



Jiangsu Expressway Company Limited

(Hong Kong Stock Exchange Stock Code: 00177)

2019

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	45
Section VI	Changes in Ordinary Shares and Information on Shareholders	76
Section VII	Information on Preferred Shares	85
Section VIII	Profiles of Directors, Supervisors and Senior Management	86
Section IX	Information on Corporate Bonds	89
Section X	Financial Reporting	90
Section XI	Documents Available for Inspection	248

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
Director	Wu Xinhua	Business	Hu Yu

III. This interim report is unaudited. The Audit Committee convened a meeting on 22 August 2019 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 2019 are in compliance with the applicable accounting standards and have been properly disclosed by the Company.

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 reports 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

Applicable Not Applicable

VI. Risk warning for forward-looking statements

Applicable Not Applicable

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 cautioned of the investment risks involved.

VII. Was there any misappropriation of the Company's funds by the Controlling Shareholder and its related/connected 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

Applicable Not Applicable

X. Others

Applicable Not Applicable

DEFINITION

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

DEFINITIONS OF COMMONLY USED TERMS

Company Group	Jiangsu Expressway Company Limited (江蘇寧滬高速公路股份有限公司)
Director(s)	the Company and its subsidiaries
Controlling Shareholder, Communications Holding	director(s) of the Company
China Merchants Expressway Network	Jiangsu Communications Holding Company Limited (江蘇交通控股有限公司)
Railway Group	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)
Ningchang Zhenli Company	Jiangsu Railway Group Limited (江蘇省鐵路集團有限公司), formerly known as Jiangsu Railway Investment & Development Co., Ltd. (江蘇鐵路投資發展有限公司)
Guangjing Xicheng Company	Jiangsu Ningchang Zhenli Expressway Company Limited (江蘇寧常鎮溧高速公路有限公司)
Wufengshan Toll Bridge Company	Jiangsu Guangjing Xicheng Expressway Company Limited (江蘇廣靖錫澄高速公路有限責任公司)
Zhendan Company	Jiangsu Wufengshan Toll Bridge Company Limited (江蘇五峰山大橋有限公司)
Changyi Company	Jiangsu Zhendan Expressway Company Limited (江蘇鎮丹高速公路有限公司)
Yichang Company	Jiangsu Changyi Expressway Co., Ltd. (江蘇常宜高速公路有限公司)
Ninghu Investment	Jiangsu Yichang Expressway Co., Ltd. (江蘇宜長高速公路有限公司)
Ninghu Properties	Jiangsu Ninghu Investment Development Co., Ltd. (江蘇寧滬投資發展有限責任公司)
Factoring Company	Jiangsu Ninghu Properties Co., Ltd. (江蘇寧滬置業有限責任公司)
Luode Fund Company	Ninghu Commercial Factoring (Guangzhou) Co., Ltd. (寧滬商業保理(廣州)有限公司)
Hanwei 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)
Yangtze Bridge Company	Nanjing Hanwei Property Development Company Limited (南京瀚威房地產開發有限公司)
Jinghu Company	Jiangsu Yangtze Bridge Co., Ltd. (江蘇揚子大橋股份有限公司)
Yanjiang Company	Jiangsu Jinghu Expressway Company Limited (江蘇京滬高速公路有限公司)
Sujiahang Company	Jiangsu Yanjiang Expressway Co., Ltd. (江蘇沿江高速公路有限公司)
Sujiayong Company	Suzhou Sujiahang Expressway Co., Ltd. (蘇州蘇嘉杭高速公路有限公司)
Sutong Bridge Company	Suzhou Sujiayong Expressway Co., Ltd. (蘇州蘇嘉甬高速公路有限責任公司)
Network Operation Company	Jiangsu Sutong Bridge Co., Ltd. (江蘇蘇通大橋有限公司)
Tongxingbao 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)
Expressway Petroleum Company	Jiangsu Tongxingbao Smart Transport Technology Co., Ltd. (江蘇通行寶智慧交通科技有限公司)
Jiangsu Sundian Media Company	Jiangsu Expressway Petroleum Development Co., Ltd. (江蘇高速公路石油發展有限公司)
Bank of Jiangsu	Jiangsu Sundian Engineering Co., Ltd. (江蘇現代路橋有限責任公司)
Far East Shipping Company	Jiangsu Communications & Culture Media Company Limited (江蘇交通文化傳媒有限公司)
	Bank of Jiangsu Co., Ltd. (江蘇銀行股份有限公司)
	Jiangsu Far East Shipping Co., Ltd. (江蘇遠東海運有限公司)

DEFINITION

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)
Huatong Company	Jiangsu HuaTong Engineering Testing Co., Ltd. (江蘇華通工程檢測有限公司)
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 Shanghai-Nanjing Expressway	Jiangsu Financial Leasing Co., Ltd. (江蘇金融租賃股份有限公司) Jiangsu Section of Shanghai-Nanjing Expressway
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
Zhendan Expressway	Zhenjiang-Danyang Expressway
Ningchang Expressway	Lishui Guizhuang Hub-Changzhou South 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
Yangtze River Management Company	Jiangsu Yangtze River Expressway Management Co., Ltd. (江蘇揚子江高速通道管理有限公司)
Hutong Bridge Company	Jiangsu Hutong Bridge Co., Ltd. (江蘇滬通大橋有限責任公司)
Longtan Bridge Company	Jiangsu Longtan Bridge Co., Ltd. (江蘇龍潭大橋有限公司)
Longtan Cross-river Channel	the Longtan Cross-river Channel project
Reporting Period	the half year from 1 January 2019 to 30 June 2019
year-on-year	as compared with the same period in 2018
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

DEFINITION

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
ETC	the Electronic Toll-collection System

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
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
Query index for changes during the Reporting Period	–

4. CHANGE OF PLACES FOR DISCLOSURE AND INSPECTION OF INFORMATION

Designated Media for Information Disclosure	Securities Times 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

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

(II) Principal financial indicators

Principal financial indicators	The Reporting Period (January–June) (<i>unaudited</i>)	Corresponding period of the previous year (<i>unaudited</i>)	Increase/ decrease in the Reporting Period as compared to the corresponding period of the previous year (%)
Basic earnings per share (<i>yuan/share</i>)	0.4529	0.4939	-8.30
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>)	0.4498	0.4097	9.79
Weighted average return on net assets (%)	8.28	9.82	Decreased by 1.54 percentage points
Weighted average return on net assets net of non- recurring profit or loss (%)	8.23	8.22	Increased by 0.01 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

COMPANY INFORMATION AND PRINCIPAL FINANCIAL INDICATORS

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

Applicable Not Applicable

Unit: Yuan Currency: RMB

Items of non-recurring profit or loss	Amount	Note (if applicable)
Gain or loss from disposal of non-current assets	-295,937	
Government grants accounted in profit or loss of the period excluding those that are closely related to the ordinary operations of the Company and grants in compliance with national policies and regulations or subject to fixed amounts or fixed quantity under certain standards	982,612	Compensation recognized in the Reporting Period for construction of Ningchang Expressway
Profits or losses from changes in fair values of financial assets held for trading, derivative financial assets, financial liabilities held for trading and derivative financial liabilities, and investment gains from disposal of financial assets held for trading, derivative financial assets, financial liabilities held for trading, derivative financial liabilities and other debt investments, excluding effective hedging activities related to ordinary business operations of the Company	29,760,179	
Other non-operating income and expenses other than the aforesaid items	-9,433,483	
Effects attributable to minority interests	-283,473	
Effects of income tax	-5,253,343	
Total	15,476,555	

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 2019, the total share capital of the Company comprised 5,037,747,500 shares.

The Group's operating areas are located in the Yangtze River Delta, which is the most economically vibrant region in the PRC. 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 the 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 entire or partial interests of other toll roads and bridges located in the Jiangsu Province, including Ningchang Expressway, Zhenli Expressway, Guangjing Expressway, Xicheng Expressway, Xiyi Expressway, Zhendan Expressway, Jiangyin Bridge and Sujiahang Expressway, etc. As at the end of this Reporting Period, 17 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 over 840 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 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 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 five wholly-owned subsidiaries, four 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 of approximately RMB52.020 billion and net assets of approximately RMB30.381 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

Applicable Not Applicable

The core business of the Group is the investment, construction, operation and management of transport infrastructure. The roads operated by the Group play a dominant role in the expressway networks in southern Jiangsu. The Group's distinct competitive edges in operation and development include its unique geographical advantages, a network of highly effective operation systems and strong investment and financing ability.

Unique geographical advantages. The Group's operating areas are located in the Yangtze River Delta, the most economically vibrant region in the PRC. The road and bridge projects owned or invested by the Company are core components of the road transport corridors linking the two important industrial belts along the Yangtze River, Shanghai and Nanjing in the southern part of Jiangsu. The prosperous economy in the region and the Group's quality road resources lay a firm foundation for the Company's development and promote the sustainable and steady improvement on the Group's economic efficiency.

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

Strong capability in investment and financing management. As one of the first batch of the listed companies engaged in expressway operation and management in the PRC, the Company is relatively experienced in investment research on expressways, possesses adequate cash flows and has gained considerable revenue from the investment projects. As a company whose A Shares and H Shares are listed, the Company is engaged in expressway operation and management. The Company has also been maintaining a high credit rating and keeping smooth financing channels at relatively low financing costs. The Company's excellent capability in investment and financing management has laid a relatively sound foundation for the exploitation and integration of high quality road and bridge assets in the region, 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

During the Reporting Period, the volume of passenger vehicles and truck of the Company's road and bridge projects continued to grow as a whole, 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 RMB4,835,458,000 with a year-on-year decrease of approximately 5.96%, of which toll revenue amounted to approximately RMB3,779,545,000, representing a year-on-year increase of approximately 5.18%; revenue from the ancillary business amounted to approximately RMB610,981,000, representing a year-on-year decrease of approximately 14.96%; revenue from property sales amounted to approximately RMB411,803,000, representing a year-on-year decrease of approximately 48.38%; and revenue from advertising and other activities amounted to approximately RMB33,129,000, representing a year-on-year increase of approximately 3.19%.

Under the PRC Accounting Standards, the Group realized operating profit of approximately RMB2,995,182,000 during the Reporting Period, representing a year-on-year decrease of approximately 5.11%; net profit attributable to shareholders of the Company amounted to approximately RMB2,281,609,000, and earnings per share was approximately RMB0.4529, representing a year-on-year decrease of approximately 8.30%. It was mainly because the Company recognized revaluation gain of approximately RMB430,500,000 upon acquisition of Hanwei Company in accordance with the standards on business combination involving enterprises not under common control during the same period of last year; and during the Reporting Period, net profit after deduction of non-recurring profits or losses attributable to shareholders of the listed company amounted to approximately RMB2,266,132,000, representing an increase of approximately 9.78%.

Keeping abreast of the new requirements to promote the removal of provincial boundary toll station with high efficiency. The Company actively implemented the new deployment requirements of the State Council and the Ministry of Transport, and vigorously promoted the development and application of ETC. In accordance with the essence of the Implementation Plan for Deepening the Reform of Toll Road System and Eliminating of Provincial Boundary Toll Stations in the Expressway (《深化收费公路制度改革取消高速公路省界收费站实施方案》) issued by the State Council, the Company comprehensively promoted the construction of the ETC gantry system, weighing at entrance, and lane renovation of Shanghai-Nanjing Road, and strengthened the cost control to maximize the use of existing facility and equipment resources. According to the overall schedule, the construction for all projects will be completed by the end of this year, and will meet the requirement of operating under the same system nationwide from 1 January 2020 as required by the Ministry of Transport, thereby further increasing the efficiency of the comprehensive transportation network and enhancing the people's sense of well-being, happiness and security. In particular, since 1 July 2019, the Company has strictly implemented a reduction of 5% vehicle toll for ETC users.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

Creating new models to promote safety and smoothness for heavy traffic volume with high standard. The Company organized the first emergency rescue drill by helicopter for the main line of expressway in China, and took the lead to introduce the new model of helicopter emergency rescue in the province, and made new progress in the construction of the “air-ground integration” rescue system. It continued to advance the research entitled “Key Technology Research and Engineering Demonstration on the Smooth Traffic Maintenance of Super Large Traffic Section of Shanghai-Nanjing Expressway” and successfully obtained the utility model patent in respect of the achievement of “Rescue Station on Main Line of Expressway” project granted by the State Intellectual Property Office. With successful application of the new approaches researched and developed such as active control for emergency lane and controls for continuous harbor lane and ramp on Wuxi Shuofang-East Bridge, the super-heavy traffic section on Shanghai-Nanjing Expressway, the traffic volume, the number of congestion, the average congestion distance and the number of traffic accidents of such section on May Day Holiday increased by 34%, decreased by 65%, shortened by 33% and decreased by 77%, respectively as compared to last year, the traffic capacity and hindrance clearance and rescue standard on the large traffic section have been significantly enhanced.

Demonstrating new heights through promoting the transformation and upgrading of service areas with high quality. Up to now, among the 6 pair of services areas along Shanghai-Nanjing Expressway, 5 of which have been completed and put into operation, renovation project for the remaining Douzhuang service area is accelerating, and the “3+3” plan for upgrading the business models of service areas along Shanghai-Nanjing Expressway will soon complete. The Yangcheng Lake service area perfectly presented the renovation theme of “a dreamlike and poetic town by the south of the Yangtze River” after its renovation, with a complex of total gross floor area 39,000 square meters and garden area of 10,000 square meters, and it is currently the largest garden service area in China. Since its trial operation on 19 May 2019, the daily average vehicle traffic and passenger traffic have increased by 40% year-on-year. The upgraded of the Shanghai-Nanjing Expressway service areas effectively promoted the playing of a commercial role by commercial property, further improving its economic benefits, and accumulating valuable management experience in commercial property for the operation and management of Wufengshan service area in future.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

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 RMB3,779,545,000, representing a year-on-year increase of approximately 5.18%. Toll revenue accounted for approximately 78.16% of the Group's total operating revenue.

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

Projects		Reporting Period	Corresponding period of the previous year	Year-on-year change (%)
Shanghai-Nanjing Expressway	Total traffic volume (<i>vehicle/day</i>)	101,398	96,269	5.33
	Average daily toll revenue (<i>RMB'000/day</i>)	14,047.78	13,399.69	4.84
Ningchang Expressway	Total traffic volume (<i>vehicle/day</i>)	41,887	43,002	-2.59
	Average daily toll revenue (<i>RMB'000/day</i>)	2,526.18	2,393.86	5.53
Zhenli Expressway	Total traffic volume (<i>vehicle/day</i>)	15,199	13,461	12.91
	Average daily toll revenue (<i>RMB'000/day</i>)	735.83	711.97	3.35
Xicheng Expressway	Total traffic volume (<i>vehicle/day</i>)	81,123	79,600	1.91
	Average daily toll revenue (<i>RMB'000/day</i>)	1,593.76	1,583.43	0.65
Guangjing Expressway	Total traffic volume (<i>vehicle/day</i>)	73,421	69,865	5.09
	Average daily toll revenue (<i>RMB'000/day</i>)	827.31	769.84	7.47
Xiyi Expressway	Total traffic volume (<i>vehicle/day</i>)	22,947	21,614	6.17
	Average daily toll revenue (<i>RMB'000/day</i>)	869.37	831.99	4.49
Wuxi Huantaihu Expressway	Total traffic volume (<i>vehicle/day</i>)	8,454	9,129	-7.40
	Average daily toll revenue (<i>RMB'000/day</i>)	89.88	96.37	-6.73
Jiangyin Bridge	Total traffic volume (<i>vehicle/day</i>)	92,060	87,376	5.36
	Average daily toll revenue (<i>RMB'000/day</i>)	3,249.55	3,025.62	7.40
Sujiahang Expressway	Total traffic volume (<i>vehicle/day</i>)	68,630	64,659	6.14
	Average daily toll revenue (<i>RMB'000/day</i>)	3,508.31	3,170.67	10.65
Yanjiang Expressway	Total traffic volume (<i>vehicle/day</i>)	54,957	53,440	2.84
	Average daily toll revenue (<i>RMB'000/day</i>)	4,122.68	3,978.34	3.63
Changjia Expressway	Total traffic volume (<i>vehicle/day</i>)	18,274	15,684	16.52
	Average daily toll revenue (<i>RMB'000/day</i>)	398.63	393.20	1.38
Zhendan Expressway (<i>Note 1</i>)	Total traffic volume (<i>vehicle/day</i>)	15,087	-	-
	Average daily toll revenue (<i>RMB'000/day</i>)	191.35	-	-

Note 1: Zhendan Expressway was open for traffic on 30 September 2018.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

I. Toll road and bridge business (Continued)

(2) 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 RMB7.767 billion in aggregate, accounting for approximately 64.37% of the total investment of the project; and the respective investments in Phase I of the Changyi Expressway Project and the Yichang Expressway Project amounted to approximately RMB2.221 billion and RMB1.537 billion in aggregate, accounting for approximately 58.46% and 38.63%, of their respective total investments.

II. Operation of ancillary services

Ancillary services of the Company mainly include sale of petroleum products, lease of service areas and other related operations provided at the six service areas along the Shanghai-Nanjing Expressway. During the Reporting Period, the Company realized revenue of approximately RMB610,981,000 from ancillary services, representing a year-on-year decrease of approximately 14.96%. In particular, sales revenue of petroleum products was approximately RMB489,495,000, representing approximately 80.12% of the total revenue from ancillary services, representing a year-on-year decrease of approximately 17.69%; rental income from service areas amounted to approximately RMB104,641,000, representing a year-on-year increase of approximately 29.57%; and other income was approximately RMB16,845,000.

During the Reporting Period, affected by the shutdown for reconstruction of double-layer oil tank in gas stations, the Company's sales volume of petroleum products decreased by approximately 18.02% year-on-year. However, the Company managed to secure more profit margins through actively carrying out negotiations with petroleum suppliers, bringing a year-on-year increase of approximately 0.96 percentage point in the gross profit margin of petroleum products operation.

From 10 October 2018 to 23 July 2019, the service areas of Shanghai-Nanjing Expressway completed the reconstruction of double-layer oil tank in 12 gas stations, and passed the joint acceptance checking by environmental protection bureau, safety supervision bureau, fire protection department and commerce department.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

III. Real estate development and sales business

During the Reporting Period, due to year-on-year decrease in the scale of property projects delivered and carried forward, the Group recorded revenue from property sales of approximately RMB411,803,000, representing a year-on-year decrease of approximately 48.38%. At present, property revenue of the Group was mainly derived from Ninghu Properties. During the Reporting Period, the net profit after tax of Ninghu Properties amounted to approximately RMB107,207,000, representing a year-on-year decrease of approximately 5.7%.

The structures of Buildings No. 1, No. 2 and No. 3 of Hanrui Center Project developed by Hanwei Company were completed. The inventory turnover of Buildings No. 2 and No.3 was over 90%. Building No. 1 is a Grade A Office Building and it is planned to commence the pre-sales and pre-leasing in the second half of the year.

IV. Advertising and other businesses

Other businesses of the Company mainly comprised of 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 RMB33,129,000, representing a year-on-year increase of approximately 3.19%.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(I) Analysis of Principal Businesses

1. Analysis on changes in relevant items in the financial statements

Unit: Yuan Currency: RMB

Item	Reporting Period (audited)	Corresponding period of the previous year (unaudited)	Change in percentage (%)
Operating income	4,835,457,869	5,141,779,834	-5.96
Operating costs	1,955,644,387	2,256,373,175	-13.33
Selling expenses	18,630,332	11,592,289	60.71
Administrative expenses	85,673,932	85,500,282	0.20
Financial expenses	226,517,238	253,212,505	-10.54
R&D expenses	—	—	—
Net cash flow from operating activities	2,927,496,391	2,662,789,107	9.94
Net cash flow from investment activities	-3,203,647,193	-1,010,771,692	216.95
Net cash flow from financing activities	290,135,765	-1,210,230,628	—
Taxes and surcharges	55,403,316	107,395,338	-48.41
Gain on changes in fair value	21,207,891	-2,594,467	—
Investment income	478,199,641	730,532,269	-34.54
Other income	2,612,095	1,032,811	152.91
Non-operating income	1,608,479	9,282,569	-82.67
Other comprehensive income, net of tax	531,287,649	1,298,445,418	-59.08

Explanations on the reasons for the change of operating income: During the Reporting Period, although the Group's toll revenue increased year-on-year, the scale of delivery and transfer of real estate projects were less than that of the corresponding period of the previous year and the income of property business decreased year-on-year, resulting in a year-on-year decrease in operating income.

Explanations on the reasons for the changes of operating costs: A year-on-year decrease in operating costs was mainly due to the scale of delivery and transfer of real estate projects during the Reporting Period were less than that of the corresponding period of the previous year and the costs of property business decreased year-on-year.

Explanations on the reasons for the changes in selling expenses: A year-on-year increase in selling expenses was mainly due to the increase in advertisement and promotion fee and commission fee for agent of real estate sales of Ninghu Properties and Hanwei Company during the Reporting Period.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(I) Analysis of Principal Businesses (Continued)

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

Explanations on the reasons for the changes in administrative expenses: None.

Explanations on the reasons for the changes in financial expenses: The comprehensive loan interest rate of the Company's capitalization of interest-bearing debts decreased year-on-year and financial expenses decreased accordingly was mainly due to the decrease in market financing costs, and the slightly decrease in average capitalization of interest-bearing debts of the Company as compared with the corresponding period of the previous year as a result of the insistence on implementation of a prudent monetary policy by the State in the first half of the year, reasonably adequate liquidity, and reasonably stable market interest rate.

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

Explanations on the reasons for the changes in net cash flow from operation activities: Mainly due to the year-on-year increase in the net cash flow from operation activities as a result of an increase in toll revenue and revenue from pre-sales of property projects during the Reporting Period.

Explanations on the reasons for the changes in net cash flow from investment activities: Mainly due to a significant increase in net cash outflow from investment activities as a result of the year-on-year increase in external investment expenditures such as net cash outflow from the purchase of wealth management products, investment of the asset management scheme of Fuanda Fund, as well as the construction expenditures of road and bridge projects during the Reporting Period.

Explanations on the reasons for the changes in net cash flow from financing activities: Mainly due to the year-on-year increase in the net cash flow from financing activities as a result of the year-on-year decrease in net cash outflow from debt repayment and the cash outflows from the distribution of dividends during the Reporting Period.

Explanations on the reasons for the changes in taxes and surcharges: Mainly due to the year-on-year decrease in taxes and surcharges as a result of the year-on-year decrease in the delivery scale of the property projects of Ninghu Properties, a subsidiary of the Company, and the income from delivery was mostly generated after replacement of business tax with value-added tax during the Reporting Period.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(I) Analysis of Principal Businesses (Continued)

1. Analysis on changes in 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 increase in the fair value of other non-current financial assets and trading financial assets held by Ninghu Investment, a subsidiary of the Company.

Explanations on the reasons for the changes in investment income: Notwithstanding the increase in the investment income contributed by the associates, and the bonus of Bank of Jiangsu and Jiangsu Leasing during the Reporting Period, there was a year-on-year decrease in investment income as a result of the Company's recognition of valuation gain of approximately RMB430,000,000 upon acquisition of Hanwei Company in accordance with the standards on business combination involving enterprises not under common control during the corresponding period of the previous year.

Explanations on the reasons for the changes in other income: Mainly due to the inclusion of deductible portion into other income as a result of the implementation of national policies related to deepening the reform of Value-added Tax, which stipulated that commencing from 1 April 2019, an extra 10% shall be credited against deductible input VAT, in line with the policy for deduction of tax amount payable.

Explanations on the reasons for the changes in non-operating income: Mainly due to a negative goodwill as a result of the merger of Hanwei Company in the same period of last year.

Explanations on the reasons for the changes in other comprehensive income, net of tax: Mainly due to the year-on-year decrease in other comprehensive income as a result of a year-on-year decrease in fair value growth of other equity instruments investment held by the Group recognized during the Reporting Period.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(I) Analysis of Principal Businesses (Continued)

1. Analysis on changes in 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 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	3,779,545,228	1,186,295,936	68.61	5.18	7.65	Decreased by 0.72 percentage point
Shanghai-Nanjing Expressway	2,542,648,100	628,196,265	75.29	4.84	-2.65	Increased by 1.90 percentage points
Guangjing Expressway and Xicheng Expressway	438,214,711	168,532,600	61.54	2.88	55.63	Decreased by 13.04 percentage points
Ningchang Expressway and Zhenli Expressway	590,423,717	267,394,539	54.71	5.03	1.09	Increased by 1.76 percentage points
Xiyi Expressway and Wuxi Huantaihu Expressway	173,625,237	96,648,641	44.33	3.33	18.24	Decreased by 7.02 percentage points
Zhendan Expressway	34,633,463	25,523,891	26.30	-	-	-
Ancillary services business	610,981,233	551,071,965	9.81	-14.96	-16.30	Increased by 1.45 percentage points
Property sales business	411,802,770	205,590,031	50.08	-48.38	-57.62	Increased by 10.89 percentage points
Advertising and other businesses	33,128,638	12,686,455	61.71	3.19	16.16	Decreased by 4.27 percentage points
Total	4,835,457,869	1,955,644,387	59.56	-5.96	-13.33	Increased by 3.44 percentage points

Note: Zhendan Expressway was open for traffic on 30 September 2018.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(I) Analysis of Principal Businesses (Continued)

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

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

During the Reporting Period, the gross profit margin for toll business of Guangjing Xicheng Expressway decreased by 13.04 percentage points year-on-year as a result of the year-on-year increase in costs on road maintenance from the overhaul of Guangjing Xicheng Expressway.

During the Reporting Period, the average delivery price of the property project of Ninghu Properties, a subsidiary of the Company, increased as compared to the same period of last year, resulting in a gross profit margin of property sales business increased by 10.89 percentage points year-on-year.

Cost structure

During the Reporting Period, accumulated operating costs amounted to approximately RMB1,955,644,000, representing a year-on-year decrease of approximately 13.33%. The cost structure of each business category is set out below:

Unit: Yuan Currency: RMB

Items of operating costs	Reporting Period		Corresponding period of the previous year		Year-on-year increase/decrease as compared to the corresponding period of last year	Explanation on changes
	Period	Percentage %	previous year	Percentage %		
Operating costs of the toll roads	1,186,295,936	60.66	1,101,969,427	48.85	7.65	
Depreciation and amortization	722,765,895	36.96	661,405,273	29.31	9.28	
Costs on toll collection	73,256,312	3.75	54,502,098	2.42	34.41	Mainly due to the increase in toll revenue during the Reporting Period, the corresponding road network management fees increased year-on-year; and the renovation of housing construction facilities of toll station areas along the toll roads, resulting in a year-on-year increase in costs on toll collection.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(I) Analysis of Principal Businesses (Continued)

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

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
					Percentage %	
Costs on maintenance	83,907,385	4.29	74,649,841	3.31	12.40	Mainly due to the year-on-year increase in costs on road maintenance as a result of overhaul of Guangjing Xicheng Expressway during the Reporting Period.
Costs on system maintenance	7,078,172	0.36	15,013,035	0.67	-52.85	Mainly due to the year-on-year decrease in costs on system maintenance as a result of settlement procedure and other reasons.
Labour costs	299,288,172	15.30	296,399,180	13.14	0.97	
Costs of ancillary businesses	551,071,965	28.18	658,426,686	29.18	-16.30	
Raw materials	405,635,189	20.74	515,335,879	22.84	-21.29	Mainly due to the year-on-year decrease in procurement cost of raw materials as a result of the decrease in the sales volume of petroleum products and the completion of renting out all service areas during the Reporting Period.
Depreciation and amortization	26,911,716	1.38	24,409,509	1.08	10.25	
Labour costs	83,861,022	4.29	91,843,962	4.07	-8.69	Mainly due to the year-on-year decrease in labour costs for ancillary service businesses as a result of the renting out of all service areas and arrangement of personnel during the Reporting Period.
Other costs	34,664,038	1.77	26,837,336	1.19	29.16	Mainly due to the year-on-year increase in the cost of maintenance and property management for upgrading and renovation of the service areas during the Reporting Period.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(I) Analysis of Principal Businesses (Continued)

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

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 of property sales business	205,590,031	10.51	485,055,076	21.50	-57.62	During the Reporting Period, the scale of delivery and transfer of real estate projects decreased year-on-year, resulting in a year-on-year decrease in the cost of property sales business.
Costs of advertising and other businesses	12,686,455	0.65	10,921,986	0.47	16.16	A year-on-year increase in the properties expenses, resulting from the increased property management scale of delivered property projects of the subsidiaries during the Reporting Period.
Total	1,955,644,387	100	2,256,373,175	100	-13.33	

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)

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

Applicable Not Applicable

(III) Analysis of assets and liabilities

Applicable Not Applicable

1. Assets and liabilities

Unit: Yuan Currency: RMB

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
Held-for-trading financial assets	1,532,884,940	2.95	683,326,861	1.42	124.33	Mainly due to the increase in wealth management products held by the Group at the end of the Reporting Period as compared to the beginning of the period.
Accounts Receivable	446,623,274	0.86	321,158,727	0.67	39.07	Mainly due to the increase in toll receivable at the end of the Reporting Period as compared to the beginning of the period.
Prepayments	73,869,768	0.14	29,060,041	0.06	154.20	Mainly due to the increase in prepayments for projects at the end of the Reporting Period as compared to the beginning of the period.
Other receivables	172,012,198	0.33	37,833,951	0.08	354.65	Mainly due to the cash dividends declared but not yet paid by Sujiahang Expressway and Bank of Jiangsu during the Reporting Period.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(III) 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 current assets	230,649,865	0.44	130,656,171	0.27	76.53	Mainly due to the increase in the Group's prepaid VAT and taxes and fees related to pre-sales of real estate at the end of the Reporting Period as compared to the beginning of the period.
Other equity instruments investment	4,517,133,260	8.68	3,035,293,680	6.3	48.82	Mainly due to the increase in the book value of the other equity instruments investment recognized at fair value by the Group and the additional subscription for the asset management scheme of Fuanda Fund during the Reporting Period.
Right-of-use assets	5,184,870	0.01	-	-	-	The Company confirmed the right-of-use assets and lease liabilities in respect of related leases during the lease terms according to the Accounting Standards for Business Enterprises No. 21.
Deferred income tax assets	136,121,689	0.26	197,447,059	0.41	-31.06	Mainly due to the adjustment of other comprehensive income based on the fair value of other equity instruments held by the Company, and the adjustment to the deferred income tax assets accordingly; and making up losses in previous years by Ningchang Zhenli, a subsidiary.
Notes Payable	150,000,000	0.29	0	-	-	Mainly due to the issuance of bank acceptances by Wufengshan Company, a subsidiary of the Company, for the payment of construction of project during the Reporting Period.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(III) 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
Receipts in advance	92,987,984	0.18	73,454,895	0.15	26.59	Mainly due to the increase in advance lease payments from the service areas received at the end of the Reporting Period as compared to the beginning of the period.
Contract liabilities	1,249,072,133	2.4	962,200,983	2	29.81	Mainly due to the increase in pre-sales of real estate projects at the end of the Reporting Period as compared to the beginning of the period.
Other payables	2,704,018,253	5.2	270,459,371	0.56	899.79	Mainly due to the increase in dividend payable, interest such as medium-term notes payable, and temporary earnest money from housing purchase at the end of the Reporting Period as compared to the beginning of the period.
Non-current liabilities due within one year	124,674,944	0.24	381,700,433	0.79	-67.34	Mainly due to the repayment of part of long-term borrowings due within one year during the Reporting Period.
Deferred income tax liabilities	346,317,420	0.67	250,660,721	0.52	38.16	Mainly due to the adjustment of other comprehensive income based on the fair value of other equity instruments held by the Group, and the adjustment to the deferred income tax liabilities accordingly during the Reporting Period

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(III) 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 comprehensive income	1,365,429,817	2.62	837,827,667	1.74	62.97	Mainly due to the adjustment of other comprehensive income based on the fair value of other equity instruments held by the Group during the Reporting Period.
Total assets	52,020,165,800	100	48,162,728,833	100	8.01	
Total gearing ratio	41.60%	-	39.05%	-	Increased by 2.55 percentage points	
Net gearing ratio	71.22%	-	64.08%	-	Increased by 7.14 percentage points	

Other explanations

The basis for calculating total gearing ratio: liabilities divided by total assets; the basis for calculating net gearing ratio: liabilities divided by shareholders' equity.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(III) Analysis of assets and liabilities (Continued)

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

Applicable Not Applicable

Item	Book value as at the end of the Reporting Period <i>RMB</i>	Reasons for restriction
Bank deposits	9,022,598	Deposit of mortgage loans to customers
Bank deposits	55,014,882	Regulated pre-sale proceeds
Intangible assets	329,917,700	Pledge of concession rights of toll expressways
Total	<u>393,955,180</u>	

(1) Explanation for restrictions on bank deposits

At the end of the Reporting Period, other monetary funds of the Company included customers' deposit for mortgage loans of RMB9,023,000 and regulated pre-sale proceeds of RMB55,015,000. The regulated pre-sale proceeds are project funds placed in escrow with banks as required by Nanjing Bureau of Housing and Urban-Rural Development (南京市住房和城乡建设局) for the purpose of facilitating the smooth development of property projects and strengthening the supervision of monetary capital for property development projects. Project capital must be paid in full into banks before applications for construction permits are made. Developers shall release the project deposits by tranches depending on the construction progress. The remaining project deposits shall be released upon the completion of the construction and delivery of the units.

(2) Explanation for restrictions on intangible assets

Guangjing Xicheng Company, a subsidiary of the Company, entered into a loan contract with Wuxi branch of Industrial and Commercial Bank of China in respect of a loan of RMB1,200,000,000 in aggregate, which was secured by the toll road concession right of Guangjing Expressway. As at the end of the Reporting Period, the loan drawdown amounted to RMB581,000,000.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(III) Analysis of assets and liabilities (Continued)

3. Other explanations

Applicable Not Applicable

In 2019, the planned total capital expenditure of the Group was approximately RMB5.642 billion, among which approximately RMB2.690 billion was incurred during the Reporting Period, representing an increase of approximately 51.86% year-on-year, mainly because the Group successively subscribed for Fuanda Asset Management Scheme since October last year and the Company allocated entrusted assets of RMB0.94 billion during the Reporting Period. The major items of capital expenditure are as follows:

<u>Item of Capital Expenditure</u>	<u>RMB Yuan</u>
Investment in construction of Wufengshan Toll Bridge	1,290,237,093
Investment in construction of Changyi Expressway	164,243,599
Investment in construction of Yichang Expressway	116,664,926
Equity investment in Suzhou Industrial Park CDB Kai Yuan Investment Center Phase II (Limited Partnership)	47,045,011
Subscription for Asset Management Scheme of Fuanda Fund	940,000,000
Investment in Factoring Company	30,000,000
Investment in Yangtze River Management Company	50,000,000
Alteration and addition of service areas and toll collection points	19,990,574
Construction project of Three Major Systems	387,760
Noise barriers construction project	15,315,485
Other construction and facilities in progress	16,119,445
Total	<u>2,690,003,893</u>

Remarks: The data in the above table includes capital investment in subsidiaries of the Group.

