

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

**FINANCIAL STATEMENTS AND
AUDITOR'S REPORT
FOR THE YEAR ENDED 31 DECEMBER 2015**

[English translation for reference only. Should there be any inconsistency between the Chinese and English versions, the Chinese version shall prevail.]

Chongqing Yuhe Expressway Company Limited

Financial Statements and Auditor's Report
For the Year Ended 31 December 2015
[English translation for reference only]

Contents	Page
Auditor's report	1 - 2
Financial statements for the year ended 31 December 2015	
Balance sheet	3
Income statement	4
Cash flow statement	5
Changes in owner's equity	6
Notes to the financial statements	7 - 59

[English Translation for Reference Only]

Auditor's Report

PwC ZT CQ Shen Zi (2016) No. 006

(Page 1 of 2)

To the Board of Directors of Chongqing Yuhe Expressway Company Limited,

We have audited the accompanying financial statements of Chongqing Yuhe Expressway Company Limited (hereinafter "the Company"), which comprise the balance sheet as at 31 December 2015, and the income statement, the statement of changes in owners' equity and the cash flow statement for the year then ended, and the notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditor's Responsibility

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

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

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

Opinion

In our opinion, the accompanying financial statements present fairly, in all material respects, the financial position of the Company as at 31 December 2015, and its financial performance and cash flows for the year then ended in accordance with the requirements of Accounting Standards for Business Enterprises.

PricewaterhouseCoopers Zhong Tian LLP
Chongqing Branch

Chongqing, the People's Republic of China

26 February 2016

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

BALANCE SHEETS AS AT 31 DECEMBER 2015

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

ASSETS	Note	31 December 2015	31 December 2014
Current assets			
Cash at bank and on hand	6(1)	52,698,183.12	14,344,208.68
Accounts receivable	6(2)	10,523,907.93	12,263,599.97
Other receivables	6(3)	7,227,506.38	5,283,078.04
Inventories	6(4)	119,740.90	138,813.86
Other current assets	6(5)	83,000,000.00	70,000,000.00
Total current assets		153,569,338.33	102,029,700.55
Non-current assets			
Fixed assets	6(6)	44,226,667.49	43,763,759.59
Construction in progress	6(7)	500,000.00	-
Intangible assets	6(8)	3,131,134,418.28	3,212,216,497.67
Long-term prepaid expenses	6(9)	55,402,633.61	60,316,835.73
Deferred tax assets	6(17)	87,221.75	141,976.88
Total non-current assets		3,231,350,941.13	3,316,439,069.87
TOTAL ASSETS		3,384,920,279.46	3,418,468,770.42

LIABILITIES AND OWNERS' EQUITY	Note	31 December 2015	31 December 2014
Current liabilities			
Accounts payable	6(10)	23,925,045.90	18,915,877.45
Advances from customers	6(11)	714,301.30	-
Employee benefits payable	6(12)	504,232.44	121,354.05
Interests payable	6(13)	2,708,688.89	2,979,333.34
Taxes payable	6(14)	10,811,865.65	6,259,972.59
Other payables	6(15)	4,283,409.79	2,325,609.25
Current portion of non-current liabilities	6(16)	82,000,000.00	82,000,000.00
Total current liabilities		124,947,543.97	112,602,146.68
Non-current liabilities			
Long-term borrowings	6(18)	1,580,000,000.00	1,662,000,000.00
Total non-current liabilities		1,580,000,000.00	1,662,000,000.00
Total liabilities		1,704,947,543.97	1,774,602,146.68
Owners' equity			
Paid-in capital	6(19)	1,574,812,062.26	1,574,812,062.26
Undistributed profits	6(20)	105,160,673.23	69,054,561.48
Total owners' equity		1,679,972,735.49	1,643,866,623.74
TOTAL LIABILITIES AND OWNERS' EQUITY		3,384,920,279.46	3,418,468,770.42

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

INCOME STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

Item	Note	2015	2014
Revenue	6(21)	483,698,074.70	452,126,076.30
Less: Cost of sales	6(21)	(152,399,733.84)	(159,066,860.80)
Taxes and surcharges	6(22)	(16,395,869.38)	(15,221,368.13)
General and administrative expenses		(24,276,761.46)	(18,371,053.39)
Financial expenses – net	6(23)	(102,904,598.49)	(115,779,586.73)
Asset impairment loss	6(30)	350,000.00	-
Investment income	6(25)	3,151,626.30	724,575.35
Including: Share of profit of associates and joint ventures		-	-
Operating profit		191,222,737.83	144,411,782.60
Add: Non-operating income	6(26)	3,138,909.99	1,959,852.35
Less: Non-operating expenses	6(27)	-	(404,015.15)
Including: Losses on disposal of non-current assets		-	(395,710.63)
Total profit		194,361,647.82	145,967,619.80
Less: Income tax expenses	6(28)	(29,200,974.59)	(21,913,058.32)
Net profit		165,160,673.23	124,054,561.48
Net amount of other comprehensive income after tax		-	-
Total comprehensive income		165,160,673.23	124,054,561.48

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

CASH FLOW STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

Item	Note	2015	2014
Cash flows from operating activities			
Cash received from sales of goods or rendering of services		478,904,859.73	434,285,585.89
Cash received relating to other operating activities		51,541,547.31	47,073,160.34
Sub-total of cash inflows		530,446,407.04	481,358,746.23
Cash paid for goods and services		(29,777,922.92)	(56,315,454.56)
Cash paid to and on behalf of employees		(25,912,899.59)	(2,092,312.31)
Payments of taxes and surcharges		(41,685,737.96)	(37,278,412.33)
Cash paid relating to other operating activities	6(29)(4)	(50,930,273.03)	(53,633,100.32)
Sub-total of cash outflows		(148,306,833.50)	(149,319,279.52)
Net cash flows from operating activities	6(29)(1)	382,139,573.54	332,039,466.71
Cash flows from investing activities			
Cash received from disposal of investments		370,000,000.00	60,000,000.00
Cash received from returns on investments		3,151,626.30	724,575.35
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		-	78,342.30
Sub-total of cash inflows		373,151,626.30	60,802,917.65
Cash paid to acquire fixed assets, intangible assets and other long-term assets		(19,345,223.48)	(19,905,456.38)
Cash paid to acquire investments		(383,000,000.00)	(130,000,000.00)
Sub-total of cash outflows		(402,345,223.48)	(149,905,456.38)
Net cash flows from investing activities		(29,193,597.18)	(89,102,538.73)
Cash flows from financing activities			
Cash received from borrowings		-	701,000,000.00
Sub-total of cash inflows		-	701,000,000.00
Cash repayments of borrowings		(82,000,000.00)	(772,500,000.00)
Cash payments for interest expenses and distribution of dividends or profits		(232,592,001.92)	(272,320,021.15)
Sub-total of cash outflows		(314,592,001.92)	(1,044,820,021.15)
Net cash flows from financing activities		(314,592,001.92)	(343,820,021.15)
Effect of foreign exchange rate changes on cash and cash equivalents		-	-
Net increase/(decrease) in cash and cash equivalents	6(29)(1)	38,353,974.44	(100,883,093.17)
Add: Cash and cash equivalents at beginning of year	6(29)(3)	14,344,208.68	115,227,301.85
Cash and cash equivalent at end of year	6(29)(3)	52,698,183.12	14,344,208.68

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

STATEMENT OF CHANGES IN OWNERS' EQUITY FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts in RMB Yuan unless otherwise stated)

[English translation for reference only]

Item	Note	Paid-in capital	Capital surplus	Surplus reserves	Undistributed profits	Total owners' equity
Balance at 1 January 2014		1,574,812,062.26	-	-	101,998,347.40	1,676,810,409.66
Movements for the year ended 31 December 2014						
Total comprehensive income						
Net profit		-	-	-	124,054,561.48	124,054,561.48
Profit distribution						
Distribution for owners	6(20)	-	-	-	(156,998,347.40)	(156,998,347.40)
Balance at 31 December 2014		1,574,812,062.26	-	-	69,054,561.48	1,643,866,623.74
Balance at 1 January 2015		1,574,812,062.26	-	-	69,054,561.48	1,643,866,623.74
Movements for the year ended 31 December 2015						
Total comprehensive income						
Net profit		-	-	-	165,160,673.23	165,160,673.23
Profit distribution						
Distribution for owners	6(20)	-	-	-	(129,054,561.48)	(129,054,561.48)
Balance at 31 December 2015		1,574,812,062.26	-	-	105,160,673.23	1,679,972,735.49

The accompanying notes form an integral part of these financial statements.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

1 General information

Chongqing Yuhe Expressway Co., Ltd. (the “Company”) is a limited liability company established by Chongqing Expressway Group Co., Ltd. (the “Chongqing Expressway Group”). The Company gets the enterprise legal person business license of No. 500000000006517 which is issued by the Department of Administration for Industry and Commerce of Chongqing on 4 May 2011. The registered capital was RMB 10,000,000.00 when the Company was set up.

According to the document of “Yu Guo Zi No. [2011]394” issued by the Chongqing State-owned Assets Supervision and Administration Commission (the “Chongqing State Assets Commission”), Chongqing Expressway Group transferred the net assets amounting to RMB 1,564,812,062.26 of the Yuhe first phase project which was administered by Zhongyu operating branch of Chongqing Expressway Group and increased the capital surplus of the Company on the base date of 31 May 2011. According to the resolution of the second meeting of shareholders which was convened on 25 July 2011, the Company transferred the capital surplus amounting to RMB 1,564,812,062.26 which was the net assets of the Yuhe first phase project transferred by the Chongqing Expressway Group to paid-in capital, and the paid-in capital after the increase was RMB 1,574,812,062.26. The Company then made the change of business registration at the same time. According to the document of “Yu Guozi No.[2011]608” issued by the Chongqing State Assets Commission, at the base date of 31 August 2011, Chongqing Expressway Group transferred 49% equity share of the Company to Chongqing State Assets Commission for free of charge. After the transfer of equity share, the equity structure has changed. Chongqing Expressway Group held 51% equity share of the Company and Chongqing State Assets Commission held 49% equity share of the Company. In December 2011, according to the approval document of “Yufu No.[2011]132” released by Chongqing Municipal People's Government, the Government agreed that Chongqing State Assets Commission transferred the 49% equity share of the Company to ITNL International Pte Limited, and the Company became a joint venture company. At the same time, the Company got the approval document of “Yu Waijingmao fa No. [2011]433” released by Chongqing Foreign Trade and Economic Committee and the approval document of “Yu Fagai Wai No. [2011] 1785 released by Chongqing Municipal Development and Reform Commission. The two departments also agreed the transfer of the share. After the transfer of equity share, the equity structure had changed. Chongqing Expressway Group held 51% equity share of the Company and ITNL International Pte Limited held 49% equity share of the Company. The Company then made the change of business registration at the same time. The type of the Company has been changed to the sino-foreign joint venture limited company. The registered place is Silver Fir Road 66, Yubei District, Chongqing. The registered capital is RMB 1,574,812,062.26 and the approved operating period of the Company is from 4 May 2011 to 27 June 2032.

