



SHENZHEN EXPRESSWAY COMPANY LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 600548 (SSE) 00548 (HKEx))



2020 Annual Report





Cautionary Statement in relation to Forward-looking Statement:

Beside statements of facts, this report also contains certain “forward-looking statements”, including, without limitation, statements relating to all anticipation, objectives, estimations and operation plans of the Company which are anticipated or expected to happen. Forward-looking statements involve certain general or specifically known or unknown risk and negative factors. Affected by these factors, the future results of the Company may substantially differ from these forward looking statements. Users of this report should consider the aforesaid and other factors carefully, and should not place undue reliance on such “forward-looking statements”. In addition, the Company undertakes no obligation to update or revise any forward-looking statements in this report publicly in respect of any future information, incident or any other reason. The Company and any of its employee or associate make no representation or assurance to the future performance of the Company and expressly disclaim any responsibilities of such statements.

The Board, the Supervisory Committee and the Directors, the Supervisors, the Senior Management of the Company confirm the truthfulness, accuracy and completeness of the content of this annual report and that there are no false representations or misleading statements contained in or material omissions from this report, and assume several and joint legal responsibility.

Member of Shenzhen International Holdings Limited

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Definition and Cautionary Statement

I. Definition

In this report, the following expressions shall have the meanings set out below unless the context otherwise requires:

Reporting Period, Period, Year	For the twelve months ended 31 December 2020.
Reporting Date	The date on which this Annual Report 2020 of the Company is approved by the Board, i.e. 24 March 2021.
YOY	Year-on-year change rate as compared to the same period of 2019.
The Company, Company, Shenzhen Expressway	Shenzhen Expressway Company Limited.
The Group, Group	The Company and its consolidated subsidiaries.
A Shares	Renminbi-denominated ordinary shares of the Company which were issued in the PRC and subscribed in RMB and are listed on SSE.
H Shares	Overseas-listed foreign shares of the Company which were issued in Hong Kong and subscribed in HK\$ and are listed on HKEx.
CSRC	China Securities Regulatory Commission.
SFC	Securities and Futures Commission of Hong Kong.
SSE	The Shanghai Stock Exchange.
HKEx	The Stock Exchange of Hong Kong Limited.
Hong Kong	Hong Kong Special Administrative Region of the PRC
Listing Rules	The Rules Governing the Listing of Securities on HKEx and/or the Rules Governing the Listing of Stocks on SSE (as the case may be).
CASBE	The Accounting Standards for Business Enterprises (2006) of the PRC and the specific accounting standards as well as relevant provisions issued later.

NDRC	中華人民共和國國家發展和改革委員會(National Development and Reform Commission).
MOT	中華人民共和國交通運輸部(Ministry of Transport of the People's Republic of China).
National Energy Administration	中華人民共和國國家能源局(National Energy Administration of the People's Republic of China).
Ministry of Finance	中華人民共和國財政部(Ministry of Finance of the People's Republic of China).
Ministry of Industry and Information Technology	中華人民共和國工業和信息化部(Ministry of Industry and Information Technology of the People's Republic of China).
Shenzhen SASAC	深圳市人民政府國有資產監督管理委員會(State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People's Government).
Shenzhen Transport Bureau	深圳市交通運輸局(Transport Bureau of Shenzhen Municipality), formerly known as 深圳市交通運輸委員會(Transport Commission of Shenzhen Municipality).
SIHCL	深圳市投資控股有限公司(Shenzhen Investment Holdings Company Limited).
Shenzhen International	深圳國際控股有限公司(Shenzhen International Holdings Limited).
XTC Company	新通產實業開發(深圳)有限公司(Xin Tong Chan Development (Shenzhen) Company Limited), formerly known as 深圳市高速公路開發公司(Shenzhen Freeway Development Company Limited).
SGH Company	深圳市深廣惠公路開發有限公司(Shenzhen Shen Guang Hui Highway Development Company Limited), formerly known as 深圳市深廣惠公路開發總公司(Shenzhen Shen Guang Hui Highway Development Company).
CMET	招商局公路網絡科技控股股份有限公司(China Merchants Expressway Network & Technology Holdings Co.,Ltd.), formerly known as 招商局華建公路投資有限公司(China Merchants Hua Jian Highway Investment Co., Ltd.).
GDRB Company	廣東省路橋建設發展有限公司(Guangdong Roads and Bridges Construction Development Company Limited).

Definition and Cautionary Statement

Shenzhen International (Shenzhen)	深國際控股(深圳)有限公司(Shenzhen International Holdings (SZ) Limited), formerly known as 怡萬實業發展(深圳)有限公司(Yiwan Industry Development (Shenzhen) Company Limited).
Fund Company	深圳高速私募產業投資基金管理有限公司(Shenzhen Expressway Private Equity Industrial Investment Fund Management Co., Ltd.).
Vanke	萬科企業股份有限公司(China Vanke Co., Ltd.).
Bank of Guizhou	貴州銀行股份有限公司(Bank Of Guizhou Co., Ltd.).
Longda Company	深圳龍大高速公路有限公司(Shenzhen Longda Expressway Company Limited).
Coastal Company	深圳市廣深沿江高速公路投資有限公司(Shenzhen Guangshen Coastal Expressway Investment Company Limited).
Outer Ring Company	深圳市外環高速公路投資有限公司(Shenzhen Outer Ring Expressway Investment Company Limited).
Yichang Company	湖南益常高速公路開發有限公司(Hunan Yichang Expressway Development Company Limited).
Magerk Company	湖北馬鄂高速公路經營有限公司(Hubei Magerk Expressway Management Company Limited).
Qinglian Company	廣東清連公路發展有限公司(Guangdong Qinglian Highway Development Company Limited).
Shenchang Company	長沙市深長快速幹道有限公司(Changsha Shenchang High Speed Trunk Road Company Limited).
Qinglong Company	深圳清龍高速公路有限公司(Shenzhen Qinglong Expressway Company Limited).
Huayu Company	深圳市華昱高速公路投資有限公司(Shenzhen Huayu Expressway Investment Company Limited).
Jiangzhong Company	廣東江中高速公路有限公司(Guangdong Jiangzhong Expressway Company Limited).

Yangmao Company	廣東陽茂高速公路有限公司(Guangdong Yangmao Expressway Company Limited).
GZ W2 Company	廣州西二環高速公路有限公司(Guangzhou Western Second Ring Expressway Company Limited).
Guangyun Company	雲浮市廣雲高速公路有限公司(Yunfu Guangyun Expressway Company Limited).
Nanjing Third Bridge Company	南京長江第三大橋有限責任公司(Nanjing Yangtze River Third Bridge Company Limited).
Guishen Company	貴州貴深投資發展有限公司(Guizhou Guishen Investment Development Company Limited).
Property Management Company	深圳高速物業管理有限公司(Shenzhen Expressway Property Management Company Limited).
Advertising Company	深圳市高速廣告有限公司(Shenzhen Expressway Advertising Company Limited).
Consulting Company	深圳高速工程顧問有限公司(Shenzhen Expressway Engineering Consulting Company Limited).
Operation Development Company	深圳高速運營發展有限公司(Shenzhen Expressway Operation Development Company Limited).
Construction Company	深圳高速建設發展有限公司(Shenzhen Expressway Construction Development Company Limited).
Architecture Technology Company	深圳高速建築科技發展有限公司(Shenzhen Expressway Architecture Technology Development Company Limited).
Infrastructure and Environmental Protection Company	深圳深高速基建環保開發有限公司(Shenzhen Shenzhen Expressway Infrastructure and Environmental Protection Development Co., Ltd).
Investment Company	深圳高速投資有限公司(Shenzhen Expressway Investment Company Limited).
Environmental Company	深圳高速環境有限公司(Shenzhen Expressway Environmental Company Limited).
JEL Company	捷德安派有限公司(Jade Emperor Limited).
Maxprofit Company	Maxprofit Gain Limited

Definition and Cautionary Statement

Mei Wah Company	美華實業(香港)有限公司(Mei Wah Industrial (Hong Kong) Limited).
Fameluxe Investment	豐立投資有限公司(Fameluxe Investment Limited).
Meiguan Company	深圳市梅觀高速公路有限公司(Shenzhen Meiguan Expressway Company Limited).
Jihe East Company	深圳機荷高速公路東段有限公司(Shenzhen Jihe Expressway (Eastern Section) Company Limited).
Meiguan Expressway	The expressway from Meilin to Guanlan in Shenzhen City. The Toll Free Section of Meiguan Expressway refers to the section from Meilin to Guanlan with a mileage of approximately 13.8 km, which has become toll-free from 24:00 on 31 March 2014. The Toll Section of Meiguan Expressway refers to the section from Shenzhen-Dongguan border to Guanlan with a mileage of approximately 5.4 km which remains collection of toll.
Jihe Expressway	The expressway from Shenzhen International Airport to He'ao in Shenzhen City, comprising Jihe East (Qinghu to He'ao) and Jihe West (Airport to Qinghu).
Yanba Expressway	The expressway from Yantian to Bagang in Shenzhen City, with a total toll mileage of approximately 29.1km. From 0:00 on 7 February 2016, it has been operated by card access with the toll exempted, and has been transferred to Shenzhen Transport Bureau from 0:00 on 1 January 2019.
Yanpai Expressway	The expressway from Yantian to Paibang in Shenzhen City, also referred to as Yantian Subsidiary Road of Jihe Expressway, with a toll mileage of approximately 15.6km. From 0:00 on 7 February 2016, it has been operated by card access with the toll exempted, and has been transferred to Shenzhen Transport Bureau from 0:00 on 1 January 2019.
Nanguang Expressway	The expressway from Xili to Gongming in Shenzhen City, with a toll mileage of approximately 31km. From 0:00 on 7 February 2016, it has been operated by card access with the toll exempted, and has been transferred to Shenzhen Transport Bureau from 0:00 on 1 January 2019.
Shuiguan Expressway	The expressway from Shuijingcun to Guanjintou in Shenzhen City.
Shuiguan Extension	An extension to Shuiguan Expressway, Phase I of Qingping Expressway (the expressway from Yulongkeng to Pinghu in Shenzhen City).

Outer Ring Project	The project of Shenzhen section of Outer Ring Expressway in Shenzhen City (referred to as Outer Ring Expressway), among which, the section from the north side of Shenzhen Waterlands Resort in Bao'an District (connecting with Coastal Expressway) to the interchange of Shenshan Expressway in Longgang District (excluding Dongguan section) referred to as Section A of Outer Ring . Among them, the 35.67 kilometers from Shajing to Guanlan and the 15.06 kilometers from Longcheng to Pingdi, totaling approximately 51 kilometers (referred to as Outer Ring Phase I), have been opened for operation on November 29, 2020.
Coastal Project	The section from Nanshan, Shenzhen to Dongbao River (the boundary between Dongguan and Shenzhen) (referred to as Coastal Expressway (Shenzhen Section)) of the costal expressway from Guangzhou to Shenzhen (referred to as Coastal Expressway). Among which, the project of main line of Coastal Expressway (Shenzhen Section) and facilities referred to as Coastal Phase I , and the project of the ramp bridge of airport interchange of Coastal Expressway (Shenzhen Section) and facilities referred to as Coastal Phase II .
Longda Expressway	The expressway from Longhua, Shenzhen to Dalingshan, Dongguan. From 0:00 on 7 February 2016, the Shenzhen Section of Longda Expressway (totaling, the 23.8km section from Longhua Shenzhen to the access point of the Nanguang express ramp) has been operated by card access with the toll exempted, and has been transferred to Shenzhen Transport Bureau from 0:00 on 1 January 2019. The Toll Section of Longda Expressway refers to the section about 4.426km north of Songgang to Guanfo expressway, which still retains toll.
Qinglian Project	Qinglian Expressway, from Qingyuan to Lianzhou.
Yangmao Expressway	The expressway from Yangjiang to Maoming.
Guangwu Project	The section from Ma'an to Hekou of the expressway from Guangzhou, Guangdong to Wuzhou, Guangxi (referred to as Guangwu Expressway).
Jiangzhong Project	The expressway from Zhongshan to Jiangmen and the second phase of the expressway from Jiangmen to Heshan.
GZ W2 Expressway	The section from Xiaotang to Maoshan of Guangzhou Ring Expressway, also referred to as Guangzhou Western Second Ring Expressway.
Wuhuang Expressway	The expressway from Wuhan to Huangshi.

Definition and Cautionary Statement

Changsha Ring Road	Changsha Ring Expressway (North-western Section).
Nanjing Third Bridge	Nanjing Yangtze River Third Bridge.
Yichang Project	The expressway from Yiyang to Changde in Hunan (referred to as Yichang Expressway) and Changde connection line.
Three Projects	Nanguang Expressway, Yanpai Expressway and Yanba Expressway (referred to as the Three Projects). On 30 November 2015, the Company entered into the Three Expressways agreement with the Shenzhen Transport Bureau in relation to the toll adjustment of the Three Projects. The Three Projects have been transferred to Shenzhen Transport Bureau from 0:00 on 1 January 2019.
Four Expressways	Nanguang Expressway, Yanpai Expressway, Yanba Expressway and the Shenzhen section of Longda Expressway (referred to as the Four Expressways), all of which have been transferred to Shenzhen Transport Bureau from 0:00 on 1 January 2019.
Longda Municipal Section	The entrusted construction project of the municipal facilities of Dalang Section of Longda Expressway undertaken by the Company.
Cargo Organisation Adjustment Project	The entrusted construction project of the highway toll stations and ancillary facilities undertaken by the Company due to the implementation of the freight traffic organisation adjustment of Shenzhen.
Shenshan Environmental Park Project	The entrusted construction and management project for the whole process in relation to the infrastructure and ancillary projects for Shenshan Eco-Environmental Science and Technology Industrial Park undertaken by the Group.
Guilong Project	The construction project of phase I of Guilong Road in Longli, Guizhou by BT model and the primary development project of relevant land undertaken by the Group.
CCCC Second Highway	中交第二公路工程局有限公司(CCCC Second Highway Engineering Co., Ltd.).
Duohua Bridge Project	A road construction project from Jichang Village to Duohua Village in Longli County undertaken by Guishen Company by BT model. The major work of the project is Duohua Bridge.
Guilong Holdings	貴州貴龍實業(集團)有限公司(Guizhou Guilong Holdings (Group) Company Limited).