(1) Capital structure and solvency

The Company attached great importance to maintaining a reasonable capital structure and continuously improved its profitability in order to maintain the Company's good credit rating and stable financial position. At the end of the Reporting Period, the total liabilities of the Group amounted to RMB21,638,704,000. The overall gearing ratio of the Group was approximately 41.60% (Note: the basis of calculating the overall gearing ratio: liabilities/total assets), representing an increase of approximately 2.55 percentage points from the beginning of the Reporting Period. In view of the Group's stable and abundant operating cash flow and sound capacity of financing and capital management, the management believes that the gearing ratio remained 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)

(III) 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. During the first half of this year, an amount of RMB2.2 billion was obtained through direct financing, and as at the end of the Reporting Period, the balance of interest-bearing liabilities amounted to approximately RMB15.862 billion, remaining stable as compared with that at the beginning of the period. During the first half of this year, the government adhered to the prudent monetary policy, the liquidity was reasonably abundant, the market interest rates were reasonably stable, and the financing costs on the market lowered as compared with the same period of last year. During the Reporting Period, the rate of the consolidated borrowing costs on interest-bearing liabilities of the Group was approximately 4.42%, representing a decrease of approximately 0.18 percentage point year-on-year, approximately 0.37 percentage point lower than the bank lending rate for the same period. During the Reporting Period, the Company's major direct financing activities included:

Type of financing instrument	Date of issuance	Term	Financing amount <i>RMB'000</i>	Prevailing		Changes in financing costs <i>(%)</i>
				Interest rate of issuance <i>(%)</i>	Bank benchmark interest rate <i>(%)</i>	
Super short-term commercial paper	10 April 2019	191 days	500,000	2.7	4.35	-1.65
Super short-term commercial paper	10 April 2019	170 days	200,000	2.68	4.35	-1.67
Super short-term commercial paper	17 April 2019	270 days	500,000	3.10	4.35	-1.25
Super short-term commercial paper	8 May 2019	184 days	600,000	3	4.35	-1.35
Super short-term commercial paper	15 May 2019	177 days	400,000	3	4.35	-1.35

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(III) Analysis of assets and liabilities (Continued)

3. Other explanations (Continued)

(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.

(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 joint liabilities guarantees 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 ownership certificates to bank. As at 30 June 2019, the outstanding guarantees amounted to approximately RMB1,763,562,000 (31 December 2018: RMB1,035,648,000).

(5) Entrusted loans

As at 30 June 2019, the entrusted loans obtained by the Company and its subsidiaries in RMB were as follows:

Related Party	Amount of lending/ borrowing	Inception date	Maturity date	Description
	<i>RMB</i>			
Borrowings from Jiangsu Far East Shipping Co., Ltd.	60,000,000	28 August 2018	27 August 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.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(III) Analysis of assets and liabilities (Continued)

3. Other explanations (Continued)

(6) Foreign exchange risks

The Group operates its businesses principally in the PRC. There is no material foreign exchange risks as the Group's operating revenue and capital expenditure are all settled in Renminbi except for dividend payments for H Shares and the Group has no investment in foreign currency. The Group obtained a loan of USD9,800,000 from the Spanish Government in 1998 at the interest rate of 2% per annum and it will become due on 18 July 2027. As at 30 June 2019, the balance of the loan was equivalent to approximately RMB16,181,000, against which no foreign exchange hedging arrangements were made by the Group. Fluctuation in exchange rates will have no material impact on the Group's results.

(IV) Investment Analysis

Overall analysis of external equity investment

Applicable Not Applicable

During the Reporting Period, total external equity investment of the Group amounted to approximately RMB127,045,000, representing a decrease of approximately 56.19% as compared with the amount of the corresponding period of last year. The specific items mainly included equity investment of about RMB47,045,000 in Suzhou Industrial Park CDB Kai Yuan Investment Center Phase II (Limited Partnership), investment in the establishment of Factoring Company and Yangtze River Management Company of RMB30,000,000 and RMB50,000,000, respectively.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(IV) Investment Analysis (Continued)

Overall analysis of external equity investment (Continued)

(1) Material equity investments

Applicable Not Applicable

Subscription of the units of private equity fund

With the approval 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. Ninghu Investment contributed approximately RMB47,045,000 during the Reporting Period. As at the end of the Reporting Period, Ninghu Investment has made an aggregate capital contribution of RMB843,378,000.

Establishment of Factoring Company

On 12 December 2018, the fifth meeting of the ninth session of the board of directors of the Company considered and approved the establishment of Factoring Company by Ninghu Investment, a wholly-owned subsidiary of the Company, by way of investing RMB90,000,000. The Factoring Company has been officially established on 25 December 2018 and the business license has been obtained. For the details of such investment project, please refer to the announcements published by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on 13 December 2018 and on the website of the Stock Exchange (www.hkex.com.hk) on 28 December 2018, respectively. As at the end of the Reporting Period, the first instalment of capital of RMB30 million was in place.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(IV) Investment Analysis (Continued)

Overall analysis of external equity investment (Continued)

(1) Material equity investments (Continued)

Establishment of Yangtze River Management Company

On 26 April 2019, the ninth meeting of the ninth session of the board of directors of the Company considered and approved the contribution of RMB50 million for the establishment of Yangtze River Management Company, which is mainly responsible for the operation and management of certain road and bridge projects in southern Jiangsu. Through promoting the construction of centralized management platform for the operation of roads and bridges in the road network of southern Jiangsu, the Company achieved the regional operation of roads and bridges to enhance operational efficiency and realize economies of scale by taking advantages of the Group. For details of the investment project, please refer to the announcements published by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on 27 April 2019 and on the website of the Stock Exchange (www.hkex.com.hk) on 26 April 2019, respectively.

On 21 June 2019, the tenth meeting the ninth session of the board of directors of the Company considered and approved the execution of the Entrusted Operation Management Agreement by Jiangsu Yangtze River Expressway Management Co., Ltd., a wholly-owned subsidiary of the Company, with Jiangsu Yangtze Bridge Co., Ltd. and its subsidiary, Jiangsu Hutong Bridge Co., Ltd., and Jiangsu Guangjing Xicheng Expressway Company Limited, a subsidiary of the Company, and its subsidiaries, Jiangsu Changyi Expressway Co., Ltd. and Jiangsu Yichang Expressway Co., Ltd., for a term commencing from 1 July 2019 to 31 March 2020. The total entrusted management fee shall not exceed RMB21.25 million. For details of the investment project, please refer to the announcements published by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on 22 June 2019 and on the website of the Stock Exchange (www.hkex.com.hk) on 23 June 2019, respectively. As at the end of the Reporting Period, the capital of RMB50 million was in place.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(IV) Investment Analysis (Continued)

Overall analysis of external equity investment (Continued)

(1) Material equity investments (Continued)

Investment in Longtan Cross-river Channel

On 26 April 2019, the ninth meeting of the ninth session of the board of directors of the Company considered and approved the investment by the Company in the new project of Longtan Cross-river Channel with a capital contribution of not more than RMB1.4 billion. Longtan Cross-river Channel as an important part of the new outer ring of Nanjing, connects Shanghai-Nanjing Expressway, Shanghai-Shaanxi Expressway and a number of other important expressways, and links Longtan Port with Nanjing Lukou International Airport. Thus, the project enjoys obvious geographical advantages. From a strategic perspective, investing in the project will further expand the Company's toll road and bridge operations, give full play to the Company's scale advantages in regional road network operation and management, and further enhance the Company's share in the regional road network, which is of great significance for maintaining the Company's leading position in the road network of southern Jiangsu and cross-river bridge projects. For details of the investment project, please refer to the announcements published by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on 27 April 2019 and on the website of the Stock Exchange (www.hkex.com.hk) on 26 April 2019, respectively.

On 25 June 2019, the Company entered into an agreement with Nanjing Highway Development (Group) Co., Ltd. and Yangzhou Transportation Industrial Group Co., Ltd. to jointly establish Longtan Bridge Company to take charge of the investment, construction, operation and management of Longtan Cross-river Channel. For details, please refer to the announcements published by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on 26 June 2019 and on the website of the Stock Exchange (www.hkex.com.hk) on 26 June 2019, respectively. Longtan Bridge Company was officially established on 28 June 2019, and has obtained the business license.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(IV) Investment Analysis (Continued)

Overall analysis of external equity investment (Continued)

(2) Material non-equity investments

Applicable Not Applicable

Entering into the asset management scheme of Fuanda Fund

In order to fully leverage the efficiency and benefits of the Company's funds, the Company, after approval at the fourth meeting of the ninth session of the board of directors of the Company on 26 October 2018, entered into the Contract for Asset Management in relation to Fuanda-Fuxiang No. 15 Equity-Based Asset Management Scheme with Fuanda Fund Management Co., Ltd. (富安達基金管理有限公司) and Shanghai Branch of Bank of Jiangsu Co., Ltd. (江蘇銀行股份有限公司上海分行), whereby the Company, as the settlor, shall make a contribution of no more than RMB1 billion, the term of such asset management scheme shall be no more than 4 years. In 2018, the Company has filed with the China Securities Investment Fund Association (中國證券投資基金業協會) and allocated entrusted assets of RMB1 billion. On 12 April 2019, as approved at the 8th meeting of the ninth session of the board of directors of the Company, the Company would continue to use its internal resources to invest in "Fuanda-Fuxiang No. 15 Equity-Based Asset Management Scheme" set up by Fuanda Fund, whereby the Company shall make an additional contribution of no more than RMB1 billion, the term of such asset management scheme shall be no more than 4 years. For details of additional subscription of investment project, please refer to the announcements published by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on 13 April 2019 and on the website of the Stock Exchange (www.hkex.com.hk) on 12 April 2019, respectively. During the Reporting Period, the Company allocated entrusted assets of RMB940 million, and as at the end of the Reporting Period, the Company has allocated entrusted assets of RMB1.8 billion in total.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(IV) Investment Analysis (Continued)

Overall analysis of external equity investment (Continued)

(2) Material non-equity investments (Continued)

Participating in the Parent Real Estate Fund

On 12 April 2019, the 8th meeting of the ninth session of the board of directors of the Company approved the participation by Ninghu Investment, a wholly-owned subsidiary of the Company, in the establishment of the Phase II Parent Real Estate Fund initiated by Luode Fund Company, with total size of the fund no more than RMB1 billion, in which Ninghu Investment will invest no more than RMB300 million; other partners and teams will invest no more than RMB700 million. For details of the investment project, please refer to the announcements published by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on 13 April 2019 and on the website of the Stock Exchange (www.hkex.com.hk) on 12 April 2019, respectively. On 11 July 2019, Ninghu Investment, Luode Fund Company and its wholly-owned subsidiary Nanjing Luode Investment Management Co., Ltd. (南京洛德投資管理有限公司), Nanjing Public Utilities Development Co., Ltd. and Hongyuan Huizhi Investment Co., Ltd. (宏源匯智投資有限公司) and its wholly-owned subsidiary, Shenyin & Wanguo Innovation Capital Management Co., Ltd. (申銀萬國創新資本管理有限公司), signed a limited partnership agreement, pursuant to which, all parties jointly established the Phase II Parent Real Estate Fund upon reaching unanimity through consultation. For details, please refer to the announcements published by the Company on the website of Shanghai Stock Exchange (www.sse.com.cn) on 12 July 2019 and on the website of the Stock Exchange (www.hkex.com.hk) on 11 July 2019, respectively.

Accelerating the progress of new road and bridge projects

During the Reporting Period, the Company's total material non-equity investment of RMB1,571,146,000 mainly focused on the active facilitation of new road and bridge construction projects. Of the funds applied, RMB1,290,237,000, RMB164,244,000 and RMB116,665,000 were invested in the construction of the Wufengshan Toll Bridge project, Changyi Expressway and Yichang Expressway, respectively.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(IV) Investment Analysis (Continued)

Overall analysis of external equity investment (Continued)

(3) Financial assets measured at fair value

Applicable Not Applicable

Unit: Yuan Currency: RMB

Item	Initial investment cost	Source of funds	Purchased/Sold	Investment income	Change in fair value
Fund investments	9,999,400	Internal funds	-	-	5,219,687
Wealth management products	1,500,000,000	Internal funds	-	8,118,372	-
Gold investments	15,710,238	Internal funds	-5,236,746	123,433	813,946
Other non-current financial assets (CDB Kai Yuan Phase II)	796,332,315	Internal funds	47,045,011	-	17,185,428
Other non-current financial assets (Luode Dening)	150,000,000	Internal funds	-41,850,000	-	-2,011,170
Other equity Instruments (Bank of Jiangsu)	1,000,000,000	Internal funds	-	68,000,000	318,000,000
Other equity instruments (Jiangsu Leasing)	270,898,457	Internal funds	-	46,800,000	32,760,000
Fuanda Asset Management Scheme	<u>860,000,000</u>	Internal funds	<u>940,000,000</u>	<u>-</u>	<u>191,079,580</u>

During the Reporting Period, Ninghu Investment, a subsidiary of the Company, continued to hold Fuanda Advantageous Growth Fund purchased in 2011, in which approximately 10,000,000 units were available in total with a net value of approximately RMB15,081,000 at the beginning of the Reporting Period. Investment cost amounted to approximately RMB9,999,000. Its fair value increased by approximately RMB5,220,000 and its cumulative fair value increased by approximately RMB10,301,000 during the Reporting Period.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(IV) Investment Analysis (Continued)

Overall analysis of external equity investment (Continued)

(3) Financial assets measured at fair value (Continued)

During the Reporting Period, Ninghu Investment continued to engage in gold bullion investment commenced in 2014 at an investment cost of approximately RMB15,710,000 with a net value being approximately RMB17,007,000 at the beginning of the Reporting Period, and it sold part of the gold with cost of RMB5,237,000 during the Reporting Period. At the end of the Reporting Period, its net value was approximately RMB12,584,000. Its fair value increased by approximately RMB814,000 while its cumulative fair value increased by approximately RMB2,111,000 during the Reporting Period.

During the Reporting Period, Ninghu Investment continued to hold Luode Parent Fund subscribed for in 2016 at an investment cost of RMB150,000,000 with a net value of approximately RMB178,087,000 at the beginning of the Reporting Period, and it recovered principal amount of investment of RMB41,850,000 during the Reporting Period. At the end of the Reporting Period, its net value amounted to approximately RMB134,226,000. Its fair value decreased by approximately RMB2,011,000 and its cumulative fair value increased by approximately RMB26,076,000 during the Reporting Period.

During the Reporting Period, Ninghu Investment continued to hold CDB Kai Yuan Phase II Fund subscribed for in 2016 at an investment cost of RMB796,332,000 with its net value of approximately RMB933,328,000 at the beginning of the Reporting Period, and it increased the principal amount of investment of RMB47,045,000 during the Reporting Period. At the end of the Reporting Period, its net value was approximately RMB997,559,000. Its fair value increased by approximately RMB17,185,000 while its cumulative fair value increased by approximately RMB154,181,000 during the Reporting Period.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(V) Material disposal of assets and equity interest

Applicable Not Applicable

(VI) Analysis of major controlled companies or investees

Applicable Not Applicable

1. Operations of major subsidiaries

Name of company	Principal businesses	Investment	Equity interest	Total assets	Net assets	Net profit	Percentage	Year-on-year
		cost	attributable to				of the	increase/ decrease in
		RMB	%	RMB	RMB	RMB	Company's net profit	net profit
							%	%
Ningchang Zhenli Company	Expressway construction, management, maintenance and toll collection	5,029,236,885	100	6,658,944,969	6,537,568,793	224,525,987	9.62	3.12
Guangjing Xicheng Company	Expressway construction, management, maintenance and toll collection	2,125,000,000	85	11,177,481,474	6,640,581,911	357,874,813	15.33	6.09
Zhendan Company	Expressway construction, management, maintenance and toll collection	423,910,000	70	1,726,446,066	561,543,387	-24,598,818	-	-
Wufengshan Toll Bridge Company	Expressway construction, management, maintenance and toll collection	2,085,616,830	64.5	8,002,446,166	3,605,109,059	1,193,062	0.05	-
Ninghu Investment	Investments in various types of infrastructure and industries	847,100,000	100	1,303,127,815	1,247,478,955	26,363,260	1.13	102.66
Ninghu Properties	Real estate development, operation and consultancy	500,000,000	100	2,915,314,957	1,039,292,385	107,207,400	4.59	-5.70
Hanwei Company	Real estate development and operation	184,499,800	100	1,458,860,009	17,984,431	-26,197,445	-	386.62
Yangtze River Management Company	Expressway construction, management and maintenance	50,000,000	100	50,000,000	50,000,000	-	-	-

* During the Reporting Period, Ningchang Zhenli Company enjoyed a continuous increase in its toll revenue with a net profit of approximately RMB224,526,000, a year-on-year increase of approximately 3.12%.

* During the Reporting Period, Guangjing Xicheng Company recorded a continuous increase in its toll revenue as well as an increase in its investment income due to year-on-year increase in the dividend from investee company Jiangsu Leasing and the profit of investee company Yanjiang Company, and a decrease in the financial expenses due to a year-on-year decrease in capitalization of the average amount of interest-bearing debts. A net profit of approximately RMB357,875,000 was made during the Reporting Period, representing a year-on-year increase of approximately 6.09%.

* During the Reporting Period, Ninghu Investment recorded an increase in net profit by approximately 102.66% year-on-year due to an increase in fair value of its other non-current financial assets during the Reporting Period.

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

* Please refer to the section headed "Business of property development and sales" in this report for the operational performance of Hanwei Company.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(VI) 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 RMB478,200,000, representing a decrease of approximately 34.54% year-on-year and approximately 20.48% of the Group's net profit. Associates, in which the Group had a participating interest, contributed investment income of approximately RMB355,158,000, representing a year-on-year increase of approximately 24.70%. Although the year-on-year increase in the investment income contributed by the associates, including the Group's participating interest and the bonus of Jiangsu Leasing and Bank of Jiangsu invested during the Reporting Period, a year-on-year decrease in investment income was recorded as a result of the Company recognized valuation gain of approximately RMB430,500,000 upon acquisition of Hanwei Company in accordance with the standards on business combination involving enterprises not under common control during the corresponding period of the previous year. Operating results of certain key associates are set out below:

Name of Company	Principal business	Investment cost	Equity interest		Contribution to investment income	Percentage of the Company's net profit	Year-on-year increase/decrease
			attributable to the Company	attributable to the shareholders of the associates			
		RMB	%	RMB	RMB	%	%
Sujiahang Company	Mainly responsible for the management and operation businesses of Sujiahang Expressway	526,090,677	31.55	372,190,758	117,426,184	5.03	21.75
Yangtze Bridge Company	Mainly responsible for the management and operation of Jiangyin Bridge	631,159,243	26.66	473,154,186	126,142,906	5.40	34.93
Yanjiang Company	Mainly responsible for the management and operation of Yanjiang Expressway	1,466,200,000	25.15	371,707,651	102,591,312	4.39	12.35
Sujiayong Company	Mainly responsible for the management and operation of Changjia Expressway	431,609,486	22.77	-17,981,212	-4,094,322	-	77.72

* Due to the year-on-year increase in toll revenue driven by the growth in the traffic volume, Sujiahang Company recorded an increase in its net profit as compared with that of the corresponding period last year, and its contribution to the investment revenue increased by approximately 21.75% year-on-year.

* Due to the year-on-year increase in toll revenue driven by the growth in the traffic volume and a year-on-year increase in investment income from Sutong Bridge (蘇通大橋) and Taizhou Bridge (泰州橋), as well as the bonus of Jiangsu Leasing, Yangtze Bridge Company recorded an increase in net profit as compared with that of the corresponding period last year and its contribution to the investment revenue increased by approximately 34.93% year-on-year.

* Due to the year-on-year increase in toll revenue driven by the growth in the traffic volume and Yanjiang Company recorded an increase in its net profit compared with the same period of last year, and its contribution to the investment revenue increased by approximately 12.35%.

* Due to the year-on-year increase in administrative expenses and financial expenses, the operating loss recorded by Sujiayong Company increased by approximately 77.72% as compared with the same period of last year.

DISCUSSION AND ANALYSIS OF THE OPERATION

I. DISCUSSION AND ANALYSIS OF THE OPERATION (CONTINUED)

(VII) Structured entities controlled by the Company

Applicable Not Applicable

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

Applicable Not Applicable

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. According to the macro environment and the Company's current business situation, the Company will pay keen attention to the following main risks and proactively take effective countermeasures:

DISCUSSION AND ANALYSIS OF THE OPERATION

II. OTHER DISCLOSURES (CONTINUED)

(II) Possible risks (Continued)

1. Risks associated with industry policy

Risk analysis: The Company is primarily engaged in the investment, construction, operation and management of toll roads and bridges, and toll fees are the major source of revenue for expressway companies. The level of revenue from toll fees is subject to the direct and indirect influence of changes in the national macro-control policy and taxation policy. In particular, the Regulation on the Administration of Toll Roads (revised) has yet to come into operation and there are still uncertainties over the relevant policies. The Company is therefore exposed to operational risks arising from implication of the policies in respect of toll rates and toll collection periods.

Counter-measures: The Company will establish a dynamic tracking and assessment mechanism in response to policy-related risks. It will follow closely with relevant governmental policies, enhance the contact and communication with competent government authorities, especially transportation, financial, taxation and pricing departments, and keep abreast with the latest developments in policies related to expressway industry to make timely business decisions accordingly. Meanwhile, the Company will develop new profit growth points and proactively commence various business activities relating to the principal businesses aiming to reduce the risks associated with or arising from relatively simple industrial structure.

DISCUSSION AND ANALYSIS OF THE OPERATION

II. OTHER DISCLOSURES (CONTINUED)

(II) Possible risks (Continued)

2. Risks associated with project investment

Risk analysis: In the course of the Company's business, projects under construction and investment in new projects are subject to the influence of macro economy and other related factors and thus there is a risk that future returns will may fall short of expectations. In addition, investment in financial and similar financial products may involve risks of losses and return due to market fluctuations and systematic risks.

Counter-measures: Since there are many uncertainties in the current economic environment, when selecting investment projects, the Company shall conduct a full assessment of the internal and external factors affecting the performance of projects, strengthen internal management, standardize management systems, and establish scientific investment decision-making procedures. Additionally, the Company will set up or engage a professional evaluation team to fully understand the benefits and risks of investment projects.

3. Risks associated with lower-than-expected rate of destocking

Risk analysis: Due to its lengthy industry chain and cycle, the real estate sector is more susceptible to changes in market environment and policies. The economic operating environment, changes in fiscal and monetary policies and the policies for taming the property market may affect the sales cycle and sales performance of the Company's real estate business, leading to an extension of the real estate sales cycle and affecting the progress of destocking.

Counter-measures: A tracking mechanism has been set up for the Company to stay up-to-date with policies concerning the industry and the development trend of the macro-economy and the industry, build its capability to gain insights into the policy and market trend and step up efforts to accelerate the destocking rate. Meanwhile, the Company will reinforce specialized management of projects and strive for delicacy management in various stages from projects selection, planning and design to operation and execution.

DISCUSSION AND ANALYSIS OF THE OPERATION

II. OTHER DISCLOSURES (CONTINUED)

(II) Possible risks (Continued)

4. Safety risks associated with road management

Risk analysis: The increasing traffic volume makes it more and more challenging to maintain road safety and manage road condition. In the operation and management of expressways, any failure to perform the responsibility of safety risk prevention may result in serious road safety accidents and incur liabilities relating to the safety management in service areas, which could in turn adversely affect the realization of the Company's business objectives, and may have a negative impact on the Company's brand image.

Counter-measures: the Company will strengthen training on safe operation, enhance employees' awareness of operation safety and optimize the accountability and assessment system to ensure that oversight responsibility is in place and duly performed by a particular person. The Company will strengthen supervision over operation safety, and ensure that the maintenance of production safety equipment is conducted on a regular basis and overhaul is carried out according to a standardized procedure to improve its capacity to ensure production safety with a view to eliminating all potential operation safety risks. The Company will strengthen multi-party coordination and cooperation and properly manage the layout of on-site operating areas in order to minimize the impact on traffic and ensure that all potential risks are eliminated.

(III) Other disclosures

Applicable Not Applicable

Investment in Group Finance Company

On 30 July 2019, the 11th meeting of the ninth session of the board of directors of the Company approved the entering into of Capital Increase Agreement by the Company with Communications Holding, Jinghu Company and Group Finance Company, the Company and Communications Holding shall contribute RMB606.8 million and RMB303.4 million, respectively to subscribe for the registered capital of Group Finance Company of RMB400 million and RMB200 million, respectively. For details of the investment project, please refer to the announcements published by the Company on the website of the Shanghai Stock Exchange (www.sse.com.cn) on 31 July 2019 and on the website of the Stock Exchange (www.hkex.com.hk) on 30 July 2019 and related circular published on 9 August 2019, respectively. The conditions precedent for the transaction include the approval of the independent shareholders of the Company.

SIGNIFICANT MATTERS

I. OVERVIEW OF THE GENERAL MEETINGS

Session of the meeting	Convening date	Inquiry index of the designated website for publishing the resolutions	Disclosure date of publishing the resolutions
The 2018 Annual General Meeting	20 June 2019	www.sse.com.cn; www.hkexnews.hk; www.jsexpressway.com	21 June 2019

Information on the general meetings

Applicable Not Applicable

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

(I) Proposed 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 per share (<i>share</i>)	0
Amount of cash dividends per share (<i>Yuan</i>) (<i>tax inclusive</i>)	0
Number of shares converted per share (<i>share</i>)	0

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

Applicable Not Applicable

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

Applicable Not Applicable

IV. APPOINTMENT AND REMOVAL OF ACCOUNTANT

Information on appointment and removal of accountant

Applicable Not Applicable

The reappointment of Deloitte as the domestic auditor of the Company for the year of 2019 was approved at the Company's 2018 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 as auditor for Hong Kong listed companies incorporated in the Mainland, was engaged to audit the financial statements of the Company for the financial year ending 31 December 2019 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 2019 at the meeting. The audit fee was RMB800,000.

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 by 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

SIGNIFICANT MATTERS

VI. MATERIAL LITIGATION AND ARBITRATION

- The Company was involved in material litigation and arbitration during the Reporting Period
- The Company was not involved in any material litigation or arbitration during the Reporting Period

VII. SANCTIONS AND RECTIFICATIONS ON THE LISTED 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 announcements with no further progress or changes after implementation

- Applicable Not Applicable

(II) Incentive events which have not been disclosed in 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/CONNECTED TRANSACTION

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

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

Applicable Not Applicable

Description of the Event	Enquiry Index
<p>During the Reporting Period, the Company continued to fulfill the followings:</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 approximately RMB10,000,000, RMB13,000,000 and RMB17,000,000, respectively.</p> <p>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 2019 will be not exceeding RMB42,000,000, RMB12,000,000 and RMB10,000,000, 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 2019 will be not exceeding RMB12,500,000, RMB4,400,000 and RMB4,200,000 respectively.</p>	<p>For details, please refer to the announcement on the ordinary continuing related/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>For details, please refer to the announcement on the ordinary related/continuing connected transactions published by the Company on the website of the SSE at www.sse.com.cn on 27 March 2017 and the website of the Stock Exchange at www.hkexnews.hk on 27 March 2017.</p>

SIGNIFICANT MATTERS

X. MAJOR RELATED PARTY/CONNECTED TRANSACTION (CONTINUED)

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

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

Description of the Event	Enquiry Index
<p>The Company entered into the contract for renewal of the property lease with Jiangsu Sundian dated 25 August 2017 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 ordinary related/continuing connected transactions 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 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 contract amounts in 2019 will be not exceeding RMB4,000,000, RMB1,500,000 and RMB500,000.</p>	<p>For details, please refer to the announcement on the ordinary related/continuing connected transactions published by the Company on the website of the SSE at www.sse.com.cn on 26 March 2018, and on the website of the Stock Exchange at www.hkexnews.hk on 23 March 2018.</p>
<p>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. The contract term was from 1 April 2018 to 31 March 2019. The total amount of the service contract in 2019 will be not exceeding RMB200,000, RMB50,000, RMB20,000 respectively.</p>	<p>For details, please refer to the announcement on the ordinary related/continuing connected transactions published by the Company on the website of the SSE at www.sse.com.cn on 26 March 2018 and on the website of the Stock Exchange at www.hkexnews.hk on 23 March 2018 respectively.</p>

SIGNIFICANT MATTERS

X. MAJOR RELATED PARTY/CONNECTED TRANSACTION (CONTINUED)

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

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

Description of the Event	Enquiry Index
<p>On 23 March 2018, the Company and Railway Group 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 2019 is RMB3,612,400, 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 ordinary related/continuing connected transactions published by the Company on the website of the SSE at www.sse.com.cn on 26 March 2018 and on the website of the Stock Exchange at www.hkexnews.hk on 23 March 2018 respectively.</p>
<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 2019 will be not exceeding RMB10,000,000.</p>	<p>For details, please refer to the announcement on the ordinary related/continuing connected transactions published by the Company on the website of the SSE at www.sse.com.cn on 26 March 2018 and on the website of the Stock Exchange at www.hkexnews.hk on 23 March 2018 respectively.</p>
<p>On 27 April 2018, the Company entered into the property lease contract with Modern Testing Company in relation to the property of the Company situated at 3-4/F, Office Building B in the Courtyard at No. 8 Xianlin Avenue, Nanjing, Jiangsu Province, for a term from 1 June 2018 to 31 December 2020 and the rent cap for the year of 2019 will be not exceeding RMB1,500,000.</p>	<p>For details, please refer to the Announcement on Resolutions of the Twenty-fourth Meeting of the Eighth Session of the Board published by the Company on the website of the SSE at www.sse.com.cn on 28 April 2018 and on the website of the Stock Exchange at www.hkexnews.hk on 28 April 2018 respectively.</p>

SIGNIFICANT MATTERS

X. MAJOR RELATED PARTY/CONNECTED TRANSACTION (CONTINUED)

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

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

Description of the Event	Enquiry Index
<p>On 24 August 2018, Zhendan Company, a subsidiary of the Company, and Network Operation Company entered into the “Expressway Network Management Services Framework Agreement” with a validity period from 1 October 2018 to 31 December 2019. The contract value for the year of 2019 will be not exceeding RMB850,000.</p>	<p>For details, please refer to the announcement on the ordinary related/continuing connected transactions published by the Company on the website of the SSE at www.sse.com.cn on 27 August 2018 and on the website of the Stock Exchange at www.hkexnews.hk on 24 August 2018 respectively.</p>
<p>On 24 August 2018, Zhendan Company, a subsidiary of the Company, and Tongxingbao Company entered into “the Expressway Network Technical Services Framework Agreement” with a validity period from 1 October 2018 to 31 December 2019. The contract value the year of 2019 will be not exceeding RMB200,000.</p>	<p>For details, please refer to the announcement on the ordinary related/continuing connected transactions published by the Company on the website of the SSE at www.sse.com.cn on 27 August 2018 and on the website of the Stock Exchange at www.hkexnews.hk on 24 August 2018 respectively.</p>
<p>On 26 October 2018, Ninghu Investment, Guangjing Xicheng Company and Ningchang Zhenli Company, which are the subsidiaries of the Company, entered into a Cooperation Agreement with Media Company on the Operation of the Existing Advertising Facilities and the Development and Operation of New Advertising Resources Along the Roads and Bridges for a valid term commencing from 1 January 2019 to 31 December 2021. The contract values for the year of 2019 will not exceed RMB40,000,000, RMB10,000,000 and RMB4,000,000, respectively.</p>	<p>For details, please refer to the announcement on the ordinary related/continuing connected transactions published by the Company on the website of the SSE at www.sse.com.cn on 27 October 2018 and on the website of the Stock Exchange at www.hkexnews.hk on 26 October 2018 respectively.</p>

SIGNIFICANT MATTERS

X. MAJOR RELATED PARTY/CONNECTED TRANSACTION (CONTINUED)

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

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

Description of the Event	Enquiry Index
<p>During the Reporting Period, the Company entered into and performed the followings:</p> <p>On 22 March 2019, the Company, Guangjing Xicheng and Ningchang Zhenli respectively entered into the Expressway Maintenance Services Contract with Jiangsu Sundian. It is estimated that the total value of the project contract in 2019 will not exceed RMB300,000,000, RMB120,000,000 and RMB33,000,000, respectively.</p>	<p>For details, please refer to the announcement on the ordinary related/continuing connected transactions published by the Company on the website of the SSE at www.sse.com.cn on 25 March 2019 and on the website of the Stock Exchange at www.hkexnews.hk on 25 March 2019 respectively.</p>

SIGNIFICANT MATTERS

X. MAJOR RELATED PARTY/CONNECTED TRANSACTION (CONTINUED)

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

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

Description of the Event	Enquiry Index
<p>On 22 March 2019, the Company, Guangjing Xicheng Company and Ningchang Zhenli Company respectively entered into the contracts on maintenance of monitoring and communication systems and procurement of spare parts in the year of 2019 with Information Company for a term from 1 April 2019 to 31 March 2020. The total amount of the contract is expected to be not exceeding RMB13,000,000, RMB15,200,000 and RMB2,000,000 respectively.</p>	<p>For details, please refer to the announcement on the ordinary related/continuing connected transactions published by the Company on the website of the SSE at www.sse.com.cn on 25 March 2019 and on the website of the Stock Exchange at www.hkexnews.hk on 25 March 2019 respectively.</p>
<p>On 22 March 2019, the Company, Guangjing Xicheng and Ningchang Zhenli respectively entered into the ETC Customer Service Outlets Management Agreement with Tongxingbao Company for a term from 1 April 2019 to 31 March 2020. The fees include the rental, utility charge and sewage charge for the outlets. In 2019, the total amount cap of three ETC Customer Service Outlets Management Agreements is expected to be no more than RMB500,000, RMB150,000 and RMB40,000, respectively.</p>	<p>For details, please refer to the announcement on the ordinary related/continuing connected transactions published by the Company on the website of the SSE at www.sse.com.cn on 25 March 2019 and on the website of the Stock Exchange at www.hkexnews.hk on 25 March 2019 respectively.</p>
<p>On 22 March 2019, the Company, Guangjing Xicheng Company, Ningchang Zhenli Company and Zhendan Company respectively entered into the Supplementary Agreement to the Expressway Network Technical Services Framework Agreement with Tongxingbao Company. The agreed amount cap of service fees was no more than RMB7,000,000, RMB1,500,000, RMB1,400,000 and RMB120,000, respectively.</p>	<p>For details, please refer to the announcement on the ordinary related/continuing connected transactions published by the Company on the website of the SSE at www.sse.com.cn on 25 March 2019 and on the website of the Stock Exchange at www.hkexnews.hk on 25 March 2019 respectively.</p>

