



Jiangsu Expressway Company Limited

(Hong Kong Stock Exchange Stock Code: 00177)

# 2017

*Interim Report*



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## Important Notice

- The board of directors, the supervisory committee, and directors, supervisors and senior management of the Company warrant that the contents of this interim report are true, accurate and complete and there is no false representations, misleading statements contained in, or material omissions from, this report and they individually and collectively accept legal responsibility for such contents.
- The director absent from board meeting is as follows:

Position held by the director absent from board meeting	Name of the director absent from board meeting	Reason for absence	Name of the proxy
Non-executive director	Ma Chung Lai, Lawrence	Due to business engagement	Yao Yongjia
- This interim report is unaudited.
- Chang Qing, Chairman of the Company, Gu Dejun, Chief Financial Officer of the Company, and Yu Lanying, Person in Charge of the Accounting Body (Head of the Accounting Department), hereby collectively warrant the truthfulness, accuracy and completeness of the financial statements contained in this interim report.
- Proposal of profit distribution or proposal of converting surplus reserve into share capital for the Reporting Period reviewed by the board of directors  
Not applicable.
- Risks associated with forward-looking statements  
We have included in this interim report certain forward-looking statements with respect to our development strategies and future plans. These statements should not be deemed as the Group's material commitment to investors. Investors are advised to pay attention to the investment risks involved.
- Was there any misappropriation of the Company's funds by the Controlling Shareholders and their related/connected parties for non-operational purpose?  
No.
- Did the Company provide any guarantee to external parties in violation of the required decision-making process?  
No.

## DEFINITIONS

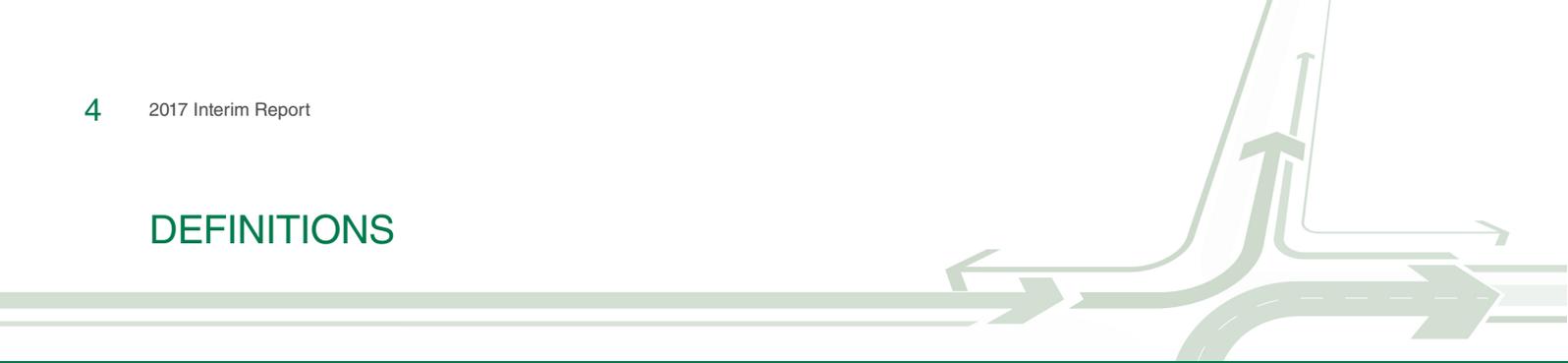
Unless the context otherwise requires, the following expressions contained in this report shall have the meanings as follows:

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

## DEFINITIONS

Information Company	Jiangsu Expressway Information Engineering Technology Co., Ltd. (江蘇高速公路信息工程有限公司)
Ninghang Company	Jiangsu Ninghang Expressway Co., Ltd. (江蘇寧杭高速公路有限公司)
Changkun Company	Suzhou Changkun Expressway Co., Ltd. (蘇州常昆高速公路有限公司)
Changyi Company	Jiangsu Changyi Expressway Co., Ltd. (江蘇常宜高速公路有限公司)
Yichang Company	Jiangsu Yichang Expressway Co., Ltd. (江蘇宜長高速公路有限公司)
Husuzhe Company	Jiangsu Husuzhe Expressway Company Limited (江蘇滬蘇浙高速公路有限公司)
Huatong Company	Jiangsu HuaTong Engineering Testing Co., Ltd. (江蘇華通工程檢測有限公司)
Fuanda Funds	Fuanda Fund Management Co., Ltd. (富安達基金管理有限公司)
CDB Kai Yuan	CDB Kai Yuan Private Equity Fund Management Co., Ltd. (國開開元股權投資基金管理有限公司)
Financial Leasing Company	Jiangsu Financial Leasing Co., Ltd. (江蘇金融租賃股份有限公司)
Shanghai-Nanjing Expressway	Jiangsu Section of Shanghai-Nanjing Expressway
G312 Shanghai-Nanjing Section	Shanghai-Nanjing Section of National Highway G312
Nanjing-Lianyungang Highway	Nanjing Section of Nanjing-Lianyungang Highway
Guangjing Expressway	The north connection of Jiangyin Yangtze Bridge, Guangling-Jingjiang Section
Xicheng Expressway	The south connection of Jiangyin Yangtze Bridge, Jiangyin-Wuxi Section
Jiangyin Bridge	Jiangyin Yangtze River 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-South of Changzhou Interchange Expressway
Zhenli Expressway	Dantu Hub-Liyang Qianma Hub Expressway
Xiyi Expressway	Northern Wuxi-Yixing West Dock 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 Approach Expressways Project
Changyi Expressway	Changzhou-Yixing Expressway
Yichang Expressway	Jiangsu Section of Yixing-Changxing Expressway
Reporting Period	the period of six months from 1 January 2017 to 30 June 2017
Year-on-year	as compared with the same period of 2016
CSRC	China Securities Regulatory Commission
SFC	Securities and Futures Commission of Hong Kong
SSE	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

## DEFINITIONS



ADR	level-1 depositary receipts of the Company listed and traded in the over-the-counter market of the United States
Listing Rules	Listing Rules of the SSE and/or Hong Kong Listing Rules
Listing Rules of SSE	Rules Governing the Listing of Stocks on Shanghai Stock Exchange
Hong Kong Listing Rules	Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
PRC Accounting Standards	"Accounting Standards for Business Enterprises of the People's Republic of China 2006"
Deloitte	Deloitte Touche Tohmatsu Certified Public Accountants LLP
Corporate Governance Code	the Corporate Governance Code as set out in Appendix 14 of the Hong Kong Listing Rules

# COMPANY INFORMATION AND MAJOR 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	Chang Qing

## 2. CONTACT PERSONS AND METHODS

	<b>Secretary of the board of directors</b>	<b>Representatives of securities affairs</b>
Name	Yao Yong Jia	Jiang Tao and Lou Qing
Correspondence	6 Xianlin Avenue, Nanjing, Jiangsu Province, the PRC	6 Xianlin Avenue, Nanjing, Jiangsu Province, the PRC
Telephone	8625-8436 2700-301836	8625-8436 2700-301835, 301315
Fax	8625-8420 7788	8625-8446 6643
Email	jsnh@jsexpwy.com	

## 3. CHANGES IN BASIC INFORMATION

Registered Office of the Company	6 Xianlin Avenue, Nanjing, Jiangsu Province, the PRC
Postal code of Registered Office of the Company	210049
Place of Business of the Company	6 Xianlin Avenue, Nanjing, Jiangsu Province, the PRC
Postal code of Place of Business of the Company	210049
Website of the Company	<a href="http://www.jsexpressway.com">http://www.jsexpressway.com</a>
Email	jsnh@jsexpwy.com

## 4. CHANGES IN INFORMATION DISCLOSURE AND PLACE FOR INSPECTION

Designated Media for Information Disclosure by the Company	Shanghai Securities News and China Securities Journal
Website Designated by CSRC for Publication of the Interim Report	<a href="http://www.sse.com.cn">www.sse.com.cn</a> , <a href="http://www.hkexnews.hk">www.hkexnews.hk</a> , <a href="http://www.jsexpressway.com">www.jsexpressway.com</a>
Available Place of Interim Reports	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, 20th Floor, Alexandra House, 18 Chater Road, Central, Hong Kong; Jiangsu Expressway Company Limited, 6 Xianlin Avenue, Nanjing, Jiangsu Province, the PRC



## COMPANY INFORMATION AND MAJOR FINANCIAL INDICATORS

### 5. DESCRIPTION OF THE COMPANY'S STOCKS

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

### 6. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

#### (1) Major accounting data

Unit: Yuan Currency: RMB

	The Reporting Period (January–June)	Corresponding period of the previous year	Increase/decrease in the Reporting Period as compared to the corresponding period of the previous year (%)
Operating income	<b>4,669,035,065</b>	4,065,387,855	14.85
Net profit attributable to shareholders of the Company	<b>1,899,660,185</b>	1,559,819,318	21.79
Net profit attributable to shareholders of the Company after non-recurring profit or loss	<b>1,892,141,366</b>	1,549,482,853	22.11
Net cash flow from operating activities	<b>2,573,346,735</b>	2,915,222,246	-11.73
	As at the end of the Reporting Period	As at the end of the previous year	Increase/decrease at the end of the Reporting Period as compared to the end of the previous year (%)
Net assets attributable to shareholders of the Company	<b>21,983,891,505</b>	22,209,756,185	-1.02
Total Assets	<b>38,469,884,081</b>	36,282,573,529	6.03

## COMPANY INFORMATION AND MAJOR FINANCIAL INDICATORS

### 6. MAJOR ACCOUNTING DATA AND FINANCIAL INDICATORS OF THE COMPANY

(CONTINUED)

#### (2) Major financial indicators

Unit: Yuan Currency: RMB

	The Reporting Period (January – June 2017)	Corresponding period of the previous year	Increase/ decrease in the Reporting Period as compared to the corresponding period of the previous year (%)
Basic earnings per share (Yuan)	<b>0.3771</b>	0.3096	21.79
Diluted earnings per share (Yuan)	<b>N/A</b>	N/A	N/A
Basic earnings per share after non-recurring profit/loss (Yuan)	<b>0.3756</b>	0.3076	22.11
Weighted average return on net assets (%)	<b>8.20</b>	7.34	Increased by 0.86 percentage point
Weighted average return on net assets after non-recurring profit/loss (%)	<b>8.17</b>	7.29	Increased by 0.88 percentage point

### 7. DIFFERENCES IN FINANCIAL DATA UNDER DOMESTIC AND FOREIGN ACCOUNTING STANDARDS

Applicable  Not Applicable



## COMPANY INFORMATION AND MAJOR FINANCIAL INDICATORS

### 8. NON-RECURRING PROFIT/LOSS ITEMS AND AMOUNTS

Unit: Yuan Currency: RMB

Items of non-recurring profit / loss	Amount	Notes (If applicable)
Profit/loss from disposal of non-current assets	-1,578,917	
Government grants recorded in profit/loss for the current period (excluding those closely related to the Company's normal business and continuously entitled to in fixed amounts or quotas in accordance with the requirements of the state policy)	1,506,926	Compensation and subsidies for employment stabilization received during the Reporting Period for construction of Ningchang Expressway
Profit/loss on changes in fair value of financial assets held-for-trading and financial liabilities held-for-trading, and investment gains from disposal of financial assets held-for-trading, financial liabilities held-for-trading and financial assets available-for-sale (excluding effective hedging activities associated with the Company's normal business operations)	7,838,872	
Profit/loss from external loans	14,142,057	Income from loans granted by the Group to Hanwei Company, a joint venture, during the Reporting Period
Other non-operating income and expenses (excluding the above items)	(11,855,815)	Mainly including expenditure on repair of damaged roads and all kinds of funds
Effect of minority interests	(21,023)	
Effects of income tax	(2,513,281)	
Total	<u>7,518,819</u>	

# SUMMARY ON THE BUSINESS OF THE COMPANY

## 1. EXPLANATIONS ON THE PRINCIPAL BUSINESSES AND OPERATION MODELS OF THE COMPANY AND INDUSTRY OVERVIEW DURING THE REPORTING PERIOD

Established on 1 August 1992 in the Jiangsu Province of the People's Republic of China, the Company is the only listed company in the transportation and infrastructure industry of the 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 which came into force on 23 December 2002, and enabled trading in the over-the-counter market in the United States of America. As at 30 June 2017, the total share capital of the Company was 5,037,747,500 shares with a par value of RMB1 each.

The Company is principally engaged in the investment, construction, operation and management of toll roads and bridges within Jiangsu Province, and the development and operation of ancillary service areas along such toll roads and bridges, including refueling, catering, shopping, advertising and accommodation, etc. Apart from the Shanghai-Nanjing Expressway, the Company also owns the interests, in whole or in part, of other toll roads and bridges located in the Jiangsu Province, including Ningchang Expressway, Zhenli Expressway, Xiyi Expressway, Wuxi Huantaihu Expressway, Nanjing-Lianyungang Highway, Xicheng Expressway, Guangjing Expressway, Jiangyin Bridge and Sujiahang Expressway. As at 30 June 2017, 17 road and bridge projects were directly operated and invested by the Group, and the highway mileage owned or invested by the Company was approximately 850 kilometers.

The Company's operations are located in the most economically active region in the PRC – the Yangtze River Delta. The roads and bridges owned or invested by the Company are major land transportation corridors linking the East and West as well as South and North of the Jiangsu Province. The vibrant economy in the region leads to heavy traffic flows. The Shanghai-Nanjing Expressway, as the Company's core asset, connects six major cities, namely, Shanghai, Suzhou, Wuxi, Changzhou, Zhenjiang and Nanjing, and has become one of the busiest expressways in the PRC.

In addition, the Group is actively exploring and venturing into new business fields, such as property investment and development, distribution of advertising media along expressways as well as other financial, quasi-financial and industrial investment, aiming to further increase profits and achieve sustainable development of the Group. As at 30 June 2017, the Company owned three wholly-owned subsidiaries, three majority-owned subsidiaries, six associated enterprises and one joint venture. With total assets and net assets amounting to approximately RMB38.470 billion and approximately RMB23.681 billion, respectively, the Company is one of the listed companies in the toll road industry of China with the largest size of assets.



## SUMMARY ON THE BUSINESS OF THE COMPANY

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

During the Reporting Period, the Company further integrated the high-quality expressway networks and positively expanded the principal business. Changyi Company, in which Guangjing Xicheng Company, a subsidiary of the Company, held 60% of the share capital, was incorporated in December 2016;. Wufengshan Toll Bridge Company, in which the Company held 64.5% of the share capital, was established and was actively engaged in the new project of Wufengshan Toll Bridge and North-South Approach Expressways in March 2017; Yichang Company, in which Guangjing Xicheng Company, a subsidiary of the Company, held 60% of the share capital, was incorporated in March 2017. As at the end of the Reporting Period, the Group established three subsidiaries, thus the scope of the combined financial statements was changed. The Company, Ninghu Properties, Ninghu Investment, Guangjing Xicheng Company, Ningchang Zhenli Company, Zhendan Company, Wufengshan Toll Bridge Company and other subsidiaries of the Company are collectively referred to as the Group during the Reporting Period.

Please refer to section Four of this report for the details of the new projects stated above.

### 3. ANALYSIS OF CORE COMPETITIVENESS DURING THE REPORTING PERIOD

The core businesses of the Company are the operation and management of basic transport infrastructure. The Company's operations are located in the Yangtze River Delta, the most economically vibrant region in the PRC. The roads and bridges owned or invested by the Company are key land transport corridors of the two important industrial belts along the Yangtze River and from Shanghai to Nanjing in the southern part of Jiangsu, putting us in a leading position to operate the expressway networks in southern Jiangsu. The Company leverages on its distinct competitive edges including unique geographical advantage, high-quality networks and efficient operating systems to facilitate its operation and development. In addition, the Company also leverages on its core competencies as follows:

#### (1) Leading capability in operation management

The Company has accumulated extensive experience in expressway operation and management, and developed certain systems and measures of informatization for expressway operation and management. The public recognition of our brand value helped the Company gain a competitive edge in the professional operation and management of more expressway projects.

#### (2) Excellent capability in investment management

The Company is experienced in investment research on expressways, and has gained considerable income from the projects invested in. This has laid relatively sound foundation for the Company's integration of its existing road and bridge assets, investment in, construction and operation of toll road and bridge projects as well as generation of profits therefrom in the future.

#### (3) Strong capability in financing management

The Company is one of the first batch of listed companies engaged in expressway operation and management in the PRC, and is also one of the four A Share and H Share companies engaged in expressway operation and management. Therefore, it is well positioned to be a favorable platform for financing in the capital markets of the PRC and Hong Kong. Meanwhile, the Company has been maintaining a high credit rating and keeping smooth financing channels where only low financing costs are required.

# DISCUSSION AND ANALYSIS OF THE OPERATIONS

## I. DISCUSSION AND ANALYSIS OF THE OPERATIONS

### (I) Business Review and Analysis of the Operations

#### 1. Overview

In the first half of 2017, the Company made great efforts to enhance the construction of, and investments in, quality road and bridge projects. Leveraging on a steady growth of its principal businesses, the Company further amplified the function of capital, broadened investment and financing channels, and optimized business structure through equity investment. The Company pursued new breakthroughs in the operation of service areas of expressways through attempting to adopt the self-operation systems and model of “contracting + supervision”.

During the Reporting Period, the Group realized total operating revenues of approximately RMB4,669,035,000, with an increase by approximately 14.85% year-on-year, of which toll revenue amounted to approximately RMB3,402,418,000, representing an increase of approximately 5.75% year-on-year; revenue from ancillary services amounted to approximately RMB848,181,000, representing an increase of approximately 4.43% year-on-year; revenue from property sales amounted to approximately RMB386,788,000, representing an increase of approximately 2,633.85% year-on-year; and revenue from advertising and other non-principal operations amounted to approximately RMB31,648,000, with an increase of approximately 46.84% year-on-year.

Under the PRC Accounting Standards, the Group realized an operating profit of approximately RMB2,545,910,000 during the Reporting Period, representing an increase of approximately 21.42% year-on-year. The net profit attributable to shareholders of the Company amounted to approximately RMB1,899,660,000, and earnings per share was approximately RMB0.3771, representing an increase of approximately 21.79% year-on-year. The analysis of the development and operating performance of all businesses is set out below in this section.



## DISCUSSION AND ANALYSIS OF THE OPERATIONS

### I. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

#### (I) Business Review and Analysis of Operations (Continued)

##### 2. Toll Road and Bridge Business

##### (1) Operating performance

During the Reporting Period, the Group recorded a toll revenue of approximately RMB3,402,418,000, representing an increase of approximately 5.75% year-on-year. Toll revenue accounted for approximately 72.87% of the Group's total operating income. The operating performance of roads and bridges in the first half of the year is as follows:

*Currency: RMB*

Projects		Reporting Period		Corresponding period of the previous year	Year-on-year Change %	
Shanghai-Nanjing Expressway	Traffic volume of passenger vehicles ( <i>vehicle/day</i> )	72,212	79.31%	67,069	79.63%	7.67
	Traffic volume of trucks ( <i>vehicle/day</i> )	18,840	20.69%	17,153	20.37%	9.83
	Total traffic volume ( <i>vehicle/day</i> )	91,052	-	84,222	-	8.11
	Average daily toll revenue ( <i>RMB'000/day</i> )	12,753.40	-	12,223.23	-	4.34
Nanjing- Lianyungang Highway	Traffic volume of passenger vehicles ( <i>vehicle/day</i> )	3,884	65.22%	3,769	74.19%	3.03
	Traffic volume of trucks ( <i>vehicle/day</i> )	2,071	34.78%	1,312	25.81%	57.91
	Total traffic volume ( <i>vehicle/day</i> )	5,955	-	5,081	-	17.20
	Average daily toll revenue ( <i>RMB'000/day</i> )	90.90	-	67.24	-	35.17
Xicheng Expressway	Traffic volume of passenger vehicles ( <i>vehicle/day</i> )	60,656	80.28%	56,315	79.93%	7.71
	Traffic volume of trucks ( <i>vehicle/day</i> )	14,904	19.72%	14,139	20.07%	5.41
	Total traffic volume ( <i>vehicle/day</i> )	75,560	-	70,454	-	7.25
	Average daily toll revenue ( <i>RMB'000/day</i> )	1,514.56	-	1,436.45	-	5.44
Guangjing Expressway	Traffic volume of passenger vehicles ( <i>vehicle/day</i> )	54,879	80.02%	51,713	78.75%	6.12
	Traffic volume of trucks ( <i>vehicle/day</i> )	13,703	19.98%	13,958	21.25%	-1.83
	Total traffic volume ( <i>vehicle/day</i> )	68,582	-	65,671	-	4.43
	Average daily toll revenue ( <i>RMB'000/day</i> )	779.06	-	769.05	-	1.30

## DISCUSSION AND ANALYSIS OF THE OPERATIONS

## I. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

## (I) Business Review and Analysis of Operations (Continued)

## 2. Toll Road and Bridge Business (Continued)

## (1) Operating performance (Continued)

Projects		Reporting Period		Corresponding period of the previous year		Year-on-year Change %
Ningchang Expressway	Traffic volume of passenger vehicles (vehicle/day)	28,650	76.22%	24,659	77.63%	16.18
	Traffic volume of trucks (vehicle/day)	8,938	23.78%	7,105	22.37%	25.81
	Total traffic volume (vehicle/day)	37,587	-	31,764	-	18.33
	Average daily toll revenue (RMB'000/day)	2,126.12	-	1,820.62	-	16.78
Zhenli Expressway	Traffic volume of passenger vehicles (vehicle/day)	7,166	61.87%	6,566	66.46%	9.14
	Traffic volume of trucks (vehicle/day)	4,417	38.13%	3,314	33.54%	33.30
	Total traffic volume (vehicle/day)	11,583	-	9,879	-	17.25
	Average daily toll revenue (RMB'000/day)	667.72	-	562.81	-	18.64
Xiyi Expressway	Traffic volume of passenger vehicles (vehicle/day)	16,850	83.15%	15,765	84.05%	6.88
	Traffic volume of trucks (vehicle/day)	3,414	16.85%	2,992	15.95%	14.13
	Total traffic volume (vehicle/day)	20,265	-	18,757	-	8.04
	Average daily toll revenue (RMB'000/day)	790.64	-	729.12	-	8.44
Wuxi Huantaihu Expressway	Traffic volume of passenger vehicles (vehicle/day)	6,395	83.92%	6,228	85.89%	2.68
	Traffic volume of trucks (vehicle/day)	1,225	16.08%	1,024	14.11%	19.71
	Total traffic volume (vehicle/day)	7,620	-	7,251	-	5.09
	Average daily toll revenue (RMB'000/day)	75.49	-	70.12	-	7.66
Jiangyin Bridge	Traffic volume of passenger vehicles (vehicle/day)	64,742	77.40%	60,448	77.31%	7.10
	Traffic volume of trucks (vehicle/day)	18,907	22.60%	17,743	22.69%	6.56
	Total traffic volume (vehicle/day)	83,648	-	78,191	-	6.98
	Average daily toll revenue (RMB'000/day)	2,922.30	-	2,783.40	-	4.99

## DISCUSSION AND ANALYSIS OF THE OPERATIONS

## I. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

## (I) Business Review and Analysis of Operations (Continued)

## 2. Toll Road and Bridge Business (Continued)

## (1) Operating performance (Continued)

Projects		Reporting Period		Corresponding period of the previous year		Year-on-year Change %
Sujiahang Expressway	Traffic volume of passenger vehicles (vehicle/day)	40,144	67.45%	37,824	65.34%	6.13
	Traffic volume of trucks (vehicle/day)	19,375	32.55%	20,067	34.66%	-3.45
	Total traffic volume (vehicle/day)	59,519	-	57,891	-	2.81
	Average daily toll revenue (RMB'000/day)	2,856.19	-	3,331.59	-	-14.27
Yanjiang Expressway	Traffic volume of passenger vehicles (vehicle/day)	38,733	75.87%	34,760	77.21%	11.43
	Traffic volume of trucks (vehicle/day)	12,317	24.13%	10,259	22.79%	20.06
	Total traffic volume (vehicle/day)	51,050	-	45,019	-	13.40
	Average daily toll revenue (RMB'000/day)	3,788.67	-	3,423.88	-	10.65
Changjia Expressway	Traffic volume of passenger vehicles (vehicle/day)	7,893	66.93%	-	-	-
	Traffic volume of trucks (vehicle/day)	3,900	33.07%	-	-	-
	Total traffic volume (vehicle/day)	11,793	-	-	-	-
	Average daily toll revenue (RMB'000/day)	271.57	-	-	-	-

Note: In accordance with the provisions of the Notice on Full Implementation of the Pilot Program of Replacing Business Tax with Value-Added Tax (VAT) (Cai Shui [2016] No. 36) issued by the Ministry of Finance and State Administration of Taxation, the pilot program of replacing business tax with VAT shall be fully implemented across the PRC from 1 May 2016. Since the commencement dates of the construction of the existing expressways in operation by the Company were all before 30 April 2016, the simplified tax calculation method shall be applicable and VAT shall be calculated and paid at the tax rate of 3%. The corresponding VAT has been deducted from the average daily revenue for the above road and bridge projects commenced in May 2016. Therefore, the recognition methods for toll revenue were different.

## DISCUSSION AND ANALYSIS OF THE OPERATIONS

### I. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

#### (I) Business Review and Analysis of Operations (Continued)

##### 2. Toll Road and Bridge Business (Continued)

###### (1) Operating performance (Continued)

According to the data published by the National Bureau of Statistics of the PRC, the gross domestic product (GDP) of the PRC for the first half of 2017 increased by approximately 6.9% year-on-year, representing an increase of 0.2 percentage point as compared to the same period of last year, indicating that Jiangsu Province's economy has also maintained a sustainable and healthy development momentum, with its GDP increased by approximately 7.2% year-on-year. The economy in the first half of the year remained stable in such a favorable condition. The supply-side structural reform was further deepened to speed up the transformation and upgrading of the economy. The performance of the traffic volume of expressways was enhanced accordingly, as the traffic volume of passenger vehicles recorded in most of the bridge and road projects of the Group in the first half of the year continued to increase steadily, and the traffic volume of trucks also showed a growing trend.

During the Reporting Period, the average daily traffic volume of Shanghai-Nanjing Expressway was 91,052, representing an increase of approximately 8.11% year-on-year, among which the increase in the traffic volume of passenger vehicles was approximately 7.67% year-on-year, and the growth of truck traffic volume was approximately 9.83% year-on-year. The truck traffic volume kept the upward trend from last four quarters, which was attributable to the nationwide regulation of overloaded vehicles from the second half of 2016 in addition to another major factor which was the favorable macro-economy. In the first half of 2017, the proportion of passenger vehicle flow and truck flow were approximately 79.31% and 20.69% respectively, which were relatively stable. The average daily toll revenue from Shanghai-Nanjing Expressway amounted to approximately RMB12,753,400 during the Reporting Period, representing an increase of approximately 4.34% year-on-year. As affected by the changes to the taxation policy of replacing business tax with value added tax (VAT) in the first half of the year, the recognition methods for toll revenue were different.



## DISCUSSION AND ANALYSIS OF THE OPERATIONS

### I. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

#### (I) Business Review and Analysis of Operations (Continued)

##### 2. Toll Road and Bridge Business (Continued)

###### (1) Operating performance (Continued)

During the Reporting Period, the traffic volume of Ningchang Expressway and Zhenli Expressway continued to remain large, achieving the highest degree of increase in both average daily traffic volume and toll revenue as compared to those of other expressways within the network. Nanjing-Lianyungang Highway experienced significant changes in traffic volume and revenue due to traffic restrictions on both trucks and passenger vehicles on the adjacent roads for overhaul reasons; revenue from Sujiahang Expressway decreased due to the traffic ban on trucks in the city proper of Suzhou since December 2016. Other road and bridge projects operated by the Group continued to maintain a stable growth in traffic volume with the truck traffic volume showing a great performance. As a result, the performance of total toll revenue in the Reporting Period was beyond expectation as compared to that at the beginning of the year.

After three years of construction, Changjia Expressway, in which the Company held 22.77% of the share capital, was officially put in operation on 31 December 2016. In the first half of 2017, the average daily traffic volume of Changjia Expressway amounted to approximately 11,793 with average daily revenue of approximately RMB271,570.

###### (2) Progress of New Projects

The Company devoted great efforts to the construction of Wufengshan Toll Bridge and North-South Approach Expressways and established Wufengshan Toll Bridge Company. At present, the preparation works, including land acquisition, for Wufengshan Toll Bridge and North-South Approach Expressways Project has commenced. The construction of the combined section of highway and railway of Wufengshan Toll Bridge has commenced since the beginning of last year and the bridge substructure is now under construction. As at the end of the Reporting Period, RMB1.3 billion has been invested in Wufengshan Toll Bridge Company, representing approximately 10.77% of the total project investment.

Zhendan Expressway project, in which the Company held 70% of the share capital, officially commenced in October 2015. At present, a cumulative investment of RMB1.162 billion has been made. The project is currently under construction and is expected to be put in operation in 2018.

## DISCUSSION AND ANALYSIS OF THE OPERATIONS

### I. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

#### (I) Business Review and Analysis of Operations (Continued)

##### 2. Toll Road and Bridge Business (Continued)

###### (2) Progress of New Projects (Continued)

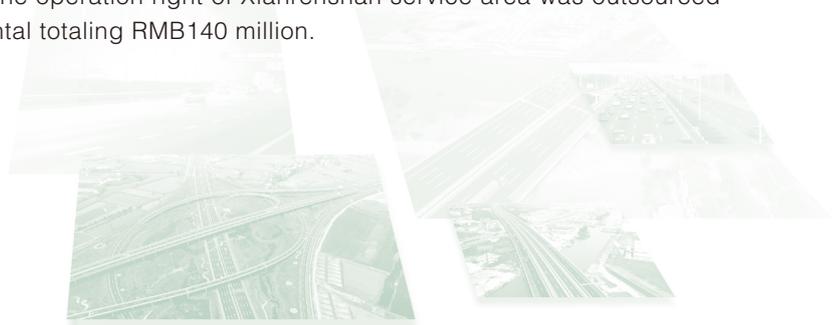
During the Reporting Period, as approved by the thirteenth meeting of the eighth session of the board of directors of the Company, in order to further control quality expressways, Guangjing Xicheng Company, a subsidiary of the Company, contributed no more than RMB1 billion for investment in the new project of Yichang Expressway, representing 60% of the share capital. As at the end of the Reporting Period, the actual capital contribution of the project of RMB100 million was completed, representing approximately 2.51% of the total project investment.

Changyi Expressway Phase I Project, in which Guangjing Xicheng Company held 60% of the share capital, is under preparation, and land acquisition, demolition and relocation have commenced. As at the end of the Reporting Period, the actual capital contribution of the project of RMB630 million was completed, representing approximately 16.58% of the total project investment.

##### 3. ANCILLARY SERVICES

The Company's ancillary services mainly include the sales of oil products, food and beverage services, retail of goods and other related businesses in the services areas along the Shanghai-Nanjing Expressway. The change in revenue from ancillary services was mainly attributable to the fluctuation in the price of refined oil and changes in passenger flows of the service areas which were closely related to the change in the traffic volume of Shanghai-Nanjing Expressway.

In 2016, the Company determined the plan on reform of the business models of service areas, promoted the overall improvement of economic benefits and services quality in 6 services areas. In December 2016, the tendering for outsourcing the operation rights of Meicun service area was completed. It was for a term of 6 years with a rental totaling RMB280 million. In May 2017, the tendering for outsourcing the operation rights of Huanglishu service area and Xianrenshan service area was completed. Of which, the operation right of Huanglishu service area was outsourced for a term of 6 years with a rental totaling RMB130 million, and the operation right of Xianrenshan service area was outsourced for a term of 6 years with a rental totaling RMB140 million.



## DISCUSSION AND ANALYSIS OF THE OPERATIONS

### I. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

#### (I) Business Review and Analysis of Operations (Continued)

##### 3. ANCILLARY SERVICES (Continued)

During the Reporting Period, the Company's revenue from ancillary services amounted to approximately RMB848,181,000, representing a year-on-year increase of approximately 4.43%. Among which, the sales of oil products amounted to approximately RMB735,696,000, representing approximately 86.74% of the total revenue from ancillary services and a year-on-year increase of approximately 7.53%. During the Reporting Period, retail prices of refined oil products slightly increased which led to the increase in the revenue from oil products; on the other hand, after numerous negotiations between the Company and oil product suppliers for rebates, the gross profit margin of oil products increased by approximately 2.33 percentage points year-on-year to approximately 5.54% in the first half year, and thus the profit margin of the sales operations of oil products was further secured. Revenue from other businesses including food and beverage services, commodity retailing and hindrance clearance services amounted to approximately RMB112,485,000, representing a year-on-year decrease of approximately 12.10%, mainly due to a decrease in retail income from food and beverage services as well as commodity retailing after outsourcing those services. The rent income, however, recorded a significant increase, and the overall operating efficiency of the service areas was emerging gradually.

##### 4. PROPERTY DEVELOPMENT AND SALES BUSINESS

In the first half of the year, the regulation policies in the property sectors in Nanjing, Suzhou and Jurong were increasingly stringent, including the limitations on purchase of properties and grant of loans, control on housing price, prevention of bubbles and destocking. Under the regulation policies in force, the Company made great efforts to increase the selling rate and to actively accelerate the delivery of completed properties. During the Reporting Period, the Company recorded an income from property sales of approximately RMB386,788,000, representing a year-on-year increase of approximately 2,633.85%, which was mainly attributed to Ninghu Properties, a subsidiary of the Company.

During the Reporting Period, Huaqiao B19 Tongcheng Guangmingxinzuo Project developed by Ninghu Properties was on the final stage of sales; Suzhou Nanmen Shijia Huating Project, Jurong Tongcheng Shijia Project, and Suzhou Qingyuan Project were being sold. Among all the property projects, a total of 124 residential units and 4 commercial units were pre-sold with the contracted sales area of 16,454.78 square meters, and revenue derived from the pre-sold units amounted to RMB254,223,000, representing a year-on-year decrease of approximately 71.82%. The six projects delivered during the Reporting Period mainly included Jurong Tongcheng Shijia Phase I and Phase II Projects, Suzhou Qingyuan Project, Huaqiao B19 Tongcheng Guangmingxinzuo Project, Huaqiao C4 Tongcheng Hongqiao Mansion Project and Huaqiao B4 Tongcheng Guangmingjiezuo Project, the last two of which included a few remaining units to be delivered. The sales of properties carried forward during the Reporting Period was approximately RMB368,198,000. As the scale of property projects delivered and carried forward in the Reporting Period was larger than that of the corresponding period of last year, the sales of properties increased by approximately 2,502.45% year-on-year. During the Reporting Period, Ninghu Properties reported a net profit after tax of approximately RMB68,280,000, representing a year-on-year increase of approximately 2,512.96%.

## DISCUSSION AND ANALYSIS OF THE OPERATIONS

### I. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

#### (I) Business Review and Analysis of Operations (Continued)

##### 5. ADVERTISING AND OTHER BUSINESSES

Other businesses of the Company are mainly comprised of advertising operations of the subsidiaries of the Company such as Ninghu Investment, and property services by Ninghu Properties.

During the Reporting Period, the revenue from advertising and other businesses of the Group amounted to approximately RMB31,648,000, representing a year-on-year increase of approximately 46.84%. Among which, operating revenue from advertising was approximately RMB23,919,000, representing a year-on-year increase of approximately 40.45%, which was primarily attributed to the fact that the number of billboards increased by releasing billboards in vacant areas and releasing newly-built billboards since the second half of the year; revenue from property service fees and lease of commercial properties was approximately RMB7,729,000, representing a year-on-year increase of approximately 70.90%, which was mainly contributed by the rental income from the lease of commercial properties, and the property management income from the management and operation of properties by the subsidiaries.

