in the current period	39,849,202	7,150,022	16,908,786	15,998,504	11,242,064	3,756,427	3,409,449	1,381,900	99,696,354
(1) Amount accrued	39,849,202	7,150,022	16,908,786	15,998,504	11,242,064	3,756,427	3,409,449	1,381,900	99,696,354
(2) Transfer from intangible assets	-	-	-	-	-	-	-	-	-
(3) Reclassification	-	-	-	-	-	-	-	-	-
3. Decrease in the current period	2,541,723	437,384	77,997	2,316,820	108,640	902,581	819,395	18,304	7,222,844
(1) Disposal or retirement	2,541,723	437,384	77,997	2,316,820	108,640	902,581	819,395	18,304	7,222,844
(2) Transfer to construction in progress	-	-	-	-	-	-	-	-	-
(3) Transfer to intangible assets	-	-	-	-	-	-	-	-	-
4. Closing balance	837,940,613	759,076,742	351,284,293	279,119,612	393,006,586	44,879,670	55,431,226	31,723,058	2,752,461,800
III. Total provision for impairment losses									
1. Opening balance	-	-	-	-	-	-	-	-	-
2. Increase in the current period	-	-	-	-	-	-	-	-	-
3. Decrease in the current period	-	-	-	-	-	-	-	-	-
4. Closing balance	-	-	-	-	-	-	-	-	-
IV. Total net book value of fixed assets									
1. Closing balance Net book value	1,065,843,060	105,126,447	167,843,854	146,711,218	135,996,970	19,712,099	20,738,276	8,892,267	1,670,864,191
2. Opening balance Net book value	1,100,807,190	108,978,481	179,950,451	156,045,039	139,530,643	21,040,000	24,017,834	9,827,465	1,740,197,103

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Fixed assets (Continued)

(2) Fixed assets leased out under operating leases

Unit: RMB

Item	Closing balance	Opening balance
Buildings	239,379,894	140,170,360

(3) Fixed assets of which certificates of title have not been obtained

Unit: RMB

Item	Net book value	Reasons for not obtaining certificates
Shanghai-Nanjing Expressway Lujia Toll Station	6,450,064	Included in transport facilities, for which the certificate of title cannot be obtained temporarily.
Shanghai-Nanjing Expressway Kunshan Toll Station	6,181,736	Included in transport facilities, for which the certificate of title cannot be obtained temporarily.
Shanghai-Nanjing Expressway Huaqiao Toll Station	7,541,351	Included in transport facilities, for which the certificate of title cannot be obtained temporarily.
Shanghai-Nanjing Expressway Xuejia Toll Station	8,071,497	Included in transport facilities, for which the certificate of title cannot be obtained temporarily.
Shanghai-Nanjing Expressway Suzhou management offices and maintenance center building	27,654,144	Included in transport facilities, for which the certificate of title cannot be obtained temporarily.
Shanghai-Nanjing Expressway Changzhou Luoshuwan buildings	4,510,246	Included in transport facilities, for which the certificate of title cannot be obtained temporarily.
Shanghai-Nanjing Expressway Changzhou toll station and maintenance center building	7,832,289	Included in transport facilities, for which the certificate of title cannot be obtained temporarily.
Shanghai-Nanjing Expressway Changzhou ETC Customer Service Branch Buildings	865,365	Included in transport facilities, for which the certificate of title cannot be obtained temporarily.
Shanghai-Nanjing Expressway Jingfa Service Zone Office Buildings	41,035,426	Included in transport facilities, for which the certificate of title cannot be obtained temporarily.
Shanghai-Nanjing Expressway South Network Center and Project Management Center Houses	17,556,818	Included in transport facilities, for which the certificate of title cannot be obtained temporarily.



NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Fixed assets (Continued)

(3) Fixed assets of which certificates of title have not been obtained (Continued)

Unit: RMB

Item	Net book value	Reasons for not obtaining certificates
Shanghai-Nanjing Expressway Wuxi Management Office and Xidong Toll Station Property	22,431,799	Included in transport facilities, for which the certificate of title cannot be obtained temporarily.
Shanghai-Nanjing Expressway Wuxi Airport Toll Station	4,218,434	Included in transport facilities, for which the certificate of title cannot be obtained temporarily.
Shanghai-Nanjing Expressway Heyang Toll Station	1,698,540	Included in transport facilities, for which the certificate of title cannot be obtained temporarily.
Shanghai-Nanjing Expressway Zhenjiang Station Housing Building	8,877,334	Included in transport facilities, for which the certificate of title cannot be obtained temporarily.
Shanghai-Nanjing Expressway Danyang Station Housing Building	11,773,509	Included in transport facilities, for which the certificate of title cannot be obtained temporarily.
Shanghai-Nanjing Expressway Ningzhen Living Buildings of Management Office	6,511,664	Included in transport facilities, for which the certificate of title cannot be obtained temporarily.
Shanghai-Nanjing Expressway Nanjing Toll Station	10,158,562	Included in transport facilities, for which the certificate of title cannot be obtained temporarily.
Shanghai-Nanjing Expressway Tangshan Toll Station	5,877,922	Included in transport facilities, for which the certificate of title cannot be obtained temporarily.
Shanghai-Nanjing Expressway Jurong Station Housing Building	588,245	Included in transport facilities, for which the certificate of title cannot be obtained temporarily.
Buildings in Guangjing and Xicheng Expressway Service Zones	39,245,046	Included in transport facilities, for which the certificate of title cannot be obtained temporarily.
Buildings in Xiyi Expressway Toll and Service Zone	26,923,654	Included in transport facilities, for which the certificate of title cannot be obtained temporarily.
Buildings in Ningchang and Zhenli Expressway Toll and Service Zones	145,088,840	Included in transport facilities, for which the certificate of title cannot be obtained temporarily.
Total	411,092,485	

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Construction in progress

(1) Information of construction in progress

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Impairment provision	Net book value	Carrying amount	Impairment provision	Net book value
Housing projects of toll stations and service zones	3,902,670	-	3,902,670	2,037,663	-	2,037,663
Information construction project	4,921,914	-	4,921,914	3,872,707	-	3,872,707
Construction Project of Three Major Systems	6,402,000	-	6,402,000	-	-	-
Noise-deafening construction project	5,776,094	-	5,776,094	4,571,010	-	4,571,010
Lighting system construction project	1,961,030	-	1,961,030	1,961,030	-	1,961,030
Advertisement board	3,922,888	-	3,922,888	3,991,965	-	3,991,965
Construction Project of Zhendan Expressway Wufengshan Bridge and South-North Connection Project	1,575,561,404	-	1,575,561,404	1,276,478,570	-	1,276,478,570
Wufengshan Rail-Road bridge Road Project	3,294,988,274	-	3,294,988,274	2,499,101,552	-	2,499,101,552
Changyi Expressway Construction Project	2,114,998,250	-	2,114,998,250	1,908,562,750	-	1,908,562,750
Yichang Expressway Construction Project	1,494,142,785	-	1,494,142,785	1,484,729,260	-	1,484,729,260
Maoshan Service Zone and Toll Station Upgrading Project	1,211,326,794	-	1,211,326,794	1,082,308,293	-	1,082,308,293
Others	18,543,737	-	18,543,737	18,461,717	-	18,461,717
	12,741,512	-	12,741,512	8,562,822	-	8,562,822
Total	9,749,189,352	-	9,749,189,352	8,294,639,339	-	8,294,639,339

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Construction in progress (Continued)

(2) Changes of significant construction in progress in the current period

Unit: RMB

Project	Budget amount	Opening balance	Increase in the current period	Transfer to fixed assets	Transfer to intangible assets	Transfer to others	Closing balance	Amount injected as a proportion of budget amount (%)	Construction progress	Amount of accumulated capitalized interest	Including: capitalized interest for the period	Interest capitalization rate for the period (%)	Source of funds
Housing projects of toll stations and service zones	50,460,427	2,037,663	1,928,861	-	-	63,854	3,902,670	8	In progress	-	-	-	Own funds
Information construction project	10,151,965	3,872,707	1,049,207	-	-	-	4,921,914	48	In progress	-	-	-	Own funds
Construction Project of Three Major Systems	24,248,401	-	14,418,830	8,016,830	-	-	6,402,000	59	In progress	-	-	-	Own funds
Noise-deafening construction project	17,500,000	4,571,010	1,700,000	494,916	-	-	5,776,094	36	In progress	-	-	-	Own funds
Lighting system construction project	2,500,000	1,961,030	-	-	-	-	1,961,030	78	In progress	-	-	-	Own funds
Advertisement board	9,167,965	3,991,965	1,683,661	1,752,738	-	-	3,922,888	52	In progress	-	-	-	Own funds
Construction Project of Zhendan Expressway	1,730,260,500	1,276,478,570	299,082,834	-	-	-	1,575,561,404	91	In progress	44,313,694	16,857,361	4.90	Own funds, loans from financial institution
Wufengshan Bridge and South-North Connection Project	9,357,863,100	2,499,101,552	795,886,722	-	-	-	3,294,988,274	35	In progress	46,239,667	29,382,306	4.90	Own funds, loans from financial institution
Wufengshan Rail-Road bridge Road Project	2,708,000,000	1,908,562,750	206,435,500	-	-	-	2,114,998,250	78	In progress	34,998,250	26,435,500	4.90	Own funds, loans from financial institution
Changyi Expressway Construction Project	3,799,600,000	1,484,729,260	9,413,525	-	-	-	1,494,142,785	42	In progress	14,870,153	9,433,167	4.90	Own funds, loans from financial institution
Yichang Expressway Construction Project	3,979,000,000	1,082,308,293	129,018,501	-	-	-	1,211,326,794	27	In progress	12,313,972	8,725,403	4.90	Own funds, loans from financial institution
Maoshan Service Zone and Toll Station Upgrading Project	24,000,000	18,461,717	82,020	-	-	-	18,543,737	77	In progress	-	-	-	Own funds
Others	N/A	8,562,822	4,809,942	631,252	-	-	12,741,512	29	In progress	-	-	-	Own funds
Total		8,294,639,339	1,465,509,603	10,895,736	-	63,854	9,749,189,352						

(3) The Group did not note any indicators of impairment; therefore there is no provision for impairment losses for construction in progress.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Intangible assets

(1) Information of intangible assets

Unit: RMB

Item	Toll road operation rights	Land use rights	Software	Total
I. Total original carrying amount				
1. Opening balance	30,049,328,626	1,744,161,676	59,489,442	31,852,979,744
2. Increase in the current period	3,210,579	-	1,997,016	5,207,595
(1) Purchase	-	-	1,997,016	1,997,016
(2) Transfer from construction in progress	-	-	-	-
(3) Transfer from fixed assets	3,210,579	-	-	3,210,579
3. Decrease in the current period	9,296,945	-	-	9,296,945
(1) Disposal	-	-	-	-
(2) Transfer to fixed assets	9,296,945	-	-	9,296,945
4. Closing balance	30,043,242,260	1,744,161,676	61,486,458	31,848,890,394
II. Total accumulated amortization				
1. Opening balance	10,493,978,769	1,153,843,978	24,777,246	11,672,599,993
2. Increase in the current period	591,443,727	32,329,111	6,060,464	629,833,302
(1) Amount accrued	591,443,727	32,329,111	6,060,464	629,833,302
(2) Transfer from fixed assets	-	-	-	-
3. Decrease in the current period	-	-	-	-
(1) Disposal	-	-	-	-
(2) Decrease in reclassification	-	-	-	-
4. Closing balance	11,085,422,496	1,186,173,089	30,837,710	12,302,433,295
III. Provision for impairment losses				
1. Opening balance	217,737,524	-	-	217,737,524
2. Increase in the current period	-	-	-	-
3. Decrease in the current period	-	-	-	-
4. Closing balance	217,737,524	-	-	217,737,524
IV. Total net book value of intangible assets				
Closing net book value	18,740,082,240	557,988,587	30,648,748	19,328,719,575
Opening net book value	19,337,612,333	590,317,698	34,712,196	19,962,642,227



NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Long-term prepaid expenses

Unit: RMB

Item	Opening balance	Increase in the period	Amortization for the period	Other decreases	Closing balance
House decoration, etc.	1,069,666	729,645	528,264	–	1,271,047

18. Deferred tax assets/deferred tax liabilities

(1) Deferred tax assets that are not offset

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment losses of assets	235,525,999	58,881,500	235,525,999	58,881,500
Unrealized profits through internal transactions	292,136,212	73,034,053	321,867,063	80,466,766
Deductible losses	332,150,375	83,037,594	624,354,212	156,088,553
Prepayment of business tax and land appreciation tax for real estate pre-sale and so on	71,839,738	17,959,935	84,114,341	21,028,585
Provisions	8,010,000	2,002,500	8,010,000	2,002,500
Accounting-tax difference from lease income of service area	37,144,767	9,286,191	37,144,767	9,286,192
Total	976,807,091	244,201,773	1,311,016,382	327,754,096

Other explanations:

According to the Group's future profit forecast, the Group believes that it is probable that sufficient taxable profits will be available in future periods to offset the deductible temporary differences and deductible losses. Therefore, the related deferred tax assets are recognised.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Deferred tax assets/deferred tax liabilities (Continued)