SIGNIFICANT MATTERS

X. MAJOR RELATED PARTY/CONNECTED TRANSACTION (CONTINUED)

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

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

Description of the Event	Enquiry Index
<p>On 22 March 2019, the Company, Guangjing Xicheng Company, Ningchang Zhenli Company and Zhendan Company respectively entered into the Technical Service Contract on Coordination, Command and Dispatch of the Cloud Platform with Tongxingbao Company with a term from 21 March 2019 to 31 December 2021. It is estimated that the annual cloud platform usage fee will not exceed RMB2,000,000, RMB900,000, RMB700,000 and RMB210,000, respectively.</p>	<p>For details, please refer to the announcement on the ordinary related/continuing connected transactions published by the Company on the website of the SSE at www.sse.com.cn on 25 March 2019 and on the website of the Stock Exchange at www.hkexnews.hk on 25 March 2019 respectively.</p>
<p>On 22 March 2019, the Company, Guangjing Xicheng Company, Ningchang Zhenli Company and Zhendan Company respectively entered into the 2019 Maintenance Technology Research and Service Contract with Maintenance Technology Company, and the 2019 annual maintenance technology research and service fee paid to Maintenance Technology Company by them did not exceed RMB9,850,000, RMB3,300,000, RMB3,350,000 and RMB300,000, respectively.</p>	<p>For details, please refer to the announcement on the ordinary related/continuing connected transactions published by the Company on the website of the SSE at www.sse.com.cn on 25 March 2019 and on the website of the Stock Exchange at www.hkexnews.hk on 25 March 2019 respectively.</p>
<p>On 22 March 2019, Ningchang Zhenli Company entered into the Service Area Petrol Stations Leasing Contract with Expressway Petroleum Company, pursuant to which Ningchang Zhenli Company leased its Rongbing Service Area, Gehu Service Area, Changdanghu Service Area and Maoshan Service Area to Expressway Petroleum Company for operation, with a term commencing from 1 April 2019 to 31 December 2021. It is expected that the total amount of contract in 2019 will not exceed RMB4,890,000.</p>	<p>For details, please refer to the announcement on the ordinary related/continuing connected transactions published by the Company on the website of the SSE at www.sse.com.cn on 25 March 2019 and on the website of the Stock Exchange at www.hkexnews.hk on 25 March 2019 respectively.</p>

SIGNIFICANT MATTERS

X. MAJOR RELATED PARTY/CONNECTED TRANSACTION (CONTINUED)

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

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

Description of the Event	Enquiry Index
<p>On 22 March 2019, Ningchang Zhenli Company entered into the agreement for bridges displacement inspection, design and reinforcement maintenance with HuaTong Engineering Testing Company. It is expected that the transaction amount for bridge displacement inspection, bridge design and reinforcement maintenance in 2019 will not exceed RMB4,500,000.</p>	<p>For details, please refer to the announcement on the ordinary related/continuing connected transactions published by the Company on the website of the SSE at www.sse.com.cn on 25 March 2019 and on the website of the Stock Exchange at www.hkexnews.hk on 25 March 2019 respectively.</p>
<p>On 21 June 2019, Yangtze River Management Company entered into the Entrusted Operation Management Agreement with Yangtze Bridge Company and its controlled subsidiary Hutong Bridge Company, and Guangjing Xicheng Company and its controlled subsidiaries Changyi Company and Yichang Company, for a term commencing from 1 July 2019 to 31 March 2020. The entrusted management fee payable by Yangtze Bridge Company and Hutong Bridge Company to Yangtze River Management Company shall not exceed RMB9,750,000, while the entrusted management fee payable by Guangjing Xicheng Company, Changyi Company and Yichang Company to Yangtze River Management Company shall not exceed RMB11,500,000 with total entrusted management fee not exceeding RMB21,250,000.</p>	<p>For details, please refer to the announcement on the ordinary related/continuing connected transactions published by the Company on the website of the SSE at www.sse.com.cn on 22 June 2019 and on the website of the Stock Exchange at www.hkexnews.hk on 23 June 2019 respectively.</p>
<p>On 21 June 2019, Guangjing Xicheng Company to entrust its upgrading and reconstruction works of the sections under its management to Expressway Maintenance Company and the execution of the construction contract for a total contract value not exceeding RMB3,000,000.</p>	<p>For details, please refer to the Announcement on Resolutions of the Tenth Meeting of the Ninth Session of the Board published by the Company on the website of the SSE at www.sse.com.cn on 22 June 2019 and on the website of the Stock Exchange at www.hkexnews.hk on 23 June 2019 respectively.</p>

SIGNIFICANT MATTERS

X. MAJOR RELATED PARTY/CONNECTED TRANSACTION (CONTINUED)

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

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

Applicable Not Applicable

3. Matters which were not disclosed in an announcement

Applicable Not Applicable

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

Matters which were disclosed in an announcement but had no further progress or changes after implementation

Applicable Not Applicable

Matters which were disclosed in an announcement but had further progress or changes after implementation

Applicable Not Applicable

Matters which were not disclosed in an announcement

Applicable Not Applicable

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/CONNECTED TRANSACTION (CONTINUED)

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

Matters which were disclosed in an announcement but had no further progress or changes after implementation

Applicable Not Applicable

Matters which were disclosed in an announcement but had further progress or changes after implementation

Applicable Not Applicable

Matters which were not disclosed in an announcement

Applicable Not Applicable

SIGNIFICANT MATTERS

X. MAJOR RELATED PARTY/CONNECTED TRANSACTION (CONTINUED)

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

Matters which were disclosed in an announcement but had no further progress or changes after implementation

Applicable Not Applicable

Description of the Event	Enquiry Index
<p>On 30 March 2016, the Company entered into the Financial Services Agreement with Group Finance Company for a term of three years commencing on 1 April 2016. The maximum daily deposit balance (including interest accrued) should not exceed RMB500,000,000 and should be lower than 5% of the audited operating revenue, total assets or market value of the Company; meanwhile, Group Finance Company should grant the Company a comprehensive unsecured credit facility of no less than RMB1,000,000,000.</p>	<p>For details, please refer to the announcement on the ordinary continuing related/continuing connected transactions published by the Company on the website of the SSE at www.sse.com.cn on 31 March 2016 and on 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, for a period of three years from the date of approval at 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 and the circular on the ordinary related/continuing connected transactions 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 4 May 2017 respectively.</p>
<p>On 22 March 2019, the Company entered into "the Financial Services Agreement" with Group Finance Company for a term of three years commencing on 1 April 2019. The maximum daily deposit balance (including interest accrued) shall not exceed the lower of RMB500,000,000 and 5% of the audited operating revenue, total assets or market value of the Company; meanwhile, Group Finance Company granted the Company a comprehensive unsecured credit facility of no less than RMB2,000,000,000.</p>	<p>For details, please refer to the announcement on the ordinary related/continuing connected transactions published by the Company on the website of the SSE at www.sse.com.cn on 25 March 2019 and the website of the Stock Exchange at www.hkexnews.hk on 24 March 2019, respectively.</p>

Matters which were disclosed in an announcement but had further progress or changes after implementation

Applicable Not Applicable

SIGNIFICANT MATTERS

X. MAJOR RELATED PARTY/CONNECTED TRANSACTION (CONTINUED)

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

Matters which were not disclosed in an announcement

Applicable Not Applicable

Unit: Yuan Currency: RMB

Related party	Related relationship	Funding provided to related parties			Funding provided by related parties to the listed Company		
		Opening balance	Amount incurred	Closing balance	Opening balance	Amount incurred	Closing balance
Communications Holding	Parent company	—	—	—	1,571,277,401	-242,329,323	1,328,948,078
Group Finance Company	Subsidiary of the parent company	—	—	—	951,262,708	-100,314,167	850,948,541
Far East Shipping Company	Subsidiary of the parent company	—	—	—	60,079,750	-7,250	60,072,500
Total		<u>—</u>	<u>—</u>	<u>—</u>	<u>2,582,619,859</u>	<u>-342,650,740</u>	<u>2,239,969,119</u>

Reasons for related creditor's rights and debts

The related creditor's rights and debts were formed due to the borrowing and lending of funds among the related 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 creditor's rights and debts on the Company's operation result and financial condition

The related 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/CONNECTED TRANSACTION (CONTINUED)

(V) Other major related party/connected transactions

Applicable Not Applicable

(VI) Others

Applicable Not Applicable

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

Applicable Not Applicable

(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

Applicable Not Applicable

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 income	Basis of determination of lease income	Effect of lease income on the Company	Related party transaction	Related party relationship
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)	12,955,904	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 RMB 200,000,000 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 RMB1,829,000 year-on-year.	No	Other
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))	17,805,392	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 RMB 100,300,000 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 RMB778,000 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 transaction	Related party relationship
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, Hulong Expressway (G42))	47,256,513	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 RMB 108,020,000 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 RMB992,000 year-on-year.	No	Other
Company	Jiaying 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, Hulong Expressway (G42))	60,930,582	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 RMB6,253,000 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 transaction	Related party relationship
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))	20,919,070	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 RMB7,677,000 year-on-year.	No	Other
Company	Nanjing Baisheng Business Management Co., Ltd. (南京百盛商業管理有限公司)	Douzhuang Service Area (located at K203+007m, Jiangsu Section, Hurong Expressway (G42))	17,806,972	21 September 2018	20 September 2026	160,040,000	An agency was engaged by the Company to conduct open tendering with a minimum bid of RMB 160,000,000. The bidder with the highest overall score won the bid. The matter has been considered and approved by the board of directors of the Company.	During the Reporting Period, the profit derived from the service area increased by RMB7,831,000 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

According to the plan for upgrading the business models of the service areas of the Company, the Company adopted the “outsourcing + supervision” and “platform expansion” models to outsource and upgrade all service areas in their entirety along Shanghai-Nanjing Expressway, further developing the geographic advantages and potential economic benefits of the road. In particular, Meicun service area was outsourced for a term of 6 years with rental totaling RMB280 million. Huanglishu service area was outsourced for a term of 6 years with rental totaling RMB130 million. Xianrenshan service area was outsourced for a term of 6 years with rental totaling RMB140 million. Fangmaoshan service area was outsourced for a term of 8 years with rental totaling RMB185 million. Yangcheng Lake service area was outsourced for a term of 9 years with rental totaling RMB185 million. Douzhuang service area was outsourced for a term of 8 years with rental totaling RMB160 million. As at the date of issuing this report, the upgrading and transformation of Meicun service area, Huanglishu service area, Xianrenshan service area, Fangmaoshan service area and Yangcheng Lake service area were completed and put into formal operation, thereby creating brand new tourist complexes featuring diversified operations, seamless layout, complete facilities and comprehensive functions. The contracts in relation to Douzhuang service area have been signed, of which the upgrading and transformation will be carried out in an orderly manner.

2 Guarantees

Applicable Not Applicable

3 Other material contracts

Applicable Not Applicable

SIGNIFICANT MATTERS

XII. POVERTY ALLEVIATION WORK OF THE LISTED COMPANY

Applicable Not Applicable

1. Plan for targeted poverty alleviation

Applicable Not Applicable

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

Applicable Not Applicable

During the Reporting Period, the Company contributed RMB1,000,000 to participate in the project of "Targeted Poverty Alleviation in Guannan County". Poverty alleviation funds was mainly used to maintain the main road of Toutu Village, Tianlou Town, Gannan County for the purpose of improving the travel environment and appearance of the village and raising the dwelling and living standards of villagers, enlarging achievements in the new socialism village construction to further enhance people's sense of happiness and gaining.

SIGNIFICANT MATTERS

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

3. Achievements for targeted poverty alleviation work

Applicable Not Applicable

Unit: 0'000 Currency: RMB

Indicator	Amount and progress of development
I. Overview	
Of which: 1. Capital	100
2. Material equivalent	-
3. Number of people out of poverty as registered (<i>person</i>)	-
II. Investment by items	
1. Poverty alleviation through industrial development	
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
2. Poverty alleviation through shift employment	-
3. Poverty alleviation through relocation from inhospitable areas	-
4. Poverty alleviation through education and training	-
5. Poverty alleviation through healthy service	-

SIGNIFICANT MATTERS

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

3. Achievements for targeted poverty alleviation work (Continued)

Indicator	Amount and progress of development
6. Poverty alleviation through ecological protection	–
Of which: 6.1 Project name	<input type="checkbox"/> Implement ecological protection and construction <input type="checkbox"/> Establish ecological protection compensation method <input type="checkbox"/> Set up ecological public welfare positions <input checked="" type="checkbox"/> Others
6.2 Investment amount	–
7. Basic assistance	–
8. Social poverty alleviation	100
Of which: 8.1 Invested amount of east-west cooperation for poverty alleviation	–
8.2 Invested amount to targeted poverty alleviation work	100
8.3 Public poverty alleviation fund	–
9. Other projects	–
III. Awards (details and grades)	–

SIGNIFICANT MATTERS

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

4. Development in phases in respect of the targeted poverty alleviation work being carried out to fulfil its social responsibility

Applicable Not Applicable

5. Subsequent targeted poverty alleviation plan

Applicable Not Applicable

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

Applicable Not Applicable

In accordance with requirement of the “Notice of the State Council on Issuing the Action Plan for Prevention and Control of Water Pollution” (《國務院關於印發水污染防治行動計劃的通知》) (Guo Fa [2015] No. 17), the “Notice of the Provincial Government on Issuing the Work Plan for Prevention and Control of Water Pollution in Jiangsu Province” (《省政府關於印發江蘇省水污染防治工作方案的 通知》)(Su Zheng Fa [2015] No. 175) and the “Notice of the work for the Renewal of Buried Double-layer Oil Tank or Retrofitting of Impermeable Tank of Gas Station” (《關於做好加油站地下油罐雙層罐更新或防滲池改造工作的通知》) (Su Huan Ban [2018] No. 32), at present, of the six pairs of service areas along Shanghai-Nanjing Expressway, except Xianren Shan service area, all have connected sewage to municipal pipe, the project of accessing the sewage of Xianren Shan service area to the municipal pipe is expected to be completed by the end of 2019. The updating and renovation of double-layer tanks in all 12 gas stations of service area along Shanghai-Nanjing Expressway were completed during the period from 10 October 2018 to 23 July 2019, and have passed the joint acceptance checking of environmental protection department, safety supervision department, fire department and commercial department.

SIGNIFICANT MATTERS

XIV. ENVIRONMENT-RELATED INFORMATION (CONTINUED)

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

Sound insulation and noise reduction work has been actively carried out. By the end of the first half year of 2019, sound barrier along Shanghai-Nanjing Expressway have been built for 45.685 km, and we built new sound barrier for 720m and maintained sound barrier for 371.68 square meters at the first half year of 2019.

In response to the environmental protection requirements related to the “Outline of Expressway Maintenance, Management and Development under 13th Five-year Plan of Jiangsu Province (江蘇省高速公路“十三五”養護管理發展綱要)”, milling planer material should be recycled in major and medium repair project of asphalt pavement. In the first half year of 2019, the volume of recycled milling planer material was 10,378.67 cubic meters, and the waste recovery rate reached 100%.

(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**

Applicable Not Applicable

New Lease Standards

The Group has adopted the Accounting Standards for Business Enterprises No. 21 – Leases (hereinafter referred to as the “New Lease Standards”, and the previous lease standards referred to as the “Previous Lease Standards”) revised by the Ministry of Finance in 2018 since 1 January 2019 (the “Date of Initial Application”). The New Lease Standards improve the definition of leases by adding the identification, separation and consolidation of leases; abolished the need for a lessee to classify its operating leases and finance leases, the lessee is required to recognise right-of-use assets and lease liabilities for all leases (other than short-term leases and leases of low value assets) at the commencement of the lease term. The Standards improve the lessee’s subsequent measurement of the lease by adding accounting treatment methods under the scenarios of option revaluation and lease change; and add relevant disclosure requirements. For a contract that had already existed prior to the Date of Initial Application, the Group has elected not to reassess whether such contract is, or contains a lease. For a contract that was signed or amended after the Date of Initial Application, the Group assesses whether such contract is, or contains a lease in accordance with the definition of leases under the New Lease Standards. The New Lease Standards determine whether a contract is a lease or contains a lease based on whether a party to the contract has assigned the right to control the use of one or more identified assets within a certain period in exchange for a consideration. The definition of a lease in the New Lease Standards does not have a significant impact on the scope of the Group’s contracts that meet the definition of a lease.

SIGNIFICANT MATTERS

XV. EXPLANATION ON OTHER SIGNIFICANT MATTERS (CONTINUED)

(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 (Continued)

The Group as lessee

The Group adjusted the retained earnings at the Date of Initial Application and the amounts of other related items in the financial statements based on the cumulative effect of the initial adoption of the New Lease Standards, and did not adjust the information for the comparative period.

For operating leases other than leases of low value prior to the Date of Initial Application, the Group elected to apply one or more of the following simplified approaches for each lease:

- For a lease that will be completed within 12 months from the Date of Initial Application, it was treated as a short-term lease;
- The same discount rate was applied to the leases with similar characteristics in measuring the lease liabilities;
- The measurement of right-of-use assets did not include initial direct costs.
- For an operating lease prior to the Date of Initial Application, the Group measured the lease liability at the present value of the remaining lease payments, discounted using the lessee's incremental borrowing rate at the Date of Initial Application, and chose to measure the right-of-use assets according to each lease as follows:
 - the same amount as the lease liability, adjusted for any rental prepayments as necessary.

The Group recognised lease liabilities of RMB5,526,084 and right-of-use assets of RMB7,419,401 as at 1 January 2019. For operating leases prior to the Date of Initial Application, the Group measured the lease liability at the present value discounted using the incremental borrowing rates at the Date of Initial Application, and the weighted average of such rates was 4.75%.

SIGNIFICANT MATTERS

XV. EXPLANATION ON OTHER SIGNIFICANT MATTERS (CONTINUED)

(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 (Continued)

The Group as lessee (Continued)

The difference between the lease liabilities recognised by the Group on 1 January 2019 and the significant operating lease commitments disclosed in the 2018 financial statements is as follows:

Item	Note	1 January 2019
I. Operating lease commitments as at 31 December 2018		8,298,735
Lease liabilities discounted using the incremental borrowing rates at the Date of Initial Application		5,979,209
Less: recognition of waiver – short-term leases		453,125
Lease liabilities related to the previous operating leases recognized duo to the application of the New Lease Standards		5,526,084
II. Lease liabilities as at 1 January 2019		5,526,084
Presented as:		
Current liabilities		3,231,042
Non-current liabilities		2,295,042

As at 1 January 2019, the carrying amount of right-of-use assets consisted of the following:

Item	Note	1 January 2019
Right-of-use assets:		
Right-of-use assets recognized in respect of operating leases prior to the Date of Initial Application		5,526,084
Reclassification of rental prepayments	1	1,893,317
Total		<u>7,419,401</u>
By category:		
Item	Note	1 January 2019
Buildings		<u>7,419,401</u>
Total		<u>7,419,401</u>

Note 1: The Group's rental prepayments for offices/sales offices were presented as prepayments as at 31 December 2018. As at the Date of Initial Application, they are reclassified to right-of-use assets.

SIGNIFICANT MATTERS

XV. EXPLANATION ON OTHER SIGNIFICANT MATTERS (CONTINUED)

(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 (Continued)

The Group as lessor

Under the Previous Lease Standards, the Group treated the received refundable rental deposits as rights and obligations in relation to the leases. These refundable deposits were not payments relating to the right-of-use assets under the New Lease Standards. Therefore, adjustments were made at the Date of Initial Application to reflect the effects of discounting, and the difference was accounted for as rental received in advance. The change has no significant impact on the financial statements for the current year.

From the Date of Initial Application, the Group allocates the contract consideration in accordance with the Accounting Standards for Business Enterprises No. 14 – Revenue in relation to the allocation of transaction price. The change has no significant impact on the financial statements for the current year.

The Format of Financial Statements of General Enterprises

The Group implemented the Notice on Revising and Issuing the Format of Financial Statements of General Enterprises for 2019 (Cai Kuai [2019] No. 6, hereinafter referred to as “Cai Kuai Circular 6”) issued by the Ministry of Finance on 30 April 2019 when preparing the financial statements for the first half year of 2019. Cai Kuai Circular 6 separates the item of “notes receivable and accounts receivable” into two items, namely “notes receivable” and “accounts receivable”, and separates the item of “notes payable and accounts payable” into two items, namely “notes payable” and “accounts payable”; newly adds the items of “financing receivables”, “right-of-use assets”, “lease liabilities” and “special reserve”; clarifies the presentation contents of “other receivables”, “non-current assets due within one year”, “other payables”, “deferred income” and “other equity instruments”; and also provides the requirements for the presentation of loss provisions for loan commitments, financial guarantee contracts and other items. Circular 6 adds the item of “gain on derecognition of financial assets measured at amortized cost” under the item of “investment income”, further clarifies or amends the presentation contents of “interest income” under the items of “research and development expenses” and “financial expenses”, “other income”, “non-operating income” and “non-operating expenses”, and adjusts the presentation position of the items of “credit impairment loss” and “asset impairment loss”.

SIGNIFICANT MATTERS

XV. EXPLANATION ON OTHER SIGNIFICANT MATTERS (CONTINUED)

(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 (Continued)

The Format of Financial Statements of General Enterprises (Continued)

The impact of the application of the New Lease Standards on the relevant items in the balance sheet of the Group as at 1 January 2019 is as follows:

Item	Note	31 December 2018	Adjustment	1 January 2019
Current assets:				
Prepayments		29,060,041	(1,893,317)	27,166,724
Non-current assets:				
Right-of-use assets			7,419,401	7,419,401
Current liabilities:				
Non-current liabilities due within one year		381,700,433	3,231,042	384,931,475
Non-current liabilities:				
Lease liabilities			2,295,042	2,295,042

The changes in accounting policies are reasonable changes in accounting policies in accordance with the requirements of the Ministry of Finance. The impact of the New Lease Standards on the Company's operating conditions, financial results and financial information disclosure is not significant.

SIGNIFICANT MATTERS

XV. EXPLANATION ON OTHER SIGNIFICANT MATTERS (CONTINUED)

(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

XVI. CORPORATE GOVERNANCE

For the period of six months ended 30 June 2019, other than the code provision 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.

According to the code provision A6.7 of the Corporate Governance Code, the independent non-executive directors and other non-executive directors shall attend the annual general meeting. Mr. Wu Xinhua and Ms. Hu Yu, two non-executive directors of the Company, were unable to attend the Company's annual general meeting on 20 June 2019 due to business affairs.

XVII. MATERIAL CHANGE

Save as disclosed in this report, there has been no material change in respect of (a) the development of business of the Group and its financial position; (b) important events affecting the Group; and (c) the likely future development in the business of the Group and prospects for the year, since the publication of the 2018 annual report of the Company.

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 (including 420 holders of H shares)	23,566
Total number of preference shareholders with voting rights restored as at the end of the Reporting Period	0

(II) Table of shareholdings of top ten shareholders and top ten shareholders of shares in circulation (or shareholders without being imposed on any sales restrictions) as at the end of the Reporting Period

Unit: Share

Name of shareholder (full name)	Change during the Reporting Period	Shareholdings of top ten shareholders		Number of shares with sales restrictions held	Pledged or frozen Status of shares	Type of shareholder
		Number of shares held as at the end of the Reporting Period	Percentage (%)			
Jiangsu Communications Holding Company Limited	-	2,742,578,825	54.44	-	Nil	State-owned legal person
China Merchants expressway Network & Technology Holdings Co., Ltd.	-	589,059,077	11.69	-	Nil	State-owned legal person
BlackRock, Inc.	12,442,632	147,022,449	2.92	-	Unknown	Foreign legal person
Commonwealth Bank of Australia	-11,910,000	122,192,971	2.43	-	Unknown	Foreign legal person
JPMorgan Chase & Co.	-24,113,289	105,195,989	2.09	-	Unknown	Foreign legal person
Guotai Junan Securities Company Limited	-11,537,889	63,983,650	1.27	-	Unknown	Others
Citigroup Inc.	12,596	61,445,317	1.22	-	Unknown	Foreign legal person
Jiantou Zhongxin Asset Management Co., Ltd	-	21,410,000	0.42	-	Unknown	Others
China Merchants Bank Co., Ltd. - Fuguo Low-carbon and Environmental Protection Mixed Securities Investment Fund	4,984,779	13,331,422	0.26	-	Unknown	Others
China Pacific Life Insurance Co., Ltd. - CPLI Stock Dividend Product (Shou Zi Ying) Entrusted Investment (Yangtze River Pension)(中國太平洋人壽保險股份有限公司-中國太平洋人壽股票紅利型產品(壽自營)委託投資(長江養老))	-	12,616,416	0.25	-	Unknown	Others

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

II. SHAREHOLDERS (CONTINUED)

(II) Table of shareholdings of top ten shareholders and top ten shareholders of shares in circulation (or shareholders without being imposed on any sales restrictions) as at the end of the Reporting Period (Continued)

Name of shareholder	Shareholding of top ten shareholders without selling restrictions		
	Number of shares without selling restrictions in circulation	Class	Number
Jiangsu Communications Holding Company Limited	2,742,578,825	RMB ordinary	2,742,578,825
China Merchants Expressway Network & Technology Holdings Co., Ltd.	589,059,077	RMB ordinary	589,059,077
BlackRock, Inc.	147,022,449	Overseas listed foreign shares	147,022,449
Commonwealth Bank of Australia	122,192,971	Overseas listed foreign shares	122,192,971
JPMorgan Chase & Co.	105,195,989	Overseas listed foreign shares	105,195,989
Guotai Junan Securities Co., Ltd.	63,983,650	Others	63,983,650
Citigroup Inc.	61,445,317	Overseas listed foreign shares	61,445,317
Jiantou Zhongxin Asset Management Co., Ltd.	21,410,000	Others	21,410,000
China Merchants Bank Co., Ltd. – Fuguo Low-carbon and Environmental Protection Mixed Securities Investment Fund	13,331,422	Others	13,331,422
China Pacific Life Insurance Co., Ltd. – CPLI Stock Dividend Product (Shou Zi Ying) Entrusted Investment (Yangtze River Pension) (中國太平洋人壽保險股份有限公司-中國太平洋人壽股票紅利型產品(壽自營)委託投資(長江養老))	12,616,416	Others	12,616,416

- Illustration on the related relationship or acting-in-concert(1) arrangement with respect to the above shareholders
- (1) The Company is not aware of the existence of related relationship or acting-in-concert arrangement with respect to the above shareholders;
- (2) During the Reporting Period, none of the related 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 of Hong Kong.

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 shareholders of shares in circulation (or shareholders without being imposed on any sales restrictions) as at the end of the Reporting Period (Continued)

Interests and short positions

As at 30 June 2019, the following shareholders (excluding the directors and chief executives of the Company) had interests or short positions in any shares or underlying shares of the Company that was required to be disclosed by the Company under Divisions 2 and 3 of Part XV of the Securities and Futures Ordinance and recorded in the register required to be kept by the Company under Section 336 of the Securities and Futures Ordinance.

Name of shareholder	Capacity	Number of A Shares		Percentage of A Shares (total shares)
		Directly interested	Number of A Shares	
Jiangsu Communications Holding Company Limited	Other	Yes	2,742,578,825 (L)	71.88% (54.44%) (L)
China Merchants Expressway Network & Technology Holdings Co., Ltd. ⁽¹⁾	Other	Yes	589,059,077 (L)	15.44% (11.69%) (L)

=====



CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

II. SHAREHOLDERS (CONTINUED)

(II) Table of shareholdings of top ten shareholders and top ten shareholders of shares in circulation (or shareholders without being imposed on any sales restrictions) as at the end of the Reporting Period (Continued)

Interests and short positions (Continued)

Name of shareholder	Capacity	Directly interested	Number of H Shares		Percentage of H Shares (total shares)
			Number of H Shares		
Commonwealth Bank of Australia	Interest of controlled corporation ⁽²⁾	No	122,192,971 (L)		9.99% (2.43%)(L)
BlackRock, Inc.	Interest of controlled corporation ⁽³⁾	No	147,022,449 (L)		12.03% (2.92%) (L)
JPMorgan Chase & Co.	Interest of controlled corporation/ investment manager/ custodian – corporation/ approved lending agent ⁽⁴⁾	No	105,195,989 (L)		8.60% (2.09%) (L)
			5,350,073 (S)		0.43% (0.11%) (S)
			66,119,071 (P)		5.41% (1.31%) (P)
Citigroup Inc.	Interest of controlled corporation/ approved lending agent/custodian – corporation ⁽⁵⁾	No	61,445,317 (L)		5.02% (1.22%) (L)
			308,322 (S)		0.02% (0.01%) (S)
			60,284,090 (P)		4.93% (1.20%) (P)

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 interest in its subsidiary, China Merchants Expressway Network.

(2) Commonwealth Bank of Australia was deemed to be interested in the Company by virtue of its indirectly wholly-owned subsidiaries.

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

II. SHAREHOLDERS (CONTINUED)

(II) Table of shareholdings of top ten shareholders and top ten shareholders of shares in circulation (or shareholders without being imposed on any sales restrictions) as at the end of the Reporting Period (Continued)

Interests and short positions (Continued)

- (3) BlackRock, Inc. was deemed to be interested in the long position of a total of 147,022,449 H Shares of the Company and in the short position of 1,534,000 H Shares by virtue of its control over a number of corporations, which were indirectly wholly-owned by BlackRock, Inc., except the following:
- (a) BlackRock Holdco 6, LLC was indirectly owned as to 90% by BlackRock, Inc. BlackRock Holdco 6, LLC held interests in the Company through its indirectly wholly-owned subsidiaries as follows:
- (i) BlackRock Institutional Trust Company, National Association held 21,521,058 (long position) and 1,534,000 H Shares (short position) of the Company.
- (ii) BlackRock Fund Advisors held 66,580,000 H Shares (long position) of the Company.
- (b) BR Jersey International Holdings L.P. was indirectly owned as to 86% by BlackRock, Inc. BR Jersey International Holdings L.P. held interests in the Company through its indirectly wholly-owned subsidiaries as follows:
- (i) BlackRock Japan Co., Ltd. held 1,351,971 H Shares (long position) of the Company.
- (ii) BlackRock Asset Management Canada Limited held 1,924,000 H Shares (long position) of the Company.
- (iii) BlackRock Investment Management (Australia) Limited held 278,000 H Shares (long position) of the Company.
- (iv) BlackRock Asset Management North Asia Limited held 681,072 H Shares (long position) of the Company.
- (v) BlackRock Investment Management (Taiwan) Limited held 60,000 H Shares (long position) of the Company.
- (c) BlackRock Group Limited was indirectly owned as to 90% by BR Jersey International Holdings L.P. (see note 2(b) above). BlackRock Group Limited held interests in the Company through its directly or indirectly wholly-owned subsidiaries as follows:
- (i) BlackRock (Netherlands) B.V. held 164,000 H Shares (long position) of the Company.
- (ii) BlackRock Advisors (UK) Limited held 64,000 H Shares (long position) of the Company.
- (iii) BlackRock International Limited held 266,000 H Shares (long position) of the Company.
- (iv) BlackRock Asset Management Ireland Limited held 12,337,865 H Shares (long position) 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 shareholders of shares in circulation (or shareholders without being imposed on any sales restrictions) as at the end of the Reporting Period (Continued)

Interests and short positions (Continued)

- (v) BLACKROCK (Luxembourg) S.A. held 19,158,000 H Shares (long position) of the Company.
- (vi) BlackRock Investment Management (UK) Limited held 7,909,094 H Shares (long position) of the Company.
- (vii) BlackRock Fund Managers Limited held 3,567,837 H Shares (long position) of the Company.
- (viii) BlackRock Asset Management (Schweiz) AG held 10,000 H Shares (long position) of the Company.
- (4) JPMorgan Chase & Co. was deemed to be interested in the long position of a total of 105,195,989 H Shares of the Company (of which 168,000 H Shares were held through cash settled (off exchange) derivatives) and the short position of 5,350,073 H Shares (of which 5,264,073 H Shares were held through cash settled (off exchange) derivatives). JPMorgan Chase & Co. held interests in the following capacities:

Capacity	Number of shares (long position)	Number of shares (short position)	Number of shares (lending pool)
Interest of controlled corporation	9,819,522	5,350,073	
Investment manager	29,011,000	80,000	
Person having a security interest in shares	246,396		
Approved lending agent			66,119,071

- (5) Citigroup Inc. was deemed to be interested in the long position of a total of 61,445,317 H Shares of the Company and the short position of 308,332 H Shares. Citigroup Inc. held interests in the following capacities:

Capacity	Number of shares (long position)	Number of shares (short position)	Number of shares (lending pool)
Interest of controlled corporation	965,227	308,332	
Person having a security interest in shares	196,000		
Approved lending agent			60,284,090

Save as disclosed above, to the best of the Company's knowledge, there was no other person required to make disclosure under the Securities and Futures Ordinance of Hong Kong as at 30 June 2019.

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

II. SHAREHOLDERS (CONTINUED)

(II) Table of shareholdings of top ten shareholders and top ten shareholders of shares in circulation (or shareholders without being imposed on any sales restrictions) as at the end of the Reporting Period (Continued)

Interests and short positions (Continued)

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

Applicable Not Applicable

(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 2019, 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 Securities and Futures Ordinance) that was required to be recorded in the register maintained by the Company pursuant to section 352 of the Securities and Futures Ordinance, 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.

V. REPURCHASE, SALE OR REDEMPTION OF SECURITIES

During the Reporting Period, there was no repurchase, sale or redemption of any of its listed securities by the Company and/or any of its subsidiaries; and the Company and its subsidiaries have not issued or grant any convertible securities, options, warrants or other similar rights at any time.

VI. PUBLIC FLOAT

According to public information and as far as the Directors know, the board of Directors is of the view that the public float of the shares of the Company as at 23 August 2019 (being the latest practicable date prior to the publication of this Report) complied with the requirements of the Hong Kong Listing Rules.