#### (II) Analysis of Principal Businesses

##### 1. Analysis of changes in relevant items in the financial statements

Unit: Yuan Currency: RMB

Item	Reporting Period	Corresponding period of the previous year	Change in percentage (%)
Operating income	<b>4,669,035,065</b>	4,065,387,855	14.85
Operating costs	<b>2,071,770,067</b>	1,717,511,026	20.63
Selling expenses	<b>8,647,259</b>	10,303,026	-16.07
Administrative expenses	<b>79,798,689</b>	77,125,318	3.47
Financial expenses	<b>211,683,150</b>	261,626,740	-19.09
Net cash flow from operating activities	<b>2,573,346,735</b>	2,915,222,246	-11.73
Net cash flow from investment activities	<b>-2,753,025,007</b>	-103,836,011	-2,551.32
Net cash flow from financing activities	<b>251,138,196</b>	-2,830,862,036	-
R&D expenditure	-	-	-

Explanations on the reasons for the changes of operating costs:

During the Reporting Period, the income of the property business of the Company carried forward increased, which led to an increase of approximately RMB247 million in the costs of properties year-on-year. Meanwhile, the increase in traffic volume led to the increase in amortization of road concession rights, which led to the significant increase in the Company's total operating costs.

## DISCUSSION AND ANALYSIS OF THE OPERATIONS

### I. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

#### (II) Analysis of Principal Businesses (Continued)

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

Explanations on the reasons for the changes of selling expenses:

During the Reporting Period, as the PRC issued a new policy to regulate the property industry, the property business of the Company was affected and the number of pre-sold units decreased. Accordingly, related commission fees and advertising fees from pre-sales activities decreased year-on-year.

Explanations on the reasons for the changes of financial expenses:

The Company successively repaid part of its interest-bearing liabilities. As at the end of the Reporting Period, the Group's total interest-bearing liabilities amounted to approximately RMB10.277 billion, decreased by approximately RMB2.581 billion as compared to the end of the corresponding period of last year. The rate of the consolidated borrowing costs on interest-bearing liabilities were approximately 4.13%, basically in line with that of the corresponding period of last year, indicating an effective control of the overall financial costs.

Explanations on the reasons for the changes in net cash flow from operation activities:

During the Reporting Period, the net cash flow from operation activities decreased due to the sharper decrease in income from pre-sold properties year-on-year.

Explanations on the reasons for the changes in net cash flow from investment activities:

The significant year-on-year increase in net cash outflow from the purchase of wealth management products and the payment for expressway construction projects such as Wufengshan Toll Bridge project, Changyi Expressway project and Yichang Expressway project during the Reporting Period resulted in a significant decrease in the net cash flow generated from investment activities during the Reporting Period.

Explanations on the reasons for the changes in net cash flow from financing activities:

This is mainly due to the difference in the dates of dividend distribution, investment provided by minority shareholders and the decrease in the Group's cash outflow from payments of dividends distributed as compared to the corresponding period of last year, resulting in a significant increase in net cash flow from financing activities as compared to the corresponding period of last year.

## DISCUSSION AND ANALYSIS OF THE OPERATIONS

## I. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

## (II) Analysis of Principal Businesses (Continued)

## 1. Analysis of 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 operating revenue over the corresponding period of last year (%)	Change in operating costs over the corresponding period of last year (%)	Change in gross profit margin over the corresponding period of last year
<b>Toll road business</b>	3,402,418,180	1,016,303,817	70.13	5.75	9.13	Decreased by 0.93 percentage point
Shanghai-Nanjing Expressway	2,308,365,296	565,809,336	75.49	3.76	4.51	Decreased by 0.17 percentage point
Nanjing-Lianyungang Highway	16,452,359	10,163,554	38.22	34.43	22.15	Increased by 6.21 percentage points
Guangjing Expressway and Xicheng Expressway	415,146,323	105,249,234	74.65	3.42	16.47	Decreased by 2.84 percentage points
Ningchang Expressway and Zhenli Expressway	505,684,856	260,487,447	48.49	16.58	20.05	Decreased by 1.49 percentage points
Xiyi Expressway and Wuxi Huantaihu Expressway	156,769,346	74,594,246	52.42	7.77	0.45	Increased by 3.47 percentage points
<b>Ancillary services business</b>	848,180,759	817,830,971	3.58	4.43	2.59	Increased by 1.74 percentage points
<b>Property sales business</b>	386,787,528	226,972,213	41.32	2633.85	-	Decreased by 197.30 percentage points
<b>Advertising and other businesses</b>	31,648,598	10,663,066	66.31	46.84	23.57	Increased by 6.35 percentage points
<b>Total</b>	<b>4,669,035,065</b>	<b>2,071,770,067</b>	<b>55.63</b>	<b>14.85</b>	<b>20.63</b>	<b>Decreased by 2.13 percentage points</b>

## DISCUSSION AND ANALYSIS OF THE OPERATIONS



### I. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

#### (II) Analysis of Principal Businesses (Continued)

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

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

During the corresponding period of last year, only the remaining units of Guangming Jiezuo Project of Ninghu Properties, a subsidiary of the Company, were delivered. The costs of properties were relatively low. In addition, the final settlement of such project was completed, and the settlement wrote down part of development costs of properties, which had a significant impact on the costs and gross profit margin of the property sales business in the corresponding period of last year. During the Reporting Period, as the scale of property projects delivered and carried forward increased year-on-year, the costs and gross profit margin of property sales business increased significantly year-on-year and decreased year-on-year, respectively.

##### **Composition of costs**

During the Reporting Period, accumulated operating costs amounted to approximately RMB2,071,770,000, representing an increase of approximately 20.63% as compared to the corresponding period of last year. The composition of costs of each business category is set out below:

## DISCUSSION AND ANALYSIS OF THE OPERATIONS

## I. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

## (II) Analysis of Principal Businesses (Continued)

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

*Composition of costs*

Unit: Yuan Currency: RMB

Items of operating costs	Reporting Period	Percentage %	Corresponding period of the previous year	Percentage %	Increase/decrease as compared to the corresponding period of last year %	Explanation on changes
<b>Operating costs of the toll roads</b>	<b>1,016,303,817</b>	<b>49.06</b>	<b>931,303,989</b>	<b>54.21</b>	<b>9.13</b>	
Depreciation and amortization	656,594,285	31.69	589,281,298	34.30	11.42	Mainly due to the year-on-year increase in amortization of toll road concession rights driven by the increase in traffic volume of the toll roads controlled during the Reporting Period.
Costs on toll collection operation	51,574,945	2.49	57,672,514	3.36	-10.57	Due to the year-on-year decrease in the costs on toll collection operation arising from the settlement cycle during the Reporting Period.
Costs on maintenance	36,612,385	1.77	24,522,614	1.43	49.30	Due to the year-on-year increase in maintenance costs arising from the natural deterioration of roads and settlement cycle during the Reporting Period.
Costs on system maintenance	8,035,227	0.39	14,729,618	0.86	-45.45	Due to the year-on-year decrease in system maintenance costs arising from the settlement cycle during the Reporting Period.



## DISCUSSION AND ANALYSIS OF THE OPERATIONS

### I. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

#### (II) Analysis of Principal Businesses (Continued)

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

##### *Composition of costs (Continued)*

Items of operating costs	Reporting Period	Percentage %	Corresponding period of the previous year	Percentage %	Increase/ decrease as compared to the corresponding period of last year %	Explanation on changes
Labour costs	263,486,975	12.72	245,097,945	14.26	7.50	Due to the year-on-year increase in labour costs of the toll business driven by the rigid increase in labour costs and turnover arising from the transformation of the business model of service areas during the Reporting Period
<b>Costs on ancillary businesses</b>	<b>817,830,971</b>	<b>39.47</b>	<b>797,190,587</b>	<b>46.42</b>	<b>2.59</b>	
Raw materials	708,256,384	34.18	689,365,861	40.14	2.74	Mainly due to the year-on-year increase in purchase costs of raw materials driven by the increase in oil purchase prices during the Reporting Period.
Depreciation and amortization	12,815,103	0.62	12,396,627	0.72	3.38	
Labour costs	78,119,091	3.77	77,780,172	4.53	0.44	
Other costs	18,640,393	0.90	17,647,927	1.03	5.62	

## DISCUSSION AND ANALYSIS OF THE OPERATIONS

### I. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

#### (II) Analysis of Principal Businesses (Continued)

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

###### Composition of costs (Continued)

Items of operating costs	Reporting Period	Percentage %	Corresponding period of the previous year	Percentage %	Increase/decrease as compared to the corresponding period of last year %	Explanation on changes
Costs on property sales business	226,972,213	10.96	-19,612,498	-1.14	-	Mainly due to the delivery of certain remaining units of Guangming Jiezuo Project of Ninghu Properties during the corresponding period of last year and the completion of final settlement of such project writing down part of sale costs of properties. Thus, such costs of last year were negative. As the scale of property projects delivered and carried forward during the Reporting Period increased year-on-year, the costs of property sales business increased significantly year-on-year.
Costs on advertising and other business	10,663,066	0.51	8,628,948	0.51	23.57	During the Reporting Period, the costs of property management of delivered property projects increased as compared to the corresponding period of last year.
<b>Total</b>	<b>2,071,770,067</b>	<b>100</b>	<b>1,717,511,026</b>	<b>100</b>	<b>20.63</b>	

## DISCUSSION AND ANALYSIS OF THE OPERATIONS

## I. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

## (III) Analysis of Assets and Liabilities

## 1. Assets and Liabilities

Unit: Yuan Currency: RMB

Item of Assets and Liabilities	Balance at the end of the 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 as the end of the last period (%)	Change in balance as at the end of the Reporting Period as compared with balance as at the end of last period (%)	Explanation on changes
Bills receivable	1,150,000	0	6,116,460	0.02	-81.20	Mainly due to the decrease in the bank acceptance notes held by Ninghu Investment, a subsidiary of the Company, as compared with the beginning of the period.
Accounts receivable	220,185,247	0.57	148,153,297	0.41	48.62	Mainly due to the increase in the allocation of road tolls receivable during the Reporting Period.
Prepayments	29,604,960	0.08	16,851,683	0.05	75.68	Mainly due to the increase in prepayments for the purchase of oil products and costs of the works during the Reporting Period as compared to the beginning of the period.
Interest receivable	62,230,167	0.16	45,694,000	0.13	36.19	Mainly due to the increase in interest on borrowings due from Hanwei Company, a joint venture, during the Reporting Period.
Non-current assets due within one year	300,000,000	0.78	0	-	-	Mainly due to the adjustment of RMB300 million of shareholders' loans, granted by the Company to Hanwei Company, a joint venture, due on 26 March 2018, from other non-current assets to non-current assets due within one year at the end of the Reporting Period.
Other current assets	635,176,554	1.65	326,161,615	0.90	94.74	Mainly due to the increase in the principal-guaranteed wealth products held by the Company at the end of the Reporting Period as compared to the beginning of the period.

## DISCUSSION AND ANALYSIS OF THE OPERATIONS

### I. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

#### (III) Assets and Liabilities Analysis (Continued)

##### 1. Assets and Liabilities (Continued)

Item of Assets and Liabilities	Balance at the end of the 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 as the end of the last period (%)	Change in balance as at the end of the Reporting Period as compared with balance as at the end of last period (%)	Explanation on changes
Investment properties	20,424,044	0.05	32,113,394	0.09	-36.40	Mainly due to the transfer of investment properties held by Ninghu Investment, a subsidiary, during the Reporting Period.
Construction in progress	3,260,251,949	8.47	1,197,809,229	3.30	163.84	Mainly attributed to investments of road and bridge projects under construction, including Wufengshan Toll Bridge and North-South Approach Expressways Project, Changyi Expressway Phase I Project, as well as investments of Yichang Expressway Project and Zhendan Expressway Project during the Reporting Period.
Other non-current assets	200,216,678	0.52	376,477,785	1.04	-46.82	Mainly due to the adjustment of RMB300 million of shareholders' loans, granted by the Company to Hanwei Company, a joint venture, from other non-current assets to non-current assets due within one year and addition of entrusted loans of RMB120 million granted by the Company to Hanwei Company during the Reporting Period.



## DISCUSSION AND ANALYSIS OF THE OPERATIONS

## I. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

## (III) Assets and Liabilities Analysis (Continued)

## 1. Assets and Liabilities (Continued)

Item of Assets and Liabilities	Balance at the end of the 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 as the end of the last period (%)	Change in balance as at the end of the Reporting Period as compared with balance as at the end of last period (%)	Explanation on changes
Short-term borrowings	1,435,000,000	3.73	810,000,000	2.23	77.16	Mainly due to the increase in certain short term borrowings of the Company to meet cash flow requirement during the Reporting Period.
Taxes payable	159,826,781	0.42	231,702,787	0.64	-31.02	Mainly due to the full payment of corporate income tax for 2016 during the Reporting Period.
Dividends payable	2,262,325,155	5.88	73,614,218	0.20	2,973.22	Mainly due to the increase in dividends payable for ordinary shares and dividends payable by the subsidiaries to minority shareholders at the end of the Reporting Period as compared to the beginning of the period.
Non-current liabilities due within one year	570,064,232	1.48	121,718,718	0.34	368.35	Mainly due to the adjustment of mid-term notes, issued on 21 June 2013 by the Company due on 21 June 2018, from bonds payable to non-current liabilities due within one year at the end of the Reporting Period.
Minority interests	1,697,021,711	4.41	732,100,804	2.02	131.80	Mainly due to capital contributions received by new subsidiaries such as Wufengshan Toll Bridge Company, Changyi Company and Yichang Company, from minority shareholders during the Reporting Period.
Total assets	38,469,884,081	100.00	36,282,573,529	100.00	5.75	
Total gearing ratio	38.44%	-	36.77%	-	1.67	
Net gearing ratio	62.45%	-	58.15%	-	4.3	

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

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

## DISCUSSION AND ANALYSIS OF THE OPERATIONS

## I. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

## (III) Assets and Liabilities Analysis (Continued)

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

Unit: Yuan Currency: RMB

Item	Book value as at the end of the Reporting Period	Reasons for restriction
Bank deposits	5,791,120	Deposit of mortgage loans to customers
Bank deposits	3,133,171	Pre-sales proceeds subject to regulation
Intangible assets	2,063,654,213	Pledge of concession rights of toll expressways
Total	<u>2,072,578,504</u>	

## (1) Explanations for restrictions on bank deposits

At the end of the Reporting Period, other currency funds of the Company included deposit of mortgage loans to customers of RMB5,791,000 and pre-sales proceeds subject to regulation of RMB3,133,000. The pre-sales proceeds subject to regulation was raised by Suzhou Bureau of Housing and Urban-Rural Development to facilitate the smooth development of property projects and strengthen the relevant requirements on the supervision on monetary capital of property development projects. The Company authorized the banks to manage project capital. The project capital must be paid in full before applying for construction permits for new development projects. Developers shall release project deposits by tranches depending on construction progress. The remainder shall be released upon the completion of the construction and delivery of the property.

## (2) Explanations for restrictions on intangible assets

Guangjing Xicheng Company, a subsidiary of the Company, absorbed and merged with Xiyi Company, and undertook the obligation for repayment of original borrowings of Xiyi Company, part of which amounted to RMB200,000,000 borrowed from Wuxi branch of Bank of China for construction of Wuxi Huantaihu Expressway project. Such bank loan was guaranteed by Communications Holding, the parent company of the Company and was further secured by the pledge of toll concession rights of Wuxi Huantaihu Expressway in June 2008. As at the end of the Reporting Period, RMB162,000,000 has been repaid in aggregate and the balance of the borrowing amounted to RMB38,000,000.

## DISCUSSION AND ANALYSIS OF THE OPERATIONS

### I. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

#### (III) Assets and Liabilities Analysis (Continued)

##### 3. Other explanations

##### (1) Capital expenditure

In 2017, the planned total capital expenditure of the Group was approximately RMB6.235 billion. Among which approximately RMB2,465,918,000 was incurred during the Reporting Period, representing an increase of approximately 668.09% year-on-year. The major items of capital expenditure are as follows:

<u>Item of Capital Expenditure</u>	<u>RMB</u>
Investment in construction of Zhendan Expressway	100,071,361
Investment in construction of Wufengshan Toll Bridge	1,299,909,280
Investment in construction of Changyi Expressway	630,000,000
Investment in construction of Yichang Expressway	100,000,000
Equity investment in Suzhou Industrial Park CDB Kai Yuan Investment Center Phase II (Limited Partnership)	220,396,263
Equity investment in Nanjing Luode Dening Real Estate Investment Partnership Corporation (Limited Partnership)	40,000,000
Connection and renovation of Jingjiang Station of Guangjing Expressway	23,473,660
Renovation of service areas and toll collection points	38,741,437
Other construction and facilities in progress	13,326,015
	<hr/>
Total	<u><u>2,465,918,016</u></u>

##### (2) Capital structure and solvency

The Company attached great importance to maintain a reasonable capital structure and continuously improved its profitability in order to maintain the Company's good credit rating and stable financial situation. At the end of the Reporting Period, total liabilities of the Group remained at a relatively reasonable level, which amounted to approximately RMB14,788,971,000 with the total gearing ratio increased by approximately 1.67 percentage points to approximately 38.44% as compared to the beginning of the Reporting Period. (Note: calculation basis of the total gearing ratio: liabilities/total assets) In consideration of the Group's stable and abundant operating cash flow and sound capabilities of financing and capital management, its leverage ratio was at a safe level at the end of the Reporting Period.

## DISCUSSION AND ANALYSIS OF THE OPERATIONS

### I. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

#### (III) Assets and Liabilities Analysis (Continued)

##### 3. Other explanations (Continued)

##### (3) Financial strategy and financing arrangement

During the Reporting Period, the Company actively expanded its financing channels, adjusted its debt structure and reduced financing costs. There is no seasonality of the Group's borrowing requirements. In the first half of the year, additional direct financing amounted to RMB2.8 billion. The funding needs for operational management and project investment were satisfied through the proactive financing strategy, which allowed the Group to effectively control financing costs. As at the end of the Reporting Period, the balance of interest-bearing liabilities amounted to approximately RMB10.277 billion, representing a decrease of approximately RMB527 million as compared with the beginning of the period. The rate of the consolidated borrowing costs on interest-bearing liabilities were approximately 4.13%, which was basically in line with that of the corresponding period of last year, and approximately 0.81 percentage points lower than the bank interest rate on lending for the same period. In the first half of the year, the Company's major financing activities included:

Types of Financing	Date of issuance	Term of Product Day	Amount of Financing RMB'000	Issuance Rate (%)	Bank's Prevailing Benchmark Rate (%)	Decrease of percentage points in financing costs (%)
Ultra-short-term notes	12 April 2017	270	1,000,000	4.2	4.35	0.15
Ultra-short-term notes	12 April 2017	93	1,000,000	3.82	4.35	0.53
Ultra-short-term notes	19 May 2017	112	800,000	4.15	4.35	0.2

##### (4) 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 the recovered amount of 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 low.

## DISCUSSION AND ANALYSIS OF THE OPERATIONS

### I. DISCUSSION AND ANALYSIS OF OPERATIONS *(CONTINUED)*

#### (III) Assets and Liabilities Analysis *(Continued)*

##### 3. Other explanations *(Continued)*

##### (5) Contingencies

Ninghu Properties, a subsidiary of the Company, provided joint liability guarantees to banks for mortgage loans granted to buyers of properties including Kunshan Huaqiao Urban Core B4 Guangmingjiezuo Project, Huaqiao Urban Core B19 Guangmingxinzuo Project, Baohua Hongyan Community B1 and B2 Tongchengshijia Project, Suzhou Nanmen Road G25 Shijiahuating Project and Suzhou Qingyuan Project located at Xinshi Road, in accordance with market practice. The guarantee obligation began from the date on which the guarantee contract came into effect, and would cease when the buyer completed registration formalities of mortgage of the properties purchased by the buyer and submitted the third party rights certificates to banks. As at 30 June 2017, outstanding guarantees amounted to approximately RMB911,750,000 (31 December 2016: RMB779,907,000).

##### (6) Pledge of assets

Guangjing Xicheng Company, a subsidiary of the Company, has acquired and absorbed Xiyi Company and undertaken the original borrowings of Xiyi Company. Xiyi Company obtained bank loans amounting to RMB200,000,000 from Bank of China (Wuxi branch) for the construction of Wuxi Huantaihu Expressway. The bank loans were guaranteed by Communications Holding and further secured by the pledge of the toll road concession rights of Wuxi Huantaihu Expressway in June 2008. At the end of the Reporting Period, RMB162,000,000 has been repaid in aggregate and the balance of the borrowing amounted to RMB38,000,000.

## DISCUSSION AND ANALYSIS OF THE OPERATIONS

### I. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

#### (III) Assets and Liabilities Analysis (Continued)

##### 3. Other explanations (Continued)

##### (7) Entrusted loans

As at 30 June 2017, the loans of the Company and its subsidiaries denominated in RMB obtained by means of entrusted loans were as follows:

Related/ Connected Party	Amount of lending/ borrowing	Inception date	Maturity date	Explanation
<b>Borrowed from</b>				
Far East Shipping Company	180,000,000	15 August 2016	15 August 2017	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 interest rates of borrowing from banks. The Company and its subsidiaries were not required to provide any guarantee and pledge. The borrowings/loans due on the date of this report and relevant interests have been fully repaid.

##### (8) Foreign exchange risks

The Group operates its businesses principally in the PRC. No material foreign exchange risks are involved as the Company's revenues from operations and capital expenditures are all settled in Renminbi, except for payment of dividends for H Shares, and there is no foreign currency investment. A loan of USD9,800,000 at an annual interest rate of 2% was granted to the Group from the Spanish government in 1998 and will be due on 18 July 2027. As at 30 June 2017, the balance of such loan was equivalent to approximately RMB19,302,000, against which no foreign exchange hedging arrangements were made by the Company. The fluctuations in exchange rates will not have any material impact on the Company's results.

#### (IV) Investment Analysis

##### 1. Overall analysis of external investment

During the Reporting Period, total external equity investment of the Group amounted to approximately RMB260,396,000, representing an increase of approximately 260.08% as compared with the corresponding period of last year. The specific items mainly included: equity investment of RMB220,396,000 in Suzhou Industrial Park CDB Kai Yuan Investment Center Phase II (Limited Partnership) and equity investment of RMB4,000,000 in Nanjing Luode Dening Real Estate Investment Partnership Corporation (Limited Partnership).

## DISCUSSION AND ANALYSIS OF THE OPERATIONS

### I. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

#### (IV) Investment Analysis (Continued)

##### 1. Overall analysis of external investment (Continued)

###### (1) Material equity investments

###### *Investment in the construction of new toll roads and bridges*

The Company convened the thirteenth meeting of the eighth session of the board of directors on 3 March 2017 to consider and approve the capital contribution by Guangjing Xicheng Company, a subsidiary of the Company, of not more than RMB1 billion for the new construction project of Yichang Expressway. The investment in Yichang Expressway will further expand the market of quality expressways, consolidate the Company's leading position in the market of expressway networks in southern Jiangsu Province, effectively offset diversion impacts, promote steady growth and expansion of core operations and maintain sustainable development. Please refer to the announcements of the Company dated 6 March 2017 published on China Securities, Shanghai Securities News and the website of the Shanghai Stock Exchange at [www.sse.com.cn](http://www.sse.com.cn), and dated 3 March 2017 published on the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

###### *Subscription for private fund*

The Company convened the fifteenth meeting of the eighth session of the board of directors on 28 April 2017 to consider and approve the resolution on the subscription of CDB Kai Yuan Phase II Fund by Ninghu Investment, a wholly-owned subsidiary of the Company, with additional contribution of up to RMB700 million. The subscription amount was payable by installments according to the subsequent status of investments in projects. At present, the Company has invested a total of RMB1.2 million in CDB Kai Yuan Phase II Fund.

The participation of Ninghu Investment, as the equity investment platform of the Company, in the CDB Kai Yuan Phase II Fund allows itself to have the opportunity to exchange or even cooperate with well-known domestic investment institutions, and it will benefit from obtaining rare investment opportunities, expanding the depth and width of equity investments, broadening the horizon and level of investment, which are in line with the Company's requirements on strategic development, and will lay solid foundations for the Company's sustainable development. For details about the subscription of private fund (including the investment scope of the fund), please refer to the announcements of the Company published on the websites of Shanghai Stock Exchange at [www.sse.com.cn](http://www.sse.com.cn) and the Stock Exchange at [www.hkex.com.hk](http://www.hkex.com.hk) on 27 August 2016, 31 August 2016, 19 November 2016 and 29 April 2017, respectively. As at the end of the Reporting Period, Ninghu Investment made actual contribution of RMB375,706,000 for the subscription of the fund.

At the same time, the Company put great efforts to widen finance channels and explore new sources of revenue. In the first half of the year, Luode Fund Company, a subsidiary of Ninghu Investment, completed the establishment and filing of the parent real estate fund, which raised up to RMB370 million. It has also completed the investments in Jingrui Suzhou Project and Landsea Chengdu Project. The Company continued to broaden its horizon of investment and improve its investment capability to make contributions to the increase of the Group's revenue and profit.

## DISCUSSION AND ANALYSIS OF THE OPERATIONS

## I. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

## (IV) Investment Analysis (Continued)

## 1. Overall analysis of external investment (Continued)

## (2) Financial assets measured at fair value

Unit: Yuan Currency: RMB

Name of item	Initial cost of investment cost	Source of funds	Purchase/sale	Investment Income	Fair value changes
Fund investment	9,999,400	Internal resources	-	0	1,988,880
Wealth management products	575,000,000	Internal resources	-	5,418,097	0
Gold investment	15,710,238	Internal resources	-	(123,106)	555,000

During the Reporting Period, Ninghu Investment, a subsidiary of the Company, continued to hold Fuanda Advantageous Growth Fund purchased in 2011, with approximately 10,000,000 investment units and a net value of approximately RMB19,339,000 at the beginning of the Reporting Period. Among which, the investment cost amounted to approximately RMB9,999,000. The fair value increased by approximately RMB1,989,000 and accumulated fair value increased by approximately RMB9,339,000 during the Reporting Period. During the Reporting Period, Ninghu Investment continued to hold the investment in gold, as a type of precious metal, purchased in 2014, with a net value of approximately RMB15,863,000 and investment cost of approximately RMB15,710,000 at the beginning of the Reporting Period. At the end of the Reporting Period, such net value was approximately RMB16,418,000. The fair value increased by approximately RMB555,000 and accumulated fair value increased by approximately RMB708,000 during the Reporting Period.



## DISCUSSION AND ANALYSIS OF THE OPERATIONS

## I. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

## (V) Analysis of Major Controlled Companies or Investees

## 1. Operations of major Subsidiaries

Name of company	Principal business	Investment cost RMB'000	Equity interest attributable to the Company %	Total assets RMB'000	Net assets RMB'000	Net profit RMB'000	Percentage	Increase/ decrease in net profit as compared
							over the Company's net profit %	to the corresponding period of last year %
Guangjing Xicheng Company	Construction, management, maintenance and toll collection of expressways	2,125,000	85	6,902,111	4,065,865	342,957	17.56	10.97
Ningchang Zhenli Company	Construction, management, maintenance and toll collection of expressways	6,729,237	100	7,435,628	7,374,935	171,805	8.80	17.28
Ninghu Investment	Investments in various infrastructure, industries and assets	571,100	100	810,977	789,723	16,192	0.83	130.63
Ninghu Properties	Development, operation and consultancy services for real estate	500,000	100	3,399,477	738,881	68,280	3.50	2512.96
Zhendan Company	Construction, management, maintenance and toll collection of expressways	423,910	70	1,164,052	606,487	-5	-	-
Wufengshan Toll Bridge Company	Construction, management, maintenance and toll collection of expressways	839,195	64.5	1,301,629	1,300,978	-126	-	-

\* During the Reporting Period, the accumulated operating income of Guangjing Xicheng Company amounted to approximately RMB588,480,000, representing an increase of approximately 3.99% year-on-year; the accumulated operating costs amounted to approximately RMB197,659,000, representing an increase of approximately 8% year-on-year. Due to the year-on-year increase in dividends distributed by Financial Leasing Company and increase in profits of Yanjiang Company, both of which were invested by Guangjing Xicheng Company during the Reporting Period, the investment income of Guangjing Xicheng Company increased year-on-year. During the Reporting Period, it recorded a net profit of approximately RMB342,957,000, representing an increase of approximately 10.97% year-on-year.

\* During the Reporting Period, toll revenue of Ningchang Zhenli Company continued to rise. Net profit amounted to approximately RMB171,805,000, representing a year-on-year increase of approximately 17.28%.

\* Due to the combined effects of the income of RMB18,590,000 derived from transferring investment properties, increase in gross profit due to the growth in income from advertising, and increase in the fair value of held-for-trading financial assets of Ninghu Investment during the Reporting Period, the net book profit of Ninghu Investment increased by approximately 130.63% year-on-year.

\* Please refer to the section headed "Property Development and Sales Business" in this report for the operational performance and changes in the results of Ninghu Properties.

## DISCUSSION AND ANALYSIS OF THE OPERATIONS

### I. DISCUSSION AND ANALYSIS OF OPERATIONS (CONTINUED)

#### (V) Analysis of Major Controlled Companies or Investees (Continued)

##### 2. Operations of Key Associates

During the Reporting Period, investment income of the Group amounted to approximately RMB291,449,000, representing an increase of approximately 41.56% year-on-year and approximately 14.92% of the Group's net profit. The year-on-year increase in investment income was mainly due to the distributed dividends from Financial Leasing Company and Bank of Jiangsu of RMB18,720,000 and RMB35,600,000, respectively, both of which were higher than those during the corresponding period of last year; and the year-on-year increase in investment income contributed by associates. During the Reporting Period, investment income from associates was approximately RMB217,692,000, representing an increase of approximately 20.18% year-on-year. Operating results of certain key associates are set out below:

Name of Company	Principal business	Investment cost RMB'000 <i>RMB000</i>	Equity interest attributable to the Company %	Net profit attributable to the shareholders of the associates RMB'000 <i>RMB000</i>	Contribution to investment income RMB'000 <i>RMB000</i>	Percentage over the Company's net profit %	Increase/ decrease as compared to the corresponding period of last year %
Sujiahang Company	Management and operation of Sujiahang Expressway	526,091	31.55	258,102	81,431	4.17	51.26
Yangtze Bridge Company	Mainly engaged in the management and operation of Jiangyin Bridge	631,159	26.66	272,898	72,755	3.73	16.01
Yanjiang Company	Mainly engaged in the management and operation of Yanjiang Expressway	1,466,200	25.15	310,337	85,653	4.39	10.34
Sujiayong Company	Mainly engaged in the management and operation of Changjia Expressway	431,609	22.77	-17,940	-4,085	-	-

\* As Sujiahang Company acquired and merged with Changkun Company in the corresponding period of last year, the current profit of Sujiahang Company decreased which led to a lower base figure in the corresponding period of last year. Therefore, investment income contributed by Sujiahang Company during the Reporting Period increased by approximately 51.26% year-on-year.

\* Due to the year-on-year increase in toll revenue driven by the growth in the traffic volume and year-on-year increase in investment income from Sutong Bridge (蘇通大橋) and Taizhou Bridge (泰州橋), Yangtze Bridge Company recorded an increase in net profit as compared to that of the corresponding period of last year and its contribution to investment income increased by approximately 16.01% year-on-year.

\* Yanjiang Company recorded a year-on-year increase in toll revenue as boosted by higher traffic volume. After acquiring Husuzhe Company at the end of last year, Yanjiang Company's net profit during the Reporting Period increased by approximately 28.97% as compared to that in the same period of last year. As the percentage of ownership in Yanjiang Company held by the Company was diluted after acquiring Husuzhe Company, the contribution to investment income increased by approximately 10.34% year-on-year.

## DISCUSSION AND ANALYSIS OF THE OPERATIONS

### II. OTHER DISCLOSURES

**(I) Warning and explanation in the forecast of the possible aggregate net profits from the beginning of the year to the end of the next reporting period becoming a loss or significant changes compared to the corresponding period of the previous year.**

Not Applicable

**(II) Possible Risks**

With a view to optimizing the corporate governance system, strengthening risk management, and enhancing the Company's capability to deal with risks, the Company commenced the building of corporate risk management system in 2016. While thoroughly sorting out major risks in the three principal business segments of the Company, i.e., expressway, real estate and investment, and conducting a research and making a detailed diagnosis on the status quo of the existing risk management and internal control systems, the Company determined the basic principles for risk assessment, established the standards of risk assessment, and identified material risks of the Group in combination with the industry risks, thus establishing the risk management system. The risk management system of the Group involves corporate strategy, financial matters, market, operation, policies, laws and other aspects. Amid its future strategic development, the Group will pay keen attention to the following risks and proactively take effective counter-measures:

**1. Risks associated with development strategies**

**Risk analysis:** In the event that any business segment of the Company fails to devise its own segment development strategy according to the overall strategy of the Company, or any segment development strategy is incompatible with or divergent from the overall strategy of the Group, this may result in failure to put the Company's strategy into effective practice, and hinder the achievement of the strategic goal.

**Counter-measures:** The Company will further elaborate the critical control function of the strategic management, improve participation of each business segment in the formulation of strategic plans and specify management responsibilities in the formulation and execution of strategic plans; meanwhile, it will promote the talents strategy to bolster the foundation of strategy implementation, and integrate the strategic planning for human resources into the overall strategic planning of the Company so as to ensure the effective achievement of the strategic objective of each segment.

## DISCUSSION AND ANALYSIS OF THE OPERATIONS

### II. OTHER DISCLOSURES (CONTINUED)

#### (II) Possible Risks (Continued)

##### 2. Policy risks associated with the expressway industry

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

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

##### 3. Policy risks associated with the real estate industry

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

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



## DISCUSSION AND ANALYSIS OF THE OPERATIONS

### II. OTHER DISCLOSURES *(CONTINUED)*

#### (III) Other Disclosures

##### Outlook and Plan of the Company

##### 1. *Analysis of operating situation*

In the first half of 2017, the domestic macro-economy showed a positive trend while maintaining stability, which is expected to be reinforced in the next half of the year. As shown by the operation for the first half of the year, the traffic volume of both passenger vehicles and trucks of each expressway demonstrated a better growth momentum. The Company is quite optimistic about the increase in toll revenue for the whole year. For the property business, it is expected the delivery and settlement of the remaining properties in the second half of the year will bring profit contribution for the year. In respect of reforming the operating model, the Company steadily advanced the reform plan for the service areas and completed all tendering work for outsourcing three services areas. The operational efficiencies of the service areas as a whole will be gradually achieved.