(2) Deferred tax liabilities that are not offset

Unit: RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Changes in fair values for held-for-trading financial assets	10,567,705	2,641,926	13,162,173	3,290,543
Real estate pre-sale	-	-	-	-
Changes in fair value of other investments in equity instruments	1,671,721,543	417,930,386	378,000,000	94,500,000
Total	<u>1,682,289,248</u>	<u>420,572,312</u>	<u>391,162,173</u>	<u>97,790,543</u>

(3) Deferred tax assets or liabilities presented at the net amount after offsetting

Unit: RMB

Item	Closing offset amount of deferred tax assets and deferred tax liabilities	Closing amount of deferred tax assets or liabilities after offsetting	Opening offset amount of deferred tax assets and deferred tax liabilities	Opening amount of deferred tax assets or liabilities after offsetting
	Deferred tax assets	42,810,000	201,391,773	69,733,712
Deferred tax liabilities	<u>42,810,000</u>	<u>377,762,312</u>	<u>69,733,712</u>	<u>28,056,831</u>

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Other non-current assets

Unit: RMB

Item	Closing balance	Opening balance
Loan granted to joint venture	–	489,000,000
Less: Loan granted to joint venture due within 1 year (Note VI 7)	–	300,000,000
Loan granted to joint venture due over 1 year	–	189,000,000
Payments for purchasing apartments for talents	11,216,679	11,216,678
Total	11,216,679	200,216,678

20. Short-term borrowings

(1) Categories of short-term borrowings:

Unit: RMB

Item	Closing balance	Opening balance
Bank loans	1,919,000,000	2,419,000,000
Including: Unsecured loans	1,759,000,000	2,259,000,000
Entrusted loans (Note 1)	160,000,000	160,000,000
Non-bank financial institutions loans	1,080,000,000	1,180,000,000
Including: Unsecured loans	780,000,000	780,000,000
Entrusted loans (Note 2)	300,000,000	400,000,000
Total	2,999,000,000	3,599,000,000

Explanations of short-term borrowing categories:

Note 1: Entrusted bank loans are provided by Jiangsu Far East Shipping Co., Ltd. ("Far East Shipping Company") through China CITIC Bank on 14 August 2017, the principal is RMB160,000,000, annual interest rate is 4.35%, and duration period is 1 year.

Note 2: Non-bank financial institutions entrusted loans are provided by Jiangsu Jinghu Expressway Co., Ltd. ("Jinghu Company") through Finance Company of the Group on 2 May 2018, the principal is RMB300,000,000, annual interest rate is 4.35%, and duration period is 1 year.

(2) The Group has no short-term borrowings that are overdue but not yet repaid.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Notes payable and accounts payable

(1) Presentation of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Construction payable	412,257,324	353,411,380
Construction payable for real estate project	372,849,488	394,077,716
Purchase of petroleum payable	2,213,253	40,425,661
Toll road fee payable	37,954,707	49,968,715
Lease deposit	54,994,276	36,358,086
Others	62,552,675	47,107,593
Total	<u>942,821,723</u>	<u>921,349,151</u>

(2) The following is an aging analysis of trade payables presented based on the invoice date:

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	531,732,118	636,901,076
More than 1 year but not exceed 2 years	370,678,706	232,454,423
More than 2 years but not exceed 3 years	20,328,673	30,112,412
More than 3 years	20,082,226	21,881,240
Total	<u>942,821,723</u>	<u>921,349,151</u>

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Notes payable and accounts payable (Continued)

(3) Significant accounts payable aging more than one year

Unit: RMB

Item	Closing balance	Reasons for outstanding
Construction payable	21,145,835	Long settlement procedure of the project
Construction payable for real estate project	372,849,488	Long settlement procedure of the real estate project
Warranty fee payable	3,467,000	Warranty fee for lease of service area
Underwriting fees for bonds payable	9,500,000	Underwriting fees for interim term notes

22. Receipts in advance

(1) Presentation of receipts in advance

Unit: RMB

Item	Closing balance	Opening balance
Rent received in advance	—	16,787,613
Advertising service fee received in advance	—	13,422,192
Income from properties for sales received in advance	—	808,174,464
Compensation received in advance	—	—
Maintenance expenses received in advance	—	—
Others	—	1,623,101
Total	—	840,007,370

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Receipts in advance (Continued)

(1) Presentation of receipts in advance (Continued)

The aging analysis of receipts in advance is as follows:

Unit: RMB

Aging	Closing balance		Opening balance	
	Unit: RMB	%	Unit: RMB	%
Within 1 year	—	—	149,557,099	18
More than 1 year but not exceed 2 years	—	—	531,702,143	63
More than 2 years but not exceeding 3 years	—	—	158,668,128	19
More than 3 years	—	—	80,000	—
Total	<u>—</u>	<u>—</u>	<u>840,007,370</u>	<u>100</u>

23. Contract liability

(1) Presentation of contract liability

Unit: RMB

Item	Closing balance	Opening balance
Rent received in advance	58,231,828	—
Advertising service fee received in advance	13,892,278	—
Income from properties for sales received in advance	732,615,539	—
Compensation received in advance	54,930,000	—
Maintenance expenses received in advance	2,770,000	—
Others	5,060,140	—
Total	<u>867,499,785</u>	<u>—</u>

Note: Pursuant to the Accounting Standards for Business Enterprises No. 14 Revenue, the Group transferred all kinds of receipts in advance to contract liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Contract liability (Continued)

(1) Presentation of contract liability (Continued)

The aging analysis of contract liabilities is as follows:

Unit: RMB

Aging	Closing balance		Opening balance	
	RMB	%	RMB	%
Within 1 year	867,413,085	100	–	–
More than 1 year but not exceed 2 years	6,700	–	–	–
More than 2 years but not exceed 3 years	–	–	–	–
More than 3 years	80,000	–	–	–
Total	<u>867,499,785</u>	<u>100</u>	<u>–</u>	<u>–</u>

24. Employee benefits payable

(1) Presentation of employee benefits payable

Unit: RMB

Item	Opening balance	Addition	Decrease	Closing balance
1. Short term compensation	3,636,736	354,604,689	355,277,922	2,963,503
2. Post-employment benefits – Defined contribution plan	–	76,991,906	76,991,906	–
3. Termination benefits	–	58,300	58,300	–
4. Other welfare due within one year	–	–	–	–
Total	<u>3,636,736</u>	<u>431,654,895</u>	<u>432,328,128</u>	<u>2,963,503</u>

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Employee benefits payable (Continued)

(2) Presentation of short-term benefits

Unit: RMB

Item	Opening balance	Addition	Decrease	Closing balance
I. Wages or salaries, bonuses, allowances and subsidies	–	246,751,478	246,751,478	–
II. Staff welfare	–	7,219,061	7,219,061	–
III. Social security contributions	–	47,462,209	47,462,209	–
Including: Medical insurance	–	43,354,565	43,354,565	–
Work injury insurance	–	2,083,279	2,083,279	–
Maternity insurance	–	2,024,365	2,024,365	–
IV. Housing funds	29,361	29,237,190	29,266,551	–
V. Union running costs and employee education costs	3,607,375	6,852,723	7,496,595	2,963,503
VI. Non-monetary benefits	–	11,758,959	11,758,959	–
VII. Others	–	5,323,069	5,323,069	–
Total	<u>3,636,736</u>	<u>354,604,689</u>	<u>355,277,922</u>	<u>2,963,503</u>

(3) Defined contribution plan

Unit: RMB

Item	Opening balance	Addition	Decrease	Closing balance
1. Basic endowment insurance	–	51,689,353	51,689,353	–
2. Unemployment insurance	–	1,330,860	1,330,860	–
3. Enterprise annuity payment	–	23,971,693	23,971,693	–
Total	–	<u>76,991,906</u>	<u>76,991,906</u>	–

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Employee benefits payable (Continued)

(3) Defined contribution plan (Continued)

Note:

(1) Defined contribution plan

The Group participates in basic pension insurance, unemployment insurance plan established by government in accordance with the relevant requirements. According to the plan, the Group makes a monthly contribution equivalent to 19%–20% and 0.5%–1.5% of the employee's monthly basic wage based on last year's salary. The Group participates in annuity scheme which operated by an independent third party and makes a monthly contribution equivalent to 8.33% of the employee's monthly basic wage based on last year's salary. The Group no longer undertake further payment obligation. The corresponding cost charges to the profit or loss for the current period or the cost of a relevant asset when occurs.

During the period, the Group contributes RMB51,689,353, RMB23,971,693 and RMB1,330,860 (the first half year of 2017: RMB44,656,017, RMB22,045,234 and RMB1,904,711) to basic pension insurance plan, annuity plan and unemployment insurance plan respectively. All the contribution had paid over to the schemes as at 30 June 2018.

(2) Non-monetary benefits

Non-monetary benefits provided to employees by the Group in the current period are RMB11,758,959 (the first half year of 2017: RMB12,716,441), which mainly represent the purchased welfare goods and holiday gifts that are distributed to employees in a form of non-monetary benefits. The calculation is based on the actual cost of the purchase of welfare goods.

25. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Enterprise income tax	130,949,713	196,161,510
Land appreciation tax	39,630,153	17,657,714
VAT	24,858,252	43,918,188
Property tax	3,525,450	2,516,832
Individual income tax	271,514	6,132,247
City construction and maintenance tax	1,778,762	2,768,489
Others	4,121,565	6,055,237
	205,135,409	275,210,217
Total	205,135,409	275,210,217

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Other payables

Item	Note	Closing balance	Opening balance
Interest payable	(1)	122,388,637	99,326,055
Dividends payable	(2)	1,426,084,094	81,117,999
Others	(3)	59,384,682	36,919,707
Total		<u>1,607,857,413</u>	<u>217,363,761</u>

(1) Other payables – Interest payable

Unit: RMB

Item	Closing balance	Opening balance
Interest payable of long-term borrowings with interest payable by installments and principal payable on maturity	15,196,499	21,972,653
Interest payable of enterprise bonds	101,975,616	72,917,260
Interest payable of short-term borrowings	5,216,522	4,436,142
Total	<u>122,388,637</u>	<u>99,326,055</u>

The Group has no interest payable that is overdue but not yet repaid.

(2) Other payables – Dividends payable

Unit: RMB

Item	Closing balance	Opening balance
Common stock dividends	1,410,992,216	81,117,999
Subsidiaries shall pay dividends to minority shareholders	15,091,878	–
Total	<u>1,426,084,094</u>	<u>81,117,999</u>

Note: The amount of dividends payable aged more than 1 year is RMB68,934,928, which is the dividends that are not collected by investors.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Other payables (Continued)

(3) Other payables – Others

(i) Details of other payables are as follows:

Unit: RMB

Item	Closing balance	Opening balance
Payables of daily procurement in service area	4,965,834	8,932,215
Amount of ETC prepaid cards collected on behalf of the internetwork settlement center	60,460	2,189,250
Construction quality warrantee fee payable	5,043,442	3,113,346
Earnest money of acquisition of properties	3,353,004	4,708,004
Mortgage security for operation performance	10,000,000	–
Commission for acquiring real estate certificate on behalf of others	14,781,504	693,503
Others	21,180,438	17,283,389
Total	59,384,682	36,919,707

(ii) The Group has no significant other payables aged more than one year.

27. Non-current liabilities due within one year

(1) Details of non-current liabilities due within one year are as follows:

Unit: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within one year (Note (VI) 29)	379,639,336	124,618,920
Bonds payable due within one year (Note(VI) 30)	–	499,222,455
Total	379,639,336	623,841,375

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Super short-term bonds payable	1,508,601,944	2,243,200,002
Total	1,508,601,944	2,243,200,002

Changes of short-term bonds payable:

Unit: RMB

Name of bond	Par value	Issue date	Duration of the bond (days)	Issue amount	Opening balance	Issue in the Current period	Interest accrued according to par value	Premium and discount amortization	Repayment in the current period	Closing balance
Super short-term bonds payable										
18 Ninghu Gao SCP001	500,000,000	10/04/2018	185	500,000,000	-	500,000,000	4,976,944	-	-	504,976,944
18 Ninghu Gao SCP002	1,000,000,000	05/06/2018	101	1,000,000,000	-	1,000,000,000	3,625,000	-	-	1,003,625,000
17 Ninghu Gao SCP001	1,000,000,000	12/04/2017	270	1,000,000,000	1,030,800,002	-	268,491	-	1,031,068,493	-
17 Ninghu Gao SCP007	1,200,000,000	13/10/2017	182	1,200,000,000	1,212,400,000	-	15,423,562	-	1,227,823,562	-
Total	<u>3,700,000,000</u>			<u>3,700,000,000</u>	<u>2,243,200,002</u>	<u>1,500,000,000</u>	<u>24,293,997</u>	<u>-</u>	<u>2,258,892,055</u>	<u>1,508,601,944</u>

Other explanations:

As at 30 June 2018, the short-term bonds payable of the Group include: (1) the “18 Ninghu Gao SCP001” super short-term financing bonds issued by the Company on 10 April 2018, of which the principal amount is RMB500,000,000. The term of bonds is 185 days with a coupon rate of 4.37%; (2) the “18 Ninghu Gao SCP002” super short-term financing bonds issued by the Company on 5 June 2018, of which the principal amount is RMB1,000,000,000. The term of bonds is 101 days with a coupon rate of 4.35%;

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Long-term borrowings

(1) Categories of long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Bank Loans	4,523,113,024	3,248,708,121
Including: Unsecured loans	4,377,900,000	3,152,900,000
Guaranteed loan (Note 1)	77,213,024	77,808,121
Secured and guaranteed loans (Note 2)	18,000,000	18,000,000
Secured loans (Note 3)	50,000,000	–
Loans from a related party	750,000,000	750,000,000
Including: Medium Term Notes (Note 4)	750,000,000	750,000,000
Subtotal	<u>5,273,113,024</u>	<u>3,998,708,121</u>
Less: long-term borrowings due within one year	379,639,335	124,618,920
Long-term borrowings due after one year	<u>4,893,473,689</u>	<u>3,874,089,201</u>

(2) Description of categories of long-term borrowings

Note 1: Guaranteed loans including: (1) The Group obtained bank credit limit of USD9,800,000 from Jiangsu branch of Bank of China in 1998. The credit limit was used to import machinery and technology and guaranteed by Communications Holding. The credit limits include buyer's credit loan of USD4,900,000 and Spanish government loan of USD4,900,000. The buyer's credit loan has been paid up in 2006. The Spanish government loan is paid up every half year from January 2009 to 2029 at an annual interest rate of 2%. The outstanding closing balance at the end of this period is USD2,601,491. (2) The Group obtained bank loans of RMB195,000,000 with loan duration 15 years from Industrial and Commercial Bank of China, Jiangsu branch on 16 March 2004. The loan was used to construct Xiyi Expressway and guaranteed by Communications Holding. The loan has been paid up for RMB135,000,000 by the end of the period at an annual interest rate of 4.90%.