CHANGES IN ORDINARY SHARES AND INFORMATION ON SHAREHOLDERS

VII. DIVIDEND ARRANGEMENT WAIVED OR AGREED BY THE SHAREHOLDERS

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

VIII. 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

Applicable Not Applicable

Name	Position Held	Change
Lu Zhengfeng (陸正峰)	Supervisor	Appointed
Yan Yun (顏耘)	Deputy general manager	Appointed
Xu Keqiang (許克強)	Assistants to general manager	Appointed
Chen Wei(陳巍)	Supervisor	Resigned

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

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 supervisors and senior management officers:

Lu Zhengfeng, male, born in August 1973, graduated from Tongji University with postgraduate academic qualifications and doctoral degree, and is a senior engineer. Mr. Lu served as assistant to the manager, deputy manager and manager of the Investment Development Department and manager of each of the Operational Management Department and Information Department of the Company; he is currently the deputy chief economic manager and manager of the Investment Development Department of the Company as well as a deputy general manager of Jiangsu Ninghu Investment Development Co., Ltd. Having long been engaged in investment strategies and communications-related operation and management work, Mr. Lu has extensive experience in operation and management as well as investment strategies in the communications industry.

Yan Yun, female, born in 1974, postgraduate, is an economist with a master's degree. Ms. Yan served as the head of Tangshan Toll Station of Jiangsu Expressway Company Limited, office director and the assistant to the head of Ningzhen management office, and the deputy manager and manager of Operation and Development Company. She is currently the deputy general manager of Jiangsu Expressway Company Limited. Ms. Yan has been engaging in the field of management of expressway enterprises and she is well-experienced in corporate management.

Xu Keqiang, male, born in 1978, postgraduate, holds a double bachelor's degree and is a senior economist, senior human resources professional, registered enterprise legal advisor and human resources management professional (Class A). Mr. Xu served as the manager of the comprehensive department of Jiangsu Orient Expressway Operation and Management Company Limited, director of the commanding and dispatching center of the Nanjing management office of Jiangsu Nanjing-Huai'an Expressway, and the deputy supervisor, supervisor and senior supervisor of the human resources department of Jiangsu Communications Holding Company Limited. He is currently the assistant to the general manager of Jiangsu Expressway Company Limited. Mr. Xu has been engaging in the field of operation and management of expressways for a long period of time, and he is well-experienced in the management of expressway enterprises.

PROFILES OF DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

III. OTHER EXPLANATIONS

Applicable Not Applicable

(I) Independent Non-executive Directors

The Company has appointed a sufficient number of independent non-executive Directors. Zhang Zhuting, Chen Liang, Lin Hui, Zhou Shudong and Liu Xiaoxing 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. Five 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 2019, the Group (including its controlled subsidiaries) had 5,191 staff members in total, comprising 793 managerial and technical staff members and 4,398 manufacturing staff members. During the Reporting Period, total amount of staff remuneration reached RMB424,412,000. The Company gave full play to the incentive and restrictive role of the position-based salary system in the first half of 2019. The Company continued to optimize staff remuneration composition, intensified the relationship between performance wages and dose-effect, 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 training, we comprehensively checked the existing staff team, formulated personnel training plan base on the enterprise development needs and team structure, implemented policy separately, conducted multi-level training and improved job matching by organically combining professionalism with comprehensiveness. The Company has organized its management staff to participate in the training conducted by Communications Holding in relation to expanding international vision, improving strategic thinking and enhancing innovation ability and improving operational excellence. Training on advanced application ability of EXCEL was conducted among front-line employees, and more than 70 employees from various positions participated in the training to improve their daily management data processing ability. In view of the trend of change in toll collection from the traditional mode, the Company has organized its staff of toll stations to participate in new skills training to improve their position adaptability.

INFORMATION ON CORPORATE BONDS

Applicable Not Applicable



CONSOLIDATED BALANCE SHEET

For the Period Ended 30 June 2019

Unit: RMB

Item	Note	30 June 2019	31 December 2018	Item	Note	30 June 2019	31 December 2018
Current Assets:				Current Liabilities:			
Cash and bank balances	VI 1	593,149,364	649,761,591	Short-term borrowings	VI 20	1,410,000,000	1,580,000,000
Held-for-trading financial assets	VI 2	1,532,884,940	683,326,861	Notes payable	VI 21	150,000,000	-
Notes receivable	VI 3	-	1,681,265	Accounts payable	VI 22	905,840,564	1,090,607,320
Accounts receivable	VI 4	446,623,274	321,158,727	Receipts in advance	VI 23	92,987,984	73,454,895
Prepayments	VI 5	73,869,768	29,060,041	Contract liabilities	VI 24	1,249,072,133	962,200,983
Other receivables	VI 6	172,012,198	37,833,951	Employee benefits payable	VI 25	2,224,023	2,917,980
Inventories	VI 7	3,985,171,081	4,045,555,776	Taxes payable	VI 27	287,086,986	271,704,890
Non-current assets due within one year		-	-	Other payables	VI 26	2,704,018,253	270,459,371
Other current assets	VI 8	230,649,865	130,656,171	Non-current liabilities due within one year	VI 28	124,674,944	381,700,433
				Other current liabilities	VI 29	2,208,009,480	2,212,191,672
Total Current Assets		7,034,360,490	5,899,034,383	Total Current Liabilities		9,133,914,367	6,845,237,544
Non-current Assets:				Non-current Liabilities:			
Investments in other equity instruments	VI 9	4,517,133,260	3,035,293,680	Long-term borrowings	VI 30	8,130,483,904	7,688,853,902
Other non-current financial assets	VI 10	1,131,784,691	1,111,415,422	Bonds payable	VI 31	3,985,860,581	3,980,548,108
Long-term equity investments	VI 11	6,132,904,337	5,702,454,036	Lease liabilities	VI 32	-	-
Investment properties	VI 12	18,755,633	19,207,033	Deferred income	VI 33	42,127,303	43,109,916
Fixed assets	VI 13	1,750,067,799	1,814,133,323	Provisions	VI 34	-	461,700
Construction in progress	VI 14	11,673,584,207	10,087,826,331	Deferred tax liabilities	VI 18	346,317,420	250,660,721
Right-of-use assets	VI 15	5,184,870	-	Total Non-current Liabilities		12,504,789,208	11,963,634,347
Intangible assets	VI 16	19,603,519,408	20,280,055,629	TOTAL LIABILITIES		21,638,703,575	18,808,871,891
Long-term prepaid expenses	VI 17	1,793,846	1,654,145	Shareholders' Equity:			
Deferred tax assets	VI 18	136,121,689	197,447,059	Share capital	VI 35	5,037,747,500	5,037,747,500
Other non-current assets	VI 19	14,955,570	14,207,792	Capital reserve	VI 36	10,428,388,235	10,428,388,235
				Other comprehensive income	VI 38	1,365,429,817	837,827,667
				Surplus reserve	VI 37	3,411,194,285	3,411,194,285
				Retained profits	VI 39	6,386,285,223	6,422,040,045
				Total shareholders' equity attributable to equity holders of the Company		26,629,045,060	26,137,197,732
				Minority interests		3,752,417,165	3,216,659,210
Total Non-current Assets		44,985,805,310	42,263,694,450	TOTAL SHAREHOLDERS' EQUITY		30,381,462,225	29,353,856,942
TOTAL ASSETS		52,020,165,800	48,162,728,833	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		52,020,165,800	48,162,728,833

The accompanying notes form part of the financial statements

The financial statements on pages 90 to 247 were signed by the following:

Legal Representative:

Person in Charge of the Accounting Body:

Chief Accountant:

BALANCE SHEET OF THE COMPANY

For the Period Ended 30 June 2019

Unit: RMB

Item	Note	30 June 2019	31 December 2018	Item	Note	30 June 2019	31 December 2018
Current Assets:				Current Liabilities:			
Cash and bank balances		105,441,617	100,931,394	Short-term borrowings		1,845,000,000	1,690,000,000
Held-for-trading financial assets		1,097,000,000	193,000,000	Accounts payable		311,137,255	491,880,235
Accounts receivable	XV 1	287,155,747	218,353,103	Receipts in advance		88,397,363	68,061,949
Prepayments		9,446,013	8,598,094	Contract liabilities		-	-
Other receivables	XV 2	172,340,230	44,321,154	Employee benefits payable		1,064,316	2,242,393
Inventories		11,273,036	11,305,004	Taxes payable		117,800,148	135,467,755
Non-current assets due within one year		-	-	Other payables		2,548,626,035	169,847,846
Other current assets		18,000,000	7,000,000	Non-current liabilities due within one year		1,703,283	1,700,433
				Other current liabilities		2,208,009,480	2,212,191,672
Total Current Assets		1,700,656,643	583,508,749	Total Current Liabilities		7,121,737,880	4,771,392,283
Non-current Assets:				Non-current Liabilities:			
Available-for-sale financial assets		-	-	Long-term borrowings		14,477,904	15,303,902
Investments in other equity instruments		3,382,233,260	1,933,153,680	Bonds payable		3,985,860,581	3,980,548,108
Long-term equity investments	XV 3	14,910,424,844	14,290,944,294	Deferred tax liabilities		82,149,681	-
Fixed assets		918,459,982	948,663,656	Provisions		-	461,700
Construction in progress		43,293,820	50,503,852	Total Non-current Liabilities		4,082,488,166	3,996,313,710
Intangible assets		9,737,878,527	10,087,165,531	TOTAL LIABILITIES		11,204,226,046	8,767,705,993
Deferred tax assets		-	45,120,214				
Other non-current assets		2,155,992,872	2,604,419,552	Shareholders' Equity:			
Total Non-current Assets		31,148,283,305	29,959,970,779	Share capital		5,037,747,500	5,037,747,500
				Capital reserve		7,327,650,327	7,327,650,327
				Other comprehensive income		796,203,602	289,485,952
				Surplus reserve		2,518,873,750	2,518,873,750
				Retained profits		5,964,238,723	6,602,016,006
				TOTAL SHAREHOLDERS' EQUITY		21,644,713,902	21,775,773,535
TOTAL ASSETS		32,848,939,948	30,543,479,528	TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY		32,848,939,948	30,543,479,528

The accompanying notes form part of the financial statements

The financial statements on pages 90 to 247 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 2019

Unit: RMB

Item	Note	Amount for the current period	Amount for the prior period
I. Total operating income	VI 40	4,835,457,869	5,141,779,834
Including: Operating income		4,835,457,869	5,141,779,834
Less: Total operating costs		2,341,869,205	2,714,073,589
Including: Operating costs	VI 40	1,955,644,387	2,256,373,175
Taxes and levies	VI 41	55,403,316	107,395,338
Selling expenses	VI 42	18,630,332	11,592,289
Administrative expenses	VI 43	85,673,932	85,500,282
Financial expenses	VI 44	226,517,238	253,212,505
Including: Interest expenses		227,654,019	239,697,636
Interest income		3,577,594	3,481,804
Impairment losses of assets		—	—
Impairment losses of credit	VI 45	-130,000	—
Add: Gains (losses) from changes in fair values	VI 46	21,207,891	-2,594,467
Investment income	VI 47	478,199,641	730,532,269
Including: Income from investments in associates and joint ventures		355,157,836	284,808,956
Losses from disposal of assets	VI 48	-295,937	-215,505
Other income	VI 49	2,612,095	1,032,811
II. Operating profit		2,995,182,354	3,156,461,353
Add: Non-operating income	VI 50	1,608,479	9,282,569
Less: Non-operating expenses	VI 51	11,041,962	15,029,125
III. Total profit		2,985,748,871	3,150,714,797
Less: Income tax expenses	VI 52	651,267,942	611,486,734
IV. Net profit		2,334,480,929	2,539,228,063
(I) Categorized by the nature of continuing operation:			
1. Net profit from continuing operations		2,334,480,929	2,539,228,063
2. Net profit from discontinued operations		—	—
(II) Categorized by ownership:			
1. Net profit (loss) attributable to owners of the Company		2,281,609,028	2,488,142,065
2. Profit or loss attributable to minority interests		52,871,901	51,085,998

CONSOLIDATED INCOME STATEMENT

For the Period Ended 30 June 2019

Item	Note	Amount for the current period	Amount for the prior period
V. Other comprehensive income, net of tax	VI 53	531,287,649	1,298,445,418
Other comprehensive income attributable to owners of the Company, net of tax		527,602,150	1,129,641,244
(I) Other comprehensive income that cannot be reclassified to profit or loss		527,602,150	801,486,984
1. Other comprehensive income that cannot be reclassified into profit or loss under the equity method		124,907,965	–
2. Changes in fair value of investments in other equity instruments		402,694,185	801,486,984
(II) Other comprehensive income that will be reclassified to profit or loss		–	328,154,260
1. Other comprehensive income that will be reclassified to profit or loss under the equity method		–	328,154,260
Other comprehensive income attributable to minority interests, net of tax		3,685,499	168,804,174
VI. Total comprehensive income		2,865,768,578	3,837,673,481
Total comprehensive income attributable to owners of the Company		2,809,211,178	3,617,783,309
Total comprehensive income attributable to minority interests		56,557,400	219,890,172
VII. Earnings per share			
(I) Basic earnings per share		0.4529	0.4939
(II) Diluted earnings per share		N/A	N/A

The accompanying notes form part of the financial statements

The financial statements on pages 90 to 247 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 2019

Unit: RMB

Item	Note	Amount for the current period	Amount for the prior period
I. Total operating income	XV 4	3,122,046,926	3,123,478,169
Less: Operating costs	XV 4	1,115,103,029	1,249,352,091
Taxes and levies		20,996,092	22,661,054
Administrative expenses		57,722,948	59,413,330
Financial expenses		138,513,027	181,590,147
Including: Interest expenses		137,115,213	180,782,307
Interest income		919,916	1,228,164
Impairment losses of assets		—	—
Impairment losses of credit		—	—
Add: Investment income	XV 5	361,285,281	318,900,779
Including: Income from investments in associates and joint ventures		245,926,085	186,460,559
Gains from disposal of assets		67,584	93,722
Other income		1,627,823	—
II. Operating profit		2,152,692,518	1,929,456,048
Add: Non-operating income		1,436,015	503
Less: Non-operating expenses		7,678,463	10,789,909
III. Total profit		2,146,450,070	1,918,666,642
Less: Income tax expenses		466,863,503	419,509,252
IV. Net profit		1,679,586,567	1,499,157,390
(I) Net profit from continuing operations		1,679,586,567	1,499,157,390
(II) Net profit from discontinued operations		—	—

INCOME STATEMENT OF THE COMPANY

For the Period Ended 30 June 2019

Item	Note	Amount for the current period	Amount for the prior period
V. Net other comprehensive income after tax		506,717,650	173,084,260
(I) Other comprehensive income that cannot be reclassified into profit or loss		506,717,650	-155,070,000
1. Other comprehensive income that cannot be reclassified into profit or loss under the equity method		124,907,965	-
2. Changes in fair value of investments in other equity instruments		381,809,685	-155,070,000
(II) Other comprehensive income that will be reclassified into profit or loss		-	328,154,260
1. Other comprehensive income that will be reclassified to profit or loss under the equity method		-	328,154,260
VI. Total comprehensive income		<u>2,186,304,217</u>	<u>1,672,241,650</u>

The accompanying notes form part of the financial statements

The financial statements on pages 90 to 247 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 2019

Unit: RMB

Item	Note	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		5,240,391,028	4,859,995,310
Other cash receipts relating to operating activities	VI 55 (1)	98,154,644	89,814,612
Sub-total of cash inflows from operating activities		5,338,545,672	4,949,809,922
Cash payments for goods purchased and services received		991,054,370	952,677,534
Net increase in loans to customers and advances		500,004	–
Cash payments to and on behalf of employees		424,438,938	426,008,900
Payments of various types of taxes		898,469,531	820,832,908
Other cash payments relating to operating activities	VI 55 (2)	96,586,438	87,501,473
Sub-total of cash outflows from operating activities		2,411,049,281	2,287,020,815
Net Cash Flow from Operating Activities		2,927,496,391	2,662,789,107
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		3,804,205,808	2,670,700,000
Cash receipts from investment income		63,582,954	148,155,465
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		117,487	57,725,610
Other cash receipts relating to investing activities	VI 55 (3)	–	430,771,364
Sub-total of cash inflows from investing activities		3,867,906,249	3,307,352,439
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		1,477,781,578	1,330,219,781
Cash payments to acquire investments		5,593,771,864	2,507,904,350
Net cash payments for acquisitions of subsidiaries and other business units		–	–
Other cash payments relating to investing activities	VI 55 (4)	–	480,000,000
Sub-total of cash outflows from investing activities		7,071,553,442	4,318,124,131
Net Cash Flow from Investing Activities		-3,203,647,193	-1,010,771,692

CONSOLIDATED CASH FLOW STATEMENT

For the Period Ended 30 June 2019

Item	Note	Amount for the current period	Amount for the prior period
III. Cash Flows from Financing Activities:			
Cash receipts from capital contributions		479,200,555	520,768,164
Including: cash receipts from capital contributions from minority owners of subsidiaries		479,200,555	520,768,164
Cash receipts from borrowings		1,402,400,000	3,951,000,000
Cash receipts from issue of bonds		2,200,000,000	1,498,986,400
Other cash receipts relating to financing activities	VI 55 (5)	-	-
Sub-total of cash inflows from financing activities		4,081,600,555	5,970,754,564
Cash repayments of borrowings		3,604,177,864	5,977,528,802
Cash payments for distribution of dividends or profits or settlement of interest expenses		185,038,115	1,184,440,069
Including: payments for distribution of dividends or profits to minority owners of subsidiaries		-	-
Other cash payments relating to financing activities	VI 55 (6)	2,248,811	19,016,321
Sub-total of cash outflows from financing activities		3,791,464,790	7,180,985,192
Net Cash Flow generated from Financing Activities		290,135,765	-1,210,230,628
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		-	-
V. Net Increase (Decrease) in Cash and Cash Equivalents	VI 56(1)	13,984,963	441,786,787
Add: Opening balance of Cash and Cash Equivalents	VI 56(1)	515,126,921	262,758,700
VI. Closing balance of Cash and Cash Equivalents	VI 56(1)	<u>529,111,884</u>	<u>704,545,487</u>

The accompanying notes form part of the financial statements

The financial statements on pages 90 to 247 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 2019

Unit: RMB

Item	Note	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		3,234,856,552	3,327,054,517
Other cash receipts relating to operating activities		13,448,956	53,171,033
Sub-total of cash inflows from operating activities		3,248,305,508	3,380,225,550
Cash payments for goods purchased and services received		663,165,219	745,945,500
Cash payments to and on behalf of employees		275,249,187	284,391,767
Payments of various types of taxes		648,620,931	623,960,143
Other cash payments relating to operating activities		21,532,011	35,331,793
Sub-total of cash outflows from operating activities		1,608,567,348	1,689,629,203
Net Cash Flow from Operating Activities		1,639,738,160	1,690,596,347
II. Cash Flows from Investing Activities:			
Cash receipts from disposals and recovery of investments		2,322,000,000	2,299,000,000
Cash receipts from investment income		53,169,305	154,278,170
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		83,000	57,719,500
Other cash receipts relating to investing activities		461,000,000	369,000,000
Sub-total of cash inflows from investing activities		2,836,252,305	2,879,997,670
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		43,729,074	36,733,077
Cash payments to acquire investments		4,462,000,000	2,162,339,800
Net cash payments for acquisitions of subsidiaries and other business units		—	—
Other cash payments relating to investing activities		11,000,000	530,000,000
Sub-total of cash outflows from investing activities		4,516,729,074	2,729,072,877
Net Cash Flow from (used in) used in Investing Activities		-1,680,476,769	150,924,793

CASH FLOW STATEMENT OF THE COMPANY

For the Period Ended 30 June 2019

Item	Note	Amount for the current period	Amount for the prior period
III. Cash Flows from Financing Activities:			
Cash receipts from borrowings		1,025,000,000	2,810,000,000
Cash receipts from issue of bonds		2,200,000,000	1,498,986,400
Sub-total of cash inflows from financing activities		3,225,000,000	4,308,986,400
Cash repayments of borrowings		3,070,927,864	5,095,528,802
Cash payments for distribution of dividends or profits or settlement of interest expenses		105,699,493	1,078,651,998
Other cash payments relating to financing activities		3,123,811	6,016,321
Sub-total of cash outflows from financing activities		3,179,751,168	6,180,197,121
Net Cash Flow from Financing Activities		45,248,832	-1,871,210,721
IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents		-	-
V. Net Increase (Decrease) in Cash and Cash Equivalents		4,510,223	-29,689,581
Add: Opening balance of Cash and Cash Equivalents		100,931,394	135,125,679
VI. Closing balance of Cash and Cash Equivalents		105,441,617	105,436,098

The accompanying notes form part of the financial statements

The financial statements on pages 90 to 247 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 2019

Unit: RMB

Item	Amount for the current period											Total shareholders' equity	
	Attributable to owners of the Company												
	Share capital	Preferred shares	Perpetual debts	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General Risk Provision	Retained profits		Minority interests
I. Balance as at 31 December 2018	5,037,747,500	-	-	-	10,428,388,235	-	837,827,667	-	3,411,194,285	-	6,422,040,045	3,216,659,210	29,353,856,942
II. Charges for the period	-	-	-	-	-	-	527,602,150	-	-	-	-35,754,822	535,757,955	1,027,605,283
(i) Total comprehensive income	-	-	-	-	-	-	527,602,150	-	-	-	-35,754,822	535,757,955	1,027,605,283
(ii) Owners' contributions and reduction in capital	-	-	-	-	-	-	-	-	-	2,281,609,028	56,557,400	2,865,768,578	
1. Ordinary shares contributed by shareholders	-	-	-	-	-	-	-	-	-	-	479,200,555	479,200,555	
(iii) Profit distribution	-	-	-	-	-	-	-	-	-	-	479,200,555	479,200,555	
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	-	-2,317,363,850	-	-2,317,363,850	
2. Distributions to owners (shareholders)	-	-	-	-	-	-	-	-	-	-2,317,363,850	-	-2,317,363,850	
III. Balance as at 30 June 2019	5,037,747,500	-	-	-	10,428,388,235	-	1,365,429,817	-	3,411,194,285	-	6,386,285,223	3,752,417,165	30,381,462,225

The financial statements on pages 90 to 247 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 2019

Unit: RMB

Item	Amount for the prior period											
	Attributable to owners of the Company											
	Share capital	Preferred shares	Other equity instruments	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General Risk Provision	Retained profits	Minority interests	Total shareholders' equity
I. Balance as 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
II. Changes for the period	-	-	-	-	-	1,129,641,244	-	-	-	271,533,165	725,566,458	2,126,740,867
(I) Total comprehensive income	-	-	-	-	-	1,129,641,244	-	-	-	2,488,142,065	219,890,172	3,837,673,481
(II) Owners' contributions and reduction in capital	-	-	-	-	-	-	-	-	-	-	520,768,164	520,768,164
1. Ordinary shares contributed by shareholders	-	-	-	-	-	-	-	-	-	-	520,768,164	520,768,164
(III) Profit distribution	-	-	-	-	-	-	-	-	-	(2,216,608,900)	(15,091,878)	(2,231,700,778)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
2. Distributions to owners (shareholders)	-	-	-	-	-	-	-	-	-	(2,216,608,900)	(15,091,878)	(2,231,700,778)
III. Balance as 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 90 to 247 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 2019

Unit: RMB

Item	Amount for the current period										Total owner's equity	
	Share capita	Preferred shares	Perpetual debts	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General Risk Provision		Retained profits
I. Balance as at 31 December 2018	5,037,747,500	-	-	-	7,327,650,327	-	289,485,952	-	2,518,873,750	-	6,602,016,006	21,775,773,535
II. Changes for the period	-	-	-	-	-	-	506,717,650	-	-	-	-637,777,233	-131,059,633
(i) Total comprehensive income	-	-	-	-	-	-	506,717,650	-	-	-	1,679,586,567	2,186,304,217
(ii) Profit distribution	-	-	-	-	-	-	-	-	-	-	-2,317,363,850	-2,317,363,850
1. Distributions to owners (shareholders)	-	-	-	-	-	-	-	-	-	-	-2,317,363,850	-2,317,363,850
III. Balance as at 30 June 2019	5,037,747,500	-	-	-	7,327,650,327	-	796,203,602	-	2,518,873,750	-	5,964,238,723	21,644,713,902

The financial statements on pages 90 to 247 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 2019

Unit: RMB

Item	Amount for the prior period											
	Share capital	Preferred shares	Perpetual debts	Others	Capital reserve	Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General Risk Provision	Retained profits	Total owner's equity
I. Balance as 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
II. Changes for the period												
(i) Total comprehensive income	-	-	-	-	-	-	173,084,260	-	-	-	-717,451,510	-544,367,250
(ii) Profit distribution	-	-	-	-	-	-	173,084,260	-	-	-	1,498,157,390	1,672,241,650
1. Distributions to owners (shareholders)	-	-	-	-	-	-	-	-	-	-	-2,216,608,900	-2,216,608,900
III. Balance as 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 90 to 247 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 2019

I. BASIC INFORMATION ABOUT THE COMPANY

1. General

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”) 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”).

2. Scope of consolidated financial statements

The Company and the consolidated financial statements are approved by the Board of Directors on 23 August 2019.

Subsidiaries consolidated in the financial statements are listed in Note VIII “Equity in other entities”. The details are set out in Note VII “Changes of Consolidated Financial Statement Scope”.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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.

Going concern

As at 30 June 2019, the Group had total current liabilities in excess of total current assets of RMB2,099,553,877. As at 30 June 2019, the Group has available unutilized bank loan facilities with a time limit over one year of approximately RMB22,586,060,000 and authorized but not issued super short-term bonds and medium term notes with a time limit over one year of approximately RMB1,800,000,000. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

Basis of accounting and principle of measurement (Continued)

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.

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 of fixed assets, amortization of toll road operation rights and revenue recognition. Refer to Note III 12, 17, 20 and 26 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 2019, changes in equity of the Company and consolidated shareholders and the Company's and consolidated results of operations and cash flows for the period ended 30 June 2019.

2. Accounting period

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

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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)

5.2 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. For business combination not involving enterprises under common control realized through by steps multiple transaction, combination cost is the sum of the consideration paid at the purchase date and the fair value at the purchase date of the equity held by the acquiree prior to the purchase date. 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Preparation of consolidated financial statements (Continued)

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 31 December 2018 of owners' equity of the subsidiary, the excess amount are still allocated against minority interests.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Preparation of consolidated financial statements (Continued)

For the stepwise acquisition of equity interest till acquiring control after a few transactions and leading to business combination not involving enterprises under common control, this should be dealt with based on whether this belongs to 'package deal': if it belongs to 'package deal', transactions will be dealt as transactions to acquire control. If it does not belong to 'package deal', transactions to acquire control on acquisition date will be under accounting treatment, the fair value of acquirees' shares held before acquisition date will be revalued, and the difference between fair value and book value will be recognized in profit or loss of the current period; if acquirees' shares held before acquisition date involve in changes of other comprehensive income and other equity of owners under equity method, this will be transferred to income of acquisition date.

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. Classification of joint arrangements and accounting treatments of joint operations

A joint arrangement is classified into joint operation and joint venture, depending on the rights and obligations of the parties to the arrangement, which is assessed by considering the structure and the legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement.

The Group accounts for investments in joint ventures using equity method. Refer to Note III, 15.3.2 "Long-term equity investments accounted for using the equity method" for details.

8. 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 (normally due within 3 months since purchase date), highly liquid investments that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. 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 classified as at fair value through comprehensive income 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.

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.

10. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

All regular way purchases or sales of financial assets are recognized for acquired assets and assumed liabilities and derecognized for sold assets on a trade date basis.

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 recognized in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognized amounts. For accounts receivable excluding significant financing components or regardless of financing components of contracts less than one year recognized based on *Accounting Standard for Business Enterprises No. 14 – Revenue* (“Standards for Revenue”), accounts receivable initially recognized shall be measured at transaction price defined based on the Standards for Revenue on initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

Effective interest method is the method that is used in the calculation of the amortized cost of a financial asset or a financial liability and in the allocation and recognition of the interest income or interest expense in profit or loss over the relevant year.

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 to the net carrying amount of the financial asset or financial liability. When determining the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability (i.e. repayment in advance, term extension, call options or other similar options etc.), but does not consider future credit losses.

The amortized costs of financial assets or financial liabilities are calculated as the initial recognized amounts of financial assets or financial liabilities less repaid principals, plus or less the cumulative amortization amount generated from amortization of differences between initial recognized amounts and amounts at maturity date, as well as deducting provision for accumulative losses (only for financial assets).

10.1 Classification and measurement of financial assets

After initial recognition, the Group shall measure a financial asset at amortized cost, fair value through other comprehensive income or fair value through profit or loss.

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 shall classify the financial asset into the financial asset measured at amortized cost. Such financial assets mainly include cash and bank balances, notes receivable and accounts receivable and other receivables.

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 Group shall classify the financial asset into the financial assets at FVTOCI. Such financial assets are other debt investments, other debt investments due within one year (inclusive) since balance sheet date are presented in non-current assets due within one year; other debt investments due within one year (inclusive) upon acquisition are presented in other current assets.

Financial assets at FVTPL include financial assets at FVTPL and those designated as at FVTPL is presented in held-for-trading financial assets. Financial assets due over one year and expected to be held for over one year (or without fixed term) since balance sheet date are presented in other non-current financial assets.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

10.1 Classification and measurement of financial assets (Continued)

- Financial assets that do not meet the criteria for being measured at amortized 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.

On initial recognition, the Group, based on an individual financial assets, can irrevocably designate non-tradable investments in equity instrument recognized as financial assets at FVTOCI, other than contingent considerations recognized in business combination not involving common control. Such financial assets are presented as investments in other equity instruments.

The Group's purpose of holding the financial assets is for trading if one of the following conditions is satisfied:

- The purpose of acquiring the financial assets is to sell the assets in the near future.
- The relevant financial assets are, on initial recognition, a part of the centrally-managed identifiable financial instrument portfolio, and the objective evidence indicates that short-term profit model exists in the near future.
- The relevant financial assets are derivative instruments. However, derivatives that meet the definition of financial guarantee contracts and those designated as effective hedging instruments are excluded.

The financial assets held by the Group include financial assets measured at amortized cost, at FVOCI and at FVTPL.

10.1.1 Financial assets classified as at amortized cost

The financial assets at amortized cost are subsequently measured at amortized cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortization is recognized in profit or loss.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

10.1 Classification and measurement of financial assets (Continued)

10.1.1 Financial assets classified as at amortized cost (Continued)

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

- Purchased or originated credit-impaired financial assets. For those financial assets, the Group shall apply the credit-adjusted effective interest rate to the amortized cost of the financial asset from initial recognition.

10.1.2 Financial assets at FVTPL

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

10.1.3 Financial assets designated as at FVTOCI

After designating a non-tradable investments equity instrument as a financial asset at FVTOCI, the changes in fair value of such financial asset are recognized in other comprehensive income. On derecognition of the financial asset, accumulated gains or losses previously recognized in other comprehensive income are transferred from other comprehensive income to retained profits. During the period that the Group holds these non-tradable equity instrument, the Group has established the right of collecting dividends, whose economic benefit is probably flow into the Group, and the amount of the dividends can be reliably measured, then the Group will recognize dividends in profit or loss.

10.2 Impairment of financial assets

The Group shall recognize a loss allowance for expected credit losses on financial assets at amortized cost, a lease receivable, accounts receivable and a financial guarantee contract.

The Group makes a loss allowance against amount of expected credit losses during the whole life of all accounts receivable arising from transactions conducted in accordance with Standards for Revenue and lease receivable arising from transactions conducted in accordance with the Accounting Standards for Business Enterprises No. 21 – Lease.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

10.2 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 of expected credit loss during the whole life; if not, the Group will make a loss allowance for the financial instrument at an amount in the future 12-month expected credit losses. Increase in or reversal of credit loss allowance is included in profit or loss as loss/gain on impairment, except for financial assets classified as at fair value through other comprehensive income. The Group recognizes credit loss allowance for financial assets at FVOCI in other comprehensive income and recognizes loss/gain on impairment in profit or loss for the period, without reducing the carrying amount of the financial assets presented in the balance sheet.

The Group has made a loss allowance against amount of expected credit losses during 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 in the future 12-month expected credit losses. Reversed amount of loss allowance arising from such circumstances shall be included in profit or loss as impairment gains.

10.2.1 Significant increase in 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 commitments and financial guarantee contracts, the date that the Group becomes a party to the irrevocable commitment shall be considered to be the date of initial recognition for the purposes of applying the impairment requirements.

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

- (1) Significant changes in internal price indicators of credit risk as a result of a change in credit risk.
- (2) An actual or expected internal credit rating downgrade for the borrower.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

10.2 Impairment of financial assets (Continued)

10.2.1 Significant increase in credit risk (Continued)

- (3) Existing or forecast 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) A significant adverse change in the regulatory, economic, or technological environment of the borrower.
- (6) Significant changes that are expected to reduce the borrower's economic incentive to make scheduled contractual payments.
- (7) Changes in the Group's credit management approach in relation to the financial instrument.

Regardless of whether the credit risk has increased significantly after the above assessment, when the financial instrument contract payment has been overdue for more than 30 days (inclusive), it indicates that the credit risk of the financial instrument has increased significantly.

The Group may assume that the credit risk on a financial instrument has not increased significantly since initial recognition if the financial instrument is determined to have low credit risk at the reporting date. If the risk of default on financial instrument is low, the borrower's ability to meet its contractual cash flow obligations in short term is strong, and even if the economic situation and operating environment are adversely changed over a long period of time, it may not necessarily reduce the borrower's performance of its contractual cash obligations. Then the financial instrument is considered to have a lower credit risk.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

10.2 Impairment of financial assets (Continued)

10.2.2 Credit-impaired financial assets

A financial asset is credit-impaired when one or more events that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired include observable data about the following events:

- (1) Significant financial difficulty of the issuer or the borrower;
- (2) A breach of contract by the debtor, such as a default or delinquency in interest or principal payments;
- (3) The creditor, for economic or legal reasons relating to the debtor's financial difficulty, granting a concession to the debtor;
- (4) It becoming probable that the debtor will enter bankruptcy or other financial reorganizations.

Based on the Group's internal credit risk management, when the internally recommended or externally obtained information indicates that the financial instrument debtor is unable to fully repay the creditor including the Group (regardless of any guarantees obtained by the Group), the Group believes that the default has occurred.

Due to historical experience in cooperation between the Group and the debtor and commitments for overdue payments from the customer, the Group has not constructed that the financial instrument is impaired in case of overdue 90 days (inclusive). The Group is of the opinion that default may incur when the debtor has had the aforementioned observable data.