Resettlement Project	The entrusted construction project of Wangguan Comprehensive Resettlement Building of Guilong Economic Zone undertaken by the Group in Longli, Guizhou, comprising Resettlement Phase I and Resettlement Phase II .
Bimeng Project	The Bimeng Garden community resettlement project in Longli, Guizhou undertaken by the Group with BT model.
Guizhou Property	貴州深高速置地有限公司(Guizhou Shenzhen Expressway Property Company Limited).
Guizhou Hengtongli	貴州恒通利置業有限公司(Guizhou Hengtongli Property Company Limited).
Guizhou Yuelong	貴州悅龍投資有限公司(Guizhou Yuelong Investment Company Limited).
Guizhou Shengbo	貴州聖博置地有限公司(Guizhou Shengbo Land Company Limited).
Guizhou Hengfengxin	貴州恒豐信置業有限公司(Guizhou Hengfengxin Property Company Limited).
Guizhou Henghongda	貴州恒弘達置業有限公司(Guizhou Henghongda Property Company Limited).
Guizhou Yehengda	貴州業恒達置業有限公司(Guizhou Yehengda Property Company Limited).
Land of Longli Project	The peripheral land of Guilong Project and the Duohua Bridge Project were successfully bid by the Group. As at the end of the Reporting Period, the Group has cumulatively won the bids for the land of Longli Project with an area of approximately 3,037 mu, including 2,770 mu for Guilong Project and 268 mu for the Duohua Bridge Project.
Guilong Development Project	The proprietary secondary development project with an area of over 1,000 mu, conducted by the Group on Guilong Project, which has been approved by the Board.
Meilin Checkpoint Renewal Project	Shenzhen Longhua New Area Mingzhi Office Meilin Checkpoint Urban Renewal Project, the entity which carried out the project is United Land Company and area of the land is approximately 96,000 square meters.
Water Planning Company	深圳市水務規劃設計院股份有限公司(Shenzhen Water Planning & Design Institute Company Limited).
Derun Environment	重慶德潤環境有限公司(Chongqing Derun Environment Company Limited).

Definition and Cautionary Statement

Water Asset	重慶市水務資產經營有限公司(Chongqing Water Asset Management Company Limited).
Chongqing Water	重慶水務集團股份有限公司(Chongqing Water Group Company Limited), a company listed on the SSE, stock code: 601158.
Sanfeng Environment	重慶三峰環境集團股份有限公司(Chongqing San Feng Environmental Industrial Group Co., Ltd.), a company listed on the SSE, stock code: 601827.
Suez Group	法國蘇伊士集團(Suez Group, France).
SITA Asia	升達亞洲有限公司(SITA Asia Pacific Limited).
Mengxi Region	The western economic zone of Inner Mongolia, mainly comprises the three core and engine cities of Hohhot, Baotou, and Ordos, and radiates with the four league cities of Alxa, Ulanqab, Bayannaoer and Wuhai.
Nanjing Wind Power	南京風電科技有限公司(Nanjing Wind Power Technology Co., Ltd.).
Baotou Nanfeng	包頭市南風風電科技有限公司(Baotou Nanfeng Wind Power Technology Co., Ltd.)
Damao Ningyuan	達茂旗寧源風力發電有限公司(Damao Ningyuan Wind Power Company Limited), a wholly-owned subsidiary of Baotou Nanfeng.
Damao Ningxiang	達茂旗寧翔風力發電有限公司(Damao Ningxiang Wind Power Company Limited), a wholly-owned subsidiary of Baotou Nanfeng.
Damao Ningfeng	達茂旗寧風風力發電有限公司(Damao Ningfeng Wind Power Company Limited), a wholly-owned subsidiary of Baotou Nanfeng.
Damao Nanchuan	達茂旗南傳風力發電有限公司(Damao Nanchuan Wind Power Company Limited), a wholly-owned subsidiary of Baotou Nanfeng.
Lingxiang Company	包頭市陵翔新能源有限公司(Baotou Lingxiang New Energy Company Limited), a wholly-owned subsidiary of Baotou Nanfeng.
New Energy Company	深圳高速新能源控股有限公司(Shenzhen Expressway New Energy Holdings Co., Ltd).

Guangdong New Energy Company	深高速(廣東)新能源投資有限公司(Shenzhen Expressway (Guangdong) New Energy Investment Co., Ltd).
Mulei Wind Power Project	The wind power project of Changji Mulei Laojunmiao Wind Farm in Xinjiang Zhudong New Energy Base, including Qianzhi and Qianhui projects.
Qianzhi	木壘縣乾智能源開發有限公司(Mulei County Qianzhi New Energy Development Co. Ltd).
Qianhui	木壘縣乾慧能源開發有限公司(Mulei County Qianhui New Energy Development Co. Ltd).
Guangming Environmental Park Project	The Shenzhen Guangming Environmental Park PPP (Public-Private-Partnership) Project invested and constructed by the Company under the BOT (Build-Operate-Transfer) model.
Lande Environmental	深高藍德環保科技集團股份有限公司(Shenzhen Expressway Lande Environmental Technology Group Holdings Co., Ltd).
Guangdong UETC	廣東聯合電子服務股份有限公司(Guangdong United Electronic Toll Collection Inc).
United Land	深圳市深國際聯合置地有限公司(Shenzhen International United Land Co., Ltd).
One Apartment	深圳市深高速壹家公寓管理有限公司(Shenzhen Expressway One Apartment Management Co., Ltd).
Engineering Development Company	深圳高速工程發展有限公司(Shenzhen Expressway Engineering Development Co., Ltd), formerly known as 廣東博元建設工程有限公司(Guangdong Boyuan Construction Engineering Co., Ltd).
Qiantai Company	深圳深汕特別合作區乾泰技術有限公司(Shenzhen Shenshan Special Cooperation Zone Qiantai Technology Co., Ltd).
Vanho Securities	萬和證券股份有限公司(Vanho Securities Co., Ltd).
Logistics Financial Company	中國物流金融服務有限公司(China Logistics Financial Services Limited).
SZI (HK)	深國際有限公司(Shenzhen International Limited).

Definition and Cautionary Statement

SZI Logistics	深圳市深國際物流發展有限公司(Shenzhen International Logistics Development Co., Ltd).
Financial Leasing Company	深圳市深國際融資租賃有限公司(Shenzhen International Financial Leasing Co., Ltd).
PPP (model)	Public-Private-Partnership model, refer to a partnership on the basis of concession agreement for the construction of urban infrastructure projects or the provision of public goods and services between the government and private organisations. PPP model ultimately makes both parties of the cooperation get more favourable results than those who act alone expected, by signing the contract to define the rights and obligations of both parties, to ensure the smooth completion of cooperation.
BOT (model)	Build-Operate-Transfer model, refer to the infrastructure model of investment, construction and operation. On premised on an agreement between the government and the private sector, the government issues a franchise to the private sector to allow it to raise funds for a certain period of time to build an infrastructure, manage and operate the facility and its corresponding products and services.
EPC (model)	Engineering Procurement Construction model means the Company is entrusted by the owner to carry out the whole process or several stages of contracting for the design, procurement, construction, and trial operation of a construction project in accordance with the contract. Usually, the company is responsible for the quality, safety, cost and schedule of the contracted project under the conditions of the total price contract.
BIM	Building Information Modelling, which is a model equipped with a complete and realistic construction database by building a virtual three-dimensional construction model and using digitisation technology. It is a digitised tool applied to engineering design, construction and management. Meanwhile, the model plays a key role in enhancing productivity, saving costs and shortening construction periods.
ETC	Electronic Toll Collection, a system used to electronically collect tolls on highways.
Coastal Freight Compensation Scheme	The scheme that all types of freight cars passing through the Coastal Project will be charged 50% of the normal toll fees standard from 1 March 2018 to 31 December 2020, and Shenzhen Transport Bureau compensates to Coastal Company for RMB302 million. Upon the expiry of the toll adjustment agreement, Shenzhen Transport Bureau, the Company and Coastal Company entered into the freight compensation agreement, wherein it is agreed that during the period from 1 January 2021 to 31 December 2024, the vehicles passing the Coastal Project should be charged at 50% of the standard rate of the toll, and such toll waived by the Company and Coastal Company shall be compensated by the government in an one-off manner in March of the following year.

Airport Economic Zone	Shenzhen Bao'an Airport and its surrounding areas. The area mainly includes the western coastal area of Shajing and Fuyong. It covers Shenzhen Airport, Bao'an West River area and Qianhai area, with a total area of approximately 95 square kilometres. It is located at the intersection of three urban circles, including Guangdong-Foshan-Zhaoqing, Shenzhen-Dongguan-Huizhou and Zhuhai-Zhongshan-Jiangmen, and the core of the Pearl River Estuary Bay area, with outstanding strategic location advantages.
Epidemic	A global outbreak of COVID-19 in early 2020.
Toll-free Policy during the Epidemic	According to the unified requirements of the Ministry of Transport, from 0:00 on 17 February 2020 to 0:00 on 6 May 2020, all vehicles using toll roads in accordance with the law will be exempted from toll across the country
PRC	The People's Republic of China excluding, for the purpose of this report, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan.

Note:

1. For principal business and abbreviation of the investee companies of the Company, please refer to the Group Structure in "Introduction of the Company" of this report.
2. For information on the projects operated, invested and managed by the Company, please refer to the website of the Company at <http://www.sz-expressway.com>.

II. Cautionary Statement on Risk

Detailed analysis and description on the risks faced in future operation and development of the Group were set out in "Management Discussion and Analysis" of this annual report. Investors' inspection and attention are reminded.



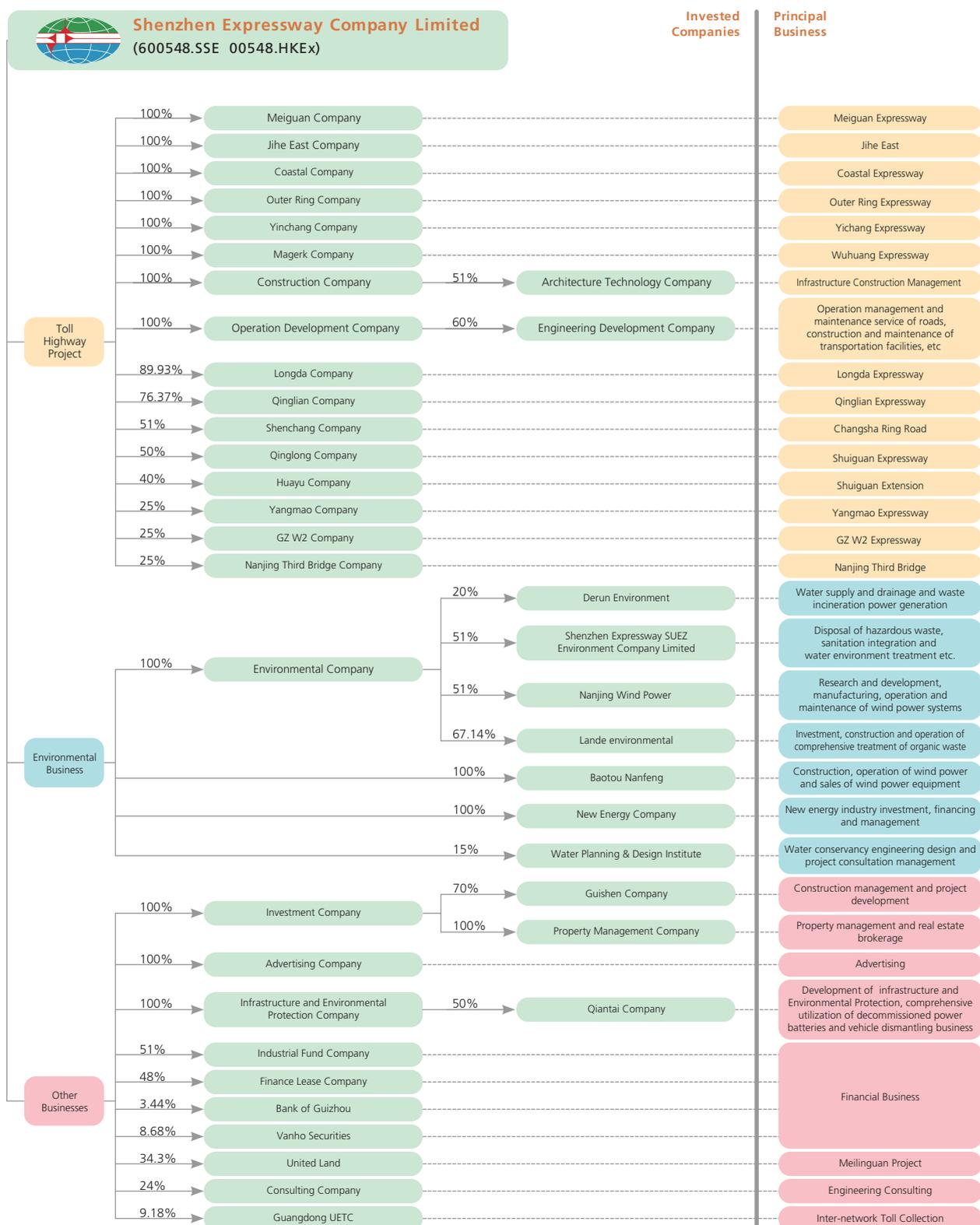
Introduction of the Company

The Company was incorporated in Shenzhen on 30 December 1996. It principally engages in the investment, construction, operation and management of toll highways and roads, as well as the general-environmental protection business. At present, the general-environmental protection business includes recovery and solid waste management and clean energy business. In addition, the Company provides outstanding construction management and highways operation management services for government and other enterprises. Building on relevant management experience and resources and relying on the core business of toll highways, the Company has launched in the related businesses such as project development and management, operation & maintenance, intelligent traffic system, construction consulting, urban complex and industrial finance services.