Note 2: Secured and guaranteed loans indicate loans of RMB200,000,000 with loan duration 14 years obtained from Bank of China, Wuxi branch on 15 April 2004. The loan was used to construct Xiyi Expressway and Wuxi Huantaihu Expressway and secured by the toll road operation rights Xiyi Expressway and Wuxi Huantaihu Expressway, also the loan was guaranteed by Communications Holding. The loan has been paid up for RMB182,000,000 by the end of the period at an annual interest rate is 4.90%.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Long-term borrowings (Continued)

(2) Description of categories of long-term borrowings (Continued)

Note 3: Secured loans indicate loans obtained from Industrial and Commercial Bank of China, Wuxi branch on 28 June 2018. The loan was used to repay loans that fall due, supplement current funds and adjust debt structure. The total amount of the loan contract is RMB1,200,000,000, the Group has withdrawn RMB50,000,000 for the period with loan duration of 8 years. The aforesaid loans are secured by the operation right of Guangjing Expressway. The loan has been paid up for RMB182,000,000 by the end of the period at an annual interest rate is 4.90%.

Note 4: Medium term notes represent medium term notes issued by Communications Holding and allocated to the Group according to the fund use term of the bond prospectus. The group paid the corresponding interest and principal to Communications Holding, including: (1) "12 Su Communications MTN2" issued by Communications Holding on 4 December 2012; the principal allocated to the Company is RMB250,000,000 for a period of 10 years at an annual interest rate is 5.50% and an annual fee rate of 0.30%. (2) "13 Su Communications MTN2" issued by Communications Holding on 16 May 2013; the principal allocated to the Company is RMB250,000,000 for a period of 10 years at an annual interest rate is 5.30% and an annual fee rate of 0.30%. (3) "14 Su Communications MTN2" issued by Communications Holding on 20 May 2014; the principal allocated to the Company is RMB250,000,000 for a period of 5 years at an annual interest rate is 5.80% and an annual fee rate of 0.30%.

(3) Other explanations

Interest rate of the loans above is 2%-5.8%.

30. Bonds payable

(1) Bonds payable

Unit: RMB

Item	Closing balance	Opening balance
Medium Term Notes	3,975,249,711	4,469,380,290
Less: Bonds payable due within 1 year	—	499,222,455
Total	<u>3,975,249,711</u>	<u>3,970,157,835</u>

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Bonds payable (Continued)

(2) Changes of bonds payable

Unit: RMB

Name of bond	Par value	Issue date	Term of the bond	Issue amount	Opening balance	Issue in the current year	Interest accrued according to par value	Premium and discount amortization	Repayment in the current year	Transfer to non-current liabilities due within one year	Closing balance
Medium Term Notes	500,000,000	21 June 2013	5 years	500,000,000	499,222,455		11,665,479	777,545	511,665,479		-
Medium Term Notes	2,000,000,000	25 August 2015	5 years	2,000,000,000	1,984,749,860		42,646,575	2,839,781	42,646,575		1,987,589,641
Medium Term Notes	1,000,000,000	4 December 2015	5 years	1,000,000,000	991,670,054		18,298,356	1,356,646	18,298,356		993,026,700
Medium Term Notes	1,000,000,000	15 April 2016	5 years	1,000,000,000	993,737,921		18,347,945	895,449	18,347,945		994,633,370
Total				4,500,000,000	4,469,380,290		90,958,355	5,869,421	590,958,355		3,975,249,711

(3) Other explanations

As at 30 June 2018, the Group's bonds payable include: (1) the "15 Ninghu Gao MTN1" issued by the Company with the par value of RMB2,000,000,000 on 25 August 2015. The term of bond is 5 years, of which the coupon rate is 4.3%. The interest is paid by year and the principal paid on maturity; (2) the "15 Ninghu Gao MTN2" issued by the Company with the par value of RMB1,000,000,000 on 4 December 2015. The term of bond is 5 years, of which the coupon rate is 3.69%. The interest is paid by year and the principal paid on maturity; (3) the "16 Ninghu Gao MTN1" issued by the Company with the par value of RMB1,000,000,000 on 15 April 2016. The term of bond is 5 years, of which the coupon rate is 3.70%. The interest is paid by year and the principal paid on maturity;

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Deferred income

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Remarks
Government grants	31,489,516	–	1,032,811	30,456,705	Ningchang Expressway Construction Compensation
Others	2,148,631	11,446,635	–	13,595,266	Unrealised profits arising from Hanwei Company
Total	<u>33,638,147</u>	<u>11,446,635</u>	<u>1,032,811</u>	<u>44,051,971</u>	

Items involving government grants

Unit: RMB

Item	Opening balance	Increase in the current period	Transfer to other income for the period	Other	Closing balance	Related to asset/ Related to income
Expressway Construction Compensation	<u>31,489,516</u>	<u>–</u>	<u>1,032,811</u>	<u>–</u>	<u>30,456,705</u>	Related to asset

Other explanations:

The deferred income is appropriated by People's Government of Wujin District of Changzhou City for construction of Ningchang expressway road, due to the extra cost of construction of Wujin Development Zone viaduct project. The project construction subsidy is RMB40,000,000, the Group recognizes the project construction subsidy as a compensation of the construction cost of Ningchang expressway which is recorded in deferred income.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Estimated liabilities

Unit: RMB

Item	Closing balance	Opening balance	Remarks
Estimated liabilities for the maintenance of Nanjing-Lianyungang Highway	8,010,000	8,010,000	Responsibility for the maintenance of Nanjing-Lianyungang Highway
Total	8,010,000	8,010,000	

33. Share capital

Unit: RMB

	Opening balance	New issue of shares	Change for the period			Subtotal	Closing balance
			Bonus issue	Capitalization of surplus reserves	Others		
1 January 2018 to 30 June 2018							
Total shares	5,037,747,500	-	-	-	-	-	5,037,747,500

In accordance with the Company's state share reform proposal adopted by the Company's shareholders' meeting on 24 April 2006 (the "Share Reform Proposal"), the shareholders of the non-tradable shares, which comprised the state shares, state legal person shares and legal person shares, offered a transfer of 3.2 non-tradable shares to the then shareholders of A-shares for every 10 "A" shares held by the then shares holders of A-shares in exchange for the approval by the shareholders of A-shares to convert all remaining non-tradable shares into restricted tradable shares. As a result, in the year 2006, 48,000,000 non-tradable shares were transferred to the shareholders of A-shares as consideration for the approval by the non-tradable shareholders, and these 48,000,000 non-tradable shares were granted trading status as a shares on 16 May 2006. After the transfer of the consideration 48,000,000 non-tradable shares, part of them have been transferred to the category of tradable A share upon the granting of trading status on 16 May 2007, 14 June 2007, 27 July 2007, 28 February 2008, 10 October 2008, 8 June 2009, 10 March 2010, 17 December 2010, 20 May 2011, 29 July 2011, 17 August 2012, 6 November 2013 and 15 January 2015 separately.

The Group did not purchase, sale or redeem shares of the Company for the current period.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Capital reserve

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1 January 2018 to 30 June 2018:				
Capital premium	7,765,271,453	–	–	7,765,271,453
Including: Capital contributed by investors	4,800,576,953	–	–	4,800,576,953
Differences arising from business combination involving enterprises under common control	2,964,694,500	–	–	2,964,694,500
Other capital reserves	2,663,116,782	–	–	2,663,116,782
Including: Share of capital reserve of the investee under the equity method	(19,860,453)	–	–	(19,860,453)
Transfer from capital reserve under the previous accounting system	2,682,977,235	–	–	2,682,977,235
Total	<u>10,428,388,235</u>	<u>–</u>	<u>–</u>	<u>10,428,388,235</u>

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Other comprehensive income

Unit: RMB

Item	Opening balance	Before-tax amount for the current year	Change for the period		Post-tax net amount attribute to parent company owners	Closing balance
			Less: Net amount included in other comprehensive income in the prior periods that is reclassified to profit or loss for the year	Less: Income tax expense		
1 January 2018 to 30 June 2018:						
I. Other comprehensive income that will not be reclassified subsequently to profit or loss (<i>Note 1</i>)	283,500,000	1,068,649,312	-	(267,162,328)	801,486,984	1,084,986,984
Including:						
Share of other comprehensive income of the investee under the equity method that will not be reclassified subsequently to profit or loss						
Profit or loss arising from changes in fair value of other investments in equity instruments (<i>Note 2</i>)	283,500,000	1,068,649,312	-	(267,162,328)	801,486,984	1,084,986,984
II. Other comprehensive income that will be reclassified subsequently to profit or loss	97,408,923	328,154,260	-	-	328,154,260	425,563,183
Other comprehensive income convertible to profit or loss under the equity method (<i>Note 3</i>)	97,408,923	328,154,260	-	-	328,154,260	425,563,183
Total other comprehensive income	<u>380,908,923</u>	<u>1,396,803,572</u>	<u>-</u>	<u>(267,162,328)</u>	<u>1,129,641,244</u>	<u>1,510,550,167</u>

Note 1: Pursuant to the Accounting Standards for Business Enterprise No.22 – Recognition and Measurement of Financial Instrument, the Group will transfer the changes in other comprehensive income arising from changes in fair value of financial assets designated as non-tradable equity instrument investment from other comprehensive income which may be subsequently reclassified into profit or loss to that which may not be subsequently reclassified into profit or loss.

Note 2: Profit or loss arising from changes in fair value of other equity instrument is the fair value adjustment of the restricted shares of A-share listed companies Bank of Jiangsu Co., Ltd., and Jiangsu Financial Leasing Co., Ltd.

Note 3: Increase in other comprehensive income which may be transferred to profit or loss under the equity method is the fair value adjustment of other equity instrument investment held by the Group's associate Yangtze Bridge Company. The Group accordingly adjusts other comprehensive income according to the shareholding proportion.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Surplus reserve

Unit: RMB

Item	Opening balance	Addition	Decrease	Closing balance
1 January 2018 to 30 June 2018:				
Statutory surplus reserve	3,103,130,236	—	—	3,103,130,236
Discretionary surplus reserve	170,362,063	—	—	170,362,063
Total	<u>3,273,492,299</u>	<u>—</u>	<u>—</u>	<u>3,273,492,299</u>

Note: According to "Company Law of the People's Republic of China" and the Articles of the company, the Company and its subsidiaries are required to transfer 10% of its net profit to the statutory surplus reserve. The transfer may be ceased if the balance of the statutory surplus reserve has reached 50% of the Company's registered capital. Statutory surplus reserve can be used for making up losses, or to increase the capital after approval.

37. Retained profits

Unit: RMB

Item	Amount for the current period	Prior period
Opening retained profits	4,399,747,006	3,048,058,238
Add: Net profit attributable to owners of the Company for the year	2,488,142,065	1,899,660,185
Less: Appropriation to statutory surplus reserve	—	—
Appropriation to discretionary surplus reserve	—	—
Declaration of dividends on ordinary shares	2,216,608,900	2,115,853,950
Closing retained profits	<u>4,671,280,171</u>	<u>2,831,864,473</u>

Note 1: Cash dividends approved in shareholders' meeting during the year.

In 2018, on the basis of 5,037,747,500 issued shares (with the par value of RMB1 per share), dividends in cash of RMB0.44 per share were distributed to all the shareholders.

Note 2: The Board of the Company on 24 August 2018 has not recommended the payment for the six months ended 30 June 2018.



NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Operating income and operating costs

(1) Operating income

Unit: RMB

Item	Amount recognized in the current period		Amount recognized in the last period	
	Operating income	Operating costs	Operating income	Operating costs
Principal operating income	4,311,955,966	1,760,396,113	4,250,598,939	1,834,134,788
Including: Shanghai-Nanjing Expressway	2,425,343,255	645,318,177	2,308,365,296	565,809,336
Nanjing-Lianyungang Highway	12,014,124	2,103,673	16,452,359	10,163,554
Guangjing Expressway and Xicheng Expressway	425,941,644	108,289,749	415,146,323	105,249,234
Ningchang Expressway and Zhenli Expressway	562,154,981	264,516,223	505,684,856	260,487,447
Xiyi Expressway and Wuxi Huantaihu Expressway	168,032,090	81,741,605	156,769,346	74,594,246
Ancillary services	718,469,872	658,426,686	848,180,759	817,830,971
Real estate development	797,719,861	485,055,076	386,787,528	226,972,213
Advertising and others	32,104,007	10,921,986	31,648,598	10,663,066
Total	<u>5,141,779,834</u>	<u>2,256,373,175</u>	<u>4,669,035,065</u>	<u>2,071,770,067</u>

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Taxes and levies

(1) Details of taxes and levies

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Business tax	25,323,817	5,435,993
City construction and maintenance tax	12,027,460	9,096,163
Education surcharge	8,665,096	6,738,273
Land appreciation tax	44,742,668	7,468,377
Property tax	8,479,546	8,429,334
Land use tax	5,970,143	4,863,490
Others	2,186,608	3,187,237
	107,395,338	45,218,867

40. Selling expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Depreciation	332,796	165,833
Commission fee for agent of real estate sales	4,728,057	4,934,105
Advertisement and promotion fee	2,513,490	3,133,300
Production and planning fee	448,271	31,730
Marketing facilities fee	2,935,826	-
Others	633,849	382,291
	11,592,289	8,647,259



NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

41. Administrative expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Salaries and additional expenses	37,240,816	33,161,996
Depreciation and amortization	40,405,851	40,299,679
Audit fee	—	—
Consulting and intermediary service fee	1,075,918	1,552,404
Entertainment fee	573,427	638,782
Maintenance and repair costs	2,006,177	262,912
Office expenses	373,250	297,956
Travelling expenses	424,222	364,774
Vehicle related expenses	738,896	570,133
Others	2,661,725	2,650,053
Total	85,500,282	79,798,689

42. Financial expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Interest expenses	239,697,636	208,360,927
Less: Interest income	3,481,804	2,598,542
Exchange differences	208,618	(440,093)
Bond issue fee and other loan charges	15,234,412	3,396,644
Others	1,553,643	2,964,214
Total	253,212,505	211,683,150

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. Gains arising from changes in fair value

Unit: RMB

Source of gains arising from changes in fair value	Amount incurred in the current period	Amount incurred in the prior period
Held-for-trading financial assets	(2,594,467)	2,543,880

44. Investment income

(1) Details of investment income

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Income from long-term equity investments under equity method	284,808,956	217,692,115
Income (losses) on disposal of held-for-trading financial assets	(275,451)	(123,106)
Investment income from other equity investments in the holding period	28,080,000	54,320,000
Investment income from disposal of other equity investments	4,195,261	5,418,097
Interest income from loans	2,598,900	14,142,057
Other investment income (Note)	411,124,603	—
Total	730,532,269	291,449,163

Note: Other investment income mainly includes gains from evaluation appreciation of approximately RMB430,500,000 recognized by a shortfall between fair value and carrying amount arising from that the Company combined Hanwei Company in accordance with the standards for business combination involving enterprises not under common control and the Company measured the equity interest in Hanwei Company before the acquisition date at fair value on the acquisition date.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45. Income (losses) on disposal of assets

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Losses on disposal of assets	<u>(215,505)</u>	<u>(1,578,917)</u>
Total	<u><u>(215,505)</u></u>	<u><u>(1,578,917)</u></u>

46. Other income

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Government grants	<u>1,032,811</u>	<u>922,484</u>
Total	<u><u>1,032,811</u></u>	<u><u>922,484</u></u>

47. Non-operating income

(1) Details of non-operating income are as follows:

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Compensation income from damaged road property	<u>790,000</u>	725,939
Government grants	<u>480,948</u>	584,442
Others	<u>8,011,621</u>	<u>415,816</u>
Total	<u><u>9,282,569</u></u>	<u><u>1,726,197</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. Non-operating income (Continued)

(2) Government grants included in profit or loss:

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period	Remarks
Steady work subsidies	480,948	584,442	Related to income
Total	480,948	584,442	

48. Non-operating expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Repair expenditure of damaged road property	10,629,521	9,114,943
Donation	620,000	820,000
Funds	2,196,111	1,985,621
Others	1,583,493	1,077,006
Total	15,029,125	12,997,570

49. Income tax expenses

(1) Table of income tax expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Current tax expenses	544,637,113	501,283,235
Deferred tax expenses	75,470,993	79,698,076
Provision of prior years' tax	(8,621,372)	–
Total	611,486,734	580,981,311

No provision for Hong Kong Profits tax has been made as the income neither arises, nor is derived from Hong Kong.



NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50. Other comprehensive income

See Note VI. 35 for details.

51. Supplementary information of income statement

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Employee benefits	431,654,895	379,637,146
Depreciation and amortization	730,364,002	720,279,419
Toll related expenses	54,502,098	51,574,945
Road maintenance expenses	74,649,840	36,612,385
System maintenance expenses	15,013,036	8,035,227
Real estate development land and construction cost	485,055,076	226,972,213
Petroleum in the service zone	497,608,618	678,118,626
Retail goods in the service zone	6,404,266	12,195,403
Catering cost in the service zone	10,972,229	17,500,801
Audit fee	-	-
Consulting and intermediary service fee	1,414,487	1,552,404
Commission fee for agent of real estate sales	4,712,750	4,934,105
Advertisement fee	4,235,127	3,559,406
Others	36,879,322	19,243,935
Total	<u>2,353,465,746</u>	<u>2,160,216,015</u>

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52. Items in the cash flow statement

(1) Other cash receipts relating to operating activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Receipts from compensation of damaged road and non-operating income items, etc.	83,288,995	43,003,780
Receipts from interest income of bank deposit	3,481,804	2,598,542
Receipts of restricted monetary funds	3,043,813	62,224,893
Total	89,814,612	107,827,215

(2) Other cash payments relating to operating activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Payment of non-salary and other expenditure	87,501,473	52,392,216
Payment of restricted monetary funds	-	-
Total	87,501,473	52,392,216



NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52. Items in the cash flow statement (Continued)

(3) Other cash receipts relating to investing activities:

<u>Item</u>	<u>Amount incurred in the current period</u>	<u>Amount incurred in the prior period</u>
Recovery of related party loans	369,000,000	–
Acquisition of values of monetary funds held by Hanwei Company at equity acquisition date	<u>61,771,364</u>	–
Total	<u><u>430,771,364</u></u>	<u><u>–</u></u>

(4) Other cash payments relating to investing activities:

Unit: RMB

<u>Item</u>	<u>Amount incurred in the current period</u>	<u>Amount incurred in the prior period</u>
Borrowings from/Loans to related parties	<u><u>480,000,000</u></u>	<u><u>120,000,000</u></u>

(5) Other cash receipts relating to financing activities: N/A

(6) Other cash payments relating to financing activities

Unit: RMB

<u>Item</u>	<u>Amount incurred in the current period</u>	<u>Amount incurred in the prior period</u>
Bond issue fee and other charges of loans	<u><u>19,016,321</u></u>	<u><u>579,293</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

Unit: RMB

Supplementary information	Amount incurred in the current period	Amount incurred in the prior period
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	2,539,228,063	1,953,000,959
Add: Provision for impairment losses of assets	-	-
Depreciation of fixed assets	99,551,035	120,210,817
Amortization of intangible assets	629,833,302	597,498,263
Amortization of long-term prepaid expenses	528,264	1,451,154
Amortization of deferred income	-1,032,811	-922,484
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by "-")	215,505	1,578,917
Losses on changes in fair values (gains are indicated by "-")	2,594,467	-2,543,880
Financial expenses (income is indicated by "-")	242,140,666	211,317,478
Losses arising from investments (gains are indicated by "-")	-730,532,269	-291,449,163
Decrease in deferred tax assets (increase is indicated by "-")	56,628,611	79,062,106
Increase in deferred tax liabilities (decrease is indicated by "-")	349,705,481	635,970
Decrease in inventories (increase is indicated by "-")	-996,400,838	156,724,205
Decrease in receivables from operating activities (increase is indicated by "-")	19,442,850	-53,709,913
Increase in payables from operating activities (decrease is indicated by "-")	447,400,567	-262,851,772
Others- amortization of investment properties	451,401	1,119,185
Others-decrease in restricted monetary funds (increase is indicated by "-")	3,034,813	62,224,893
Net cash flow from operating activities	2,662,789,107	2,573,346,735
2. Significant investing and financing activities that do not involve cash receipts and payments:	-	-
3. Net changes in cash and cash equivalents:		
Closing balance of cash	704,545,487	265,732,902
Less: Opening balance of cash	262,758,700	194,272,978
Net increase (decrease) in cash and cash equivalents	441,786,787	71,459,924

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. Supplementary information to the cash flow statement (Continued)

(2) Composition of cash and cash equivalents

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
I. Cash	704,545,487	265,732,902
Including: Cash on hand	404,911	577,867
Bank deposits	682,482,151	262,050,433
Other monetary funds	21,658,425	3,104,602
II. Cash equivalents	–	–
Including: Investment in debt securities due within three months	–	–
III. Closing balance of cash and cash equivalents	704,545,487	265,732,902

54. Assets or use rights with restricted ownership

Unit: RMB

Item	Closing carrying amount	Reasons for restriction
Bank deposits	3,555,238	Customer mortgage deposit
Intangible assets	1,979,236,745	Mortgage of toll road right (Xiyi Expressway and Huantaihu Expressway)
Intangible assets	367,685,298	Mortgage of toll road right (Guangjing Expressway)
Total	2,350,477,281	

55. Foreign currency monetary items

Unit: RMB

Item	Closing balance in foreign currency	Exchange rate	Closing balance translate in RMB
Cash and bank balances			
Including: HKD	838,892	0.8431	707,270
Borrowings			
Including: USD	2,601,491	6.6166	17,213,024

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VII. CHANGES OF CONSOLIDATED FINANCIAL STATEMENT SCOPE

1. Changes of business combination scope not involving enterprises under common control in the current year

(1) Business combination not involving enterprises under common control in the current year

Unit: RMB

Acquirees	Equity acquisition date	Costs	Proportion (%)	Equity Acquisition Method	Acquisition date	Determining basis of acquisition date	Acquirees' income from the acquisition date to the end of the period	Acquirees' net profit from the acquisition date to the end of the period
Nanjing HanWei Real Estate Development Co., Ltd.	12 April 2018	614,999,333	100	Cash payment	12 April 2018	The Company acquired 30% equity interest in the joint venture Hanwei Company at the consideration of RMB184,499,800.00. After the acquisition, Hanwei Company has become the Company's wholly owned subsidiary. Hanwei Pursuant to resolution of the 22nd session of the eighth meeting of the Board of Chairman of the Company on 19 March 2018, the Company has completed formalities of changes in commerce and industry registration on 12 April 2018. The Company takes April 12 as the acquisition date.	-	-5,383,507



NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VII. CHANGES OF CONSOLIDATED FINANCIAL STATEMENT SCOPE (CONTINUED)

1. Changes of business combination scope not involving enterprises under common control in the current year (Continued)

(2) Cost of combination and goodwill

Unit: RMB

	Nanjing HanWei Real Estate Development Co., Ltd.
Cost of combination	
– Cash	184,499,800
– Fair value of non-cash assets	–
– Fair value of the debts issued or assumed	–
– Fair value of the equity securities issued	–
– Fair value of the contingent consideration	–
– Fair value of the equity on the acquisition date held before the acquisition date	430,499,533
– Others	–
Total cost of consolidation	<u>614,999,333</u>
Less: fair value of identifiable net assets acquired	622,907,103
Shares of goodwill/consolidation cost lower than the fair value of the identifiable net assets acquired	<u><u>-7,907,770</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VII. CHANGES OF CONSOLIDATED FINANCIAL STATEMENT SCOPE (CONTINUED)

1. Changes of business combination scope not involving enterprises under common control in the current year (Continued)

(3) Acquiree's identifiable assets and liabilities at the acquisition date

Unit: RMB

	Nanjing HanWei Real Estate Development Co., Ltd.	
	Fair value at the acquisition date	Net book value at the acquisition date
Assets:	1,705,286,095	1,162,631,895
Cash and bank balances	240,707,635	240,707,635
Accounts receivable	-	-
Interest receivable	1,617	1,617
Other receivables	12,835,206	12,835,206
Inventories	1,397,850,893	840,123,493
Other current assets	16,420,000	16,420,000
Fixed assets	134,447	89,347
Intangible assets	122,045	14,245
Long-term pre-paid expenses	1,402,709	1,402,709
Deferred tax assets	-	11,019,507
Other non-current assets	35,811,543	40,018,136
Liabilities:	1,082,378,992	1,082,378,992
Borrowings	-	-
Accounts payable	10,755,572	10,755,572
Receipts in advances	464,696,510	464,696,510
Taxes payable	30,791	30,791
Other payables	103,619	103,619
Long-term borrowings	600,000,000	600,000,000
Long-term payables	6,792,500	6,792,500
Deferred tax liabilities	-	-
Net assets	622,907,103	80,252,903
Less: minority interest	-	-
Net assets acquired	622,907,103	80,252,903