10.2.3 Recognition of expected credit losses

The Group recognizes the credit loss on lease receivable on an individual basis, and recognizes the credit loss on related financial instruments of accounts receivable with impairment matrix on a collective basis. The Group can group financial instruments on the basis of shared credit risk characteristics. Examples of shared credit risk characteristics may include, but are not limited to, the instrument type; credit risk ratings; date of initial recognition.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

10.2 Impairment of financial assets (Continued)

10.2.3 Recognition of expected credit losses

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:
(a) The contractual cash flows that are due to the Group under the contract;
and (b) the cash flows that the Group expects to receive.
- For a financial guarantee contract, credit loss is the present value of difference between the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.
- For a financial asset that is credit-impaired at the reporting 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.

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.

10.2.4 Written-off of financial assets

The Group shall directly reduce the gross carrying amount of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

10.3 Transfer of financial assets

The Group shall derecognize a financial asset when: (1) the contractual rights to the cash flows from the financial asset expire, (2) 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 (3) 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, the Group will recognize the financial asset to the extent of its continuing involvement in the transferred financial asset and recognize an associated liability. Relevant liabilities are measured using the following methods:

- If the transferred financial asset is measured at amortized cost, the carrying amount of relevant liabilities is the carrying amount of continuing involvement in the transferred financial asset less the amortized cost of the rights retained by the Group (if the Group retains rights for the transfer of the financial asset) plus the amortized cost of the obligations undertaken by the Group (if the Group undertakes relevant obligations for the transfer of the financial asset), and the relevant liabilities are not designated as financial liabilities at fair value through profit or loss.
- If the transferred financial asset is measured at fair value, the carrying amount of relevant liabilities is the carrying amount of continuing involvement in the transferred financial asset less the fair value of the rights retained by the Group (if the Group retains rights for the transfer of the financial asset) plus the fair value of the obligations undertaken by the Group (if the Group undertakes relevant obligations for the transfer of the financial asset), and the fair value of the rights and liabilities is measured on a stand-alone basis.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, for financial assets classified as at amortized cost and financial assets at FVTOCI, the difference between the carrying amount of the financial asset transferred and the sum of the consideration received from the transfer and accumulated amount originally recognized in changes in fair value of other comprehensive income is recognized in profit or loss. For the non-tradable equity instrument designated as financial assets at FVTOCI, cumulative gain or loss that has been recognized 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 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

10.3 Transfer of financial assets (Continued)

For a part of transfer of a financial asset that satisfies the derecognition criteria, the carrying amount of the transferred financial asset is allocated between the part that is derecognized 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 derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income; and (2) the carrying amount allocated to the part derecognized on derecognition date; is recognized 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.

10.4 Classification and measurement of financial liabilities and equity instrument

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.

10.4.1 Classification and measurement of financial liabilities

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

All financial liabilities held by the Group are other financial liabilities.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

10.4 Classification and measurement of financial liabilities and equity instrument (Continued)

10.4.1 Classification and measurement of financial liabilities (Continued)

10.4.1.1 Other financial liabilities

Other financial liabilities, other than financial liabilities arising from financial assets of which the transfer does not meet the conditions for derecognition or continue to be involved in transferred financial assets, financial guarantee contracts, are classified as financial liabilities subsequently measured at amortized 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 recognized 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.

10.4.1.2 Financial guarantee contracts

A financial guarantee contract is a contract by which the issuer is required to compensate specific amount to the contract holder suffering losses in case the specific debtor fails to settle the debt in accordance with the initial or revised terms of debt instrument when the debt falls due. Financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss are measured at the higher of: (i) amount of loss allowance; and (ii) the amount initially recognized less cumulative amortization recognized in accordance with related terms of Standards for Revenue.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

10.4 Classification and measurement of financial liabilities and equity instrument (Continued)

10.4.2 Derecognition of financial liabilities

The Group derecognizes 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 debtor) 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 derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

10.4.3 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. The issuance (including refinancing), repurchase, selling or cancellation of these instruments are treated as change in equity. The enterprise should not recognize changes in the fair value of the equity instruments. The related transaction costs are deducted from equity.

Distributions to holders of an equity instrument shall be recognized by the Group directly in equity.

10.5 Offsetting a financial asset and a financial liability

Where the Group has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize 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 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Notes receivable

11.1 Recognition method and accounting treatment of expected credit losses of notes receivable:

The Group holds that the acceptance bank of bank acceptances held by the Group has relatively high credit rating with no significant credit risk and no impairment allowance has been made.

12. Accounts receivable

12.1 Recognition method and accounting treatment of expected credit losses of accounts receivable:

The Group makes a loss allowance against amount of expected credit losses during the whole life of the accounts receivable arising from transactions adopting New Standards for Revenue. The Group recognizes the credit losses of accounts receivable with impairment matrix on a collective basis. The Group groups accounts receivable on the basis of shared credit risk characteristics. Shared credit risk characteristics may include, but are not limited to, the:

- (a) Instrument type;
- (b) Credit risk ratings;
- (c) Date of initial recognition;
- (d) Remaining term to maturity;
- (e) Industry of the borrower; and
- (f) Geographical location of the borrower.

As part of the Group's credit risk management, the Group conducts internal credit ratings with respect to customers, and determines expected loss ratio for different level of accounts receivables. As at the balance sheet date, the Group determines the provision for expected credit loss of accounts receivable using impairment matrix.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

12. Accounts receivable (Continued)

12.1 Recognition method and accounting treatment of expected credit losses of accounts receivable:(Continued)

The credit risk and expected credit loss ratio for the customer's account receivable are as follows:

Internal credit ratings	Lifetime expected credit loss ratio (not credit-impaired)	Lifetime expected credit loss ratio (credit-impaired)
Level 1: Low Risk	0%	N/A
Level 2: Normal	2%	N/A
Level 3: Loss	N/A	100%

Increase in or reversal of credit loss allowance is included in profit or loss as impairment gain or loss. The Group shall directly reduce the gross carrying amount of such account receivable when the Group has no reasonable expectations of recovering contractual cash flows of the account receivable in its entirety or a portion thereof.

13. Other receivables

Recognition method and accounting treatment of expected credit losses of other receivables:

The Group determines expected credits losses based on internal ratings with respect to other receivables according to the following methods:

Internal credit ratings	12-month expected credit loss ratio	Lifetime expected credit loss ratio (not credit-impaired)	Lifetime expected credit loss ratio (credit-impaired)
Level 1: Low Risk	0%	1%	N/A
Level 2: Normal	2%	10%	N/A
Level 3: Loss	N/A	N/A	100%

Increase in or reversal of credit loss allowance is included in profit or loss as loss/gain on impairment. The Group shall directly reduce the gross carrying amount of such other receivables when the Group has no reasonable expectations of recovering an account receivable in its entirety or a portion thereof.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Inventories

14.1 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.

14.2 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.

14.3 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.

For large quantity and low value items of inventories, provision for decline in value is made based on categories of inventories. Provision for decline in value of other inventories is made based on the excess of cost of inventory over its net realizable 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Inventories (Continued)

14.4 Inventory count system

The perpetual inventory system is maintained for stock system.

14.5. Amortization method for low value and short-lived consumable items

Low value and short-lived consumable items are amortised using the immediate write-off method.

15. Long-term equity investments

15.1 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.

15.2 Determination of initial 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Long-term equity investments (Continued)

15.2 Determination of initial investment cost (Continued)

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 recognized 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.

15.3 Subsequent measurement and recognition of profit or loss

15.3.1 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 recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Long-term equity investments (Continued)

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

15.3.2 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 recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognizes 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 recognizes 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 recognize 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, unrealized intra-group profits or losses are recognized as investment income or loss to the extent that those attributable to the Group's proportionate share of interest are eliminated. However, unrealized losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Long-term equity investments (Continued)

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

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

The Group discontinues recognizing 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 recognized 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 recognizing its share of those profits only after its share of the profits exceeds the share of losses previously not recognized.

15.4 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 recognized 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 recognized 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 recognized 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 recognized 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 recognized 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. Investment Properties

Investment property is property held to earn rentals or for capital appreciation or both. It includes a 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 recognized 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 amortization policy for the investment property which is consistent with that for buildings or land use rights.

An investment property is derecognized upon or when the investment property is permanently withdrawn from use and no economic benefits are expected from the disposal.

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

17. Fixed assets

17.1 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.

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Fixed assets (Continued)

17.2 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 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

17. Fixed assets (Continued)

17.2 Depreciation of each category of fixed assets (Continued)

17.2.1 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.

18. 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 capitalized 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.

19. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Borrowing costs (Continued)

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 capitalization period, exchange differences related to a specific-purpose borrowing denominated in foreign currency are all capitalized. Exchange differences in connection with general-purpose borrowings are recognized in profit or loss in the period in which they are incurred.

20. 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 amortized 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 right to operate the road is amortized in accordance with the traffic flow method, and the monthly amortization amount is calculated by the ratio of the actual traffic flow of the month to the sum of the actual traffic flow of the month and the estimated future traffic flow. 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. 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

21. Impairment of long-term assets

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 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 recognized in profit or loss for the period.

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

22. Long-term prepaid expenses

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

23. Employee benefits

23.1 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Employee benefits (Continued)

23.1 Accounting method for short-term employee benefits (Continued)

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.

23.2 Accounting method for post-employment benefits

Post-employment benefits are all defined contribution plans.

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.

23.3 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.

24. Provisions

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 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

25. Contract liabilities

Contract liabilities refer to the Group's obligation to transfer goods or services to a customer for which the Group has received consideration from the customer. Contract assets and contract liabilities under a common contract is presented as net amount.

26. Revenue

The Group has adopted the following accounting policies since 1 January 2018 ("New Standards for Revenue"):

Revenue of the Group is mainly from the following business:

(1) Toll road income

Toll road income is the income from operating toll roads, and is recognised in accordance with the amount collected and receivable when a vehicle is passing through.

(2) Ancillary service income

Ancillary service income is mainly from petroleum products, and is recognised when refueling services are provided and the amount can be reliably measured.

(3) Income from other business, such as trouble shooting and advertisement

Income from other business such as troubleshooting and advertisement is recognised when the service has been performed, the amount of the obligation can be measured reliably and it is probable that the associated economic benefits will flow to the enterprise.

(4) Income from real estate development

As specified in the contract, income from real estate development is recognised after the related property procedures are completed and transferred to the customer.

The Group shall recognize revenue based on transaction price allocated to the performance obligation when the Group satisfies a performance obligation in the contract, namely, when the customer obtains control over relevant goods or services. Performance obligation is a commitment that the Group transfers a distinct good or service to a customer in the contract. The transaction price is the amount of consideration to which the Group 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Revenue (Continued)

It is a performance obligation satisfied during a period of time if one of the following conditions is met: (i) the customer obtains and consumes economic benefits at the same time of the Group's performance; (ii) the customer is able to control goods or services in progress during the Group's performance; (iii) goods or services generated during the Group's performance have irreplaceable utilization, and the Group is entitled to collect amounts of cumulative performance part which have been done up to now. Otherwise, the Group recognizes revenue at the time points when the customer obtains the ownership of related products or service.

For performance obligations satisfied during a period of time, the Group will recognize revenue according to progress of performance within such period. The Group adopts the output method to determine the progress of performance according to the value of products or services transferred to customers. When the performance progress cannot be reliably determined and the incurred cost can be expected to be made up, revenue is recognized according to incurred cost until the performance progress can be reasonably determined.

A significant financing component

In case of the existence of a significant financing component in the contract, 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. Differences 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 would not consider the significant component in the contract.

27. Costs of a 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, and be amortized on a basis that is consistent with the transfer to the customer of the goods or services to which the asset relates and recognized in profit or loss for the period. 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 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. Costs of a contract (Continued)

Costs to fulfill a contract

If the costs incurred in fulfilling a contract are not within the scope of other standard other than standards on revenue, the Group shall recognized an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria: (1) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify; (2) the costs generate or enhance resources of the entity that will be used in satisfying performance obligations in the future; and (3) the costs are expected to be recovered. The asset mentioned above shall be amortized on a basis that is consistent with the transfer to the customer of the goods or services to which the asset relates and recognized in profit or loss for the period.

28. 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.

28.1 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Government grants (Continued)

28.2 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.

29. Deferred tax assets/deferred tax liabilities

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

29.1 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.

29.2 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

29.2 Deferred tax assets and deferred tax liabilities (Continued)

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 recognized 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 recognized to the extent that it is probable that there will be taxable profits against which to utilize 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 realized or the liability is settled.

Current and deferred tax expenses or income are recognized in profit or loss for the period, except when they arise from transactions or events that are directly recognized in other comprehensive income or in shareholders' equity, in which case they are recognized 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 utilized. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

29.3 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 realize 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 realize 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.

30. Leases

A contract is, or contains, a lease if the lessor conveys the right to control the use of an identified asset to the lessee for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application, the Group assesses whether a contract is or contains a lease at inception or modification date. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as the lessee

Separation of lease

For a contract that contains a lease component and one or more additional lease or non-lease components, the Group separates non-lease components from lease component, and allocates the consideration in the contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Leases (Continued)

The Group as the lessee (Continued)

Right-of-use assets

Except for short-term leases and leases of low value assets, the Group recognizes right-of-use assets at the commencement date of the lease. The commencement date of the lease is the date that the lease asset provided by the lessor is available for the Group's use. Right-of-use assets are measured at cost initially. The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liabilities;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

After the lease commencement date, if the lease liabilities are remeasured, the carrying amount of right-of-use assets is adjusted accordingly.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated over the shorter of its estimated useful life and the lease term.

The Group recognizes whether the right-of-use assets are impaired or not and accounts for impairment under relevant regulations of the Accounting Standard for Business Enterprises No.8 – Impairment of Asset.

Refundable rental deposits

Refundable rental deposits paid are accounted under the Accounting Standard for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees and included in the cost of right-of-use assets.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Leases (Continued)

The Group as the lessee (Continued)

Lease liabilities

Except for short-term leases and leases of low-value assets, at the commencement date of a lease, the Group recognizes and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the interest rate implicit in the lease as the discounting rate, or uses the incremental borrowing rate if the interest rate implicit in the lease is not readily determinable.

Lease payments refer to the payments made by the Group to the lessor for the lessee's right to use the leased asset over the lease term and include:

- fixed payments (including in-substance fixed payments) less any lease incentives receivable;
- variable lease payments that depend on an index or a rate;
- the exercise price of a purchase option reasonably certain to be exercised by the Group;
- payments of penalties for terminating a lease, if the lease term reflects the Group exercising the option to terminate; and
- amounts expected to be paid under residual value of the Group's guarantees.

Variable lease payments that depend on an index or a rate are recognized in accordance with the index or rate determined on the lease commencement date at the initial measurement. Variable lease payments that are not included in the measurement of lease liabilities are recognized in profit or loss or the cost of underlying assets in the period on which the event or condition that triggers the payment occurs.

After the lease commencement date, interest expenses on lease liabilities in each period during the lease term are recognized by the Group by using the fixed periodic rate of interest.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Leases (Continued)

The Group as the lessee (Continued)

Lease liabilities (Continued)

After the lease commencement date, the Group re-measures lease liabilities and makes a corresponding adjustment to the related right-of-use assets whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liabilities is re-measured by discounting the revised lease payments using a revised discount rate at the date of reassessment;
- the amount expected to be paid under residual value of guarantees or the index or rate used to recognize lease payments has changed, in which cases the related lease liabilities is re-measured by discounting the revised lease payments using the initial discount rate. If changes in lease payments are resulted from fluctuations of floating interest rates, the revised discount rate is adopted.

Short-term leases and leases of low-value assets

For short-term leases of housing/shuttle bus/broad band and leases of low-value assets to which the recognition exemption is applied by the Group, right-of-use assets and lease liabilities are not recognized. A short-term lease refers to a lease that, at the commencement date, has a lease term of 12 months or less and do not contain a purchase option. A lease of low value asset refers to a single lease asset, when new, is of low value. Lease payments on short-term leases and leases of low-value assets are recognized in profit or loss or the cost of underlying assets on a straight-line basis over the lease term.

The Group as the lessor

Separation of lease

For a contract that contains lease and non-lease components simultaneously, the Group applies the Accounting Standard for Business Enterprises No. 14 - Revenue to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted under the Accounting Standard for Business Enterprises No.22 – Recognition and Measurement of Financial Instruments and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Leases (Continued)

The Group as the lessor (Continued)

Classification of lease

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.

The Group as lessor under operating leases

Lease receipts from operating leases is recognized as rental income on a straight-line basis over the term of the relevant lease. Initial direct costs in connection with the operating lease are capitalized when incurred, and are amortized on the same basis as rental income recognition over the lease term and recognized in profit or loss by stages.

Variable lease receipts obtained by the Group from operating lease but not included in the lease receivables are recognized in profit or loss when incurred.

The Group reassess whether a contract is, or contains, a lease at the commence date of contract. If one party to the contract conveys the right to control the use of one or more identified assets for a period of time in exchange for consideration, the contract is, or contains, a lease. For determining whether the contract has conveyed the right to control the use of the identified assets for a period of time, the Group assesses whether customers in the contract have the right to obtain almost all economic benefits arising from the use of identified assets over the use period, and lead the use of identified assets over the use period.

For a contract that contains more separate lease components, the Group will separate the contract as different separate lease components for accounting treatment. The right to use an identified asset will form a separate lease if:

- the lessor can earn benefits from the separate use of the asset or the integrated use of the asset and other resources readily available;
- the asset is not highly dependent on or relative to other assets in the contract.

For a contract that contains lease and non-lease components, the Group, irrespective of being the lessor or the lessee, will separate the non-lease components from the lease components for accounting treatment.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

31. Changes in significant accounting policies and accounting estimates

New standard on Lease

The Group began to apply the Accounting Standard for Business Enterprises No. 21 – Lease (revised) revised by the Ministry of Finance (“MoF”) in 2018 (hereinafter referred to as the “New Standard on Lease”, and the standard on lease before the revision is referred to as the “Original Standard on Lease”) on 1 January 2019 (“the date of initial application”). The New Standard on Lease improves the definition of lease by adding the identification, separation and consolidation of lease, abolishes the classification of operating lease and finance lease for the lessee and requires a recognition of right-of-use assets and lease liabilities in respect of all leases (unless they qualify for short-term leases or leases of low-value assets) at the lease commencement date. In addition, the standard also improves the lessee’s subsequent measurement on lease, and introduces accounting treatments applicable to option reassessment and lease modification with relevant disclosures required. The Group’s accounting policies revised for lease recognition and measurement where the Group is a lessee and a lessor have been disclosed in Note III 30.

For a contract that has existed as at the date of initial application, the Group chooses to not reassess whether it is, or contains, a lease at date of initial application.

For a contract entered into or modified on or after the date of initial application, the Group assesses whether such contract is or contains a lease under the definition of the New Standard on Lease. In accordance with the New Standard for Leases, whether the contract is, or contains, a lease is determined based on the fact that whether one party to the contract conveys the right to control the use of one or more identified assets for a period of time in exchange for consideration. The definition of lease in the New Standard on Lease has no significant impact on the scope of the Group’s contracts that can meet the lease definition.

The Group as the lessee

The Group adjusted the retained earnings and amounts of other relevant line items in the financial subject to the accumulative effects arising from initial application of the New Standard on Lease, but no adjustments are required for information in the comparable period.

For operating leases other than low-value leases existed before the date of initial application, the Group can choose to apply one or more following practical expedients on lease-by-lease basis:

- accounted for as short-term leases for operating leases with lease term ended within 12 months of the date of initial application;
- applied a single discount rate to a portfolio of leases with a similar characteristics on measuring lease liabilities;
- excluded initial direct costs from measuring the right-of-use assets;

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

The Group as the lessee (Continued)

- For operating leases existed before the date of initial application, the lease liabilities are measured at the present value of the remaining lease payment, discounted using the lessee's incremental borrowing rate at the date of initial application. The right-of-use asset is measured on lease-by-lease basis:
 - at an amount equal to the lease liabilities, adjusted by the amount of any prepaid lease payments as necessary.

As at 1 January 2019, the Group recognized lease liabilities and right-of-use assets valued at RMB5,526,084 and RMB7,419,401 respectively. For operating leases existed before the date of initial application, the lease liabilities are measured at the present value of lease payments discounted at the incremental borrowing rate as at the date of initial application. The weighted average value of the incremental borrowing rate is 4.75%.

The following table summarizes differences between lease liabilities recognized as at 1 January 2019 and significant operation lease commitments disclosed in the financial statements of 2018

Unit: RMB

Item	Note	1 January 2019
I. Operating lease commitments disclosed as at 31 December 2018		8,298,735
Lease liabilities discounted at the incremental borrowing rate as at the date of initial application		5,979,209
Less: recognition exemption – short-term leases		453,125
Lease liabilities relating to operating leases recognised upon application of New Standards of Leases		5,526,084
II. Lease liabilities as at 1 January 2019		5,526,084
Analyzed as:		
Current liabilities		3,231,042
Non-current liabilities		2,295,042

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

The Group as the lessee (Continued)

The carrying amount of right-of-use assets as at 1 January 2019 comprises the following:

Unit: RMB

Item	Note	1 January 2019
Right-of-use assets:		
Right-of-use assets relating to operating leases recognized at the date of initial application		5,526,084
Reclassified from prepaid lease payments	1	1,893,317
Total		7,419,401

By category:

Unit: RMB

Item	Note	1 January 2019
Buildings		7,419,401
Total		7,419,401

Note 1: The Group's prepaid lease payments for office occupancies/sales offices were represented as prepayments as at 31 December 2018. As at the date of initial application, such prepaid lease payments are reclassified to right-of-use assets.

The Group as the lessor

Under the Original Standard on Lease, the Group deemed refundable rental deposits received as rights and obligations associated with leases. In accordance with the New Standard on Lease, these refundable rental deposits, as amounts not associated with right-of-use assets, are adjusted at the date of initial application as to reflect discount impacts, which has no significant impacts on the financial statements for the current year.

The Group has allocated the consideration in a contract pursuant to the transaction price allocation regulations in the *Accounting Standard for Business Enterprises No. 14 – Revenue* since the date of initial application, which has no significant impacts on the financial statements for the current year.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

Format of Financial Statements for General Business Enterprises

In preparing 2019 semiannual financial statements, the Group has adopted the Notice of the Revised Format of 2019 Financial Statements for General Business Enterprise issued by the MoF on 30 April 2019 (Cai Kuai (2019) No. 6, hereinafter referred to as “Cai Kuai No. 6 Document”). Cai Kuai No. 6 Document separated the line item of “Notes and accounts receivable” into “Notes receivable” and “Accounts receivable”, and the line item of “Notes and accounts payable” into “Notes payable” and “Accounts payable”; added line items of “Receivables financing”, “Right-of-use assets”, “Lease liabilities” and “Special reserves”; determined contents included in line items of “Other receivables”, “Non-current assets due within one year”, “Other payables”, “Deferred income” and “Other equity instruments”, and stipulated presentation requirements for impairment losses made for loan commitments, financial guarantee contracts and other items. In accordance with Cai Kuai No. 6 Document, the line item of “income from derecognition of financial assets at amortized cost” is added under the line item of “investment income”. In addition, it also further clarified or revised the presentation of line items of “interest income”, “other income”, “non-operating income” and “non-operating expenses” under line items of “R&D expenses” and “finance expense”, and adjusted the reporting location of “Impairment losses of credit” and “Impairment losses of assets”.

- (1) The following table summarizes the impacts of applying the New Standard on Lease on relevant line items of the consolidated balance sheet of the Group as at 1 January 2019:

Unit: RMB

Item	Note	31/12/2018	Adjustment	01/01/2019
Current assets:				
Prepayments		29,060,041	(1,893,317)	27,166,724
Non-current assets :				
Right-of-use assets			7,419,401	7,419,401
Current liabilities:				
Non-current liabilities due within one year		381,700,433	3,231,042	384,931,475
Non-current liabilities				
Lease liabilities			2,295,042	2,295,042

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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 recognized in the period of the change, if the change affects that period only; or recognized 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.

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 2019

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 realized. 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.

Measurement and valuation procedures of fair value

In estimating the fair value of the Group's financial assets and financial liabilities, the Group adapts the market observable data available to determine the fair value. If there is no input value at level 1, the management assesses the fair value of the financial instrument based on the discounted cash flow or the transaction price of the over-the-counter market. At the end of the reporting period, the management will establish a pricing model based on the historical experience using appropriate valuation technology and input values. If there is a significant change in fair value, the reason for the fluctuation will be reported to the board of directors of the Company. The valuation techniques, input value and key assumptions used in determining the fair value of the Group's financial assets and liabilities are disclosed in Note X.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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
		16%/13%
		6%
	Simple taxation method	Toll income
		3%
		Real estate rental income and Real estate sales income
		5%
Business Tax	Real estate sales income	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%

Other explanations:

According to the "Circular on Pilot Program of Full Implementation of Replacing Business Tax with Value-added Tax" (Cai Shui [2016] No. 36) issued by the Ministry of Finance and State Administration of Taxation Bureau, confirming that since 1 May 2016, the pilot program of full implementation of replacing business tax with value-added tax will be rolled out nationwide, and taxpayers in construction, real estate, financial service and lifestyle service sectors etc. will be covered in the VAT reform scope and pay VAT instead of paying business tax.

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 since 1 May 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, troubleshooting 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%.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

V. TAXES (CONTINUED)

Major categories of taxes and tax rates (Continued)

- 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.

Pursuant to the “Announcement on Related Policies for Deepening Value-added Tax Reform” (Announcement [2019] No. 39 of MoF, SAT and Customs), issued by the MoF, the State Administration of Taxation Bureau and General Administration of Customs, the Group’s sales of goods has been adjusted from 16% to 13% since 1 April 2019.

VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and bank balances

Unit: RMB

Item	30 June 2019			31 December 2018		
	Foreign currency	Exchange rate	Amount in RMB	Foreign currency	Exchange rate	Amount in RMB
Cash:						
RMB			<u>197,079</u>			<u>286,177</u>
Bank balances:						
RMB			<u>438,291,689</u>			<u>490,874,933</u>
HKD	<u>839,277</u>	<u>0.8797</u>	<u>738,278</u>	839,214	0.8763	<u>735,374</u>
Other monetary funds:						
RMB			<u>153,922,318</u>			<u>157,865,107</u>
Total			<u><u>593,149,364</u></u>			<u><u>649,761,591</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

1. Cash and bank balances (Continued)

Other explanations:

Other monetary funds stated above includes security deposits for certain mortgage loans to customers RMB9,022,598, supervised advance from customers RMB55,014,882 (31 December 2018: security deposits for certain mortgage loans to customers RMB1,305,297, supervised advance from customers RMB133,329,373). According to the requirements of some local authorities (such as Nanjing, Suzhou, Jurong, Kunshan etc.) in China, real estate developers need to open supervised bank account when applying for pre-sale permit for new commercial properties. All the advances received from property customers should be transferred to such account which are supervised by regulator and all cash payment from such account should coincide with the construction progress in order to ensure the cash being used for property construction on a priority basis.

2. Held-for-trading financial assets

Unit: RMB

Item	30 June 2019	31 December 2018
Held-for-trading financial assets		
Including: Fund investment (<i>Note 1</i>)	20,300,782	15,081,095
Gold investment (<i>Note 2</i>)	12,584,158	17,006,958
Financial products	1,500,000,000	651,238,808
Total	1,532,884,940	683,326,861

Other explanations:

Note 1: The market price of investments above at the end of the period and related information is originated from public data of net value of related funds.

Note 2: The market price of investments above at the end of the period and related information is originated from public data of net value of related gold.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

3. Notes receivable

(1) Disclosure of notes receivable by categories:

Unit: RMB

Category	30 June 2019	31 December 2018
Bank acceptances	—	1,681,265

(2) The Group has no pledged notes receivable at the end of the period.

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

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

The Group's notes receivable are accepted by Banks with high credit ratings, so notes receivable have no significant credit risks and no provision for losses are made.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

4. Accounts receivable

(1) Disclosure of accounts receivable by aging:

Unit: RMB

Category	Amount	Proportion (%)	30 June 2019	
			Bad debt provision	Net book value
Within 1 year	445,199,976	99	295,066	444,904,910
More than 1 year but not exceeding 2 years	—	—	—	—
More than 2 years but not exceeding 3 years	1,753,432	1	35,068	1,718,364
More than 3 years	1,699,980	—	1,699,980	—
Total	<u>448,653,388</u>	<u>100</u>	<u>2,030,114</u>	<u>446,623,274</u>

(2) Disclosed according to the classification of bad debt provision method:

Unit: RMB

Category	Amount	Proportion (%)	30 June 2019		Book value
			Bad debt provision	Proportion (%)	
All accounts receivable formed by transactions regulated by standards for revenue	448,653,388	100	2,030,114	100	446,623,274
Total	<u>448,653,388</u>	<u>100</u>	<u>2,030,114</u>	<u>100</u>	<u>446,623,274</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

4. Accounts receivable (Continued)

(3) Bad debt provision

Unit: RMB

Bad debt provision	Not credit-impaired Lifetime expected credit loss	Credit-impaired Lifetime expected credit loss	Total
At 1 January 2019	200,134	1,699,980	1,900,114
– Provisions	–	130,000	130,000
At 30 June 2019	200,134	1,829,980	2,030,114

(4) Top five entities with the largest balances of accounts receivable

Unit: RMB

Name of entity	Amount	Bad debt provision	Proportion of total accounts receivable (%)
Jiangsu Expressway Network Operation and Management Co., Ltd. ("Network Operation Company")	300,907,681	–	67
Jiaxing City Kaitong Investment Co., Ltd.	33,830,090	–	8
Dinuo Fangmaoshan Business Management Co., Ltd.	17,682,168	–	4
Jiangsu Communications Culture and Media Co., Ltd. ("Media Company")	15,905,700	–	4
Tongxiang City Yintong Expressway Service Zone Operation and Management Co., Ltd.	10,399,721	–	2
Total	378,725,360	–	85

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

4. Accounts receivable (Continued)

(5) Other explanations

Majority toll road and ancillary services income are settled by cash, others are settled by receipts in cash. The accounts receivable mainly represent the receivables due from toll network internal income reallocation.

5. Prepayments

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

Unit: RMB

Aging	30 June 2019		1 January 2019 (Note)	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	73,869,768	100	22,106,210	83
More than 1 year but not exceeding 2 years	—	—	5,060,514	17
More than 2 years but not exceeding 3 years	—	—	—	—
More than 3 years	—	—	—	—
Total	<u>73,869,768</u>	<u>100</u>	<u>27,166,724</u>	<u>100</u>

Note: The group applies New Standard on Lease from 1 January 2019 and adjusts the opening balance of the above items according to the requirements of the standard.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

5. Prepayments (Continued)

(2) Top five balances of prepayments categorized by receivers:

Unit: RMB

Name of entity	Amount	Proportion of the amount to the total prepayments (%)
China Construction Eighth Engineering Division Corp. Ltd.	19,204,103	25
Jiangsu Xiandai Road and Bridge Co., Ltd.	14,000,000	18
Nanjing Jin Zhong Jian Curtain Decoration Co., Ltd.	11,750,000	16
Jiangsu Kunshan Electric Co., Ltd.	10,021,510	13
Jiangsu East Road & Bridge Construction Maintenance Co., Ltd.	3,707,911	5
Total	<u>58,683,524</u>	<u>77</u>

6. Other receivables

Item	Note	30 June 2019	31 December 2018
Dividends receivable	(1)	120,343,460	4,989,960
Others	(2)	51,668,738	32,843,991
Total		<u>172,012,198</u>	<u>37,833,951</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

6. Other receivables (Continued)

(1) Other receivables – dividends receivable

Unit: RMB

Item	30 June 2019	31 December 2018
Jiangsu Kuailu Motor Transport Co., Ltd. (“Kuailu Company”)	4,989,960	4,989,960
Suzhou Sujiahang Expressway Co., Ltd.	47,353,500	–
Bank of Jiangsu Co., Ltd.	68,000,000	–
Total	120,343,460	4,989,960

(2) Other receivables – others

<1> Disclosure of other receivables by aging:

Unit: RMB

Aging	Amount	30 June 2019		Book value
		Proportion (%)	Bad debt provision	
Within 1 year	40,266,578	60	105,056	40,161,522
More than 1 year but not exceeding 2 years	1,684,743	2	4,145	1,680,598
More than 2 years but not exceeding 3 years	9,037,262	13	–	9,037,262
More than 3 years	16,602,186	25	15,812,830	789,356
Total	67,590,769	100	15,922,031	51,668,738

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

6. Other receivables (Continued)

(2) Other receivables – others (Continued)

<2> Disclosure of other receivables by nature

Unit: RMB

Nature	30 June 2019	31 December 2018
Amounts of investment clearance	15,812,140	15,812,140
Project funds borrowed in advance	12,515,575	12,461,079
Petty cash	5,211,990	5,047,960
Landlord maintenance funds	9,335,894	4,568,903
Mortgage deposits for housing fund loan	2,644,000	1,012,000
Other insignificant amounts	22,071,170	9,863,940
Total	<u>67,590,769</u>	<u>48,766,022</u>

<3> Analysis of Bad debts provision

Unit: RMB

Bad debt provision	Stage I 12-month expected credit losses	Stage II Lifetime expected credit loss (Not credit impaired)	Stage III Lifetime expected credit loss (Credit impaired)	Total
At 1 January 2019	109,891	–	15,812,140	15,922,031
Reversal	–	–	–	–
At 30 June 2019	<u>109,891</u>	<u>–</u>	<u>15,812,140</u>	<u>15,922,031</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

6. Other receivables (Continued)

(2) Other receivables – others (Continued)

<4> Top five entities with the largest balances of other receivables:

Unit: RMB

Name of entity	Nature of other receivables	Amount	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	Over 3 years	23	15,812,140
China Construction Eighth Engineering Division Corp. Ltd.	Project funds borrowed in advance	9,010,664	2-3 years	13	-
Suzhou Housing Property Guarantee Co., Ltd.	Deposit	2,644,000	1-2 years	4	-
Jiangsu railway group Co., Ltd.	Rental deposit	1,806,200	Within 1 year	3	-
Nanjing Jin Zhong Jian Curtain Decoration Co., Ltd.	Project funds borrowed in advance	1,723,356	Within 1 year	3	-
Total		<u>30,996,360</u>		<u>46</u>	<u>15,812,140</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

7. Inventories

Categories of inventories

Unit: RMB

Item	30 June 2019			31 December 2018		
	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount	Gross carrying amount	Provision for decline in value of inventories	Net carrying amount
Properties under development	2,552,204,947	-	2,552,204,947	2,522,432,284	-	2,522,432,284
Properties for sale	1,420,324,678	-	1,420,324,678	1,510,415,438	-	1,510,415,438
Spare parts for repair and maintenance	7,352,592	-	7,352,592	7,852,952	-	7,852,952
Petrol	5,288,864	-	5,288,864	4,855,102	-	4,855,102
Total	<u>3,985,171,081</u>	<u>-</u>	<u>3,985,171,081</u>	<u>4,045,555,776</u>	<u>-</u>	<u>4,045,555,776</u>

Details of properties under development are as follows:

Unit: RMB

Project name	Commencement date	Estimated completion date	Estimated total investment	31 December 2018	30 June 2019
Baohua Hongyan Community A Project	September 2018	September 2024	2,455,800,000	316,629,081	319,597,396
Huaqiao Urban Core Project	December 2012	June 2023	3,089,100,000	663,146,331	622,539,350
Suzhou Nanmen Road G25 Project (Note 1)	October 2018	October 2020	1,146,300,000	78,850,451	69,965,337
Hanrui Center	October 2016	November 2019	1,660,000,000	1,463,806,421	1,540,102,864
Total			<u>8,351,200,000</u>	<u>2,522,432,284</u>	<u>2,552,204,947</u>

Note 1: For Suzhou Nanmen Road G25 Project, it is planned to build ten high-rise and small-sized high-rise residential buildings, among which eight buildings at Phase I have been completed, accepted and transferred into properties for sale in January 2018. The remaining two buildings at Phase II were still at the construction preparation stage at the end of the reporting period.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

7. Inventories (Continued)

Categories of inventories (Continued)

Details of properties for sale are as follows:

Unit: RMB

Project Name	Completion date	31 December 2018	Increase	Decrease	30 June 2019
Suzhou Qingyuan	December 2013	540,219,078	–	10,985,686	529,233,392
Baohua Hongyan Community B1 Tongchengshijia Project	April 2014	107,034,473	–	9,577,725	97,456,748
Baohua Hongyan Community B2 Tongchengshijia Project	November 2016	222,613,821	–	33,563,495	189,050,326
Huaqiao Urban Core C4 Tongcheng Hongqiao Mansion Project	August 2012	11,573,341	–	–	11,573,341
Huaqiao Urban Core C7 Pujiang Building Project	June 2014	252,179,129	120,794,797	13,229,296	359,744,630
Huaqiao Urban Core B4 Guangmingjiezuo Project	June 2015	43,664,784	–	3,342,050	40,322,734
Huaqiao Urban Core B19 Guangmingxinzuozuo Project	December 2016	18,541,007	–	–	18,541,007
Suzhou Nanmen Road G25 Project -Phase I	January 2018	314,589,805	–	140,187,305	174,402,500
Total		<u>1,510,415,438</u>	<u>120,794,797</u>	<u>210,885,557</u>	<u>1,420,324,678</u>

8. Other current assets

Unit: RMB

Item	30 June 2019	31 December 2018
Prepaid taxes and levies related to pre-sale of real estate	125,203,736	97,094,347
Prepaid VAT	105,446,129	33,561,824
Total	<u>230,649,865</u>	<u>130,656,171</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

9. Investments in other equity instruments

(1) Investments in other equity instruments

Unit: RMB

Item	30 June 2019	31 December 2018
Investments in other equity instruments Measured at fair value	<u>4,517,133,260</u>	<u>3,035,293,680</u>
Total	<u><u>4,517,133,260</u></u>	<u><u>3,035,293,680</u></u>

(2) Changes in non-tradable investments in other equity instruments:

Unit: RMB

Investee	Dividend income recognized in the current period	Cumulative gain	Reasons for those designated as at FVTOCI
Listed Companies			
Bank of Jiangsu (<i>Note 1</i>)	68,000,000	582,233,260	Non-tradable equity instrument investment
Jiangsu Financial Leasing (<i>Note 2</i>)	46,800,000	864,001,543	Non-tradable equity instrument investment
Total	<u><u>114,800,000</u></u>	<u><u>1,446,234,803</u></u>	

Note 1: It is a restricted outstanding shares of A-share listed company Bank of Jiangsu Co., Ltd. held by the Group. Bank of Jiangsu was listed in 2016, the Group designated it as a financial asset measured at fair value through other comprehensive income ("FVTOCI"), and subsequent changes in fair values are included in other comprehensive income.