As of the date of this Report, the Company operated and invested in a total of 15 toll highway projects, and the mileage of the high-grade highways invested in or operated by the Company (on equity basis) is approximately 529km, of which 15km is still under construction. It has also actively participated in various regional urban infrastructure development projects, invested in over 10 environmental protection, clean energy and financial projects, and had several platform companies, namely the Investment Company, the Construction Development Company, the Operation Development Company, the Environmental Company, the Urban Infrastructure Company and the Clean Energy Company.

A total of 2,180,770,326 ordinary shares are issued by the Company, of which 1,433,270,326 A Shares are listed on SSE and 747,500,000 H Shares are listed on HKEx, representing approximately 65.72% and 34.28% of the total share capital of the Company respectively. XTC Company, one of the promoters of the Company and currently a wholly-owned subsidiary of Shenzhen International (stock code: 00152) which is listed on HKEx, currently holds approximately 30.03% of the Company's shares and is the largest shareholder of the Company. Shenzhen International has been the indirect controlling shareholder of the Company which holds over 50% of the Company's shares since December 2008.

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



Financial and Operational Highlights

I. Financial Data and Financial Indicators of the Year

Item (Unit: RMB)	2020	2019		Change as compared to last year (%)	2018	
		After adjustment	Before adjustment		After adjustment	Before adjustment
Revenue	8,026,737,099.99	6,390,295,110.82	6,185,825,111.97	25.61	6,468,097,132.29	5,807,108,031.78
Net profit attributable to owners of the Company	2,054,523,306.30	2,564,317,594.25	2,499,484,975.75	-19.88	5,069,016,729.58	3,440,050,607.33
Net profit attributable to owners of the Company – excluding non-recurring items	1,957,015,513.64	2,243,627,358.26	2,243,627,358.26	-12.77	1,537,875,136.33	1,537,875,136.33
Net cash flows from operating activities	1,100,633,933.07	1,695,357,337.06	1,751,428,675.07	-35.08	3,243,642,096.19	3,222,228,582.62

Item (Unit: RMB)	As at 31 Dec 2020	As at 31 Dec 2019		Change as compared to last year (%)	As at 31 Dec 2018	
		After adjustment	Before adjustment		After adjustment	Before adjustment
Owners' equity attributable to owners of the Company	23,042,941,782.92	18,525,888,505.26	18,374,542,643.63	24.38	19,098,329,778.25	17,387,090,943.28
Total assets	55,144,962,042.63	45,658,413,658.91	44,923,734,271.98	20.78	44,399,693,368.18	41,100,850,328.23

Item	2020	2019		Change as compared to last year (%)	2018	
		After adjustment	Before adjustment		After adjustment	Before adjustment
Earnings per share – basic (RMB/share)	0.936	1.176	1.146	-20.44	2.324	1.577
Earnings per share – diluted (RMB/share)	0.936	1.176	1.146	-20.44	2.324	1.577
Earnings per share excluding non-recurring items – basic (RMB/share)	0.891	1.029	1.029	-13.41	0.705	0.705
Return on equity – weighted average (%)	10.83	13.73	14.14	Decrease 2.89pct.pt	31.60	22.85
Return on equity excluding non-recurring items – weighted average (%)	10.34	12.11	12.62	Decrease 1.77pct.pt	10.77	10.91

1. During the reporting period, due to the consolidation of Financial Leasing Company, Logistics Finance Company and Longda Company into the Group as a jointly controlled entity, the Company adjusted the data of consolidated financial statements to previous years retrospectively pursuant to relevant requirements under the Accounting Standards for Business Enterprises. For details, please refer to the relevant content in Note VI of the Financial Statements.
2. During the reporting period, the company issued RMB4 billion of perpetual bonds, which were included in other equity instruments. The impact of perpetual bonds was deducted when calculating the above earnings per share and weighted average return on net assets pursuant to relevant requirements.

II. Major quarterly Financial Data for 2020

Item (Unit: RMB)	The first quarter (Jan-Mar)	The second quarter (Apr-Jun)	The third quarter (Jul-Sept)	The fourth quarter (Oct-Dec)
Revenue	454,097,153.83	1,232,775,329.11	1,739,492,035.07	4,600,372,581.98
Net profit attributable to owners of the Company	-132,807,230.52	176,730,166.26	585,956,244.98	1,424,644,125.58
Net profit attributable to owners of the Company – excluding non-recurring items	-159,998,328.79	148,244,517.23	627,321,848.59	1,341,447,476.61
Net cash flows from operating activities	-436,646,603.14	279,229,002.19	10,667,502.08	1,247,384,031.94

III. Non-recurring items deducted and their amounts

Non-recurring item (Unit: RMB)	2020	Notes	2019	2018
The net income of entrusted management fee on entrusted operation	4,107,007.54	The net income from entrusted operation and management services provided to Longda Company were received.	8,214,015.10	16,858,867.93
The net profit and loss of a subsidiary from the beginning of merger to the combined date under the same control	43,219,171.98	During the reporting period, the Logistics Finance Company, the Financial Leasing Company and the Longda Company were included in the group's consolidation scope according to the business combination under the same control, and the net profit and loss incurred from the beginning of the combined party to the consolidation date.	72,194,997.65	1,817,866,157.23
Gains from completion of foreign currency swaps	17,955,000.00		26,860,000.00	-49,740,000.00
Income from changes in fair value of foreign currency swaps	-146,367,257.21	To mitigate the exchange rate risk, the Group entered into foreign exchange swap arrangements for the bond with a principal value of USD300 million dollars, and related gains on change in fair value were recognised due to depreciation of US Dollar during the Reporting Period.	17,586,250.00	116,475,051.30
Changes in fair value of other non-current financial assets	104,024,236.54	Fair value change proceeds of the Period from the equity interest in Water Planning Company and Guangdong UETC, etc.	37,500,260.00	17,928,820.00
Profit and loss from changes in fair value recognized from acquisition of subsidiary	40,000,000.00	Gains from adjustment of the contingent consideration of the acquisition of Shuiguan Expressway.	26,000,000.00	-
Finance income arising from the early repayment of finance leases	1,165,853.24	Finance income from early repayment of the financial lease by Baotou Nanfeng.	22,492,284.97	-
Gains on disposal of assets	74,529.31		386,045.39	2,227,126,379.18
Equity transfer of a subsidiary	-		262,207,206.28	71,875,733.02
Gains arising from the purchase of wealth management products from banks	-		1,441,847.76	5,642,543.29
Capital occupation fee received from non-financial corporation	8,890,000.00		595,434.57	49,340,684.52
The amortisation of compensation provided by concession grantor	-		-	16,568,114.82
Government grants recognised in the profit or loss for the period	35,349,930.60	Subsidy granted by the government for headquarter economy development, and cancellation of subsidy for provincial toll stations, etc.	-	-
Other non-operating income and expenditure excluding above items	-3,194,187.26		175,940.45	12,592,247.52
Minority shareholder's interest effects	-5,161,458.69		-66,222,296.29	-206,352,060.88
Income tax effects	-2,555,033.39		-88,741,749.89	-565,040,944.68
Total	97,507,792.66		320,690,235.99	3,531,141,593.25

IV. Item Measured at Fair Value

Item (Unit: RMB)	Opening Balance	Ending Balance	Change during the Period	Effects on the total amount of Profit of the Reporting Period
Transactional financial assets (liabilities represented by "-")	62,689,444.00	-83,677,813.21	-146,367,257.21	-146,367,257.21
Other non-current financial assets	217,939,080.00	1,605,891,286.54	1,387,952,206.54	104,024,236.54
Total	280,628,524.00	1,522,213,473.33	1,241,584,949.33	-42,343,020.67

Financial and Operational Highlights

V. Statistics Summary for Last Five Years

Project	Average Daily Toll Revenue (Unit: RMB'000)				
	2020	2019	2018	2017	2016
Meiguan Expressway	392.6	382.9	350.9	336.3	311.3
Jihe East	2,012.0	2,104.8	2,076.4	1,962.0	1,767.1
Jihe West	1,680.4	1,829.5	1,794.4	1,729.4	1,641.7
Shuiguan Expressway	1,658.5	1,786.4	1,738.1	1,762.8	1,692.9
Shuiguan Extension	252.8	331.0	328.6	314.3	299.5
Coastal Project ⁽²⁾	1,498.4	1,459.1	1,273.5	1,093.1	N/A
Qinglian Expressway	2,274.5	2,293.2	2,084.1	2,016.5	1,834.9
Yangmao Expressway	1,293.6	1,524.0	1,770.5	1,819.5	1,800.3
Guangwu Project	786.9	796.1	868.6	832.1	1,024.8
Jiangzhong Project	1,174.6	1,249.5	1,312.9	1,249.3	1,132.6
GZ W2 Expressway	1,543.5	1,597.1	1,653.2	1,343.2	1,073.8
Wuhuang Expressway	1,059.5	1,130.2	1,055.5	1,004.9	939.0
Changsha Ring Road	511.5	427.8	394.6	373.4	311.9
Nanjing Third Bridge	1,516.9	1,393.2	1,341.4	1,269.7	1,097.8
Yichang Project ⁽¹⁾	1,065.8	1,105.5	1,119.1	1,157.3	–

Note:

- (1) As the Group completed the acquisition of 100% equity interests in Yichang Company in June 2017, Yichang Company has been consolidated into the consolidated financial statements of the Group since 15 June 2017.
- (2) As the Company completed the acquisition of 100% equity interest in Coastal Company in February 2018, Coastal Company has been consolidated into the consolidated financial statements of the Group since 8 February 2018.
- (3) During the Reporting Period, the Company has completed the acquisition of 89.93% interests in Longda Company and Longda Company has been included in the Group's consolidation financial statements since 26 November 2020. The average daily toll revenue of Longda Expressway in December 2020 is 525,000 yuan.
- (4) Outer Ring Phase I has commenced operation since 29 December 2020.

Financial Highlights (Unit: RMB million, unless otherwise stated)					
Item	2020	2019 (restated)	2018 (restated)	2017 (restated)	2016 (restated)
Revenue	8,027	6,390	6,468	5,799	5,440
<i>Of which: Toll revenue</i>	4,387	4,722	5,656	5,266	4,633
Profit before interests and tax	3,339	3,057	7,886	3,085	2,607
Net profit	2,055	2,564	5,069	1,565	1,227
Net cash inflows from operating activities	1,101	1,695	3,244	3,124	2,451
Net cash inflows from operating activities and cash return on investments	1,521	2,831	5,397	3,506	2,734
Interest covered multiple (Times)	3.87	4.71	7.94	3.22	3.07
Earnings per share (RMB)	0.936	1.176	2.324	0.718	0.563
Cash dividends per share (RMB)	0.43	0.52	0.71	0.30	0.22

Item	As at 31 Dec 2020	As at 31 Dec 2019 (restated)	As at 31 Dec 2018 (restated)	As at 31 Dec 2017 (restated)	As at 31 Dec 2016 (restated)
Total assets	55,145	45,658	44,400	47,378	42,503
Total liabilities	28,866	24,611	22,797	31,012	25,933
Total equity	26,279	21,048	21,603	16,366	16,570
Debt-to-asset ratio (%)	52.35	53.90	51.34	65.46	61.01
Gross liabilities-to-equity ratio (%)	109.84	116.93	105.53	189.48	156.51
Net borrowings-to-equity ratio (%)	61.18	65.77	52.12	119.36	78.12
Net assets per share (RMB)	8.73	8.50	8.76	6.43	6.65

• Description of principal financial ratios

Profit before interests and tax	=	Net profit + Income tax expenses + Interest expenses
Net cash inflows from operating activities and cash return on investments	=	Net cash flows from operating activities + Cash received from disposal of investments + Cash received from returns on investments
Interest covered multiple	=	Profit before interests and tax/Interest expenses
Debt-to-asset ratio	=	Total liabilities/Total assets
Gross liabilities-to-equity ratio	=	Total liabilities/Total equity
Net borrowings-to-equity ratio	=	(Total amount of borrowings – Cash and cash equivalents)/Total equity

Events of the Year

Implemented the toll collection inter-network of the national highway.



Contracted for the acquisition of equity interests in Lande Environmental.

January

February

Implemented the toll-free policy for highways during the epidemic period.



Donated RMB1 million to Hubei Charity Federation.

Resumed operation and production in phases.

Won the "Best Information Disclosure Award", "Best Investor Relations Frontier Award" and "Best Leader Award" in the "Third China Excellent IR Award 2019" organised by Roadshow China.



Fully launched measures of epidemic prevention and city operation support.

March

Acquired 48% equity interests of Financial Leasing Company.

Published 2019 annual results with an annual net profit of RMB2.499 billion and earnings per share of RMB1.146.

Issued phase 1 of the 2020 ultra-short-term financing notes with a scale of RMB1 billion.

Issued phase 1 of the 2020 corporate bonds (epidemic prevention and control debt) with a scale of RMB1.4 billion.

The termination of the public issuance of A Share convertible corporate bonds was approved.

The non-public issuance of H Shares was passed at the general meeting.

Published 2020 first quarterly results.

April

Won the "Outstanding IR Enterprise Award" in the "Investor Relations Gold Award (2019)" organized by p5w.net.

May

Declared and distributed a final dividend of RMB0.52 per share for 2019.

RMB5 million epidemic prevention fundraising was approved by the general meeting to support Hubei.

June

Issued phase 2 of the 2020 ultra-short-term financing notes with a scale of RMB1 billion.

The non-public issuance of H Shares was approved by the CSRC.

Named to the Top 50 Companies List in the second "New Fortune Best Listed Companies" award and Hu Wei, the Chairman, won the "Best Leader of Listed Companies" award.



July

August

Published 2020 interim results with a revenue of RMB1.687 billion and a net profit of RMB43.92 million in the first half of the year.

Completed the acquisition of 67.14% equity interests in Lande Environmental.

Acquired 50% equity interests in Qiantai Company.

Elected as the "Top 50 Listed Companies with Most Potential" by Securities Times.

Issued phase 3 of the 2020 ultra-short-term financing notes with a scale of RMB1 billion.