##### 2. *Work priorities in the second half of this year*

Taking into account the overall business environment in the second half of the year, the Group will focus on the following business development priorities to ensure the fulfillment of the year-round profit target and prepare and plan for future strategic development:

- (1) **Focus on the management of major business and improve the operational capability.** The Company will further focus on major business and enhance the span of management; besides, the Company will strengthen the use of modern information technology, constantly explore into scientific management to improve its overall operational capability. Meanwhile, the Company will keep its leading ability to ensure smooth traffic flows, and will further enhance the management of toll collection, service areas, hindrance clearing, command and dispatch centers as well as information services to effectively improve the efficiency and service level of road operation.
- (2) **Enhance the capital efficiency, and optimize the industrial layout.** Taking into account the future development situation and the requirement of sustainable development of the Company, the Company will enhance the capital efficiency, fully leverage on its role of investment and financing platform as a listed company, strive to exploit the resources of capital markets, expand financing channels, innovate the investment methods, constantly optimize the industrial layout, and adjust the industrial structure to realize the capital appreciation and sustainable development.
- (3) **Utilize the advantages in resources, and achieve breakthroughs in the business model.** The Company will implement a business model with effective combination of the self-operated service areas, outsourced platforms and collective leasing but with different focuses for each area. Starting with business planning, the Company will seek to make service areas unique and achieve the branding and differentiation of service areas. Besides, the Company will adjust the organizational framework of management of service areas to improve management efficiency and further expand the room for profit growth.

# SIGNIFICANT MATTERS

## I. OVERVIEW OF THE GENERAL MEETINGS

<u>Session of the meeting</u>	<u>Convening date</u>	<u>Inquiry index of the designated website for publishing the resolutions</u>	<u>Disclosure date of the resolutions</u>
The 2016 Annual General Meeting	22 June 2017	www.sse.com.cn www.hkexnews.hk www.jsexpressway.com	23 June 2017

## II. PROFIT DISTRIBUTION PLAN OR PLAN TO CONVERT SURPLUS RESERVES INTO SHARE CAPITAL

As approved at the 2016 annual general meeting, the Company distributed a cash dividend of RMB0.42 (tax inclusive) per share to all shareholders on the basis of a total of 5,037,747,500 shares in the share capital at the end of 2016, representing a payout ratio of 63.23%. Such profit distribution plan was implemented on 13 July 2017.

### (I) Profit Distribution Plan or Plan to Convert Surplus Reserves into Share Capital proposed for this interim period

Not applicable



## SIGNIFICANT MATTERS

## III. UNDERTAKINGS AND FULFILLMENT OF UNDERTAKINGS

## (I) Commitments of de facto controllers of the Company, Shareholders, related/ connected parties, purchaser, the Company and other relevant parties during the Reporting Period or continuing up to the Reporting Period

Background of undertakings	Types of undertakings	Party making undertakings	Contents of undertakings	Time and term of undertakings	Any term of performance	Strictly performed in timely manner or not	In case of failure of timely performance, its specific reasons	In case of failure of timely performance, describe plans for next steps
Other undertakings	Others	Communications Holding	In the process of equity acquisition of Ningchang Zhenli Company, the Company and Communications Holding entered into a profit compensation agreement, Communications Holding has, in respect of the compensation period, guaranteed Ningchang Zhenli Company's profit before tax net of non-recurring profits and losses, such that it shall not be less than RMB230,434,300 in 2015, not less than RMB269,083,700 in 2016 and not less than RMB299,931,100 in 2017. As at the end of the Reporting Period, such undertaking is yet required to be performed, as the actual amount of profits exceeds the amount guaranteed.	The year of 2015 to the year of 2017	Yes	Yes	Not Applicable	Not Applicable
	Others	Communications Holding	In order to duly resolve the issue regarding the economic compensation for the removal of two toll stations and toll points on the G312 Shanghai-Nanjing Section and pursuant to the spirit of the documentation and relevant minutes of Suzhengfu [2012] No. 115, Communications Holding undertakes to compensate the Company on behalf of the government based on the net asset value of the toll road concession rights of the toll stations and toll points removed, as audited by a qualified third party and the said amount shall be paid in cash. The total amount of compensation is RMB1.316 billion. Communications Holding has paid the Company the compensation respectively on 24 and 25 December 2015, 6 September 2016, and 25 July 2017. Up to now, all compensation has been settled.	None	No	Yes	Not Applicable	Not Applicable

## SIGNIFICANT MATTERS

### IV. APPOINTMENT OR REMOVAL OF ACCOUNTING FIRM

The reappointment of Deloitte as the domestic auditor of the Company for 2017 was approved at the Company's 2016 Annual General Meeting. The audit fees amounted to RMB2,400,000 for 2017. Deloitte, a practicing certified public accountants firm approved by the Ministry of Finance and the CSRC to act as a reporting accountant and/or an auditor for Mainland incorporated companies listed in Hong Kong, was engaged to audit the financial statements of the Company for the accounting year ended 31 December 2017 prepared under the PRC Accounting Standards and to undertake the duties required to be performed by international auditors in accordance with the Hong Kong Listing Rules.

Deloitte was also appointed as the internal control auditor of the Company for 2017 at the general meeting. The audit fee was RMB800,000.

Deloitte has been providing audit services to the Company for fourteen consecutive years since 2003. In 2008, 2010 and 2014, such auditing firm changed the partner responsible for the audit services provided to the Company.

### V. BANKRUPTCY AND RESTRUCTURING RELATED MATTERS

Not applicable

### VI. MATERIAL LITIGATION AND ARBITRATION

Not applicable

### VII. SANCTIONS AND RECTIFICATION ON THE COMPANY AND ITS DIRECTORS, SUPERVISORS, SENIOR MANAGEMENT MEMBERS, CONTROLLING SHAREHOLDERS, DE FACTO CONTROLLER AND OFFEROR

During the Reporting Period, suspected of involvement in economic problems, Wang Hong Wei, deputy general manager of the Company, is currently under the investigation of Nanjing People's Procuratorate of Jiangsu Province according to the laws. As of the date of this report, the relevant investigation work has been in progress. If there involved matters requiring disclosure of information in the future, the Company will publish announcements in a timely manner in accordance with the relevant provisions. This matter will have no impact on the normal operation of the Company's day-to-day businesses.



## SIGNIFICANT MATTERS

### VIII. EXPLANATION ON INTEGRITY OF THE COMPANY, ITS CONTROLLING SHAREHOLDERS AND DE FACTO CONTROLLER DURING THE REPORTING PERIOD

Not applicable

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

Not applicable

### X. MAJOR RELATED/CONNECTED TRANSACTIONS

#### (I) Related/Connected transactions relating to day-to-day operations

##### 1. Events disclosed in a provisional announcement with no further progress or changes after implementation

Description of the Events	Inquiry index
<p>On 30 December 2014, the Company approved that Guangjing Xicheng Company, a subsidiary of the Company, renewed the petrol station lease agreement in relation to Yanqiao service area entered into with Expressway Petroleum Company for a lease period of three years from 1 January 2015 to 31 December 2017. The calculation of rent was: based on the annual fuel sales volume of the petrol stations at RMB140/tonne, together with the guaranteed rental at RMB500,000 per year. The agreement was continuously performed during the Reporting Period.</p>	<p>For details, please refer to the announcement on the continuing related/connected transactions published by the Company on 31 December 2014 on the website of the SSE at <a href="http://www.sse.com.cn">www.sse.com.cn</a> and the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>.</p>

## SIGNIFICANT MATTERS

**X. MAJOR RELATED/CONNECTED TRANSACTIONS** *(CONTINUED)***(I) Related/Connected transactions relating to day-to-day operations** *(Continued)***1. Events disclosed in a provisional announcement with no further progress or changes after implementation** *(Continued)*

Description of the Events	Inquiry index
<p>During the Reporting Period, the Company approved its continuous performance of the property lease agreement entered into with Jiangsu Sundian, pursuant to which, the office located in No. 2 Xianlin Avenue was leased to Jiangsu Sundian at an annual rent of RMB1,690,000 with a contractual term from 1 September 2014 to 31 August 2017.</p>	<p>For details, please refer to the announcement on the continuing related/connected transactions and announcements on the 15th meeting of the 7th session of the Board published by the Company on 25 August 2014 on the website of the SSE at <a href="http://www.sse.com.cn">www.sse.com.cn</a> and the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>.</p>
<p>On 24 April 2015, having completed equity transfer of Xiyi Company, Guangjing Xicheng Company, a subsidiary of the Company, continued to perform all daily related/continuing connected contracts in progress; that is, Xiyi Company leased the petrol stations at both sides of Gaocheng service area along Xiyi highway to Expressway Petroleum Company in accordance with Gaocheng Service Area Petrol Station Lease Agreement entered into with Expressway Petroleum Company on 30 December 2014, with a valid term from 1 January 2015 to 31 December 2017. The calculation of rent was: based on the annual fuel sales volume of the petrol stations at RMB140/tonne, together with the guaranteed rental at RMB500, 000 per year.</p>	<p>For details and relevant approval of this transaction, please refer to the announcements on the related/connected transactions published by the Company on 24 April 2015 on the website of the SSE at <a href="http://www.sse.com.cn">www.sse.com.cn</a> and the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>.</p>
<p>On 28 August 2015, the Company approved that Guangjing Xicheng Company entered into the petrol station lease agreement in relation to Guangling service area with Expressway Petroleum Company with a term from 8 September 2015 to 31 December 2017. The agreement was continuously performed during the Reporting Period.</p>	<p>Please refer to the announcement on the related/connected transactions published on 31 August 2015 on the website of the SSE at <a href="http://www.sse.com.cn">www.sse.com.cn</a> and the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>.</p>

## SIGNIFICANT MATTERS

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

## (I) Related/Connected transactions relating to day-to-day operations (Continued)

## 1. Events disclosed in a provisional announcement with no further progress or changes after implementation (Continued)

Description of the Events	Inquiry index
<p>On 25 March 2016, the Company approved that 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. The estimated annual rentals for the three years are RMB10,000,000, RMB13,000,000, and RMB17,000,000, respectively.</p>	<p>For details, please refer to the announcement on the continuing related/connected transactions published by the Company on 28 March 2016 on the website of the SSE at <a href="http://www.sse.com.cn">www.sse.com.cn</a> and the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>.</p>
<p>On 30 March 2016, the Company approved that it entered into the Financial Services Agreement with Group Finance Company with a term of three years starting from 1 April 2016. The maximum daily deposit balance and the daily maximum outstanding loan balance shall not exceed RMB500,000,000, respectively, and the aggregate maximum amount of the daily deposit shall not exceed 5% of the total asset, audited revenue, and market capitalisation of the Company calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, whichever is the lower.</p>	<p>For details, please refer to the announcement on the continuing related/connected transactions published by the Company on 30 March 2016 on the website of the SSE at <a href="http://www.sse.com.cn">www.sse.com.cn</a> and the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>.</p>

## SIGNIFICANT MATTERS

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

## (I) Related/Connected transactions relating to day-to-day operations (Continued)

## 1. Events disclosed in a provisional announcement with no further progress or changes after implementation (Continued)

Description of the Events	Inquiry index
<p>On 27 March 2017, the Company approved that Guangjing Xicheng Company entered into Monitoring, Communications and Electromechanical Systems Maintenance Contracts with Information Company, and the total amount of the maintenance contract is not expected to exceed RMB16 million in 2017.</p>	<p>For details, please refer to the announcements on the continuing related/connected transactions published by the Company on 27 March 2017 and 13 April 2017 on the website of the SSE at <a href="http://www.sse.com.cn">www.sse.com.cn</a> and the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>.</p>
<p>The Company approved that Ningchang Zhenli Company entered into Monitoring, Communications and Electromechanical Systems Maintenance Contracts with Information Company, and the total amount of the maintenance contract in 2017 is not expected to exceed RMB4 million in 2017.</p>	
<p>On 27 March 2017, the Company approved that it entered into a loan agreement with Guangjing Xicheng Company to lend up to RMB2 billion with effect for three years commencing from the date of approval by shareholders at the AGM. Interest is calculated at the prevailing interest rate of the ultra-short-term notes to be issued by the Company. Repayment of the principal and the related interest expenses are to be borne by Guangjing Xicheng Company.</p>	<p>For details, please refer to the announcement and the circular on the continuing related/connected transaction published by the Company on 27 March 2017 and 5 May 2017 respectively on the website of the SSE at <a href="http://www.sse.com.cn">www.sse.com.cn</a> and the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>.</p>
<p>On 27 March 2017, the Company approved that the Company, Guangjing Xicheng Company and Ningchang Zhenli Company entered into Expressway Network Management Services Framework Agreement with Network Operation Company, respectively, for a period of three years. The amount of the maintenance contract in 2017 shall not exceed RMB37 million, RMB10 million and RMB8.5 million, respectively.</p>	<p>For details, please refer to the announcements on the continuing related/connected transactions published by the Company on 27 March 2017 and 13 April 2017 on the website of the SSE at <a href="http://www.sse.com.cn">www.sse.com.cn</a> and the website of the Stock Exchange at <a href="http://www.hkexnews.hk">www.hkexnews.hk</a>.</p>

## SIGNIFICANT MATTERS

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

## (I) Related/Connected transactions relating to day-to-day operations (Continued)

## 1. Events disclosed in a provisional announcement with no further progress or changes after implementation (Continued)

## Description of the Events

## Inquiry index

The Company approved that the Company, Guangjing Xicheng Company and Ningchang Zhenli Company entered into Expressway Network Technical Services Framework Agreements with Tongxingbao Company for a period of three years respectively. The amounts of the maintenance contract in 2017 shall not exceed RMB7.5 million, RMB2.5 million and RMB2.0 million, respectively.

The Company approved that the Company, Guangjing Xicheng Company and Ningchang Zhenli Company entered into the ETC Customer Service Outlets Management Agreements with Tongxingbao Company for a period of 1 year respectively. The total amount of the maintenance contract in 2017 shall not exceed RMB5.6 million.

On 27 March 2017, the Company approved that the Company, Guangjing Xicheng Company and Ningchang Zhenli Company entered into Maintenance Contracts with Jiangsu Sundian for a period of 1 year respectively. The total amount of the maintenance contract of the Company, Guangjing Xicheng Company and Ningchang Zhenli Company are expected to be less than RMB28 million, RMB25 million and RMB25 million in 2017, respectively.

On 28 April 2017, the Company approved that it renewed the property leasing agreement in relation to Maqun Monitoring Centre with Network Operation Company for a period from 1 May 2017 to 31 December 2017, with the rental fee of RMB2, 408,300. Management fees, maintenance and utilities of the property in use, which should be undertaken by the lessee, are excluded from the rental.

For details, please refer to the announcement on the continuing related/connected transactions published by the Company on 27 March 2017 on the website of the SSE at [www.sse.com.cn](http://www.sse.com.cn) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

For details, please refer to the announcement on the continuing related/connected transaction published by the Company on 29 April 2017 on the website of the SSE at [www.sse.com.cn](http://www.sse.com.cn) and the website of the Stock Exchange at [www.hkexnews.hk](http://www.hkexnews.hk).

## SIGNIFICANT MATTERS

### X. MAJOR RELATED/CONNECTED TRANSACTIONS *(CONTINUED)*

#### (II) Related/Connected transactions in relation to acquisition of assets or acquisition and disposal of equities

##### 1. Events disclosed in a provisional announcement with no further progress or changes after implementation

At the fifteenth meeting of the eighth session of the board of directors held on 28 April 2017, the respective capital increase of RMB4.5 million to be contributed by each of the Company, Guangjing Xicheng Company and Ningchang Zhenli Company, proportionate to their shareholdings based on the existing registered capital, to Jiangsu Sundian, with a total capital contribution of RMB13.5 million, was approved. The proportion of shareholdings of the shareholders remained unchanged after capital increase.

#### (III) Related/Connected financial claims and debts

##### 1. Events disclosed in a provisional announcement with no further progress or changes after implementation

On 25 March 2016, the Company and Group Finance Company entered into the Financial Services Agreement with a term of three years starting from 1 April 2016. The maximum daily deposit balance and the daily maximum outstanding loan balance shall not exceed RMB500,000,000, respectively, and the aggregate maximum amount of the daily deposit shall not exceed 5% of the total asset, audited revenue, and market capitalization of the Company calculated in accordance with Rule 14.07 of the Hong Kong Listing Rules, whichever is the lower.

On 27 March 2017, the Company entered into a loan agreement with Guangjing Xicheng Company. The Company will lend up to RMB2 billion, in effect for three years from the date of approval by shareholders at the AGM. Interest is calculated at the prevailing interest rate of the ultra-short-term notes to be issued by the Company. Repayment of the principal and the related interest expenses are to be borne by Guangjing Xicheng Company.



## SIGNIFICANT MATTERS

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

## (III) Related/Connected claims and debts (Continued)

## 2. Events not disclosed in a provisional announcement

Unit: Yuan Currency: RMB

Related/Connected party	Related/Connected relationship	Funding provided to related/connected parties		Funding provided by related/connected parties to the Company			
		Opening balance	Closing balance	Opening balance	Closing balance		
		of the Reporting Period	Amount incurred of the Reporting Period	of the Reporting Period	Amount incurred of the Reporting Period		
Communications Holding	Parent company			767,116,438	-7,170,548	<b>759,945,890</b>	
Guangjing Xicheng Company	Controlled subsidiary	905,523,883	-293,210,209	<b>612,313,674</b>			
Group Finance Company	Controlled subsidiary of the parent company	41,271,766	51,764,278	<b>93,036,044</b>	130,168,744	590,510,097	
Far East Shipping Company	Controlled subsidiary of the parent company				180,239,250	-21,750	
Runyang Bridge Company	Controlled subsidiary of the parent company				100,197,285	-100,197,285	
Total		<u>946,795,649</u>	<u>-241,445,931</u>	<u><b>705,349,718</b></u>	<u>1,177,721,717</u>	<u>483,120,514</u>	<u><b>1,660,842,231</b></u>

## SIGNIFICANT MATTERS

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

## (III) Related/Connected claims and debts (Continued)

## 2. Events not disclosed in a provisional announcement (Continued)

Amount provided by the Company to the Controlling Shareholder and its subsidiaries during the Reporting Period ( <i>Yuan</i> )	-241,445,931
Balance of amount provided by the Company to the Controlling Shareholder and its subsidiaries ( <i>Yuan</i> )	705,349,718

Reasons for related/connected party creditor's rights and debts	The related/connected party creditor's rights and debts were formed due to the borrowing and lending of funds among the related/connected parties. The interest rate for the above funds did not exceed the prevailing bank loan interest rate in the corresponding period. The Company and its subsidiaries were not required to provide any guarantee and pledge.
Repayment of related/connected party creditor's rights and debts	Not applicable
Undertakings related to related/connected party creditor's rights and debts	Not applicable
Effect of related/connected party creditor's rights and debts on the Company's operation result and financial condition	The related/connected party creditor's rights and debts did not have any material effect on the Company's operation result and financial condition.

## (IV) Others

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

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

- (1) Such transactions were entered into in the ordinary and usual course of business of the Group;
- (2) Such transactions were conducted on normal commercial terms or, if transactions available for comparison were insufficient to determine whether the terms of such transactions are normal commercial terms, from the perspective of the Company, the terms of such transactions were no less favorable than the terms offered to or by independent third parties; 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.

## SIGNIFICANT MATTERS

### XI. MATERIAL CONTRACTS AND THEIR PERFORMANCE

#### (I) Trust, contracting and Leasing

During the Reporting Period, the Company had no material trust and contracting.

During the Reporting Period, the leasing matters of the Company mainly included the leasing relating to the petroleum products sales business to Expressway Petroleum Company, and the leasing of offices to Jiangsu Sundian and Network Operation Company. For details, please refer to “Material Related/Connected Transactions” of this section.

##### (1) Custody

Not applicable

##### (2) Contracting

Not applicable

#### (II) Guarantees

Ninghu Properties, a subsidiary of the Group, provided joint guarantees to banks for mortgage loans granted to buyers of properties of Kunshan Huaqiao Urban Core B4 Guangmingjiezuo Project, Huaqiao Urban Core B19 Guangmingxinzu Project, Baohua Hongyan Community B1 and B2 Tongchengshijia Project, Suzhou Nanmen Road G25 Shijiahuating Project and Suzhou “Qingyuan” located at Xinshi Road in accordance with the market practice. The guarantee obligation began from the date on which the guarantee contract came into effect and would cease when the buyers completed registration formalities of mortgage of the residential property purchased by the buyer and submitted the third party property rights certificates to banks. As at 30 June 2017, the outstanding guarantees amounted to approximately RMB911, 750,000 (31 December 2016: RMB779, 907,000).

#### (III) Other Material Contracts

During the Reporting Period, save for all the related/connected transactions and lease contracts disclosed above, the Company and its subsidiaries did not enter into any other material contract with or provide any loan to the Controlling Shareholder of the Company or its subsidiaries or related/connected persons. Save for the contracts disclosed above, the Company did not enter into any material service or management contract with any other natural person, firm or body corporate. The Company and its subsidiaries did not enter into any management contract pursuant to section 543 under the Companies Ordinance of Hong Kong during the Reporting Period.

## SIGNIFICANT MATTERS

### XII. POVERTY ALLEVIATION WORK OF THE COMPANY

#### (I) Plan for targeted poverty alleviation

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

#### (II) Summary of Targeted Poverty Alleviation for the Year

During the Reporting Period, the Company contributed RMB800, 000 to participate in the project of "Targeted Poverty Alleviation in Guannan County". Focusing on improving the collective income of the whole village and assisting low-income families in poverty relief and development, the project carried out targeted poverty alleviation works orienting towards Jiqiao village and Penyao village of Bailu Town, Guannan County. To be specific, the new factory construction project for the small and medium enterprises park increased the local tax income and addressed employment issues for certain labor force; the project emphatically supported rural economic development by implementing the project of poverty alleviation through photovoltaic industry and establishing two agricultural machinery cooperatives. In addition, it also made practical efforts to improve the appearance of the village and enable the villagers to live conveniently by building the Jiqiao Village multi-service center and conducting administrative offices modification at Penyao Village.



## SIGNIFICANT MATTERS



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

## (III) Statistical Table for Targeted Poverty Alleviation Work of the Company in the First Half of 2017

Unit: Yuan Currency: RMB

Indicator	Amount and progress
I. Overview	
Including: 1.Capital	800,000
II. Investment by items	
1. Poverty alleviation through industry development	The new factory construction project for the small and medium enterprises park addressed certain employment issues; the project of poverty alleviation through photovoltaic industry was implemented and two agricultural machinery cooperatives were established.
Including: 1.1 Type of poverty alleviation through industry	<input type="checkbox"/> Poverty alleviation through agriculture and forestry industries <input type="checkbox"/> Poverty alleviation through tourism <input type="checkbox"/> Poverty alleviation through e-commerce <input type="checkbox"/> Poverty alleviation through assets income <input type="checkbox"/> Poverty alleviation through technology <input checked="" type="checkbox"/> Others
2. societal poverty alleviation	
Including: 2.1 Amount of contribution to collaborative poverty alleviation in East and West China	0
2.2 Amount of contribution to poverty alleviation works in targeted areas	800,000

## SIGNIFICANT MATTERS

### XIII. EXPLANATION ON OTHER SIGNIFICANT MATTERS

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

Not applicable

**(II) Particulars, correction amount, reason and its impact of significant accounting errors amended by retrospective restatement during the Reporting period**

Not applicable

**(III) Others**

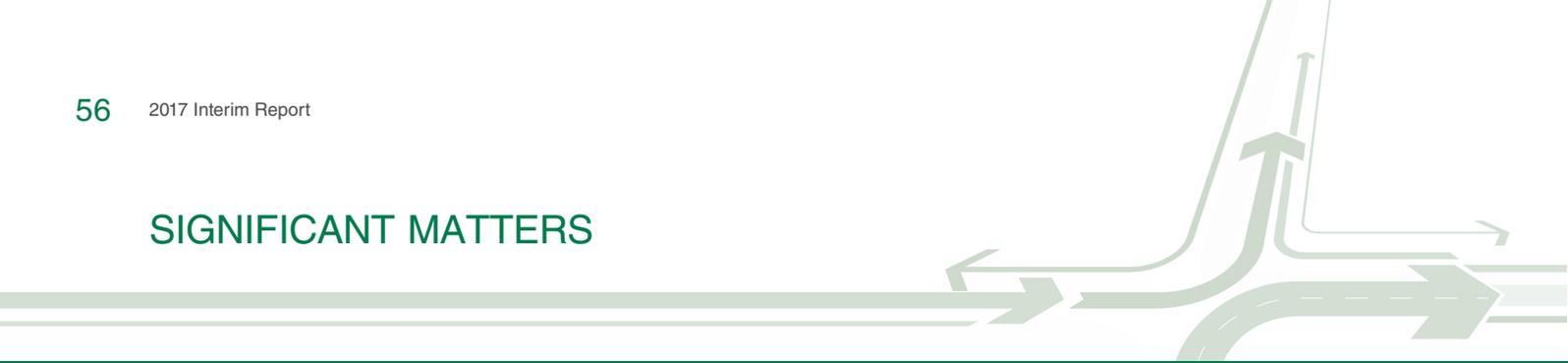
**Corporate Governance Status of the Company:**

The Company made ongoing improvements on the corporate governance system and the operating procedures according to the requirements of regulatory authorities and the latest rules and regulations, with a view to enhancing the corporate governance standards of the Company. The actual governance situation of the Company did not deviate from the Code of Corporate Governance for Listed Companies stipulated by the CSRC and the requirements of the relevant laws and regulations. There was no administrative punishment, criticism or other public censure imposed against the Company, the board of directors of the Company, the supervisory committee as well as directors, supervisors, senior management members by regulatory authorities; and the Company fully adopted all code provisions of the Corporate Governance Code under Appendix 14 of the Hong Kong Listing Rules.

During the Reporting Period, the Company guaranteed the effectiveness of its corporate governance through standardizing and implementing the “three-meeting” decision-making mechanism. By concentrating on improving its adaptation to regulatory changes, further enhancing the awareness on standardized operation, strengthening the implementation of the latest regulatory requirements, strictly implementing various existing governance systems and continuously improving internal responsibility mechanism, the Company aims to ensure a proper execution of the rules so as to further raise the Company’s independent self-governance capability. The Company increased efforts on self-inspection over key regulatory fields, including insider dealing, misappropriation of funds, related/connected transactions and so forth, as well as ensured the carrying out of necessary legal approval procedures for all significant events, strictly controlled violation risks of all kinds and further improved the Company’s standardized operational ability.



## SIGNIFICANT MATTERS



### XIII. EXPLANATION ON OTHER IMPORTANT MATTERS (CONTINUED)

#### (III) Others (Continued)

##### 1. Compliance with the Corporate Governance code

The Company endeavors to uphold its corporate governance standards. During the Reporting Period, the Company has complied with the requirements of the domestic and overseas regulators and the latest rules and regulations. The Company has fully adopted and complied with all code provisions of the Corporate Governance Code under Appendix 14 of the Hong Kong Listing Rules and met the requirements of the recommended best practices thereof in certain aspects. For details of the Company's governance practices, please refer to the relevant sections in the Company's 2016 Annual Report.

##### 2. Compliance with the Model Code

Having made specific enquiries to all the directors and supervisors of the Company, the directors and supervisors of the Company have fully complied with the provisions under the Model Code for Securities Transactions by Directors of Listed Issuers under Appendix 10 of the Hong Kong Listing Rules during the Reporting Period. The Company has also formulated the "Model Code for Securities Transactions by Directors, Supervisors, Senior Management and Relevant Employees", to ensure the relevant personnel's compliance with the code in carrying out securities transactions.

##### 3. Audit Committee

Mr. Chen Liang, Mr. Zhang Erzhen and Mr. Du Wenyi are members of the Audit Committee of the eighth session of the board of directors and Mr. Chen Liang serves as the convener of the committee. Mr. Du Wenyi is a non-executive director. Mr. Chen Liang and Mr. Zhang Erzhen, being independent non-executive directors of the Company, have extensive experiences in financial and economic management, as well as appropriate professional qualifications as stipulated by Rule 3.10(2) of the Hong Kong Listing Rules. Members of the Audit Committee are not related/connected with the current or former auditors of the Company.

The Audit Committee has reviewed the interim financial report of the Company for the six months ended 30 June 2017 and had sufficient communication with the Company's management in the course of discharging their duties and proposed to the board of directors for the approval of the publication of the interim financial report for the six months ended 30 June 2017.

# CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

## I. CHANGES IN SHARE CAPITAL

Not Applicable

## II. SHAREHOLDERS

### (I) Total number of shareholders:

Total number of shareholders as at the end of the Reporting Period (number of H shareholders: 435 (inclusive))	23,349
Total number of preference shareholders with voting rights restored as at the end of the Reporting Period	0

### (II) Shareholdings of top ten Shareholders and top ten holders of Shares in circulation (or holders of Shares without selling restrictions) as at the end of the Reporting Period

Unit: Share

Name of shareholder (full name)	Change during the Reporting Period	Numbers of shares held at the end of the Reporting Period	Shareholdings of top ten Shareholders				Type of shareholder
			Share holding percentage (%)	Numbers of shares held subject to selling restrictions	Shares pledged or frozen	Status of shares	
Jiangsu Communications Holding Company Limited	0	2,742,578,825	54.44	0	Nil	0	State-owned legal person
China Merchants Expressway Network & Technology Holdings Co., Ltd.	0	589,059,077	11.69	0	Nil	0	State-owned legal person
BlackRock, Inc.	-3,304,463	121,076,102	2.40	0	Unknown	0	Foreign legal person
Commonwealth Bank of Australia	2,369,104	98,587,230	1.96	0	Unknown	0	Foreign legal person
JPMorgan Chase & Co.	0	82,901,847	1.65	0	Unknown	0	Foreign legal person
Mondrian Investment Partners Limited	-37,466,000	72,326,000	1.44	0	Unknown	0	Foreign legal person
China Securities Finance Corporation Limited	0	22,887,731	0.45	0	Unknown	0	Others
Jiantou Zhongxin Asset Management Co., Ltd.	0	21,410,000	0.42	0	Unknown	0	Others
Morgan Stanley Investment Management Inc. – Morgan Stanley China A Share Fund	-14,229,052	14,463,848	0.29	0	Unknown	0	Others
Guoyuan Securities (Hong Kong) Limited – Customer fund (exchange)	714,900	10,054,602	0.20	0	Unknown	0	Others

## CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

### II. SHAREHOLDERS (CONTINUED)

#### (II) Shareholdings of top ten Shareholders and top ten holders of Shares in circulation (or holders of Shares without selling restrictions) at the end of the Reporting Period (Continued)

##### Shareholdings of top ten Shareholders held without selling restrictions

Name of Shareholder	Number of Shares without selling restrictions in circulation	Class and number of Shares Class	Number
Jiangsu Communications Holding Company Limited	2,742,578,825	RMB ordinary shares	2,742,578,825
China Merchants Expressway Network & Technology Holdings Co., Ltd.	589,059,077	RMB ordinary shares	589,059,077
BlackRock, Inc.	121,076,102	Overseas listed foreign shares	121,076,102
Commonwealth Bank of Australia	98,587,230	Overseas listed foreign shares	98,587,230
JPMorgan Chase & Co.	82,901,847	Overseas listed foreign shares	82,901,847
Mondrian Investment Partners Limited	72,326,000	Overseas listed foreign shares	72,326,000
China Securities Finance Corporation Limited	22,887,731	RMB ordinary shares	22,887,731
Jiantou Zhongxin Asset Management Co., Ltd.	21,410,000	RMB ordinary shares	21,410,000
Morgan Stanley Investment Management Inc. – Morgan Stanley China A Share Fund	14,463,848	RMB ordinary shares	14,463,848
Guoyuan Securities (Hong Kong) Limited – Customer fund (exchange)	10,054,602	RMB ordinary shares	10,054,602

Illustration on the related/connected relationship or acting-in-concert arrangement with respect to the above Shareholders

- (1) The Company is not aware of the existence of related/connected relationship or acting-in-concert arrangement with respect to the above shareholders;
- (2) During the Reporting Period, there were no related/connected parties, strategic investors of the Company nor normal legal persons becoming the top ten shareholders of the Company because of placing of new shares;
- (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 SHARE CAPITAL AND SHAREHOLDERS

### II. SHAREHOLDERS (CONTINUED)

#### (II) Shareholdings of top ten Shareholders and top ten holders of Shares in circulation (or holders of Shares without selling restrictions) at the end of the Reporting Period (Continued)

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

Unit: Shares

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

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

In accordance with the requirements of the Hong Kong Listing Rules, as at 30 June 2017, the following persons held 5% or more of the interests or short positions in the face value of the shares or underlying shares or debenture of the Company as recorded in the register required to be maintained under the Securities and Futures Ordinance of Hong Kong:

Name of shareholders	Capacity	Number of A Shares		Percentage of A Shares (total shares)
		Direct interests	Number of A shares held	
Jiangsu Communications Holding Company Limited	Others	Yes	2,742,578,825(L)	71.88% (54.44%)
China Merchants Expressway Network & Technology Holdings Co., Ltd. <sup>(1)</sup>	Others	Yes	589,059,077(L)	15.44% (11.69%)

## CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

### II. SHAREHOLDERS (CONTINUED)

#### (II) Shareholdings of top ten Shareholders and top ten holders of Shares in circulation (or holders of Shares without selling restrictions) at the end of the Reporting Period (Continued)

##### Shareholdings of top ten shareholders subject to selling restrictions and their selling restrictions (Continued)

Name of Shareholders	Capacity	Number of H Shares		Percentage of H Shares (total shares)
		Direct interests	Number of H Shares held	
BlackRock, Inc.	Interest of controlled corporation <sup>(2)</sup>	No	121,076,102(L)	9.91%(L) (2.40%)
Commonwealth Bank of Australia	Interest of controlled corporation	No	98,587,230(L)	8.07%(L) (1.96%)
JPMorgan Chase & Co.	Beneficial owner/ investment manager/ Custodian – controlled corporation/approved lending agent <sup>(3)</sup>	No	82,901,847(L) 314,530(S) 70,500,352(P)	6.78%(L) (1.65%) 0.03%(S) (0.01%) 5.76%(P) (1.40%)
Mondrian Investment Partners Limited	Investment manager	No	72,326,000(L)	5.92%(L) (1.44%)

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

(1) China Merchants Group Limited was deemed to be interested in the Company by virtue of its controlling interests in its subsidiary, China Merchants Expressway Network.

(2) BlackRock, Inc. was deemed to hold a total of 121,076,102 H Shares (long position) of the Company, of which 440,000 H Shares were held through cash settled derivatives (off exchange), by virtue of its control over numerous corporations which were indirectly wholly-owned by BlackRock, Inc., except for the following:

(a) BR Jersey International Holdings L.P. was indirectly owned as to 86% by BlackRock, Inc.. BR Jersey International Holdings L.P. held interest in the Company through the following indirectly wholly-owned corporations:

- (i) BlackRock Japan Co., Ltd. held 1,080,883 H Shares (long position) of the Company.
- (ii) BlackRock Asset Management Canada Limited held 1,166,000 H Shares (long position) of the Company.
- (iii) BlackRock Investment Management (Australia) Limited held 306,000 H Shares (long position) of the Company.
- (iv) BlackRock Asset Management North Asia Limited held 767,201 H Shares (long position) of the Company.
- (v) BlackRock Investment Management (Taiwan) Limited held 60,000 H Shares (long position) of the Company.
- (vi) BlackRock (Singapore) Limited held 38,000 H Shares (long position) of the Company.

## CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

### II. SHAREHOLDERS (CONTINUED)

#### (II) Shareholdings of top ten Shareholders and top ten holders of Shares in circulation (or holders of Shares without selling restrictions) at the end of the Reporting Period (Continued)

##### Shareholdings of top ten shareholders subject to selling restrictions and their selling restrictions (Continued)

(2) (Continued)

(b) BlackRock Group Limited was owned as to 90% by BR Jersey International Holdings L.P.(please refer to note 2(a) above). BlackRock Group Limited held interest in the Company through the following directly or indirectly wholly-owned corporations:

- (i) BlackRock (Netherlands) B.V. held 300,000 H Shares (long position) of the Company.
- (ii) BlackRock Advisors (UK) Limited held 639,010 H Shares (long position) of the Company.
- (iii) BlackRock International Limited held 282,000 H Shares (long position) of the Company.
- (iv) BlackRock Asset Management Ireland Limited held 11,545,865 H Shares (long position) of the Company.
- (v) BLACKROCK (Luxembourg) S.A. held 13,130,000 H Shares (long position) of the Company.
- (vi) BlackRock Fund Managers Limited held 3,654,001 H Shares (long position) of the Company.
- (vii) BlackRock Life Limited held 920,000 H Shares (long position) of the Company.
- (viii) BlackRock Asset Management (Schweiz) AG held 6,000 H Shares (long position) of the Company.