The authorised business scope of the Company is the operation and administration for the project of Chongqing Yuhe Expressway. For the year ended 31 December 2015, the actual principal activities of the Company are the operation and administration for the project of Chongqing Yuhe Expressway.

These financial statements were authorised for issue by the legal representative on 26 February 2016.

2 Basis of preparation

The financial statements are prepared in accordance with the *Accounting Standard for Business Enterprises - Basic Standard*, and the specific accounting standards and other relevant regulations issued by the Ministry of Finance on 15 February 2006 and in subsequent periods (hereafter collectively referred to as “the *Accounting Standard for Business Enterprises*” or “CAS”).

The financial statements are prepared on a going concern basis.

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

3 Statement of compliance with the Accounting Standard for Business Enterprises

The financial statements of the Company for the year ended 31 December 2015 are in compliance with the *Accounting Standard for Business Enterprises*, and truly and completely present the financial position of the Company as at 31 December 2015 and of their financial performance, cash flows and other information for the year then ended.

4 Significant accounting policies and accounting estimates

(1) Accounting year

The Company's accounting year starts on 1 January and ends on 31 December.

(2) Recording currency

The recording currency is Renminbi (RMB).

(3) Cash and cash equivalents

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

(4) Foreign currency translation

Foreign currency transactions

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

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

(5) Financial assets

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

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(5) Financial assets (Cont'd)

(a) Financial assets at fair value through profit or loss

Financial assets at fair value through profit or loss include financial assets held for the purpose of selling in the short term. They are presented as financial assets held for trading on the balance sheet.

(b) Receivables

Receivables, including accounts receivable and other receivables, are non-derivative financial assets with fixed or determinable payments that are not quoted in an active market (Note 4 (6)).

(c) Available-for-sale financial assets

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

(d) Held-to-maturity investments

Held-to-maturity investments are non-derivative financial assets with fixed maturity and fixed or determinable payments that management has the positive intention and ability to hold to maturity. Held-to-maturity investments with maturities over 12 months when the investments were made but are due within 12 months (including 12 months) at the balance sheet date are included in the current portion of non-current assets; held-to maturity investments with maturities no more than 12 months (including 12 months) when the investments were made are included in other current assets.

(e) Recognition and measurement

Financial assets are recognised at fair value on the balance sheet when the Company becomes a party to the contractual provisions of the financial instrument. In the case of financial assets at fair value through profit or loss, the related transaction costs incurred at the time of acquisition are recognised in profit or loss for the current period. For other financial assets, transaction costs that are attributable to the acquisition of the financial assets are included in their initially recognised amounts. A financial asset is derecognised when the contractual rights to receive the cash flows from the financial asset expire, or the Company transfers substantially all the risks and rewards of ownership of the financial asset to the transferee.

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(5) Financial assets (Cont'd)

(e) Recognition and measurement (Cont'd)

Financial assets at fair value through profit or loss and available-for-sale financial assets are subsequently measured at fair value. Investments in equity instruments are measured at cost when they do not have a quoted market price in an active market and whose fair value cannot be reliably measured. Receivables and held-to-maturity investments are measured at amortised cost using the effective interest method.

Gains or losses arising from change in fair value of available-for-sale financial assets are recognised directly in equity, except for impairment losses and foreign exchange gains and losses arising from translation of monetary financial assets. When such financial assets are derecognised, the cumulative gains or losses previously recognised directly into equity are recycled into profit or loss for the current period.

(f) Impairment of financial assets

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

When an impairment loss on a financial asset carried at amortised cost has occurred, the amount of loss is provided for at the difference between the asset's carrying amount and the present value of its estimated future cash flows (excluding future credit losses that have not been incurred). If there is objective evidence that the value of the financial asset recovered and the recovery is related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed and the amount of reversal is recognised in profit or loss.

If there is objective evidence that an impairment loss on available-for-sale financial assets at fair value incurred, the cumulative losses arising from the decline in fair value that had been recognised directly in equity are transferred out from equity and into impairment loss. For an investment in debt instrument classified as available-for-sale on which impairment losses have been recognised, if, in a subsequent period, its fair value increases and the increase can be objectively related to an event occurring after the impairment loss was recognised in profit or loss, the previously recognised impairment loss is reversed into profit or loss for the current period. For an investment in an equity instrument classified as available-for-sale on which impairment losses have been recognised, the increase in its fair value in a subsequent period is recognised directly in equity.

If an impairment loss on an available-for-sale financial asset measured at cost incurs, the amount of loss is measured at the difference between the asset's carrying amount and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset.

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(6) Receivables

Receivables comprise accounts receivable and other receivables. Accounts receivable arising from expressway toll revenue managed by the Company is initially recognised at fair value of the contractual payments.

Receivables with amounts that are individually significant are subject to separate assessment for impairment. If there exists objective evidence that the Company will not be able to collect the amount under the original terms, a provision for bad debts of that receivable is made at the difference between its carrying amount and the present value of its estimated future cash flows.

Receivables with amounts that are not individually significant and those receivables that have been individually assessed for impairment and have not been found impaired are classified into certain groupings based on their credit risk characteristics. The provision for bad debts is determined based on the historical loss experience for the groupings of receivables with similar credit risk characteristics, taking into consideration of the current circumstances.

The provision ratios used under the ageing analysis method for the groupings are as follows:

	Provision ratios used for accounts receivable	Provision ratios used for other receivables
Within 1 year	0%	0%
1 to 2 years	0%	0%
2 to 3 years	10%	10%
3 to 4 years	30%	30%
4 to 5 years	30%	30%
Over 5 years	100%	100%

When the Company transfers the accounts receivable to the financial institutions without recourse, the difference between the proceeds received from the transaction and their carrying amounts and the related taxes is recognised in profit or loss for the current period.

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(7) Inventories

Inventories mainly include raw materials, and are measured at the lower of cost and net realisable value.

Cost is determined using the weighted average method.

Provision for decline in the value of inventories is determined at the excess amount of the carrying amounts of the inventories over their net realisable value. Net realisable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs necessary to make the sale and related taxes.

The Company adopts the perpetual inventory system.

(8) Fixed assets

Fixed assets comprise buildings, machinery and equipment, safety equipment, communication equipment, supervisor equipment, toll facilities, motor vehicles, and other equipment. Fixed assets purchased or constructed are initially measured at cost at the time of acquisition. The investment to the Company's fixed assets by State shareholders on 31 May 2011 was evaluated by assets evaluation organisation, and was recognised at the net value of the fixed assets confirmed in the YuSA [2011] No. 394 file by State-owned Assets Supervision and Administration Commission of the State Council Chongqing committee.

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

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives.

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(8) Fixed assets (Cont'd)

The estimated useful lives, the estimated residual values expressed as a percentage of cost and the annual depreciation rates of fixed assets are as follows:

	Estimated useful lives	Estimated net residual values	Annual depreciation rates
Safety equipment	3-10 years	3%	9.70% - 32.33%
Communication equipment	5 years	3%	19.40%
Supervisor equipment	5 years	3%	19.40%
Toll facilities	5 years	3%	19.40%
Buildings	15-30 years	3%	3.23% - 6.47%
Machinery and equipment	3-10 years	3%	9.70% - 32.33%
Motor vehicles	5-10 years	3%	9.70% - 19.40%
Other equipment	5-8 years	3%	12.13% - 19.40%

The estimated useful life, the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed, and adjusted as appropriate at each year-end.

A fixed asset is derecognised on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposals on sale, transfer, retirement or damage of a fixed asset net of its carrying amount and related taxes and expenses is recognised in profit or loss for the current period.

(9) Construction in progress

Construction in progress is recorded at actual cost. Actual cost comprises construction cost, installation cost, borrowings eligible for capitalised condition and necessary expenditures incurred for its intended use. Construction in progress is transferred to fixed assets when the assets are ready for their intended use, and depreciation begins from the following month.

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(10) Intangible assets

Intangible assets include toll road franchise and software purchased, and are measured at cost.

(a) Toll road franchise

The Company signed a contractual service arrangement with the local government department to participate in the operations and maintenance of the Yu Wu Expressway North Central - Hechuan toll road infrastructure. Under these arrangements, the Company can receive the road toll ("concession arrangements") from service users of the expressway. Franchise assets, including toll roads and structures and the associated land use rights acquired under the concession arrangements which can be used as a right to charge tolls to service users are recorded in the balance sheet as "toll road franchise". When the concession period expires, the Company shall return the toll roads and structures and associated land use rights to the government departments, but will not return other assets.

Fixed assets as equity from state owned shareholder are recorded in net value after evaluated by asset evaluation agency and the net value was approved by the document of "Yu Guo Zi No. [2011] 394" issued on 31 May 2011 by Chongqing State-owned Assets Supervision and Administration Commission.

Toll road franchise is amortised using the traffic flow method.

That is to say the amortisation amount per year = the net value of the intangible asset at the beginning of the year* the actual traffic flow of the year/the predicted total surplus traffic flow at the beginning of the year. If there is a great difference between the predicted total traffic flow and the actual total traffic flow, the Company will predict the total traffic flow again. Then the Company will use the new one as the total surplus traffic flow from the year of the change of the total predicted traffic flow.

(b) Software purchased

Software purchased are amortised on the straight-line basis of 5 years.

(c) Periodical review of useful life and amortisation method

For an intangible asset with a finite useful life, review of its useful life and amortisation method is performed at each year-end, with adjustment made as appropriate.