Completed connection for the main line of the Shenzhen section of the Outer Ring Expressway (Phase 1).

The five wind farms of Baotou Nanfeng were included in the list of new energy subsidies.

September

Issued phase 1 of the green corporate bonds with a scale of RMB800 million.

Published 2020 third quarterly results.

Ranked 247th in the "2020 Top 100 Chinese Listed Companies" and won the "2020 Top 100 Chinese Companies Award" with a total profit of RMB2.444 billion.

Contracted for the acquisition of 89.93% equity interests in Longda Company.

Won the "2020 Shenzhen Top 10 Listed Companies Board Governance Award", "2020 Shenzhen Top 10 Listed Companies Green Governance Award" and "2020 Shenzhen Top 10 Listed Companies Governance Award" organized by Shenzhen Research Association of Corporate Governance.

October

Participated in 2020 Shenzhen Listed Companies Online Investor Collective Reception Day.

Meilin Checkpoint Renewal Project Phase III opened for sale.

Participated in a series of 2020 Media Exchange Activities.

Contracted for the transfer of 25% equity interests in Jiangzhong Company and 30% equity interests in Guangyun Company.

November

December

Commenced operation for Shenzhen section of the Outer Ring Expressway (Phase 1) officially.



Elected the ninth session of the Board and the Supervisory Committee, and completed the re-election of the Board and the Supervisory Committee.

Chairman's Statement



HU WEI

Chairman

To all shareholders,

On behalf of the Board, I am pleased to report to the shareholders that in 2020, the Group recorded revenue of RMB8.027 billion, representing a YOY increase of 25.61%, and realised profit of RMB2.055 billion, taking aside the effects of the recognition of deferred income tax asset of Coastal Company by the Group in 2019, the YOY increase of the net profit is approximately 0.32%, and realised earnings per share of RMB0.936. The Group has always committed itself to creating higher corporate value and has actively implemented the profit distribution policy of cash dividend which balances the long term and short term interests of its investors, at the same time providing promising and sustainable returns to its shareholders. The Board recommended payment of a final dividend of RMB0.43 per share in cash for 2020, with an aggregate amount of RMB938 million, which accounts for 45.96% of the net profits attributable to ordinary shareholders of the listed company in the consolidated statements for 2020 after excluding the investment income payable to the holders of the perpetual bonds. Such recommendation will be submitted to the 2020 Annual General Meeting of the Company and is subject to the shareholders' approval.



Business Review

2020 was an extraordinary year in the new China history. Despite severe and complex international environment, difficult missions in respect of national reform and development with heavy workload and the significant impact of the COVID-19 Epidemic in particular, the economy of China has endured the pressure from all aspects with no change in its basic trend of making progress while ensuring stability in the long term. In 2020, China's total economic volume exceeded RMB100 trillion, representing an increase of 2.3%, which enabled it to become the only major economy in the world with positive economic growth, thereby laying a solid foundation for the beginning of the "14th Five-Year Plan". Meanwhile, however, impacts of favorable factors such as population, capital and markets have been diminishing. The global economic adjustment, protectionism and unilateralism have also brought impacts and challenges to economic globalisation.

In the first half of 2020, all expressways across the country became toll-free from 17 February to 5 May as a result of the Epidemic. Being an enterprise engaging in expressway operation, the Group has been the front line of epidemic prevention. Confronted with a special operating environment, the Group has actively performed its social responsibilities by securing smooth operation of roads, transporting emergency supplies and providing services in relation to inspection and prevention of the Epidemic. Meanwhile, with the support from shareholders, the government and all sides of society, the Group adhering to its strategic goals and has committed to implement the development strategy with a focus on its two core businesses, namely toll highways and general-environmental protection, by earnestly maintaining sound management of its daily operations, steadily facilitating the construction of projects and actively expanding all business sectors, thereby achieving relatively good results in terms of its annual objectives.

Chairman's Statement

In 2020, the Group successfully put the ETC system into operation, which enabled the provision of safer and faster transportation services to society. For project construction, the Group strived to overcome the impact of the Epidemic on construction schedules through increased efforts in resource investment and coordination, thereby steadily facilitating the construction of major projects in an orderly manner. On 29 December 2020, Outer Ring Phase I was put into official operation. Outer Ring Phase I is the first PPP mode investment project in the domestic highway industry, and also the first newly operated expressway with full coverage of 5G network in China. During the Reporting Period, the Jihe Expressway reconstruction and expansion project was granted approval. Jihe Expressway is one of the core assets of the Group. The Jihe Expressway reconstruction and expansion project adopts the integrated 3D reconstruction and expansion model for the first time in China, which has been included as one of the strategic demonstration projects for building strength in transport and become the first batch of "Pilot Construction Projects for Building China's Strength in Transport". During the year, the Group also completed the acquisition of controlling interests in Longda Project, as well as strategic exit of Jiangzhong Project and Guangyun Project with minority share, thereby further optimising the Group's asset allocation in the toll highway business, so as to consolidate the core advantages of the Company in toll highway sector of the Guangdong-Hong Kong-Macao Greater Bay Area.

In 2020, the Group also achieved breakthroughs in the general-environmental protection industry. Upon acquisition of controlling interests in Lande Environmental in the beginning of the year, the Company actively promoted construction of the existing projects and acquisition of new projects during the Reporting Period. The capacity of kitchen waste treatment of the Group will exceed 4,000 tons/day, at the same time the Group has gradually developed a whole industry chain with industry edges which cover the research and development and design of organic waste treatment technology, as well as manufacturing, construction, operation and maintenance of the related equipment. During the Reporting Period, governmental departments invited tenders for the Guangming Environmental Park Project again after its termination. The Company incorporated a project company upon winning the bid for the project and entered into a concession agreement with the government. As at the date of this Report, the relevant preparatory work has started. The Guangming Environmental Park Project will become a benchmark project of the Group in Shenzhen region. During the Reporting Period, Nanjing Wind Power seized market opportunities to increase its production capacity and sales, overcame the adverse impacts such as tight supply along the supply chain and tight schedules for construction brought by the Epidemic, and successfully completed the production and delivery plan. As the first wind farm project of the Company, Baotou Nanfeng completed the establishment of a standardised system for operation and management during the year, thereby contributing stable revenue and profits to the Group. In 2020, the Group actively sought for premium resources for wind farm projects and entered into an agreement to acquire Mulei Project in Xinjiang in the beginning of 2021. The project has added an installation capacity of 249.5MW, which has enhanced the asset allocation of the Group in the wind power business.

Besides, the Group strengthened its capital and financing management by optimising the financing structure to reduce financial costs in 2020. During the Reporting Period, the Group took the opportunity to issue the epidemic prevention and control bonds of RMB1.4 billion, the green corporate bonds of RMB800 million and the super short-term commercial paper of RMB3 billion, which effectively reduced the consolidated financial costs. On the other hand, the Group successfully issued perpetual bonds of RMB4 billion, further strengthening its capital capacity. In terms of the industry-finance synergy, the Group has basically formed a pattern of controlling Industrial optimise Management Company, Financial Leasing Company and equity participating in banks. The Group will make use of financial instruments such as industry funds and financial leasing to support the development of its core businesses of toll highways and general-environmental protection, with a view to exploring opportunities in different industries and increasing financing channels, thereby realising the coordinated development of finance and industry.

In 2020, the Group also continued to improve its governance structure and optimise the management of its subsidiaries. The Group has continued to optimise the organisational structure and authorising system of headquarters, established a comprehensive and dynamic classification model for management and enhanced the overall quality and efficiency of decision-making according to the industry features, development strategies and management foundation of different subsidiaries in the two core businesses of the Group. In respect of recruitment and cultivation of talents, the Group has carried out a series of reform in terms of selection and employment, management, remuneration and unemployment in compliance with market-oriented principles. It has also performed works in relation to the introduction of professional technology caliber from external institutions and echelon building of talents to support business development of the Group.

Future Outlook

In October 2020, the Fifth Plenary Session of the 19th CPC Central Committee (the Central Committee) deliberated and adopted the 14th Five Year Plan and the Long-Term Goals For the Year 2035, which set a grand blueprint for China's future development and pointed out the way forward. The Central Committee clearly pointed out that during the implementation of the 14th "Five Year Plan", the major objectives of China's economic and social development include making significant progress in the establishment of a modern economic system, improving the socialist market economic system, basically completing the building of advanced market regulatory regimes and building of a new open economic system at an advanced level, etc. For the toll highway industry and the general-environmental protection industry in particular, the objectives include improvement of the comprehensive transport networks, acceleration of the connection between urban clusters and rail transit network in the metropolitan circle, significant results in green transformation of production and lifestyle and more reasonable allocation of energy and resources, etc.

Chairman's Statement

Since 2018, China has successively promulgated a series of policies such as Work Proposal for State-owned Enterprise Reform "Double-hundred Action" (《國企改革“雙百行動”工作方案》), Outline of Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area (《粵港澳大灣區發展規劃綱要》) and Opinions of the State Council on Supporting Shenzhen in Building a Pioneering Demonstration Zone for Socialism with Chinese Characteristics (《國務院關於支持深圳建設中國特色社會主義先行示範區的意見》), which has brought historic opportunities for state-owned enterprise reform and regional development. Shenzhen SASAC has also promulgated a series of comprehensive reform plans and work plans with a focus on the innovation of systems and mechanisms, thereby further promoting the market development of state-owned enterprises. In line with China's strategic layout and reform concept for state-owned enterprises and regional development, the Group will provide quality services in terms of infrastructure such as transport and environmental protection, thereby realising its own development.

For the transport infrastructure industry, according to the National Highway Network Planning (2013–2030), the addition of mileage of expressways will continue to slow down and the expressway industry will turn from the incremental era to an era of stable development. It is expected that the existing toll highways will maintain relatively stable and reasonable investment returns as a whole, while new construction projects may face challenges such as rising costs and longer period of development. The Group, on one hand, will strengthen collaboration with the government, in order to increase the return from individual project by continuously exploring innovative business models, so as to create investment opportunities with business value. On the other hand, it will strengthen the service capabilities throughout the industry chain of highways and expand to the upstream and downstream industries such as design, consultation, construction and maintenance with a focus on project construction, management and maintenance for the current period. In addition, the Group will follow the development trend of information technology to actively promote intelligent development of toll highways.

The general-environmental protection industry is the second core business of the Group. The Group will focus on featured environmental protection sectors such as recovery and solid waste management and the clean energy sector. China's vigorous promotion of waste classification will bring rapid development opportunities to organic waste treatment, the Company will actively participate in regional environmental governance by giving full play to its own advantages in order to promote recovery and reuse of resources, striving to become a leading enterprise in the sectors of organic waste treatment and obsolete vehicle scrapping. For clean energy, China plans to make strenuous efforts in developing new energy, optimising the energy structure and achieving the goals of carbon neutrality and emission peak of carbon dioxide. It is expected that the new energy industry will enter a stage of rapid development. The Company will actively expand the industry chain of the wind power and photovoltaic power industries, and become another Shenzhen force in China's clean energy industry. The Company believes that it can perform its social responsibility of protecting the environment and building a beautiful China, while realising healthy growth and development in the long run by integrating the concept of green and low-carbon economy into its operations.

Looking forward, leveraging the business landscape with toll highway and general-environmental protection as its dual core businesses, the Group will give full play to its core edges in terms of regions, brands, team and capital, in order to realise refined industry management through new technologies and industry-finance integration, so as to enhance the value of industry chain and strengthen core competitiveness on an ongoing basis.

Upholding the spirit of the Fifth Plenary Session of the 19th CPC Central Committee, the Company has drawn up the draft of its Strategic Development Plans for the 14th Five Year Plan, which is still needed to be proposed for approval. Leveraging the results achieved in previous strategic transformation and development, the Company will seize the opportunities of this era arising from the Guangdong-Hong Kong-Macau Greater Bay Area and Shenzhen in building a pioneering demonstration zone for socialism with Chinese characteristics by pursuing a market-oriented and innovation-driven strategy, with a view to consolidating and enhancing the advantages of the toll highway industry, and actively expanding the comprehensive clean energy industry of featured environmental protection, thereby building an intelligent Shenzhen Expressway and facilitating quality sustainable development of the Group.

Acknowledgements

On behalf of the Company, I would like to take this opportunity to express my sincere gratitude to all our shareholders, investors and business partners for their care and support for the development of the Group. Faced with the challenges and opportunities in 2021, all staff of Shenzhen Expressway will turn crises into opportunities and strive ahead with responsibility and commitment by continuously enhancing the management of the Company and developing core competitiveness, with a view to realise sustainable development of Shenzhen Expressway, so as to make contribution to the economy and social harmony of China.