Note 2: It is a restricted outstanding shares of A-share listed companies Jiangsu Financial Leasing Co., Ltd. held by the Group. Jiangsu Leasing was listed in 2018, the Group designated it as a financial asset measured at fair value through other comprehensive income ("FVTOCI"), and subsequent changes in fair values are included in other comprehensive income.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

10. Other non-current financial assets

(1) Other non-current financial assets

Unit: RMB

Item	30 June 2019	31 December 2018
Other non-current financial assets Measured at FVTPL	1,131,784,691	1,111,415,422
Including: Equity interest investment in partnerships (Note)		
Suzhou Industrial Park Guochuang Kaiyuan Phase II Investment Center LP	997,558,908	933,328,470
Nanjing Luode Dening Real Estate Investment LP	134,225,783	178,086,952
Total	1,131,784,691	1,111,415,422

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. The subsequent changes in its fair value are included in the current profits and losses.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

11. Long-term equity investments

(1) Long-term equity investments

Unit: RMB

Investee (Note1)	1 January 2019	Changes in the current period								30 June 2019	Closing balance of impairment loss	
		Increase	Decrease	Investment profit or loss under the equity method	Adjustment of other comprehensive income	Other changes in equity	Declaration of cash dividends or profits	Provision for impairment losses	Others			
Associates												
Kuailu Co., Ltd.	57,348,842	-	-	681,231	-	-	-	-	-	-	58,030,073	-
Jiangsu Yangtze Bridge Co., Ltd. ("Yangtze Bridge Company")	1,509,241,382	-	-	126,142,906	124,907,965	-	-	-	-	-	1,760,292,253	-
Sujiahang Company	1,311,886,136	-	-	117,426,184	-	-	-47,353,500	-	-	-	1,381,958,820	-
Suzhou Sujaiyong Expressway Co., Ltd. ("Sujaiyong Company")	407,830,719	-	-	-4,094,322	-	-	-	-	-	-	403,736,397	-
Jiangsu Xiexin Ninghu Gas Co., Ltd. ("Xiexin Ninghu Company")	11,360,141	-	-	-245,859	-	-	-	-	-	-	11,114,282	-
Suzhou Nanlin Hotel Co., Ltd. ("Nanlin Hotel")	172,245,083	-	-	990,740	-	-	-	-	-	-	173,235,823	-
Jiangsu Yanjiang Expressway Co., Ltd. ("Yanjiang Company")	2,117,190,861	-	-	102,591,312	-	-	-	-	-	-	2,219,782,173	-
Jiangsu Luode Fund Investment Fund Management Co., Ltd. ("Luode Fund Company")	19,573,317	-	-	-860,798	-	-	-2,262,000	-	-	-	16,450,519	-
Xiandai R&B Company	47,762,985	-	-	7,995,784	-	-	-	-	-	-	55,758,769	-
Jiangsu Expressway Network Toll Technology Service Co., Ltd.	25,534,747	-	-	2,744,502	-	-	-	-	-	-	28,279,249	-
Jiangsu Communication Culture and Media Co. Ltd. ("Media Company")	22,479,823	-	-	1,786,156	-	-	-	-	-	-	24,265,979	-
Total	5,702,454,036	-	-	355,157,836	124,907,965	-	-49,615,500	-	-	-	6,132,904,337	-

(2) Other explanations:

Note 1: The foregoing companies are all unlisted company registered in PRC.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

12. Investment properties

(1) Investment properties measured at cost

Unit: RMB

Item	Buildings
I. Total original carrying amount	
1. At 31 December 2018	25,079,440
2. Increase in the current period	–
(1) Transferred from fixed assets	–
3. Decrease in the current period	–
4. At 30 June 2019	25,079,440
II. Total accumulated depreciation and amortization	
1. At 31 December 2018	5,872,407
2. Increase in the current period	451,400
(1) Amount accrued or amortized	451,400
(2) Transferred from fixed assets	–
3. Decrease in the current period	–
4. At 30 June 2019	6,323,807
III. Total provision for impairment losses	
1. At 31 December 2018	–
2. Increase in the current period	–
3. Decrease in the current period	–
4. At 30 June 2019	–
IV. Total net book value of investment properties	
1. At 30 June 2019	18,755,633
2. At 31 December 2018	<u>19,207,033</u>

(2) Detailed information of investment properties are as follows:

Name	Address	Purpose	Term of lease
Kunshan Huijie office building A, B floor stores and 5 offices	Kunshan People's South Road No. 888	Commercial	Medium-term

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

13. Fixed assets

(1) 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. At 1 January 2019	1,982,351,541	918,473,555	520,844,793	430,277,001	569,883,663	67,363,492	60,939,339	43,019,850	4,593,153,234
2. Increase in the current period	8,278,874	3,256,964	433,776	5,336,436	28,191,205	1,796,690	288,479	273,372	47,855,796
(1) Increase due to business combinations	-	-	-	-	-	-	-	-	-
(2) Purchase	4,130,697	198,310	433,776	1,189,693	13,007,601	1,796,690	288,479	273,372	21,318,618
(3) Transferred from construction in progress	4,148,177	3,058,654	-	4,146,743	15,183,604	-	-	-	26,537,178
3. Decrease in the current period	90,172	-	9,066,092	3,055,393	5,784,372	606,896	438,700	7,550	19,049,175
(1) Disposal or retirement	90,172	-	9,066,092	3,055,393	5,784,372	606,896	438,700	7,550	19,049,175
(2) Transferred to investment properties	-	-	-	-	-	-	-	-	-
4. At 30 June 2019	1,990,540,243	921,730,519	512,212,477	432,558,044	592,290,496	68,553,286	60,789,118	43,285,672	4,621,959,855
II. Total accumulated depreciation									
1. At 1 January 2019	870,577,250	767,118,697	358,557,643	284,722,713	380,014,260	43,381,346	42,851,508	31,796,494	2,779,019,911
2. Increase in the current period	41,722,745	9,190,645	16,838,550	16,399,348	13,880,866	4,110,022	2,439,438	965,950	105,547,564
(1) Provision	41,722,745	9,190,645	16,838,550	16,399,348	13,880,866	4,110,022	2,439,438	965,950	105,547,564
3. Decrease in the current period	90,172	-	8,790,886	2,897,962	141,672	321,864	425,540	7,323	12,675,419
(1) Disposal or retirement	90,172	-	8,790,886	2,897,962	141,672	321,864	425,540	7,323	12,675,419
(2) Transferred to investment properties	-	-	-	-	-	-	-	-	-
4. At 30 June 2019	912,209,823	776,309,342	366,605,307	298,224,099	393,753,454	47,169,504	44,865,406	32,755,121	2,871,892,056
III. Total provision for impairment losses									
1. At 1 January 2019	-	-	-	-	-	-	-	-	-
2. Increase in the current period	-	-	-	-	-	-	-	-	-
3. Decrease in the current period	-	-	-	-	-	-	-	-	-
4. At 30 June 2019	-	-	-	-	-	-	-	-	-
IV. Total net book value of fixed assets									
1. At 30 June 2019	1,078,330,420	145,421,177	145,607,170	134,333,945	198,537,042	21,383,782	15,923,712	10,530,551	1,750,067,799
2. At 1 January 2019	1,111,774,291	151,354,858	162,287,150	145,554,288	189,869,403	23,982,146	18,087,831	11,223,356	1,814,133,323

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

13. Fixed assets (Continued)

(2) Fixed assets leased out under operating leases

Unit: RMB

Item	30 June 2019	31 December 2018
Buildings	158,237,172	169,024,781

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

Unit: RMB

Project	Carrying Amount	Reasons for not obtained certificates
Shanghai-Nanjing Expressway Lujia toll station	6,030,454	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Kunshan toll station	5,811,281	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Huaqiao toll station	7,302,730	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Xuejia toll station	8,297,956	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Suzhou management offices and maintenance center building	18,718,119	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Changzhou Luoshuwan buildings	3,094,412	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Changzhou roll station and maintenance center building	2,297,633	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Changzhou ETC customer service branch buildings	803,554	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Jingfa Service zone office buildings	36,200,023	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway South Network Centre and project management center houses	16,626,859	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Buildings in Wuxi management areas and Xidong toll station	21,185,644	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Wuxi airport toll station	3,917,117	Incorporated into communication facilities and cannot obtain certification at present

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

13. Fixed assets (Continued)

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

Project	Carrying Amount	Reasons for not obtained certificates
Shanghai-Nanjing Expressway Heyang roll station	2,421,483	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Zhenjiang toll station	8,266,421	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Danyang toll station	1,115,554	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Living buildings of Ningzhen management areas	9,940,558	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Nanjing toll station	9,461,466	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Tangshan toll station	4,907,962	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Danyang toll station	10,987,217	Incorporated into communication facilities and cannot obtain certification at present
Shanghai-Nanjing Expressway Jurong toll station	2,576,193	Incorporated into communication facilities and cannot obtain certification at present
Guangjing Expressway, Xicheng Expressway service zone houses	35,144,776	Incorporated into communication facilities and cannot obtain certification at present
Xiyi Expressway roll administration and service zone houses	24,106,887	Incorporated into communication facilities and cannot obtain certification at present
Ningchang Expressway and Zhenli Expressway roll administration and service zone houses	139,454,150	Incorporated into communication facilities and cannot obtain certification at present
Total	<u>378,668,449</u>	

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

14. Construction in progress

(1) Details of construction in progress

Unit: RMB

Project	30 June 2019			31 December 2018		
	Carrying amount	Provision for impairment losses	Net book value	Carrying amount	Provision for impairment losses	Net book value
Connection Project for Southern and Northern Roads besides Wufengshan Bridges	5,096,721,686	-	5,096,721,686	3,903,885,195	-	3,903,885,195
Highway Project of Wufengshan Road & Railway Bridge	2,670,107,074	-	2,670,107,074	2,572,706,472	-	2,572,706,472
Construction Project of Changyi Expressway	2,221,390,566	-	2,221,390,566	2,057,146,967	-	2,057,146,967
Construction Project of Yichang Expressway	1,536,871,163	-	1,536,871,163	1,420,206,237	-	1,420,206,237
Housing projects of Toll stations and service zones	83,576,935	-	83,576,935	67,734,538	-	67,734,538
Construction Project of acoustic barrier	23,610,504	-	23,610,504	10,628,673	-	10,628,673
Three big system construction project	6,937,763	-	6,937,763	7,342,203	-	7,342,203
Field renovation of Changdang Lake	5,283,000	-	5,283,000	5,283,000	-	5,283,000
Advertising board	4,129,152	-	4,129,152	4,129,152	-	4,129,152
Purchase and installation project of toll station vehicle weighing dynamic truck scale equipment	-	-	-	4,079,543	-	4,079,543
Information project	3,816,141	-	3,816,141	3,816,141	-	3,816,141
Full-line road monitoring HD renovation project	2,728,263	-	2,728,263	2,728,263	-	2,728,263
Network transmission equipment update and renovation	2,662,207	-	2,662,207	2,662,207	-	2,662,207
Construction of multi-path identification system	2,527,314	-	2,527,314	2,527,314	-	2,527,314
Hub information board addition project	2,355,182	-	2,355,182	2,347,640	-	2,347,640
Service zone monitoring HD renovation project	2,012,082	-	2,012,082	2,012,082	-	2,012,082
Lighting system construction project	1,961,030	-	1,961,030	1,961,030	-	1,961,030
Toll station monitoring renovation project	1,270,996	-	1,270,996	1,132,355	-	1,132,355
Software renovation of toll station on the border of Jiangsu and Shandong	467,239	-	467,239	467,239	-	467,239
Others	5,155,910	-	5,155,910	15,030,080	-	15,030,080
Total	11,673,584,207	-	11,673,584,207	10,087,826,331	-	10,087,826,331

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

14. Construction in progress (Continued)

(2) Changes in significant construction in progress

Unit: RMB

Project	Budget amount	31 December 2018	Increase in current period	Transfer to fixed assets	Transfer to intangible assets	Transfer to others	30 June 2019	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
Connection Project for Southern and Northern Roads besides Wufengshan Bridges Highway Project of Wufengshan Road & Railway Bridge	9,357,863,100	3,903,885,195	1,192,836,491	-	-	-	5,096,721,686	54	In progress	146,123,898	59,326,083	4.9	Own funds & Loans from financial institutions
Construction Project of Changyi Expressway	3,799,615,000	2,057,146,967	164,243,599	-	-	-	2,221,390,566	58	In progress	57,344,647	25,849,875	4.9	Own funds & Loans from financial institutions
Construction Project of Yichang Expressway	3,978,702,200	1,420,206,237	116,664,926	-	-	-	1,536,871,163	39	In progress	40,694,822	16,664,926	4.9	Own funds & Loans from financial institutions
Housing projects of Toll stations and service zones	141,225,815	67,734,538	19,990,574	4,148,177	-	-	83,576,935	62	In progress	-	-	-	Own funds
Construction Project of acoustic barrier	36,420,000	10,628,673	15,315,485	2,333,654	-	-	23,610,504	71	In progress	-	-	-	Own funds
Three big system construction project	26,231,786	7,342,203	320,560	725,000	-	-	6,937,763	29	In progress	-	-	-	Own funds
Advertising board	10,781,520	4,129,152	-	-	-	-	4,129,152	38	In progress	-	-	-	Own funds
Purchase and installation project of toll station vehicle weighing dynamic truck scale equipment	12,000,000	4,079,543	67,200	4,146,743	-	-	-	-	In progress	-	-	-	Own funds
Field renovation of Changdang Lake	6,500,000	5,283,000	-	-	-	-	5,283,000	81	In progress	-	-	-	Own funds
Lighting system construction project	2,500,000	1,961,030	-	-	-	-	1,961,030	78	In progress	-	-	-	Own funds
Software renovation of toll station on the border of Jiangsu and Shandong	640,000	467,239	-	-	-	-	467,239	73	In progress	-	-	-	Own funds
Others	86,615,748	32,256,082	16,119,445	15,183,604	10,663,828	-	22,528,095	56	In progress	-	-	-	Own funds
Total		10,087,826,331	1,622,958,882	26,537,178	10,663,828	-	11,673,584,207			351,870,441	141,088,153		

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

14. Construction in progress (Continued)

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

15. Right-of-use assets

Unit: RMB

Item	Buildings	Total
I. Total original carrying amount		
1. At 1 January 2019	7,419,401	7,419,401
2. Increase in the current period	–	–
3. Decrease in the current period	–	–
4. At 30 June 2019	7,419,401	7,419,401
II. Total accumulated depreciation and amortization		
1. At 1 January 2019	–	–
2. Increase in the current period	2,234,531	2,234,531
(1) Amount accrued or amortized	2,234,531	2,234,531
3. Decrease in the current period	–	–
4. At 30 June 2019	2,234,531	2,234,531
III. Total provision for impairment losses		
1. At 1 January 2019	–	–
2. Increase in the current period	–	–
(1) Amount accrued	–	–
3. Decrease in the current period	–	–
4. At 30 June 2019	–	–
IV. Total net book value of Right-of-use assets		
1. At 30 June 2019	5,184,870	5,184,870
2. At 1 January 2019	7,419,401	7,419,401

Note: The group applies New Standard on Lease from 1 January 2019 and adjusts the opening balance of the above items according to the requirements of the standard.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

16. Intangible assets

(1) Intangible assets

Unit: RMB

Item	Toll road operation rights	Land use rights	Software	Total
I. Total original carrying amount				
1. At 1 January 2019	31,626,434,391	1,744,161,676	62,534,881	33,433,130,948
2. Increase in the current period	10,663,828	–	270,190	10,934,018
(1) Increase due to business combinations	–	–	–	–
(2) Purchase	–	–	270,190	270,190
(3) Transferred from construction in progress	10,663,828	–	–	10,663,828
3. At 30 June 2019	31,637,098,219	1,744,161,676	62,805,071	33,444,064,966
II. Total accumulated amortization				
1. 1 January 2019	11,679,847,220	1,218,502,201	36,988,374	12,935,337,795
2. Increase in the current period	648,846,336	32,329,111	6,294,792	687,470,239
(1) Provision	648,846,336	32,329,111	6,294,792	687,470,239
3. Decrease in the current period	–	–	–	–
(1) Disposal	–	–	–	–
4. At 30 June 2019	12,328,693,556	1,250,831,312	43,283,166	13,622,808,034
III. Provision for impairment losses				
1. 1 January 2019	217,737,524	–	–	217,737,524
2. Increase in the current period	–	–	–	–
3. Decrease in the current period	–	–	–	–
4. At 30 June 2019	217,737,524	–	–	217,737,524
IV. Total net book value of intangible assets				
At 30 June 2019	19,090,667,139	493,330,364	19,521,905	19,603,519,408
At 1 January 2019	<u>19,728,849,647</u>	<u>525,659,475</u>	<u>25,546,507</u>	<u>20,280,055,629</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

17. Long-term prepaid expenses

Unit: RMB

Item	31 December 2018	Increase in the period	Amortization for the period	Other Decrease	30 June 2019
Decorations for buildings	1,654,145	336,851	197,150	-	1,793,846

18. Deferred tax assets/deferred tax liabilities

(1) Deferred tax assets that are not offset

Unit: RMB

Item	30 June 2019		31 December 2018	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment losses of assets	233,853,958	58,463,489	235,559,669	58,889,917
Unrealized profits through internal transactions	326,497,906	81,624,476	311,199,377	77,799,844
Deductible losses	-	-	71,257,941	17,814,485
Pre-sale real estate	207,939,850	51,984,963	215,155,529	53,788,882
Accrued project management fee Provisions	9,988,822	2,497,205	9,988,822	2,497,206
	-	-	461,700	115,425
Difference between tax policies and that under accounting policies for service zone lease income	37,606,467	9,401,617	19,379,060	4,844,765
Total	815,887,003	203,971,750	863,002,098	215,750,524

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

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

(1) Deferred tax assets that are not offset (Continued)

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 recognized.

(2) Deferred tax liabilities that are not offset

Unit: RMB

Item	30 June 2019		31 December 2018	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Changes in fair values for held-for-trading financial assets	12,412,048	3,103,012	6,378,415	1,594,604
Changes in fair values for other equity instruments investment	1,464,000,510	366,000,128	904,395,223	226,098,805
Changes in fair values for other non-current financial assets	180,257,365	45,064,341	165,083,107	41,270,777
Total	<u>1,656,669,923</u>	<u>414,167,481</u>	<u>1,075,856,745</u>	<u>268,964,186</u>

(3) Net amount of deferred tax assets or liabilities after offset

Unit: RMB

Item	Closing offset amount of deferred tax assets and deferred tax liabilities	Closing amount of deferred tax assets or liabilities after offset	Opening offset amount of deferred tax assets and deferred tax liabilities	Opening amount of deferred tax assets or liabilities after offset
	Deferred tax assets	67,850,061	136,121,689	18,303,465
Deferred tax liabilities	<u>67,850,061</u>	<u>346,317,420</u>	<u>18,303,465</u>	<u>250,660,721</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

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

(4) Detailed information of unrecognized deferred tax assets

Unit: RMB

Item	30 June 2019	31 December 2018
Deductible losses	<u>44,931,650</u>	<u>20,333,192</u>
Total	<u><u>44,931,650</u></u>	<u><u>20,333,192</u></u>

(5) Deductible losses, for which no deferred tax assets are recognized, will expire in the following period

Unit: RMB

Item	30 June 2019	31 December 2018
2020	—	—
2021	—	—
2022	—	—
2023	20,333,192	20,333,192
2024	<u>24,598,458</u>	—
Total	<u><u>44,931,650</u></u>	<u><u>20,333,192</u></u>

19. Other non-current assets

Unit: RMB

Item	30 June 2019	31 December 2018
Apartment procurement for talents	<u>14,955,570</u>	<u>14,207,792</u>
Total	<u><u>14,955,570</u></u>	<u><u>14,207,792</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

20. Short-term borrowings

(1) Categories of short-term borrowings:

Unit: RMB

Item	30 June 2019	31 December 2018
Bank loans	560,000,000	630,000,000
Including: Unsecured loans	500,000,000	570,000,000
Entrusted loans (<i>Note 1</i>)	60,000,000	60,000,000
Non-bank financial institutions loans	850,000,000	950,000,000
Including: Unsecured loans	850,000,000	950,000,000
Entrusted loans	—	—
Total	1,410,000,000	1,580,000,000

(2) Explanation for short-term borrowings:

Note 1: Entrusted bank loans are provided by Jiangsu Far East Shipping Co., Ltd. ("Far East Shipping Company"), a fellow related company under Jiangsu Communications Holding Co., Ltd. through the finance company of the Group on 28 August 2018, for which the balance amount is RMB60,000,000, annual interest rate 4.35%, and duration period 1 year.

(3) There are no short-term borrowings overdue but not yet repaid.

21. Notes payable

(1) Categories of notes payable

Unit: RMB

Category	30 June 2019	31 December 2018
Bank acceptance	150,000,000	—

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

22. Accounts payable

(1) Details of accounts payable are as follows

Unit: RMB

Item	30 June 2019	31 December 2018
Construction payable	453,956,518	544,016,630
Construction payable for real estate project	306,791,359	363,766,073
Purchase of petroleum payable	1,217,809	11,980,779
Toll road fee payable	56,394,249	40,988,472
Deposit payable for rent	58,930,661	58,930,661
Others	28,549,968	70,924,705
Total	905,840,564	1,090,607,320

(2) The aging analysis of accounts payable according to invoice date (close to posting date):

Unit: RMB

Item	30 June 2019	31 December 2018
Within 1 year	796,530,691	793,933,626
More than 1 year but not exceeding 2 years	59,710,190	183,051,225
More than 2 years but not exceeding 3 years	23,766,391	77,563,871
More than 3 years	25,849,292	36,058,598
Total	905,856,564	1,090,607,320

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

22. Accounts payable (Continued)

(3) Significant accounts payable aging more than one year in the 30 June 2019

Unit: RMB

Item	30 June 2019	Reasons for outstanding or not carrying forward
Construction payable for real estate project	42,871,585	Long settlement procedure of the real estate project
Construction payable	7,777,118	Long settlement cycle of the project
Margin payable	18,534,325	Service zone lease margin
Bonds underwriting expenses payable	5,625,000	MTN underwriting expenses
Total	74,808,028	

23. Receipts in advance

(1) Receipts in advance are shown as follows

Unit: RMB

Item	30 June 2019	31 December 2018
Rental deposit received in advance	30,865,581	14,195,127
The transfer payment of Ninglian road operating rights received in advance	57,700,000	57,700,000
Others	4,422,403	1,559,768
Total	92,987,984	73,454,895

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

23. Receipts in advance (Continued)

(1) Receipts in advance are shown as follows (Continued)

The aging analysis of receipts in advance is as follows:

Unit: RMB

Aging	30 June 2019		31 December 2018	
	RMB	%	RMB	%
Within 1 year	92,983,774	54	73,454,895	100
More than 1 year but not exceeding 2 years	4,210	46	–	–
More than 2 years but not exceeding 3 years	–	–	–	–
More than 3 years	–	–	–	–
Total	<u>92,987,984</u>	<u>100</u>	<u>73,454,895</u>	<u>100</u>

24. Contract liabilities

(1) Contract liabilities are shown as follows:

Item	30 June 2019	31 December 2018
Advertising release fee in advance	1,027,582	6,090,951
Sales of property in advance	<u>1,248,044,551</u>	<u>956,110,032</u>
Total	<u>1,249,072,133</u>	<u>962,200,983</u>

Note:

(1) Qualitative and quantitative analysis on contract liabilities

Revenue relative to advertising is recognized during a period, though customers have prepaid the advertising price in part or in whole. The Company recognizes the advertising payments initially received as a contractual liability and carries forward as revenue during the advertising period.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

24. Contract liabilities (Continued)

(1) Contract liabilities are shown as follows: (Continued)

According to the contract, the income of real estate development can be confirmed until the relevant property procedures have been completed and transferred to the customers. The sales payment is recognized at the time of the transaction and is converted into income when the relevant property procedures have been completed and transferred to the customer.

25. Employee benefits payable

(1) Employee benefits payable are shown as follows:

Unit: RMB

Item	31 December 2018	Increase in the current period	Decrease in the current period	30 June 2019
1. Short term compensation	2,917,980	343,653,951	344,347,908	2,224,023
2. Post-employment benefits-Defined contribution plan	-	80,757,818	80,757,818	-
3. Termination benefits	-	-	-	-
4. Other welfare due within one year	-	-	-	-
Total	<u>2,917,980</u>	<u>424,411,769</u>	<u>425,105,726</u>	<u>2,224,023</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

25. Employee benefits payable (Continued)

(2) Short-term compensation

Unit: RMB

Item	31 December 2018	Increase in the current period	Decrease in the current period	30 June 2019
I. Wages or salaries, bonuses, allowances and subsidies	285,258	251,866,936	251,929,751	222,443
II. Staff welfare	–	2,282,131	2,282,131	–
III. Social security contributions	–	31,152,290	31,152,290	–
Including: Medical insurance	–	27,677,819	27,677,819	–
Work injury insurance	–	1,267,558	1,267,558	–
Maternity insurance	–	2,206,913	2,206,913	–
IV. Housing funds	–	32,171,698	32,171,698	–
V. Union running costs and employee education costs	2,632,722	7,726,636	8,357,778	2,001,580
VI. Non-monetary welfare	–	15,401,806	15,401,806	–
VII. Others	–	3,052,454	3,052,454	–
Total	<u>2,917,980</u>	<u>343,653,951</u>	<u>344,347,908</u>	<u>2,224,023</u>

(3) Defined contribution plan

Unit: RMB

Item	31 December 2018	Increase in the current period	Decrease in the current period	30 June 2019
1. Basic endowment insurance	–	53,927,594	53,927,594	–
2. Unemployment insurance	–	1,542,231	1,542,231	–
3. Enterprise annuity payment	–	25,287,993	25,287,993	–
Total	<u>–</u>	<u>80,757,818</u>	<u>80,757,818</u>	<u>–</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

25. 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% 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 undertakes 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 RMB53,927,594, RMB25,287,993 and RMB1,542,231 (For the period ended 30 June 2018: RMB51,689,353, RMB23,971,693 and RMB1,330,860) to basic pension insurance, annuity scheme, unemployment insurance plan respectively. All the contribution had paid over to the schemes as at 30 June 2019.

(2) Non-monetary welfare

Non-monetary benefits are RMB15,401,806 (For the period ended 30 June 2018: RMB11,758,959), which represent purchased non-monetary welfare goods and holiday gifts that distributed to employees etc., calculated on a certified basis of purchase costs.

26. Other payables

Unit: RMB

Item	Note	30 June 2019	31 December 2018
Interest payable	(1)	145,200,819	93,089,893
Dividends payable	(2)	2,406,342,953	88,979,103
Others	(3)	152,474,481	88,390,375
Total		2,704,018,253	270,459,371

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

26. Other payables (Continued)

(1) Other payables – interest payable

Unit: RMB

Item	30 June 2019	31 December 2018
Interest payable of long-term borrowings with interest payable by installments and principal payable on maturity	41,137,933	29,927,133
Interest payable of enterprise bonds	101,975,616	59,682,740
Interest payable of short-term borrowings	2,087,270	3,480,020
Total	145,200,819	93,089,893

There are no interest payable overdue but not yet repaid.

(2) Other payables – dividends payable

Unit: RMB

Item	30 June 2019	31 December 2018
Ordinary shares dividends	2,406,342,953	88,979,103
Total	2,406,342,953	88,979,103

Note: the balance of dividends payable over one years is RMB81,117,999, which is not yet received by investors.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

26. Other payables (Continued)

(3) Other payables – others

a. Details of other payables are as follows:

Unit: RMB

Item	30 June 2019	31 December 2018
Payable of daily procurement in service area	3,726,283	2,895,993
Amount of ETC prepaid cards collected on behalf of the internetwork settlement center	–	2,517,643
Construction quality warrantee fee payable	18,741,308	15,088,319
Earnest money of acquisition of properties	86,912,139	40,962,778
Others	43,094,751	26,925,642
Total	152,474,481	88,390,375

b. No significant other payables aged more than one year.

27. Taxes payable

Unit: RMB

Item	30 June 2019	31 December 2018
Enterprise income tax	188,829,833	181,115,219
Land appreciation tax	52,603,119	42,769,050
VAT	34,767,409	32,797,482
Property tax	3,392,201	2,340,228
Individual income tax	34,254	5,646,199
City construction and maintenance tax	2,098,595	1,997,158
Others	5,361,575	5,039,554
Total	287,086,986	271,704,890

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

28. Non-current liabilities due within one year

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

Unit: RMB

Item	30 June 2019	1 January 2019
Long-term borrowings due within one year (Note VI 30)	121,297,283	381,700,433
Lease liabilities due within one year	3,377,661	3,231,042
Total	124,674,944	384,931,475

Note: The group applies New Standard on Lease from 1 January 2019 and adjusts the opening balance of the above items according to the requirements of the standard.

29. Other current liabilities

Unit: RMB

Item	30 June 2019	31 December 2018
Super short-term bonds payable	2,208,009,480	2,212,191,672
Total	2,208,009,480	2,212,191,672

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

29. Other current liabilities (Continued)

Changes of short-term bonds payable:

Unit: RMB

Name of bond	Par value	Issue date	Duration of the bond (days)	Issue amount	31 December 2018	Issue in the current period	Interest accrued according to par value	Premium and discount amortization	Repayment in the current period	30 June 2019
Super short-term bonds payable										
19 Ninghu Gao SCP006	600,000,000	26 October 2018	175	600,000,000	603,883,562	-	6,184,931	-	610,068,493	-
19 Ninghu Gao SCP007	600,000,000	31 October 2018	163	600,000,000	603,489,270	-	5,620,867	-	609,110,137	-
19 Ninghu Gao SCP008	600,000,000	7 November 2018	180	600,000,000	603,074,411	-	6,926,685	-	610,001,096	-
19 Ninghu Gao SCP009	400,000,000	14 November 2018	177	400,000,000	401,744,429	-	4,656,667	-	406,401,096	-
19 Ninghu Gao SCP001	500,000,000	10 April 2019	191	500,000,000	-	500,000,000	2,256,164	-	-	502,256,164
19 Ninghu Gao SCP002	200,000,000	10 April 2019	170	200,000,000	-	200,000,000	895,781	-	-	200,895,781
19 Ninghu Gao SCP003	500,000,000	17 April 2019	270	500,000,000	-	500,000,000	2,293,151	-	-	502,293,151
19 Ninghu Gao SCP004	600,000,000	8 May 2019	184	600,000,000	-	600,000,000	1,676,713	-	-	601,676,713
19 Ninghu Gao SCP005	400,000,000	15 May 2019	177	400,000,000	-	400,000,000	887,671	-	-	400,887,671
Total				4,400,000,000	2,212,191,672	2,200,000,000	31,398,630	-	2,235,580,822	2,208,009,480

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

29. Other current liabilities (Continued)

Other explanations:

On 30 June 2019, details of the Group's short-term bonds include: (1) "19 Ninghu Gao SCP001" super short term bonds issued by the Company on 10 April 2019, with the par value of RMB500,000,000, duration period of 191 days, and annual interest rate of 2.7%; (2) "19 Ninghu Gao SCP002" super short term bonds issued by the Company on 10 April 2019, with the par value of RMB200,000,000, duration period of 170 days, and annual interest rate of 2.68%; (3) "19 Ninghu Gao SCP003" super short term bonds issued by the Company on 17 April 2019, with the par value of RMB600,000,000, duration period of 270 days, and annual interest rate of 2.7%; (4) "19 Ninghu Gao SCP004" super short term bonds issued by the Company 8 May 2019, with the par value of RMB600,000,000, duration period of 184 days, and annual interest rate of 3%; (5) "19 Ninghu Gao SCP005" super short term bonds issued by the Company 15 May 2019, with the par value of RMB400,000,000, duration period of 177 days, and annual interest rate of 3%.