(3) JPMorgan Chase & Co. was deemed to hold a total of 82,901,847 H Shares (long position) of the Company, of which 86,530 H Shares were held through physically settled derivatives (off exchange), 20,000 H Shares were held through cash settled derivatives (off exchange) and 314,530 H Shares (short position), of which 86,530 H Shares were held through physically settled derivatives (off exchange) and 228,000 H Shares were held through cash settled derivatives (off exchange). JPMorgan Chase & Co. held the interest in the following capacities:

Capacity	Number of shares (long position)	Number of shares (short position)	Number of shares (lending pool)
Beneficial owner	3,797,495	314,530	–
Investment manager	8,604,000	–	–
Custodian-corporation/approved lending agent	70,500,352	–	70,500,352

Save as disclosed above, to the Company's best knowledge, as at 30 June 2017, there was no person who was required to make disclosure under the Securities and Futures Ordinance of Hong Kong.

#### (III) Strategic investors or normal legal persons becoming the top ten Shareholders because of placing of new Shares

Not Applicable

## CHANGES IN SHARE CAPITAL AND SHAREHOLDERS

### III. CONTROLLING SHAREHOLDERS AND CHANGE OF DE FACTO CONTROLLER

Not Applicable

### IV. OTHERS

#### 1. Repurchase, Sale and Redemption of securities:

For the six months ended 30 June 2017, there was no repurchase, sale or redemption of any of its securities by the Company or any of its subsidiaries.

#### 2. Pre-emption Rights:

In accordance with the laws of the Peoples' Republic of China and the Company's Articles of Association, the Company did not grant any pre-emption rights pursuant to which the Company would be required to put forward a proposal to the existing shareholders to offer new shares in proportion to their shareholdings.

#### 3. Public Float:

As at 30 June 2017 and the disclosure date of this report, the Company complied with the 25% public float requirement under the Hong Kong Listing Rules.

#### 4. No Material Change:

Save as disclosed in this report, information in relation to the Group's performance in the Reporting Period for matters set out in paragraph 32 of Appendix 16 of the Hong Kong Listing Rules has not changed materially from the information disclosed in the 2016 annual report of the Company.

# PREFERRED SHARES

Not Applicable



# DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

## I. CHANGES IN SHAREHOLDINGS

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

Not Applicable

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

Not Applicable

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

Name	Position	Change	Reasons for change
Yao Yongjia	Executive Director	Elected	Elected at general meeting
Chen Zhongyang	Supervisor	Elected	Elected at general meeting
Shang Hong	Executive Director	Resigned	Reallocation of duties
Ren Zhuohua	Supervisor	Resigned	Reallocation of duties

### Biography of new director and supervisor:

#### Director:

Mr. Yao Yongjia: deputy general manager, secretary to the Board and Hong Kong company secretary of the Company, born in 1964, holder of a master's degree in project management and a senior engineer. Mr. Yao joined the Company in August 1992. He was an assistant engineer of the Jiangsu Provincial Communications Planning and Design Institute, deputy section chief of the Jiangsu Expressways Command Office and the head of the securities department, as well as director of the secretariat to the board of the Company. Mr. Yao has been engaging in project management, investment analysis, financing and securities and has accumulated extensive professional experience.

#### Supervisor:

Mr. Chen Zhongyang: born in 1967, holder of a master's degree in roads and bridges from Southeast University and a senior postgraduate engineer. He is the head of the enterprise management and legal department of Jiangsu Communications Holding Company Limited. He used to be the deputy section chief of the planning department of Jiangsu Expressways Command Office and was the deputy manager of the operation and development department of Jiangsu Jinghu Expressway Company Limited, head of the road assets and interests section of Jiangsu Communications Industry Group Co., Ltd., deputy head of the operational safety and engineering technology department as well as head of the expansion office of Jiangsu Communications Holding Company Limited. Mr. Chen has been engaging in project management and construction and has accumulated extensive professional experience.

## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

### III. OTHER EXPLANATIONS

#### (I) Independent Non-executive Directors

The Company has appointed a sufficient number of independent non-executive directors. Mr. Zhang Erzhen, Mr. Zhang Zhuting, Mr. Chen Liang and Mr. Lin Hui were appointed as independent non-executive directors of the eighth session of the board of directors of the Company, accounting for more than one-third of the members of the board of directors. Four independent non-executive directors are currently serving at renowned universities in the PRC and are senior experts in the academic fields of economic management, industry policies and regulations, financial accounting and online financing and are well-versed with academic theories with rich 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

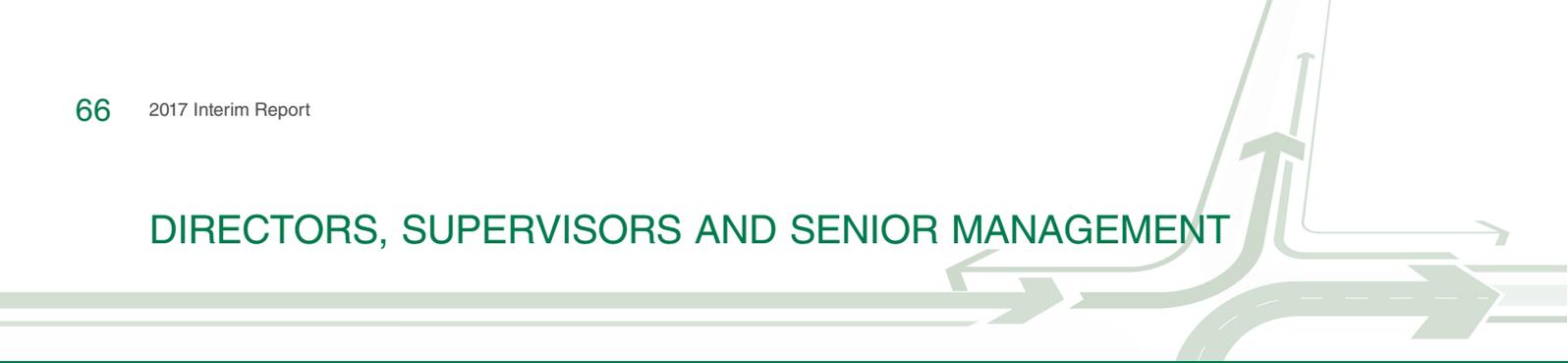
As at 30 June 2017, the Group (including controlled subsidiaries) had 5,581 staff in total, comprising 733 managerial and technical staff and 4,848 manufacturing staff. During the Reporting Period, total staff remuneration reached RMB379,637,144.

The Company continuously implemented a position-based salary system driven by working performance in the first half of 2017. The Company continued to optimize employee remuneration, comprising monthly wages to secure the regular livelihood of employees, bonus to encourage people to work hard, and welfare to reflect the company's humanistic care. Based on the principle of "Salary by Position, Award by Performance", remuneration and benefits are paid reasonably with reference to the scientific appraisal of employee's overall performance. In the meantime, the Company pays contributions to "five social insurances and the housing provident fund" for the employees according to laws, and provides a number of custom-made welfare benefits schemes such as supplementary medical treatment and enterprise annuity.

In order to further reform its remuneration system to address the problem of employees' single channel of development, the Company and Suzhou management offices are conducting the trial work in wage band system continuously, and have achieved some good results in pilot units. In the meantime, the Company constantly improved the working hour system in accordance with the Labor Contract Law during the Reporting Period, and applied flexible working hours system for 53 managerial positions and 10 manufacturing positions, involving a total of 511 people, to increase the initiative of operation and to control labor costs reasonably.



## DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT



### III. OTHER EXPLANATIONS *(CONTINUED)*

#### (II) Staff Remuneration and Training *(Continued)*

In terms of staff education and training, closely around the “13th five-year strategic plan”, the Company actively promoted the transformation and upgrading of the service areas, and made efforts to do a good job in training personnel in preparation for re-assignment or transfer. In the first half of the year, the pre-job training for reallocated employees transferred from toll stations of Meicun and Xianrenshan service areas to Executive Office, involving a total of 103 persons, was completed. Training camps for core personnel at primary units was held by the Company for the first time, and a total of 58 new directors and core management personnel at primary units participated in the six-day training. Action learning was also introduced in the assessment of training results. Participants developed improvement plans, and were subject to a personal improvement assessment after three-month transfer of training, and the evaluation results were all above the good level. The number of operating-level personnel and core personnel at primary units elected to participate in relevant training organized by Communications Holding reached 29. The training mainly concerned the capability of directors and supervisors to perform their duties, enterprise image building and public relations management, human resource management series and training for heads and monitors of toll stations, etc. The number of management personnel and professional and technical personnel of the Company arranged to participate in external training reached 17, and the training mainly concerned archives management, financial management, continuing education of directors and secretaries, information management, on-site star rating, work injury management regulations, etc.

In the first half of the year, the Company organized various kinds of staff training for up to over 1,200 persons. Such training played a positive and contributory role in continuously improving the business capability and competitiveness of staff and adding value to human resources.

## CORPORATE BONDS

Not Applicable



# CONSOLIDATED BALANCE SHEET

30 June 2017

Unit: RMB

Item	Notes	Closing balance	Opening balance	Item	Notes	Closing balance	Opening balance
<b>Current Assets:</b>				<b>Current Liabilities:</b>			
Cash and bank balances	(VI)1	274,657,193	265,422,162	Short-term borrowings	(VI)21	1,435,000,000	810,000,000
Financial assets at fair value through profit or loss	(VI)2	35,756,598	33,212,717	Accounts payable	(VI)22	910,683,536	987,946,428
Notes receivable	(VI)3	1,150,000	6,116,460	Receipts in advance	(VI)23	855,284,480	940,873,359
Accounts receivable	(VI)4	220,185,247	148,153,297	Employee benefits payable	(VI)24	5,734,908	4,816,324
Prepayments	(VI)5	29,604,960	16,851,683	Taxes payable	(VI)25	159,826,781	231,702,787
Interest receivable	(VI)6	62,230,167	45,694,000	Interest payable	(VI)26	115,655,454	92,220,187
Dividends receivable	(VI)7	39,180,100	4,989,960	Dividends payable	(VI)27	2,262,325,155	73,614,218
Other receivables	(VI)8	427,101,385	422,083,818	Other payables	(VI)28	45,561,895	39,984,545
Inventories	(VI)9	2,985,602,099	3,142,326,304	Non-current liabilities due within one year	(VI)29	570,064,232	121,718,718
Non-current assets due within one year	(VI)10	300,000,000	–	Other current liabilities	(VI)30	2,821,787,778	3,936,452,668
Other current assets	(VI)11	635,176,554	326,161,615				
<b>Total Current Assets</b>		<b>5,010,644,303</b>	<b>4,411,012,016</b>	<b>Total Current Liabilities</b>		<b>9,181,924,219</b>	<b>7,239,329,234</b>
<b>Non-current Assets:</b>				<b>Non-current Liabilities:</b>			
Available-for-sale financial assets	(VI)12	2,346,524,250	2,086,127,987	Long-term borrowings	(VI)31	1,470,623,539	1,471,905,901
Long-term equity investment	(VI)13	4,863,483,379	4,771,195,958	Bonds payable	(VI)32	3,965,029,403	4,457,801,187
Investment properties	(VI)14	20,424,044	32,113,394	Deferred income	(VI)33	32,395,220	33,317,704
Fixed assets	(VI)15	1,733,625,403	1,734,084,711	Deferred tax liabilities	(VI)19	138,998,484	138,362,514
Construction in progress	(VI)16	3,260,251,949	1,197,809,229				
Intangible assets	(VI)17	20,766,229,126	21,324,779,176	<b>Total Non-current Liabilities</b>		<b>5,607,046,646</b>	<b>6,101,387,306</b>
Long-term prepaid expenses	(VI)18	2,201,961	3,628,179				
Deferred tax assets	(VI)19	266,282,988	345,345,094	<b>TOTAL LIABILITIES</b>		<b>14,788,970,865</b>	<b>13,340,716,540</b>
Other non-current assets	(VI)20	200,216,678	376,477,785				
<b>Total Non-current Assets</b>		<b>33,459,239,778</b>	<b>31,871,561,513</b>	<b>Shareholders' Equity:</b>			
				Share capital	(VI)34	5,037,747,500	5,037,747,500
				Capital reserve	(VI)35	10,428,388,235	10,428,388,235
				Other comprehensive income	(VI)36	532,718,137	542,389,052
				Surplus reserve	(VI)37	3,153,173,160	3,153,173,160
				Retained profits	(VI)38	2,831,864,473	3,048,058,238
				<b>Total shareholders' equity attributable to equity holders of the Company</b>		<b>21,983,891,505</b>	<b>22,209,756,185</b>
				Minority interests		1,697,021,711	732,100,804
				<b>TOTAL SHAREHOLDERS' EQUITY</b>		<b>23,680,913,216</b>	<b>22,941,856,989</b>
				<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>38,469,884,081</b>	<b>36,282,573,529</b>
<b>TOTAL ASSETS</b>		<b>38,469,884,081</b>	<b>36,282,573,529</b>				

The accompanying notes form part of the financial statements.

The financial statements on pages 68 to 199 were signed by the following:

Legal Representative:  
**Chang Qing**

Person in Charge of the Accounting Body:  
**Gu De Jun**

Chief Accountant:  
**Yu Lan Ying**

# BALANCE SHEET OF THE COMPANY

30 June 2017

Unit: RMB

Item	Notes	Closing balance	Opening balance	Item	Notes	Closing balance	Opening balance
<b>Current Assets:</b>				<b>Current Liabilities:</b>			
Cash and bank balances		82,739,547	98,649,203	Short-term borrowings		1,290,000,000	770,000,000
Accounts receivable	(XV)1	141,135,766	102,488,935	Accounts payable		268,562,392	310,276,757
Prepayments		16,330,292	9,116,045	Receipts in advance		52,762,442	8,035,625
Interest receivable		64,133,639	47,940,597	Employee benefits payable		710,327	764,117
Dividends receivable		39,180,100	4,989,960	Taxes payable		91,455,598	151,738,572
Other receivables	(XV)2	411,945,061	403,316,212	Interest payable		103,895,801	74,066,670
Inventories		18,847,179	22,388,679	Dividends payable		2,189,468,169	73,614,218
Non-current assets due within one year		300,000,000	–	Other payables		17,515,869	21,431,361
Other current assets		510,000,000	303,141,833	Non-current liabilities due within one year		500,064,231	1,718,718
				Other current liabilities		2,821,787,778	3,936,452,668
<b>Total Current Assets</b>		<b>1,584,311,584</b>	<b>992,031,464</b>	<b>Total Current Liabilities</b>		<b>7,336,222,607</b>	<b>5,348,098,706</b>
<b>Non-current Assets:</b>				<b>Non-current Liabilities:</b>			
Available-for-sale financial assets		1,567,230,000	1,567,230,000	Long-term borrowings		17,623,539	118,905,901
Long-term equity investment	(XV)3	13,929,059,052	12,850,682,084	Bonds payable		3,965,029,403	4,457,801,187
Fixed assets		1,018,364,126	1,055,641,400	Deferred tax liabilities		136,486,744	136,486,744
Construction in progress		44,494,841	49,051,089				
Intangible assets		11,271,650,870	11,592,006,027	<b>Total Non-current Liabilities</b>		<b>4,119,139,686</b>	<b>4,713,193,832</b>
Deferred tax assets		–	–				
Other non-current assets		2,252,530,352	2,518,859,835	<b>TOTAL LIABILITIES</b>		<b>11,455,362,293</b>	<b>10,061,292,538</b>
<b>Total Non-current Assets</b>		<b>30,083,329,241</b>	<b>29,633,470,435</b>				
				<b>Shareholders' Equity:</b>			
				Share capital		5,037,747,500	5,037,747,500
				Capital reserve		7,327,650,327	7,327,650,327
				Other comprehensive income		514,292,905	523,963,820
				Surplus reserve		2,518,873,750	2,518,873,750
				Retained profits		4,813,714,050	5,155,973,964
				<b>SHAREHOLDERS' EQUITY</b>		<b>20,212,278,532</b>	<b>20,564,209,361</b>
				<b>TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY</b>		<b>31,667,640,825</b>	<b>30,625,501,899</b>
<b>TOTAL ASSETS</b>		<b>31,667,640,825</b>	<b>30,625,501,899</b>				

The accompanying notes form part of the financial statements.

The financial statements on pages 68 to 199 were signed by the following:

Legal Representative:  
**Chang Qing**

Person in Charge of the Accounting Body:  
**Gu De Jun**

Chief Accountant:  
**Yu Lan Ying**

# CONSOLIDATED INCOME STATEMENT

For the period ended 30 June 2017

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
<b>I. Total operating income</b>	(VI)39	<b>4,669,035,065</b>	4,065,387,855
Including: Operating income		<b>4,669,035,065</b>	4,065,387,855
Less: Total operating costs		<b>2,417,118,032</b>	2,173,196,275
Including: Operating costs	(VI)39	<b>2,071,770,067</b>	1,717,511,026
Taxes and levies	(VI)40	<b>45,218,867</b>	106,630,165
Selling expenses	(VI)41	<b>8,647,259</b>	10,303,026
Administrative expenses	(VI)42	<b>79,798,689</b>	77,125,318
Financial expenses	(VI)43	<b>211,683,150</b>	261,626,740
Impairment losses of assets		<b>—</b>	—
Add: Gains from changes in fair values	(VI)44	<b>2,543,880</b>	(1,242,313)
Investment income	(VI)45	<b>291,449,163</b>	205,887,185
Including: Income from investments in associates and joint ventures		<b>217,692,115</b>	181,137,925
<b>II. Operating profit</b>		<b>2,545,910,076</b>	2,096,836,452
Add: Non-operating income	(VI)46	<b>2,727,880</b>	11,277,544
Including: Gains from disposal of non-current assets		<b>79,199</b>	21,133
Less: Non-operating expenses	(VI)47	<b>14,655,686</b>	11,793,523
Including: Losses from disposal of non-current assets		<b>1,658,116</b>	504,218
<b>III. Total profit</b>		<b>2,533,982,270</b>	2,096,320,473
Less: Income tax expenses	(VI)48	<b>580,981,311</b>	490,137,637
<b>IV. Net profit</b>		<b>1,953,000,959</b>	1,606,182,836
Including: Net profit attributable to owners of the Company		<b>1,899,660,185</b>	1,559,819,318
Profit or loss attributable to minority interests		<b>53,340,774</b>	46,363,518

## CONSOLIDATED INCOME STATEMENT

*For the period ended 30 June 2017*

Item	Notes	Amount for the current period	Amount for the prior period
<b>V. Other comprehensive income (net of tax)</b>	(VI)49	<b>(9,670,915)</b>	(4,426,893)
Other comprehensive income (net of tax) attributable to owners of the parent company		<b>(9,670,915)</b>	(4,426,893)
(I) Other comprehensive income that will not be reclassified subsequently to profit or loss		-	-
(II) Other comprehensive income that will be reclassified subsequently to profit or loss		<b>(9,670,915)</b>	(4,426,893)
1. Share of other comprehensive income of the investee under the equity method that will be reclassified subsequently to profit or loss		<b>(9,670,915)</b>	(4,426,893)
Other comprehensive income (net of tax) attributable to minority interests		-	-
<b>VI. Total comprehensive income</b>		<b>1,943,330,044</b>	1,601,755,943
Total comprehensive income attributable to owners of the Company		<b>1,889,989,270</b>	1,555,392,425
Total comprehensive income attributable to minority shareholders		<b>53,340,774</b>	46,363,518
<b>VII. Earnings per share:</b>			
(I) Basic earnings per share		<b>0.3771</b>	0.3096
(II) Diluted earnings per share		<b>N/A</b>	N/A

The accompanying notes form part of the financial statements.

The financial statements on pages 68 to 199 were signed by the following:

*Legal Representative:*  
**Chang Qing**

*Person in Charge of the Accounting Body:*  
**Gu De Jun**

*Chief Accountant:*  
**Yu Lan Ying**

# INCOME STATEMENT OF THE COMPANY

For the period ended 30 June 2017

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
<b>I. Total operating income</b>	(XV)4	<b>3,142,761,425</b>	3,018,124,282
Less: Operating costs	(XV)4	<b>1,351,004,868</b>	1,301,980,840
Taxes and levies		<b>19,950,780</b>	65,339,583
Administrative expenses		<b>56,820,872</b>	56,668,902
Financial expenses		<b>160,765,517</b>	212,615,663
Impairment loss of assets		<b>—</b>	—
Add: Investment income	(XV)5	<b>634,192,767</b>	550,875,473
Including: Income from investments in associates and joint ventures		<b>134,586,783</b>	105,927,264
<b>II. Operating profit</b>		<b>2,188,412,155</b>	1,932,394,767
Add: Non-operating income		<b>389,326</b>	9,662,416
Including: Gains from disposal of non-current assets		<b>72,863</b>	19,614
Less: Non-operating expenses		<b>8,317,453</b>	8,344,049
Including: Losses from disposal of non- current assets		<b>(3,911)</b>	89,825
<b>III. Total profit</b>		<b>2,180,484,028</b>	1,933,713,134
Less: Income tax expenses		<b>406,889,992</b>	371,086,946
<b>IV. Net profit</b>		<b>1,773,594,036</b>	1,562,626,188
<b>V. Other comprehensive income (net of tax)</b>		<b>(9,670,915)</b>	(4,426,893)
(I) Other comprehensive income that will not be reclassified subsequently to profit or loss		<b>—</b>	—
(II) Other comprehensive income that will be reclassified subsequently to profit or loss		<b>(9,670,915)</b>	(4,426,893)
1. Share of other comprehensive income of the investee under the equity method that will be reclassified subsequently to profit or loss		<b>(9,670,915)</b>	(4,426,893)
<b>VI. Total comprehensive income</b>		<b>1,763,923,121</b>	1,558,199,295

The accompanying notes form part of the financial statements.

The financial statements on pages 68 to 199 were signed by the following:

Legal Representative:  
**Chang Qing**

Person in Charge of the Accounting Body:  
**Gu De Jun**

Chief Accountant:  
**Yu Lan Ying**

# CONSOLIDATED CASH FLOW STATEMENT

For the period ended 30 June 2017

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
<b>I. Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		<b>4,776,634,399</b>	5,480,579,350
Other cash receipts relating to operating activities	(VI)51(1)	<b>107,827,215</b>	36,766,379
Sub-total of cash inflows from operating activities		<b>4,884,461,614</b>	5,517,345,729
Cash payments for goods purchased and services received		<b>1,133,449,908</b>	1,591,725,611
Cash payments to and on behalf of employees		<b>381,011,869</b>	365,460,754
Payments of various types of taxes		<b>744,260,886</b>	595,655,810
Other cash payments relating to operating activities	(VI)51(2)	<b>52,392,216</b>	49,281,308
Sub-total of cash outflows from operating activities		<b>2,311,114,879</b>	2,602,123,483
Net Cash Flow from Operating Activities		<b>2,573,346,735</b>	2,915,222,246
<b>II. Cash Flows from Investing Activities:</b>			
Cash receipts from disposals and recovery of investments		<b>2,471,903,747</b>	1,662,000,000
Cash receipts from investment income		<b>150,439,334</b>	43,267,416
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		<b>49,928</b>	32,760
Other cash receipts relating to investing activities	(VI)51(3)	-	-
Sub-total of cash inflows from investing activities		<b>2,622,393,009</b>	1,705,300,176
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		<b>2,205,521,753</b>	248,729,085
Cash payments to acquire investments		<b>3,049,896,263</b>	1,560,407,102
Net cash payments for acquisitions of subsidiaries and other business units		-	-
Other cash payments relating to investing activities	(VI)51(4)	<b>120,000,000</b>	-
Sub-total of cash outflows from investing activities		<b>5,375,418,016</b>	1,809,136,187
Net Cash Flow used in Investing Activities		<b>(2,753,025,007)</b>	(103,836,011)

## CONSOLIDATED CASH FLOW STATEMENT

For the period ended 30 June 2017

Item	Notes	Amount for the current period	Amount for the prior period
<b>III. Cash Flows from Financing Activities:</b>			
Cash receipts from capital contributions		984,437,120	–
Including: cash receipts from capital contributions from minority owners of subsidiaries		984,437,120	–
Cash receipts from borrowings		2,315,000,000	1,755,000,000
Cash receipts from issue of bonds		2,797,234,748	5,988,937,937
Other cash receipts relating to financing activities	(VI)51(5)	–	–
Sub-total of cash inflows from financing activities		6,096,671,868	7,743,937,937
Cash repayments of borrowings		5,640,860,251	8,322,317,252
Cash payments for distribution of dividends or profits or settlement of interest expenses		204,094,128	2,252,131,370
Including: payments for distribution of dividends or profits to minority owners of subsidiaries		–	–
Other cash payments relating to financing activities	(VI)51(6)	579,293	351,351
Sub-total of cash outflows from financing activities		5,845,533,672	10,574,799,973
Net Cash Flow used in Financing Activities		251,138,196	(2,830,862,036)
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>			
		–	–
<b>V. Net Increase (decrease) in Cash and Cash Equivalents</b>			
	(VI)52	71,459,924	(19,475,801)
Add: Opening balance of Cash and Cash Equivalents	(VI)52	194,272,978	221,115,078
<b>VI. Closing Balance of Cash and Cash Equivalents</b>			
	(VI)52	265,732,902	201,639,277

The accompanying notes form part of the financial statements.

The financial statements on pages 68 to 199 were signed by the following:

Legal Representative:  
**Chang Qing**

Person in Charge of the Accounting Body:  
**Gu De Jun**

Chief Accountant:  
**Yu Lan Ying**

# CASH FLOW STATEMENT OF THE COMPANY

For the period ended 30 June 2017

Unit: RMB

Item	Notes	Amount for the current period	Amount for the prior period
<b>I. Cash Flows from Operating Activities:</b>			
Cash receipts from the sale of goods and the rendering of services		<b>3,370,742,131</b>	3,545,127,573
Other cash receipts relating to operating activities		<b>5,681,524</b>	11,936,554
Sub-total of cash inflows from operating activities		<b>3,376,423,655</b>	3,557,064,127
Cash payments for goods purchased and services received		<b>944,226,154</b>	1,368,930,709
Cash payments to and on behalf of employees		<b>249,420,249</b>	238,579,636
Payments of various types of taxes		<b>565,805,100</b>	363,640,795
Other cash payments relating to operating activities		<b>23,343,878</b>	22,525,602
Sub-total of cash outflows from operating activities		<b>1,782,795,381</b>	1,993,676,742
Net Cash Flow from Operating Activities		<b>1,593,628,274</b>	1,563,387,385
<b>II. Cash Flows from Investing Activities:</b>			
Cash receipts from disposals and recovery of investments		<b>1,183,000,000</b>	934,000,000
Cash receipts from investment income		<b>567,053,982</b>	464,085,371
Net cash receipts from disposals of fixed assets, intangible assets and other long-term assets		<b>146,478</b>	17,860
Other cash receipts relating to investing activities		<b>100,000,000</b>	625,000,000
Sub-total of cash inflows from investing activities		<b>1,850,200,460</b>	2,023,103,231
Cash payments to acquire or construct fixed assets, intangible assets and other long-term assets		<b>49,641,799</b>	85,687,065
Cash payments to acquire investments		<b>2,762,194,880</b>	776,317,102
Net cash payments for acquisitions of subsidiaries and other business units		<b>—</b>	—
Other cash payments relating to investing activities		<b>120,000,000</b>	130,000,000
Sub-total of cash outflows from investing activities		<b>2,931,836,679</b>	992,004,167
Net Cash Flow used in Investing Activities		<b>(1,081,636,219)</b>	1,031,099,064

## CASH FLOW STATEMENT OF THE COMPANY

For the period ended 30 June 2017

Item	Notes	Amount for the current period	Amount for the prior period
<b>III. Cash Flows from Financing Activities:</b>			
Cash receipts from borrowings		1,800,000,000	1,610,000,000
Cash receipts from issue of bonds		2,797,234,749	5,688,937,937
Sub-total of cash inflows from financing activities		4,597,234,749	7,298,937,937
Cash repayments of borrowings		4,980,860,251	7,741,817,252
Cash payments for distribution of dividends or profits or settlement of interest expenses		143,696,916	2,183,121,009
Other cash payments relating to financing activities		579,293	351,351
Sub-total of cash outflows from financing activities		5,125,136,460	9,925,289,612
Net Cash Flow from Financing Activities		(527,901,711)	(2,626,351,675)
<b>IV. Effect of Foreign Exchange Rate Changes on Cash and Cash Equivalents</b>			
		-	-
<b>V. Net Increase (decrease) in Cash and Cash Equivalents</b>			
		(15,909,656)	(31,865,226)
Add: Opening balance of Cash and Cash Equivalents		98,649,203	121,485,890
<b>VI. Closing Balance of Cash and Cash Equivalents</b>			
		<u>82,739,547</u>	<u>89,620,664</u>

The accompanying notes form part of the financial statements.

The financial statements on pages 68 to 199 were signed by the following:

Legal Representative:

**Chang Qing**

Person in Charge of the Accounting Body:

**Gu De Jun**

Chief Accountant:

**Yu Lan Ying**

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the period ended 30 June 2017

Unit: RMB

Item	Amount for the current period											Total shareholders' equity		
	Attributable to owners of the Company					Other					Minority interests			
	Share capital	Preferred shares	Perpetual debts	Other equity instruments	Capital reserve	Less: Treasury shares	comprehensive income	Special reserve	Surplus reserve	Risk Provision			General	Retained profits
<b>I. Balance at 31 December 2016</b>	5,037,747,500	-	-	-	10,428,388,235	-	542,389,052	-	3,153,173,160	-	-	3,048,058,238	732,100,804	22,941,856,989
Add:														
Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of last period errors	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Effect of business combinations involving enterprises under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>II. Balance at 1 January 2017</b>	5,037,747,500	-	-	-	10,428,388,235	-	542,389,052	-	3,153,173,160	-	-	3,048,058,238	732,100,804	22,941,856,989
<b>III. Changes for the period</b>														
(I) Total comprehensive income	-	-	-	-	-	-	(9,670,915)	-	-	-	-	(216,193,765)	964,920,907	739,056,227
(II) Owners' contributions and reduction in capital	-	-	-	-	-	-	(9,670,915)	-	-	-	-	1,899,660,185	53,340,774	1,943,330,044
1. Ordinary share contributions from shareholders	-	-	-	-	-	-	-	-	-	-	-	-	984,437,120	984,437,120
2. Capital contribution from other equity instrument holders	-	-	-	-	-	-	-	-	-	-	-	-	984,437,120	984,437,120
3. Share-based payment recognised in owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Effect of business combinations involving enterprises under common control	-	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	-	(2,115,853,950)	(72,856,987)	(2,188,710,937)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. General Risk Provision	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Distributions to owners (or shareholders)	-	-	-	-	-	-	-	-	-	-	-	(2,115,853,950)	(72,856,987)	(2,188,710,937)
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Transfers within owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Provision of special reserve in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Amount utilised in the period	-	-	-	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IV. Balance at 30 June 2017</b>	5,037,747,500	-	-	-	10,428,388,235	-	532,718,137	-	3,153,173,160	-	-	2,831,864,473	1,697,021,711	23,680,932,216

The financial statements on pages 68 to 199 were signed by the following:

Legal Representative:  
**Chang Qing**

Person in Charge of the Accounting Body:  
**Gu De Jun**

Chief Accountant:  
**Yu Lan Ying**

# CONSOLIDATED STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY

For the period ended 30 June 2017

Unit: RMB

Item	Amount for the last period												
	Attributable to owners of the Company						Other					Total shareholders' equity	
	State capital	Preferred shares	Perpetual debits	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General Risk Provision	Retained profits		Minority interests
<b>I. Balance at 31 December 2015</b>	5,037,747,500	-	-	-	10,446,662,341	-	121,462,804	-	3,040,287,779	-	1,829,978,752	710,012,632	21,186,172,108
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-	-	-	-	-	-	-	-
Effect of business combinations involving enterprises under common control	-	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>II. Balance at 1 January 2016</b>	5,037,747,500	-	-	-	10,446,662,341	-	121,462,804	-	3,040,287,779	-	1,829,978,752	710,012,632	21,186,172,108
<b>III. Changes for the period</b>	-	-	-	-	-	-	(4,426,893)	-	-	-	(455,279,682)	(21,407,454)	(481,114,029)
(I) Total comprehensive income	-	-	-	-	-	-	(4,426,893)	-	-	-	1,559,819,318	46,363,518	1,601,755,943
(II) Owners' contributions and reduction in capital	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Ordinary share contributions from shareholders	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from other equity instrument holders	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment recognised in owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Effect of business combinations involving enterprises under common control	-	-	-	-	-	-	-	-	-	-	-	-	-
5. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	(2,015,099,000)	(67,770,972)	(2,082,869,972)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
2. General Risk Provision	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Distributions to owners (or shareholders)	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Transfers within owners' equity	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-	-
1. Provision of special reserve in the period	-	-	-	-	-	-	-	-	-	-	-	-	-
2. Amount utilised in the period	-	-	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-	-	-
<b>IV. Balance at 30 June 2016</b>	5,037,747,500	-	-	-	10,446,662,341	-	117,035,911	-	3,040,287,779	-	1,374,699,070	688,605,378	20,705,058,079

The financial statements on pages 68 to 199 were signed by the following:

Legal Representative:  
**Chang Qing**

Person in Charge of the Accounting Body:  
**Gu De Jun**

Chief Accountant:  
**Yu Lan Ying**

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

For the period ended 30 June 2017

Unit: RMB

Item	Amount for the current period										Total shareholders' equity	
	Share capital	Preferred shares	Perpetual debits	Others	Capital reserve	Less: Treasury shares	Other comprehensive income	Special reserve	Surplus reserve	General Risk Provision		Retained profits
<b>I. Balance at 31 December 2016</b>	5,037,747,500	-	-	-	7,327,650,327	-	523,963,820	-	2,518,873,750	-	5,155,973,964	20,564,203,361
Add: Changes in accounting policies	-	-	-	-	-	-	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-	-	-	-	-	-	-
Effect of business combinations involving enterprises under common control	-	-	-	-	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-	-	-	-	-
<b>II. Balance at 1 January 2017</b>	5,037,747,500	-	-	-	7,327,650,327	-	523,963,820	-	2,518,873,750	-	5,155,973,964	20,564,203,361
<b>III. Changes for the period</b>	-	-	-	-	-	-	(9,670,915)	-	-	-	(342,258,914)	(351,930,829)
(I) Total comprehensive income	-	-	-	-	-	-	(9,670,915)	-	-	-	1,773,594,036	1,763,923,121
(II) Owners' contributions and reduction in capital	-	-	-	-	-	-	-	-	-	-	-	-
1. Ordinary share contributions from shareholders	-	-	-	-	-	-	-	-	-	-	-	-
2. Capital contribution from other equity instrument holders	-	-	-	-	-	-	-	-	-	-	-	-
3. Share-based payment recognised in owners' equity	-	-	-	-	-	-	-	-	-	-	-	-
4. Effect of business combinations involving enterprises under common control	-	-	-	-	-	-	-	-	-	-	-	-
5. Others	-	-	-	-	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	-	-	-	(2,115,853,950)	(2,115,853,950)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
2. General Risk Provision	-	-	-	-	-	-	-	-	-	-	-	-
3. Distributions to owners (or shareholders)	-	-	-	-	-	-	-	-	-	-	(2,115,853,950)	(2,115,853,950)
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(IV) Transfers within owners' equity	-	-	-	-	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve (or share capital)	-	-	-	-	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-	-	-	-	-
1. Provision of special reserve in the period	-	-	-	-	-	-	-	-	-	-	-	-
2. Amount utilised in the period	-	-	-	-	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-	-	-	-	-
<b>IV. Balance at 30 June 2017</b>	5,037,747,500	-	-	-	7,327,650,327	-	514,292,905	-	2,518,873,750	-	4,813,714,050	20,212,276,532

The financial statements on pages 68 to 199 were signed by the following:

Legal Representative:  
**Chang Qing**

Person in Charge of the Accounting Body:  
**Gu De Jun**

Chief Accountant:  
**Yu Lan Ying**

## STATEMENT OF CHANGES IN SHAREHOLDERS' EQUITY OF THE COMPANY

For the period ended 30 June 2017

Unit: RMB

Item	Amount for the last period							Total shareholders' equity
	Share capital	Preferred shares	Perpetual debits	Other equity instruments	Less: Treasury shares	Capital reserve	Other comprehensive income	
<b>I. Balance at 31 December 2015</b>	5,037,747,500	-	-	-	-	7,339,039,535	103,057,672	13,365,408,703
Add: Changes in accounting policies	-	-	-	-	-	-	-	-
Corrections of prior period errors	-	-	-	-	-	-	-	-
Effect of business combinations involving enterprises under common control	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
<b>II. Balance at 1 January 2016</b>	5,037,747,500	-	-	-	-	7,339,039,535	103,057,672	13,365,408,703
<b>III. Changes for the period</b>								
(I) Total comprehensive income	-	-	-	-	-	-	(4,428,893)	(456,889,705)
(II) Owners' contributions and reduction in capital	-	-	-	-	-	-	(4,428,893)	1,588,199,295
1. Ordinary share contributions from shareholders	-	-	-	-	-	-	-	-
2. Capital contribution from other equity instrument holders	-	-	-	-	-	-	-	-
3. Share-based payment recognised in owners' equity	-	-	-	-	-	-	-	-
4. Effect of business combinations involving enterprises under common control	-	-	-	-	-	-	-	-
5. Others	-	-	-	-	-	-	-	-
(III) Profit distribution	-	-	-	-	-	-	-	(2,015,099,000)
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-
2. General Risk Provision	-	-	-	-	-	-	-	-
3. Distributions to owners (or shareholders)	-	-	-	-	-	-	-	(2,015,099,000)
4. Others	-	-	-	-	-	-	-	-
(IV) Transfers within owners' equity	-	-	-	-	-	-	-	-
1. Capitalization of capital reserve (or share capital)	-	-	-	-	-	-	-	-
2. Capitalization of surplus reserve (or share capital)	-	-	-	-	-	-	-	-
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-
4. Others	-	-	-	-	-	-	-	-
(V) Special reserve	-	-	-	-	-	-	-	-
1. Provision of special reserve in the period	-	-	-	-	-	-	-	-
2. Amount utilised in the period	-	-	-	-	-	-	-	-
(VI) Others	-	-	-	-	-	-	-	-
<b>IV. Closing balance as at 30 June 2016</b>	5,037,747,500	-	-	-	-	7,339,039,535	98,630,779	18,908,508,998

The financial statements on pages 68 to 199 were signed by the following:

Legal Representative:  
**Chang Qing**

Person in Charge of the Accounting Body:  
**Gu De Jun**

Chief Accountant:  
**Yu Lan Ying**

# NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

## I. BASIC INFORMATION ABOUT THE COMPANY

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

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

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

The company and the consolidated financial statements are approved by the Board of Directors on 25 August 2017.