Note: The fair values of identifiable assets and liabilities of Nanjing Hanwei Real Estate Development Co., Ltd. are determined by the valuation results issued by an independent evaluation agency Beijing Tianjian Xingye Asset Evaluation Co., Ltd. using asset-based method.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VIII. EQUITY IN OTHER ENTITIES

1. Equity in subsidiaries

(1) Group composition

Unit: RMB

Name of subsidiary (Note)	Type of subsidiaries	Registered Capital	Business premise	Registered place	Business nature	Proportion of holding equity (%)		
						Direct	Indirect	Acquired method
Jiangsu Guangjing Xicheng Expressway Co., Ltd. ("Guangjing Xicheng Company")	Limited liability company	2,500,000,000	Wuxi	Nanjing	Construction and operation of expressway	85	-	Set-up
Wuxi Jingcheng Advertising Co., Ltd.	Limited liability company	1,000,000	Wuxi	Wuxi	Service	-	85	Set-up
Jiangsu Changyi Expressway Co., Ltd. ("Changyi Company")	Limited liability company	1,519,846,000	Changzhou, Yixing	Wuxi	Construction and operation of expressway	-	51	Set-up
Jiangsu Yichang Expressway Co., Ltd. ("Yichang Company")	Limited liability company	1,591,480,880	Yixing, Changxing	Yixing	Construction and operation of expressway	-	51	Set-up
Jiangsu Ninghu Investment Development Co., Ltd. ("Ninghu Investment")	Limited liability company	1,000,000,000	Nanjing	Nanjing	Investment and Service	100	-	Set-up
Jiangsu Ninghu Properties Co., Ltd. ("Ninghu Properties")	Limited liability company	500,000,000	Nanjing, Zhenjiang	Nanjing	Real estate development	100	-	Set-up
Kunshan Fen Yuan Real Estate Development Co., Ltd. ("Kunshan Fengyuan")	Limited liability company	9,000,000	Kunshan	Kunshan	Real estate development	-	100	Set-up
Ninghu Properties (Kunshan) Co., Ltd. ("Kunshan Properties")	Limited liability company	200,000,000	Kunshan	Kunshan	Real estate development	-	100	Set-up
Ninghu Properties (Suzhou) Co., Ltd. ("Suzhou Properties")	Limited liability company	100,000,000	Suzhou	Suzhou	Real estate development	-	100	Set-up
Jiangsu Zhendan Expressway Co., Ltd. ("Zhendan Company")	Limited liability company	605,590,000	Zhenjiang	Nanjing	Construction and operation of expressway	70	-	Set-up
Jiangsu Ningchang Zhenli Expressway Co., Ltd. ("Ningchang Zhenli Company")	Limited liability company	9,700,000,000	Changzhou, Zhenjiang	Nanjing	Construction and operation of expressway	100	-	Business combination involving entities under common control
Jiangsu Wufengshan Bridge Co., Ltd. ("Wufengshan Bridge Company")	Limited liability company	4,826,350,000	Zhenjiang, Yangzhou	Zhenjiang	Construction and operation of expressway	65	-	Set-up
Hanwei Company	Limited liability company	100,000,000	Nanjing	Nanjing	Real estate development	100	-	Business combination involving entities not under common control

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(2) Significant non-wholly owned subsidiaries

Unit: RMB

Name of subsidiaries	Minorities proportion of shareholding (%)	Closing balance/Amount incurred in the current period			Closing balance of minority interests
		Profit or loss attributable to minority shareholders	Dividend announcement to minority shareholders	income attributable to minority shareholders	
Guangjing Xicheng	15	50,511,443	15,091,878	168,804,174	776,183,687
Zhendan Company	30	-2,550	-	-	181,943,934
Wufengshan Bridge Company	35	-20,776	-	-	979,825,261
Changyi Company	49	58,107	-	-	523,752,940
Yichang Company	49	539,774	-	-	638,507,285
Total		51,085,998	15,091,878	168,804,174	3,100,213,107

(3) Financial information of significant non-wholly owned subsidiaries

Unit: RMB

Name of subsidiaries	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Guangjing Xicheng	100,706,491	9,335,160,732	9,435,867,223	2,583,468,591	1,670,957,842	4,254,426,433	130,945,078	8,559,498,118	8,690,443,196	2,000,873,995	2,212,923,469	4,213,797,464
Zhendan Company	1,949,211	1,575,561,404	1,577,510,615	221,040,833	750,000,000	971,040,833	1,888,101	1,276,478,570	1,278,366,671	91,888,389	580,000,000	671,888,389
Wufengshan Bridge Company	7,739,066	5,409,986,524	5,417,725,590	3,602,858	2,640,000,000	2,643,602,858	4,216,962	4,407,664,302	4,411,881,264	3,800,007	1,660,000,000	1,663,800,007
Changyi Company	326,225,764	1,494,142,785	1,820,368,549	155,682	382,900,000	383,055,682	2,187,990	1,484,729,259	1,486,917,249	569,698	382,900,000	383,469,698
Yichang Company	791,133,517	1,211,326,794	2,002,460,311	1,192,097	405,000,000	406,192,097	2,609,915	1,082,308,293	1,084,918,208	480,311	305,000,000	305,480,311

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(3) Financial information of significant non-wholly owned subsidiaries (Continued)

Name of subsidiaries	Amount incurred in the current period				Amount incurred in the prior period			
	Operating income	Net profit attribute to parent company	Total comprehensive income attribute to parent company	Cash flow from operating activities	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Guangjing Xicheng Zhendan Company	609,996,361	336,742,953	1,293,299,937	421,640,796	588,479,973	342,957,285	342,957,285	406,788,637
Wufengshan Bridge Company	-	(8,500)	(8,500)	(8,990)	-	(5,000)	(5,000)	(8,315)
Changyi Company	-	(58,525)	(58,525)	(1,424,282)	-	(125,549)	(125,549)	(35,541)
Yichang Company	-	145,267	145,267	90,622	-	2,984,816	2,984,816	(456,599)
	-	1,349,437	1,349,437	46,693	-	2,730,628	2,730,628	(297,582)

2. Equity in joint ventures or associates

(1) Significant associates

Name of joint ventures or associates	Business premise	Registered place	Business nature	Proportion of shareholding (%)		Accounting method
				Direct	Indirect	
Yangtze Bridge Company	Nanjing	Nanjing	Construction and operation of expressway	26.66	-	Equity method
Sujiahang Company (Note 1)	Suzhou	Suzhou	Construction and operation of expressway	31.55	-	Equity method
Sujiayong Company	Suzhou	Suzhou	Construction and operation of expressway	22.77	-	Equity method
Yanjjiang Company (Note 2)	Suzhou	Suzhou	Construction and operation of expressway	-	25.15	Equity method

Note 1: According to the capital increase agreement, which signed by the three parties of Su Jiahang Company's shareholders, Sujiahang Company increases its registered capital of RMB89,161,600 and the Suzhou City construction investment development Ltd. and Suzhou traffic investment Ltd. use all of its capital contribution subscribed in Changkun Company to increase investment in the Sujiahang Company, the Group has given up the new registered capital subscribed rights. After this merger, the three parties of Changkun Company and Sujiahang Company shared rights and obligations with the same shares and the same rights. In March 2016, Changkun Company and Sujiahang Company completed this merger and after this achievement, the proportion by the Group's holding of Sujiahang Company decrease from 33.33% to 31.55%.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

2. Equity in joint ventures or associates (Continued)

(1) Significant associates (Continued)

Note 2: During year 2013, because of the introduction of new shareholders Zhangjiagang Municipal Public Assets Management Co., Ltd., the equity ratio in Yanjiang Company of the Group decreased from 32.26% to 29.81%. According to the Yanjiang Company amendment of Article, Zhangjiagang Municipal Public Assets Management Co., Ltd. only enjoyed 40% of the income (profits, losses, gains and losses on disposal of assets) of the Zhangjiagang Port Expressway, and does not enjoy any other income resulting in Yanjiang Expressway projects other than the Zhangjiagang Port Expressway. During 2014, because of the introduction of new shareholders Suzhou Taicang Port Shugang Expressway Co., Ltd., the equity ratio in Yanjiang Company of the Group decreased from 29.81% to 28.96%. According to the Yanjiang Company amendment of Article, Suzhou Taicang Port Shugang Expressway Co., Ltd. only enjoyed 30% of the income (profits, losses, gains and losses on disposal of assets) of the Taicang Port Expressway, and does not enjoy any other income resulting in Yanjiang Expressway projects other than the Taicang Port Expressway. In November 2016, Communication Holding and Yanjiang Company entered into an equity transfer agreement. According to the Agreement, 100% equity of Jiangsu Husuzhe Expressway Co., Ltd. ("Husuzhe Company") held by Communication Holding was transferred to Yanjiang Company. The consideration for such transfer: Yanjiang Company accepted the transfer of all equity in Husuzhe Company via capital increase; when the capital increase was completed, the equity ratio in Yanjiang Company of the Group decreased from 28.96% to 25.15%. The date of completion of capital increase was 19 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

2. Equity in joint ventures or associates (Continued)

(2) Financial information of significant associates

Unit: RMB

	Closing balance/Amount incurred in the current year				Opening balance/Amount incurred in the prior year			
	Yangtze Bridge Company	Sujiahang Company	Sujiayong Company	Yanjiang Company	Yangtze Bridge Company	Sujiahang Company	Sujiayong Company	Yanjiang Company
Current asset	1,116,715,641	1,429,862,996	34,530,566	1,587,599,335	664,112,801	949,515,981	175,767,863	1,340,194,334
Non-current asset	18,407,013,069	3,329,425,588	4,051,612,282	10,509,281,034	15,667,073,101	3,421,266,979	4,083,144,588	10,828,432,666
Total asset	<u>19,523,728,710</u>	<u>4,759,288,584</u>	<u>4,086,142,848</u>	<u>12,096,880,369</u>	<u>16,331,185,902</u>	<u>4,370,782,960</u>	<u>4,258,912,451</u>	<u>12,168,627,000</u>
Current liability	2,669,290,477	413,417,874	955,186,910	1,582,867,248	2,217,981,626	188,807,046	1,103,347,361	1,726,303,786
Non-current liability	9,650,775,914	589,703,835	1,303,310,000	2,515,450,001	8,234,750,753	583,538,508	1,316,660,000	2,732,300,001
Total liability	<u>12,320,066,391</u>	<u>1,003,121,709</u>	<u>2,258,496,910</u>	<u>4,098,317,249</u>	<u>10,452,732,379</u>	<u>772,345,554</u>	<u>2,420,007,361</u>	<u>4,458,603,787</u>
Minority Interests	1,400,298,748	14,077,921	-	431,558,258	1,400,085,513	11,949,979	-	473,872,760
Shareholders equity attributable to shareholders of the parent company	5,803,363,571	3,742,088,954	1,827,645,938	7,567,004,862	4,478,368,010	3,586,487,427	1,838,905,090	7,236,150,453
Net assets share calculated according to proportion of shareholding	1,547,176,728	1,180,629,065	416,154,980	2,088,493,342	1,193,917,747	1,131,536,783	418,458,781	1,997,177,525
Adjustments								
Goodwill	53,174,434	28,607,014	-	13,173,081	53,174,434	28,607,014	-	13,173,081
Net book value of the equity investment in associates	1,600,351,162	1,209,236,079	416,154,980	2,101,666,423	1,247,092,181	1,160,143,797	418,458,781	2,010,350,606
Operating income	648,601,030	782,865,811	75,335,753	986,472,184	623,381,376	705,697,872	52,780,371	929,684,362
Net income(Net loss) attributable to the parent company	350,656,414	305,691,857	(10,117,694)	330,854,409	272,898,395	258,102,345	(17,939,930)	310,336,688
Other comprehensive income attributable to the parent company	1,230,886,198	-	-	-	(36,275,000)	-	-	-
Total comprehensive income attributable to the parent company	<u>1,581,542,612</u>	<u>305,691,857</u>	<u>(10,117,694)</u>	<u>330,854,409</u>	<u>236,623,395</u>	<u>258,102,345</u>	<u>(17,939,930)</u>	<u>310,336,688</u>
Dividends received from associates in the current year	<u>68,380,279</u>	<u>47,353,500</u>	<u>-</u>	<u>-</u>	<u>68,380,279</u>	<u>47,353,500</u>	<u>-</u>	<u>-</u>

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

2. Equity in joint ventures or associates (Continued)

(2) Financial information of significant associates (Continued)

Other explanations:

Yanjiang Company presented shareholder's equity attributable to the parent company of Yanjiang Company and the net profit after deducting 40% of shareholder's equity and net profit of the Zhangjiagang Port Expressway enjoyed by Zhangjiagang Municipal Public Assets Management Co., Ltd., and 30% of shareholder's equity and net profit of Taicang Port Shugang Expressway enjoyed by Suzhou Taicang Port Shugang Expressway Co., Ltd., and the Group enjoyed relevant shareholder's equity by 27.6%.