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(11) Research and development

The expenditure on an internal research and development project is classified into expenditure on the research phase and expenditure on the development phase based on its nature and whether there is material uncertainty that the research and development activities can form an intangible asset at end of the project.

Expenditure on the research phase is recognised in profit or loss in the period in which it is incurred. Expenditure on the development phase is capitalised only if all of the following conditions are satisfied:

- it is technically feasible to complete the intangible asset so that it will be available for use or sale;
- management intends to complete the intangible asset, and use or sell it;
- it can be demonstrated how the intangible asset will generate economic benefits;
- there are adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset; and
- the expenditure attributable to the intangible asset during its development phase can be reliably measured.

Other development expenditures that do not meet the conditions above are recognised in profit or loss in the period in which they are incurred. Development costs previously recognised as expenses are not recognised as an asset in a subsequent period. Capitalised expenditure on the development phase is presented as development costs in the balance sheet and transferred to intangible assets at the date that the asset is ready for its intended use.

(12) Long-term prepaid expenses

Long-term prepaid expenses include the improved overhaul costs of the expressway. Long-term prepaid expenses are amortised on the straight-line basis over the expected beneficial period and are presented at actual expenditure net of accumulated amortisation.

(13) Impairment of long term assets

Fixed assets, construction in progress and intangible assets with finite useful lives, are tested for impairment if there is any indication that an asset may be impaired at the balance date; intangible assets not ready for their intended use are tested at least annually for impairment, irrespective of whether there is any indication that it may be impaired. If the result of the impairment test indicates that the recoverable amount of an asset is less than its carrying amount, a provision for impairment and an impairment loss are recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognised on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

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

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(14) Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time for its intended use commence to be capitalised and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalisation of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use and the borrowing costs incurred thereafter are recognised in profit or loss for the current period. Capitalisation of borrowing costs is suspended during periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

(15) Borrowings

Borrowings are recognised initially at fair value, net of transaction costs incurred, and subsequently measured at amortised cost using the effective interest method. Borrowings of which the period is within one year (including one year) are classified as the short-term borrowings, and the others are classified as long-term borrowings.

(16) Employee benefits

Employee benefits include short-term employee benefits, post-employment benefits, etc. that are provided in various forms of consideration in exchange for service rendered by employees or compensations for the termination of employment relationship.

(a) Short-term employee benefits

Short-term employee benefits include employee wages or salaries, bonus, allowances and subsidies, staff welfare, premiums or contributions on medical insurance, work injury insurance and maternity insurance, housing funds, union running costs and employee education costs, short-term paid absences. The employee benefit liabilities are recognised in the accounting period in which the service is rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets. Employee benefits which are non-monetary benefits are measured at fair value.

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(16) Employee benefits (Cont'd)

(b) Post-employment benefits

The Company classifies post-employment benefit plans as either defined contribution plans or defined benefit plans. Defined contribution plans are post-employment benefit plans under which the Company pays fixed contributions into a separate fund and will have no obligation to pay further contributions; and Defined benefit plans are post-employment benefit plans other than defined contribution plans. During the reporting period, the Company's post-employment benefits mainly include basic pensions and unemployment insurance, both of which belong to the defined contribution plans.

Basic pensions

The Company's employees participate in the basic pension plan set up and administered by local authorities of Ministry of Human Resource and Social Security. Monthly payments of premiums on the basic pensions are calculated according to prescribed bases and percentage by the relevant local authorities. When employees retire, the relevant local authorities are obliged to pay the basic pensions to them. The amounts based on the above calculations are recognised as liabilities in the accounting period in which the service has been rendered by the employees, with a corresponding charge to the profit or loss for the current period or the cost of relevant assets.

(17) Provisions

As franchise right contract requires that the Company assumes the obligation of the maintenance of the toll highway which is a present obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably, so the Company should recognise a provision.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation. Factors surrounding a contingency, such as the risks, uncertainties and the time value of money, are taken into account as a whole in reaching the best estimate of a provision. Where the effect of the time value of money is material, the best estimate is determined by discounting the related future cash outflows. The increase in the discounted amount of the provision arising from passage of time is recognised as interest expense.

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

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(18) Deferred tax assets and deferred tax liabilities

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

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

Deferred tax assets and liabilities are offset when:

- the deferred taxes are related to the same tax payer within the Company; and
- the Company has a legally enforceable right to offset current tax assets against current tax liabilities.

(19) Revenue recognition

The amount of revenue is determined in accordance with the fair value of the consideration received or receivable for the rendering of services in the ordinary course of the Company's activities.

Revenue is recognised when the economic benefits associated with the transaction will flow to the Company, the related revenue can be reliably measured, and the specific revenue recognition criteria have been met for each type of the Company's activities as described below:

(a) Expressway toll revenue

The operating income of the Company mainly includes the vehicle tolls charged by the Chongqing Expressway Toll System. The Company will recognise the revenue when the economic benefits associated with the transaction will flow to the Company and the related revenue can be reliably measured. Vehicle toll revenue include the vehicle toll revenue which the Company received revenue allocated by the Network Data Clearing Center of Chongqing Expressway Group through the Chongqing Networking Toll System and the vehicle toll revenue which other Chongqing Expressway Networking charging units received revenue allocated by the Network Data Clearing Center of Chongqing Expressway Group.

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(19) Revenue recognition (Cont'd)

(b) Rendering of services

For the Company's rendering of obstacle clearance service to external parties, the revenue is recognised when relevant services have been provided, the service revenue and cost can be reliably measured, and transaction-related economic benefits will flow to the Company.

(20) Government grants

Government subsidies are transfers of monetary or non-monetary assets from the government to the Company at nil consideration, including financial subsidies, etc.

A government grant is recognised when the conditions attached to it can be complied with and the government grant can be received. For a government grant in the form of transfer of monetary assets, the grant is measured at the amount received or receivable. For a government grant in the form of transfer of non-monetary assets, it is measured at fair value.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

Government grants related to assets refer to government grants which are obtained by the Group for the purposes of purchase, construction or acquisition of the long-term assets. Government grants related to income refer to the government grants other than those related to assets.

For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred by the Company in the subsequent periods, the grant is recognised as deferred income, and included in profit or loss over the periods in which the related costs are recognised; where the grant is a compensation for related expenses or losses already incurred by the Company, the grant is recognised immediately in profit or loss for the current period.

(21) Leases

A lease that in substance transfers substantially all the risks and rewards incidental to ownership of an asset is a finance lease. An operating lease is a lease other than a finance lease.

Lease payments under an operating lease are recognised on a straight-line basis over the period of the lease, and are either capitalised as part of the cost of related assets, or charged as an expense for the current period.

Lease income under an operating lease is recognised on a straight-line basis over the period of the lease.

(22) Profit distribution

Proposed profit distribution is recognised as a liability in the period in which it is approved by the Board of Directors.

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(23) Segment information

The Company identifies operating segments based on the internal organisation structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Company that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) whose operating results are regularly reviewed by the Company's management to make decisions about resources to be allocated to the segment and to assess its performance, and (3) for which the information on financial position, operating results and cash flows is available to the Company. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

(24) Critical accounting estimates and judgements

The Company continually evaluates the critical accounting estimates and key judgements applied based on historical experience and other factors, including expectations of future events that are believed to be reasonable.

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next accounting year are outlined below:

(a) The amortisation of the toll road franchise

As described in Note 4(10)(a), the toll road franchise of the Company is amortised using traffic flow method; the directors of the Company will make periodic review for the predicted total traffic flow. When there is a great difference between the predicted total traffic flow and the actual total traffic flow, the Company will commission a professional organisation to conduct an independent professional traffic study to make appropriate modifications. Then the Company will use the new predicted total traffic flow to amortise the toll road franchise in the future.

(b) Amortisation period of the long-term prepaid expenses

Amortisation period of the long-term prepaid expenses is based on the actual useful lives of previous long-term prepaid expenses with similar nature and functions, estimated with historical experience.

At each year end, the Company reviews the amortisation of long-term prepaid expenses lives and make adjustments as appropriate.

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

4 Summary of significant accounting policies and accounting estimates (Cont'd)

(24) Critical accounting estimates and judgements (Cont'd)

(c) Provisions

As stated in Note 4(17), the Company bears the current obligation that is resulted from its responsibility for maintaining the toll roads under its management. When the Company fulfills the current obligation, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The carrying amount of provisions is reviewed by the Company at end of the year and adjusted to reflect the current best estimate.

(d) Income taxes

The Company is subject to enterprise income taxes Chongqing. There are many transactions and events for which the ultimate tax determination is uncertain during the ordinary course of business. Significant judgement is required from the Company in determining the income tax expense. Where the final identified outcome of these tax matters is different from the initially-recorded amount, such difference will impact the income tax expenses and deferred income tax in the period in which such determination is finally made.

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

5 Taxation

- (1) The main categories and rates of taxes applicable to the Company are set out below:

Category	Tax base	Tax rate
Business tax	Vehicle traffic revenue, assets leasing, etc.	3% or 5%
City maintenance and construction tax	Taxable turnover amount	7%
Educational surcharge	Taxable turnover amount	3%
Local educational surcharge	Taxable turnover amount	2%
Enterprise income tax (Note)	Taxable income	15%

Note: According to the notification of No. Cai Shui [2011] 58 *On the In-depth Implementation of the Western Development Strategy on Tax Policy Issues*, from 1 January 2011 to 31 December 2020, for those encouraged industrial enterprises located in the western region, the enterprise income tax rate of 15% will be applied. The encouraged industrial enterprises refer to the enterprises who engage in the industrial activities as listed in the "Catalogue of Encouraged Industries in Western Regions" as its major business. According to the announcement of No. 12 [2012] issued by the State Administration of Taxation on 6 April 2012, the Company complies with the preferential tax policy conditions above. From 1 January 2011 to 31 December 2020, the Company can enjoy the preferential income tax rate of 15%. So the applicable tax rate of the Company in 2015 is 15%.