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

## II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS

### Basis of preparation

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

### 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.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

### II. BASIS OF PREPARATION OF FINANCIAL STATEMENTS (CONTINUED)

#### Basis of accounting and principle of measurement (Continued)

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

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

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

#### Going concern

As at 30 June 2017, the Group had total current liabilities in excess of total current assets of RMB4,071,279,916. As at 30 June 2017, the Group has available unutilized bank loan facilities with a credit period over one year of approximately RMB3,906,860,000, and the Group's credit limit of super short-term financing bonds registered in National Association of Financial Market Institutional Investors (NAFMII) (of which the register expiration is more than 1 year) but not issued is RMB2,200,000,000. 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.

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group are principally engaged in toll road operation. The Group determines the specific accounting policies according to the toll road industry characteristics, shown mainly on the bad debt provision for receivables, depreciation for fixed assets, amortization for toll road operation rights and recognition timing of revenue. Refer to Note III 10, 14, 17 and 21 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 2017, and the Company's and consolidated results of operations and cash flows for the period then ended.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 2. Accounting period

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

#### 3. Business Cycle

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

#### 4. Functional currency

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

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

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

##### 5.1. Business combinations involving enterprises under common control

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

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 2017

### 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. 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.

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.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 6. Preparation of consolidated financial statements (Continued)

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

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

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

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

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

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

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 2017

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 6. Preparation of consolidated financial statements (Continued)

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. Recognition criteria of cash and cash equivalents

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

#### 8. Translation of transactions denominated in foreign currencies

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

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

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.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 9. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument. Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognized in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognized amounts.

##### 9.1. Effective interest method

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability (or a group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period, using the effective interest rate. The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability or, where appropriate, a shorter period to the net carrying amount of the financial asset or financial liability.

When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability (without considering future credit losses), and also considers all fees paid or received between the parties to the contract giving rise to the financial asset and financial liability that are an integral part of the effective interest rate, transaction costs, and premiums or discounts, etc.

##### 9.2. Classification, recognition and measurement of financial assets

On initial recognition, the Group's financial assets are classified into one of the four categories, including financial assets at fair value through profit or loss, held-to-maturity investments, loans and receivables, and available-for-sale financial assets. All regular way purchases or sales of financial assets are recognized and derecognized on a trade date basis.

The Group has no financial assets classified as held-to-maturity investments.

###### 9.2.1. Financial assets at fair value through profit or loss ("FVTPL")

Financial assets at FVTPL include financial assets held for trading and those designated as at fair value through profit or loss.

A financial asset is classified as held for trading if one of the following conditions is satisfied: (i) It has been acquired principally for the purpose of selling in the near term; or (ii) On initial recognition it is part of a portfolio of identified financial instruments that the Group manages together and there is objective evidence that the Group has a recent actual pattern of short-term profit-taking; or (iii) It is a derivative that is not designated and effective as a hedging instrument, or a financial guarantee contract, or a derivative that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 9. Financial instruments (Continued)

##### 9.2. Classification, recognition and measurement of financial assets (Continued)

###### 9.2.1. Financial assets at fair value through profit or loss ("FVTPL") (Continued)

A financial asset may be designated as at FVTPL upon initial recognition only when one of the following conditions is satisfied: (i) Such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise result from measuring assets or recognizing the gains or losses on them on different bases; or (ii) The financial asset forms part of a group of financial assets or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; (iii) it is a qualifying hybrid instrument containing embedded derivatives.

Financial assets at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest income earned on the financial assets are recognized in profit or loss.

###### 9.2.2. Loans and receivables

Loans and receivables are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market. Financial assets classified as loans and receivables by the Group include notes receivable, accounts receivable, dividends receivable, and other receivables.

Loans and receivables are subsequently measured at amortised cost using the effective interest method. Gain or loss arising from derecognition, impairment or amortisation is recognised in profit or loss.

###### 9.2.3. Available-for-sale financial assets

Available-for-sale financial assets include non-derivative financial assets that are designated on initial recognition as available for sale, and financial assets that are not classified as financial assets at fair value through profit or loss, loans and receivables or held-to-maturity investments.

Available-for-sale financial assets are subsequently measured at fair value, and gains or losses arising from changes in the fair value are recognised as other comprehensive income, except that impairment losses and exchange differences related to amortised cost of monetary financial assets denominated in foreign currencies are recognised in profit or loss, until the financial assets are derecognised, at which time the gains or losses are released and recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 9. Financial instruments (Continued)

##### 9.2. Classification, recognition and measurement of financial assets (Continued)

###### 9.2.3. Available-for-sale financial assets (Continued)

Interests obtained and the dividends declared by the investee during the period in which the available-for-sale financial assets are held, are recognised in investment gains.

For investments in equity instruments that do not have a quoted market price in an active market and whose fair value cannot be reliably measured, and derivative financial assets that are linked to and must be settled by delivery of such unquoted equity instruments, they are measured at cost.

##### 9.3. Impairment of financial assets

The Group assesses at each balance sheet date the carrying amounts of financial assets other than those at fair value through profit or loss. If there is objective evidence that a financial asset is impaired, the Group determines the amount of any impairment loss. Objective evidence that a financial asset is impaired is evidence that, arising from one or more events that occurred after the initial recognition of the asset, the estimated future cash flows of the financial asset, which can be reliably measured, have been affected.

Objective evidence that a financial asset is impaired includes the following observable events:

- (1) Significant financial difficulty of the issuer or obligor;
- (2) A breach of contract by the borrower, such as a default or delinquency in interest or principal payments;
- (3) The Group, for economic or legal reasons relating to the borrower's financial difficulty, granting a concession to the borrower;
- (4) It becoming probable that the borrower will enter bankruptcy or other financial reorganisations;
- (5) The disappearance of an active market for that financial asset because of financial difficulties of the issuer;

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 9. Financial instruments (Continued)

##### 9.3. Impairment of financial assets (Continued)

- (6) Upon an overall assessment of a group of financial assets, observable data indicates that there is a measurable decrease in the estimated future cash flows from the group of financial assets since the initial recognition of those assets, although the decrease cannot yet be identified with the individual financial assets in the group. Such observable data includes:
- Adverse changes in the payment status of borrower in the group of assets;
  - Economic conditions in the country or region of the borrower which may lead to a failure to pay the group of assets;
- (7) Significant adverse changes in the technological, market, economic or legal environment in which the equity instrument issuer operates, indicating that the cost of the investment in the equity instrument may not be recovered by the investor;
- (8) A significant or prolonged decline in the fair value of an investment in an equity instrument below its cost, such as the fair value of equity instrument at the balance sheet date is over 50% less than the initial investment cost (including 50%) or the period that is less than the initial investment cost lasts more than 12 months (including 12 months);
- (9) Other objective evidence indicating there is an impairment of a financial asset.
- *Impairment of financial assets measured at amortised cost*

If financial assets carried at amortised cost are impaired, the carrying amounts of the financial assets are reduced to the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The amount of reduction is recognised as an impairment loss in profit or loss. If, subsequent to the recognition of an impairment loss on financial assets carried at amortised cost, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. However, the reversal is made to the extent that the carrying amount of the financial asset at the date the impairment is reversed does not exceed what the amortised cost would have been had the impairment not been recognized.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 9. Financial instruments (Continued)

##### 9.3. Impairment of financial assets (Continued)

- (9) Other objective evidence indicating there is an impairment of a financial asset.  
(Continued)

– *Impairment of financial assets measured at amortised cost (Continued)*

For a financial asset that is individually significant, the Group assesses the asset individually for impairment. For a financial asset that is not individually significant, the Group assesses the asset individually for impairment or includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. If the Group determines that no objective evidence of impairment exists for an individually assessed financial asset (whether significant or not), it includes the asset in a group of financial assets with similar credit risk characteristics and collectively reassesses them for impairment. Assets for which an impairment loss is individually recognised are not included in a group of financial assets with similar credit risk characteristics for collective assessment of impairment.

– *Impairment of available-for-sale financial assets*

When an available-for-sale financial asset is impaired, the cumulative loss arising from decline in fair value previously recognised directly in capital reserve is reclassified from the comprehensive income to profit or loss. The amount of the cumulative loss that is reclassified from capital reserve to profit or loss is the difference between the acquisition cost (net of any principal repayment and amortisation) and the current fair value, less any impairment loss on that financial asset previously recognised in profit or loss.

If, subsequent to the recognition of an impairment loss on available-for-sale financial assets, there is objective evidence of a recovery in value of the financial assets which can be related objectively to an event occurring after the impairment is recognised, the previously recognised impairment loss is reversed. The amount of reversal of impairment loss on available-for-sale equity instruments is recognised as other comprehensive income, while the amount of reversal of impairment loss on available-for-sale debt instruments is recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 9. Financial instruments (Continued)

##### 9.3. Impairment of financial assets (Continued)

- (9) Other objective evidence indicating there is an impairment of a financial asset.  
(Continued)

- *Impairment of financial assets measured at cost*

If an impairment loss has been incurred on an investment in unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, or on a derivative financial asset that is linked to and must be settled by delivery of such an unquoted equity instrument, the carrying amount of the financial asset is reduced to the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. The amount of reduction is recognized as an impairment loss in profit or loss. The impairment loss on such financial asset is not reversed once it is recognized.

##### 9.4. Transfer of financial assets

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

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognises the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability. The extent of the Group's continuing involvement in the transferred asset is the extent to which it is exposed to changes in the value of the transferred asset.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognised in other comprehensive income, is recognised in profit or loss.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 9. Financial instruments (Continued)

##### 9.4. Transfer of financial assets (Continued)

If a part of the transferred financial asset qualifies for derecognition, the carrying amount of the transferred financial asset is allocated between the part that continues to be recognized and the part that is derecognized, based on the respective fair values of those parts. The difference between (1) the carrying amount allocated to the part derecognized; and (2) 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, is recognized in profit or loss.

##### 9.5. Classification, recognition and measurement of financial liabilities

Debt and equity instruments issued by the Group are classified into financial liabilities or equity on the basis of the substance of the contractual arrangements and definitions of financial liability and equity instrument.

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities. The Group's financial liabilities mainly represent other financial liabilities.

###### 9.5.1. Other financial liabilities

For a derivative liability that is linked to and must be settled by delivery of an unquoted equity instrument (without a quoted price in an active market) whose fair value cannot be reliably measured, it is subsequently measured at cost. Other financial liabilities (excluding liabilities with financial guarantee contracts) are subsequently measured at amortized cost using the effective interest method, with gains or losses arising from derecognition or amortization recognized in profit or loss.

###### 9.5.2. Financial guarantee contracts

A financial guarantee contract is a contract by which the guarantor and the lender agree that the guarantor would settle the debts or bear obligations in accordance with terms of the contract in case the borrower fails to settle the debts. Financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss are initially measured at their fair values less the directly attributable transaction costs. Subsequent to initial recognition, they are measured at the higher of: (i) the amount determined in accordance with Accounting Standard for Business Enterprises No. 13 – Contingencies; and (ii) the amount initially recognized less cumulative amortization recognized in accordance with the principles set out in Accounting Standard for Business Enterprises No. 14 – Revenue.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 9. Financial instruments (Continued)

##### 9.6. 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 borrower) and an existing lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group 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.

##### 9.7. Offsetting financial assets and financial liabilities

When the Group has a legal right that is currently enforceable to set off the recognised financial assets and financial liabilities, and intends either to settle on a net basis, or to realise the financial asset and settle the financial liability simultaneously, financial assets and financial liabilities are offset with the net amounts presented on the balance sheet. Otherwise, financial assets and financial liabilities are separately presented on the balance sheet without offsetting.

##### 9.8. Equity instruments

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

The Group's distribution to holders of equity instruments are treated as a distribution of profits, payment of stock dividends does not affect total shareholders' equity.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 10. Receivables

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

Basis or monetary criteria for determining an individually significant receivable	Accounts receivable that exceeds RMB2,500,000 or other receivable and prepayment that exceeds RMB750,000 is deemed as an individually significant receivable by the Group.
Method of determining provision for receivables that are individually significant and for which bad debt provision is individually assessed	For receivables that are individually significant, the Group assesses the receivables individually for impairment. For a financial asset that is not impaired individually, the Group includes the asset in a group of financial assets with similar credit risk characteristics and collectively assesses them for impairment. Receivables for which an impairment loss is individually recognized are not included in a collective assessment of impairment.

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

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

Portfolio 1	Receivables from government, petty cash advanced to employees, security deposit, toll road receivables and receivables from related parties of the Company and its subsidiaries. Bad debt provision is recognized individually.
Portfolio 2	Portfolio 2 mainly includes receivables arising from operating activities other than Portfolio 1. Bad debt provision is recognized based on percentage of accounts balances.

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 10. Receivables (Continued)

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

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

#### 11. Inventories

##### 11.1. Categories of inventories

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

##### 11.2. Valuation method of inventories upon delivery

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

##### 11.3. Basis for determining net realizable value of inventories

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 11. Inventories (Continued)

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

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

##### 11.4. Inventory count system

The perpetual inventory system is maintained for stock system.

#### 12. Long-term equity investment

##### 12.1. Basis for determining joint control and significant influence over investee

Control is the power to govern the financial and operating policies of an entity so as to obtain benefits from its activities. Joint control is the contractually agreed sharing of control over an economic activity, and exists only when the strategic financial and operating policy decisions relating to the activity require the unanimous consent of the parties sharing control. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effect of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible shall be considered.

##### 12.2. 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 2017

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 12. Long-term equity investment (Continued)

##### 12.2. 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 recognised in profit or loss when they are incurred.

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

##### 12.3. Subsequent measurement and recognition of profit or loss

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

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 12. Long-term equity investment (Continued)

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

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

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognised in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 12. Long-term equity investment (Continued)

##### 12.4. Disposal of long-term equity investments

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

#### 13. Investment properties

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

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

## 14. Fixed assets

## 14.1. Recognition criteria for fixed assets

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

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

## 14.2. Depreciation of each category of fixed assets

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 14. Fixed assets (Continued)

##### 14.3. Other explanations

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

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

#### 15. Construction in progress

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

#### 16. Borrowing costs

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

## III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

## 17. Intangible assets

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

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

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

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

## 18. Long-term assets impairment

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

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 18. Long-term assets impairment (Continued)

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

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

#### 19. Long-term prepaid expenses

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

#### 20. Employee benefits

##### 20.1. Accounting method for short-term employee benefits

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 20. Employee benefits (Continued)

##### 20.2. Accounting method for post-employment benefits

Post-employment benefits are all defined contribution.

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

##### 20.3. Accounting method for termination benefits

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

#### 21. Revenue Recognition

##### 21.1. Toll income

Toll income, the income from operation of toll roads, is recognized on a receipt basis.

##### 21.2. Revenue from rendering of services

Revenue from rendering of services of the Group include: ancillary services and emergency assistance, advertising income etc. The revenue from rendering of services is recognized when services are rendered, the amount of revenue can be measured reliably, and it is probable that the associated economic benefits will flow to the Group.

##### 21.3. Revenue from sale of goods

Revenue from sale of goods is recognized when (i) the Group has transferred to the buyer the significant risks and rewards of ownership of the goods; (ii) the Group retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold; (iii) the amount of revenue can be measured reliably; (iv) it is probable that the associated economic benefits will flow to the Group; and (v) the associated costs incurred or to be incurred can be measured reliably.

##### 21.4. Revenue from sale of properties

Revenue from sale of properties is recognized when the relevant procedures of properties are completed and the properties are transferred to buyer of real estate. Amount received of pre-sale of properties are recorded in the accounts of receipts in advance.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 21. Revenue Recognition (Continued)

##### 21.5. Interest income

Interest income is accrued on a time basis, by reference to the effective interest rate applicable.

#### 22. Government grants

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. Government grants are classified as grants related to assets and grants related to income, according to the grant objects which have been clearly defined in the government documents.

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.

##### 22.1. Basis of judgment and accounting methods for assets-related government grant

The Groups' government grant includes grants received aimed to create long-term asset by constructing or other methods. This grant is classified as assets-related government grant.

A government grant related to an asset is recognized as deferred income, and evenly amortized to profit or loss over the useful life of the related asset.

##### 22.2. Basis of judgment and accounting methods for income-related government grant

The Groups' government grant includes subsidies for environment protection, energy conservation and emission reduction and steady work. This grant is classified as income-related government grant.

For a government grant related to income, if the grant is a compensation for related expenses 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 are recognized. If the grant is a compensation for related expenses or losses already incurred, it is recognized immediately in profit or loss for the period.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 23. Deferred tax assets/deferred tax liabilities

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

##### 23.1. 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.

##### 23.2. Deferred tax assets and deferred tax liabilities

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

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

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

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and associates, and interests in joint ventures, except where the Group is able to control the timing of the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

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

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 23. Deferred tax assets/deferred tax liabilities (Continued)

##### 23.2. Deferred tax assets and deferred tax liabilities (Continued)

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

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

##### 23.3. Offsetting of income taxes

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

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

#### 24. Leasing

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.

##### 24.1. Accounting treatment on operating leases

###### 24.1.1. The Group as lessee under operating leases

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

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

### III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

#### 24. Leasing (Continued)

##### 24.1. Accounting treatment on operating leases (Continued)

##### 24.1.2. The Group as lessor under operating leases

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

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

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

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

#### – Key assumptions and uncertainties in accounting estimates

##### Amortization of toll road operation rights

For toll road operation rights amortized at traffic volume method, the amortized amount of the current month is calculated at the proportion of the actual traffic volume of the current month to the sum of the actual traffic volume of the current month and the expected future remaining traffic volume.

The management exercises their judgment in estimating the total expected traffic volume of the toll roads during the future remaining operating period. When there is large difference between actual and expected traffic volume, the management will exercises their judgment in the accuracy of the expected traffic volume and adjust the future amortization per traffic volume.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

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

#### – Key assumptions and uncertainties in accounting estimates (Continued)

##### **Estimated impairment of toll road operation rights**

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

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

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

##### **Deferred tax assets**

The benefit of the deferred tax assets may depend on the future taxable profits and the expected tax rate when associated deductible temporary differences is realised. If future taxable profits or actual tax rate is less than expected, the carrying amounts of deferred tax assets will be reduced and the reduction will be reversed to profits or losses in the corresponding period. For the deductible losses that can be carried forward for the year, due to the uncertainty of the amount of taxable income in the future, deferred tax assets is not fully recognized. The detail information for deductible tax losses and deductible temporary differences recognized or not recognized as deferred tax assets of the Group please refer to note VI, 19.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

### V. TAXES

#### Major categories of taxes and tax rates

Category of tax	Basis of tax computation		Tax rate
Value Added Tax ("VAT")	General tax calculation method	Other taxable business income except those levied by simple tax calculation method	17%
			6%
	Simple tax calculation method	Toll income	3%
		Rental and sales income of real estate	5%
City maintenance and construction tax	VAT that is actually paid		5%–7%
Educational surcharge	VAT that is actually paid		3%
Local educational surcharge	VAT that is actually paid		2%
Land appreciation tax	Taxable value added of real estate transfer		Progressive rates ranging from 30%–60%
Enterprise income tax	Taxable income		25%

Other instructions:

In accordance with the "Notice on the 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 the State Administration, a full implementation of replacing business tax with VAT has been launched throughout the country since 1 May 2016, which is applicable to all taxpayers of construction, real estate, finance and living services sectors.

According to the regulations, VAT is applicable to toll income and other ancillary income (income from food and beverage, obstacle removal and maintenance, and immovable property leases and sales) of the Group from 1 May 2016, including:

- Toll income: Existing expressways under operation are expressways of which the commencement date of construction is before 30 April 2016. Select the applicable simple tax calculation method and pay VAT at a rate of 3%;
- Income from food and beverage, obstacle removal and maintenance: Select applicable general tax calculation method and pay VAT at a rate of 6%;
- Income from immovable property leases: The acquisition date of all involved immovable property is before 30 April 2016. Select applicable simple tax calculation method and pay VAT at a rate of 5%;
- Income from immovable property sales: The commencement date in the construction permit of all involved real estate development projects is before 30 April 2016. Select applicable simple tax calculation method and pay VAT at a rate of 5%.

The applicable business tax rate of the above business of the Group is 3%, 5%, 5%, 5% and 5% respectively before 1 May 2016.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

### VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

#### 1. Cash and bank balances

Unit: RMB

Item	Closing balance			Opening balance		
	Foreign currency	Exchange rate	Amount in RMB	Foreign currency	Exchange rate	Amount in RMB
Cash:						
RMB			<u>577,867</u>			<u>565,151</u>
Bank balances:						
RMB			<u>261,322,415</u>			<u>189,729,796</u>
HKD	<b>838,809</b>	<b>0.8679</b>	<u>728,018</u>	838,809	0.8945	<u>750,322</u>
Other currency funds:						
RMB			<u>12,028,893</u>			<u>74,376,893</u>
Total			<u><b>274,657,193</b></u>			<u><b>265,422,162</b></u>

Other explanations:

The closing balance of the Group's other currency funds stated above includes security deposits for certain mortgage loans to customers of RMB5,791,120 for mortgage loans to customers and supervised advance from customers of RMB3,133,171 (opening balance: security deposits for certain mortgage loans to customers RMB7,698,386, supervised advance from customers RMB63,450,798).

#### 2. Financial assets at fair value through profit or loss

Unit: RMB

Items	Fair value at the end of the period	Fair value at the beginning of the period
Items		
Held-for-trading financial assets	<b>19,338,840</b>	17,349,959
Including: Fund investment	<u><b>16,417,758</b></u>	<u>15,862,758</u>
Total	<u><b>35,756,598</b></u>	<u>33,212,717</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

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

## 2. Financial assets at fair value through profit or loss (Continued)

Other explanations:

Held-for-trading financial assets of the Group are open fund investment and gold investment. The cost of investment is RMB9,999,400 and RMB15,710,238 respectively; the fair value at the end of the period is RMB19,338,840 and RMB16,417,758. Market price of the above investments at the end of the period and related information were sourced from related public information of the net value of fund and gold.

## 3. Notes receivable

## (1) Disclosure of notes receivable by categories:

Unit: RMB

Category	Closing balance	Opening balance
Bank acceptance notes	<u>1,150,000</u>	<u>6,116,460</u>

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

(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.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

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

#### 4. Accounts receivable

##### (1) Disclosure of accounts receivable by categories:

Unit: RMB

Category	Closing balance					Opening balance				
	Carrying amount		Bad debt provision		Net book value	Carrying amount		Bad debt provision		Net book value
Amount	Proportion (%)	Amount	Proportion (%)	Amount		Proportion (%)	Amount	Proportion (%)		
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	-	-	-	-	-	-	-	-	-	-
Accounts receivable for which bad debt provision has been assessed by portfolios - Portfolio 1	211,396,515	95	-	-	211,396,515	139,364,565	93	-	-	139,364,565
Accounts receivable for which bad debt provision has been assessed by portfolios - Portfolio 2	8,968,094	4	179,362	10	8,788,732	8,968,094	6	179,362	10	8,788,732
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	1,699,980	1	1,699,980	90	-	1,699,980	1	1,699,980	90	-
Total	222,064,589	100	1,879,342	100	220,185,247	150,032,639	100	1,879,342	100	148,153,297

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

Unit: RMB

Name of portfolio	Accounts receivable	Closing balance Bad debt provision	Proportion (%)
Portfolio 2	8,968,094	179,362	2
Total	8,968,094	179,362	2

Basis for determining the above portfolio:

See Note III.10.2.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

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

## 4. Accounts receivable (Continued)

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

Unit: RMB

Aging	Closing balance				Opening balance			
	Amount	Proportion (%)	Bad debt provision	Net book value	Amount	Proportion (%)	Bad debt provision	Net book value
Within 1 year	220,364,609	99	179,362	220,185,247	148,332,659	99	179,362	148,153,297
More than 1 year but not exceed 2 years	-	-	-	-	-	-	-	-
More than 2 years but not exceeding 3 years	-	-	-	-	-	-	-	-
More than 3 years	1,699,980	1	1,699,980	-	1,699,980	1	1,699,980	-
Total	<u>222,064,589</u>	<u>100</u>	<u>1,879,342</u>	<u>220,185,247</u>	<u>150,032,639</u>	<u>100</u>	<u>1,879,342</u>	<u>148,153,297</u>

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

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

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

#### 4. Accounts receivable (Continued)

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

Unit: RMB

Name of entity	Amount	Bad debt provision	Proportion of the amount to the total accounts receivable (%)
Jiangsu Expressway Network Operation and Management Co., Ltd. ("Network Operation Company")	153,107,618	–	69
Sinopec Sales Co., Ltd. Jiangsu Branch	9,069,539	–	4
Jiangsu Expressway Petroleum Development Co., Ltd. ("Jiangsu Petroleum Company")	5,870,105	–	3
Suzhou Sujiahang Expressway Co., Ltd. ("Sujiahang Company")	5,623,189	–	3
Jiangsu Ninghang Expressway Co., Ltd. ("Ninghang Company")	2,472,608	–	1
Total	<u>176,143,059</u>	<u>–</u>	<u>80</u>

##### (5) Other explanations

Majority toll road and Ancillary Services income are settled by cash, others are settled by receipts in advance. The accounts receivable mainly represent the receivables due from other toll operation companies by toll network internal income reallocation.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

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

## 5. Prepayments

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

Unit: RMB

Aging	Closing balance		Opening balance	
	Amount	Proportion (%)	Amount	Proportion (%)
Within 1 year	29,352,960	99	15,482,950	92
More than 1 year but not exceeding 2 years	160,000	1	560,000	3
More than 2 years but not exceeding 3 years	90,000	—	806,733	5
More than 3 years	2,000	—	2,000	—
Total	<u>29,604,960</u>	<u>100</u>	<u>16,851,683</u>	<u>100</u>

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

Unit: RMB

Name of entity	Amount	Proportion of the amount to the total prepayments (%)
Sinopec Sales Co., Ltd. Jiangsu Branch	15,000,000	51
Suzhou Water Supply Co., Ltd.	2,439,600	8
Jiangsu Wuxi Electric Co., Ltd.	2,044,368	7
Suzhou Gas Group Co., Ltd.	1,346,134	5
Suzhou Steamship Transportation Co., Ltd.	714,286	2
Total	<u>21,544,388</u>	<u>73</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

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

#### 6. Interest receivable

Unit: RMB

Item	Closing balance	Opening balance
Loan interest due from joint venture	<b>62,230,167</b>	45,694,000
Total	<b>62,230,167</b>	45,694,000

Other explanations:

Please refer to Note (VI) 20.

#### 7. Dividends receivable

Unit: RMB

Item	Closing balance	Opening balance
Jiangsu Kuailu Motor Transport Co., Ltd. ("Kuailu Co., Ltd.")	<b>4,989,960</b>	4,989,960
Jiangsu Yangtze Bridge Co., Ltd. ("Yangtze Bridge Company")	<b>34,190,140</b>	—
Total	<b>39,180,100</b>	4,989,960

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

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

## 8. Other receivables

## (1) Disclosure of other receivables by categories:

Unit: RMB

Category	Carrying amount		Closing balance		Net book value	Carrying amount		Opening balance		Net book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables that are individually significant and for which bad debt provision has been assessed individually	15,812,140	4	15,812,140	99	-	15,812,140	4	15,812,140	99	-
Other receivables for which bad debt provision has been assessed by portfolios - Portfolio1	421,669,519	95	-	-	421,669,519	416,651,952	95	-	-	416,651,952
Other receivables for which bad debt provision has been assessed by portfolios - Portfolio2	5,542,721	1	110,855	1	5,431,866	5,542,721	1	110,855	1	5,431,866
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	-	-	-	-	-	-	-	-	-	-
Total	443,024,380	100	15,922,995	100	427,101,385	438,006,813	100	15,922,995	100	422,083,818

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

Unit: RMB

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

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

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

#### 8. Other receivables (Continued)

##### (1) Disclosure of other receivables by categories: (Continued)

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

Unit: RMB

Name of portfolio	Other receivables	Closing balance Bad debt provision	Proportion (%)
Portfolio 2	5,542,721	110,855	2

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

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

##### (3) Disclosure of other receivables by nature:

Unit: RMB

Nature of other receivables	Closing balance	Opening balance
Amounts for disposal of dismantled stations of Shanghai-Nanjing Section of 312 National Highway	394,814,890	394,814,890
Amounts of investment clearance	15,812,140	15,812,140
Petty cash	4,832,245	5,227,781
Maintenance funds from owners	5,150,262	5,772,380
Mortgage security for provident fund loans	3,941,000	3,941,000
Amount from transfer of 7.5% equity interest in Jiangsu Sundian Engineering Co., Ltd. ("Sundian Company")	–	3,899,000
Highway property compensation	725,938	–
Other insignificant amounts	17,747,905	8,539,622
Total	443,024,380	438,006,813

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

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

## 8. Other receivables (Continued)

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

Unit: RMB

Name of entity	Nature of other receivables	Closing balance	Aging	Proportion of the amount to total other receivables (%)	Closing balance of bad debt provision
Jiangsu Provincial Government	Amounts of the disposal of the removal network point in Shanghai-Nanjing Section of 312 National Highway	394,814,890	Over 3 years	89	-
Jinasu Yixing Highway Administration Department	Amount of investment clearance	15,812,140	Over 3 years	4	15,812,140
Suzhou Housing Guarantee Co., Ltd.	Mortgage deposits for housing fund loan	3,941,000	Within 1 year	1	-
Sundian Company	Lease payments	845,000	Within 1 year	0	-
Network Operation Company	Lease payments	787,740	Within 1 year	0	-
Total		<u>416,200,770</u>		<u>94</u>	<u>15,812,140</u>

## 9. Inventories

## Inventory categories

Unit: RMB

Item	Carrying amount	Closing balance Provision for decline in value of inventories	Net book value	Carrying amount	Opening balance Provision for decline in value of inventories	Net book value
Properties under development	1,582,870,657	-	1,582,870,657	1,521,754,589	-	1,521,754,589
Properties for sale	1,382,268,378	-	1,382,268,378	1,596,542,258	-	1,596,542,258
Spare parts for repair and maintenance	11,869,950	-	11,869,950	16,589,107	-	16,589,107
Petrol	8,593,114	-	8,593,114	7,440,350	-	7,440,350
Total	<u>2,985,602,099</u>	<u>-</u>	<u>2,985,602,099</u>	<u>3,142,326,304</u>	<u>-</u>	<u>3,142,326,304</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

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

#### 9. Inventories (Continued)

Details of properties under development are as follows:

Unit: RMB

Project name	Commencement date	Estimated completion date	Estimated total investment amount	Opening balance	Closing balance
Baohua Hongyan Community A Project	August 2018	April 2022	2,220,000,000	307,753,758	309,596,662
Huaqiao Urban Core Project	December 2012	March 2021	1,580,000,000	463,798,730	478,470,116
Suzhou Nanmen Road G25 Project	July 2015	August 2017	1,146,000,000	750,202,101	794,803,879
Total			4,946,000,000	1,521,754,589	1,582,870,657

Details of properties for sale are as follows:

Unit: RMB

Project name	Completion date	Opening balance	Addition	Decrease	Closing balance
Suzhou Qingyuan	December 2013	597,855,998	–	7,243,823	590,612,175
Baohua Hongyan Community B1 Tongchengshijia Project	April 2014	126,665,505	–	6,652,732	120,012,773
Baohua Hongyan Community B2 Tongchengshijia Project	November 2016	470,890,237	–	144,814,072	326,076,165
Huaqiao Urban Core C4 Tongcheng Hongqiao Mansion	August 2012	12,076,252	–	502,911	11,573,341
Huaqiao Urban Core C7 Pujiang Building	June 2014	252,179,129	–	–	252,179,129
Huaqiao Urban Core B4 Tongcheng Guangmingjiezuo	June 2015	47,352,068	–	848,036	46,504,032
Huaqiao Urban Core B19 Tongcheng Guangmingxinzu Mansion	December 2016	89,523,069	–	54,212,306	35,310,763
Total		1,596,542,258	–	214,273,880	1,382,268,378

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

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

## 10. Non-current assets due within one year

Unit: RMB

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

Other explanations:

As at 30 June 2017, the Group's non-current asset due within 1 year is the loan to Hanwei Company provided by the Group. The maturity of the loan is not exceeding 3 years and the annual interest rate is 8%.