30. Long-term borrowings

(1) Categories of long-term borrowings

Unit: RMB

Item	30 June 2019	31 December 2018
Bank Loans	6,951,781,187	6,520,554,335
Including: Unsecured loans	6,354,600,000	5,892,550,000
Pledged loan (Note 1)	581,000,000	581,000,000
Guaranteed loan (Note 2)	16,181,187	47,004,335
Pledged and guaranteed loans	—	—
Non-bank financial institutions loans	—	—
Including: Entrusted loans	—	—
Loans from a related party	1,300,000,000	1,550,000,000
Including: Medium Term Notes (Note 3)	500,000,000	750,000,000
Corporate bond (Note 4)	800,000,000	800,000,000
Subtotal	8,251,781,187	8,070,554,335
Less: long-term borrowings due within one year	121,297,283	381,700,433
Long-term borrowings due after one year	8,130,483,904	7,688,853,902

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

30. Long-term borrowings (Continued)

(2) Long-term borrowings

Note 1: The pledged loan was obtained by the Group from Industrial and Commercial Bank of China ("ICBC"), Wuxi Branch on 28 June 2018. The total contractual amount is RMB1,200,000,000 with a term of 8 years, being used for repaying borrowings which falls due, complementing current funds and adjusting debt structure. RMB581,000,000 was withdrew for the current period. The above loan is pledged with the operation right of Guangjing Expressway and calculated at a floating interest rate based on the benchmark interest rate published by the People's Bank of China. The interest rate is 4.90% for the current period.

Note 2: 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 with annum interest rate of 2%. The outstanding 30 June 2019 at the end of this year is USD2,477,610. (2) The Group obtained from Industrial and Commercial Bank of China, Jiangsu branch bank loans of RMB195,000,000 with loan duration 15 years on 16 March 2004. The loan was used to construct Xiyi Expressway and guaranteed by Communications Holding. The loan has been paid up for RMB165,000,000 by the end of the year, with annual interest rate of 4.90% as calculated by the floating interest based on the benchmark interest rate published by People's Bank of China. The aforementioned loans was guaranteed by Communications Holding, and has been repaid in full as of the end of the current period.

Note 3: 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) Communications Holding issued "12 Su Communications MTN2" on 4 December 2012 and allocated RMB250,000,000 to the Company, duration is 10 years, annual interest rate is 5.50% and annual fee rate is 0.3%. (2) Communication Holding issued "13 Su Communications MTN2" on 16 May 2013 and allocated RMB250,000,000 to the Group, duration is 10 years, annual interest rate is 5.30% and annual fee rate is 0.3%. (3) Communications Holding issued "14 Su Communications MTN2" on 20 May 2014 and allocated RMB250,000,000 to the Group, duration is 5 years, annual interest rate is 5.80% and annual fee rate is 0.3%. It has been repaid in full as of the end of the current period.

Note 4: Corporate bond borrowings are funds raised by corporate bonds issued by Communications Holding. A part of the funds is allocated to the Group for the purpose of funds specified in the bond prospectus. The Group pays the corresponding interests and principals to Communications Holding. The corporate bonds are the bonds of "18 Sujiao 01" issued by Communications Holding on 23 October 2018. The principals allocated to the Group is RMB800,000,000, with a term of 5 years, an annual interest rate of 4.43% and an annual service fee rate of 0.30%.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

30. Long-term borrowings (Continued)

(3) Analysis of maturity for long-term borrowings over one year is as follows:

Item	30 June 2019	31 December 2018
1-2 years	491,360,283	51,700,434
2-5 years	1,150,688,848	1,425,101,300
Over 5 years	6,488,434,773	6,212,052,168
Total	8,130,483,904	7,688,853,902

(4) Other explanations

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

31. Bonds payable

(1) Bonds payable

Unit: RMB

Item	30 June 2019	31 December 2018
Medium term notes	3,985,860,581	3,980,548,108
Total	3,985,860,581	3,980,548,108

(2) Changes of bond payable

Unit: RMB

Name of bond	Par value	Issue date	Term of the bond	Issue amount	31 December 2018	Decrease in the current period	Interest accrued according to par value	Premium and discount amortization	Repayment in the current period	30 June 2019
Medium Term Notes	2,000,000,000	25 August 2015	5 years	2,000,000,000	1,990,570,127	–	73,041,096	2,971,159	73,041,096	1,993,541,286
Medium Term Notes	1,000,000,000	4 December 2015	5 years	1,000,000,000	994,414,222	–	21,129,041	1,410,881	21,129,041	995,825,103
Medium Term Notes	1,000,000,000	15 April 2016	5 years	1,000,000,000	995,563,759	–	44,805,479	930,433	44,805,479	996,494,192
Total				4,000,000,000	3,980,548,108	–	138,975,616	5,312,473	138,975,616	3,985,860,581

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

31. Bonds payable (Continued)

(3) Other explanations

On 30 June 2019, the detail of the Group's bonds payable include: (1) The Company issued "15 Ninghu Gao MTN1" with the par value of RMB2,000,000,000 on 25 August 2015, bond duration is 5 years, annual interest rate is 4.30%, the interest is paid by year and principal paid on maturity. (2) The Company issued "15 Ninghu Gao MTN2" with the par value of RMB1,000,000,000 on 4 December 2015, the bond duration is 5 years, annual interest rate is 3.69%, the interest is paid by year and principal paid on maturity. (3) The Company issued "16 Ninghu Gao MTN1" with the par value of RMB1,000,000,000 on 14 April 2016, the bond duration is 5 years, annual interest rate is 3.70%, the interest is paid by year and principal paid on maturity.

32. Lease liabilities

Unit: RMB

Item	30 June 2019	1 January 2019
Lease liabilities	—	2,295,042

Note: The group applies New Standard on Lease from 1 January 2019 and adjusts the opening balance of the above items according to the requirements of the standard.

33. Deferred income

Unit: RMB

Item	31 December 2018	Increase in the current period	Decrease in the current period	30 June 2019	Reasons
Government grants	29,514,650	—	982,613	28,532,037	Construction grants of Ningchang expressway
Others	13,595,266	—	—	13,595,266	Others
Total	43,109,916	—	982,613	42,127,303	

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

33. Deferred income (Continued)

Government grants

Unit: RMB

Liability Item	31 December 2018	Increase in the current period	Transfer to other income for the period	Other	30 June 2019	Related to asset/ Related to income
Expressway Construction Compensation	29,514,650	-	982,613	-	28,532,037	Related to asset

Other explanations:

The deferred income related to government grants is appropriated by People's Government of Wujin District, 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.

34. Provisions

Unit: RMB

Item	30 June 2019	31 December 2018	Reason
Provisions for repair and maintenance of Ninglian Highway	-	461,700	Disposal of Ninglian Highway Maintenance
Total	-	461,700	

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

35. Share capital

Unit: RMB

	Opening balance	New issue of shares	Changes for the period			Subtotal	Closing balance
			Bonus issue	Capitalization of surplus reserves	Others		
For the period ended							
30 June 2019							
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 2006, 48,000,000 non-tradable shares were transferred to the shareholders of A-shares as consideration as approved by the non-tradable shareholders, and these 48,000,000 non-tradable shares were granted trading status as 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, sell or redeem listed shares of the Company for the current period.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

36. Capital reserve

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
For the period ended 30 June 2019:				
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 reserve	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	10,428,388,235	–	–	10,428,388,235

37. Surplus reserve

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
For the period ended 30 June 2019:				
Statutory surplus reserve	3,186,341,563	–	–	3,186,341,563
Discretionary surplus reserve	224,852,722	–	–	224,852,722
Total	3,411,194,285	–	–	3,411,194,285

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.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

38. Other comprehensive income

Unit: RMB

Item	1 January 2019	Change for the period					30 June 2019
		Before-tax amount for the current period	Less: Net amount included in other comprehensive income in the prior periods that is reclassified to profit or loss for the period	Less: Income tax expense	Post-tax net amount attribute to parent company owners	Post-tax net amount attribute to minority shareholders	
I. Other comprehensive income that will not be reclassified subsequently to profit or loss	837,827,667	661,833,545	-	134,231,395	527,602,150	3,685,499	1,365,429,817
Including: Other comprehensive income that will not be reclassified to profit or loss under the equity method (Note 1)	234,620,692	124,907,965	-	-	124,907,965		359,528,657
Change in fair value of investments in other equity instruments (Note 2)	603,206,975	536,925,580	-	134,231,395	402,694,185	3,685,499	1,005,901,160
Total other comprehensive income	<u>837,827,667</u>	<u>661,833,545</u>	<u>-</u>	<u>134,231,395</u>	<u>527,602,150</u>	<u>3,685,499</u>	<u>1,365,429,817</u>

Note 1: The changes in the share of other comprehensive income under the equity method of the Group are the fair value adjustments of financial assets designated as at FVTOCI held by the joint venture Yangtze Big Bridge Company of the Group. The Group adjusts other comprehensive income according to the shareholding ratio.

Note 2: Other investments in equity instrument are the fair value adjustment of the restricted shares of A-share listed companies, Bank of Jiangsu Co., Ltd., and Jiangsu Financial Leasing Co., Ltd.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

39. Retained profits

Unit: RMB

Item	Amount for the current period	Amount for the prior period
Opening retained profits (before adjustment)	6,422,040,045	4,399,747,006
Adjustment on opening balance of total retained profits	–	–
Opening retained profits (adjusted)	6,422,040,045	4,399,747,006
Add: Net profit attributable to owners of the Company for the period	2,281,609,028	2,488,142,065
Less: Appropriation to statutory surplus reserve	–	–
Appropriation to discretionary surplus reserve	–	–
Declaration of dividends on ordinary shares	2,317,363,850	2,216,608,900
Closing balance of retained profits	6,386,285,223	4,671,280,171

Note 1: Cash dividends approved by the general meeting of shareholders for the reporting period

According to a proposal of the board of directors on 22 March 2019, on the basis of 5,037,747,500 issued shares (with the par value of RMB1 per share) in 2018, cash dividends of RMB0.46 per share will be distributed to all the shareholders. The above proposal regarding dividends distribution is approved by the general meeting of shareholders.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

40. Operating income and operating costs

(1) Operating income and operating costs

Unit: RMB

Item	Amount recognized in the current period		Amount recognized in the prior period	
	Operating income	Operating costs	Operating income	Operating costs
Principal operating income	4,390,526,461	1,737,367,901	4,311,955,966	1,760,396,113
Including: Shanghai-Nanjing Expressway	2,542,648,100	628,196,265	2,425,343,255	645,318,177
Guangjing Expressway and Xicheng Expressway	438,214,711	168,532,600	425,941,644	108,289,749
Ningchang Expressway and Zhenli Expressway	590,423,717	267,394,539	562,154,981	264,516,223
Xiyi Expressway	173,625,237	96,648,641	168,032,090	81,741,605
Zhendan Expressway	34,633,463	25,523,891	–	–
Ancillary services	610,981,233	551,071,965	718,469,872	658,426,686
Nanjing-Lianyungang Highway	–	–	12,014,124	2,103,673
Real estate development	411,802,770	205,590,031	797,719,861	485,055,076
Advertising and others	33,128,638	12,686,455	32,104,007	10,921,986
Total	<u>4,835,457,869</u>	<u>1,955,644,387</u>	<u>5,141,779,834</u>	<u>2,256,373,175</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

40. Operating income and operating costs (Continued)

(2) Description of the performance obligation

Road toll and supporting services

The toll income is divided after the vehicle passes, and is recognized when the amount is received and receivable. The income from road supporting services is mainly oil income. Income from roll supporting services shall be recognized when refueling service is provided.

Real estate development

As for the real estate development contract concluded with the client, the relevant property stipulated in the contract is based on the client's requirements and has no other alternative use. Taking into account the relevant contract terms, legal environment and relevant legal precedents, the Group believes that the Group has no enforceable right to receive payment prior to the transfer of the relevant property to the customer. Therefore, the proceeds from the sale of the property are recognised at the point in time when the completed property is transferred to the client, i.e. the client gains control of the completed property and the Group has the current right to receive payment and the time point when the payment may be received.

41. Taxes and levies

Unit: RMB

Item	Amount recognized in the current period	Amount recognized in the prior period
Business tax	—	25,323,817
City maintenance and construction tax	10,250,240	12,027,460
Education surcharge	7,406,552	8,665,096
Land appreciation tax	20,423,300	44,742,668
Property tax	8,689,290	8,479,546
Land use tax	5,604,864	5,970,143
Others	3,029,070	2,186,608
Total	55,403,316	107,395,338

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

42. Selling expenses

Unit: RMB

Item	Amount recognized in the current period	Amount recognized in the prior period
Depreciation	904,903	332,796
Commission fee for agent of real estate sales	9,639,027	7,663,883
Advertisement and promotion fee	3,736,184	2,513,490
Production and planning fee	1,137,146	448,271
Others	3,213,072	633,849
Total	18,630,332	11,592,289

43. Administrative expenses

Unit: RMB

Item	Amount recognized in the current period	Amount recognized in the prior period
Salaries and additional remuneration	39,622,895	37,240,816
Depreciation and amortization	40,175,421	40,405,851
Audit fee	-	-
Consulting and intermediary service fee	351,540	1,075,918
Entertainment fee	522,289	573,427
Maintenance and repair costs	109,495	2,006,177
Office expenses	356,567	373,250
Travelling expenses	678,575	424,222
Vehicle related expenses	887,545	738,896
Others	2,969,605	2,661,725
Total	85,673,932	85,500,282

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

44. Financial expenses

Unit: RMB

Item	Amount recognized in the current period	Amount recognized in the prior period
Interest expenses (<i>Note</i>)	227,654,019	239,697,636
Less: Interest income	3,577,594	3,481,804
Exchange differences	101,811	208,618
Bond issuance fee and commission charges for other loans	1,500,606	15,234,412
Others	838,396	1,553,643
Total	226,517,238	253,212,505

Note: Interest expenses include financing component in the contract liabilities, and interest expenses in lease liabilities.

45. Impairment losses of credit

Unit: RMB

Item	Amount recognized in the current period	Amount recognized in the prior period
Bad debt losses of accounts receivable	-130,000	-
Total	-130,000	-

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

46. Gains from changes in fair values

Unit: RMB

Sources of generating gains from changes in fair value	Amount recognized in the current period	Amount recognized in the prior period
Held-for-trading financial assets	6,033,633	-2,594,467
Other non-current financial assets	15,174,258	—
Total	21,207,891	-2,594,467

47. Investment income

(1) Details of investment income

Unit: RMB

Item	Amount recognized in the current period	Amount recognized in the prior period
Income from long-term equity investments under equity method	355,157,836	284,808,956
Investment income (losses) from disposal of financial assets measured at FVTPL	123,433	-275,451
Investment income from other equity instruments in the holding period	114,800,000	28,080,000
Investment income from held-for-trading financial assets	8,118,372	4,195,261
Interest income from loans	—	2,598,900
Other investment income (Note 1)	—	411,124,603
Total	478,199,641	730,532,269

Note 1: investment income in the previous period mainly includes gains from evaluation appreciation 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 2019

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

48. Losses from disposal of assets

Unit: RMB

Item	Amount recognized in the current period	Amount recognized in the prior period
Gains from disposal of assets	112,045	–
Losses from disposal of assets	<u>(407,982)</u>	<u>(215,505)</u>
Total	<u><u>(295,937)</u></u>	<u><u>(215,505)</u></u>

49. Other income

Unit: RMB

Item	Amount recognized in the current period	Amount recognized in the prior period
Government grants	982,612	1,032,811
Others	<u>1,629,483</u>	<u>–</u>
Total	<u><u>2,612,095</u></u>	<u><u>1,032,811</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

50. Non-operating income

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

Unit: RMB

Item	Amount recognized in the current period	Amount recognized in the prior period
Income from highway property compensation	—	790,000
Government grants	—	480,948
Others	<u>1,608,479</u>	<u>8,011,621</u>
Total	<u><u>1,608,479</u></u>	<u><u>9,282,569</u></u>

(2) Government grants recognized in profit or loss for the current period:

Unit: RMB

Government grants	Related to assets/income	Presented Item	Amount recognized in the current period	Amount recognized in the prior period
Subsidies for working steadily Ningchang Expressway	Related to income	Non-operating income	—	480,948
Construction Compensations	Related to assets	Other income	<u>982,613</u>	<u>1,032,811</u>
Total			<u><u>982,613</u></u>	<u><u>1,513,759</u></u>

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

51. Non-operating expenses

Unit: RMB

Item	Amount recognized in the current period	Amount recognized in the prior period
Expenditure for repair of damaged highway property	6,928,120	10,629,521
Non-profit donations	1,246,000	620,000
Various funds	2,315,568	2,196,111
Others	552,274	1,583,493
Total	11,041,962	15,029,125

52. Income tax expenses

(1) Income tax expenses

Unit: RMB

Item	Amount recognized in the current period	Amount recognized in the prior period
Current tax expenses	632,712,224	544,637,113
Deferred tax expenses	18,555,718	75,470,993
Differences in annual filing for the prior period	-	-8,621,372
Total	651,267,942	611,486,734

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 2019

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

53. Other comprehensive income

See Note VI. 38 for details.

54. Supplementary information of income statement

Unit: RMB

Item	Amount recognized in the current period	Amount recognized in the prior period
Employee benefits	424,411,769	431,654,895
Depreciation and amortization	795,900,884	730,364,002
Toll related expenses	83,907,385	54,502,098
Road maintenance expenses	77,416,312	74,649,840
System maintenance expenses	2,918,172	15,013,036
Real estate development land and construction cost	205,590,031	485,055,076
Petroleum in the service zone	421,612,796	497,608,618
Retail goods in the service zone	—	6,404,266
Catering cost in the service zone	6,421,145	10,972,229
Consulting and intermediary service fee	351,540	1,414,487
Commission fee for agent of real estate sales	9,639,027	4,712,750
Advertisement and promotion fee	3,736,184	4,235,127
Others	28,043,406	36,879,322
Total	2,059,948,651	2,353,465,746

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

55. Notes to items in the cash flow statement

(1) Other cash receipts relating to operating activities:

Unit: RMB

Item	Amount recognized in the current period	Amount recognized in the prior period
Receipts from compensation of damaged road and non-operating income and etc.	23,979,860	83,288,995
Receipts from interest income of bank deposit	3,577,594	3,481,804
Recovery of restricted cash and bank balances	70,597,190	3,043,813
Total	98,154,644	89,814,612

(2) Other cash payments relating to operating activities:

Unit: RMB

Item	Amount recognized in the current period	Amount recognized in the prior period
Payment of non-salary and other expenditure	96,586,438	87,501,473
Total	96,586,438	87,501,473

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

55. Notes to items in the cash flow statement (Continued)

(3) Other cash receipts relating to investing activities:

<u>Item</u>	Amount recognized in the current period	Amount recognized in the prior period
Loans to related parties	–	369,000,000
Value of monetary funds held by Hanwei Company at the acquisition date	–	61,771,364
Total	<u>–</u>	<u>430,771,364</u>

(4) Other cash payments relating to investing activities:

Unit: RMB

<u>Item</u>	Amount recognized in the current period	Amount recognized in the prior period
Loans to related parties	<u>–</u>	<u>480,000,000</u>

(5) Other cash receipts relating to financing activities: nil.

(6) Other cash payments relating to financing activities:

Unit: RMB

<u>Item</u>	Amount recognized in the current period	Amount recognized in the prior period
Bond issue fee and other charges of loans	<u>2,248,811</u>	<u>19,016,321</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

56. Supplementary information of the cash flow statement

(1) Supplementary information of the cash flow statement

Unit: RMB

Supplementary information	Amount recognized in the current period	Amount recognized in the prior period
1. Reconciliation of net profit to cash flow from operating activities:		
Net profit	2,334,480,929	2,539,228,063
Add: Impairment losses of credit	130,000	-
Depreciation of fixed assets	105,547,564	99,551,035
Amortization of intangible assets	687,470,239	629,833,302
Amortization of long-term prepaid expenses	197,150	528,264
Amortization of Deferred income	-982,613	-1,032,811
Other- Amortization of investment real estate	451,400	451,400
Amortization of Right-of-use assets	2,234,531	-
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by "-")	295,937	215,505
Losses on changes in fair values (gains are indicated by "-")	-21,207,891	2,594,467
Financial expenses (income is indicated by "-")	229,256,436	242,140,666
Losses arising from investments (gains are indicated by "-")	-478,199,641	-730,532,269
Decrease in deferred tax assets (increase is indicated by "-")	61,325,370	56,628,611
Increase in deferred tax liabilities (decrease is indicated by "-")	95,656,699	349,705,481
Decrease in inventories (increase is indicated by "-")	60,384,694	-996,400,838
Decrease in receivables from operating activities (increase is indicated by "-")	-170,400,218	19,442,850
Increase in payables from operating activities (decrease is indicated by "-")	-49,741,385	447,400,568
Others-decrease in restricted monetary funds (increase is indicated by "-")	70,597,190	3,034,813
Net cash flow from operating activities	2,927,496,391	2,662,789,107
2. Significant investing and financing activities that do not involve cash receipts and payments:	-	-
3. Net changes in cash and cash equivalents:		
Closing balances of cash	529,111,884	704,545,487
Less: Opening balances of cash	515,126,921	262,758,700
Net increase (decrease) in cash and cash equivalents	13,984,963	441,786,787

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

56. Supplementary information of the cash flow statement (Continued)

(2) Composition of cash and cash equivalents

Unit: RMB

Item	30 June 2019	31 December 2018
I. Cash	529,111,884	515,126,921
Including: Cash on hand	191,524	286,177
Bank deposits	439,035,643	491,610,307
Other monetary funds	89,884,717	23,230,437
II. Cash equivalents	-	-
Including: Investment in debt securities due within three months	-	-
III. Closing balance of cash and cash equivalents	529,111,884	515,126,921

57. Assets with restricted ownership or use rights

Unit: RMB

Item	Closing carrying amount	Reasons for restriction
Bank deposits	9,022,598	Customer mortgage deposit
Bank deposits	55,014,882	Regulations of pre-sale properties
Intangible assets	329,917,700	Pledge of toll road right
Total	393,955,180	

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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

58. Monetary item dominated in foreign currency

Unit: RMB

Item	30 June 2019 (foreign currency)	Exchange rate	30 June 2019 (equivalent to RMB)
Cash and bank balances			
Including: HKD	839,277	0.8797	738,278
Long-term borrowings			
Including: USD	<u>2,353,730</u>	<u>6.8747</u>	<u>16,181,187</u>

VII. CHANGES OF CONSOLIDATED FINANCIAL STATEMENT SCOPE

1. Changes of consolidated financial statement scope

(1) Subsidiaries acquired by incorporation

Refer to Note VIII 1 (1).

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

VIII. EQUITY IN OTHER ENTITIES

1. Equity in subsidiaries

(1) Group composition

Name of subsidiary	Type of subsidiaries	Registered Capita	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	-	100	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 Feng 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 Nanchang Zhenli Expressway Co., Ltd. ("Ningchang Zhenli Company")	Limited liability company	8,000,000,000	Changzhou, Zhenjiang	Nanjing	Construction and operation of expressway	100	-	Business combination under the common control
Jiangsu Wufengshan Bridge Co., Ltd. ("Wufengshan Bridge")	Limited liability company	4,826,350,000	Zhenjiang, Yangzhou	Zhenjiang	Construction and operation of expressway	64.5	-	Set-up
Jiangsu Changyi Expressway Co., Ltd. ("Changyi Company")	Limited liability company	1,519,846,000	Changzhou, Yixing	Wuxi	Construction and operation of expressway	-	60	Set-up
Jiangsu Yichang Expressway Co., Ltd. ("Yichang Company")	Limited liability company	1,591,480,880	Yixing, Changxing	Yixing	Construction and operation of expressway	-	60	Set-up
Nanjing Hanwei Real Estate Development Co., Ltd. ("Hanwei Company")	Limited liability company	100,000,000	Nanjing	Nanjing	Real estate development	100	-	Business combination not under the common control
Ninghu Commercial Factoring (Guangzhou) Co., Ltd.(Note1)	Limited liability company	90,000,000	Nanjing	Guangzhou	Service	-	100	Set-up
Jiangsu Yangzi River Expressway Management Co., Ltd. (Note2)	Limited liability company	50,000,000	Wuxi	Nanjing	Operation of expressway	100	-	Set-up

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

(1) Group composition (Continued)

Note 1: As at 25 December 2018, Ninghu Commercial Factoring (Guangzhou) Co., Ltd. ("Commercial Factoring Company") was established by Jiangsu Ninghu Investment Development Co., Ltd., a wholly-owned subsidiary of the Company, via sole investments, with a registered capital of RMB90 million. In May 2019, the first installment funds of RMB30 million was paid to the Commercial Factoring Company.

Note 2: As at 6 June 2019, Jiangsu Yangzi River Expressway Management Co., Ltd. was established by the Company via sole investments, with a registered capital of RMB50 million, registered capital has been fully in place in June.

(2) Significant non-wholly owned subsidiaries

Unit: RMB

Name of subsidiaries	Minorities proportion of shareholding (%)	Closing balance/Amount recognized in the current period			Closing balance of minority interests
		Profit or loss attributable to minority shareholders	Dividend announcement to minority shareholders	Other comprehensive income attributable to minority shareholders	
Guangjing Xicheng	15	52,596,497	–	3,685,499	804,083,969
Zhendan Company	30	-7,379,645	–	–	168,466,016
Wufengshan Bridge	35.5	423,549	–	–	1,518,270,292
Changyi Company	40	2,431,452	–	–	613,800,448
Yichang Company	40	4,800,048	–	–	647,796,440
Total		52,871,901	–	3,685,499	3,752,417,165

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

1. Equity in subsidiaries (Continued)

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

Unit: RMB

Name of subsidiaries	30 June 2019						31 December 2018					
	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	652,308,123	10,525,173,351	11,177,481,474	839,488,231	3,697,411,332	4,536,899,563	757,492,781	10,209,551,503	10,967,044,284	970,532,383	3,738,374,803	4,708,907,186
Zhendan Company	22,061,303	1,704,384,763	1,726,446,066	75,196,679	1,089,706,000	1,164,902,679	11,295,743	1,725,459,816	1,736,755,559	90,963,355	1,059,650,000	1,150,613,355
Wufengshan Bridge	235,617,406	7,766,828,760	8,002,446,166	254,937,107	4,142,400,000	4,397,337,107	134,955,367	6,476,591,667	6,611,547,034	5,831,592	3,680,000,000	3,685,831,592
Changyi Company	426,732,894	2,221,390,566	2,648,123,460	15,633,425	1,097,900,000	1,113,533,425	573,740,790	2,057,146,967	2,630,887,757	4,476,353	1,097,900,000	1,102,376,353
Yichang Company	797,420,467	1,536,871,163	2,334,291,630	9,889,447	705,000,000	714,889,447	896,564,014	1,420,206,237	2,316,770,251	4,368,187	705,000,000	709,368,187

Unit: RMB

Name of subsidiaries	Amount incurred in the current period				Amount incurred in the prior period			
	Operating income	Net profit attributable to the parent company	Total comprehensive income	Cash flow from operating activities	Operating income	Net profit attributable to the parent company	Total comprehensive income	Cash flow from operating activities
Guangjing Xicheng	633,175,059	350,643,313	371,527,813	361,946,056	609,996,361	336,742,953	1,293,299,937	421,640,796
Zhendan Company	35,509,381	-24,598,818	-24,598,818	31,636,215	-	-8,500	-8,500	-8,990
Wufengshan Bridge	-	1,193,062	1,193,062	-581,863	-	-58,525	-58,525	-1,424,282
Changyi Company	-	6,078,631	6,078,631	-1,878,986	-	145,267	145,267	90,622
Yichang Company	-	12,000,119	12,000,119	-4,249,111	-	1,349,437	1,349,437	46,693

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

2. Equity in 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	Suzhou	Suzhou	Construction and operation of expressway	31.55	–	Equity method
Sujiayong Company	Suzhou	Suzhou	Construction and operation of expressway	22.77	–	Equity method
Yanjiang Expressway (Note 1)	Suzhou	Suzhou	Construction and operation of expressway	–	25.15	Equity method

Note 1: In 2013, because of the introduction of new shareholders Zhangjiagang Municipal Public Assets Management Co., Ltd., the equity ratio in Yanjiang Expressway of the Group decreased from 32.26% to 29.81%. According to the Yanjiang Expressway 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 Expressway 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, an equity interest transfer agreement was signed and entered into between Communication Holdings and Yanjiang Company, pursuant to which 100% equity interest held by Communication Holdings Jiangsu Husuzhe Expressway Co., Ltd. ("Husuzhe Company") was transferred to Yanjiang Expressway through capital increment and share increase by Yanjiang Expressway as a way to accept all equity interests of Husuzhe Company. After that, the equity ratio in Yanjiang Expressway of the Group decreased from 28.96% to 25.15%. After the completion of capital increment on 19 December 2016.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

2. Equity in associates (Continued)

(2) Financial information of significant associates

Unit: RMB

	Closing balance/Amount recognized in the current period				Opening balance/Amount recognized in the prior period			
	Yangtze Bridge Company	Sujiahang Company	Sujiayong Company	Yanjiang Expressway	Yangtze Bridge Company	Sujiahang Company	Sujiayong	Yanjiang Expressway
Current asset	837,099,285	2,030,633,786	38,319,553	1,721,977,614	1,172,712,515	1,574,903,687	148,930,556	1,570,664,007
Non-current asset	19,961,871,142	3,221,328,413	3,244,266,241	10,387,555,875	18,603,931,222	3,336,178,513	4,042,361,334	10,697,131,276
Total asset	<u>20,798,970,427</u>	<u>5,251,962,199</u>	<u>3,282,585,794</u>	<u>12,109,533,489</u>	<u>19,776,643,737</u>	<u>4,911,082,200</u>	<u>4,191,291,890</u>	<u>12,267,795,283</u>
Current liabilities	1,521,275,553	378,491,541	212,869,079	1,626,635,410	1,971,094,650	251,943,341	1,110,243,971	1,978,233,986
Non-current liabilities	11,117,492,210	569,373,993	1,296,610,000	2,150,450,000	10,588,081,101	583,139,198	1,289,960,000	2,278,800,001
Total liabilities	<u>12,638,767,763</u>	<u>947,865,534</u>	<u>1,509,479,079</u>	<u>3,777,085,410</u>	<u>12,559,175,751</u>	<u>835,082,539</u>	<u>2,400,203,971</u>	<u>4,257,033,987</u>
Minority Interests	1,756,910,019	14,550,531	-	337,487,599	1,755,851,527	8,553,950	-	387,508,467
Shareholders' equity attributable to shareholders of the parent company	6,403,292,645	4,289,546,134	1,773,106,715	7,994,960,480	5,461,616,459	4,067,445,711	1,791,087,919	7,623,252,829
Net assets share calculated according to proportion of shareholding	1,707,117,819	1,353,351,805	403,736,399	2,206,609,092	1,456,066,948	1,283,279,122	407,830,719	2,014,706,466
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	1,760,292,253	1,381,958,819	403,736,399	2,219,782,173	1,509,241,382	1,311,886,136	407,830,721	2,117,190,861
Operating income	696,244,499	869,868,058	75,528,693	1,034,379,480	1,407,330,144	1,688,868,415	158,691,327	1,961,405,557
Net income (Net loss) attributable to the parent company	473,154,186	372,190,758	-17,981,212	371,707,651	656,010,801	631,048,615	(46,675,713)	680,176,795
Other comprehensive income attributable to the parent company	468,522,000	-	-	-	583,784,696	-	-	-
Total comprehensive income attributable to the parent company	<u>941,676,186</u>	<u>372,190,758</u>	<u>-17,981,212</u>	<u>371,707,651</u>	<u>1,239,795,497</u>	<u>631,048,615</u>	<u>(46,675,713)</u>	<u>680,176,795</u>
Dividends received from associates in the current period	-	47,353,500	-	-	68,380,279	47,353,500	-	80,888,540

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

2. Equity in associates (Continued)

(2) Financial information of significant associates (Continued)

Other explanations:

The shareholders equity and the net profit attributable to Yanjiang Company are the net amount which has deducted the 40% of the equity of Zhangjiagang Port Expressway owned by Zhangjiagang Municipal Public Assets Management Co., Ltd. and 30% of the equity of Taicang Port Expressway owned by Suzhou Taicang Port Shugang Expressway Co., Ltd. The Group still owns 27.6 % of shareholders equity and enjoy the net income of the shareholders equity accordingly.

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

Unit: RMB

	30 June 2019/ Amount recognized in the current period	31 December 2018/ Amount recognized in the prior period
Associates:		
Total net book value of the investment	367,134,692	356,304,936
Total amount of the following items calculated according to the proportion of shareholding		
Net profit (loss)	13,091,756	5,866,157
Other comprehensive income		
Total comprehensive income (loss)	<u>13,091,756</u>	<u>5,866,157</u>

(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 2019

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS

The Group's major financial instruments include cash and bank balances, equity investments, notes receivables, accounts receivable, other receivables, borrowings, bonds payable, accounts payable, other payables 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.

Unit: RMB

	30 June 2019	31 December 2018
Financial assets		
Financial assets measured at fair value through profit or loss		
Held-for-trading financial assets	1,532,884,940	683,326,861
Other non-current financial assets	1,131,784,691	1,111,415,422
Financial assets measured at fair value through other comprehensive income		
Investments in other equity instruments	4,517,133,260	3,035,293,680
Financial assets measured at amortized costs		
Cash and bank balances	593,149,364	649,761,591
Notes receivable	—	1,681,265
Accounts receivable	446,623,274	321,158,727
Other receivables	51,668,738	32,843,991
Financial liabilities		
Financial liabilities measured at amortized costs		
Short-term borrowings	1,410,000,000	1,580,000,000
Notes payable	150,000,000	—
Accounts payable	905,840,564	1,090,607,320
Other payables	152,474,481	88,390,375
Non-current liabilities due within one year	124,674,944	381,700,433
Long-term borrowings	8,130,483,904	7,688,853,902
Bonds payable	3,985,860,581	3,980,548,108

The Group adopts sensitivity analysis technique to analyze 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.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Risk management objectives and policies

The Group's risk management objectives are to achieve a proper balance between risks and yield, minimise 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.