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

6 Notes to the financial statements

(1) Cash at bank and on hand

Item	31 December 2015		31 December 2014	
	Amount	Including: Amount in foreign currency	Amount	Including: Amount in foreign currency
Cash on hand	-	-	-	-
Cash at bank	52,698,183.12	-	14,344,208.68	-
Including: RMB	52,698,183.12	-	14,344,208.68	-
Other cash balances	-	-	-	-
Total	52,698,183.12	-	14,344,208.68	-

Note: As at 31 December 2015, the Company does not have any cash restricted by mortgage or frozen reasons which is deposited abroad and has potential recovery risk.

(2) Accounts receivable

	31 December 2014			31 December 2015
	Amount	Increase in current year	Decrease in current year	Amount
Accounts receivable	12,263,599.97			10,523,907.93
Less: Provision for bad debts	-	-	-	-
	12,263,599.97			10,523,907.93

Type	31 December 2015				31 December 2014			
	Balance		Provision for bad debts		Balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance	Amount	% of total balance	Amount	% of total balance
With amounts that are individually significant and that the related provision for bad debts is provided on the individual basis	-	-	-	-	-	-	-	-
Accounts receivable that are subject to provision for bad debts on the grouping basis	10,523,907.93	100.00	-	-	12,263,599.97	100.00	-	-
Accounts receivable with amounts that are not individually significant but subject to separate assessment for provision for bad debts	-	-	-	-	-	-	-	-
Total	10,523,907.93	100.00	-	-	12,263,599.97	100.00	-	-

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

6 Notes to the financial statements (Cont'd)

(2) Accounts receivable (Cont'd)

1 Accounts receivable that are subject to provision for bad debts on the grouping basis

(1) Accounts receivable that the related provision for bad debts is provided using the ageing analysis method are analysed as follows:

Ageing	31 December 2015			31 December 2014		
	Balance		Provision for bad debts	Balance		Provision for bad debts
	Amount	% of total balance		Amount	% of total balance	
Within 1 year (inclusive)	10,523,907.93	100.00	-	12,263,599.97	100.00	-
1 to 2 years (inclusive)	-	-	-	-	-	-
2 to 3 years (inclusive)	-	-	-	-	-	-
3 to 4 years (inclusive)	-	-	-	-	-	-
4 to 5 years (inclusive)	-	-	-	-	-	-
Over 5 years	-	-	-	-	-	-
Total	10,523,907.93	100.00	-	12,263,599.97	100.00	-

(2) As at 31 December 2015, the Company had no accounts receivable that the related provision for bad debts was provided using balance percentage method or other methods on the grouping basis.

2 As at 31 December 2015, the Company had no accounts receivable with amounts that were individually significant and that the related provision for bad debts was provided on the individual basis.

3 As at 31 December 2015, the Company had no accounts receivable with amounts that were not individually significant but that the related provision for bad debts was provided on the individual basis.

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

6 Notes to the financial statements (Cont'd)

(3) Other receivables

	31 December 2014			31 December 2015
	Amount			Amount
Allocating income and ETC income (Note11(4)(b))	5,139,678.04			3,678,506.38
Security deposits receivable	350,000.00			49,000.00
Others	143,400.00			3,500,000.00
	5,633,078.04			7,227,506.38
		Increase in current year	Decrease in current year	
Less: Provision for bad debts	(350,000.00)	-	350,000.00	-
Total	5,283,078.04			7,227,506.38

Type	31 December 2015				31 December 2014			
	Balance		Provision for bad debts		Balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance	Amount	% of total balance	Amount	% of total balance
Other receivables with amounts that are individually significant and subject to separate assessment for provision for bad debts	-	-	-	-	-	-	-	-
Other receivables that are subject to provision for bad debts on the grouping basis	7,227,506.38	100.00	-	-	5,633,078.04	100.00	(350,000.00)	6.21
Other receivables with amounts that are not individually significant but subject to separate assessment for provision for bad debts	-	-	-	-	-	-	-	-
Total	7,227,506.38	100.00	-	-	5,633,078.04	100.00	(350,000.00)	6.21

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

6 Notes to the financial statements (Cont'd)

(3) Other receivables (Cont'd)

1 Other receivables that are subject to provision for bad debts on the grouping basis (the ageing analysis method)

(1) Other receivables that the related provision for bad debts is provided using the ageing analysis method are analysed as follows:

Ageing	31 December 2015			31 December 2014		
	Balance		Provision for bad debts	Balance		Provision for bad debts
	Amount	% of total balance		Amount	% of total balance	
Within 1 year (inclusive)	7,227,506.38	100.00	-	5,283,078.04	93.79	-
1 to 2 years (inclusive)	-	-	-	-	-	-
2 to 3 years (inclusive)	-	-	-	-	-	-
3 to 4 years (inclusive)	-	-	-	-	-	-
4 to 5 years (inclusive)	-	-	-	-	-	-
Over 5 years	-	-	-	350,000.00	6.21	(350,000.00)
Total	7,227,506.38	100.00	-	5,633,078.04	100.00	(350,000.00)

(2) As at 31 December 2015, the Company had no other receivables that the related provision for bad debts was provided using balance percentage method or other methods on the grouping basis.

2 As at 31 December 2015, the Company had no other receivables that were individually significant but that the related provision for bad debts was provided on the individual basis.

3 As at 31 December 2015, the Company had no other receivables that were not individually significant but that the related provision for bad debts was provided on the individual basis.

(4) Inventories

	31 December 2015			31 December 2014		
	Ending balance	Provision for declines in value of inventories	Carrying amount	Ending balance	Provision for declines in value of inventories	Carrying amount
Raw materials	119,740.90	-	119,740.90	138,813.86	-	138,813.86
Work in progress	-	-	-	-	-	-
Finished goods	-	-	-	-	-	-
Turnover materials	-	-	-	-	-	-
Others	-	-	-	-	-	-
Total	119,740.90	-	119,740.90	138,813.86	-	138,813.86

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

6 Notes to the financial statements (Cont'd)

(5) Other current assets

Item	31 December 2015	31 December 2014
ICBC ZL90ZST	-	40,000,000.00
CCB 2014074 Capital Preservation Products	-	20,000,000.00
CCB 2014072 Wealth Management Products	-	10,000,000.00
ICBC Capital Preservation Products - WL91BBX	2,000,000.00	-
ICBC Capital Preservation Products - WL35BBX	14,000,000.00	-
ICBC Capital Preservation Products - WL35BBX	7,000,000.00	-
ABC Capital Preservation Products - BLF-90 days	10,000,000.00	-
ABC Capital Preservation Products - BLF-90 days	50,000,000.00	-
Total	83,000,000.00	70,000,000.00

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

6 Notes to the financial statements (Cont'd)

(6) Fixed assets

1 The category of fixed assets

Item	31 December 2014	Internal reclassification	Increase in current year	Decrease in current year	31 December 2015
Cost	82,124,233.15	(2,235,928.07)	7,338,002.60	-	87,226,307.68
Including: Safety equipment	31,344,921.11	(350,309.48)	820,798.07	-	31,815,409.70
Communication equipment	706,561.95	-	11,319.70	-	717,881.65
Supervisor equipment	6,247,516.52	-	1,835,635.89	-	8,083,152.41
Toll facilities	8,150,460.25	-	2,293,110.94	-	10,443,571.19
Machinery and equipment	3,820,414.90	-	1,198,000.00	-	5,018,414.90
Motor vehicles	2,039,721.12	-	1,046,250.00	-	3,085,971.12
Buildings	28,935,009.63	(1,885,618.59)	-	-	27,049,391.04
Other equipment	879,627.67	-	132,888.00	-	1,012,515.67
Accumulated depreciation	(38,360,473.56)	556,900.63	(5,196,067.26)	-	(42,999,640.19)
Including: Safety equipment	(27,286,221.76)	261,432.07	(166,267.32)	-	(27,191,057.01)
Communication equipment	(15,016.32)	-	(116,765.32)	-	(131,781.64)
Supervisor equipment	(957,103.63)	-	(1,137,559.44)	-	(2,094,663.07)
Toll facilities	(2,054,159.89)	-	(1,378,804.70)	-	(3,432,964.59)
Machinery and equipment	(1,285,627.41)	-	(402,937.98)	-	(1,688,565.39)
Motor vehicles	(551,318.49)	-	(235,003.05)	-	(786,321.54)
Buildings	(5,770,002.46)	295,468.56	(1,599,248.48)	-	(7,073,782.38)
Other equipment	(441,023.60)	-	(159,480.97)	-	(600,504.57)
Net book value	43,763,759.59				44,226,667.49
Including: Safety equipment	4,058,699.35				4,624,352.69
Communication equipment	691,545.63				586,100.01
Supervisor equipment	5,290,412.89				5,988,489.34
Toll facilities	6,096,300.36				7,010,606.60
Machinery and equipment	2,534,787.49				3,329,849.51
Motor vehicles	1,488,402.63				2,299,649.58
Buildings	23,165,007.17				19,975,608.66
Other equipment	438,604.07				412,011.10

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

6 Notes to the financial statements (Cont'd)

(6) Fixed assets (Cont'd)

1 The category of fixed assets (Cont'd)

Item	31 December 2014	Internal reclassification	Increase in current year	Decrease in current year	31 December 2015
Provision for impairment loss	-	-	-	-	-
Including: Safety equipment	-	-	-	-	-
Communication equipment	-	-	-	-	-
Supervisor equipment	-	-	-	-	-
Toll facilities	-	-	-	-	-
Machinery and equipment	-	-	-	-	-
Motor vehicles	-	-	-	-	-
Buildings	-	-	-	-	-
Other equipment	-	-	-	-	-
Carrying amount	43,763,759.59				44,226,667.49
Including: Safety equipment	4,058,699.35				4,624,352.69
Communication equipment	691,545.63				586,100.01
Supervisor equipment	5,290,412.89				5,988,489.34
Toll facilities	6,096,300.36				7,010,606.60
Machinery and equipment	2,534,787.49				3,329,849.51
Motor vehicles	1,488,402.63				2,299,649.58
Buildings	23,165,007.17				19,975,608.66
Other equipment	438,604.07				412,011.10

Note 1: As at 31 December 2015, fixed assets with cost of RMB 27,558,310.48 were fully depreciated but still in use.

Note 2: In 2015, the amount of construction in progress transferred to fixed assets was RMB 4,949,544.83.

Note 3: In 2015, no scrapped fixed assets were disposed.