(3) Financial information of non-significant joint ventures or associates

Unit: RMB

	Closing balance/ Amount incurred in the current period	Opening balance/ Amount incurred in the prior period
Joint ventures:		
Total net book value of the investment		–
Total amount of the following items calculated according to the proportion of shareholding		
Net profit (loss)		(13,228,720)
Other comprehensive income		
Total comprehensive income (loss)		(13,228,720)
Associates:		
Total net book value of the investment	316,066,907	287,280,749
Total amount of the following items calculated according to the proportion of shareholding		
Net profit (loss)	5,866,157	(4,833,172)
Other comprehensive income		
Total comprehensive income (loss)	5,866,157	(4,833,172)

(4) Explanations on significant restrictions to the ability of transferring funds to the Group from joint ventures or associates

There is no significant restrictions to the ability of transferring funds to the Group from joint ventures or associates.

(5) Contingent liabilities related to joint ventures or associates

There is no contingent liabilities related to joint ventures or associates.



NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's major financial instruments include bank deposits, equity investments, debt investments, notes receivable, accounts receivable, other receivables, financial asset measure at fair value through profit or loss and financial asset measure at fair value through other comprehensive income etc. Details of these financial instruments are disclosed in note VI. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. Management manages and monitors these exposures to ensure the risks are monitored at a certain level.

The Group adopts sensitivity analysis technique to analyse how the profit and loss for the period and shareholders' equity would have been affected by reasonably possible changes in the relevant risk variables. As it is unlikely that risk variables will change in an isolated manner, and the interdependence among risk variables will have significant effect on the amount ultimately influenced by the changes in a single risk variable, the following are based on the assumption that the change in each risk variable is on a stand-alone basis.

Risk management objectives and policies

The Group's risk management objectives are to achieve a proper balance between risks and yield, minimize the adverse impacts of risks on the Group's operation performance, and maximize the benefits of the shareholders and other stakeholders. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyses the Group's exposure to various risks, establish an appropriate maximum tolerance to risk, and implement risk management, and monitors regularly and effectively these exposures to ensure the risks are monitored at a certain level.

As at 30 June 2018, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties and financial guarantees issued by the Group is arising from:

- The carrying amount of the respective recognised financial assets as stated in the consolidated balance sheet. For financial instruments measured at fair value, the carrying amount reflects the exposure to risks but not the maximum exposure to risks. The maximum exposure to risks would vary according to the future changes in fair value
- The amount of guarantees contract related to properties sales disclosed in Note (XIII). "Contingencies"

In order to minimize the credit risk, the Group has controlled credit limits, made credit approvals and implemented other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of each individual trade debt at each balance sheet date and makes adequate impairment losses. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

The credit risk on liquid funds is limited because they are deposited with banks with high credit ratings.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

X. DISCLOSURE ON FAIR VALUE

1. Closing fair value of assets and liabilities measured at fair value

Unit: RMB

Item	Fair value at the end of the period			Total
	Level 1 Fair value measurement	Level 2 Fair value measurement	Level 3 Fair value measurement	
Fair value measured on a recurring basis				
I. Held-for-trading financial assets				
1. Held-for-trading financial assets	36,277,344		239,400,000	275,677,344
II. Other current asset				
1. Investments in financial management products				
III. Other investments in equity instruments				
1. Investments in equity instruments		2,942,620,000		2,942,620,000
IV. Other investments in equity instruments				
1. Other non-current financial assets			763,563,085	763,563,085
Total assets continually measured at fair value	<u>36,277,344</u>	<u>2,942,620,000</u>	<u>1,002,963,085</u>	<u>3,981,860,429</u>

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS

1. Parent of the Company

Unit: RMB

Name of the parent	Place of incorporation	Nature of business	Registered capital	Proportion of the Company's ownership interest held by the parent (%)	Proportion of the Company's voting power held by the parent (%)
Communications Holding	Nanjing, Jiangsu Province	Investment, construction, operation and management of traffic infrastructure, transportation and other relevant industry	16,800,000,000	54.44	54.44

The ultimate control party of the Company is Communications Holding.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

2. Subsidiaries of the Company

Details of the subsidiaries of the Company are set out in note (VIII).

3. Associates and joint ventures of the entity

Details of the significant associates and joint ventures of the Company are set out in note (VIII).

Other joint ventures or associates that have ending balance with the Group due to related party transactions in the current or prior year are as follows:

<u>Name of associates</u>	<u>Related party relationship</u>
Kuailu Co., Ltd.	Associate
Xiexin Ninghu Company	Associate
Nanlin Hotel	Associate
Luode Company	Associate
Sundian Company	Associate
Network Operation Company	Associate

4. Other related parties of the Company

<u>Name of other related party</u>	<u>Relationship between other related parties and the Company</u>
Jiangsu Petroleum Company	Same ultimate shareholder
Jiangsu Leasing Company	Same ultimate shareholder
Far East Shipping Company	Same ultimate shareholder
Group Finance Company	Same ultimate shareholder
Runyang Bridge Company	Same ultimate shareholder
Sutong Bridge Company	Same ultimate shareholder
Jinghu Company	Same ultimate shareholder
Information Company	Same ultimate shareholder
Jiangsu HuaTong Engineering Testing Co., Ltd. ("Huatong Company")	Same ultimate shareholder
Jiangsu Suhuaiyan Expressway Management Co., Ltd. ("Suhuaiyan Company")	Same ultimate shareholder
Jiangsu Tongxingbao Smart Communication Technology Co., Ltd ("Tongxingbao Company")	Same ultimate shareholder
Jiangsu Expressway Engineering Maintenance Technology Co., Ltd. ("Maintenance Technology Company")	Same ultimate shareholder
Jiangsu Railway Investment & Development Co., Ltd. ("Railway Investment")	Same ultimate shareholder

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Related party transactions

(1) Sales and purchase of goods, provision and receipt of services, interest income and expense of loans with related parties

Purchase of goods, receipt of services and interest expense of loans with related parties:

Unit: RMB

Related party	Type of related party transactions	Amount incurred in the current period	Amount incurred in the prior period
Network Operation Company*	Networking service fee	12,648,580	15,040,404
Tongxingbao Company*	Networking service fee	5,479,343	2,494,606
Tongxingbao Company*	ETC service fee	–	1,053,659
Sundian Company*	Road maintenance fee	40,629,340	11,483,015
Maintenance Technology Company*	Road maintenance fee	3,913,000	–
Nanlin Hotel*	Food and beverage	2,260	81,371
Information Company *	Communication system maintenance fee	1,083,857	185,960
Far East Shipping Company *	Interest expenses of entrusted loan	3,499,333	3,936,750
Communications Holding *	Interest expenses of loans from related parties	20,579,452	20,579,452
Group Finance Company *	Interest expenses of working capital loan	15,128,333	9,048,665
Jinghu Company*	Interest expenses of entrusted loan	2,175,000	–
Runyang Bridge Company*	Interest expenses of entrusted loan	–	1,165,775
Sutong Bridge Company*	Interest expenses of entrusted loan	8,603,333	–

Pricing and decision-making procedures of related party transactions: For significant related party transactions, the price is settled by public tender bid price, or for reference of quote from independent, qualified construction provider after arm's length negotiation in principle that less than relevant market price. The Board Meeting should review and approve the quote and the related director should abstain from voting. The independent directors should then express an independent opinion. For other insignificant related party transactions, the price is settled by signed contracts.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(1) Sales and purchase of goods, provision and receipt of services, interest income and expense of loans with related parties (Continued)

Sales, provision of services and interest income of deposits/loans with related parties:

Unit: RMB

Related party	Type of related party transactions	Amount incurred in the current year	Amount incurred in the prior year
Kuailu Co., Ltd.	Petrol income	156,973	346,226
Kuailu Co., Ltd.	Toll road income	660,000	960,000
Tongxingbao Company*	ETC customer-service network management income	472,861	567,852
Hanwei Company	Interest income from shareholder loan	2,598,900	16,536,167
Group Finance Company *	Interest income from deposits	1,144,397	893,848

(2) Leases with related parties

Leases where a group entity is the lessor:

Unit: RMB

Name of lessee	Type of leased assets	Lease income recognized in the current year	Lease income recognized in the prior year
Network Operation Company*	Fixed assets	—	1,806,208
Railway Investment*	Fixed assets	903,100	—
Sundian Company*	Fixed assets	845,000	845,000
Jiangsu Petroleum Company *	Fixed assets	6,255,314	5,583,523

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(3) Guarantees with related parties

The Group as the guaranteed party:

Unit: RMB

Guarantor	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
Communications Holding*	17,213,024	15 October 1998	18 July 2027	Not completed
Communications Holding*	60,000,000	16 March 2004	5 March 2019	Not completed
Communications Holding*	18,000,000	16 April 2004	30 August 2018	Not completed

(4) Borrowings from and Loans to related parties

In the current period:

Unit: RMB

Related party	Amount of borrowing/loan (Note)	Inception date	Maturity date	Closing balance	Remarks
Borrowed from (repaid to):					
Far East Shipping Company*	–	14 August 2017	14 August 2018	160,000,000	Entrusted loan with annual interest rate of 4.35%
Group Finance Company*	(100,000,000)	30 March 2017	29 March 2018	–	Loan from a related party with annual interest rate of 3.915%
Group Finance Company*	(200,000,000)	11 May 2017	10 May 2018	–	Loan from a related party with annual interest rate of 4.13%
Communications Holding*	–	5 December 2012	5 December 2022	250,000,000	Loan from a related party with annual interest rate of 5.80%
Communications Holding*	–	17 May 2013	17 May 2023	250,000,000	Loan from a related party with annual interest rate of 5.60%
Communications Holding*	–	20 May 2014	20 May 2019	250,000,000	Loan from a related party with annual interest rate of 6.10%

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(4) Borrowings from and Loans to related parties (Continued)

In the current period: (Continued)

Related party	Amount of borrowing/loan (Note)	Inception date	Maturity date	Closing balance	Remarks
Group Finance Company*	(220,000,000)	26 June 2017	25 June 2018	-	Loan from a related party with annual interest rate of 4.35%
Group Finance Company*	-	10 July 2017	9 July 2018	60,000,000	Loan from a related party with annual interest rate of 4.35%
Group Finance Company*	-	25 December 2017	24 December 2018	200,000,000	Loan from a related party with annual interest rate of 4.35%
Jinhu Company*	-	2 May 2018	1 May 2019	300,000,000	Entrusted loan with annual interest rate of 4.35%
Group Finance Company*	220,000,000	15 June 2018	14 June 2019	220,000,000	Loan from a related party with annual interest rate of 4.35%
Group Finance Company*	100,000,000	29 March 2018	28 September 2018	100,000,000	Loan from a related party with annual interest rate of 4.35%
Group Finance Company*	200,000,000	29 May 2018	28 May 2019	200,000,000	Loan from a related party with annual interest rate of 4.35%
Sutong Bridge Company*	(400,000,000)	17 July 2017	16 July 2018	-	Entrusted loan with annual interest rate of 4.35%

Note: When the Group is the borrower, the positive amount represents borrowing from a related party while the negative amount represents repayment to a related party; When the Group is the lender, positive amount represents lending to a related party while the negative amount represents collecting the money from a related party.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(5) Compensation for key management personnel

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Compensation for key management personnel	1,423,761	1,651,564

(6) Other explanations

* Representing the connected transaction as defined in Chapter 14A of the Listing Rules.

6. Amounts due from/to related parties

(1) Amounts due from related parties

Unit: RMB

Item	Related party	Closing balance		Opening balance	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Cash and bank balances (Note 1)	Group Finance Company	344,999,270	-	130,733,001	-
Notes receivable and accounts receivable (Note 2)	Jiangsu Petroleum Company	6,210,480	-	9,200,900	-
	Sujiahang Company	6,010,382	-	7,861,402	-
	Yanjiang Company	601,962	-	1,665,876	-
	Yangtze Bridge Company	70,039	-	1,196,086	-
	Kuailu Co., Ltd.	243,600	-	55,221	-
	Luode Company	-	-	1,197	-
Subtotal		13,136,463	-	19,980,682	-

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

(1) Amounts due from related parties (Continued)

Unit: RMB

Item	Related party	Closing balance		Opening balance	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Other receivables	Network Operation Company	1,641,242	-	-	-
	Sundian Company	1,251,890	-	-	-
	Tongxingbao Company	846,848	-	-	-
	Railway Investment	903,100	-	-	-
	Kuailu Co., Ltd.	4,989,960	-	4,989,960	-
	Yangtze Bridge Company	34,190,140	-	-	-
	Sujiahang Company	47,353,500	-	-	-
Subtotal		<u>91,176,680</u>	<u>-</u>	<u>4,989,960</u>	<u>-</u>

Note 1: In 2016, the Group and Group Finance Company entered into a financial service agreement. According to the agreement, Group Finance Company provided financial services including deposits and credits; as at 30 June 2018, the Group has deposited RMB344,999,270 (31 December 2017: RMB130,733,001) in Group Finance Company in accordance with the financial service agreement.