1.1 Market risk

1.1.1. Currency risk

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. The Group's exposure to the currency risk is primarily associated with borrowings and bank deposits denominated in USD and HKD while the Group's other principal activities are denominated and settled in RMB. As at 30 June 2019, the balance of the Group's assets and liabilities are both denominated in RMB except that the assets and liabilities set out below are denominated in USD and HKD. Currency risk arising from the assets and liabilities denominated in foreign currencies may have little impact on the Group's performance.

As at balances sheet date, the balance of the Group's assets and liabilities in foreign currency are set out below:

Unit: RMB

	30 June 2019	31 December 2018
Cash and bank balances	738,278	735,374
Non-current liabilities due within one year	1,703,283	1,700,433
Long-term borrowings	14,477,904	15,303,902

1.1.2. Interest rate risk – risk of changes in cash flows

The Group's cash flow interest rate risk of financial instruments relates primarily to variable-rate long-term bank borrowings. It is the Group's policy to keep its borrowings at floating rate of interests so as to eliminate the fair value interest rate risk.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

IX. RISKS RELATED TO FINANCIAL INSTRUMENTS (CONTINUED)

1. Risk management objectives and policies (Continued)

1.2. Credit risk

As at 30 June 2019, 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 (does not consider the available collaterals and other credit enhancements) issued by the Group is arising from:

- The carrying amount of the respective recognized financial assets as stated in the Group's consolidated balance sheet.
- The amount of financial guarantees contract related to real estate sales disclosed in Note XII "Contingencies".

In order to minimise the credit risk, the Group has determined credit limits, made credit approvals and took other monitoring procedures to ensure that follow-up action is taken to recover overdue debts. In addition, the Group reviews the recoverable amount of financial assets at each balance sheet date to ensure that adequate provision for expected credit losses are made for financial assets. In this regard, the management of the Group considers that the Group's credit risk is significantly reduced.

In addition, the credit risk on liquid funds is limited because they are deposited with banks with high credit ratings.

The Group has no significant concentration of credit risk, with exposure spread over a number of counterparties and customers.

1.3. Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group has monitored the use of bank loans and ensured to comply with loan agreements. The management of Group considers that the liquidity risk of the Group is greatly reduced, hence the financial statements have been prepared on a going concern basis.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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	
Continuous fair value measurement				
(I) Held-for-trading financial assets				
1. Investments in fund and gold	32,884,940	–	–	32,884,940
2. Financial products	–	1,500,000,000	–	1,500,000,000
(II) Investments in other equity instruments				
1. Equity instrument investment	–	–	4,517,133,260	4,517,133,260
(III) Other non-current financial assets				
1. Other non-current financial assets	–	–	1,131,784,691	1,131,784,691
Total assets continuously measured at fair value	<u>32,884,940</u>	<u>1,500,000,000</u>	<u>5,648,917,951</u>	<u>7,181,802,891</u>

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 the Company's parent.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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 associates or joint ventures that have ending balance with the Group due to related party transactions in the current or prior period are as follows:

<u>Name of associates</u>	<u>Related party relationship</u>
Kuailu Company	Associate
Nanlin Hotel	Associate
Luode Fund Company	Associate
Xiandai R&B Company	Associate
Network Operation Company	Associate
Yanjiang Company	Associate
Sujiahang Company	Associate
Yangtze Bridge Company	Associate
Media Company	Associate

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

4. Other related parties of the Company

Name of other related party	Relationship between other related parties and the Company
Tongxingbao Smart Transportation Science & Technology Co., Ltd. ("Tongxingbao Company")	Same ultimate shareholder
Jiangsu Petroleum Company	Same ultimate shareholder
Jiangsu Financial 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
Jiangsu Taizhou Bridge Co., Ltd. ("Taizhou Bridge Company")	Same ultimate shareholder
Jiangsu Expressway Information Engineering Co., Ltd. ("Information Company")	Same ultimate shareholder
Jiangsu Expressway Engineering Maintenance Technology Co., Ltd. ("Maintenance Technology Company")	Same ultimate shareholder
Jiangsu Suihuaiyan Expressway Management Co., Ltd. ("Suihuaiyan Company")	Same ultimate shareholder
Jiangsu Huatong Engineering Testing Co., Ltd. ("Huatong Company")	Same ultimate shareholder
Taicang Container Lines Company Limited ("Taicang Container Lines")	Same ultimate shareholder
Jiangsu Fenguan Expressway Management Co. Ltd. ("Fenguan Company")	Same ultimate shareholder
Jiangsu Jinghu Expressway Co., Ltd. ("Jinghu Company")	Same ultimate shareholder
Jiangsu Railway Group Co., Ltd (Railway Group Company)	Same ultimate shareholder
Jiangsu Ninghang Expressway Co., Ltd. ("Ninghang Company")	Same ultimate shareholder
Nantong Tongsha Port Co., Ltd. ("Tongsha Port Company")	Same ultimate shareholder
Jiangsu Ocean Shipping Co., Ltd. ("Ocean Shipping Company")	Same ultimate shareholder
Sundian Engineering Testing Co., Ltd. (Engineering Testing Company)	Same ultimate shareholder
Suzhou Circular Expressway Co., Ltd. ("Suzhou Circular Company")	Same ultimate shareholder
Jiangsu Tongchang Real Estate Investment Co., Ltd. ("Tongchang Real Estate Company")	Same ultimate shareholder

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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 recognized in the current period	Amount recognized in the prior period
Network Operation Company*	Maintenance and operating administration fees for toll collection system	15,510,877	12,648,580
Tongxingbao Company*	Maintenance and operating administration fees for toll collection system	10,646,432	5,479,343
Xiandai R&B Company*	Road maintenance fee	63,757,887	40,629,340
Maintenance Technology Company*	Road maintenance fee	5,842,800	3,913,000
Kuailu Co., Ltd.	Lease fee of transportation service	2,195,661	–
Nanlin Hotel	Food and beverage	–	2,260
Information Company*	Communication system maintenance fee	7,446,747	1,083,857
Far East Shipping Company	Interest expenses of entrusted loan	1,312,250	3,499,333
Communications Holding*	Interest expenses of loans from a related party	36,549,445	20,579,452
Group Finance Company*	Interest expenses of working capital loan	17,508,025	15,128,333
Jinghu Company	Interest expenses of entrusted loan	–	2,175,000
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 all related party transactions, the price is settled by signed contracts.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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, rendering of services and interest income of borrowings/loans with related parties:

Unit: RMB

Related party	Type of related party transactions	Amount recognized in the current period	Amount recognized in the prior period
Kuailu Co., Ltd.	Petrol income	–	156,973
Kuailu Co., Ltd.	Toll road income	496,403	660,000
Tongxingbao Company*	ETC customer-service network management income	47,998	472,861
Hanwei Company	Interest income from shareholder loan	–	2,598,900
Group Finance Company*	Interest income from deposits	1,394,367	1,144,397
Xiandai R&B Company*	Petrol income	257,941	–
Luode Fund Company	Petrol income	1,316	–
Media Company*	Advertising income	14,290,000	–

Note: During the reporting period, the Company's interest income of shareholders' loans to Hanwei Company is the interest income of entrusted loans before the business combination not involving enterprises under common control.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(2) Leases with related parties

The Group as the lessor:

Unit: RMB

Name of lessee	Type of leased assets	Lease income recognized in the current period	Lease income recognized in the prior period
Railway Group Company*	Fixed assets	1,806,200	903,100
Xiandai R&B Company*	Fixed assets	845,000	845,000
Jiangsu Petroleum Company*	Fixed assets	5,897,403	6,255,314
Media Company*	Fixed assets	1,615,700	–

(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*	16,181,187	15 October 1998	18 July 2027	Not completed

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(4) Borrowings/loans with related parties

In the current period:

Unit: RMB

Related party	Amount of borrowing/loan	Inception date	Maturity date	30 June 2019	Remarks
Borrowed from (repaid to) Far East Shipping Company	-	28 August 2018	27 August 2019	60,000,000	Entrusted loan with annual interest rate of 4.35%
Group Finance Company*	-200,000,000	29 May 2018	28 May 2019	-	Entrusted loan with annual interest rate of 4.35%
Group Finance Company*	-	28 September 2018	27 September 2019	100,000,000	Entrusted loan with annual interest rate of 4.35%
Group Finance Company*	-200,000,000	15 November 2018	15 February 2019	-	Entrusted loan with annual interest rate of 4.35%
Group Finance Company*	200,000,000	21 May 2019	20 May 2020	200,000,000	Entrusted loan with annual interest rate of 4.1325%
Group Finance Company*	100,000,000	8 May 2019	7 May 2020	100,000,000	Entrusted loan with annual interest rate of 4.1325%
Group Finance Company*	190,000,000	3 June 2019	2 June 2020	190,000,000	Entrusted loan with annual interest rate of 4.1325%
Group Finance Company*	-190,000,000	15 June 2019	14 June 2020	-	Entrusted loan with annual interest rate of 4.35%
Group Finance Company*	-	17 December 2018	16 December 2019	100,000,000	Entrusted loan with annual interest rate of 4.35%
Group Finance Company*	-	28 November 2018	27 November 2019	100,000,000	Entrusted loan with annual interest rate of 4.35%
Group Finance Company*	-	9 November 2018	8 November 2019	60,000,000	Entrusted loan with annual interest rate of 4.35%
Communications Holding*	-	5 December 2012	5 December 2022	250,000,000	Borrowings from a related party with annual interest rate of 5.80%
Communications Holding*	-	17 May 2013	17 May 2023	250,000,000	Borrowings from a related party with annual interest rate of 5.60%
Communications Holding*	-250,000,000	20 May 2014	20 May 2019	-	Borrowings from a related party with annual interest rate of 6.10%
Communications Holding*	-	20 November 2018	24 October 2023	800,000,000	Borrowings from a related party with annual interest rate of 4.49%

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(5) Compensation for key management personnel

Unit: RMB

Item	Amount recognized in the current period	Amount recognized in the prior period
Compensation for key management personnel	1,286,892	1,423,761

(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

Account	Related party	30 June 2019		31 December 2018	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Bank deposits (Note1)	Group Finance Company	179,495,727	-	365,573,873	-
Accountants receivable (Note2)	Jiangsu Petroleum Company	6,043,329	-	6,595,610	-
	Sujiahang Company	6,298,402	-	7,018,508	-
	Yanjiang Company	1,117,732	-	837,249	-
	Yangtze Bridge Company	654,389	-	709,020	-
	Kuailu Co., Ltd.	48,661	-	57,065	-
	Luode Fund Company	993	-	2,254	-
	Xiandai R&B Company	283,502	-	-	-
	Media Company	15,905,700	-	-	-
Sub-total		30,352,708	-	15,219,706	-

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

(1) Amounts due from related parties (Continued)

Account	Related party	30 June 2019		31 December 2018	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Other receivables	Network Operation Company	189,965	-	-	-
	Xiandai R&B Company	1,014,284	-	-	-
	Tongxingbao Company	274,831	-	-	-
	Railway Group Company	1,806,200	-	-	-
Sub-total	<u>3,285,280</u>	<u>-</u>	<u>-</u>	<u>-</u>	
Dividends receivable	Kuailu Co., Ltd	4,989,960	-	4,989,960	-
	Yangtze Bridge Company	47,353,500	-	-	-
	Sujiahang Company	68,000,000	-	-	-
Subtotal	<u>120,343,460</u>	<u>-</u>	<u>4,989,960</u>	<u>-</u>	

Note 1:

During the period, a financial service agreement was continued signed and concluded between the Group and Group Finance Company, in which Group Finance Company would provide financial service to the Group such as deposit, credit and so on. The Company's subsidiaries, Guangjing Xicheng Company, Ningchang Zhenli Company, Zhendan Company, Wufengshan Company, Changyi Company and Yichang Company have also participated in this agreement. As at 30 June 2019, the Group has deposited RMB179,495,727(31 December 2018: 365,573,873) in Group Finance Company in accordance with the financial service agreement.

Note 2:

As at 30 June 2019, besides the accounts receivable from related party stated above, there are split toll road fee receivables from Network Operation Company and other expressway companies within the toll road network companies ("Toll Road Network Companies") which amounted to RMB313,428,945(31 December 2018: RMB261,331,288). The ultimate shareholder of those Toll Road Network Companies is basically 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 2019

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

(2) Amounts due to related parties

Unit: RMB

Account	Related party	30 June 2019	31 December 2018
Accounts payable (Note)	Xiandai R&B Company	48,676,490	123,977,636
	Yangtze Bridge Company	3,235,847	4,280,959
	Yanjiang Company	1,778,459	3,018,696
	Information Company	4,114,970	6,448,105
	Sujiahang Company	1,307,388	1,488,742
	Network Operation Company	2,841,308	1,265,996
	Tongxingbao Company	5,004,364	1,687,943
	Kuailu Co., Ltd.	447,500	262,000
Sub-total		67,406,326	142,430,077
Receipts in advance	Kuailu Co., Ltd.	366,667	825,356
	Xiandai R&B Company	80,000	80,000
Sub-total		446,667	905,356
Other payables	Communications Holding	—	750,000
	Tongxingbao Company	4,500	2,452,483
	Network Operation Company	33,305	65,160
	Xiandai R&B Company	1,399,255	—
Sub-total		1,437,060	3,267,643

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

6. Amounts due from/to related parties (Continued)

(2) Amounts due to related parties (Continued)

Account	Related party	30 June 2019	31 December 2018
Short-term borrowings	Group Finance Company	850,000,000	950,000,000
	Far East Shipping Company	60,000,000	60,000,000
Sub-total		910,000,000	1,010,000,000
Interest payable	Communications Holding	28,948,078	21,277,401
	Group Finance Company	948,541	1,262,708
	Far East Shipping Company	72,500	79,750
Sub-total		29,969,119	22,619,859
Long-term borrowings (including long-term borrowings due within 1 year)	Communications Holding	1,300,000,000	1,550,000,000
Sub-total		1,300,000,000	1,550,000,000

Note: For the period ended 30 June 2019, besides the accounts payable to related party stated above, there are split toll road fee payables to other Toll Road Network Companies which amounted to RMB50,072,555 (31 December 2018: RMB32,688,096). The ultimate shareholder of those Toll Road Network Companies is basically Communications Holding, except for which these Toll Road Network Companies has no other control, joint control or significant influence relationship with them.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

XII. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

(1) Capital commitments

Unit: RMB

	30 June 2019	31 December 2018
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	<u>14,372,207,111</u>	<u>10,513,977,102</u>

2. Contingencies

(1) Significant contingencies at the balance sheet date

Ninghu Properties, a subsidiary of the Company provides guarantees to banks for bank borrowings granted to buyers of properties. 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. For the period ended 30 June 2019, the outstanding guarantees amounted to approximately RMB1,763,562,204 (31 December 2018: RMB1,035,648,168).

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

XIII. EVENTS AFTER THE BALANCE SHEET DATE

Participation in Real Estate Investment FOF

On 12 April 2019, under the examination of the 8th meeting of the 9th Board of Directors, Jiangsu Ninghu Investment Development Co., Ltd. (Ninghu Investment), wholly-owned subsidiary of the Company, was approved to participate in Real Estate Investment FOF Second Issue initiated and established by Luode Fund Company with a total fund size of no more than RMB1 billion (capital contribution of no more than 300 million by Ninghu Investment and no more than 700 million followed by other partners and teams.

On 11 July 2019, Ninghu Investment, Luode Fund Company and its wholly-owned subsidiary Nanjing Luode Investment and Management Co., Ltd., Nanjing Public Utilities Development Co., Ltd., HongYuanHuiZhi Investment Co., LTD. and its wholly-owned subsidiary Shenyin Wanguo Innovation Capital Management Co., Ltd. signed the Limited Partnership Agreement, and jointly initiated and established the Real Estate Investment FOF Second Issue under unanimous consent of the parties. As of the date of report disclosure, Ninghu Investment has contributed 129 million.

Participation in Group Finance Company

On 30 July 2019, under the examination of the 11th meeting of the 9th Board of Directors, the Company was approved to sign an agreement of capital increase with Communications Holding, Jinghu Company, and Group Finance Company. The Company and Communications Holding each made capital contribution of RMB606.8 million and RMB303.4 million to subscribe for RMB400 million and RMB200 million of Group Finance Company's registered capital respectively. Preconditions for the transaction include the approval of the Company's independent shareholders.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

XIV. OTHER SIGNIFICANT EVENTS

1. Annuity scheme

See Note VI 25.

2. Basic endowment insurance

See Note VI 25.

3. Net Profit for the period has been arrived at after charging:

Unit: RMB

Item	Current period	Prior period
Staff costs (Include: directors' emoluments)	343,653,951	355,993,849
Basic endowment insurance and annuity payment	80,757,818	75,661,046
Total staff costs	424,411,769	431,654,895
Depreciation and amortization (Included in operating costs and administrative expenses)	763,571,773	698,034,891
Losses on disposal of non-current assets	295,937	215,505
Amortization of land use rights (Included in operating costs and administrative expenses)	32,329,111	32,329,111
Sales cost of inventories	633,623,972	1,000,040,189

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 (2018: 12) 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 Expressway, Changyi Expressway and Yichang Expressway, Ancillary services (including petrol, food and retail in service zones along the expressways), Real estate development and advertising and others. These reporting segments are determined based on standards of resources allocation and performance assessment by the management.

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

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		Changyi Expressway		Yichang 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	Current period	Prior period	Current period	Prior period
Operating income	2,542,648,100	2,425,343,255	-	12,014,124	438,214,711	425,941,644	173,625,237	168,032,090	-	-	-	-	590,423,717	562,154,981
Operating costs	628,196,265	645,318,177	-	2,103,673	168,532,600	108,289,750	96,648,641	81,741,605	-	-	-	-	267,394,539	264,516,223
Including: Amortization of toll roads operation rights	322,809,625	289,103,915	-	-	56,076,934	55,077,776	51,041,128	48,741,009	-	-	-	-	201,240,331	198,521,027
Costs of petrol and other goods sold in service zones	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Segment operating profit (loss)	1,914,451,835	1,780,025,078	-	9,910,451	269,682,111	317,651,894	76,976,596	86,290,485	-	-	-	-	323,029,178	297,638,758
Reconciling items:														
Less: Taxes and levies	9,153,533	8,731,236	-	43,250	1,577,573	1,533,390	625,051	604,916	206,573	-	255,370	87,805	2,125,525	2,023,757
Selling expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Administrative expenses	36,684,124	36,545,126	-	-	-	-	-	-	-	-	-	-	-	-
Financial expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment loss of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment loss of credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Add: Gains or losses from changes in fair values	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Invest income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Other income	-	-	-	-	-	-	-	-	-	-	-	-	982,612	1,032,811
Gains(losses) from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Operating profit	1,868,614,178	1,734,748,716	-	9,867,201	268,104,538	316,118,504	76,351,545	85,685,569	-206,573	-	-255,370	-87,805	321,886,265	296,647,812
Non-operating income	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Non-operating expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Total profit	1,868,614,178	1,734,748,716	-	9,867,201	268,104,538	316,118,504	76,351,545	85,685,569	-206,573	-	-255,370	-87,805	321,886,265	296,647,812
Income tax expenses	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Net profit	1,868,614,178	1,734,748,716	-	9,867,201	268,104,538	316,118,504	76,351,545	85,685,569	-206,573	-	-255,370	-87,805	321,886,265	296,647,812
	Closing balance	Opening balance	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	10,396,425,522	10,840,577,288	-	-	1,055,496,181	1,145,788,474	1,874,487,618	1,925,378,105	2,648,123,460	2,630,887,757	2,334,291,630	2,316,770,251	5,458,458,639	5,667,292,931

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

4. Segment reporting (Continued)

(2) Financial information of reporting segment (Continued)

Unit: RMB

	Jiangsu Yangzi River Expressway Management															
	Zhendao Expressway		Wufengshan Bridge		Co., Ltd.		Ancillary services		Real estate development		Advertising and others		Unallocated items		Total	
	Current period	Prior period	Current period	Prior period	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	34,633,463	-	-	-	-	-	610,981,233	718,469,872	411,802,770	797,719,861	33,128,638	32,104,007	-	-	4,835,457,869	5,141,779,834
Operating costs	25,523,891	-	-	-	-	-	551,071,965	658,426,686	205,590,031	485,055,076	12,686,455	10,921,985	-	-	1,955,644,387	2,256,373,175
Including: Amortization of toll roads operation rights	17,678,318	-	-	-	-	-	-	-	-	-	-	-	-	-	648,846,336	591,443,727
Costs of petrol and other goods sold in service zones	-	-	-	-	-	-	421,612,796	504,012,884	-	-	-	-	-	-	421,612,796	540,012,884
Segment operating profit (loss)	9,109,572	-	-	-	-	-	59,909,268	60,043,186	206,212,739	312,664,785	20,442,183	21,182,022	-	-	2,879,813,482	2,885,406,659
Reconciling items:																
Less: Taxes and levies	124,680	8,500	192,670	58,525	-	-	9,225,817	11,064,436	25,201,048	76,157,564	1,057,240	1,262,216	5,658,236	5,819,743	55,403,316	107,395,338
Selling expenses	-	-	-	-	-	-	-	-	18,630,332	11,262,575	-	329,714	-	-	18,630,332	11,592,289
Administrative expenses	-	-	-	-	-	-	-	-	-	-	-	-	48,989,808	48,965,156	85,673,932	85,500,282
Financial expenses	-	-	-	-	-	-	-	-	-	-	-	-	226,517,238	253,212,505	226,517,238	253,212,505
Impairment loss of assets	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Impairment loss of credit	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Add: Gains or losses from changes in fair values	-	-	-	-	-	-	-	-	-	-	-	-	21,207,891	-2,594,467	21,207,891	-2,594,467
Invest income	-	-	-	-	-	-	-	-	-	-	-	-	478,199,641	730,532,269	478,199,641	730,532,269
Other income	-	-	-	-	-	-	-	-	-	-	-	-	1,629,483	-	2,612,095	1,032,811
Gains(losses) from disposal of assets	-	-	-	-	-	-	-	-	-	-	-	-	-295,937	-215,505	-295,937	-215,505
Operating profit	8,984,892	-8,500	-192,670	-58,525	-	-	50,683,451	48,978,750	162,381,359	225,244,646	19,384,943	19,580,092	219,445,796	419,734,893	2,995,182,354	3,156,461,353
Non-operating income	-	-	-	-	-	-	-	-	-	-	-	-	1,608,479	9,282,569	1,608,479	9,282,569
Non-operating expenses	-	-	-	-	-	-	-	-	-	-	-	-	11,041,962	15,029,125	11,041,962	15,029,125
Total profit	8,984,892	-8,500	-192,670	-58,525	-	-	50,683,451	48,978,750	162,381,359	225,244,646	19,384,943	19,580,092	210,012,313	413,988,337	2,985,748,871	3,150,714,797
Income tax expenses	-	-	-	-	-	-	-	-	-	-	-	-	651,267,942	611,486,734	651,267,942	611,486,734
Net profit	8,984,892	-8,500	-192,670	-58,525	-	-	50,683,451	48,978,750	162,381,359	225,244,646	19,384,943	19,580,092	-441,255,629	-197,498,397	2,334,480,929	2,539,228,063
	Closing balance	Opening balance	Closing balance	Opening balance	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	1,723,656,326	1,736,755,559	8,002,446,166	6,611,547,034	50,000,000	-	332,210,366	315,131,022	4,377,552,627	3,053,456,897	1,311,657,306	1,236,712,883	12,455,359,959	10,682,430,632	52,020,165,800	48,162,728,833

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

4. Segment reporting (Continued)

(2) Financial information of reporting segment (Continued)

Segment profit represents the gross profit earned by each segment without allocation of finance costs, investment income, profit or loss from changes in fair value. 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 purposes of monitoring segment performances and allocating resources between segments, assets are allocated to segments other than available-for-sale financial assets, long-term equity investment, held-for-trading financial assets and cash and bank balances etc., Segment liabilities are not allocated to segments for the Group's decision-maker has not consider liabilities of each segment when making decisions.

(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, 28, 29, 30, and 31. Rights enjoyed by the shareholders of the Company includes capital reserve, other comprehensive income, surplus reserves and retained profits in Note VI 36, 37, 38 and 39 for disclosure.

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 2019

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

(1) Disclosure of accounts receivable by aging

Unit: RMB

Aging	30 June 2019			Net book value
	Amount	Proportion (%)	Bad debt provision	
Within one year	<u>287,320,813</u>	<u>100</u>	<u>165,066</u>	<u>287,155,747</u>

(2) Analysis of bad debt provision

Unit: RMB

Bad debt provision	Lifetime expected credit loss (not credit-impaired)	Total
Balance at 1 January 2019	165,066	165,066
Provision for the period	–	–
Balance at 30 June 2019	<u>165,066</u>	<u>165,066</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Accounts receivable (Continued)

(3) 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.	203,262,853	–	71
Jiaxing City Kaitong Investment Co., Ltd.	33,830,090	–	12
Dinuo Fangmaoshan Business Management Co., Ltd.	17,682,168	–	6
Tongxiang City Yintong Expressway Service Zone Operation and Management Co., Ltd.	10,399,721	–	4
Jiaxing City Tonghui Expressway Service Zone Operation and Management Co., Ltd.	8,335,502	–	3
Total	<u>273,510,334</u>	<u>–</u>	<u>96</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS
(CONTINUED)

2. Other receivables

Item	Note	30 June 2019	31 December 2018
Interest receivable	(1)	27,963,889	30,590,068
Dividends receivable	(2)	120,343,460	4,989,960
Others	(3)	24,032,881	8,741,126
Total		172,340,230	44,321,154

(1) Other receivables – interest receivable

Unit: RMB

Item	30 June 2019	31 December 2018
Loan interest receivable from subsidiaries	27,963,889	30,590,068
Total	27,963,889	30,590,068

(2) Other receivables – dividends receivable

Unit: RMB

Item	30 June 2019	31 December 2018
Kuailu Co., Ltd.	4,989,960	4,989,960
Sujiahang Company	47,353,500	–
Bank of Jiangsu	68,000,000	–
Total	120,343,460	4,989,960

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

(3) Other receivables – others

<1> Disclosure of other receivables by aging

Unit: RMB

Aging	Amount	30 June 2019		Net book value
		Proportion (%)	Bad debt provision	
Within 1 year	23,999,518	60	79,048	23,920,470
More than 1 year but not exceeding 2 years	–	–	–	–
More than 2 years but not exceeding 3 years	37,889	–	–	37,889
More than 3 years	15,886,662	40	15,812,140	74,522
Total	<u>39,924,069</u>	<u>100</u>	<u>15,891,188</u>	<u>24,032,881</u>

<2> Disclosure of other receivables by nature:

Unit: RMB

Nature	30 June 2019	31 December 2018
Investment liquidation accounts	15,812,140	15,812,140
Petty cash	4,107,577	4,089,016
Other amounts	20,004,352	4,731,158
Total	<u>39,924,069</u>	<u>24,632,314</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

(3) Other receivables – others (Continued)

<3> Analysis of bad debt provision

Unit: RMB

Bad debt provision	Stage I 12-month expected credit loss	Stage III Lifetime expected credit loss (credit- impaired)	Total
Balance at 1 January 2019	79,048	15,812,140	15,891,188
Reversals for the period	–	–	–
Balance at 30 June 2019	<u>79,048</u>	<u>15,812,140</u>	<u>15,891,188</u>

<4> Top five entities with the largest balances of other receivables:

Unit: RMB

Name of entity	Nature of other receivables	30 June 2019	Aging	Proportion of the amount to total other receivables (%)	30 June 2019 (Bad debt provision)
Jinasu Yixing Highway Administration Department	Investment liquidation accounts	15,812,140	Over 3 years	40	15,812,140
Jiangsu railway group Co., Ltd.	Rental deposit	1,806,200	Within 1 year	5	–
Jiangsu Xiandai Road and Bridge Co., Ltd	Rental deposit	1,014,284	Within 1 year	3	–
Jiangsu Tongxingbao Smart Transportation Science & Technology Co., Ltd.	ETC customer-service network management fees receivable	262,492	Within 1 year	1	–
China Resources Gas Co., Ltd.	Fuel gas	135,000	Within 1 year	–	–
Total		<u>19,030,116</u>		<u>49</u>	<u>15,812,140</u>

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments

Unit: RMB

Item	30 June 2019			31 December 2018		
	Gross carrying amount	Provision for impairment	Net carrying amount	Gross carrying amount	Provision for impairment	Net carrying amount
Investments in subsidiaries	11,245,363,515	-	11,245,363,515	10,949,363,515	-	10,949,363,515
Investments in associates	3,665,061,329	-	3,665,061,329	3,341,580,779	-	3,341,580,779
Total	14,910,424,844	-	14,910,424,844	14,290,944,294	-	14,290,944,294

(1) Investments in subsidiaries

Unit: RMB

Investee	31 December 2018	Changes in the period	30 June 2019	Provision for impairment	Cash dividend for the period
Subsidiaries					
Guangjing Xicheng Company	2,125,000,000	-	2,125,000,000	-	-
Ningchang Zhenli Company	5,029,236,885	-	5,029,236,885	-	-
Ninghu Properties	500,000,000	-	500,000,000	-	-
Ninghu Investment	800,100,000	47,000,000	847,100,000	-	-
Zhendan Company	423,910,000	-	423,910,000	-	-
Wufengshan Bridge	1,886,616,830	199,000,000	2,085,616,830	-	-
Nanjing Hanwei Real Estate Development Co., Ltd.	184,499,800	-	184,499,800	-	-
Jiangsu Yangzi River Expressway Management Co., Ltd.	-	50,000,000	50,000,000	-	-
Total	10,949,363,515	296,000,000	11,245,363,515	-	-

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS
(CONTINUED)

3. Long-term equity investments (Continued)

(2) Investments in joint ventures or associates

Unit: RMB

Investee	1 January 2019	Changes in the current period								30 June 2019 (impairment loss)
		Increase	Decrease	Investment income under the equity method	Adjustment of other comprehensive income	Other changes in equity	Declaration of cash dividends or profits	Provision for impairment losses	Others	
Joint ventures										
Kuailu Co., Ltd.	57,348,842	-	-	681,231	-	-	-	-	-	58,030,073
Yangtze Bridge Company	1,509,241,382	-	-	126,142,906	124,907,965	-	-	-	-	1,760,292,253
Sujiahang Company	1,311,886,136	-	-	117,426,184	-	-	-47,353,500	-	-	1,381,958,820
Suijiayong Company	407,830,719	-	-	-4,094,322	-	-	-	-	-	403,736,397
Xiexin Ninghu Company	11,360,141	-	-	-245,859	-	-	-	-	-	11,114,282
Xiandai R&B Company	15,050,050	-	-	3,543,755	-	-	-	-	-	18,593,805
Network Operation Company	6,383,687	-	-	686,034	-	-	-	-	-	7,069,721
Jiangsu Communication Culture Media Co. Ltd. (Note)	22,479,822	-	-	1,786,156	-	-	-	-	-	24,265,978
Total	3,341,580,779	-	-	245,926,085	124,907,965	-	-47,353,500	-	-	3,665,061,329

4. Operating income and operating costs

Unit: RMB

Item	Amount recognized in the current period		Amount recognized in the prior period	
	Operating income	Operating cost	Operating income	Operating cost
Principal operating activities	3,122,046,926	1,115,103,029	3,123,478,169	1,249,352,091
Including: Shanghai-Nanjing Expressway	2,542,648,100	628,196,265	2,425,343,255	645,318,177
Ancillary services	579,398,826	486,906,764	686,120,790	601,930,241
Total	3,122,046,926	1,115,103,029	3,123,478,169	1,249,352,091

NOTES TO THE FINANCIAL STATEMENTS

For the Period Ended 30 June 2019

XV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Operating income and operating costs (Continued)

(1) Description of the performance obligations

Road tolls and ancillary services

The road toll income is divided after the vehicle passes, and is recognized when the amount is received and receivable. The income from road supporting services is mainly oil income. Income from roll supporting services shall be recognized when refueling service is provided.

5. Investment income

(1) Details of investment income

Unit: RMB

Item	Amount recognized in the current period	Amount recognized in the prior period
Income from long-term equity investments under equity method	245,926,085	186,460,559
Income from long-term equity investments under cost method	—	85,520,641
Investment income from investments in other equity instruments in the holding period	68,000,000	—
Investment income from held-for-trading financial assets	4,546,990	2,338,011
Interest income from loans	42,812,206	44,581,568
Total	361,285,281	318,900,779

SUPPLEMENTARY INFORMATION

1. BREAKDOWN OF NON-RECURRING PROFIT OR LOSS

Unit: RMB

Item	Amount
Losses (gains) on disposal of non-current assets	-295,937
Government grants recognized in profit or loss for the current period	982,612
Gains from changes in fair values of held-for-trading financial investments, Profit on disposal of held-for-trading and available-for-sale financial investments	29,760,179
Net profit or loss of subsidiaries from business combination involving enterprises under common control for the period from the beginning of the period to the combination date.	-
Profit or loss from fair value of net identifiable assets of investees attributed to the company when investment costs for acquisition of subsidiaries, associates and joint ventures are less than that acquired investments	-
Reversal of provisions for impairment of accounts receivable that are tested for impairment individually	-
Interest income from entrusted loans	-
Other non-operating income or expenses other than the above	-9,433,483
Other profit or loss that meets the definition of non-recurring profit or loss (Note)	-
Tax effects	-5,253,343
Effects attributable to minority interests	-283,473
	<hr/>
Total	<u><u>15,476,555</u></u>

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 in 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	8.28%	0.4529	N/A
Net profit after deduction of non-recurring profits or losses	<u>8.23%</u>	<u>0.4498</u>	<u>N/A</u>

DOCUMENTS AVAILABLE FOR INSPECTION

Directory of documents Available for Inspection

Copies of the interim report signed by the Chairman

Financial statements signed and sealed by the legal representative, the chief accounting officer and the person in-charge of an accounting institution

Original copies of all company documents and announcements published in the designated press by the China Securities Regulatory Commission during the Reporting Period

The Articles of Association

Copies of interim reports released in other stock exchanges

Chairman: Gu Dejun

The date of the approval of the Board: 23 August 2019

Revised Information

Applicable Not Applicable