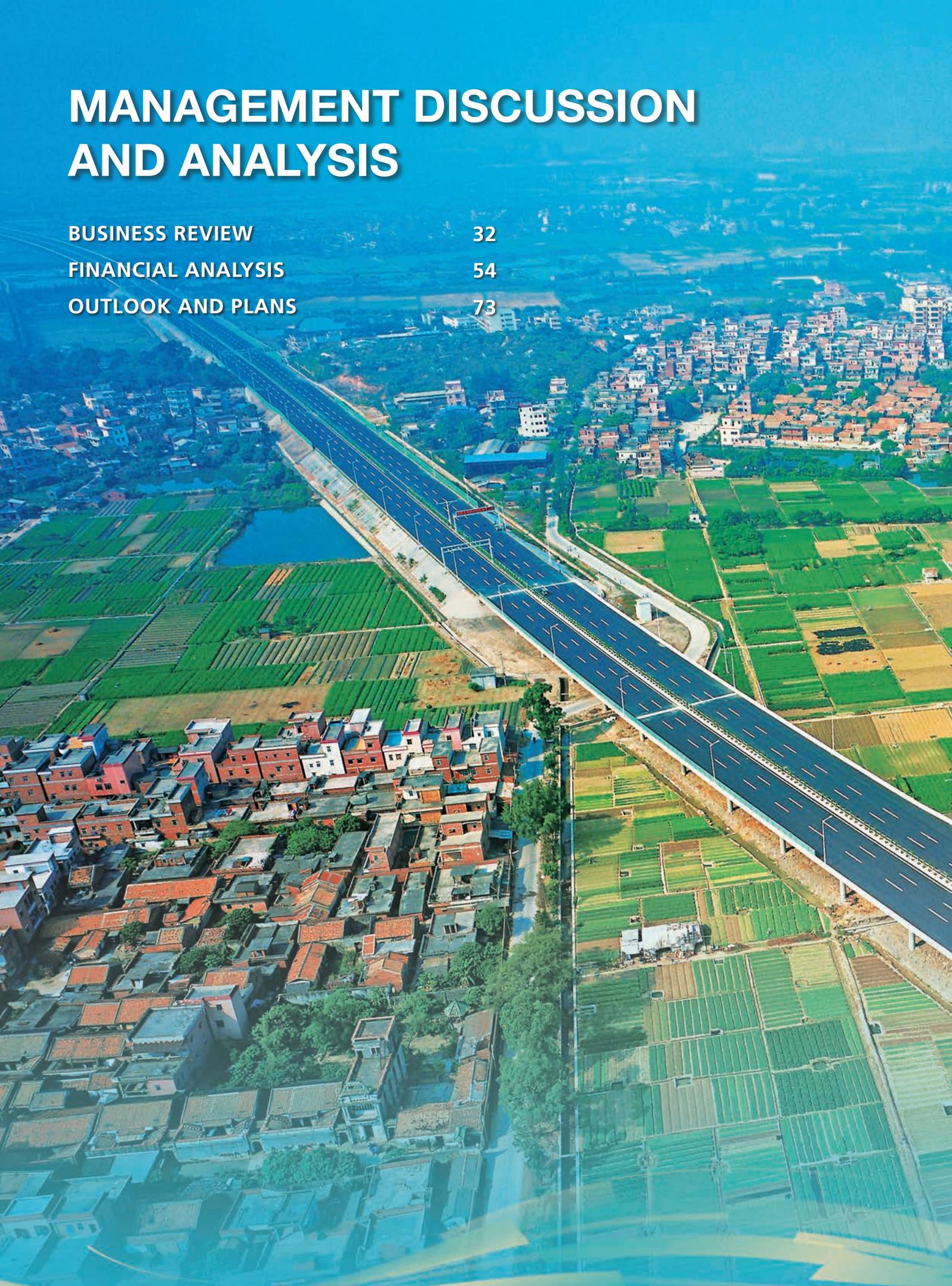
HU Wei
Chairman

Shenzhen, the PRC, 24 March 2021



MANAGEMENT DISCUSSION AND ANALYSIS

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Management Discussion and Analysis



LIAO XIANGWEN
President

In order to achieve the Company's strategic goal of transformation and upgrading, in addition to upgrading and consolidating the core business of toll highway, the Group prudently seeks opportunities for cooperation with leading and branded enterprises in the general-environmental protection industry to enter the environmental protection and clean energy business sector from a high starting point, thereby establishing the current business landscape with toll highway and general-environmental protection as its dual core businesses. In recent years, the Group adheres to a market-oriented, specialised and industrialised approach to continuously adjust and integrate its internal organisational structure and functions. It has gradually established various business platforms for urban infrastructure, environmental protection, operation, construction and new energy which include the Investment Company, a company principally engages in the business of expanding infrastructure construction market as well as joint comprehensive development of land; the Operation Development Company, a company principally engages in the provision of highway operation, maintenance management services and intelligent transportation business; the Environmental Company, a company principally engages in the expansion of businesses relating to the environmental protection industry such as recovery and solid waste management; the Construction Development Company, a company principally engages in the provision of project construction management services; the Infrastructure and Environmental Protection Company, a company, located in the Shenshan Special Cooperation Zone, engages in the provision of large-scale infrastructure construction management services for the cooperation zone and the project investment within the cooperation zone, and the New Energy Company, a company principally engages in the expansion of businesses relating to wind energy and other new energy. The Group has also set up the industry financial management department in 2020, which would act as a consolidated management platform of the Group for the expansion, operation and management of industrial-financial integration and capital operations. Through the aforesaid business platform, the Group will give full play to its own competitive advantages in infrastructure investment and finance, construction, operation and integrated management. The Group will also actively extend its business scope to the upstream and downstream of the industrial chain of its dual core businesses and develop other service-oriented businesses, such as operation maintenance, intelligent transportation/environmental protection system, engineering consulting, urban comprehensive services and industrial finance, striving for greater rooms for the development of the Group's operation.

SHENZHEN EXPRESSWAY COMPANY LIMITED

Toll Highway Business

Shenzhen region:

◆ Meiguan Expressway	100%
◆ Jihe East	100%
◆ Jihe West	100%
◆ Constal Project	100%
◆ Outer Ring Project	100%
◆ Longda Expressway	89.93%
◆ Shuiguan Expressway	50%
◇ Shuiguan Extension	40%

Other regions in**Guangdong Province:**

◆ Qinglian Expressway	76.37%
◇ Yangmao Expressway	25%
◇ GZ W2 Expressway	25%

Other Provinces in the PRC:

◆ Wuhuang Expressway	100%
◆ Yichang Project	100%
◆ Changsha Ring Road	51%
◇ Nanjing Third Bridge	25%

Enviromental Business

◆ Mulei Wind Power Project	100%
◆ Baotou Nanfeng	100%
◆ Lande Environmental	67.14%
◆ Nanjing Wind Power	51%
◇ Derun Environment	20%
◇ Water Planning Compay	15%

Entrusted Management and Other
Infrastructure Development

Industry-Financial Integration

Other Businesses

- Advertising
- Engineering Consulting
- Inter-network Toll Collection

Icon:

- ◆ Consolidated project
- ◇ Non ConSolidated Project

Management Discussion and Analysis

I. Business Review

In 2020, the COVID-19 epidemic had a significant impact on the production and operation of the Group. In addition to properly carrying out work in relation to the prevention and control of the epidemic, the Group has also promptly taken active steps to achieve resumption of its production and operation in a full manner, and mitigated the negative impact of the epidemic by measures to broaden revenue streams and reduce expenditure, such as increasing market development efforts in quality projects, improving production efficiency and reducing operating costs, etc.

During the Reporting Period, the Group effectively managed the main business of toll highway, environmental protection and clean energy, and steadily developed relevant businesses such as entrusted management, infrastructure development and financial services. During the Reporting Period, the Group recorded revenue of approximately RMB8,027 million, representing a YOY increase of 25.61%, of which toll revenue of approximately RMB4,387 million, clean energy business revenue of approximately RMB1,666 million, recovery and solid waste management revenue of approximately RMB843 million, other environmental protection business revenue of approximately RMB12 million, entrusted management services revenue of approximately RMB511 million, real estate development revenue of approximately RMB351 million and other business revenue of approximately RMB258 million accounted for 54.65%, 20.75%, 10.51%, 0.14%, 6.36%, 4.37% and 3.21% of the total revenue of the Group, respectively.

(I) Analysis of Operating Environment

(1) Economic environment

In 2020, the global spread of the Epidemic has not only caused threats to human lives and health, but also a huge impact on the global economy. Despite various prevention and control measures and economic stimulus measures promptly taken by governments around the world in response to the epidemic in the past year, the global epidemic situation and the economic landscapes around the world had remained severe and complicated with numerous uncertainties as at the end of 2020. Prevention and control against the epidemic, reopening of the economy and resumption of development have been of utmost priority of various governments. Following a series of measures in relation to the prevention and control against the epidemic and economic regulation policies promptly introduced by the Chinese government, the Chinese economy demonstrated strong resilience. Since the second quarter of 2020, great progress has been made in phases in terms of national prevention and control against the epidemic as well as resumption of work and production. The national economy has resumed gradually and economic indicators have improved quarter-on-quarter with GDP saw a turnaround from negative to positive and recorded a YOY growth of 3.2% in the second quarter of 2020. The YOY GDP growth reached 4.9% in the third quarter, representing a YOY increase of 2.3% for the year. China's total economic volume exceeded RMB100 trillion, which enabled it to become the only major economy in the world with positive economic growth. The regional GDP of Guangdong Province and Shenzhen recorded a YOY growth of 2.3% and 2.6% respectively. The orderly recovery of the national economy is conducive to the general growth of the regional transportation and logistics demand via highway. Source of data: Government statistics information website

(2) Policy environment

- ◆ **Toll highway industry:** To reinforce the reform of toll road system, the government introduced a number of policies regarding the toll highway in 2019 which have been implemented since 1 January 2020. Such policies include the removal of provincial boundary highway toll stations, which aim to achieve non-stop express toll collection, and the vigorous promotion of application of ETC on highways, which aim to realise ETC utilisation rate of vehicles passing through the highways over a certain proportion by the end of 2019, as well as strict implementation of the basic preferential policy that offer a discount of not less than 5% of the toll fees for ETC users. In addition, the MOT issued the "Classification of Toll Fees for Vehicles on Toll Highways" (《收費公路車輛通行費車型分類》), a new standard for the transportation industry. The new standard downgraded original

Type-2 passenger vehicles with 8 and 9 seats as Type-1 mini passenger vehicles, and implemented toll-by-class instead of toll-by-weight policy for trucks. The traffic management department of Guangdong Province requires a cancellation of toll collection on mileage in relation to interchanges connecting ramp at transportation hubs and re-approval of the toll fees standard for section fees with the amount of toll fees for each section rounded to the nearest cents. Moreover, in order to improve the settlement efficiency and reduce logistics costs, after the resumption of toll collection of all expressways over the country from 6 May 2020, all ETC systems have adopted the calculation method of “round-down and no round-up” for toll fees charged at all sections of expressways, i.e. for the expressway toll fee which the cent portion is less than RMB0.5, the amount will be round-down to the whole yuan; for those which the cent portion is larger than RMB0.5, the fee will be collected at the exact amount without rounding up but a 5% off discount will be offered to such fee. In general, the implementation of the above policies has had a negative impact on the Company’s toll revenue. On the other hand, however, the changes in industrial policies will be more favorable for the long-term industrial development and the improvement of both efficiency and service quality. For instance, the implementation of toll-by-class instead of toll-by-weight policy has realised restriction over over-limit and overloaded vehicles without requiring them to stop for weighting or inspection at highway toll stations. The policy can also enhance the traffic efficiency and lower the maintenance cost of highways, which is positive to the reduction of labour cost and management fee of the Company in the long-term.

As required by the MOT, commencing from 00:00 on 17 February 2020 and until 00:00 on 6 May 2020, a toll-free policy was implemented for all vehicles using toll highways according to the laws, so as to ensure the transportation of materials for prevention and control of the Epidemic as well as for production and daily lives, thereby supporting the resumption of work and production of enterprises and hence providing strong support for economic and social stability as a whole. The implementation of this policy has caused a decrease in the revenue of the Group during the period of prevention and control of the Epidemic. As at the date of this Report, the Company received related document of Department of Transportation of Guangdong Province regarding the toll free policy to toll roads vehicles during the prevention and control period of the COVID-19 epidemic. Based on the Company’s understanding and assessment on related document, it recognised an income for its wholly-owned and controlled expressway projects in Guangdong Province.

- ◆ **Environmental protection industry:** The construction of ecological civilisation has become a national strategy. During the implementation of the 13th Five-Year Plan, great efforts has been put into boosting ecological protection and environmental construction, thereby continuously improving the legal system construction of the ecological environment. Since 2018, 9 departments of the State including the National Development and Reform Commission and the Ministry of Housing and Urban-Rural Development have promulgated the relevant policies successively. Such policies have required to improve the charging mechanism for solid waste treatment, to establish a charging system for household waste treatment in cities and towns with administrative status across the country by the end of 2020, and to explore opportunities for the establishment of a charging system for waste treatment in rural areas, with an aim to basically establishing a household waste classification and treatment system by 2025 for cities at prefecture level and above nationwide. The Law of the People’s Republic of China on the Prevention and Control of Environmental Pollution by Solid Waste (《中華人民共和國固定廢物污染環境防治法》) promulgated since 1 September 2020 has required governments at county level or above to accelerate the establishment of a household waste management system for classification and management, with a view to achieving effective coverage of the household waste classification system, thereby conducting works in relation to resource recovery and harmless treatment of kitchen waste. In 2020, various provinces and cities across China issued regulations on waste classification and management successively, while cities at county level or above put efforts in enhancing the capacity of facilities for utilisation and treatment of solid waste, which have created new rooms for market development of various sub-segments along the industry chain of solid waste.

Management Discussion and Analysis

The “Notice of the National Development and Reform Commission on Improvement of Policy regarding On-grid Tariff of Wind Power” (《國家發展改革委關於完善風電上網電價政策的通知》) issued in May 2019 replaced the on-grid tariff of onshore wind power with government’s guided price and the on-grid tariff of all newly approved centralised onshore wind power projects shall be determined through competitive process. For those onshore wind power projects approved in the previous years, there is a clear division of time limit for grid connection and tariff subsidies. Driven by such policy, the construction of onshore wind power projects remained in the peak period in 2020. Since May 2019, the National Energy Administration has successively issued policies in relation to the wind power and photovoltaic power industries, which highlighted two key directions, namely promoting grid parity and competitive allocation of projects that require subsidies. The transmission and consumption guarantee mechanism of wind power and photovoltaic power were also improved to enhance market competitiveness. Pursuant to the “Notice on Commencement of Relevant Review Work on the Projects List of Renewable Energy Power Generation Subsidies” (《關於開展可再生能源發電補貼項目清單審核有關工作的通知》) issued by the General Office of the Ministry of Finance in March 2020, the application for government subsidies regarding renewable energy has been reopened, which will facilitate earlier receipt of existing power generation subsidies for new energy power generation and operation projects. The abovementioned policies will be favorable for the stable and orderly development of the wind and photovoltaic power industries. Wind energy and other new energy in China have seen rapid development. According to the information of the National Energy Administration, the annual average newly installed capacity of wind power and photovoltaic power in China during the implementation of the 13th Five-Year Plan was approximately 63 million kW in aggregate, which showed that both energy resources have become an integral part of energy transformation and the main source of incremental power in the future. President Xi Jinping further announced in December 2020 that, “by 2030, the non-fossil energy will account for about 25% of primary energy consumption, and the total installed capacity of wind power and solar power will be more than 1.2 billion kW”. The new energy power generation industry will see broader room for development.