## 11. Other current assets

Unit: RMB

Item	Closing balance	Opening balance
Available-for-sale financial assets-wealth management products	<b>575,000,000</b>	262,504,747
Business taxes and levies related to real estate sales paid in advance	<b>60,176,554</b>	63,648,689
Others	–	8,179
Total	<b>635,176,554</b>	326,161,615

Other explanations:

Wealth management products represent RMB wealth management products of “Guangying Capital Preservation Bubugaosheng (B)” issued by China Citic Bank, “Gold-linked Two-Interval Fortnight Structural Deposit H0001181” issued by CMBC, “Yuntong Wealth-Daily Increase S” issued by Bank of Communications, “Corporate Inherent Holding Period JG901” issued by SPDB, “Capital Preservation Type 182-Day Fixed-rate Wealth Management Product” issued by ICBC. These wealth management products are capital preservation type with floating income. Wealth management product of “Golden Key-Confidence Express Daily Compound Interest” issued by Agricultural Bank of China and “GSRJYL01 Zhongyin Cumulation Plan-Daily Plan” issued by Bank of China are non-capital preservation type with floating income.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

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

#### 12. Available-for-sale financial assets

##### (1) Available-for-sale financial assets

Unit: RMB

Item	Carrying amount	Closing balance		Carrying amount	Opening balance	
		Impairment provision	Net book value		Impairment provision	Net book value
Available-for-sale equity instruments						
Measured at fair value	1,562,000,000	-	1,562,000,000	1,562,000,000	-	1,562,000,000
Measured at cost	784,524,250	-	784,524,250	524,127,987	-	524,127,987
Total	<u>2,346,524,250</u>	<u>-</u>	<u>2,346,524,250</u>	<u>2,086,127,987</u>	<u>-</u>	<u>2,086,127,987</u>

##### (2) Available-for-sale financial assets measured at cost at the end of the period

Unit: RMB

Investee	Opening balance	Carrying amount		Closing balance	Opening balance	Impairment provision		Closing balance	The proportion of shareholding in the Investee (%)	Cash dividends in the year
		Addition	Decrease			Addition	Decrease			
Non-listed company (Note 1)										
Shenzhen Ruijin Co., Ltd.	2,000,000			2,000,000	-	-	-	-	17.24	
Jiangsu Financial Leasing Co., Ltd. ("Financial Leasing Company")	270,898,457			270,898,457	-	-	-	-	9.97	9,970,000
Network Operation Company	20,920,000			20,920,000	-	-	-	-	14.49	
Equity investment in the Partnership (Note 2)										
Suzhou Industrial Park Guochuang Kaiyuan Term II Investment Center LLP	155,309,530	220,396,263	-	375,705,793	-	-	-	-	8.82	
Nanjing Luode Dening Real Estate Investment LLP	75,000,000	40,000,000	-	115,000,000	-	-	-	-	33.00	
Total	<u>524,127,987</u>	<u>260,396,263</u>	<u>-</u>	<u>784,524,250</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>		<u>9,970,000</u>

Note 1: It is the equity of non-listed company invested by the Group. The Group has no control, joint control or significant influence on the related investees. Since the Group's investments in equity instruments are not quoted in an active market and their fair value cannot be reliably measured, they are subsequently measured at cost. The Group is intended to continue to hold the equity of the investees in the next year.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

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

## 12. Available-for-sale financial assets (Continued)

## (2) Available-for-sale financial assets measured at cost at the end of the period (Continued)

Note 2: 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. At the end of the period, the Company's related equity instruments are not quoted in the active market and their fair value cannot be reliably measured. Therefore, they are subsequently measured at cost.

## 13. Long-term equity investment

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

Unit: RMB

Investee (Note 1)	Opening balance	Changes in the current period								Closing balance	Closing balance of impairment provision	
		Increase	Decrease	Investment income 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												
Nanjing HanWei Real Estate Development Co., Ltd. ("Hanwei Company") (Note 2)	28,422,033			(13,228,720)							15,193,313	-
Associates												
Kuailu Co., Ltd.	58,116,971	-	-	(1,040,429)	-	-	-	-	-	-	57,076,542	-
Jiangsu Yangtze Bridge Co., Ltd. ("Yangtze Bridge Company")	1,176,315,114	-	-	72,754,712	(9,670,915)	-	(68,380,279)	-	-	-	1,171,018,632	-
Sujiahang Company	1,022,453,780	-	-	81,431,290	-	-	(47,353,500)	-	-	-	1,056,531,570	-
Suzhou Sujijayong Expressway Co., Ltd. ("Sujijayong Company")	429,570,812	-	-	(4,084,922)	-	-	-	-	-	-	425,485,890	-
Jiangsu Xiexin Gas Co., Ltd. ("Xiexin Company")	11,714,728	-	-	(734,400)	-	-	-	-	-	-	10,980,328	-
Suzhou Nanlin Hotel Co., Ltd. ("Nanlin Hotel")	170,257,111	-	-	361,319	-	-	-	-	-	-	170,618,430	-
Jiangsu Yanjiang Expressway Co., Ltd. ("Yanjiang Company")	1,845,872,949	-	-	85,652,926	-	-	-	-	-	-	1,931,525,875	-
Jiangsu Luode Equity Investment Fund Management Co., Ltd. ("Luode Equity Company")	11,334,343	-	-	(1,922,959)	-	-	-	-	-	-	9,411,384	-
Sundian Company (Note 3)	17,138,117	-	-	(1,496,702)	-	-	-	-	-	-	15,641,415	-
Total	4,771,195,958			217,692,115	(9,670,915)		(115,733,779)				4,863,483,379	-

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

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

#### 13. Long-term equity investment (Continued)

##### (2) Other explanations

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

*Note 2:* On March 4, 2015, the Company and Nanjing Luode Deshi Equity Investment LLP jointly invested and established Hanwei Company, in which the Company holds 70% equity interest in Hanwei Company. As Hanwei Company's Articles of Association requires that all the major business matters shall be effective upon unanimous approval by shareholders of both parties, the Company takes Hanwei Company as a joint venture.

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

#### 14. Investment properties

##### (1) Investment properties measured at cost

Unit: RMB

Item	Buildings
<b>I. Total original carrying amount</b>	
1. Opening balance	39,863,561
2. Increase in the current period	2,123,614
(1) Transfer from fixed assets	2,123,614
3. Decrease in the current period	16,794,605
(1) Disposal or retirement	16,794,605
4. Closing balance	25,192,570
<b>II. Total accumulated depreciation and amortization</b>	
1. Opening balance	7,750,167
2. Increase in the current period	1,119,185
(1) Provision or amortization	1,119,185
3. Decrease in the current period	4,100,826
(1) Disposal or retirement	4,100,826
4. Closing balance	4,768,526
<b>III. Total provision for impairment losses</b>	
1. Opening balance	-
2. Increase in the current period	-
3. Decrease in the current period	-
4. Closing balance	-
<b>IV. Total net book value of investment properties</b>	
1. Closing net book value	20,424,044
2. Opening net book value	32,113,394

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

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

## 14. Investment properties (Continued)

## (1) Investment properties measured at cost (Continued)

Other explanations:

With the approval of the 8th meeting of the Company's 8th Session of Board of Directors, the subsidiary, Ninghu Investment, transfers its property of Zhongshan Meilu Community held during the reporting period at Jiangsu Property Rights Exchange. On the date of asset transfer, the original carrying amount is RMB16,794,605, the accumulated depreciation is RMB4,100,826 and the transfer price is RMB18,800,000.

## (2) Details of investment properties are as follows:

Project Name	Address	Purpose	Term of lease
Four offices in Huijie Office Building and stores in A, B buildings	Kunshan People's south road No. 888	Commercial	Medium-term

# NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

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

### 15. Fixed assets

#### (1) Information of fixed assets

Unit: RMB

Item	Buildings	Safety equipment	Communication and surveillance equipment	Toll and ancillary equipment	Machinery and equipment	Electronic equipment	Motor vehicles	Furniture and others	Total
<b>I. Total original carrying amount</b>									
1. Opening balance	1,789,703,256	853,937,154	499,923,686	380,959,207	509,267,388	62,377,535	75,292,192	38,351,276	4,209,811,694
2. Increase in the current period	70,462,990	6,926,889	19,743,226	15,730,799	8,689,447	1,891,721	-	505,375	123,950,447
(1) Purchase	-	-	3,269,082	4,692,101	8,503,000	1,891,721	-	169,566	18,525,470
(2) Transfer from Intangible assets	17,325,098	5,006,907	5,237,011	4,587,558	186,447	-	-	-	32,343,021
(3) Transfer from construction in progress	53,137,892	254,000	11,237,133	8,117,122	-	-	-	335,809	73,081,956
(4) Reclassification	-	1,665,982	-	(1,665,982)	-	-	-	-	-
3. Decrease in the current period	3,095,554	880,591	5,641,084	4,928,123	5,532,362	2,571,732	466,426	1,788,862	24,904,734
(1) Disposal or retirement	971,940	880,591	5,641,084	4,928,123	5,321,377	2,491,752	466,426	1,788,862	22,490,155
(2) Transfer to construction in progress	-	-	-	-	210,985	79,980	-	-	290,965
(3) Transfer to intangible assets	-	-	-	-	-	-	-	-	-
(4) Transfer to investment property	2,123,614	-	-	-	-	-	-	-	2,123,614
(5) Reclassification	-	-	-	-	-	-	-	-	-
4. Closing balance	1,857,070,692	859,983,452	514,025,828	391,761,883	512,424,473	61,697,524	74,825,766	37,067,789	4,308,857,407
<b>II. Total accumulated depreciation</b>									
1. Opening balance	723,101,324	720,575,541	306,777,228	239,288,823	367,803,853	41,672,225	46,860,644	29,647,345	2,475,726,983
2. Increase in the current period	41,788,566	20,118,968	19,341,955	17,206,266	13,675,132	3,415,424	3,337,689	1,326,817	120,210,817
(1) Amount accrued	41,788,566	20,118,968	19,341,955	17,206,266	13,675,132	3,415,424	3,337,689	1,326,817	120,210,817
(2) Transfer from intangible assets	-	-	-	-	-	-	-	-	-
(3) Reclassification	-	-	-	-	-	-	-	-	-
3. Decrease in the current period	1,367,422	786,129	5,386,121	3,819,707	4,937,669	2,325,753	383,874	1,699,121	20,705,796
(1) Disposal or retirement	965,977	786,129	5,386,121	3,819,707	4,937,669	2,325,753	383,874	1,699,121	20,304,351
(2) Transfer to construction in progress	-	-	-	-	-	-	-	-	-
(3) Transfer to intangible assets	-	-	-	-	-	-	-	-	-
(4) Transfer to investment properties	401,445	-	-	-	-	-	-	-	401,445
(5) Reclassification	-	-	-	-	-	-	-	-	-
4. Closing balance	763,522,468	739,908,380	320,733,062	252,675,382	376,541,316	42,761,896	49,814,459	29,275,041	2,575,232,004
<b>III. Total provision for impairment losses</b>									
1. Opening balance	-	-	-	-	-	-	-	-	-
2. Increase in the current period	-	-	-	-	-	-	-	-	-
3. Decrease in the current period	-	-	-	-	-	-	-	-	-
4. Closing balance	-	-	-	-	-	-	-	-	-
<b>IV. Total net book value of fixed assets</b>									
1. Closing net book value	1,093,548,224	120,075,072	193,292,766	139,086,501	135,883,157	18,935,628	25,011,307	7,792,748	1,733,625,403
2. Opening net book value	1,066,601,932	133,361,613	193,146,458	141,670,384	141,463,535	20,705,310	28,431,548	8,703,931	1,734,084,711

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

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

## 15. Fixed assets (Continued)

## (2) Fixed assets leased out under operating leases

Unit: RMB

Item	Closing balance	Opening balance
Buildings	<b>91,676,396</b>	70,552,445

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

Unit: RMB

Item	Net book value	Reasons for not obtaining certificates
Shanghai-Nanjing Expressway Lujia Toll Station	7,384,522	Included in transport facilities, for which the certificate of title cannot be obtained temporarily
Shanghai-Nanjing Expressway Kunshan Toll Station	6,545,765	Included in transport facilities, for which the certificate of title cannot be obtained temporarily
Shanghai-Nanjing Expressway Huaqiao Toll Station	8,884,415	Included in transport facilities, for which the certificate of title cannot be obtained temporarily
Shanghai-Nanjing Expressway Xuejia Toll Station	8,619,875	Included in transport facilities, for which the certificate of title cannot be obtained temporarily
Shanghai-Nanjing Expressway Suzhou management offices and maintenance center building	29,935,401	Included in transport facilities, for which the certificate of title cannot be obtained temporarily
Shanghai-Nanjing Expressway Changzhou Luoshuwan buildings	4,831,477	Included in transport facilities, for which the certificate of title cannot be obtained temporarily
Shanghai-Nanjing Expressway Changzhou toll station and maintenance center building	8,374,963	Included in transport facilities, for which the certificate of title cannot be obtained temporarily
Shanghai-Nanjing Expressway Changzhou ETC Customer Service Branch Buildings	927,177	Included in transport facilities, for which the certificate of title cannot be obtained temporarily

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

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

#### 15. Fixed assets (Continued)

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

Item	Net book value	Reasons for not obtaining certificates
Shanghai-Nanjing Expressway Jingfa Service Zone Office Buildings	40,936,389	Included in transport facilities, for which the certificate of title cannot be obtained temporarily
Shanghai-Nanjing Expressway South Network Center and Project Management Center Houses	18,486,775	Included in transport facilities, for which the certificate of title cannot be obtained temporarily
Shanghai-Nanjing Expressway Wuxi Management Office and Xidong Toll Station Property	24,021,328	Included in transport facilities, for which the certificate of title cannot be obtained temporarily
Shanghai-Nanjing Expressway Wuxi Airport Toll Station	4,519,751	Included in transport facilities, for which the certificate of title cannot be obtained temporarily
Shanghai-Nanjing Expressway Heyang Toll Station	1,300,496	Included in transport facilities, for which the certificate of title cannot be obtained temporarily
Shanghai-Nanjing Expressway Zhenjiang Station Housing Building	744,584	Included in transport facilities, for which the certificate of title cannot be obtained temporarily
Shanghai-Nanjing Expressway Danyang Station Housing Building	2,794,019	Included in transport facilities, for which the certificate of title cannot be obtained temporarily
Shanghai-Nanjing Expressway Ningzhen Living Buildings of Management Office	9,486,831	Included in transport facilities, for which the certificate of title cannot be obtained temporarily
Shanghai-Nanjing Expressway Nanjing Toll Station	1,287,177	Included in transport facilities, for which the certificate of title cannot be obtained temporarily
Shanghai-Nanjing Expressway Tangshan Toll Station	7,448,591	Included in transport facilities, for which the certificate of title cannot be obtained temporarily
Shanghai-Nanjing Expressway Danyang Toll Station	10,856,204	Included in transport facilities, for which the certificate of title cannot be obtained temporarily

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

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

## 15. Fixed assets (Continued)

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

Item	Net book value	Reasons for not obtaining certificates
Shanghai-Nanjing Expressway Jurong Station Housing Building	8,697,025	Included in transport facilities, for which the certificate of title cannot be obtained temporarily
Buildings in Guangjing and Xicheng Expressway Service Zones	12,559,821	Included in transport facilities, for which the certificate of title cannot be obtained temporarily
Buildings in Xiyi Expressway Toll and Service Zone	647,069	Included in transport facilities, for which the certificate of title cannot be obtained temporarily
Buildings in Ningchang and Zhenli Expressway Toll and Service Zones	150,309,377	Included in transport facilities, for which the certificate of title cannot be obtained temporarily
Total	369,599,032	Included in transport facilities, for which the certificate of title cannot be obtained temporarily

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2017

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

#### 16. Construction in progress

##### (1) Information of construction in progress

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Impairment provision	Net book value	Carrying amount	Impairment provision	Net book value
Construction Project of Zhendan Expressway	1,162,092,059	-	1,162,092,059	1,062,092,059	-	1,062,092,059
Jingjiang Interconnection Upgrading Project	-	-	-	61,526,340	-	61,526,340
Housing projects of toll stations and service zones	36,290,123	-	36,290,123	39,566,332	-	39,566,332
Yanqiao Service Zone Reconstruction Project	149,551	-	149,551	7,767,835	-	7,767,835
Reconstruction Project of Toll Station Distribution Room	7,000,000	-	7,000,000	7,000,000	-	7,000,000
Construction Project of Three Major Systems	4,550,357	-	4,550,357	4,637,877	-	4,637,877
Advertisement board	4,337,058	-	4,337,058	4,340,397	-	4,340,397
Luma Highway Xue-He Overpass Reconstruction Project	3,000,000	-	3,000,000	3,000,000	-	3,000,000
Information construction project	1,693,330	-	1,693,330	2,483,570	-	2,483,570
Lighting system construction project	1,961,030	-	1,961,030	1,961,030	-	1,961,030
Maoshan Service Zone and Toll Station Upgrading Project	520,000	-	520,000	240,000	-	240,000
Wufengshan Bridge and South-North Connection Project	1,299,909,280	-	1,299,909,280	-	-	-
Changyi Expressway Construction Project	630,000,000	-	630,000,000	-	-	-
Yichang Expressway Construction Project	100,000,000	-	100,000,000	-	-	-
Others	8,677,800	-	8,677,800	3,193,789	-	3,193,789
<b>Total</b>	<b>3,260,251,949</b>	<b>-</b>	<b>3,260,251,949</b>	<b>1,197,809,229</b>	<b>-</b>	<b>1,197,809,229</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

## 16. Construction in progress (Continued)

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

Unit: RMB

Project	Budget amount	Opening balance	Increase in the current period	Transfer to fixed assets	Transfer to intangible assets	Transfer to others	Closing balance	Amount injected as a proportion of budget amount (%)	Construction progress	Amount of accumulated capitalized interest	Including: capitalized interest for the period	Interest capitalization rate for the period (%)	Source of funds
Construction Project of Zhendan Expressway	1,730,260,500	1,062,092,059	100,071,361	-	-	-	1,162,163,420	61	In progress	14,969,500	8,357,222	4.90	Own funds and bank borrowings
Jingjiang Interconnection Upgrading Project	100,000,000	61,526,340	23,473,660	20,000,000	65,000,000	-	-	85	Completed	-	-	-	Own funds
Housing projects of toll stations and service zones	295,535,660	39,566,332	2,700,280	5,127,653	848,836	-	36,290,123	62	In progress	-	-	-	Own funds
Yanqiao Service Zone Reconstruction Project	44,500,000	7,767,835	35,761,157	43,379,441	-	-	149,551	98	Completed	-	-	-	Own funds
Reconstruction Project of Toll Station Distribution Room	7,500,000	7,000,000	-	-	-	-	7,000,000	93	In progress	-	-	-	Own funds
Construction Project of Three Major Systems	53,456,159	4,637,877	131,280	218,800	-	-	4,550,357	91	In progress	-	-	-	Own funds
Advertisement board	10,168,248	4,340,397	1,710,868	1,714,207	-	-	4,337,058	91	In progress	-	-	-	Own funds
Luma Highway Xue-He Overpass Reconstruction Project	18,000,000	3,000,000	-	-	-	-	3,000,000	17	In progress	-	-	-	Own funds
Information construction project	67,450,242	2,483,570	1,750,370	1,948,610	592,000	-	1,693,330	91	In progress	-	-	-	Own funds
Lighting system construction project	2,500,000	1,961,030	-	-	-	-	1,961,030	78	In progress	-	-	-	Own funds
Maoshan Service Zone and Toll Station Upgrading Project	24,000,000	240,000	280,000	-	-	-	520,000	2	In progress	-	-	-	Own funds
Wufengshan Bridge and South-North Connection Project	12,065,836,100	-	1,299,909,280	-	-	-	1,299,909,280	11	In progress	-	-	-	Own funds
Changyi Expressway Construction Project	3,799,600,000	-	630,000,000	-	-	-	630,000,000	17	In progress	-	-	-	Own funds
Yichang Expressway Construction Project	3,979,000,000	-	100,000,000	-	-	-	100,000,000	3	In progress	-	-	-	Own funds
Others	Nil	3,193,789	5,886,291	402,280	-	-	8,677,800		In progress	-	-	-	Own funds
Total		1,197,809,229	2,201,674,547	72,790,991	66,440,836	-	3,260,251,949			14,969,500	8,357,222		

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

#### 16. 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.

#### 17. Intangible assets

##### (1) Information of intangible assets

Unit: RMB

Item	Toll road operation rights	Land use rights	Software	Total
<b>I. Total original carrying amount</b>				
1. Opening balance	30,004,046,991	1,744,161,676	56,991,807	31,805,200,474
2. Increase in the current period	65,000,000	-	1,440,835	66,440,835
(1) Purchase	-	-	-	-
(2) Transfer from construction in progress	65,000,000	-	1,440,835	66,440,835
(3) Transfer from fixed assets	-	-	-	-
3. Decrease in the current period	32,343,022	-	-	32,343,022
(1) Disposal	-	-	-	-
(2) Other decreases	32,343,022	-	-	32,343,022
4. Closing balance	30,036,703,969	1,744,161,676	58,432,642	31,839,298,287
<b>II. Total accumulated amortization</b>				
1. Opening balance	9,378,258,572	1,089,185,755	12,976,971	10,480,421,298
2. Increase in the current period	559,335,755	32,329,111	5,833,397	597,498,263
(1) Amount accrued	559,335,755	32,329,111	5,833,397	597,498,263
(2) Transfer from fixed assets	-	-	-	-
3. Decrease in the current period	4,850,400	-	-	4,850,400
(1) Other decreases	4,850,400	-	-	4,850,400
4. Closing balance	9,932,743,927	1,121,514,866	18,810,368	11,073,069,161
<b>III. Provision for impairment losses</b>				
1. Opening balance	-	-	-	-
2. Increase in the current period	-	-	-	-
3. Decrease in the current period	-	-	-	-
4. Closing balance	-	-	-	-
<b>IV. Total net book value of intangible assets</b>				
Closing net book value	20,103,960,042	622,646,810	39,622,274	20,766,229,126
Opening net book value	20,625,788,419	654,975,921	44,014,836	21,324,779,176

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

## 18. Long-term prepaid expenses

Unit: RMB

Item	Opening balance	Increase in the period	Amortization for the period	Other decreases	Closing balance
House decoration, etc.	3,628,179	24,936	1,451,154	-	2,201,961

## 19. Deferred tax assets/deferred tax liabilities

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

Unit: RMB

Item	Closing balance		Opening balance	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Provision for impairment losses of assets	17,802,337	4,450,584	17,802,337	4,450,584
Unrealized profits through internal transactions	292,940,224	73,235,056	283,818,527	70,954,632
Deductible losses	750,831,382	187,707,845	999,909,417	249,977,354
Prepayment of business tax and land appreciation tax for real estate pre-sale and so on	19,611,036	4,902,759	95,903,121	23,975,780
Total	1,081,184,979	270,296,244	1,397,433,402	349,358,350

Other explanations:

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

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

#### 19. Deferred tax assets/deferred tax liabilities (Continued)

##### (2) Deferred tax liabilities that are not offset

Unit: RMB

Item	Closing balance		Opening balance	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Changes in fair values for held-for-trading financial assets	10,046,960	2,511,740	7,503,079	1,875,770
Real estate pre-sale	-	-	-	-
Changes in fair value of available-for-sale financial assets	562,000,000	140,500,000	562,000,000	140,500,000
Total	572,046,960	143,011,740	569,503,079	142,375,770

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

Unit: RMB

Item	Closing offset amount of deferred tax assets and deferred tax liabilities	Closing amount of deferred tax assets or liabilities after offsetting	Opening offset amount of deferred tax assets and deferred tax liabilities	Opening amount of deferred tax assets or liabilities after offsetting
	Deferred tax assets	4,013,256	266,282,988	4,013,256
Deferred tax liabilities	4,013,256	138,998,484	4,013,256	138,362,514

##### (4) Details of unrecognised deferred tax assets

Unit: RMB

Item	Closing balance	Opening balance
Deductible losses	140,078,974	140,078,974
Total	140,078,974	140,078,974

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

## 19. Deferred tax assets/deferred tax liabilities (Continued)

## (4) Details of unrecognised deferred tax assets (Continued)

Other explanations:

Deductible temporary differences and deductible losses for which deferred tax assets are not recognised due to uncertainty whether sufficient taxable profits will be available in the future shall be presented.

## (5) Deductible losses, for which no deferred tax assets are recognised, will expire in the following years

Unit: RMB

Item	Closing balance	Opening balance
2017	41,611,368	41,611,368
2018	98,467,606	98,467,606
2019	—	—
Total	140,078,974	140,078,974

## 20. Other non-current assets

Unit: RMB

Item	Closing balance	Opening balance
Loan granted to joint venture	189,000,000	369,000,000
Payments for purchasing apartments for talents	11,216,678	7,477,785
Total	200,216,678	376,477,785

Other explanations:

Loan granted to joint venture at the end of the period is the loan provided to the joint venture Hanwei Company by the Group, including RMB69,000,000 of a loan period of not more than 3 years at an annual interest rate of 8% and RMB120,000,000 of a 3-year loan period at an annual interest rate of 4.75%

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

#### 21. Short-term borrowings

##### (1) Categories of short-term borrowings:

Unit: RMB

Item	Closing balance	Opening balance
Bank loans	<b>715,000,000</b>	680,000,000
Including: Unsecured loans	<b>535,000,000</b>	500,000,000
Entrusted loans ( <i>Note</i> )	<b>180,000,000</b>	180,000,000
Non-bank financial institutions loans	<b>720,000,000</b>	130,000,000
Including: Unsecured loans	<b>720,000,000</b>	130,000,000
Entrusted loans	—	—
Loans from a related party	—	—
Including: Short-term bonds	—	—
Total	<b>1,435,000,000</b>	810,000,000

Explanations of short-term borrowing categories:

*Note 1:* Entrusted bank loans are provided by Jiangsu Far East Shipping Co., Ltd. ("Far East Shipping Company") through China CITIC Bank on 15 August 2016, the principal is RMB180,000,000, annual interest rate is 4.35%, and duration period is 1 year.

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

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

## 22. Accounts payable

## (1) Presentation of accounts payable

Unit: RMB

Item	Closing balance	Opening balance
Construction payable	387,918,791	394,052,655
Construction payable for real estate project	379,074,295	454,260,681
Purchase of petroleum payable	—	15,607,084
Toll road fee payable	40,276,756	42,190,132
Deposit payable	33,971,550	21,032,400
Others	69,442,144	60,803,476
Total	910,683,536	987,946,428

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

Unit: RMB

Item	Closing balance	Opening balance
Within 1 year	831,074,232	788,023,690
More than 1 year but not exceed 2 years	40,142,293	156,504,595
More than 2 years but not exceeding 3 years	17,924,773	24,287,145
More than 3 years	21,542,238	19,130,998
Total	910,683,536	987,946,428

## (3) Significant accounts payable aging more than one year

Unit: RMB

Item	Closing balance	Reasons for outstanding
Construction payable	17,659,278	Long settlement procedure of the project
Construction payable for real estate project	26,951,583	Long settlement procedure of the real estate project

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

#### 23. Receipts in advance

##### (1) Presentation of receipts in advance

Unit: RMB

Item	Closing balance	Opening balance
Rental deposit received in advance	48,582,727	10,059,561
Advertising service fee received in advance	14,169,015	16,297,861
Income from properties for sales received in advance	786,255,840	913,251,497
Others	6,276,898	1,264,440
Total	855,284,480	940,873,359

The aging analysis of receipts in advance is as follows:

Unit: RMB

Aging	Closing balance		Opening balance	
	Unit: RMB	%	Unit: RMB	%
Within 1 year	219,759,296	26	778,187,688	83
More than 1 year but not exceed 2 years	635,445,184	74	161,911,217	17
More than 2 years but not exceeding 3 years	-	-	694,454	-
More than 3 years	80,000	-	80,000	-
Total	855,284,480	100	940,873,359	100

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

## 24. Employee benefits payable

## (1) Presentation of employee benefits payable

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1.Short term compensation	4,816,324	310,587,777	309,669,193	<b>5,734,908</b>
2.Post-employment benefits – Defined contribution plan	–	68,605,962	68,605,962	–
3.Termination benefits	–	443,405	443,405	–
4.Other welfare due within one year	–	–	–	–
Total	<u>4,816,324</u>	<u>379,637,144</u>	<u>378,718,560</u>	<u><b>5,734,908</b></u>

## (2) Presentation of short-term benefits

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
I. Wages or salaries, bonuses, allowances and subsidies	500	215,521,876	215,522,376	–
II. Staff welfare	–	2,135,177	2,135,177	–
III. Social security contributions	–	43,397,308	43,397,308	–
Including: Medical insurance	–	40,446,760	40,446,760	–
Work injury insurance	–	2,010,122	2,010,122	–
Maternity insurance	–	940,426	940,426	–
IV. Housing funds	–	24,715,584	24,715,584	–
V. Union running costs and employee education costs	4,815,824	6,608,022	5,688,938	<b>5,734,908</b>
VI. Non-monetary benefits	–	12,716,441	12,716,441	–
VII. Others	–	5,493,369	5,493,369	–
Total	<u>4,816,324</u>	<u>310,587,777</u>	<u>309,669,193</u>	<u><b>5,734,908</b></u>

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

#### 24. Employee benefits payable (Continued)

##### (3) Defined contribution plan

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
1. Basic endowment insurance	-	44,656,017	44,656,017	-
2. Unemployment insurance	-	1,904,711	1,904,711	-
3. Enterprise annuity payment	-	22,045,234	22,045,234	-
Total	-	68,605,962	68,605,962	-

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 1%-1.5% of the employee's monthly basic wage based on last year's salary. The Group participates in annuity scheme which operated by an independent third party and makes a monthly contribution equivalent to 8.33% of the employee's monthly basic wage based on last year's salary. The Group no longer undertake further payment obligation. The corresponding cost charges to the profit or loss for the current period or the cost of a relevant asset when occurs.

During the period, the Group contributes RMB44,656,017, RMB22,045,234 and RMB1,904,711 (1st half of 2016: RMB41,534,551, RMB18,703,878 and RMB2,621,049) to basic pension insurance plan, annuity plan and unemployment insurance plan respectively. All the contribution had paid over to the schemes as at 30 June 2017.

##### (2) Non-monetary benefits

Non-monetary benefits provided to employees by the Group in the current period are RMB12,716,441 (1st half of 2016: RMB12,717,469), which mainly represent the purchased welfare goods and holiday gifts that are distributed to employees in a form of non-monetary benefits. The calculation is based on the actual cost of the purchase of welfare goods.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

## 25. Taxes payable

Unit: RMB

Item	Closing balance	Opening balance
Enterprise income tax	105,329,905	174,181,365
Land appreciation tax	12,814,797	12,593,142
VAT	32,351,734	31,742,256
Property tax	3,598,046	2,058,496
Individual income tax	162,404	4,930,695
City construction and maintenance tax	2,098,440	2,009,895
Others	3,471,455	4,186,938
Total	159,826,781	231,702,787

## 26. Interest payable

Unit: RMB

Item	Closing balance	Opening balance
Interest payable of long-term borrowings with interest payable by installments and principal payable on maturity	11,213,179	18,271,156
Interest payable of enterprise bonds	102,657,808	72,917,260
Interest payable of short-term borrowings	1,784,467	1,031,771
Total	115,655,454	92,220,187

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

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

#### 27. Dividends payable

Unit: RMB

Item	Closing balance	Opening balance
Common stock dividends	2,189,468,168	73,614,218
Subsidiaries shall pay dividends to minority shareholders	72,856,987	–
Total	2,262,325,155	73,614,218

Note: The amount of dividends payable aged more than 1 year is RMB66,467,760, which is the dividends that are not collected by investors.

#### 28. Other payables

##### (1) Details of other payables are as follows:

Unit: RMB

Item	Closing balance	Opening balance
Payable of daily procurement in service area	7,714,981	10,475,533
Amount of ETC prepaid cards collected on behalf of the internet network settlement center	6,037,221	8,627,397
Construction quality warrantee fee payable	2,063,780	1,930,309
Earnest money of acquisition of properties	9,413,004	3,402,883
Others	20,332,909	15,548,423
Total	45,561,895	39,984,545

(2) Significant other payables aged more than one year: N/A.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

## 29. Non-current liabilities due within one year

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

Unit: RMB

Item	Closing balance	Opening balance
Long-term borrowings due within one year	71,678,433	121,718,718
Bonds payable due within one year (Note)	498,385,799	–
Total	570,064,232	121,718,718

Note: As at 30 June 2017, the Group's bonds payable due within 1 year are "13 Ninghu Gao MTN 1" medium term notes issued on June 21, 2013, with a principal amount of RMB500,000,000. The term of bonds is 5 years and its coupon rate is 4.98%. Interest is paid once a year and the principal will be repaid at the maturity.