Note 4: In 2015, the depreciation expense was RMB 5,196,067.26; and the amount of depreciation expense charged to cost of sales and general and administrative expenses were RMB 5,068,950.41 (2014: RMB 9,380,256.33), and RMB 127,116.85 (2014: RMB 104,735.20) respectively.

2 As at 31 December 2015, there were no held-for-sale fixed assets.

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

6 Notes to the financial statements (Cont'd)

(7) Construction in progress

Name of project	Budget value	31 December 2014	Increase in current year	Transfer to fixed assets	Transfer to long-term prepaid expenses	Proportion of expenditures incurred to budget value (%)	Progress of the project	Capitalised interest accumulated amount	Including: Capitalised interest in current year	Capitalised interest rate in current year (%)	Source of funds	31 December 2015
2015 highway enhancement for national review	12,000,000.00	-	15,887,969.00	-	(15,887,969.00)	132%	100%	-	-	-	Self-raised	-
2015 installation of ETC system	1,350,000.00	-	1,418,509.13	(1,418,509.13)	-	105%	100%	-	-	-	Self-raised	-
2015 TV wall renewal of the monitoring station	410,000.00	-	728,000.00	(728,000.00)	-	178%	100%	-	-	-	Self-raised	-
2015 enforcing of cross-lane capturing system for Beibei tunnel	580,000.00	-	500,000.00	-	-	86%	86%	-	-	-	Self-raised	500,000.00
2015 renewal of tunnel emergency call and radio system	562,000.00	-	455,525.54	(455,525.54)	-	81%	100%	-	-	-	Self-raised	-
2015 UPS replacement	360,000.00	-	364,000.00	(364,000.00)	-	101%	100%	-	-	-	Self-raised	-
2015 PLC equipment renewal	600,000.00	-	349,440.00	(349,440.00)	-	58%	100%	-	-	-	Self-raised	-
2015 replacement of tunnel gate for vehicles	390,000.00	-	345,800.00	(345,800.00)	-	89%	100%	-	-	-	Self-raised	-
2015 upgrade of inter-province charging system and ambiguous charging IPC & Server	580,000.00	-	328,182.27	(328,182.27)	-	57%	100%	-	-	-	Self-raised	-
Small projects	960,087.89	-	960,087.89	(960,087.89)	-	100%	100%	-	-	-	Self-raised	-
Total		-	21,337,513.83	(4,949,544.83)	(15,887,969.00)							500,000.00

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

6 Notes to the financial statements (Cont'd)

(8) Intangible assets

1 Category of intangible assets

Item	31 December 2014	Transfer from fixed assets	Increase in current year	Decrease in current year	31 December 2015
Cost	3,458,647,269.76	2,235,928.07	-	-	3,460,883,197.83
Including: Toll road franchise	3,458,468,602.36	2,235,928.07	-	-	3,460,704,530.43
Software	178,667.40	-	-	-	178,667.40
Accumulated amortisation	(246,430,772.09)	(556,900.63)	(82,761,106.83)	-	(329,748,779.55)
Including: Toll road franchise	(246,310,174.46)	(556,900.63)	(82,730,377.59)	-	(329,597,452.68)
Software	(120,597.63)	-	(30,729.24)	-	(151,326.87)
Provision for impairment loss	-	-	-	-	-
Including: Toll road franchise	-	-	-	-	-
Software	-	-	-	-	-
Carrying amount	3,212,216,497.67	-	-	-	3,131,134,418.28
Including: Toll road franchise	3,212,158,427.90	-	-	-	3,131,107,077.75
Software	58,069.77	-	-	-	27,340.53

Note: As at 31 December 2015, toll road franchise with net book value of RMB 3,131,107,077.75 is used as the pledge for the long-term borrowings of ICBC (Jiaochangkou Branch) and CCB (Chongqing Branch)(Note6(18)), and the pledge maturity is December 2028.

2 Expenditures on research and development didn't incur in 2015.

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in RMB unless otherwise stated)
[English translation for reference only]

6 Notes to the financial statements (Cont'd)

(9) Long-term prepaid expenses

Item	31 December 2014	Increase in current year	Amortisation charged in current year	Other increases	Other decreases	31 December 2015
North Central to Beibei overhaul costs	29,103,387.20	-	(10,913,770.20)	-	-	18,189,617.00
Beibei to Hechuan overhaul costs	18,831,521.57	-	(7,061,823.36)	-	-	11,769,698.21
Beibei, Xi Shanping Tunnel and Sha Ximiao Interchange Pavement Treatment	3,722,602.50	-	(930,660.00)	-	-	2,791,942.50
Yuhe road pavement disease maintenance project	1,132,047.48	-	(566,030.52)	-	-	566,016.96
K0 + 056 main line bridge, Juliangtuo bridge maintenance and reinforcement	2,259,881.98	-	(451,980.72)	-	-	1,807,901.26
2015 bridge diseases maintenance and treatment	5,267,395.00	-	(877,906.32)	-	-	4,389,488.68
2015 highway enhancement for national review	-	15,887,969.00	-	-	-	15,887,969.00
Total	60,316,835.73	15,887,969.00	(20,802,171.12)	-	-	55,402,633.61

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

6 Notes to the financial statements (Cont'd)

(10) Accounts payable

1 The ageing of accounts payable is analysed below:

Ageing	31 December 2015	31 December 2014
Within 1 year (inclusive)	20,751,871.42	18,103,356.09
1 to 2 years (inclusive)	2,644,968.02	274,337.64
2 to 3 years (inclusive)	83,426.00	92,479.76
Over 3 years	444,780.46	445,703.96
Total	23,925,045.90	18,915,877.45

2 The five largest accounts payables with ageing over 1 year are analysed as follow:

Creditor	Amount	Ageing	Reason of overdue
Chongqing Datang Technology Co., Ltd.	984,132.92	1-2 years	Undue project expenses
Chongqing Tongli Highway Maintenance Engineering Co., Ltd.	959,160.50	1-2 years	Undue project retainage
China Merchants Chongqing Communications Technology Research & Design Institute Co., Ltd.	341,350.00	1-3 years	Undue project retainage
Beijing Ruihuaying Technology Development Co., Ltd.	187,677.16	4-5 years	Undue project retainage
Yantu Technology Co., Ltd.	119,888.05	1-2 years	Undue project retainage

(11) Advances from customers

1 Advances from customers by ageing

Ageing	31 December 2015	31 December 2014
Within 1 year (inclusive)	714,301.30	-

(12) Employee benefits payable

Item	31 December 2015	Addition	Deduction	31 December 2014
Short-term employee benefits payable	121,354.05	23,969,121.31	(23,586,242.92)	504,232.44
Defined contribution plans payable	-	3,300,444.92	(3,300,444.92)	-
Total	121,354.05	27,269,566.23	(26,886,687.84)	504,232.44

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

6 Notes to the financial statements (Cont'd)

(12) Employee benefits payable (Cont'd)

(a) Short-term employee benefits

Item	31 December 2014	Increase in current year	Decrease in current year	31 December 2015
Wages and salaries, bonuses, allowances and subsidies	-	16,515,008.26	(16,515,008.26)	-
Employee benefits	-	1,725,948.82	(1,725,948.82)	-
Social security contributions	-	1,838,258.50	(1,838,258.50)	-
Including: Basic medical insurance	-	1,711,149.25	(1,711,149.25)	-
Work injury insurance	-	65,950.33	(65,950.33)	-
Maternity insurance	-	61,158.92	(61,158.92)	-
Other	-	-	-	-
Housing funds	-	1,822,758.00	(1,822,758.00)	-
Labor union funds and employee education funds	121,354.05	683,216.90	(300,338.51)	504,232.44
Short-term paid absences	-	-	-	-
Short-term profit sharing plan	-	-	-	-
Others	-	1,383,930.83	(1,383,930.83)	-
Total	121,354.05	23,969,121.31	(23,586,242.92)	504,232.44

(b) Defined contribution plans

Item	31 December 2014	Increase in current year	Decrease in current year	31 December 2015
Basic pensions	-	2,444,435.00	2,444,435.00	-
Unemployment insurance	-	132,659.92	132,659.92	-
Payment of annuity (supplementary pensions)	-	723,350.00	723,350.00	-
Total	-	3,300,444.92	3,300,444.92	-

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

6 Notes to the financial statements (Cont'd)

(13) Interests payable

	31 December 2015	31 December 2014
Interest of long-term borrowings with periodic payments of interest and return of principal at maturity	2,708,688.89	2,979,333.34
Enterprise bond interest	-	-
Interest of short-term borrowings	-	-
Total	2,708,688.89	2,979,333.34

(14) Taxes payable

Item	31 December 2014	Amounts to be paid in current year	Amounts paid in current year	31 December 2015
Business tax	1,331,445.49	14,905,335.77	(14,268,190.95)	1,968,590.31
City maintenance and construction tax	93,201.18	1,043,373.53	(998,773.39)	137,801.32
Educational surcharge	39,943.37	447,160.08	(428,045.74)	59,057.71
Local educational surcharge	26,628.91	298,105.78	(285,362.89)	39,371.80
Enterprise income tax	4,742,091.97	29,146,219.46	(25,423,176.01)	8,465,135.42
Individual income tax	26,661.67	494,889.20	(379,641.78)	141,909.09
Stamp tax	-	20,978.40	(20,978.40)	-
House property tax	-	217,192.58	(217,192.58)	-
Land use rights	-	31,689.60	(31,689.60)	-
Vehicle and vessel tax	-	12,328.40	(12,328.40)	-
Land value-added tax	-	-	-	-
Withholding taxes	-	-	-	-
- Business tax	-	340,564.23	(340,564.23)	-
- City maintenance and construction tax	-	23,839.50	(23,839.50)	-
- Educational surcharge	-	10,216.93	(10,216.93)	-
- Local educational surcharge	-	6,811.28	(6,811.28)	-
- Enterprise income tax	-	3,417,259.93	(3,417,259.93)	-
Total	6,259,972.59	50,415,964.67	(45,864,071.61)	10,811,865.65

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

6 Notes to the financial statements (Cont'd)

(15) Other payables

1 Other payables are analysed by nature as follows:

	31 December 2015	31 December 2014
Payables to related parties (Note 11 (4)(d))	138,771.39	-
Construction security deposits payable	2,514,552.00	1,088,935.00
Road toll collection payable	1,120,475.00	1,119,300.00
Others	509,611.40	117,374.25
Total	4,283,409.79	2,325,609.25