(II) Business Management and Upgrade

◆ *Striving to carry out work in relation to the prevention and control of the epidemic and foster development in joint efforts*

Since the outbreak of the Epidemic, the Company, in active response to the call of the Party and the State, has made full efforts to cooperate with the government and devoted a lot of resources and staff to fight against the Epidemic. More than 63 million vehicles in the society were exempted from paying toll on the expressways under the Company. An average of over 3,000 people was arranged to be on duty every day and an aggregate of 19,000 person-times was arranged at 72 joint quarantine checkpoints to commence inspection work for epidemic prevention in cooperation with local governments. The Company has also fulfilled its social responsibility proactively by securing smooth traffic, carrying out inspection work for epidemic prevention, transporting emergency supplies, ensuring environmental hygiene of cities, helping epidemic areas with donations, etc. The earnest, pragmatic and responsible effort of the Company has received high acclaim from the government departments and the public.

In the first half of 2020, the Epidemic and the Toll-free Policy during the Epidemic caused huge impact on the Company’s operations. To turn such disadvantaged situation around as soon as possible, the Company asked all its staff to overcome difficulties together. In the second half of the year, the Company has focused closely on the operating targets set in the beginning of the year, with a view to consolidating the foundation of production and operation, took initiative to explore potential and enhance efficiency, thereby seizing market opportunities for development under adverse conditions.

In terms of the operation and management of highways, utilising the toll-free period, the Company has further optimised its ETC system and carried out on-road quality tests therefore. It has successfully tackled the problem of interference from the adjacent lane and other technical problems, and achieved optimisation and upgrade of the system. The optimised ETC system has been operating smoothly since the commencement of operation and the traffic efficiency of all sections have been enhanced effectively. In order to enhance operating performance, the Group actively organised various marketing and promotional activities, formulated and implemented targeted marketing and promotional campaigns for various sections according to their project features, promoted the advantages of the Company's road network and projects through multiple channels in an effort to attract traffic via its proactive measures. For instance, Yichang Company shared timely traffic information and widely promoted the route and pricing advantages of Yichang Expressway by means of traffic radio channels, WeChat service platform and promotion in collaboration with the surrounding attractions with an aim to attracting traffic volume. Besides, the Company also improved its service quality by enhancing the resource allocation of service areas. For example, the hardware facilities, including buildings and signs, of the two service areas of Qinglian Expressway were upgraded and modified during the year. Charging stations for new energy vehicles were also added to provide drivers and passengers with convenience for smooth driving, thereby enhancing service reputation of the Company.

In terms of project construction, major projects in progress undertaken by the Company during the Reporting Period included the Outer Ring Project, Coastal Phase II, the Duohua Bridge Project, the Bimeng Project, etc. All of those projects are tight schedules, heavy workloads and high technical requirements. Due to the Epidemic, the progress of the above projects under construction was affected to a certain extent at the beginning of the year. At the same time, the Group also faced pressure from the surging costs of raw materials, logistics and labour. After the resumption of work and production, the Group strived to meet the construction schedules and complete the projects on schedule with quality delivery under effective cost control by demanding the construction project teams to streamline all crucial points of construction comprehensively, implement targeted policies, adopt the schedule of inverted construction period, increase resource input, arrange materials in advance, arrange reasonable work procedures, enhance construction procedures and techniques, and enhance production efficiency with the help of innovative technologies. During the year, the Group also actively conducted the preliminary work of Outer Ring Phase III, the Jihe Expressway reconstruction and expansion project and the Shenshan Second Expressway Project, with a view to laying a foundation for the development of the Group's core business of toll highway.

In terms of the general-environmental protection business, the Group focused on the sub-sectors of recovery and solid waste management during the year. It completed the acquisition of the controlling interests in Lande Environmental and Qiantai Company and promptly completed the preliminary industrial layout for areas including sub-sectors in organic waste treatment, retired power battery and resource utilisation of scrap vehicle dismantling, so as to expand the Group's core environmental protection business. Meanwhile, the Group enhanced the internal management upgrade and resource integration of acquired companies by conducting joint management and control from aspects including system establishment, operation and management, technological research and development, with a view to streamlining all business procedures, optimising work procedures in a scientific way and stepping up its efforts in market expansion as well as research and development. With effective integration, the operating results of Baotou Nanfeng saw steady growth, and the internal management of Nanjing Wind Power and Lande Environmental also showed obvious improvement after acquisition. All of them have overcome the impact brought by the Epidemic and fulfilled their annual operating targets. In the beginning of 2021, the Group has secured the concession of Guangming Environmental Park Project again by way of tender, and has acquired 100% of the equity interests in the Xinjiang Mulei Wind Power Project, further enhancing the scale of its environmental protection business.

Management Discussion and Analysis

◆ *Offer momentum to business operation through application of innovative technologies*

In order to improve the Group's management capability and efficiency and facilitate the operation development via technological innovation, the Group has actively conducted research of innovative technologies in recent years. Integrating its technical resources with that of the professional research institutes and technical teams by way of strategic cooperation, the Group has strenuously pushed forward the implementation and application of innovative technologies in traditional expressway construction by leveraging its advantages of infrastructure resources and operational management experience as well as the strengths of the professional technical teams in aspects such as Big Data, artificial intelligence and internet technology, thereby continuously enhancing information development of intelligent transportation and intelligent environmental protection.

During the Reporting Period, Jihe Expressway reconstruction and expansion project and other major projects were adopted by the Group as carriers to explore the construction and research of intelligent expressways. To meet the industrial construction requirements and solve the complicated management difficulties throughout the process of traffic operation and road maintenance during the period of project construction, all elements of the construction site were managed in a unified manner by adopting information technology to formulate an information-based, visualised and intelligent BIM-based engineering project management system, thereby improving the management efficiency and application value. Through the application of new technologies such as artificial intelligence and the Internet of Things, the deep integration of the full life cycle business, including construction, operation and services, of Jihe Expressway was achieved, with a view to developing a digital twin of Jihe Expressway and establishing an intelligent platform for construction, operation and management, thereby achieving the objectives on the whole process of construction, management and maintenance of the Jihe Expressway in terms of efficiency, safety and cost-efficiency. Moreover, the integrated information platform for the management and control of the road condition of Outer Ring Project successfully developed by the Group in the previous year was officially put into operation. According to the data accumulated during the process of operation, the functional modules of the platform have achieved their expected performance of improving management efficiency and work quality, and reducing management costs. Computer Software Copyright issued by the National Copyright Administration and two patents of practical innovations have been obtained by this platform. In 2020, the research on the platform was awarded with the second prize in the first Shenzhen Quality Technology and Innovation Award. During the Reporting Period, the Group also commenced research on projects such as drone application, toll collection inspection management system under the free-flow model and 5G multifunctional pole. The drone application system enabled the Group to implement works such as monitoring of traffic flows, inspection and emergency rescue coordination. In the future, the Group will also foster the application of information technology in its general-environmental protection business, with an aim to offering momentum to business operation through technologies by building intelligent environmental protection and intelligent energy infrastructure.

(III) Toll Highway Business**1. Business Performance and Analysis**

In 2020, the average daily toll revenue of toll highway projects operated and invested by the Group are as follows:

Toll highway	Average daily toll revenue (RMB'000)		
	2020	2019	YOY
Guangdong Province – Shenzhen Region:			
Meiguan Expressway	393	383	2.5%
Jihe East	2,012	2,105	-4.4%
Jihe West	1,680	1,829	-8.1%
Coastal Expressway ⁽¹⁾	1,498	1,459	2.7%
Shuiguan Expressway	1,658	1,786	-7.2%
Shuiguan Extension	253	331	-23.6%
Guangdong Province – Other Regions:			
Qinglian Expressway	2,275	2,293	-0.8%
Yangmao Expressway	1,294	1,524	-15.1%
Guangwu Project ⁽³⁾	787	796	-1.1%
Jiangzhong Project ⁽³⁾	1,175	1,250	-6.0%
GZ W2 Expressway	1,544	1,597	-3.4%
Other Provinces in the PRC:			
Wuhuang Expressway	1,059	1,130	-6.3%
Yichang Project	1,066	1,106	-3.6%
Changsha Ring Road	511	428	19.6%
Nanjing Third Bridge	1,517	1,393	8.9%

Note:

- (1) According to the agreement of implementation of toll adjustment for lorries by Coastal Project signed between Shenzhen Transport Bureau and Coastal Company, all types of trucks passing through the Coastal Project will be charged 50% of the normal toll fees standard from 1 March 2018 to 31 December 2020, and Shenzhen Transport Bureau compensated to Coastal Company for RMB302 million. Upon the expiry of the toll adjustment agreement, Shenzhen Transport Bureau, the Company and Coastal Company entered into the freight compensation agreement, wherein it is agreed that during the period from 1 January 2021 to 31 December 2024, the vehicles passing the Coastal Project should be charged at 50% of the standard rate of the toll, and such toll waived by the Company and Coastal Company shall be compensated by the government in an one-off manner in March of the following year.
- (2) According to the Company's understanding and assessment on related document of Department of Transportation of Guangdong Province regarding the toll free policy to toll roads vehicles during the prevention and control period of the COVID-19 epidemic, the Company recognised an income for its wholly-owned and controlled expressway projects in Guangdong Province.
- (3) The Company signed a transfer agreement on 24 December 2020 in respect of 30% equity interests in Guangyun Company and 25% equity interests in Jiangzhong Company. As at the date of this Report, the completion procedure of the equity transfer is still in progress.
- (4) Longda Expressway was consolidated into the financial statements of the Group on 26 November 2020, the average daily toll revenue of Longda Expressway of December 2020 was RMB525,000.

Management Discussion and Analysis

In 2020, the overall toll revenue from toll highways operated and invested by the Group recorded a YOY decrease, mainly due to the impact of the Epidemic and the implementation of the Toll-free Policy during the Epidemic. With the gradual recovery of the domestic economy after the epidemic prevention and control has stabilised, toll has been resumed from 0:00 on 6 May 2020. The overall traffic volume of the toll expressways operated and invested by the Group during the period of resumption of toll collection (6 May 2020 to 31 December 2020) has returned to normal level. However, the implementation of the new toll sections and charging standards after removal of toll collection stations at provincial boundary and general promotion for the popular use of ETC toll system, the adjustment of vehicle type classification and relevant charging standards, the ETC toll discounts and adjustment to charging rules, and the adjustment to the toll sections charging policy and charging standards of Guangdong Province, and other charging policies had certain negative impact on toll revenue.

Moreover, the operational performance of toll expressways is also affected by factors such as changes in surrounding competitive or coordinated road network, construction or maintenance of the expressways, maintenance of connected or parallel expressways, implementation of urban traffic organisation plans, and positive or negative impact from other transportation means.

(1) Guangdong Province – Shenzhen Region

During the period of resumption of toll collection, benefitted from the resumption of work and production of large-scale production bases and construction projects located along the highways, the traffic volume of freight cars passing through Meiguan Expressway has maintained a promising growth, which in turn promoted its overall operational performance. As the major cargo freight traffic artery for west-to-east of Shenzhen, Jihe Expressway saw a rapid recovery in its operational performance following the regional production and economic activities returning to normal. Benefitted from the positive impacts such as the progress of various large-scale construction projects in Qianhai and western port region of Shenzhen, the turnaround of economic activities along the expressway and the synergy on expressway network arising from the opening of the connecting lane of Dongbin Tunnel Shahe West Section, the daily average traffic volume of Coastal Expressway has increased.

Guangdong Province has implemented policies such as exemption of toll fees for the hub interchange ramp and the toll mileage beyond stations, and reorganise and re-approved the toll mileage of each sections, resulting in adjustments to the toll mileage of Jihe Expressway, Shuiguan Expressway and Shuiguan Extension. In addition, Banyin Avenue (Shenzhen Municipal Road) was officially opened on 1 May 2020, which significantly diverted the traffic flow of Shuiguan Extension.

On 29 December 2020, Phase I of Outer Ring Shenzhen section officially commenced operation. It has become another important road of “Ten Horizontal and Thirteen Vertical” road network constructed by Shenzhen, and also the first newly operated expressway with full 5G network coverage in domestic highway industry. With a total length of approximately 51 km, Outer Ring Phase I commences from the west, connects the Guangzhou-Shenzhen Coastal Expressway and Huiyan Expressway eastward via regions such as Bao’an, Guangming, Pingdi. Linking the regions such as Bao’an, Guangming, Longhua, Longgang and Pingshan, the project will play a key role of traffic intersection, consolidation and distribution for the six districts in Shenzhen such as Airport Economic Zone New Town along the expressway.

(2) *Guangdong Province – Other Regions*

The commencement of operation of all sections of Xuguang Expressway highlighted the effect of Qinglian Expressway as a north-south traffic artery from Southern China to Central China. The official opening of Qingyun Section of Shanzhan Expressway on 1 January 2020 has driven an increase in the traffic volume of Qinglian Expressway actively. Since the reopening of Qingyuan Bridge in mid-June 2020, some vehicles using the linkage chose to pass through Qinglian Expressway. With the gradual resumption of production and operation in the areas along the highways and the coming of tourist seasons, the public demand for automobile travel has increased. Due to the positive impact of the above factors, the daily traffic volume and toll revenue of Qinglian Expressway recorded a YOY growth respectively during the period of resumption of toll collection.

During the period of resumption of toll collection, the average daily traffic toll revenue of Yangmao Expressway recorded a significant YOY decrease due to the overall negative impacts brought by adjustment of toll policy, successive opening of adjacent road network, closure for construction work at linked roads and the renovation and expansion work at certain sections of Yangmao Expressway. Following opening of the surrounding road network and the official opening of Fqingcong Expressway which connected with GZ W2 Expressway in January 2020, the short-distance traffic volume of GZ W2 Expressway has increased. However, the opening of Guangfozhao Expressway at the end of December 2020 has caused certain diversion impact on the overall traffic volume of GZ W2 Expressway.