## 30. Other current liabilities

Unit: RMB

Item	Closing balance	Opening balance
Super short-term bonds payable	2,821,787,778	3,936,452,668
Total	2,821,787,778	3,936,452,668

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

#### 30. 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	Opening balance	Issue in the Current period	Interest accrued according to par value	Premium and discount amortization	Repayment in the current period	Closing balance
Super short-term bonds payable										
17 Ninghu Gao SCP001	1,000,000,000	12 April 2017	270	1,000,000,000	-	1,000,000,000	9,333,334	-	-	1,009,333,334
17 Ninghu Gao SCP002	1,000,000,000	12 April 2017	93	1,000,000,000	-	1,000,000,000	8,488,888	-	-	1,008,488,888
17 Ninghu Gao SCP003	800,000,000	19 May 2017	112	800,000,000	-	800,000,000	3,965,556	-	-	803,965,556
16 Ninghu Gao SCP004	500,000,000	16 June 2016	267	500,000,000	508,195,002	-	8,195,002	-	516,390,004	-
16 Ninghu Gao SCP006	1,200,000,000	10 August 2016	247	1,200,000,000	1,212,345,666	-	12,345,666	-	1,224,691,332	-
16 Ninghu Gao SCP007	1,600,000,000	7 September 2016	247	1,600,000,000	1,613,800,000	-	13,800,000	-	1,627,600,000	-
16 Ninghu Gao SCP008	600,000,000	9 November 2016	156	600,000,000	602,112,000	-	2,112,000	-	604,224,000	-
Total	<u>6,700,000,000</u>			<u>6,700,000,000</u>	<u>3,936,452,668</u>	<u>2,800,000,000</u>	<u>58,240,446</u>	<u>-</u>	<u>3,972,905,336</u>	<u>2,821,787,778</u>

Other explanations:

As at 30 June 2017, the short-term bonds payable of the Group include: (1) the “17 Ninghu Gao SCP001” super short-term financing bonds issued by the Company on 12 April 2017, of which the principal amount is RMB1,000,000,000. The term of bonds is 270 days with a coupon rate of 4.2%; (2) the “17 Ninghu Gao SCP002” super short-term financing bonds issued by the Company on 12 April 2017, of which the principal amount is RMB1,000,000,000. The term of bonds is 93 days with a coupon rate of 3.82%; (3) the “17 Ninghu Gao SCP003” super short-term financing bonds issued by the Company on 19 May 2017, of which the principal amount is RMB800,000,000. The term of bonds is 112 days with a coupon rate of 4.15%.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

## 31. Long-term borrowings

## (1) Categories of long-term borrowings

Unit: RMB

Item	Closing balance	Opening balance
Bank Loans	<b>792,301,972</b>	743,624,619
Including: Unsecured loans	<b>650,000,000</b>	575,000,000
Guaranteed loan (Note 1)	<b>104,301,972</b>	130,624,619
Secured and guaranteed loans (Note 2)	<b>38,000,000</b>	38,000,000
Non-bank financial institutions loans	–	100,000,000
Including: Entrusted loans (Note 3)	–	100,000,000
Loans from a related party	<b>750,000,000</b>	750,000,000
Including: Medium Term Notes (Note 4)	<b>750,000,000</b>	750,000,000
Subtotal	<b>1,542,301,972</b>	1,593,624,619
Less: long-term borrowings due within one year	<b>71,678,433</b>	121,718,718
Long-term borrowings due after one year	<b>1,470,623,539</b>	1,471,905,901

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

Note 1: Guaranteed loans including: (1) The Group obtained bank credit limit of USD9,800,000 from Jiangsu branch of Bank of China in 1998. The credit limit was used to import machinery and technology and guaranteed by Communications Holding. The credit limits include buyer's credit loan of USD4,900,000 and Spanish government loan of USD4,900,000. The buyer's credit loan has been paid up in 2006. The Spanish government loan is paid up every half year from January 2009 to 2029 at an annual interest rate of 2%. The outstanding closing balance at the end of this period is USD2,849,252. (2) The Group obtained bank loans of RMB195,000,000 with loan duration 15 years from Industrial and Commercial Bank of China, Jiangsu branch on 16 March 2004. The loan was used to construct Xiyi Expressway and guaranteed by Communications Holding. The loan has been paid up for RMB110,000,000 by the end of the period at an annual interest rate of 4.90%.

Note 2: Secured and guaranteed loans indicate loans of RMB200,000,000 with loan duration 14 years obtained from Bank of China, Wuxi branch on 15 April 2004. The loan was used to construct Xiyi Expressway and Wuxi Huantaihu Expressway and secured by the toll road operation rights Xiyi Expressway and Wuxi Huantaihu Expressway, also the loan was guaranteed by Communications Holding. The loan has been paid up for RMB162,000,000 by the end of the period at an annual interest rate is 4.90%.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

#### 31. Long-term borrowings (Continued)

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

*Note 3:* Non-bank financial institutions entrusted loans indicate the loan provided to the Company by the subsidiary Jiangsu Runyang Bridge Development Co., Ltd. ("Runyang Bridge Company") through Jiangsu Communications Holding Group Finance Co., Ltd. ("Group Finance Company") on 26 February 2013. The loan principal is RMB900,000,000 with an interest rate of 6.46% and a loan period of 6 years which has been fully repaid as at the end of this reporting period.

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

##### (3) Other explanations

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

#### 32. Bonds payable

##### (1) Bonds payable

Unit: RMB

Item	Closing balance	Opening balance
Medium Term Notes	<b>3,965,029,403</b>	4,457,801,187
Total	<b>3,965,029,403</b>	4,457,801,187

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

## 32. Bonds payable (Continued)

## (2) Changes of bonds payable

Unit: RMB

Name of bond	Par value	Issue date	Term of the bond	Issue amount	Opening balance	Issue in the current year	Interest accrued according to par value	Premium and discount amortization	Repayment in the current year	Transfer to non-current liabilities due within one year	Closing balance
Medium Term Notes	500,000,000	21 June 2013	5 years	500,000,000	497,602,127	-	12,347,671	783,672	12,347,671	498,385,799	-
Medium Term Notes	2,000,000,000	25 August 2015	5 years	2,000,000,000	1,979,186,950	-	42,646,575	2,714,215	42,646,575	-	1,981,901,165
Medium Term Notes	1,000,000,000	4 December 2015	5 years	1,000,000,000	989,031,373	-	18,298,356	1,254,351	18,298,356	-	990,285,724
Medium Term Notes	1,000,000,000	15 April 2016	5 years	1,000,000,000	991,980,737	-	18,347,945	861,777	18,347,945	-	992,842,514
Total				4,500,000,000	4,457,801,187	-	91,640,547	5,614,015	91,640,547	498,385,799	3,965,029,403

## (3) Other explanations

As at 30 June 2017, the Group's bonds payable include: (1) the "15 Ninghu Gao MTN1" issued by the Company with the par value of RMB2,000,000,000 on 25 August 2015. The term of bond is 5 years, of which the coupon rate is 4.3%. The interest is paid by year and the principal paid on maturity; (2) the "15 Ninghu Gao MTN2" issued by the Company with the par value of RMB1,000,000,000 on 4 December 2015. The term of bond is 5 years, of which the coupon rate is 3.69%. The interest is paid by year and the principal paid on maturity; (3) the "16 Ninghu Gao MTN1" issued by the Company with the par value of RMB1,000,000,000 on 14 April 2016. The term of bond is 5 years, of which the coupon rate is 3.70%. The interest is paid by year and the principal paid on maturity;

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

#### 33. Deferred income

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance	Remarks
Government grants	33,317,704	-	922,484	<b>32,395,220</b>	Ningchang Expressway Construction Compensation

#### Items involving government grants

Unit: RMB

Item	Opening balance	Increase in the current period	Transfer to non-operating income for the period	Other	Closing balance	Related to asset/ Related to income
Expressway Construction Compensation	33,317,704	-	922,484	-	<b>32,395,220</b>	Related to asset

Other explanations:

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

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

## 34. Share capital

Unit: RMB

	Opening balance	New issue of shares	Bonus issue	Change for the period Capitalization of surplus reserves	Others	Subtotal	Closing balance
<b>1 January 2017 to 30 June 2017</b>							
Total shares	5,037,747,500	-	-	-	-	-	5,037,747,500

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

#### 35. Capital reserve

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
<b>1 January 2017 to 30 June 2017:</b>				
Capital premium	7,765,271,453	–	–	<b>7,765,271,453</b>
Including: Capital contributed by investors	4,800,576,953	–	–	<b>4,800,576,953</b>
Differences arising from business combination involving enterprises under common control	2,964,694,500	–	–	<b>2,964,694,500</b>
Other capital reserves	2,663,116,782	–	–	<b>2,663,116,782</b>
Including: Share of capital reserve of the investee under the equity method	(19,860,453)	–	–	<b>(19,860,453)</b>
Transfer from capital reserve under the previous accounting system	2,682,977,235	–	–	<b>2,682,977,235</b>
Total	<u>10,428,388,235</u>	<u>–</u>	<u>–</u>	<b><u>10,428,388,235</u></b>

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

## 36. Other comprehensive income

Unit: RMB

Item	Opening balance	Before-tax amount for the current year	Change for the period				Closing balance
			Less: Net amount included in other comprehensive income in the prior periods that is reclassified to profit or loss for the year	Less: Income tax expense	Post-tax net amount attribute to parent company owners	Post-tax net amount attribute to minority shareholders	
<b>1 January 2017 to 30 June 2017:</b>							
I. Other comprehensive income that will not be reclassified subsequently to profit or loss	-	-	-	-	-	-	-
II. Other comprehensive income that will be reclassified subsequently to profit or loss	542,389,052	(9,670,915)	-	-	(9,670,915)	-	532,718,137
<b>Including:</b>							
Share of other comprehensive income of the investee under the equity method that will be reclassified subsequently to profit or loss (Note 1)	120,889,052	(9,670,915)	-	-	(9,670,915)	-	111,218,137
Profit or loss arising from changes in fair value of available-for-sale financial assets (Note 2)	421,500,000	-	-	-	-	-	421,500,000
Total other comprehensive income	542,389,052	(9,670,915)	-	-	(9,670,915)	-	532,718,137

Note 1: The decrease in the share of other comprehensive income that will be reclassified into profit or loss under equity method is the fair value adjustment of the available-for-sale financial assets held by the Group's associate, Yangtze Bridge. The Group adjusts the capital reserve accordingly according to the shareholding proportion.

Note 2: Profit or loss arising from changes in fair value of the available-for-sale financial assets is the fair value adjustment of the restricted shares of Bank of Jiangsu Co., Ltd., an A-share listed company.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

#### 37. Surplus reserve

Unit: RMB

Item	Opening balance	Increase in the current period	Decrease in the current period	Closing balance
<b>1 January 2017 to 30 June 2017:</b>				
Statutory surplus reserve	3,036,261,499	–	–	<b>3,036,261,499</b>
Discretionary surplus reserve	116,911,661	–	–	<b>116,911,661</b>
Total	<b>3,153,173,160</b>	–	–	<b>3,153,173,160</b>

*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.

#### 38. Retained profits

Unit: RMB

Item	Amount for the current period	Prior period
Opening retained profits	<b>3,048,058,238</b>	1,829,978,752
Add: Net profit attributable to owners of the Company for the year	<b>1,899,660,185</b>	1,559,819,318
Less: Appropriation to statutory surplus reserve	–	–
Appropriation to discretionary surplus reserve	–	–
Declaration of dividends on ordinary shares	<b>2,115,853,950</b>	2,015,099,000
Closing retained profits	<b>2,831,864,473</b>	1,374,699,070

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

In 2017, on the basis of 5,037,747,500 issued shares (with the par value of RMB1 per share), dividends in cash of RMB0.42 per share were distributed to all the shareholders.

*Note 2:* The Board of the Company on 25 August 2017 has not recommended the payment for the six months ended 30 June 2017.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

## 39. Operating income and operating costs

## (1) Operating income

Unit: RMB

Item	Amount recognized in the current period		Amount recognized in the last period	
	Operating income	Operating costs	Operating income	Operating costs
Principal operating income	4,250,598,939	1,834,134,788	4,029,687,065	1,728,494,575
Including: Shanghai-Nanjing Expressway	2,308,365,296	565,809,336	2,224,628,709	541,371,891
Nanjing-Lianyungang Highway	16,452,359	10,163,554	12,238,481	8,320,425
Guangjing Expressway and Xicheng Expressway	415,146,323	105,249,234	401,402,294	90,366,591
Ningchang Expressway and Zhenli Expressway	505,684,856	260,487,447	433,783,569	216,983,859
Xiyi Expressway and Wuxi Huantaihu Expressway	156,769,346	74,594,246	145,460,862	74,261,223
Ancillary services	848,180,759	817,830,971	812,173,150	797,190,586
Real estate development	386,787,528	226,972,213	14,148,090	(19,612,497)
Advertising and others	31,648,598	10,663,066	21,552,700	8,628,948
Total	<u>4,669,035,065</u>	<u>2,071,770,067</u>	<u>4,065,387,855</u>	<u>1,717,511,026</u>

## 40. Taxes and levies

## (1) Details of taxes and levies

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Business tax	5,435,993	69,678,349
City construction and maintenance tax	9,096,163	7,753,195
Education surcharge	6,738,273	5,587,461
Land appreciation tax	7,468,377	11,500,202
Property tax	8,429,334	6,624,410
Land use tax	4,863,490	4,631,652
Others	3,187,237	854,896
Total	<u>45,218,867</u>	<u>106,630,165</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

#### 40. Taxes and levies (Continued)

##### (2) Other explanations

In accordance with the Cai Kuai [2016] No.22 Notice on the Accounting Provisions on Value Added Tax of the Ministry of Finance (hereinafter referred to as "Notice No. 22") issued by the Ministry of Finance on 3 December 2016, the account name "Business Taxes and Levies" is adjusted to be "Taxes and Levies" upon the full implementation of replacing business tax with value-added tax; this account is applied for the accounting of the consumption tax, city maintenance and construction tax, resource tax, education surcharge and property tax, land use tax, travel tax, stamp duty and other related taxes and fees incurred in operating activities of enterprises; "Business Taxes and Levies" in the income statement is adjusted to be "Taxes and Levies". Notice No. 22 shall be implemented from the date of issue. In accordance with related requirements of Accounting Standards for Business Enterprises No.30-Presentation of Financial Statements, the comparative data of the same period of last year have been adjusted in the financial statements based on the presentation requirements of this period.

#### 41. Selling expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Depreciation	165,833	156,511
Commission fee for agent of real estate sales	4,934,105	5,497,947
Advertisement and promotion fee	3,133,300	3,880,666
Production and planning fee	31,730	636,911
Others	382,291	130,991
Total	<u>8,647,259</u>	<u>10,303,026</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

## 42. Administrative expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Salaries and additional expenses	<b>33,161,996</b>	30,269,594
Depreciation and amortization	<b>40,299,679</b>	38,055,783
Audit fee	—	289,434
Consulting and intermediary service fee	<b>1,552,404</b>	1,949,165
Entertainment fee	<b>638,782</b>	792,217
Maintenance and repair costs	<b>262,912</b>	1,017,436
Office expenses	<b>297,956</b>	217,869
Travelling expenses	<b>364,774</b>	284,091
Vehicle related expenses	<b>570,133</b>	1,079,204
Others	<b>2,650,053</b>	3,170,525
Total	<b>79,798,689</b>	77,125,318

## 43. Financial expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Interest expenses	<b>208,360,927</b>	249,391,878
Less: Interest income	<b>2,598,542</b>	1,898,200
Exchange differences	<b>(440,093)</b>	2,239,902
Bond issue fee and other loan charges	<b>3,396,644</b>	10,968,063
Others	<b>2,964,214</b>	925,097
Total	<b>211,683,150</b>	261,626,740

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

#### 44. Financial assets at fair value through profit or loss

Unit: RMB

<u>Source of gains arising from changes in fair value</u>	<b>Amount incurred in the current period</b>	Amount incurred in the prior period
Financial assets at fair value through profit or loss	<b>2,543,880</b>	(1,242,313)

#### 45. Investment income

##### (1) Details of investment income

Unit: RMB

<u>Item</u>	<b>Amount incurred in the current period</b>	Amount incurred in the prior period
Income from long-term equity investments under equity method	<b>217,692,115</b>	181,137,925
Income (losses) on disposal of FVTPL	<b>(123,106)</b>	7,749
Investment income from available-for-sale financial assets in the holding period	<b>54,320,000</b>	9,970,000
Investment income from disposal of available-for-sale financial assets	<b>5,418,097</b>	4,738,362
Interest income from loans	<b>14,142,057</b>	10,033,149
Total	<b>291,449,163</b>	205,887,185

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

## 46. Non-operating income

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

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Total gains on disposal of non-current assets	79,199	21,133
Including: Gains on disposal of fixed assets	79,199	21,133
Compensation income from damaged road property	725,939	3,280,651
Government grants	1,506,926	785,759
Others	415,816	7,190,001
Total	<u>2,727,880</u>	<u>11,277,544</u>

## (2) Details of government grants:

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period	Remarks
Ningchang Expressway Construction	922,484	785,759	Related to asset
Compensation	584,442	-	Related to income
Steady work subsidies	-	-	
Total	<u>1,506,926</u>	<u>785,759</u>	

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

#### 47. Non-operating expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Total losses on disposal of non-current assets	1,658,115	504,218
Including: Losses on disposal of fixed assets	1,658,115	504,218
Repair expenditure of damaged road property	9,114,943	9,875,198
Donation	820,000	1,000,000
Funds	1,985,621	61,736
Others	1,077,007	352,371
Total	14,655,686	11,793,523

#### 48. Income tax expenses

##### (1) Table of income tax expenses

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Current tax expenses	501,283,235	451,079,262
Deferred tax expenses	79,698,076	34,801,692
Provision of prior years' tax	-	4,256,683
Total	580,981,311	490,137,637

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

#### 49. Other comprehensive income

See Note (VI) 36 for details.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

## 50. Supplementary information of income statement

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Employee benefits	379,637,146	356,886,922
Depreciation and amortization	720,279,419	645,389,861
Toll related expenses	51,574,945	57,672,514
Road maintenance expenses	36,612,385	24,522,614
System maintenance expenses	8,035,227	14,729,618
Real estate development land and construction cost	226,972,213	(19,612,497)
Petroleum in the service zone	678,118,626	645,679,692
Retail goods in the service zone	12,195,403	16,421,433
Catering cost in the service zone	17,500,801	27,019,974
Audit fee	-	289,434
Consulting and intermediary service fee	1,552,404	1,949,165
Commission fee for agent of real estate sales	4,934,105	5,504,247
Advertisement fee	3,559,406	4,130,872
Others	19,243,935	24,355,521
Total	<b>2,160,216,015</b>	<b>1,804,939,370</b>

## 51. Items in the cash flow statement

## (1) Other cash receipts relating to operating activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Receipts from compensation of damaged road and non-operating income items, etc.	43,003,780	34,868,179
Receipts from interest income of bank deposit	2,598,542	1,898,200
Receipts of restricted monetary funds	62,224,893	-
Total	<b>107,827,215</b>	<b>36,766,379</b>

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

#### 51. Items in the cash flow statement (Continued)

##### (2) Other cash payments relating to operating activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Payment of non-salary and other expenditure	52,392,216	16,083,492
Payment of restricted monetary funds	—	33,197,816
Total	52,392,216	49,281,308

##### (3) Other cash receipts relating to investing activities: N/A

##### (4) Other cash payments relating to investing activities:

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Borrowings from/Loans to related parties	120,000,000	—

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

##### (6) Other cash payments relating to financing activities

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
Bond issue fee and other charges of loans	579,293	351,351

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

## VI. NOTES TO ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

## 52. Supplementary information to the cash flow statement

## (1) Supplementary information to the cash flow statement

Unit: RMB

Supplementary information	Amount incurred in the current period	Amount incurred in the prior period
<b>1. Reconciliation of net profit to cash flow from operating activities :</b>		
Net profit	1,953,000,959	1,606,182,836
Add : Provision for impairment losses of assets	—	—
Depreciation of fixed assets	120,210,817	106,537,466
Amortization of intangible assets	597,498,263	536,393,756
Amortization of long-term prepaid expenses	1,451,154	1,674,068
Amortization of deferred income	(922,484)	785,759
Losses on disposal of fixed assets, intangible assets and other long-term assets (gains are indicated by "-")	1,578,917	483,085
Losses on changes in fair values (gains are indicated by "-")	(2,543,880)	1,242,313
Financial expenses (income is indicated by "-")	211,317,478	260,359,941
Losses arising from investments (gains are indicated by "-")	(291,449,163)	(205,887,185)
Decrease in deferred tax assets (increase is indicated by "-")	79,062,106	33,825,601
Increase in deferred tax liabilities (decrease is indicated by "-")	635,970	976,091
Decrease in inventories (increase is indicated by "-")	156,724,205	(193,294,635)
Decrease in receivables from operating activities (increase is indicated by "-")	(53,709,913)	127,867,780
Increase in payables from operating activities (decrease is indicated by "-")	(262,851,772)	670,488,615
Others- amortization of investment properties	1,119,185	784,571
Others-decrease in restricted monetary funds (increase is indicated by "-")	62,224,893	(33,197,816)
Net cash flow from operating activities	2,573,346,735	2,915,222,246
<b>2. Significant investing and financing activities that do not involve cash receipts and payments:</b>	—	—
<b>3. Net changes in cash and cash equivalents:</b>		
Closing balance of cash	265,732,902	201,639,277
Less: Opening balance of cash	194,272,978	221,115,078
Net increase (decrease) in cash and cash equivalents	71,459,924	(19,475,801)

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

#### 52. Supplementary information to the cash flow statement (Continued)

##### (2) Composition of cash and cash equivalents

Unit: RMB

Item	Amount incurred in the current period	Amount incurred in the prior period
<b>I. Cash</b>	<b>265,732,902</b>	201,639,277
Including: Cash on hand	577,867	645,998
Bank deposits	262,050,433	197,647,723
Other monetary funds	3,104,602	3,345,556
<b>II. Cash equivalents</b>	-	-
Including: Investment in debt securities due within three months	-	-
<b>III. Closing balance of cash and cash equivalents</b>	<b>265,732,902</b>	201,639,277

#### 53. Assets or use rights with restricted ownership

Unit: RMB

Item	Closing carrying amount	Reasons for restriction
Bank deposits	5,791,120	Customer mortgage deposit
Bank deposits	3,133,171	Project deposit
Intangible assets	2,063,654,213	Mortgage of toll road right
Total	<b>2,072,578,504</b>	

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

## 54. Foreign currency monetary items

Unit: RMB

Item	Closing balance in foreign currency	Exchange rate	Closing balance translate in RMB
<b>Cash and bank balances</b>			
Including : HKD	838,809	0.8679	728,018
<b>Long-term borrowings</b>			
Including : USD	2,849,252	6.7744	19,301,972

## VII. CHANGES OF CONSOLIDATED FINANCIAL STATEMENT SCOPE

## 1. Changes of consolidated financial statement scope for other reasons

## (1) Subsidiaries acquired by setting up

On 28 December 2016, the Company's subsidiary, namely, Guangjing Xicheng Company jointly established Jiangsu Changyi Expressway Co., Ltd. ("Changyi Company") together with Changzhou Expressway Investment Development Co., Ltd., and Yixing Transportation Industrial Investment Management Co., Ltd., in Wuxi City, Jiangsu Province with a registered capital of RMB1,167,200,000 including: RMB700,320,000 contributed by Guangjing Xicheng Company, taking up 60% of the registered capital; RMB305,810,000 contributed by Changzhou Expressway Investment Development Co., Ltd., taking up 26.2% of the registered capital; and RMB161,070,000 contributed by Yixing Transportation Industrial Investment Management Co., Ltd., taking up 13.8% of the registered capital. In January 2017, Changyi Company received initial capital. As of 30 June 2017, Jiangsu Changyi Expressway Co., Ltd. has cumulatively received paid-in capital of RMB700,320,000, which consists of RMB420,190,000, RMB183,480,000 and RMB96,650,000 from Guangjing Xicheng Company, Changzhou Expressway Investment Development Co., Ltd., and Yixing Transportation Industrial Investment Management Co., Ltd., respectively.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

### VII. CHANGES OF CONSOLIDATED FINANCIAL STATEMENT SCOPE (CONTINUED)

#### 1. Changes of consolidated financial statement scope for other reasons (Continued)

##### (1) Subsidiaries acquired by setting up (Continued)

On 23 March 2017, the Company's subsidiary, namely, Guangjing Xicheng Company jointly established Jiangsu Yichang Expressway Co., Ltd. ("Yichang Company") together with Yixing Communication Investment Management Co., Ltd., in Yixing City, Jiangsu Province with a registered capital of RMB1,515,000,000 including: RMB909,000,000 contributed by Guangjing Xicheng Company, taking up 60% of the registered capital; and RMB606,000,000 contributed by Yixing Communication Investment Management Co., Ltd., taking up 40% of the registered capital. In April 2017, Yichang Company received initial capital. As of 30 June 2017, Jiangsu Yichang Expressway Co., Ltd. has cumulatively received paid-in capital of RMB606,000,000, which consists of RMB363,600,000 and RMB242,400,000 from Guangjing Xicheng Company, and Yixing Communication Investment Management Co., Ltd., respectively.

On 17 March 2017, the Company, Zhenjiang Transportation Industry Group Co., Ltd., and Yangzhou Transportation Industrial Group Co., Ltd. jointly established Jiangsu Wufengshan Bridge Co., Ltd. ("Wufengshan Bridge Company") in Zhenjiang City, Jiangsu Province with a registered capital of RMB4,644,800,000 including: RMB2,997,080,000 contributed by the Company, taking up 64.5% of the registered capital; RMB1,022,720,000 contributed by Zhenjiang Transportation Industry Group Co., Ltd., taking up 22.01% of the registered capital; and RMB627,000,000 contributed by Yangzhou Transportation Industrial Group Co., Ltd., taking up 13.49% of the registered capital. In March 2017, Wufengshan Bridge Company received initial capital. As of 30 June 2017, Jiangsu Wufengshan Bridge Co., Ltd. has cumulatively received paid-in capital of RMB1,301,100,000, which consists of RMB839,190,000, RMB286,360,000 and RMB175,550,000 from the Company, Zhenjiang Transportation Industry Group Co., Ltd., and Yangzhou Transportation Industrial Group Co., Ltd., respectively.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

## VIII. EQUITY IN OTHER ENTITIES

## 1. Equity in subsidiaries

## (1) Group composition

Unit: RMB

Name of subsidiary	Type of subsidiaries	Registered Capital	Business premise	Registered place	Business nature	Proportion of holding equity (%)		Acquired method
						Direct	Indirect	
Jiangsu Guangjing Xicheng Expressway Co., Ltd. ("Guangjing Xicheng Company")	Limited liability company	2,500,000,000	Wuxi	Nanjing	Construction and operation of expressway	85	-	Set-up
Wuxi Jingcheng Advertising Co., Ltd.	Limited liability company	1,000,000	Wuxi	Wuxi	Service	-	85	Set-up
Jiangsu Changyi Expressway Co., Ltd. ("Changyi Company") (Note 1)	Limited liability company	1,167,200,000	Wuxi	Wuxi	Construction and operation of expressway	-	60	Set-up
Jiangsu Yichang Expressway Co., Ltd. ("Yichang Company") (Note 2)	Limited liability company	1,515,000,000	Fuxing	Fuxing	Construction and operation of expressway	-	60	Set-up
Jiangsu Ninghu Investment Development Co., Ltd. ("Ninghu Investment")	Limited liability company	331,000,000	Nanjing	Nanjing	Investment and Service	100	-	Set-up
Jiangsu Ninghu Properties Co., Ltd. ("Ninghu Limited liability Properties")	Limited liability company	500,000,000	Zhenjiang, Nanjing	Nanjing	Real estate development	100	-	Set-up
Kunshan Fen Yuan Real Estate Development Co., Ltd. ("Kunshan Fengyuan")	Limited liability company	42,000,000	Kunshan	Kunshan	Real estate development	-	100	Set-up
Ninghu Properties (Kunshan) Co., Ltd. ("Kunshan Properties")	Limited liability company	200,000,000	Kunshan	Kunshan	Real estate development	-	100	Set-up
Ninghu Properties (Suzhou) Co., Ltd. ("Suzhou Properties")	Limited liability company	100,000,000	Suzhou	Suzhou	Real estate development	-	100	Set-up
Jiangsu Zhendan Expressway Co., Ltd. ("Zhendan Company")	Limited liability company	605,590,000	Zhenjiang	Nanjing	Construction and operation of expressway	70	-	Set-up
Jiangsu Ningchang Zhenli Expressway Co., Ltd. ("Ningchang Zhenli Company")	Limited liability company	9,700,000,000	Changzhou, Zhenjiang	Nanjing	Construction and operation of expressway	100	-	Business combination involving entities under common control
Jiangsu Wufengshan Bridge Co., Ltd. ("Wufengshan Bridge Company") (Note 3)	Limited liability company	4,646,800,000	Zhenjiang	Zhenjiang	Construction and operation of expressway	64.5	-	Set-up

Note 1, 2, and 3: Refer to Note VII.1.(1).

Note 4: None of the subsidiaries had issued any debt securities at the beginning and end of the year.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

### VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

#### 1. Equity in subsidiaries (Continued)

##### (2) Significant non-wholly owned subsidiaries

Unit: RMB

Name of subsidiaries	Minorities proportion of shareholding (%)	Profit or loss attributable to minority shareholders	Dividend announcement to minority shareholders	Closing balance of minority interests
Guangjing Xicheng	15	53,386,844	72,856,988	<b>1,053,207,978</b>
Zhendan Company	30	(1,500)	–	<b>181,949,183</b>
Wufengshan Bridge Company	35.5	(44,570)	–	<b>461,864,550</b>

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

Unit: RMB

Name of subsidiaries	Closing balance						Opening balance					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Guangjing Xicheng	178,504,091	6,723,606,780	6,902,110,871	1,189,039,253	1,647,206,880	2,836,246,133	71,958,764	5,969,741,329	6,041,700,093	709,188,569	1,646,418,823	2,335,067,392
Zhendan Company	1,888,305	1,162,163,421	1,164,051,726	157,564,444	400,000,000	557,564,444	1,824,742	1,108,092,059	1,109,916,801	203,424,520	300,000,000	503,424,520
Wufengshan Bridge Company	1,719,723	1,299,909,280	1,301,629,003	650,552	–	650,552	–	–	–	–	–	–

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

## VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

## 1. Equity in subsidiaries (Continued)

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

Unit: RMB

Name of subsidiaries	Amount incurred in the current period				Amount incurred in the prior period			
	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities	Operating income	Net profit	Total comprehensive income	Cash flow from operating activities
Guangjing Xicheng Zhendan Company	588,479,973	342,957,285	342,957,285	406,788,637	565,886,194	309,064,666	309,064,666	396,080,809
Zhendao Company	-	(5,000)	(5,000)	(8,315)	-	12,727	12,727	(596,294)
Wufengshan Bridge Company	-	(125,549)	(125,549)	(35,541)	-	-	-	-

## 2. Equity in joint ventures or associates

## (1) Significant associates

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

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

### VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

#### 2. Equity in joint ventures or associates (Continued)

##### (1) Significant associates (Continued)

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

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

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

## VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

## 2. Equity in joint ventures or associates (Continued)

## (2) Financial information of significant associates

Unit: RMB

	Closing balance/Amount incurred in the current year				Opening balance/Amount incurred in the prior year			
	Yangtze Bridge Company	Sujiahang Company	Suijiayong Company	Yanjiang Company	Yangtze Bridge Company	Sujiahang Company	Suijiayong Company	Yanjiang Company
Current asset	368,096,314	898,243,471	174,328,946	1,408,910,669	653,330,292	845,995,505	119,940,231	885,836,506
Non-current asset	13,301,077,068	3,442,282,372	4,095,311,407	11,103,257,459	11,930,381,820	3,569,594,673	4,114,150,418	11,368,814,682
Total asset	13,669,173,382	4,340,525,843	4,269,640,353	12,512,168,128	12,583,712,112	4,415,590,178	4,234,090,649	12,254,651,188
Current liability	2,402,884,059	246,381,501	1,079,015,452	1,960,374,994	2,304,433,776	409,635,484	1,125,446,558	1,785,479,112
Non-current liability	5,967,300,958	826,136,067	1,322,000,000	3,070,700,001	5,327,406,945	848,951,987	1,222,000,000	3,284,300,000
Total liability	8,370,185,017	1,072,517,568	2,401,015,452	5,031,074,995	7,631,840,721	1,258,587,471	2,347,446,558	5,069,779,112
Minority Interests	1,106,024,378	9,927,273	-	516,426,547	739,006,614	6,933,720	-	544,655,162
Shareholders equity attributable to shareholders of the parent company	4,192,963,987	3,258,081,002	1,868,624,901	6,964,666,586	4,212,864,777	3,150,068,987	1,886,644,091	6,640,216,914
Net assets share calculated according to proportion of shareholding	1,117,844,198	1,027,924,556	425,485,890	1,918,352,794	1,123,140,680	993,846,766	429,570,812	1,832,699,868
Adjustments								
Goodwill	53,174,434	28,607,014	-	13,173,081	53,174,434	28,607,014	-	13,173,081
Unrealized profit	-	-	-	-	-	-	-	-
Others	-	-	-	-	-	-	-	-
Net book value of the equity investment in associates	1,171,018,632	1,056,531,570	425,485,890	1,931,525,875	1,176,315,114	1,022,453,780	429,570,812	1,845,872,949
Operating income	623,381,376	705,697,872	52,780,371	929,684,362	593,837,139	746,254,141	-	685,942,917
Net income (Net loss) attributable to the parent company	272,898,395	258,102,345	(17,939,930)	310,336,688	235,232,440	223,004,356	(10,109)	240,622,976
Other comprehensive income attributable to the parent company	(36,275,000)	-	-	-	(16,605,000)	-	-	-
Total comprehensive income attributable to the parent company	236,623,395	258,102,345	(17,939,930)	310,336,688	218,627,440	223,004,356	(10,109)	240,622,976
Dividends received from associates in the current year	68,380,279	47,353,500	-	-	56,983,566	47,353,500	-	64,673,855

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

### VIII. EQUITY IN OTHER ENTITIES (CONTINUED)

#### 2. Equity in joint ventures or associates (Continued)

##### (2) Financial information of significant associates (Continued)

Other explanations:

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

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

Unit: RMB

	Closing balance/ Amount incurred in the current year	Opening balance/ Amount incurred in the prior year
<b>Joint ventures</b>		
Total net book value of the investment	15,193,313	28,422,033
Total amount of the following items calculated according to the proportion of shareholding		
Net profit (loss)	(13,228,720)	(8,517,316)
Other comprehensive income		-
Total comprehensive income (loss)	(13,228,720)	(8,517,316)
<b>Associates</b>		
Total net book value of the investment	263,728,098	268,561,270
Total amount of the following items calculated according to the proportion of shareholding		
Net profit (loss)	(4,833,172)	(4,514,841)
Other comprehensive income		-
Total comprehensive income (loss)	(4,833,172)	(4,514,841)

##### (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 2016*

### IX. FINANCIAL INSTRUMENTS AND RISK MANAGEMENT

The Group's major financial instruments include bank deposits, equity investments, debt investments, notes receivable, accounts receivable, other receivables, 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.

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

#### 1. Risk management objectives and policies

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

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

### X. DISCLOSURE ON FAIR VALUE

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

Unit: RMB

Item	Fair value at the end of the period			Total
	Level 1 Fair value measurement	Level 2 Fair value measurement	Level 3 Fair value measurement	
Fair value measured on a recurring basis				
I. FVTPL				
1. Held-for-trading financial assets	35,756,598	–	–	35,756,598
II. Other current asset				
1. Investments in financial management products	–	–	575,000,000	575,000,000
III. Available-for-sale financial assets				
1. Investments in equity instruments	–	1,562,000,000	–	1,562,000,000
Total	<u>35,756,598</u>	<u>1,562,000,000</u>	<u>575,000,000</u>	<u>2,172,756,598</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 Communications Holding.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

### XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

#### 2. Subsidiaries of the Company

Details of the subsidiaries of the Company are set out in note (VII).

#### 3. Associates and joint ventures of the entity

Details of the significant associates and joint ventures of the Company are set out in note (VII).