2 Other payables are analysed by ageing as follows:

Ageing	31 December 2015	31 December 2014
Within 1 year (inclusive)	3,683,152.82	1,939,609.25
1 to 2 years (inclusive)	214,256.97	340,000.00
2 to 3 years (inclusive)	340,000.00	-
Over 3 years	46,000.00	46,000.00
Total	4,283,409.79	2,325,609.25

3 Other payables at end of period are analysed by customers as follows:

Name of creditor	Amount	Nature
Chongqing Finance Bureau	1,120,475.00	Road toll collection
China Railway Group Limited	500,000.00	Construction security deposits
Guocheng Group Co., Ltd.	500,000.00	Construction security deposits

4 The five largest other payables with ageing over 1 year are analysed as follows:

Name of creditor	Amount	Ageing	Reason of overdue
Chongqing Beibei District Municipal Facilities Management Office	300,000.00	2-3 years	Security deposits, unsettled
State Grid Chongqing Corporation Jiangbei District Power Supply Branch	200,000.00	1-2 years	Security deposits, unsettled
Chongqing Xingliyuan Media Co., Ltd.	20,000.00	2-3 years	Security deposits, unsettled
Chongqing Huali Real Estate (Group) Co., Ltd.	20,000.00	2-3 years	Security deposits, unsettled
Chongqing Sinopec Huitong Oil Co., Ltd.	11,000.00	4-5 years	Security deposits, unsettled

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

6 Notes to the financial statements (Cont'd)

(16) Current portion of non-current liabilities

Item	31 December 2015	31 December 2014
Current portion of long-term borrowings	-	-
Including: Unsecured	-	-
Guaranteed	-	-
Pledged	-	-
Impawn	82,000,000.00	82,000,000.00
Current portion of debentures payable	-	-
Current portion of long-term payables	-	-
Current portion of other long-term liabilities	-	-
Total	82,000,000.00	82,000,000.00

(17) Deferred tax assets

1 Deferred tax assets

Item	31 December 2015		31 December 2014	
	Deferred tax assets	Deductible temporary differences	Deferred tax assets	Deductible temporary differences
Deferred tax assets				
Provision for asset impairment	-	-	87,500.00	350,000.00
Depreciation of fixed assets	87,221.75	581,478.33	54,476.88	363,179.20
Total	87,221.75	581,478.33	141,976.88	713,179.20

	31 December 2015	31 December 2014
Amount estimated to be reversed in 1 year (inclusive)	-	-
Amount estimated to be reversed over 1 year	87,221.75	141,976.88
Total	87,221.75	141,976.88

- 2 As at 31 December 2015, the Company had no deductible losses that were not recognised as deferred tax assets.

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

6 Notes to the financial statements (Cont'd)

(18) Long-term borrowings

Conditions	31 December 2015	31 December 2014
Secured		
- Pledged	-	-
- Guaranteed	-	-
- Impawn	1,662,000,000.00	1,744,000,000.00
Unsecured	-	-
Total	1,662,000,000.00	1,744,000,000.00
Less: Current portion of long-term borrowings	(82,000,000.00)	(82,000,000.00)
	1,580,000,000.00	1,662,000,000.00

Note 1: As at 31 December 2015, long-term borrowings are all amounts due to ICBC (Jiaochangkou Branch) and CCB (Chongqing Branch), including RMB 846,000,000 from ICBC with term of borrowing from February 2012 to December 2028; and RMB 816,000,000 from CCB with term of borrowing from August 2013 to August 2028. The interest rate is benchmark interest rate of the same term for loans over 5 years which is published by People's Bank of China and the interests are paid quarterly. Repayments are made annually according to the amount stipulated by the borrowing agreement, and the repayment of long-term borrowings amounted to RMB 82,000,000 in 2016 have been reclassified into current portion of non-current liabilities.

Note 2: As at 31 December 2015, the weighted average interest rate of long-term borrowings is 6.17% annually.

1 The Company has no long-term borrowings that are due but not repaid.

2 Impawn

Bank	Loan balance	Pledge
ICBC (Jiaochangkou Branch)	846,000,000.00	Highway toll rights of Yuhe Phase 1 Project
CCB (Chongqing Branch)	816,000,000.00	Highway toll rights of Yuhe Phase 1 Project

Note: As at 31 December 2015, bank borrowings are secured by intangible assets with a carrying amount of RMB 3,131,107,077.75 (a cost of RMB 3,460,704,530.43) (Note 6(8)).

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

6 Notes to the financial statements (Cont'd)

(19) Paid-in capital

Investor	31 December 2014		Increase in current year	Decrease in current year	31 December 2015	
	Investment amount	% of total balance			Investment amount	% of total balance
Chongqing Expressway Group	803,154,151.75	51.00	-	-	803,154,151.75	51.00
ITNL International Pte Limited	771,657,910.51	49.00	-	-	771,657,910.51	49.00
Total	1,574,812,062.26	100.00	-	-	1,574,812,062.26	100.00

(20) Undistributed profits

Item	2015	2014
Balance at beginning of year	69,054,561.48	101,998,347.40
Increase in current year	165,160,673.23	124,054,561.48
Including: Net profit	165,160,673.23	124,054,561.48
Other additions	-	-
Decrease in current year	(129,054,561.48)	(156,998,347.40)
Including: Appropriation to reserve fund	-	-
Provision for general risk	-	-
Distribution of cash dividend	(129,054,561.48)	(156,998,347.40)
Transfer to paid-in capital	-	-
Other decreases	-	-
Balance at end of year	105,160,673.23	69,054,561.48

Note 1: According to the resolution of the 6th meeting of Board of Directors on 14 April 2015, the Company distributed dividends of RMB 69,054,561.48 to shareholders; and as at 14 August 2015, the Board of Directors held an interim meeting and distributed dividends of RMB 60,000,000.00 to shareholders (2014: RMB 156,998,347.40).

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

6 Notes to the financial statements (Cont'd)

(21) Revenue and cost of sales

Item	2015		2014	
	Revenues	Cost of sales	Revenues	Cost of sales
Sub-total of main operations	478,189,578.00	(151,166,725.97)	447,813,694.30	(158,441,662.54)
Including: Expressway toll revenue	478,189,578.00	(151,166,725.97)	447,813,694.30	(158,441,662.54)
Sub-total of other operations	5,508,496.70	(1,233,007.87)	4,312,382.00	(625,198.26)
Including: Wrecker income	736,460.00	(738,350.77)	758,855.00	(131,007.15)
Leasing services	3,980,591.70	-	2,317,360.00	-
Entrusted business income	-	-	1,231,667.00	(494,191.11)
Others	791,445.00	(494,657.10)	4,500.00	-
Total	483,698,074.70	(152,399,733.84)	452,126,076.30	(159,066,860.80)

(22) Taxes and surcharges

Item	2015	2014
Business tax	14,905,335.77	13,837,614.21
City maintenance and construction tax payable	1,043,373.53	968,633.00
Educational surcharge	447,160.08	415,120.92
Total	16,395,869.38	15,221,368.13

(23) Financial expenses

Item	2015	2014
Interest expenses	103,266,795.99	116,615,200.84
Less: Interest income	(378,221.94)	(850,452.50)
Exchange losses	-	-
Less: Exchange gains	-	-
Commission expenses	16,024.44	14,838.39
Other expenses	-	-
Total	102,904,598.49	115,779,586.73

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

6 Notes to the financial statements (Cont'd)

(24) Expenses by nature

The cost of sales and general and administrative expenses in the income statements are listed as follows by nature:

Item	2015	2014
Entrusted business expenses	14,605,109.52	36,169,372.36
Employee benefits	26,550,685.23	2,077,346.89
Depreciation and amortisation expenses	108,759,345.21	106,693,403.36
Energy consumption	3,708,928.29	3,503,628.21
Pavement maintenance fee	9,446,160.31	15,948,934.61
Facility maintenance expenses	6,675,085.80	6,828,226.73
Security expenses and insurance	1,127,150.37	1,135,418.65
Allocation of clearing center fee	1,424,596.30	1,082,915.59
Consumed low value consumables	1,239,788.74	986,550.00
Others	3,139,645.53	3,012,117.79
Total	176,676,495.30	177,437,914.19

(25) Investment income

Source of investment income	2015	2014
Investment income from long-term equity investment under cost method	-	-
Investment income from long-term equity investment under equity method	-	-
Income from disposal of long-term equity investment	-	-
Income earned during the holding period of financial assets held for trading	-	-
Income earned during the holding period of held-to-maturity investments	-	-
Income earned during the holding period of available-for-sale financial assets	-	-
Income from disposal of financial assets held for trading	-	-
Income from disposal of bank financial product investments	3,151,626.30	724,575.35
Income from disposal of available-for-sale financial assets	-	-
Others	-	-
Total	3,151,626.30	724,575.35

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

6 Notes to the financial statements (Cont'd)

(26) Non-operating income

Item	2015	2014
Total gains on disposal of non-current assets	-	65,533.40
Including: Gains on disposal of fixed assets	-	65,533.40
Gains on disposal of intangible assets	-	-
Gains on non-monetary assets transfer	-	-
Gains on debt restructuring	-	-
Gains on government grants	-	-
Compensation income from highway property	995,439.00	1,113,184.00
Third-party road product compensation	2,015,194.00	574,089.00
Donation	-	-
Others	128,276.99	207,045.95
Total	3,138,909.99	1,959,852.35

(27) Non-operating expenses

Item	2015	2014
Total losses on disposal of non-current assets	-	395,710.63
Including: Losses on disposal of fixed assets	-	395,710.63
Losses on disposal of intangible assets	-	-
Losses on non-currency assets transfer	-	-
Loss on debt restructuring	-	-
Non-profit donation expenses	-	-
Abnormal loss	-	-
Loss on inventory shortage	-	-
Others	-	8,304.52
Total	-	404,015.15

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

6 Notes to the financial statements (Cont'd)

(28) Income tax expenses

Item	2015	2014
Current income tax	29,146,219.46	21,967,535.20
Deferred income tax	54,755.13	(54,476.88)
Total	29,200,974.59	21,913,058.32