Note 2: At 30 June 2018, besides the accounts receivable from related party stated above, there are split toll road fee receivables from other expressway companies within the toll road network companies of Jiangsu Province ("Toll Road Network Companies") which amounted to RMB205,147,113 (31 December 2017: RMB235,489,513). The ultimate shareholder of those Toll Road Network Companies is Communications Holding, except for which the Company has no other control, joint control or significant influence relationship with them.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

(2) Amounts due to related parties

Unit: RMB

Item	Related party	Closing balance	Opening balance
Notes payable and accounts payable (Note)	Sundian Company	9,119,748	10,659,467
	Yangtze Bridge Company	912,880	4,925,242
	Yanjiang Company	1,096,458	3,649,840
	Information Company	719,827	2,914,959
	Sujiahang Company	1,145,538	2,051,595
	Network Operation Company	1,428,571	534,836
	Tongxingbao Company	12,711,906	352,067
	Kuailu Co., Ltd.	284,488	–
Subtotal		27,419,416	25,088,006
Contract liability	Kuailu Co., Ltd.	366,667	846,609
	Sundian Company	80,000	80,000
	Communications Holding	559,900	–
Subtotal		1,006,567	926,609
Other payables	Communications Holding	13,305,479	20,866,438
	Tongxingbao Company	–	2,130,510
	Network Operation Company	64,060	58,740
	Luode Company	10,000,000	–
	Group Finance Company	942,500	1,010,167
	Sutong Bridge Company	–	531,667
	Far East Shipping Company	193,333	212,667
	Runyang Bridge Company	–	–
Jinghu Company	362,500	–	
Subtotal		24,867,872	24,810,819

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

(2) Amounts due to related parties (Continued)

Item	Related party	Closing balance	Opening balance
Short-term borrowings	Group Finance Company	780,000,000	780,000,000
	Sutong Bridge Company	–	400,000,000
	Far East Shipping Company	160,000,000	160,000,000
	Jinghu Company	300,000,000	–
Subtotal		<u>1,240,000,000</u>	<u>1,340,000,000</u>
Long-term borrowings (including long-term borrowings due within 1 year)	Communications Holding	750,000,000	750,000,000
Subtotal		<u>750,000,000</u>	<u>750,000,000</u>

Note: At 30 June 2018, besides the accounts payable to related party stated above, there are split toll road fee payables to the Toll Road Network Companies which amounted to RMB34,799,831 (31 December 2017: RMB28,552,219). The ultimate shareholder of those Toll Road Network Companies is Communications Holding, except for which the Company has no other control, joint control or significant influence relationship with them.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

XII. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

(1) Capital commitments

Unit: RMB

	Closing balance	Opening balance
Capital commitments that have been entered into but have not been recognized in the financial statements		
– Commitment for acquisition and construction of long-term assets	11,902,141,992	13,454,717,512

(2) Operating lease commitments

At the balance sheet date, the Group had the following commitments in respect of non-cancellable operating leases:

Unit: RMB

	Closing balance	Opening balance
Minimum lease payments under non-cancellable operating leases:		
1st year subsequent to the balance sheet date	2,158,000	2,215,030
2nd year subsequent to the balance sheet date	2,258,000	2,212,500
3rd year subsequent to the balance sheet date	958,000	2,012,500
Subsequent periods	–	–
Total	5,374,000	6,440,030

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

XII. COMMITMENTS AND CONTINGENCIES (CONTINUED)

2. Contingencies

(1) Significant contingencies at the balance sheet date

Ninghu Properties and Hanwei Company, subsidiaries of the Company implement the operating practice of real estate that the obligation begins from the date on which the guarantee contract comes into effect and will end when the buyers obtain certifications of the purchased properties and complete registration of mortgage and pass the properties warrants certification to bank. As at 30 June 2018, the outstanding guarantees amounted to approximately RMB2,263,119,994 (31 December 2016: RMB893,281,511).

XIII. EVENTS AFTER THE BALANCE SHEET DATE

On 4 June 2018, as reviewed and approved by the 25th session of the Company's eighth meeting of the board of Directors, the Company, Communications Holding, Jinghu Company, East Operation and Management Company and East Road & Bridge Company jointly invested RMB200,000,000 to establish Jiangsu Communications Culture and Media Co., Ltd. The Company planned to invest RMB60,000,000, accounting for 30% equity interest. Establishment of the Media Company is favorable to unified management of communications media resources in Jiangsu Province and further discover and improve values of expressway advertisement resources and improve the Company's social image. As at the issuance date of this report, the Company has invested RMB24,000,000.

XIV. OTHER SIGNIFICANT EVENTS

1. Annuity scheme

See note VI. 24.

2. Retirement benefits scheme

See note VI. 24.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

3. Net Profit for the year has been arrived at after charging

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Staff costs (Include: directors' emoluments)	355,993,849	312,935,895
Basic endowment insurance and annuity payment	75,661,046	66,701,251
Total staff costs	431,654,895	379,637,146
Depreciation and amortization (Included in operating costs and administrative expenses)	698,034,891	687,950,308
Losses on disposal of non-current assets	215,505	1,578,917
Amortization of land use rights (Included in operating costs and administrative expenses)	32,329,111	32,329,111
Cost of inventories recognised as an expense	1,000,040,189	934,787,043

4. Segment reporting

(1) Determining basis and accounting policy of reporting segment

Based on the Group's internal organization structure, management requirements and internal reporting system, the operations of the Group are classified into 12 operating segments. The Group's management periodically evaluates the operating results of these reporting segments to make decisions about resources to be allocated to the segments and assess their performance. On the basis of the operating segment, the Group determines 12 reporting segments (2017:12 segments) based on the standard with which the Group's management determines resources allocation and performance assessment, including Shanghai-Nanjing Expressway, Nanjing-Lianyungang Highway, Guangjing Expressway and Xicheng Expressway, Xiyi Expressway and Wuxi Huantaihu Expressway, Ningchang Expressway and Zhenli Expressway, Zhendan Expressway, Wufengshan Bridge Expressway, Changyi Expressway, Yichang Expressway, Ancillary services (including Petrol, food and retail in service zone along the expressways), Real estate development and Advertising and others.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

4. Segment reporting (Continued)

(1) Determining basis and accounting policy of reporting segment (Continued)

Segment information is disclosed in accordance with the accounting policies and measurement criteria adopted by each segment when reporting to management. The measurement criteria are consistent with the accounting and measurement criteria in the preparation of the financial statements.

(2) Financial information of reporting segment

Unit: RMB

	Shanghai-Nanjing Expressway		Nanjing-Lianyungang Highway		Guangjing Expressway and Xicheng Expressway		Xiyi Expressway and Wuxi Huantaihu Expressway		Ningchang Expressway and Zhenli Expressway	
	Current period	Prior period	Current period	Prior period	Current period	Prior period	Current period	Prior period	Current period	Prior period
Operating income	2,425,343,255	2,308,365,296	12,014,124	16,452,359	425,941,644	415,146,323	168,032,090	156,769,346	562,154,981	505,684,856
Operating costs	645,318,177	565,809,336	2,103,673	10,163,554	108,289,750	105,249,234	81,741,605	74,594,246	264,516,223	260,487,447
Including: Amortization of toll roads operation rights	289,103,915	277,615,498		7,291,124	55,077,776	53,412,846	48,741,009	45,161,282	198,521,027	175,855,005
Costs of petrol and other goods sold in service zones										
Segment operating profit (loss)	1,780,025,078	1,742,555,960	9,910,451	6,288,805	317,651,894	309,897,089	86,290,485	82,175,100	297,638,758	245,197,409
Reconciling items:										
Business taxes and levies	8,731,236	8,310,115	43,250	59,228	1,533,390	1,494,527	604,916	564,370	2,023,757	1,820,465
Selling expenses										
Administrative expenses	36,545,126	31,473,447								
Financial expenses										
Impairment loss of assets										
Gains from changes in fair values										
Investment income										
Other income									1,032,811	922,484
Gains or losses from disposal of assets										
Operating profit	1,734,748,716	1,702,772,398	9,867,201	6,229,577	316,118,504	308,402,562	85,685,569	81,610,730	296,647,812	244,299,428
Non-operating income										
Non-operating expenses										
Total profit	1,734,748,716	1,702,772,398	9,867,201	6,229,577	316,118,504	308,402,562	85,685,569	81,610,730	296,647,812	244,299,428
Income tax expenses										
Net profit	1,734,748,716	1,702,772,398	9,867,201	6,229,577	316,118,504	308,402,562	85,685,569	81,610,730	296,647,812	244,299,428
	Closing balance	Opening balance	Closing balance	Opening balance	Closing balance	Opening balance	Closing balance	Opening balance	Closing balance	Opening balance
Total segment assets	11,112,786,899	11,378,551,634	50,000,000	50,000,000	1,148,366,147	1,232,573,828	2,001,444,091	2,053,662,277	5,844,208,817	6,054,352,199

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

4. Segment reporting (Continued)

(2) Financial information of reporting segment (Continued)

Unit: RMB

	Zhendan Expressway		Wufengshan Expressway		Changyi Expressway		Yichang Expressway		Ancillary services		Real estate development	
	Current period	Prior period	Current period	Prior period	Current period	Prior period	Current period	Prior period	Current period	Prior period	Current period	Prior period
Operating income	-	-	-	-	-	-	-	-	718,469,872	848,180,759	797,719,861	386,787,528
Operating costs	-	-	-	-	-	-	-	-	658,426,686	817,830,971	485,055,076	226,972,213
Including: Amortization of toll roads operation rights	-	-	-	-	-	-	-	-	-	-	-	-
Costs of petrol and other goods sold in service zone	-	-	-	-	-	-	-	-	504,012,884	690,314,029	-	-
Segment operating profit (loss)	-	-	-	-	-	-	-	-	60,043,186	30,349,788	312,664,785	159,815,315
Reconciling items:												
Business taxes and levies	8,500	5,000	58,525	654,364	-	613,794	87,805	331,562	11,064,436	7,537,772	76,157,564	16,112,655
Selling expenses	-	-	-	-	-	-	-	-	-	-	11,262,575	8,446,006
Administrative expenses	-	-	-	-	-	-	-	-	-	-	-	-
Financial expenses	-	-	-	-	-	-	-	-	-	-	-	-
Impairment loss of assets	-	-	-	-	-	-	-	-	-	-	-	-
Gains or losses from changes in fair values	-	-	-	-	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-	-	-	-	-
Gains or losses from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-
Operating profit	(8,500)	(5,000)	(58,525)	(654,364)	-	(613,794)	(87,805)	(331,562)	48,978,750	22,812,016	225,244,646	135,256,654
Non-operating income	-	-	-	-	-	-	-	-	-	-	-	-
Non-operating expenses	-	-	-	-	-	-	-	-	-	-	-	-
Total profit	(8,500)	(5,000)	(58,525)	(654,364)	-	(613,794)	(87,805)	(331,562)	48,978,750	22,812,016	225,244,646	135,256,654
Income tax expenses	-	-	-	-	-	-	-	-	-	-	-	-
Net profit	(8,500)	(5,000)	(58,525)	(654,364)	-	(613,794)	(87,805)	(331,562)	48,978,750	22,812,016	225,244,646	135,256,654
	Closing balance	Opening balance	Closing balance	Opening balance	Closing balance	Opening balance	Closing balance	Opening balance	Closing balance	Opening balance	Closing balance	Opening balance
Total segment assets	1,577,510,615	1,278,366,670	5,417,725,590	4,411,881,264	1,820,368,549	1,486,917,249	2,002,460,311	1,084,918,208	289,854,740	309,016,940	4,287,943,063	3,497,565,196

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

4. Segment reporting (Continued)

(2) Financial information of reporting segment (Continued)

Unit: RMB

	Advertising and others		Unallocated items		Total	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Operating income	32,104,007	31,648,598	–	–	5,141,779,834	4,669,035,065
Operating costs	10,921,985	10,663,066	–	–	2,256,373,175	2,071,770,067
Including: Amortization of toll roads operation rights		–		–	591,443,727	559,335,755
Costs of petrol and other goods sold in service zone		–		–	504,012,884	690,314,029
Segment operating profit (loss)	21,182,022	20,985,532	–	–	2,885,406,659	2,597,264,998
Reconciling items:						
Business taxes and levies	1,262,216	1,161,627	5,819,743	6,553,388	107,395,338	45,218,867
Selling expenses	329,714	201,253			11,592,289	8,647,259
Administrative expenses		–	48,955,156	48,325,242	85,500,282	79,798,689
Financial expenses		–	253,212,505	211,683,150	253,212,505	211,683,150
Impairment loss of assets		–		–		–
Gains or losses from changes in fair values		–	(2,594,467)	2,543,880	(2,594,467)	2,543,880
Investment income		–	730,532,269	291,449,163	730,532,269	291,449,163
Other income					1,032,811	922,484
Gains or losses from disposal of assets			(215,505)	(1,578,917)	(215,505)	(1,578,917)
Operating profit	19,590,092	19,622,652	419,734,893	25,852,346	3,156,461,353	2,545,253,643
Non-operating income		–	9,282,569	1,726,197	9,282,569	1,726,197
Non-operating expenses		–	15,029,125	12,997,570	15,029,125	12,997,570
Total profit	19,590,092	19,622,652	413,988,337	14,580,973	3,150,714,797	2,533,982,270
Income tax expenses		–	611,486,734	580,981,311	611,486,734	580,981,311
Net profit	19,590,092	19,622,652	(197,498,397)	(566,400,338)	2,539,228,063	1,953,000,959
	Closing balance	Opening balance	Closing balance	Opening balance	Closing balance	Opening balance
Total segment assets	912,761,847	836,187,089	9,368,307,606	8,846,498,684	45,833,738,275	42,520,491,238

Segment profit represents the gross profit earned by each segment without allocation of finance costs, and investment income. This is the measure reported to the Group's chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

For the purpose of assessment of segment performance and resource allocation, all assets are allocated to each segment except other investment in equity instruments, long-term equity investments, held-for-trading financial assets, cash and bank balances etc.



NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

4. Segment reporting (Continued)

(3) External revenue by geographical area of source and non-current assets by geographical location

All income and assets of the Group are from/located in Jiangsu province.

(4) Degree of reliance on major customers

The principle activities are toll roads operation and ancillary services along toll roads etc., therefore, there is no reliance on specific customers.

5. Capital risk management

The Group operates through the management of capital operations to ensure the going-concern of the entities of the group, and to maximize the return on investment by optimizing the balance between debt and equity.

The capital structure of the Group consists of net liabilities (borrowings offset cash and cash equivalents) as well as equity holders of the Group. The borrowings part of net liabilities is disclosed in Note VI. 20, 27, 28, 29 and 30; shareholders' equity of the company includes capital reserve, other comprehensive income, surplus reserve and retained profits, which are disclosed in note VI. 34, 35, 36 and 37.

The directors of the Company review the capital structure of the Group regularly, especially each capital cost and the corresponding risk. According to shareholder's proposal, the Group balances the capital structure through dividends, the issue of new bonds and repayment of existing debt.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

1. Notes receivable and accounts receivable

(1) Disclosure of accounts receivable by categories:

Unit: RMB

Category	Closing balance					Opening balance				
	Carrying amount		Bad debt provision		Net book value	Carrying amount		Bad debt provision		Net book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually										
Accounts receivable for which bad debt provision has been assessed by portfolios- Portfolio 1	186,184,484	96			186,184,484	206,228,431	97	-	-	206,228,431
Accounts receivable for which bad debt provision has been assessed by portfolios Portfolio 2	6,911,148	4	138,223	100	6,772,925	6,911,148	3	138,223	100	6,772,925
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	-	-	-	-	-	-	-	-	-	-
Total	193,095,632	100	138,223	100	192,957,409	213,139,579	100	138,223	100	213,001,356

Accounts receivable portfolios for which bad debt provision has been assessed using the percentage of total receivables outstanding approach:

Name of portfolio	Accounts receivable	Closing balance Bad debt provision	Proportion (%)
Portfolio 2	6,911,148	138,223	2
Total	6,911,148	138,223	2

Basis for determining the above portfolio: See Note III. 10.2.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Notes receivable and accounts receivable (Continued)

- (2) The following is an aging analysis of accounts receivable presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

Unit: RMB

Aging	Closing balance				Opening balance			
	Amount	Proportion (%)	Bad debt provision	Net book value	Amount	Proportion (%)	Bad debt provision	Net book value
Within 1 year	193,095,632	100	138,223	192,957,409	213,139,579	100	138,223	213,001,356
More than 1 year but not exceed 2 years	-	-	-	-	-	-	-	-
More than 2 years but not exceed 3 years	-	-	-	-	-	-	-	-
More than 3 years	-	-	-	-	-	-	-	-
Total	193,095,632	100	138,223	192,957,409	213,139,579	100	138,223	213,001,356

- (3) There is no bad debt provision, reversal or written off recorded in current period.

- (4) Top five entities with the largest balances of accounts receivable.

Unit: RMB

Name of entity	Amount	Bad debt provision	Proportion of the amount to the total accounts receivable (%)
Network Operation Company	142,810,273	-	74
Jiaxing City Kaitong Investment Co., Ltd.	17,659,373	-	9
Tongxiang Yintong Expressway Management Co., Ltd.	7,848,365	-	4
Sujiahang Company	5,689,410	-	3
Jiaxing Tonghui Expressway Management Co., Ltd.	5,153,293	-	3
Total	179,160,714	-	93

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables

<u>Item</u>	<u>Note</u>	<u>Closing balance</u>	<u>Opening balance</u>
Interest receivable	(1)	15,960,556	82,325,319
Dividends receivable	(2)	172,054,241	4,989,960
Others	(3)	12,341,359	8,700,887
Total		200,356,156	96,016,166

(1) Other receivables – Interest receivable

Unit: RMB

<u>Item</u>	<u>Closing balance</u>	<u>Opening balance</u>
Loan interest from subsidiaries	15,960,556	82,325,319
Total	15,960,556	82,325,319

(2) Other receivables – dividends receivable

Unit: RMB

<u>Item</u>	<u>Closing balance</u>	<u>Opening balance</u>
Kuailu Co., Ltd.	4,989,960	4,989,960
Yangtze Bridge Company	34,190,140	–
Sujiahang Company	47,353,500	–
Guangjing Xicheng Company	85,520,641	–
Total	172,054,241	4,989,960

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

(3) Other receivables – others

(i) Disclosure of other receivables by categories:

Unit: RMB

Category	Closing balance					Opening balance				
	Carrying amount		Bad debt provision		Net book value	Carrying amount		Bad debt provision		Net book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables that are individually significant and for which bad debt provision has been assessed individually	15,812,140	56	15,812,140	99	-	15,812,140	64	15,812,140	99	-
Other receivables for which bad debt provision has been assessed by portfolios – Portfolio 1	7,823,937	28	-	-	7,823,937	4,183,465	17	-	-	4,183,465
Other receivables for which bad debt provision has been assessed by portfolios – Portfolio 2	4,609,614	16	92,192	1	4,517,422	4,609,614	19	92,192	1	4,517,422
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	-	-	-	-	-	-	-	-	-	-
Total	28,245,691	100	15,904,332	100	12,341,359	24,605,219	100	15,904,332	100	8,700,887

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

(3) Other receivables – others (Continued)

(i) Disclosure of other receivables by categories: (Continued)

Other receivable that are individually significant and for which bad debt provision has been assessed individually:

Unit: RMB

Other receivables (by entity)	Other receivables	Closing balance		Reasons
		Bad debt provision	Proportion (%)	
Jiangsu Highway Administration Department	15,812,140	15,812,140	100	Aging is over 3 years, which is not expected to be recovered

Other receivables portfolios for which bad debt provision have been assessed using the percentage of total receivables outstanding approach:

Unit: RMB

Name of portfolio	Carrying amount	Bad debt provision	Proportion (%)
Portfolio 2	4,609,614	92,192	2

Basis for determining the above portfolio please refer to Note III. 10.2.

(ii) There is no bad debt provision, reversal or written off recorded in current period.

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

(3) Other receivables – others (Continued)

(iii) Disclosure of other receivables by nature:

Unit: RMB

Nature of other receivables	Closing balance	Opening balance
Investment liquidation accounts	15,812,140	15,812,140
Petty cash	4,178,847	4,164,750
Other insignificant amounts	8,254,704	4,628,329
Total	<u>28,245,691</u>	<u>24,605,219</u>

(4) Top five entities with the largest balances of other receivables

Unit: RMB

Name of entity	Nature of other receivables	Closing balance	Aging	Proportion of the amount to total other receivables (%)	Closing balance of bad debt provision
Jiangsu xing Highway Administration Department	Amount of investment clearance	15,812,140	More than 3 years	56	15,812,140
Sundian Company	Lease payments	977,699	Within 1 year	3	–
Railway Investment	Lease payments	903,100	Within 1 year	3	–
Tongxingbao Company	Lease payments	236,215	Within 1 year	1	–
Jiangsu Suzhou Electric Co., Ltd.	Electricity	158,365	Within 1 year	1	–
Total		<u>18,087,519</u>		<u>64</u>	<u>15,812,140</u>

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investment

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Impairment provision	Net book value	Carrying amount	Impairment provision	Net book value
Investments in subsidiaries	12,389,683,515		12,389,683,515	12,122,343,715	-	12,122,343,715
Investments in associates	3,309,444,797		3,309,444,797	2,905,333,757	-	2,905,333,757
Total	15,699,128,312		15,699,128,312	15,027,677,472	-	15,027,677,472

(1) Investments in subsidiaries

Unit: RMB

Investee	Opening balance	Changes in the period	Closing balance	Provision for impairment losses	Cash dividend for the period
Subsidiaries					
Guangjing Xicheng Company	2,125,000,000		2,125,000,000	-	85,520,641
Ningchang Zhenli Company	6,729,236,885		6,729,236,885	-	-
Ninghu Properties	500,000,000		500,000,000	-	-
Ninghu Investment	571,100,000	61,000,000	632,100,000	-	-
Zhendao Company	423,910,000		423,910,000	-	-
Wufengshan Bridge Company	1,773,096,830	21,840,000	1,794,936,830	-	-
Hanwei Company		184,499,800	184,499,800	-	-
Total	12,122,343,715	267,339,800	12,389,683,515	-	85,520,641

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investment (Continued)

(2) Investments in joint ventures or associates

Unit: RMB

Investee	Opening balance	Increase	Decrease	Changes in the current year				Provision for impairment losses	Others	Closing balance	Impairment provision Closing balance
				Investment income under the equity method	Adjustment of other comprehensive income	Other changes in equity	Declaration of cash dividends or profits				
Joint ventures											
Hanwei Company	-	-	-	-	-	-	-	-	-	-	-
Associates											
Kuailu Co., Ltd.	58,365,294	-	-	-2,114,399	-	-	-	-	-	56,250,895	-
Yangtze Bridge Company	1,247,092,181	-	-	93,485,000	328,154,260	-	(68,380,279)	-	-	1,600,351,162	-
Sujiahang Company	1,160,143,798	-	-	96,445,781	-	-	(47,353,500)	-	-	1,209,236,079	-
Suijayong Company	418,458,779	-	-	-2,303,799	-	-	-	-	-	416,154,980	-
Xiexin Ninghu Company	11,304,128	-	-	71,851	-	-	-	-	-	11,375,979	-
Sundian Company	9,969,577	-	-	765,428	-	-	-	-	-	10,735,005	-
Network Operation Company				110,697	-	-	-	-	5,230,000	5,340,697	-
Total	2,905,333,757	-	-	186,460,559	328,154,260	-	-115,733,779	-	5,230,000	3,309,444,797	-

4. Operating income and operating costs

(1) Operating income

Unit: RMB

Item	Amount incurred in the current period		Amount incurred in the prior period	
	Operating income	Operating costs	Operating income	Operating costs
Principal operating income	3,123,478,169	1,249,352,091	3,142,761,425	1,351,004,868
Including: Shanghai-Nanjing Expressway	2,425,343,255	645,318,177	2,308,365,296	565,809,336
Nanjing-Lianyungang Highway	12,014,124	2,103,673	16,452,359	10,163,554
Ancillary services	686,120,790	601,930,241	817,943,770	775,031,978
Total	3,123,478,169	1,249,352,091	3,142,761,425	1,351,004,868

NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2018

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

5. Investment income

(1) Details of investment income

Unit: RMB

<u>Item</u>	<u>Amount incurred in the current period</u>	<u>Amount incurred in the prior period</u>
Income from long-term equity investments under equity method	186,460,559	134,586,783
Income from long-term equity investments under cost method	85,520,641	412,856,260
Investment income from other equity investments in the holding period	—	35,600,000
Investment income from disposal of other equity investments	2,338,011	793,816
Interest income from loans	44,581,568	50,355,908
Total	<u>318,900,779</u>	<u>634,192,767</u>

SUPPLEMENTARY INFORMATION

1. BREAKDOWN OF NON-RECURRING PROFIT OR LOSS FOR THE CURRENT PERIOD

Unit: RMB

Item	Amount
Profit or loss on disposal of non-current assets	(215,505)
Government grants recognized in profit or loss	1,513,759
Profit or loss of changes in fair value arising from held-for-trading financial assets and investment income from disposal of held-for-trading financial assets and investments in other equity instruments	1,325,343
Reversal of provision for accounts receivable that are tested for impairment losses individually	–
Profit or loss on entrusted loans	2,598,900
Other non-operating income or expenses other than the above	(6,227,504)
Other profit or loss that meets the definition of non-recurring profit or loss	422,571,238
Tax effects	2,233,325
Effects attributable to minority interests	164,044
Total	423,963,600

2. RETURN ON NET ASSETS AND EARNINGS PER SHARE (“EPS”)

The return on net assets and EPS have been prepared by Jiangsu Expressway Co., Ltd. in accordance with Information Disclosure and Presentation Rules for Companies Making Public Offering of Securities No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings per Share (Revised 2010) issued by China Securities Regulatory Commission.

Profit for the reporting period	Weighted average return on net assets (%)	EPS	
		Basic EPS	Diluted EPS
Net profit attributable to ordinary shareholders of the Company	9.82	0.4939	N/A
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	8.22	0.4097	N/A