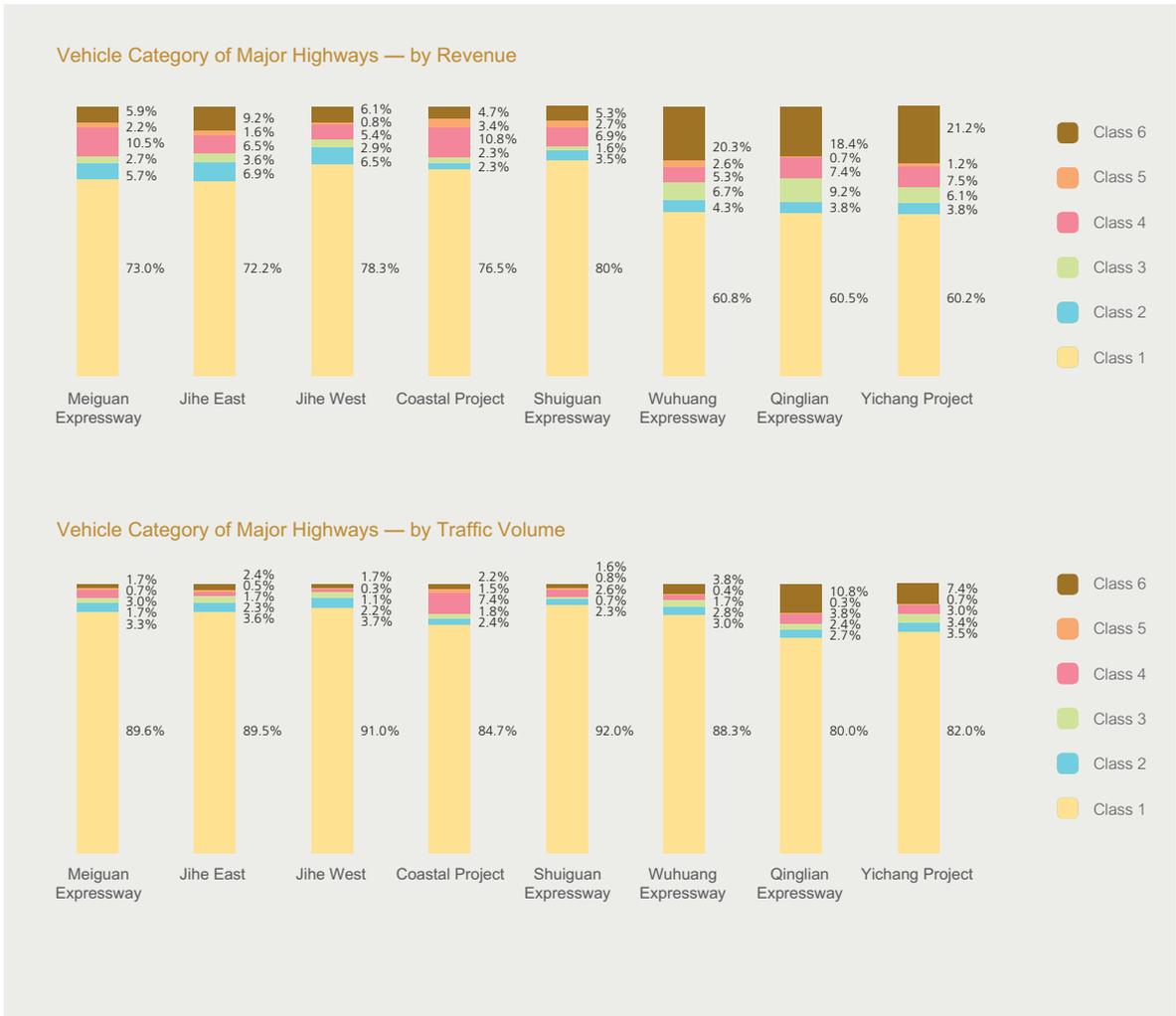
(3) *Other Provinces*

During the Reporting Period, with the combined effect brought by factors such as the Epidemic, adjustment on toll collection policies and the diversion of road networks, the average daily toll revenue of Yichang Expressway recorded a YOY decrease. The official opening of Changyi North-Line Expressway (Changsha-Yiyang) in August 2020 has a certain positive impact on the traffic volume growth of Yichang Expressway. With the Changsha-Yiyang-Changde High-Speed Railway entering the construction stage, the traffic volume for trucks of Yichang Expressway has been pulled up to a certain extent. Wuhuang Expressway is located at the epicenter of the Epidemic and was severely affected by the Epidemic in the first half of the year. With gradual resumption of work and production after the Epidemic has been brought under control in the second half of the year, the traffic volume of Wuhuang Expressway has also recovered gradually. However, under the negative impacts including the disruption of traffic by construction works on intersecting highways and a series of severe flood disasters in Hubei and peripheral provinces since July 2020, the average daily toll revenue of Wuhuang Expressway recorded a significant YOY decrease during the Reporting Period. Benefitted from the positive impacts of the recovery of the peripheral economic and business zone and the opening of the peripheral highway network of Changyi North-Line Expressway and other expressways, the average daily toll revenue of Changsha Ring Road recorded a YOY increase during the period of resumption of toll collection. Moreover, benefitted from the relatively fast recovery of the peripheral and regional economy, the operational performance of Nanjing Third Bridge returned to normal during the period of resumption of toll collection.

Management Discussion and Analysis

Reference Information

In 2020, there was no substantial change in the vehicle category for each major toll highway project of the Group as compared with last year. The following diagram shows the vehicle category of major toll highway projects of the Group:



2. *Business Development*

Outer Ring Project is a toll highway invested by the Group according to the PPP model, which includes Outer Ring Phase I and Outer Ring Phase II. Of which, the total length of Outer Ring Phase I is about 50.74 kilometers and the total length of Phase II is about 9.35 kilometers. Outer Ring Project is the longest expressway in the highway network planning of Shenzhen to date. Upon completion, it will be connected to 10 expressways and 8 Class 1 highways in Shenzhen region. The project involves a large scale of engineering construction with numerous bridges and tunnels as well as complicated transportation networks, and hence has a high requirement on construction management. During the Reporting Period, with a target to open Outer Ring Phase I to traffic by the end of 2020, the Group overcame the impact of the engineering construction lagging behind due to the Epidemic in the beginning of the year by optimising the construction arrangement plan and increasing the allocation of resources, thereby successfully achieving its goal of putting Outer Ring Phase I into operation on 29 December 2020. As at the end of the Reporting Period, approximately 81.4% of Outer Ring Project has been completed, among which the land resumption and demolition and relocation work have been basically completed. The engineering construction of roadbed and bridges for Phase II in full swing is being carried out. In addition, with the approval of the Board, the Company was actively conducting the preliminary work, such as inspection and design, of the first-stage section of Outer Ring Phase III during the Reporting Period. For details of Outer Ring Project, please refer to the relevant contents of the Company's announcement dated 18 March 2016 and circular dated 25 April 2016.

The construction of Coastal Phase II commenced in December 2015, mainly including the interchange of the International Convention and Exhibition Center, the connecting lane on the Shenzhen side of Shenzhen-Zhongshan Tunnel, the interchange of Shajing and the remaining relevant construction. Of which, the interchange of the International Convention and Exhibition Center was completed and put into operation in 2019. To meet the construction requirements of the eastern artificial island of Shenzhen-Zhongshan Tunnel, the engineering design and the construction plan of Coastal Phase II were adjusted during the year. As at the end of the Reporting Period, approximately 47% of the construction progress of Coastal Phase II has been completed according to the adjusted construction plan. While the land acquisition and demolition and relocation work has been completed, the construction of roadbed, bridges and pavements have completed at a percentage of approximately 57%, 63% and 10%, respectively.

To match the overall work plan and arrangement of the government's expressway construction and improve road safety and quality and the traffic environment, the Board have approved the preliminary work of the Group's preliminary design of the Jihe Expressway reconstruction and expansion project in January 2018. During the Reporting Period, the Board further approved the work in relation to the first-stage section of the Jihe Expressway reconstruction and expansion project and the relocation of high voltage cable. Upon several rounds of communication and coordination between the Company and various administrative authorities of the government, the Jihe Expressway reconstruction and expansion project was granted the approval by the Development and Reform Commission of Guangdong Province in the end of 2020 and the feasibility plan of the project was reviewed and approved by the MOT. As at the end of the Reporting Period, the Company was actively conducting the work in relation to the review of preliminary design and the tendering for construction of the first-stage section. The model of investment and financing of the Jihe Expressway reconstruction and expansion project is still under negotiation. The Company will timely perform the approval process upon confirmation of the model.

Management Discussion and Analysis

According to the Shenzhen Municipal Government's plans and arrangements of Shenshan Second Expressway (Shenzhen – Shanwei) and with approval of the Board, the Company has commenced preliminary work such as inspection and design of Shenshan Second Expressway during the Reporting Period. According to the plan of the Shenzhen Municipal Government at current stage, Shenshan Second Expressway is planned to be constructed with four lanes in each direction and will be divided into two sections to set up projects. It includes the subsidiary road of Shenzhen section of Outer Ring Expressway (Daya Bay – Pingshan) with a construction length of approximately 15.28 kilometers, on which the Company is conducting preliminary research for planned construction recently; and the Huidong subsidiary road of Western Shenshan Expressway (Shenshan Special Cooperation Zone – Huidong County) with a construction length of approximately 25.24 kilometers to be constructed in the far future. The above subsidiary roads will be connected by the existing Huishen Coastal Expressway with a length of approximately 31.7 kilometers. Shenshan Second Expressway will have access to a number of main routes including Outer Ring Expressway upon completion. Becoming an express traffic passage between Shenzhen and Shenshan Special Cooperation Zone, the Expressway will act as a significant role in facilitating the cooperation and development among the areas such as Shenzhen, Huizhou and Shanwei.

The Company holds 25% equity interests in Yangmao Company. The reconstruction and expansion of Yangmao Expressway commenced in mid-2018 and is scheduled to be completed in 2022. As at the end of the Reporting Period, approximately 46% of the reconstruction and expansion of Yangmao Expressway has been completed. While the construction of roadbeds, soft foundation treatment, culvert works, bridge foundation and bottom structure of the bridge has been completed, the construction of upper structure of the bridge and pavements have completed at a percentage of approximately 80% and 55%, respectively.

Upon approval of the Board, the Company acquired 89.93% equity interests in Longda Company at approximately RMB405.39 million during the Reporting Period and hence holds 89.93% equity interests in Longda Expressway. The change of the relevant industrial and commercial registration was completed on 1 December 2020. For details, please refer to the Company's announcement dated 9 November 2020. Longda Expressway (Longhua, Shenzhen – Dalingshan, Dongguan) is a dual six-lane expressway. The section owned by Longda Company since 1 January 2019 is the 4.426 kilometers of Longda Expressway (north of Songgang – Guanfo Expressway). The period of toll-collection operations of such section is up to 8 October 2027. Given that Longda Expressway is located in the core region of the Guangdong-Hong Kong-Macao Greater Bay Area and is an important trunk line from Shenzhen to Dongguan and the Pearl River Delta, the acquisition of 89.93% equity interests in Longda Company will help the Company to improve its future profitability and cash flow. The acquisition will further consolidate the Company's core advantages in the investment, management and operation of toll highways, and is in line with the Company's development strategy and overall interests.

Given the planned reconstruction and expansion of Jiangzhong Project and Guangwu Project, and in consideration of the investment costs and capital returns of the reconstruction and expansion coupled with the Company's development strategy, the Company transferred 25% equity interests in Jiangzhong Company and 30% equity interests in Guangyun Company in bundle by way of public listing upon approval of the executive Board during the Reporting Period. The Company signed the relevant equity interests transfer agreement with Guangdong Xinyue Communications Investment Company Limited (廣東新粵交通投資有限公司) which won the bid in December 2020 at a transaction price of approximately RMB520 million. As at the date of this Report, the completion procedures of the equity transfer is still in progress. The exit of the Company from highway investment projects with minority share can help to improve the existing asset structure of the highway business and reduce capital expenditure, thereby recovering a certain amount of capital to focus on the investment and development of quality projects with controlling share.

On 29 May 2020, Operation Development Company, a wholly-owned subsidiary of the Group, entered into agreement contract in respect of acquiring 60% of the equity interests in Guangdong Boyuan Construction Engineering Co., Ltd (廣東博元建設工程有限公司) at a consideration of RMB6.99 million. The change of the relevant industrial and commercial registration was completed in September 2020 and the company name has been changed to “Shenzhen Expressway Engineering Development Co., Ltd (深圳高速工程發展有限公司)”. Engineering Development Company possesses a grade two qualification for general contractor in terms of road project construction as well as relatively leading professional technological advantages and extensive experience in operation management in the field of highway maintenance. Upon completion of acquisition of the controlling interests in Engineering Development Company, the Group may proactively expand its businesses relating to the upstream and downstream industrial chain such as highway and municipal road maintenance and construction, acquire more types of construction projects in Shenzhen and other areas, and thus developing its core competitiveness in the sub-segments of comprehensive highway management and maintenance.

In addition, upon approval of the executive Board, Construction Company, a wholly-owned subsidiary of the Company, has set up a joint venture called Shenzhen Expressway Architecture Technology Development Co., Ltd. (深圳高速建築科技發展有限公司) with China Power Construction South Investment Co., Ltd. and China Railway 23rd Bureau Group Co., Ltd. in November 2020. The registered capital of Construction Technology Company is RMB40,000,000. Among them, Construction Company holds 51% of the equity interest, while the other two parties each hold 24.5% of the equity interest. Prefabricated construction is in line with the future development trend of the traffic construction sector. Leveraging the equipment and technological advantages of the cooperative parties, Construction Technology Company will build a production base for prefabricated construction parts. Coupled with the construction requirements of the Jihe Expressway reconstruction and expansion project, it will generate synergies with the Group’s toll highway business, which will be beneficial to enhancing the core advantages of the Group’s main businesses.