The reconciliation from income tax calculated based on the applicable tax rates and total profit presented in the financial statements to the income tax expenses is listed below:

	2015	2014
Total profit	194,361,647.82	145,967,619.80
Income tax expenses calculated at applicable tax rates	29,154,247.17	21,895,142.97
Effect of change in the tax rate	-	-
Income not subject to tax	-	-
Costs, expenses and losses not deductible for tax purposes	-	1,245.68
Utilisation of previously unrecognised tax losses	-	-
Deductible losses for which no deferred tax asset was recognised	-	-
Filing difference	11,727.42	16,669.67
Others	35,000.00	-
Income tax expenses	29,200,974.59	21,913,058.32

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

6 Notes to the financial statements (Cont'd)

(29) Notes to the cash flow statement

1 Supplementary information to the cash flow statement

Item	2015	2014
Reconciliation from net profit to cash flows from operating activities		
Net profit	165,160,673.23	124,054,561.48
Add: Provisions for assets impairment	(350,000.00)	-
Depreciation of fixed assets	5,196,067.26	9,484,991.53
Amortisation of intangible assets	82,761,106.83	77,284,147.03
Amortisation of long-term prepaid expenses	20,802,171.12	19,924,264.80
Losses on disposal of fixed assets, intangible assets and other long-term assets (income listed by "-")	-	330,177.23
Losses on scrapping of fixed assets (income listed by "-")	-	-
Losses on change in fair value (income listed by "-")	-	-
Financial expenses (income listed by "-")	103,266,795.99	116,615,200.84
Investment losses (income listed by "-")	(3,151,626.30)	(724,575.35)
Decrease in deferred tax assets (increase listed by "-")	54,755.13	(54,476.88)
Increase in deferred tax liabilities (decrease listed by "-")	-	-
Decrease in inventories (increase listed by "-")	19,072.96	(29,738.44)
Decrease in operating receivables (increase listed by "-")	145,263.70	(12,317,490.29)
Increase in operating payables (decrease listed by "-")	8,235,293.62	(2,527,595.24)
Others	-	-
Net cash flows from operating activities	382,139,573.54	332,039,466.71
Significant investments and financing activities not involving cash receipt and payment		
Debts transferred to assets	-	-
Current portion of convertible bonds	-	-
Fixed assets held under finance leases	-	-
Net non-monetary assets and liabilities received from capital contributions	-	-
Net movement in cash and cash equivalents		
Cash at end of year	52,698,183.12	14,344,208.68
Less: Cash at beginning of year	14,344,208.68	115,227,301.85
Add: Cash equivalents at end of year	-	-
Less: Cash equivalents at beginning of year	-	-
Net increase in cash and cash equivalents (decrease listed by "-")	38,353,974.44	(100,883,093.17)

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

6 Notes to the financial statements (Cont'd)

(29) Notes to the cash flow statement (Cont'd)

2 The Company has no disposal of subsidiaries and other business units for the current period.

3 Cash and cash equivalents

Item	2015	2014
Cash	52,698,183.12	14,344,208.68
Including: Cash on hand	-	-
Cash at bank that can be readily drawn on demand	52,698,183.12	14,344,208.68
Other monetary fund that can be readily drawn on demand	-	-
Deposits with Central Bank that can be readily drawn on demand	-	-
Deposits with banks and other financial institutions	-	-
Placements with banks and other financial institutions	-	-
Cash equivalents	-	-
Including: Investment in debentures with maturity within 3 months	-	-
Cash and cash equivalents at end of year	52,698,183.12	14,344,208.68
Including: Restricted cash and cash equivalents in parent company or subsidiaries of the Company	-	-

4 Cash paid relating to other operating activities

Item	2015	2014
Payment of road toll collection	40,839,360.00	38,510,780.00
Payment of VAT service fee	6,811,284.57	13,622,569.14
Consultation and agency service fee	600,124.00	636,651.36
Board of Directors' expenses	356,529.36	352,335.98
Others	2,322,975.10	510,763.84
Total	50,930,273.03	53,633,100.32

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in RMB unless otherwise stated)
[English translation for reference only]

6 Notes to the financial statements (Cont'd)

(30) Provision for asset impairment

Item	Row	31 December 2014	Increase in current year				Decrease in current year					31 December 2015
			Provision in current period	Increase from combination	Increase from other reasons	Total	The reversal amount of the rebound in the value of the assets	Write-off	Decrease from combination	Decrease from other reasons	Total	
Column	1	1	2	3	4	5	6	7	8	9	10	11
Provision for bad debts	1	350,000.00	-	-	-	-	(350,000.00)	-	-	-	(350,000.00)	-
Total	2	350,000.00	-	-	-	-	(350,000.00)	-	-	-	(350,000.00)	-

7 Segment information

The Company's revenue and profit mainly come from highway fee income, and the Company's main assets are in China. The Company's management evaluates its business performance as a whole. As a result, the Company did not prepare the segment information this year.

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

8 Contingencies

Nil.

9 Events after the balance sheet date

Nil.

10 Commitments

(1) Capital commitments

Nil.

(2) Operating lease commitments

Nil.

11 Related parties and related party transactions

(1) Main shareholders

(a) General information of main shareholders

	Place of registration	Nature of business
Chongqing Expressway Group	Domestic	Mainly engage in the investment, financing and asset management of profit-making highways and other transportation infrastructure
ITNL International Pte Limited	Singapore	Engage in business growth and development management, joint venture investment and other investments

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

11 Related parties and related party transactions (Cont'd)

(1) Main shareholders (Cont'd)

(b) Registered capital and changes in main shareholders

	31 December 2014	Increase in current year	Decrease in current year	31 December 2015
Chongqing Expressway Group	2,010,450,000.00	-	-	2,010,450,000.00
ITNL International Pte Limited	USD 48,050,001.00	-	-	USD 48,050,001.00

(c) The percentages of share holding and voting rights in the Company held by the main shareholders:

	31 December 2015		31 December 2014	
	Share holding (%)	Voting rights (%)	Share holding (%)	Voting rights (%)
Chongqing Expressway Group	51%	51%	51%	51%
ITNL International Pte Limited	49%	49%	49%	49%

(2) Other related parties

Name of entity	Relationship with the Company
Chongqing Expressway Group Electrical and Mechanical Branch	The branch of Chongqing Expressway Group
Chongqing Expressway Group Zhongyu Operating Branch	The branch of Chongqing Expressway Group
Network Data Clearing Center of Chongqing Expressway Group	The branch of Chongqing Expressway Group
Chongqing Expressway Group Highway Network Management Center	The branch of Chongqing Expressway Group
Chongqing Expressway Asset Management Co., Ltd.	The subsidiary of Chongqing Expressway Group
Chongqing Expressway Industry Investment Co., Ltd.	The subsidiary of Chongqing Expressway Group
Chongqing Tongli Highway Maintenance Engineering Co., Ltd.	The subsidiary of Chongqing Expressway Group
Tongli Highway Engineering Test & Inspection Co., Ltd.	The subsidiary of Chongqing Expressway Group
Chongqing Shouxun Technology Development Co., Ltd.	The subsidiary of Chongqing Expressway Group
Chongqing Yutong Technology Co., Ltd.	The subsidiary of Chongqing Expressway Group

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

11 Related parties and related party transactions (Cont'd)

(3) Related party transactions

(a) Purchase of goods and acceptance of services

Acceptance of entrusted business management service:

Related party	Related party transactions	Pricing method and decision-making process for related party transactions	2015		2014	
			Amount	Percentage of similar transactions	Amount	Percentage of similar transactions
Chongqing Expressway Group Zhongyu Operating Branch	Service fee of acceptance of entrusted business management service	Negotiated price	-	-	22,546,803.22	100.00%

Acceptance of VAT service:

Related party	Related party transactions	Pricing method and decision-making process for related party transactions	2015		2014	
			Amount	Percentage of similar transactions	Amount	Percentage of similar transactions
Chongqing Expressway Group	VAT service fee	Negotiated price	7,302,554.76	50.00%	6,811,284.57	50.00%
ITNL International Pte Limited	VAT service fee	Negotiated price	7,302,554.76	50.00%	6,811,284.57	50.00%
			<u>14,605,109.52</u>		<u>13,622,569.14</u>	

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

11 Related parties and related party transactions (Cont'd)

(3) Related party transactions (Cont'd)

(a) Purchase of goods and acceptance of services (Cont'd)

Acceptance of maintenance service:

Related party	Related party transactions	Pricing method and decision-making process for related party transactions	2015		2014	
			Amount	Percentage of similar transactions	Amount	Percentage of similar transactions
Chongqing Shouxun Technology Development Co., Ltd.	Service fee of mechanical and electrical maintenance	Negotiated price	3,534,335.60	100.00%	-	-
Chongqing Expressway Group Electrical and Mechanical Branch	Service fee of mechanical and electrical maintenance	Negotiated price	-	-	1,633,644.94	100.00%
			<u>3,534,335.60</u>		<u>1,633,644.94</u>	

Acceptance of engineering construction:

Related party	Related party transactions	Pricing method and decision-making process for related party transactions	2015		2014	
			Amount	Percentage of similar transactions	Amount	Percentage of similar transactions
Chongqing Shouxun Technology Development Co., Ltd.	Acceptance of engineering construction	Negotiated price	5,583,039.51	52.28%	4,446,016.83	57.49%
Chongqing Tongli Highway Maintenance Engineering Co., Ltd.	Acceptance of engineering construction	Negotiated price	4,777,494.00	44.74%	3,186,059.49	41.20%
Tongli Highway Engineering Test & Inspection Co., Ltd.	Acceptance of engineering construction	Negotiated price	317,745.00	2.98%	101,500.00	1.31%
			<u>10,678,278.51</u>		<u>7,733,576.32</u>	

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

11 Related parties and related party transactions (Cont'd)

(3) Related party transactions (Cont'd)

(b) Leasing income

Related party	Related party transactions	Pricing method and decision-making process for related party transactions	2015		2014	
			Amount	Percentage of similar transactions	Amount	Percentage of similar transactions
Chongqing Expressway Asset Management Co., Ltd.	Three resource leasing fee of Yuhe Expressway	Negotiated price	1,046,164.00	27.38%	800,000.00	36.36%
Chongqing Highway Advertising Co., Ltd.	Three resource leasing fee of Yuhe Expressway	Negotiated price	2,775,000.00	72.62%	1,400,000.00	63.64%
			<u>3,821,164.00</u>		<u>2,200,000.00</u>	