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

Name of associates	Related party relationship
Kuailu Co., Ltd.	Associate
Xiexin Ninghu Company	Associate
Nanlin Hotel	Associate
Luode Company	Associate
Sundian Company	Associate
Hanwei Company	Joint venture

#### 4. Other related parties of the Company

Name of other related party	Relationship between other related parties and the Company
Network Operation Company	Same ultimate shareholder
Jiangsu Petroleum Company	Same ultimate shareholder
Jiangsu Leasing Company	Same ultimate shareholder
Far East Shipping Company	Same ultimate shareholder
Group Finance Company	Same ultimate shareholder
Runyang Bridge Company	Same ultimate shareholder
Jiangsu Expressway Information Engineering Co., Ltd ("Information Company")	Same ultimate shareholder
Jiangsu HuaTong Engineering Testing Co., Ltd. ("Huatong Company")	Same ultimate shareholder
Jiangsu Suhuaiyan Expressway Management Co., Ltd. ("Suhuaiyan Company")	Same ultimate shareholder
Jiangsu Tongxingbao Smart Communication Technology Co., Ltd ("Tongxingbao Company")	Same ultimate shareholder

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

### XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

#### 5. Related party transactions

(1) Sales and purchase of goods, provision and receipt of services, interest income and expense of loans with related parties

*Purchase of goods, receipt of services and interest expense of loans with related parties:*

Unit: RMB

Related party	Type of related party transactions	Amount incurred in the current year	Amount incurred in the prior year
Network Operation Company*	Networking service fee	15,040,404	17,636,808
Tongxingbao Company*	Networking service fee	2,494,606	–
Tongxingbao Company*	ETC service fee	1,053,659	–
Sundian Company*	Road maintenance fee	11,483,015	16,334,920
Nanlin Hotel*	Food and beverage	81,371	96,089
Information Company*	Communication system maintenance fee	185,960	947,000
Network Operation Company*	Interest expenses of entrusted loan	–	823,583
Far East Shipping Company*	Interest expenses of entrusted loan	3,936,750	4,536,097
Communications Holding*	Interest expenses of entrusted loan and loans with related party	20,579,452	21,025,261
Group Finance Company*	Interest expenses of working capital loan	9,048,665	8,262,308
Runyang Bridge Company*	Interest expenses of entrusted loan	1,165,775	4,896,255
Suhuaiyan Company*	Interest expenses of entrusted loan	–	280,875

Pricing and decision-making procedures of related party transactions: For significant related party transactions, the price is settled by public tender bid price, or for reference of quote from independent, qualified construction provider after arm's length negotiation in principle that less than relevant market price. The Board Meeting should review and approve the quote and the related director should abstain from voting. The independent directors should then express an independent opinion. For other insignificant related party transactions, the price is settled by signed contracts.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

## XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

## 5. Related party transactions (Continued)

## (1) Sales and purchase of goods, provision and receipt of services, interest income and expense of loans with related parties (Continued)

*Sales, provision of services and interest income of deposits/loans with related parties:*

Unit: RMB

Related party	Type of related party transactions	Amount incurred in the current year	Amount incurred in the prior year
Kuailu Co., Ltd.	Petrol income	346,226	1,861,739
Kuailu Co., Ltd.	Toll road income	960,000	1,200,000
Network Operation Company*	ETC customer-service network management income	—	880,788
Tongxingbao Company*	ETC customer-service network management income	567,852	—
Hanwei Company	Interest income from shareholder loan	16,536,167	12,133,334
Group Finance Company *	Interest income from deposits	893,848	58,980

## (2) Leases with related parties

*Leases where a group entity is the lessor:*

Unit: RMB

Name of lessee	Type of leased assets	Lease income recognized in the current year	Lease income recognized in the prior year
Network Operation Company*	Fixed assets	1,806,208	1,806,200
Sundian Company*	Fixed assets	845,000	845,000
Jiangsu Petroleum Company*	Fixed assets	5,583,523	5,191,195

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

### XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

#### 5. Related party transactions (Continued)

##### (3) Guarantees with related parties

*The Group as the guaranteed party:*

Unit: RMB

Guarantor	Guaranteed amount	Inception date of guarantee	Expiration date of guarantee	Whether execution of guarantee has been completed
Communications Holding*	19,301,972	15 October 1998	18 July 2027	Not completed
Communications Holding*	85,000,000	16 March 2004	5 March 2019	Not completed
Communications Holding*	38,000,000	16 April 2004	20 October 2018	Not completed

##### (4) Borrowings from and Loans to related parties

*In the current period:*

Unit: RMB

Related party	Amount of borrowing/loan (Note)	Inception date	Maturity date	Closing balance	Remarks
<b>Borrowed from (repaid to):</b>					
Far East Shipping Company*	180,000,000	15 August 2016	15 August 2017	180,000,000	Entrusted loan with annual interest rate of 4.35%
Runyang Bridge Company*	(100,000,000)	26 February 2013	25 February 2019	-	Entrusted loan with annual interest rate of 6.4566%
Group Finance Company*	100,000,000	30 March 2017	29 March 2018	100,000,000	Loan from a related party with annual interest rate of 3.915%
Group Finance Company*	200,000,000	11 May 2017	10 May 2018	200,000,000	Loan from a related party with annual interest rate of 4.1325%
Group Finance Company*	50,000,000	9 June 2017	8 September 2017	50,000,000	Loan from a related party with annual interest rate of 4.1325%
Group Finance Company*	(50,000,000)	9 June 2017	8 September 2017	-	Loan from a related party with annual interest rate of 4.1325%

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

## XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

## 5. Related party transactions (Continued)

## (4) Borrowings from and Loans to related parties (Continued)

*In the current period: (Continued)*

Related party	Amount of borrowing/loan (Note)	Inception date	Maturity date	Closing balance	Remarks
Communications Holding*	-	5 December 2012	5 December 2022	250,000,000	Loan from a related party with annual interest rate of 5.80%
Communications Holding*	-	17 May 2013	17 May 2023	250,000,000	Loan from a related party with annual interest rate of 5.60%
Communications Holding*	-	20 May 2014	20 May 2019	250,000,000	Loan from a related party with annual interest rate of 6.10%
Group Finance Company*	(80,000,000)	18 January 2016	17 January 2017	-	Loan from a related party with annual interest rate of 4.13%
Group Finance Company*	(50,000,000)	8 June 2016	7 June 2017	-	Loan from a related party with annual interest rate of 4.13%
Group Finance Company*	130,000,000	18 January 2017	17 July 2017	130,000,000	Loan from a related party with annual interest rate of 4.1325%
Group Finance Company*	(130,000,000)	18 January 2017	17 July 2017	-	Loan from a related party with annual interest rate of 4.1325%
Group Finance Company*	200,000,000	17 January 2017	16 January 2018	200,000,000	Loan from a related party with annual interest rate of 4.1325%
Group Finance Company*	220,000,000	27 June 2017	26 June 2018	220,000,000	Loan from a related party with annual interest rate of 4.35%
<b>Lend to (recover from):</b>					
Hanwei Company	-	26 March 2015	26 March 2018	300,000,000	Loan from a related party with annual interest rate of 8.00%
Hanwei Company	-	18 July 2016	18 July 2019	69,000,000	Loan from a related party with annual interest rate of 8.00%
Hanwei Company	120,000,000	16 March 2017	16 March 2020	120,000,000	Entrusted loan with annual interest rate of 4.75%

Note: When the Group is the borrower, the positive amount represents borrowing from a related party while the negative amount represents repayment to a related party; When the Group is the lender, positive amount represents lending to a related party while the negative amount represents collecting the money from a related party.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

### XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

#### 5. Related party transactions (Continued)

##### (5) Compensation for key management personnel

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Compensation for key management personnel	<b>1,651,564</b>	1,703,033

##### (6) Other explanations

\* Representing the connected transaction as defined in Chapter 14A of the Listing Rules.

#### 6. Amounts due from/to related parties

##### (1) Amounts due from related parties

Unit: RMB

Item	Related party	Closing balance		Opening balance	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Cash and bank balances (Note 1)	Group Finance Company	<b>93,036,044</b>	-	41,271,766	-
Accounts receivable (Note 2)	Sujiahang Company	<b>5,623,189</b>	-	8,903,208	-
	Jiangsu Petroleum Company	<b>5,870,105</b>	-	7,683,155	-
	Yangtze Bridge Company	<b>70,668</b>	-	1,373,567	-
	Yanjiang Company	<b>1,150,932</b>	-	2,362,583	-
	Kuailu Co., Ltd.	<b>960,000</b>	-	-	-
Subtotal		<b>13,674,894</b>	-	20,322,513	-

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

## XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

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

## (1) Amounts due from related parties (Continued)

Item	Related party	Closing balance		Opening balance	
		Carrying amount	Bad debt provision	Carrying amount	Bad debt provision
Other non-current assets (including those due within 1 year)	Hanwei Company	489,000,000	-	369,000,000	-
Interest receivable	Hanwei Company	62,230,167	-	45,694,000	-
Dividends receivable	Kuailu Co., Ltd. Yangtze Bridge Company	4,989,960 34,190,140	- -	4,989,960 -	- -
Subtotal		<u>39,180,100</u>	<u>-</u>	<u>4,989,960</u>	<u>-</u>
Other receivable	Network Operation Company Sundian Company Tongxingbao Company	787,740 845,000 567,852	- - -	- - -	- - -
Subtotal		<u>2,200,592</u>	<u>-</u>	<u>-</u>	<u>-</u>

Note 1: In 2016, the Group and Group Finance Company entered into a financial service agreement. According to the agreement, Group Finance Company provided financial services including deposits and credits; the Company's subsidiaries Guangjing Xicheng Company and Ningchang Zhenli Company have also participated in the agreement. As at 30 June 2017, the Group has deposited RMB92,972,205 (31 December 2016: RMB41,154,068) in Group Finance Company in accordance with the financial service agreement.

Note 2: At 30 June 2017, besides the accounts receivable from related party stated above, there are split toll road fee receivables from other expressway companies within the toll road network companies of Jiangsu Province ("Toll Road Network Companies") which amounted to RMB191,122,533 (31 December 2016: RMB89,054,342). The ultimate shareholder of those Toll Road Network Companies is Communications Holding, except for which the Company has no other control, joint control or significant influence relationship with them.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

### XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

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

##### (2) Amounts due to related parties

Unit: RMB

Item	Related party	Closing balance	Opening balance
Accounts payable (Note)	Sujiahang Company	1,085,679	3,190,692
	Yanjiang Company	1,421,662	4,020,454
	Yangtze Bridge Company	1,803,322	6,245,132
	Sundian Company	14,108,116	16,010,078
	Network Operation Company	4,948,549	1,271,990
	Information Company	3,683,397	5,229,460
	Huatong Company	61,558	–
	Kuailu Co., Ltd.	220,903	–
	Tongxingbao Company	863,276	–
Subtotal		<b>28,196,462</b>	35,967,806
Receipts in advance	Sundian Company	80,000	80,000
	Network Operation Company	–	1,146,794
	Kuailu Co., Ltd.	–	358,173
Subtotal		<b>80,000</b>	1,584,967
Other payables	Network Operation Company	28,770	8,627,397
	Communications Holding	3,359,589	3,750,000
	Tongxingbao Company	6,037,221	–
Subtotal		<b>9,425,580</b>	12,377,397
Short-term borrowings	Far East Shipping Company	180,000,000	180,000,000
	Group Finance Company	720,000,000	130,000,000
Subtotal		<b>900,000,000</b>	310,000,000

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

## XI. RELATED PARTY RELATIONSHIPS AND TRANSACTIONS (CONTINUED)

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

## (2) Amounts due to related parties (Continued)

Item	Related party	Closing balance	Opening balance
Interest payable	Far East Shipping Company	217,500	239,250
	Group Finance Company	678,841	168,744
	Runyang Bridge Company	–	197,285
	Communications Holding	9,945,890	17,116,438
Subtotal		10,842,231	17,721,717
Long-term borrowings (including long-term borrowings due within 1 year)	Runyang Bridge Company	–	100,000,000
	Communications Holding	750,000,000	750,000,000
Subtotal		750,000,000	850,000,000

Note: At 30 June 2017, besides the accounts payable to related party stated above, there are split toll road fee payables to the Toll Road Network Companies which amounted to RMB35,966,093 (31 December 2016: RMB28,733,854). The ultimate shareholder of those Toll Road Network Companies is Communications Holding, except for which the Company has no other control, joint control or significant influence relationship with them.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

### XII. COMMITMENTS AND CONTINGENCIES

#### 1. Significant commitments

##### (1) Capital commitments

Unit: RMB

	Closing balance	Opening balance
Capital commitments that have been entered into but have not been recognized in the financial statements – Commitment for acquisition and construction of long-term assets	<b>5,964,158,487</b>	838,314,210

##### (2) Operating lease commitments

***At the balance sheet date, the Group had the following commitments in respect of non-cancellable operating leases:***

Unit: RMB

	Closing balance	Opening balance
Minimum lease payments under non-cancellable operating leases:		
1st year subsequent to the balance sheet date	<b>2,012,500</b>	2,038,900
2nd year subsequent to the balance sheet date	<b>2,112,500</b>	2,112,500
3rd year subsequent to the balance sheet date	<b>2,212,500</b>	2,212,500
Subsequent periods	<b>2,012,500</b>	2,012,500
Total	<b>8,350,000</b>	8,376,400

##### (3) Other commitments

The Group is committed to pay in the following year to Jiangsu Ninglian Ningdong Management Office, an independent third party, a management service charge calculated at a fixed rate of 17% of the total toll revenue collected that year on Nanjing-Lianyungang Highway per annum for a term of 30 years from 1 January 2000.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

### XII. COMMITMENTS AND CONTINGENCIES (CONTINUED)

#### 2. Contingencies

##### (1) Significant contingencies at the balance sheet date

Ninghu Properties, a subsidiary of the Group provides guarantees to banks for bank borrowings granted to buyers of properties Huaqiao Urban Core B4 Guangmingjiezuo Project, Huaqiao Urban Core B19 Guangmingxinzu Project, Baohua Hongyan Community B1 and B2 Tongchengshijia Project and Suzhou Nanmen Road G25 Shijiahuating Project and Suzhou Xinshi Road Qingyuan Project. The obligation begins from the date on which the guarantee contract comes into effect and will end when the buyers obtain certifications of the purchased properties and complete registration of mortgage and pass the properties warrants certification to bank. As at 30 June 2017, the outstanding guarantees amounted to approximately RMB911,749,879 (31 December 2016: RMB779,906,911).

### XIII. EVENTS AFTER THE BALANCE SHEET DATE

On 6 July 2012, the Company received the "Notice from the Office of Jiangsu Provincial Government in respect of the removal or relocation of certain toll stations and related issues" (Suzhengban Fa [2012] No. 126) issued by the Office of the Jiangsu Provincial Government. According to the Notice, the Company removed Nanjing Toll Station, Luoshe Toll Station (including Yanqiao Toll Station) and Xilin Toll Station that along the 312 National Highway (the "312 Toll Stations"). Jiangsu Provincial Government issued "Approval on compensation for removal of the 312 Toll Stations" (Suzheng Fu [2012] No.115) on 31 December 2012 and committed to compensate for the loss incurred according to the net book value of related removed toll road operation rights. As a result, the Company recognized compensation receivables from Jiangsu Provincial Government at RMB1,124,177,798. In 2015, an Agreement for early termination of the toll road operation rights in Shanghai-Nanjing Section of 312 National Highway was signed and concluded between the Company and Jiangsu Transportation Department Highway Bureau, pursuant to which the Company agreed to terminate toll road operation rights of 312 National Highway in advance and Communications Holding agreed to compensate the Company an amount of RMB1,316,049,634 based on "the "Notice in respect of the approved economic compensation on the removal of the 312 National Highway toll station and early termination of the toll road operation rights "(Suguo zifu [2015] No. 195) by the State-owned Asset Management Commission of Jiangsu Provincial Government". As at 31 December 2016, the Company has received accumulated compensation of RMB921,234,744, with the outstanding receivable balance of RMB394,814,890. In July 25, 2017, the company received the remaining compensation from Jiangsu Provincial Government. At this point, all the compensation has been fully settled.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

### XIV. OTHER SIGNIFICANT EVENTS

#### 1. Annuity scheme

See note (VI) 24.

#### 2. Retirement benefits scheme

See note (VI) 24.

#### 3. Net Profit for the year has been arrived at after charging

Unit: RMB

Item	Amount incurred in the current year	Amount incurred in the prior year
Staff costs (Include: directors' emoluments)	<b>312,935,895</b>	296,648,493
Basic endowment insurance and annuity payment	<b>66,701,251</b>	60,238,429
Total staff costs	<b>379,637,146</b>	356,886,922
Audit fee	-	289,434
Depreciation and amortization (Included in operating costs and administrative expenses)	<b>687,950,308</b>	613,797,788
Losses on disposal of non-current assets	<b>1,578,917</b>	483,085
Amortization of land use rights (Included in operating costs and administrative expenses)	<b>32,329,111</b>	31,592,073
Cost of inventories recognised as an expense	<b>934,787,043</b>	669,508,602

#### 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 (2016: 9) based on the standard with which the Group's management determines resources allocation and performance assessment, including Shanghai-Nanjing Expressway, Nanjing-Lianyungang Highway, Guangjing Expressway and Xicheng Expressway, Xiyi Expressway and Wuxi Huantaihu Expressway, Ningchang Expressway and Zhenli Expressway, Zhendan Expressway, Wufengshan Bridge, Changyi Expressway, Yichang Expressway, Ancillary services (including Petrol, food and retail in service zone along the expressways), Real estate development and Advertising and others.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

## 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-continued

Unit: RMB

	Shanghai-Nanjing Expressway		Nanjing-Lianyungang Highway		Guangjing Expressway and Xicheng Expressway		Xiyi Expressway and Wuxi Huantaihu Expressway		Ningchang Expressway and Zhenli Expressway	
	Current period	Prior period	Current period	Prior period	Current period	Prior period	Current period	Prior period	Current period	Prior period
Operating income	2,308,365,296	2,224,628,709	16,452,359	12,238,481	415,146,323	401,402,294	156,769,346	145,460,862	505,684,856	433,783,569
Operating costs	565,809,336	541,371,891	10,163,554	8,320,425	105,249,234	90,366,591	74,594,246	74,261,222	260,487,447	216,983,859
Including: Amortization of toll roads operation rights	277,615,498	254,501,565	7,291,124	6,229,752	53,412,846	48,979,471	45,161,282	41,415,562	175,855,005	136,721,906
Costs of petrol and other goods sold in service zones	-	-	-	-	-	-	-	-	-	-
Segment operating profit (loss)	1,742,555,960	1,683,256,818	6,288,805	3,918,056	309,897,089	311,035,703	82,175,100	71,199,640	245,197,409	216,799,710
Reconciling items:	-	-	-	-	-	-	-	-	-	-
Taxes and levies	8,310,115	53,347,175	59,228	289,899	1,494,527	10,008,863	564,370	3,475,678	1,820,465	10,991,466
Selling expenses	-	-	-	-	-	-	-	-	-	-
Administrative expenses	31,473,447	31,193,493	-	-	-	-	-	-	-	-
Financial expenses	-	-	-	-	-	-	-	-	-	-
Impairment loss of assets	-	-	-	-	-	-	-	-	-	-
Gains from changes in fair values	-	-	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-	-	-
Operating profit	1,702,772,398	1,598,716,150	6,229,577	3,628,157	308,402,562	301,026,840	81,610,730	67,723,962	243,376,944	205,808,244
Non-operating income	-	-	-	-	-	-	-	-	-	-
Non-operating expenses	-	-	-	-	-	-	-	-	-	-
Total profit	1,702,772,398	1,598,716,150	6,229,577	3,628,157	308,402,562	301,026,840	81,610,730	67,723,962	243,376,944	205,808,244
Income tax expenses	-	-	-	-	-	-	-	-	-	-
Net profit	1,702,772,398	1,598,716,150	6,229,577	3,628,157	308,402,562	301,026,840	81,610,730	67,723,962	243,376,944	205,808,244
	Closing balance	Opening balance	Closing balance	Opening balance	Closing balance	Opening balance	Closing balance	Opening balance	Closing balance	Opening balance
Total segment assets	11,662,380,903	12,043,899,261	274,678,545	281,969,669	1,292,319,200	1,266,085,567	2,085,429,159	2,136,426,304	6,220,036,471	6,442,854,998

# NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

## XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

### 4. Segment reporting (Continued)

#### (2) Financial information of reporting segment (Continued)

Unit: RMB

	Zhendan Expressway		Wufengshan Bridge		Changyi Expressway		Yichang Expressway		Ancillary services		Real estate development	
	Current period	Prior period	Current period	Prior period								
Operating income	-	-	-	-	-	-	-	-	848,180,759	812,173,150	386,787,528	14,148,090
Operating costs	-	-	-	-	-	-	-	-	817,830,971	797,324,297	226,972,213	(19,612,497)
Including: Amortization of toll roads operation rights	-	-	-	-	-	-	-	-	-	-	-	-
Costs of petrol and other goods sold in service zone	-	-	-	-	-	-	-	-	690,314,029	689,365,861	-	-
Segment operating profit (loss)	-	-	-	-	-	-	-	-	30,349,788	14,848,853	159,815,315	33,760,587
Reconciling items:												
Taxes and levies	5,000	-	654,364	-	613,794	-	331,562	-	7,537,772	3,811,007	16,112,655	12,430,327
Selling expenses	-	-	-	-	-	-	-	-	-	-	8,446,006	10,146,515
Administrative expenses	-	-	-	-	-	-	-	-	-	-	-	-
Financial expenses	-	-	-	-	-	-	-	-	-	-	-	-
Impairment loss of assets	-	-	-	-	-	-	-	-	-	-	-	-
Gains from changes in fair values	-	-	-	-	-	-	-	-	-	-	-	-
Investment income	-	-	-	-	-	-	-	-	-	-	-	-
Operating profit	(5,000)	-	(654,364)	-	(613,794)	-	(331,562)	-	22,812,016	11,037,846	135,256,654	11,183,745
Non-operating income	-	-	-	-	-	-	-	-	-	-	-	-
Non-operating expenses	-	-	-	-	-	-	-	-	-	-	-	-
Total profit	(5,000)	-	(654,364)	-	(613,794)	-	(331,562)	-	22,812,016	11,037,846	135,256,654	11,183,745
Income tax expenses	-	-	-	-	-	-	-	-	-	-	-	-
Net profit	(5,000)	-	(654,364)	-	(613,794)	-	(331,562)	-	22,812,016	11,037,846	135,256,654	11,183,745
	<b>Closing balance</b>	<b>Opening balance</b>	<b>Closing balance</b>	<b>Opening balance</b>								
Total segment assets	<u>1,164,051,726</u>	<u>1,063,916,802</u>	<u>1,301,629,003</u>	<u>-</u>	<u>704,308,618</u>	<u>-</u>	<u>609,907,418</u>	<u>-</u>	<u>307,917,489</u>	<u>344,056,910</u>	<u>3,399,476,898</u>	<u>3,656,467,782</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

## XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

## 4. Segment reporting (Continued)

## (2) Financial information of reporting segment (Continued)

Unit: RMB

	Advertising and others		Unallocated items		Total	
	Current period	Prior period	Current period	Prior period	Current period	Prior period
Operating income	<b>31,648,598</b>	21,552,700	-	-	<b>4,669,035,065</b>	4,065,387,855
Operating costs	<b>10,663,066</b>	8,887,835	-	-	<b>2,071,770,067</b>	1,717,903,623
Including: Amortization of toll roads operation rights	-	-	-	-	<b>559,335,755</b>	487,848,256
Costs of petrol and other goods sold in service zone	-	-	-	-	<b>690,314,029</b>	689,365,861
Segment operating profit (loss)	<b>20,985,532</b>	12,664,865	-	-	<b>2,597,264,998</b>	2,347,484,232
Reconciling items:						
Taxes and levies	<b>1,161,627</b>	557,639	<b>6,553,388</b>	-	<b>45,218,867</b>	94,912,054
Selling expenses	<b>201,253</b>	248,153	-	-	<b>8,647,259</b>	10,394,668
Administrative expenses	-	-	<b>48,325,242</b>	57,165,697	<b>79,798,689</b>	88,359,190
Financial expenses	-	-	<b>211,683,150</b>	261,626,740	<b>211,683,150</b>	261,626,740
Impairment loss of assets	-	-	-	-	-	-
Gains from changes in fair values	-	-	<b>2,543,880</b>	(1,242,313)	<b>2,543,880</b>	(1,242,313)
Investment income	-	-	<b>291,449,163</b>	205,887,185	<b>291,449,163</b>	205,887,185
Operating profit	<b>19,622,652</b>	11,859,073	<b>27,431,263</b>	(114,147,565)	<b>2,545,910,076</b>	2,096,836,452
Non-operating income	-	-	<b>2,727,880</b>	11,277,544	<b>2,727,880</b>	11,277,544
Non-operating expenses	-	-	<b>14,655,686</b>	11,793,523	<b>14,655,686</b>	11,793,523
Total profit	<b>19,622,652</b>	11,859,073	<b>15,503,457</b>	(114,663,544)	<b>2,533,982,270</b>	2,096,320,473
Income tax expenses	-	-	<b>580,981,311</b>	490,137,637	<b>580,981,311</b>	490,137,637
Net profit	<b>19,622,652</b>	11,859,073	<b>(565,477,854)</b>	(604,801,181)	<b>1,953,000,959</b>	1,606,182,836
	<b>Closing balance</b>	Opening balance	<b>Closing balance</b>	Opening balance	<b>Closing balance</b>	Opening balance
Total segment assets	<b>824,240,451</b>	573,606,846	<b>8,623,508,200</b>	8,473,289,390	<b>38,469,884,081</b>	36,282,573,529

Segment profit represents the gross profit earned by each segment without allocation of finance costs, and investment income. This is the measure reported to the Group's chief operating decision maker for the purpose of resource allocation and assessment of segment performance.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

### XIV. OTHER SIGNIFICANT EVENTS (CONTINUED)

#### 4. Segment reporting (Continued)

##### (3) External revenue by geographical area of source and non-current assets by geographical location

All income and assets of the Group are from/located in Jiangsu province.

##### (4) Degree of reliance on major customers

The principle activities are toll roads operation and ancillary services along toll roads etc., therefore, there is no reliance on specific customers.

#### 5. Capital risk management

The Group operates through the management of capital operations to ensure the going-concern of the entities of the group, and to maximize the return on investment by optimizing the balance between debt and equity.

The capital structure of the Group consists of net liabilities (borrowings offset cash and cash equivalents) as well as equity holders of the Group. The borrowings part of net liabilities is disclosed in Note (VI) 21, 29, 30, 31 and 32; shareholders' equity of the company includes capital reserve, other comprehensive income, surplus reserve and retained profits, which are disclosed in note (VI) 35, 36, 37 and 38.

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 2016

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

## 1. Accounts receivable

## (1) Disclosure of accounts receivable by categories:

Unit: RMB

Item	Closing balance					Opening balance				
	Carrying amount		Bad debt provision		Net book value	Carrying amount		Bad debt provision		Net book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Accounts receivable that are individually significant and for which bad debt provision has been assessed individually	-	-	-	-	-	-	-	-	-	-
Accounts receivable for which bad debt provision has been assessed by portfolios – Portfolio 1	133,564,290	95	-	-	133,564,290	94,917,459	92	-	-	94,917,459
Accounts receivable for which bad debt provision has been assessed by portfolios – Portfolio 2	7,725,997	5	154,521	100	7,571,476	7,725,997	8	154,521	100	7,571,476
Accounts receivable that are not individually significant but for which bad debt provision has been assessed individually	-	-	-	-	-	-	-	-	-	-
Total	141,290,287	100	154,521	100	141,135,766	102,643,456	100	154,521	100	102,488,935

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

Name of portfolio	Accounts receivable	Closing balance	
		Bad debt provision	Proportion (%)
Portfolio 2	7,725,997	154,521	2
Total	7,725,997	154,521	2

Basis for determining the above portfolio:

See Note (III) 10.2.

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

#### 1. Accounts receivable (Continued)

##### (2) The aging analysis of accounts receivable according to invoice date (close to revenue recognition date):

Unit: RMB

Aging	Closing balance				Opening balance			
	Amount	Proportion (%)	Bad debt provision	Net book value	Amount	Proportion (%)	Bad debt provision	Net book value
Within 1 year	141,290,287	100	154,521	141,135,766	102,643,456	100	154,521	102,488,935
More than 1 year but not exceed 2 years	-	-	-	-	-	-	-	-
More than 2 years but not exceeding 3 years	-	-	-	-	-	-	-	-
More than 3 years	-	-	-	-	-	-	-	-
Total	<u>141,290,287</u>	<u>100</u>	<u>154,521</u>	<u>141,135,766</u>	<u>102,643,456</u>	<u>100</u>	<u>154,521</u>	<u>102,488,935</u>

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

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

Unit: RMB

Name of entity	Amount	Bad debt provision	Proportion of the amount to the total accounts receivable (%)
Network Operation Company	111,858,627	-	79
Sinopec Sales Co., Ltd. Jiangsu Branch	9,069,539	-	6
Sujiahang Company	5,133,042	-	4
Suzhou Circular Company	1,987,505	-	2
Ninghang Company	1,848,700	-	1
Total	<u>129,897,413</u>	<u>-</u>	<u>92</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

## 2. Other receivables

## (1) Disclosure of other receivable by categories:

Unit: RMB

Item	Carrying amount		Closing balance		Net book value	Carrying amount		Opening balance		Net book value
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Other receivables that are individually significant and for which bad debt provision has been assessed individually	15,812,140	4	15,812,140	99	-	15,812,140	4	15,812,140	99	-
Other receivables for which bad debt provision has been assessed by portfolios - Portfolio 1	407,713,209	95	-	-	407,713,209	399,084,360	95	-	-	399,084,360
Other receivables for which bad debt provision has been assessed by portfolios - Portfolio 2	4,318,216	1	86,364	1	4,231,852	4,318,216	1	86,364	1	4,231,852
Other receivables that are not individually significant but for which bad debt provision has been assessed individually	-	-	-	-	-	-	-	-	-	-
Total	427,843,565	100	15,898,504	100	411,945,061	419,214,716	100	15,898,504	100	403,316,212

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

Unit: RMB

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

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

#### 2. Other receivables (Continued)

##### (1) Disclosure of other receivable by categories: (Continued)

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

Unit: RMB

Name of portfolio	Carrying amount	Bad debt provision	Proportion (%)
Portfolio 2	4,318,216	86,364	2

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

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

##### (3) Disclosure of other receivables by nature:

Unit: RMB

Nature	Closing balance	Opening balance
Amount of the disposal of the removal of network points of 312 National Highway	394,814,890	394,814,890
Amount of investment clearance	15,812,140	15,812,140
Petty cash	3,785,247	4,241,682
Other insignificant amounts	13,431,288	4,346,004
Total	427,843,565	419,214,716

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

## 2. Other receivables (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 (%)	Bad debt provision Closing balance
Jiangsu Provincial Government	Amounts of the disposal of the removal network point in Shanghai-Nanjing Section of 312 National Highway	394,814,890	Over 3 years	92	–
Jinasu Yixing Highway Administration Department	Investment liquidation accounts	15,812,140	Over 3 years	4	15,812,140
Sundian Company	Lease payment	845,000	Within 1 year	–	–
Network Operation Company	Lease payment	787,740	Within 1 year	–	–
Tongxingbao Company	Lease payment	567,852	Within 1 year	–	–
Total		<u>412,827,622</u>		<u>96</u>	<u>15,812,140</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

#### 3. Long-term equity investments

Unit: RMB

Item	Closing balance			Opening balance		
	Carrying amount	Provision for impairment losses	Net book value	Carrying amount	Provision for impairment losses	Net book value
Investments in subsidiaries	11,188,441,765	-	11,188,441,765	10,119,246,885	-	10,119,246,885
Investments in associates	2,725,423,974	-	2,725,423,974	2,703,013,166	-	2,703,013,166
Investments in Joint ventures	15,193,313	-	15,193,313	28,422,033	-	28,422,033
Total	<u>13,929,059,052</u>	<u>-</u>	<u>13,929,059,052</u>	<u>12,850,682,084</u>	<u>-</u>	<u>12,850,682,084</u>

#### (1) Investments in subsidiaries

Unit: RMB

Investee	Opening balance	Changes in the period	Closing balance	Provision for impairment losses	Cash dividend for the period
Subsidiaries					
Guangjing Xicheng Company	2,125,000,000	-	2,125,000,000	-	412,856,260
Ningchang Zhenli Company	6,729,236,885	-	6,729,236,885	-	-
Ninghu Properties	500,000,000	-	500,000,000	-	-
Ninghu Investment	341,100,000	230,000,000	571,100,000	-	-
Zhendao Company	423,910,000	-	423,910,000	-	-
Wufengshan Bridge Company	-	839,194,880	839,194,880	-	-
Total	<u>10,119,246,885</u>	<u>1,069,194,880</u>	<u>11,188,441,765</u>	<u>-</u>	<u>412,856,260</u>

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

## 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	Opening balance	Increase	Decrease	Changes in the current year					Closing balance	Closing of impairment loss	
				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											
Hanwei Company	28,422,033	-	-	(13,228,720)	-	-	-	-	-	15,193,313	-
Associates											
Kuailu Co., Ltd.	58,116,971	-	-	(1,040,429)	-	-	-	-	-	57,076,542	-
Yangtze Bridge Company	1,176,315,114	-	-	72,754,712	(9,670,915)	-	(68,380,279)	-	-	1,171,018,632	-
Sujiahang Company	1,022,453,780	-	-	81,431,290	-	-	(47,353,500)	-	-	1,056,531,570	-
Sujiayong Company	429,570,812	-	-	(4,084,922)	-	-	-	-	-	425,485,890	-
Xiexin Ninghu Company	11,714,728	-	-	(734,400)	-	-	-	-	-	10,980,328	-
Sundian Company	4,841,761	-	-	(510,749)	-	-	-	-	-	4,331,012	-
Total	2,731,435,199	-	-	134,586,782	(9,670,915)	-	(115,733,779)	-	-	2,740,617,287	-

## 4. Operating income and operating costs

## (1) Operating income

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	3,142,761,425	1,351,004,868	3,018,124,282	1,301,980,840
Including: Shanghai-Nanjing Expressway	2,308,365,296	565,809,336	2,224,628,709	541,371,891
Nanjing-Lianyungang Highway	16,452,359	10,163,554	12,238,481	8,320,425
Ancillary services	817,943,770	775,031,978	781,257,092	752,288,524
Total	3,142,761,425	1,351,004,868	3,018,124,282	1,301,980,840

## NOTES TO THE FINANCIAL STATEMENTS

For the period ended 30 June 2016

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

#### 5. Investment income

##### (1) Details of investment income

Unit: RMB

<u>Item</u>	<u>Amount incurred in current period</u>	<u>Amount incurred in prior period</u>
Income from long-term equity investments under equity method	<b>134,586,783</b>	105,927,264
Income from long-term equity investments under cost method	<b>412,856,260</b>	384,035,506
Investment income from available-for-sale financial assets in the holding period	<b>35,600,000</b>	–
Investment income from disposal of available-for-sale financial assets	<b>793,816</b>	1,167,532
Investment income from loans	<b>50,355,908</b>	59,745,171
Total	<b>634,192,767</b>	550,875,473

## SUPPLEMENTARY INFORMATION

### 1. BREAKDOWN OF NON-RECURRING PROFIT OR LOSS

Unit: RMB

Item	Amount
Losses (gains) on disposal of non-current assets	(1,578,917)
Government grants recognized in profit or loss for the current period	1,506,926
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	7,838,872
Reversal of provision for accounts receivable which were tested for impairment losses individually	–
Interest income from loans	14,142,057
Other non-operating income or expenses other than the above	(11,855,815)
Tax effects	(2,513,281)
Effects attributable to minority interests	(21,023)
Total	<u>7,518,819</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 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	8.20%	0.3771	N/A
Net profit after deduction of non-recurring profits or losses attributable to ordinary shareholders of the Company	<u>8.17%</u>	<u>0.3756</u>	<u>N/A</u>

## Documents Available for Inspection



Documents Available for  
Inspection

Copies of the interim report signed by the Chairman

Financial statements signed and sealed by the legal representative, the chief accountant and the person-in-charge of the accounting body

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

Articles of Association of the Company

Copies of interim reports released in other stock exchanges

*Chairman:* **Chang Qing**

Date of submission to the Board for approval: 25 August 2017

*As at the date of this report, the directors of the Company are: Chang Qing, Gu Dejun, Du Wenyi, Yao Yongjia, Wu Xinhua, Hu Yu, Ma Chung Lai, Lawrence, Zhang Erzhen\*, Zhang Zhuting\*, Chen Liang\*, Lin Hui\**

\* *Independent non-executive directors*