(c) Repayment of borrowings

Related party	Related party transactions	Pricing method and decision-making process for related party transactions	2015		2014	
			Amount	Percentage of similar transactions	Amount	Percentage of similar transactions
Chongqing Expressway Group	Repayment of long-term payables	—	-	-	701,000,000.00	100.00%

(d) Interest expenses

Related party	Related party transactions	Pricing method and decision-making process for related party transactions	2015		2014	
			Amount	Percentage of similar transactions	Amount	Percentage of similar transactions
Chongqing Expressway Group	Group borrowing interest	Price set in articles of the agreement signed by both parties	-	-	10,522,211.11	100.00%

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

11 Related parties and related party transactions (Cont'd)

(3) Related party transactions (Cont'd)

(e) Remuneration of key management personnel

	2015	2014
Remuneration of key management personnel	<u>1,495,066.00</u>	<u>1,300,715.96</u>

(f) Collection Payment

Related party	Related party transactions	Pricing method and decision-making process for related party transactions	2015		2014	
			Amount	Percentage of similar transactions	Amount	Percentage of similar transactions
Chongqing Expressway Group	Sideway rental and road product compensation	—	12,907,614.84	10.79%	-	-
Network Data Clearing Center of Chongqing Expressway Group	Allocating income	—	75,541,543.40	63.16%	21,391,756.57	39.41%
Chongqing Expressway Asset Management Co., Ltd.	ETC allocating income	—	-	-	4,674,561.77	8.61%
Chongqing Yutong Technology Co., Ltd.	ETC allocating income	—	31,158,377.13	26.05%	-	-
Chongqing Expressway Group Highway Network Management Center	ETC allocating income	—	-	-	<u>28,211,758.99</u>	51.98%
Total			<u>119,607,535.37</u>		<u>54,278,077.33</u>	

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

11 Related parties and related party transactions (Cont'd)

(4) Receivables from and payables to related parties

(a) Accounts receivable

	31 December 2015		31 December 2014	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Chongqing Expressway Group	10,301,200.00	-	-	-
Chongqing Yutong Technology Co., Ltd.	222,108.00	-	-	-
	<u>10,523,308.00</u>	<u>-</u>	<u>-</u>	<u>-</u>

(b) Other receivables

	31 December 2015		31 December 2014	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Chongqing Expressway Group Zhongyu Operating Branch	55,850.03	-	-	-
Network Data Clearing Center of Chongqing Expressway Group	3,622,656.35	-	1,438,663.95	-
Chongqing Expressway Asset Management Co., Ltd.	-	-	3,701,014.09	-
	<u>3,678,506.38</u>	<u>-</u>	<u>5,139,678.04</u>	<u>-</u>

(c) Accounts payable

	31 December 2015	31 December 2014
Chongqing Tongli Highway Maintenance Engineering Co., Ltd.	5,736,654.50	959,160.50
Chongqing Expressway Group Zhongyu Operating Branch	-	7,532,403.64
ITNL International Pte Limited	7,302,554.76	6,811,284.57
Chongqing Expressway Group	7,302,554.76	-
Chongqing Shouxun Technology Development Co., Ltd.	693,718.44	177,511.50
	<u>21,035,482.46</u>	<u>15,480,360.21</u>

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

11 Related parties and related party transactions (Cont'd)

(4) Receivables from and payables to related parties (Cont'd)

(d) Other receivables

	31 December 2015	31 December 2014
Chongqing Expressway Group	<u>138,771.39</u>	<u>-</u>

Other payables are all unsecured, non-interest bearing, and without fixed term of repayment.

(e) Advances from customers

	31 December 2015	31 December 2014
Chongqing Expressway Asset Management Co., Ltd.	<u>525,000.00</u>	<u>-</u>

(5) Commitments in relation to related parties

Nil.

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

12 Financial instrument and risk

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

(1) Market risk

(a) Foreign exchange risk

The Company's major operational activities are carried out in Mainland China and a majority of the transactions are denominated in RMB. The Company has no significant foreign exchange risk.

(b) Interest rate risk

The Company's interest rate risk arises from long-term interest bearing borrowings including long-term bank borrowings and long-term payables. Financial liabilities issued at floating rates expose the Company to cash flow interest rate risk, and financial liabilities issued at fixed rates expose the Company to fair value interest rate risk. The Company determines the relative proportions of its fixed rate and floating rate contracts depending on the prevailing market conditions. As at 31 December 2015, the Company's long-term interest bearing borrowings were mainly RMB-denominated with floating rates, amounting to RMB 1,662,000,000.00 (31 December 2014: RMB 1,744,000,000.00) (Note 6(18)).

The Company's finance department continuously monitors the interest rate position. Increases in interest rates will increase the cost of new borrowing and the interest expenses with respect to the Company's outstanding floating rate borrowings, and therefore could have a material adverse effect on the Company's financial position. The Company makes adjustments timely with reference to the latest market conditions. During 2015 and 2014, the Company did not enter into any interest rate swap agreements.

As at 31 December 2015, if interest rates on the floating rate borrowings had risen/fallen by 50 basis points while all other variables had been held constant, the Company's net profit would have decreased/increased by RMB 7,063,500.00 (31 December 2014: approximately RMB 7,412,000.00).

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

12 Financial instrument and risk (Cont'd)

(2) Credit risk

Credit risk is managed on the grouping basis. Credit risk mainly arises from cash at bank, accounts receivable and other receivables.

The Company expects that there is no significant credit risk associated with cash at bank since they are deposited at state-owned banks and other medium or large size listed banks. Management does not expect that there will be any significant losses from non-performance by these counterparts.

In addition, the Company has policies to limit the credit exposure on accounts receivable and other receivables. The Company assesses the credit quality of and sets credit limits on its customers by taking into account their financial position, the availability of guarantee from third parties, their credit history and other factors such as current market conditions. The credit history of the customers is regularly monitored by the Company. In respect of customers with a poor credit history, the Company will use written payment reminders, or shorten or cancel credit periods, to ensure the overall credit risk of the Company is limited to a controllable extent.

(3) Liquidity risk

Cash flow forecasting is performed by the Company. The Company's finance department monitors rolling forecasts of the Company's short-term and long-term liquidity requirements and properly arrange the cash inflows from revenue to ensure it has sufficient cash to meet operational needs.

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

**NOTES TO THE FINANCIAL STATEMENTS
FOR THE YEAR ENDED 31 DECEMBER 2015**

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

13 Fair value estimates

The level in which fair value measurement is categorised is determined by the level of the fair value hierarchy of the lowest level input that is significant to the entire fair value measurement:

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

Level 2: Inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly.

Level 3: Unobservable inputs for the asset or liability.

(a) Assets measured at fair value on a recurring basis

As at 31 December 2015, the assets measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale financial assets -				
Other current assets	-	-	83,000,000.00	83,000,000.00
Total assets	<u>-</u>	<u>-</u>	<u>83,000,000.00</u>	<u>83,000,000.00</u>

As at 31 December 2014, the assets measured at fair value on a recurring basis by the above three levels are analysed below:

	Level 1	Level 2	Level 3	Total
Financial assets				
Available-for-sale financial assets -				
Other current assets	-		70,000,000.00	70,000,000.00
Total assets	<u>-</u>	<u>-</u>	<u>70,000,000.00</u>	<u>70,000,000.00</u>

The Company takes the date on which events causing the transfers between the levels take place as the timing specific for recognising the transfers. There is no transfer between each level in 2015 and 2014.

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

13 Fair value estimates (Cont'd)

(a) Assets measured at fair value on a recurring basis (Cont'd)

The fair value of financial instruments traded in an active market is determined at the quoted market price; and the fair value of those not traded in an active market is determined by the Company using valuation technique. The valuation models used mainly primarily comprise discounted cash flow model and market comparable corporate model. The inputs of the valuation technique mainly include risk-free interest rate, benchmark rate, exchange rate, credit spread, liquidity premium, EBITDA multiplier and restricted discount.

(b) Assets measured at fair value on a non-recurring basis

As at 31 December 2015 and 2014, the company has no assets measured at fair value on a non-recurring basis.

(c) Assets and liabilities not measured at fair value but disclosed

Financial assets and liabilities measured at amortised cost mainly include receivables, payables, long-term borrowings, etc.

Except for financial assets and liabilities listed below, the carrying amount of the other financial assets and liabilities not measured at fair value is a reasonable approximation of their fair value.

	31 December 2015		31 December 2014	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial liabilities -				
Long-term borrowings	<u>1,662,000,000.00</u>	<u>1,662,541,868.33</u>	<u>1,744,000,000.00</u>	<u>1,744,906,813.30</u>
	<u>1,662,000,000.00</u>	<u>1,662,541,868.33</u>	<u>1,744,000,000.00</u>	<u>1,744,906,813.30</u>

The fair value of long-term borrowings is the present value of the contractually determined stream of future cash flows discounted at the rate of interest applied at that time by the market to instruments of comparable credit status and providing substantially the same cash flows on the same terms.

CHONGQING YUHE EXPRESSWAY COMPANY LIMITED

NOTES TO THE FINANCIAL STATEMENTS FOR THE YEAR ENDED 31 DECEMBER 2015

(All amounts in RMB unless otherwise stated)

[English translation for reference only]

14 Capital management

The Company's capital management policies aim to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders, and to maintain an optimal capital structure to reduce the cost of capital.

The Company's total capital is calculated as 'owners' equity' as shown in the balance sheet. The Company is not subject to external mandatory capital requirements, and monitors capital on the basis of asset-liability ratio.

As at 31 December 2015 and 31 December 2014, the Company's gearing ratio is as follows:

	31 December 2015	31 December 2014
Gearing ratio	50.37%	51.91%
Return on net assets	9.94%	7.47%

Name of the Company: Chongqing Yuhe Expressway Co., Ltd.

Legal representative:

Principal in charge of accounting:

Head of accounting department:

Date: 26 February 2016

Date: 26 February 2016

Date: 26 February 2016