(IV) Environmental Protection Business

In order to explore a broader room for the Group’s long-term development, the Group will proactively explore the investment prospects and opportunities of the general-environmental protection industry including recovery and solid waste management and clean energy principally while consolidating and enhancing the core business of toll highway. The Group has established Environmental Company and New Energy Company as a market-oriented platform for expanding businesses in relation to the general-environmental protection industry.

1. Recovery and solid waste management

The organic waste treatment industry has a relatively large room for development as supported by the national environmental protection policies. Organic waste treatment is a key industry segment of focused development of the Group in the general-environmental protection area. The Group also proactively explores the investment prospects and opportunities in the area of recovery and solid waste management.

On 8 January 2020, Environmental Company, a wholly-owned subsidiary of the Company, entered into a capital increase and equity transfer agreement with the relevant parties to acquire not more than 68.1045% of the controlling interest in Lande Environmental at a consideration of not more than RMB809,600,000 by way of share subscription and capital increase. For details, please refer to the Company’s announcement dated 8 January 2020. Lande Environmental has been included in the consolidated financial statements of the Group since 20 January 2020. During the Reporting Period, the Company completed the acquisition of approximately 67.14% of shares in Lande Environmental. Lande Environmental is currently an important enterprise in the field of organic waste comprehensive treatment, construction and operation in the PRC. It principally engages in provision of systematic

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comprehensive solutions and services for treatment of municipal organic waste treatment such as kitchen waste and waste leachate to its customers. As at the end of the Reporting Period, Lande Environmental has a total of 17 organic waste treatment projects under BOT/PPP model, covering 14 cities in 10 provinces and regions across the country. The designed treatment capacities of kitchen waste are over 4,000 tons/day. In the first half of 2020, with the impact of the Epidemic, the volume of kitchen waste collection and transportation by Lande Environmental recorded a relatively significant decrease. With gradual recovery of the catering industry since the epidemic has been brought under control, the stricter implementation of waste classification and management regulations, as well as increased effort put into waste collection, transportation and management of all projects by Lande Environmental, the volume of collection and transportation of all projects has basically returned to normal since June. As at the end of the Reporting Period, the operating income of the waste treatment business of Lande Environmental recorded a slight YOY increase. Regarding the EPC construction business, the EPC construction business of Lande Environmental recorded a significant YOY growth and its manufacturing and sales and other businesses also recorded growth in 2020 due to improvement in liquidity following the acquisition by the Group and the implementation of a series of enhanced management measures. During the Reporting Period, the Group increased its investment in Lande Environmental to actively conduct technological research and development. Lande Environmental obtained nine new patents in 2020 and the Lande Environmental Technological Research Institute was set up in December 2020 upon approval. Progress has been made in technological innovations such as harmless dehydration treatment system of dead livestock or poultry and kitchen waste sorting and pulping equipment.

In August 2020, Infrastructure and Environmental Protection Company, a wholly-owned subsidiary of the Company, entered into an agreement in respect of acquiring 50% of equity interests in Qiantai Company by way of capital increase and transfer. The total capital contribution was RMB225 million. The equity delivery and the change of the industrial and commercial registration thereof was completed in December 2020. Qiantai Company has been included in the consolidated financial statements of the Group since 16 December 2020. Qiantai Company possesses qualification for scrapping new energy vehicles and is principally engaged in comprehensive utilisation of retired electric-vehicle battery recycling business and vehicle scrapping business. Owning over 10 independent intellectual property rights related to key technologies of electric-vehicle battery recycling and scrapping new energy vehicles, Qiantai Company possess relatively strong integrated strength in the field of scrapping new energy vehicles and electric-vehicle battery technologies as well as the upstream and downstream markets. Qiantai Company has been approved as a National High-tech Enterprise in December 2020 and has become the only enterprise in Shenzhen which was listed by the Ministry of Industry and Information Technology of the PRC in the second batch of enterprises fulfilling the Requirements of the Industry Standards for the Comprehensive Utilisation of Waste Power Storage Batteries of New Energy Vehicles. Qiantai Company was also selected as the Typical Model of Recycling Traction Batteries of New Energy Vehicles (《新能源汽车废旧动力电池综合利用行业规范条件》) of Guangdong Province and the pilot entity for the construction of “Zero-waste City” in Shenzhen in 2020. It has also obtained two technological patents. These achievements will be beneficial for Qiantai Company to further expanding the battery cascade recycling market. With the acquisition of controlling interests in Qiantai Company, the Group will be able to capture the opportunities in the development of emerging market by promptly entering the sector of scrapping new energy vehicles, solid and hazardous waste disposal of electric-vehicle battery and post-market recycling and application. The acquisition aligns with the Group’s strategic development vision to explore the general-environmental protection business sector.

Moreover, the consortium formed by companies including the Environmental Company won the bid for the Guangming Environmental Park Project in October 2019 but it was terminated due to the non-performance of contracts of the consortium. The Company won the bid for the Guangming Environmental Park Project on February 2021 through an open tender. The Guangming Environmental Park Project is located in Guangming District, Shenzhen. The project will be developed into a large-scale treatment plant with a processing capacity

of 1,000 tons/day for kitchen waste, 100 tons/day for large pieces waste (wasted furniture) and 100 tons/day for greening waste. The project shall be implemented under the BOT model. Social capital partner who has won in the bidding shall incorporate a project company in Guangming District, and such project company shall be responsible for the efforts in investment, financing, design, construction, transformation, operation, maintenance and handover of the project. The proposed concession period of the project is 10 years and shall be extended for 5 years upon being qualified in assessment and approval of the regional government. The static total investment of the project is estimated to be approximately RMB708 million. For details, please refer to the Company's announcements dated 30 October 2019 and 8 February 2021.

The Group will demonstrate the regional advantages and resources advantages of the Company. It will gradually establish a comprehensive service system integrating cleaning and treatment of household waste. On this basis, the Group will also expand into the upstream and downstream industrial chain. During the Reporting Period, the Group also proactively conducted site visits and negotiations in respect of research and investment projects regarding treatment of industrial hazardous waste and sewage in the field of industrial environmental protection. In conjunction with the regional expansion strategy, the Group will participate in comprehensive urban development and construction and seek opportunities in strategically expanding into the area of construction and operation of environmental protection projects such as municipal sanitation integration and treatment of industrial solid waste.

2. Clean Energy

Clean energy, being an emerging sector in the general-environmental protection industry, will be a new industrial development direction that the Group has decided to place strong emphasis on in its development strategies. In recent years, following the implementation of a series of national industrial policies and development plans related to wind power industry, wind power has become the important source of power supply for the society. The problem of wind power curtailment has been improved rapidly, which indicates a new stage of stable and sound development of wind power industry in the long run.

After the acquisition of Nanjing Wind Power in 2019, the Group has significantly improved the operation and management of Nanjing Wind Power by implementing a series of measures, thereby comprehensively improving production capacity of the complete machine manufacturing. Driven by related policy, onshore wind power project construction has been still in the peak period in 2020. Nanjing Wind Power had a full schedule for production. However, under the impact caused by the factors including the delay in resumption of work during the Epidemic, tight supply of key components and parts in the upstream, and the general delay in the engineering construction of wind farms, the progress of complete machine manufacturing delivery of Nanjing Wind Power was delayed in the first half of the year. For the second half of the year, Nanjing Wind Power secured the supply of key components and parts under extremely tight market supply by improving the coordination and management of the supply chain and establishing a project team responsible for the supply. Meanwhile, Nanjing Wind Power tried to meet its production schedule subject to safety and quality by optimising the production process constantly and promoting the development and unleashing of production capacity of production bases, thereby performing the delivery plan on schedule in the fourth quarter and hence achieved its annual performance targets. During the Reporting Period, Nanjing Wind Power also made efforts in the long-term layout to actively develop pipeline projects by establishing business connections with various provinces and regions in the country and cooperation relationships with various industry leading enterprises in the country. In addition, Nanjing Wind Power stepped up its efforts in technological research and development and completed the technological development, qualification and testing for two new models, thereby realising effective mass production of the new products. Currently, Nanjing Wind Power seeks to make preparation in advance for business development in the future by increasing market sales, enhancing productivity and management, improving product features constantly and strengthening receipt of payments of sales.

Management Discussion and Analysis

During the Reporting Period, Baotou Nanfeng continued to improve wind farm operation and management during the Epidemic and its operating and production activities are getting back on track broadly. With improved situation of epidemic prevention and control, the resumption of work and production in Mengxi Region accelerated, posing increasing demand of power supply. Benefitted from local stable policy environment related to wind power, the on-grid supply of wind power generated by Baotou Nanfeng was sound. Baotou Nanfeng recorded an aggregate on-grid power supply of 644,131 MWh in 2020, representing an YOY increase of 11.35%. According to the notice from Inner Mongolia Autonomous Region (Neicaizi [2020] File No. 1279) dated 30 September 2020, the five wind farm subsidiaries of Baotou Nanfeng have been included in the authorised list of the first batch of projects in the region entitled to renewable energy power generation subsidies and the first subsidy fund has already been received in the Reporting Period. Besides, pursuant to the agreement entered into between the Company and the relevant parties in September 2019 in respect of the acquisition of 67% of equity interests in Baotou Nanfeng, the Group, upon approval of the executive Board, entered into an agreement to acquire the remaining 33% of equity interests in Baotou Nanfeng at the price of RMB0.33 on 1 March 2021. After the acquisition, the Company will hold 100% of equity interests in Baotou Nanfeng in total. Baotou Nanfeng is a quality project with economies of scale, promising revenue and stable operation. Increasing the shareholding in the project will be beneficial to enhancing the core capabilities of investment, operation and management of the Company's wind power business and the interests as a whole.

With increasing scale of the new energy segment business, in August 2020, the Group established a wholly-owned subsidiary named Shenzhen Expressway New Energy Holdings Co., Ltd (深圳高速新能源控股有限公司) with a registered capital of RMB1.4 billion (paid-up capital of the first tranche was RMB30 million), in order to enhance the operation and management efficiency of the new energy industry and business development, with a view to integrating internal and external resources in an effective way, thereby establishing a more scientific governance structure with independent legal entity and an operation and management system, so as to align with the needs of integrated development strategies of the Group's new energy business. The subsidiary will act as a platform for investment, financing and management of the new energy industry, which the Group will develop with a focus on wind power, supplemented by the businesses of photovoltaic power and energy storage.

Upon approval of the Board, Guangdong New Energy Company, a wholly-owned subsidiary of New Energy Company, invested a total amount of approximately RMB450 million to acquire 100% equity interests in the wind power projects named Qianzhi Company and Qianhui Company in Mulei by way of equity transfer. For details, please refer to the relevant contents in the Company's announcement dated 25 January 2021. The wind power projects in Mulei are located in Changji Hui Autonomous Prefecture, Xinjiang Uygur Autonomous Region with 133 wind turbines in total. The aggregated actual installed capacity of Qianzhi Project and Qianhui Project is 249.5 MW, which had completed connection of the network and commenced power generation in the end of 2020. The approved feed-in tariff is RMB0.49/kWh. The wind power projects in Mulei possesses abundant wind resources with a relatively high value for wind power development. It is also a supporting project of ultra high voltage in Zhundong – Southern Anhui region with promising power consumption. With the acquisition of the wind power projects in Mulei, the Group can expand the scale of its clean energy business, thereby generating sound investment returns and thus further consolidating the core capabilities and position of the Group in the wind power industry.

3. *Water Environmental Remediation and Others*

In 2017, Environmental Company, a wholly-owned subsidiary of the Group, acquired 20% equity interests in Derun Environment. Derun Environment is a comprehensive environmental enterprise with holding subsidiaries including Chongqing Water and Sanfeng Environment, etc., and with major business segments including water supply and sewage treatment, waste incineration power generation and environmental restoration, etc. Chongqing Water is mainly engaged in urban water supply and sewage treatment. Occupying a dominant position in the Chongqing's water supply and sewage treatment market, Chongqing Water has stable earnings and abundant cash flow. Sanfeng Environment is a large-scale environmental protection group integrating investment, construction, integrated equipment and operation management in domestic waste incineration power generation field. It is mainly engaged in the investment of waste incineration power generation projects, EPC (Engineering Procurement Construction), equipment manufacturing and operation management of the whole industry chain service, with a complete set of core technologies such as waste incineration and flue gas purification, and third-generation tube-type membrane treatment and other technologies. On 5 June 2020, Sanfeng Environment (601827) was officially listed on SSE, which will help with its long-term development of becoming the leader in domestic waste incineration power generation field. During the Reporting Period, Derun Environment focused on the layout of the environmental protection industry by developing the markets in Chongqing and the peripheral areas and actively pushed forward the construction of projects, including the Project in respect of Ecological Restoration, Management and Maintenance of Landfills of Changsheng Bridge in Chongqing (EPC), the Water Environmental Remediation Project of Changsheng River in Chongqing and the Water Environmental Remediation Project of Wuhou District in Chengdu.

In October 2018, the Company established Shenzhen Expressway SUEZ Environment Company Limited with Suez Group, a shareholder of Derun Environment. Of which, the Company holds 51% of equity interests. The Company principally engages in the treatment of industrial sewage and hazardous waste. During the Reporting Period, Shenzhen Expressway SUEZ Environment Company Limited and Lande Environmental commenced cooperation in equipment and technical plans in the field of kitchen waste recycling and harmless treatment and treatment of total nitrogen in sewage. The two parties were able to complement each other in terms of market expansion, equipment manufacturing and professional technologies, thereby taking full advantages of the synergy effect. Currently, one of the subcontracting projects has completed the pilot test and is in smooth operation.

Besides, the Group held 15% of the equity interests in Water Planning Company as at the end of the Reporting Period. During the Reporting Period, Water Planning Company had abundant orders. The accumulated value of newly signed contracts completed during the year was nearly RMB1.5 billion, representing an increase of approximately 14% as compared to the same period of the previous year and a continuous growth of market share. Water Planning Company has been granted the approval for offering and listing on the ChiNext Market of the Shenzhen Stock Exchange in January 2021.

For details of the profits of Lande Environmental, Nanjing Wind Power, Baotou Nanfeng and Derun Environment during the Reporting Period, please refer to the relevant content in "Financial Analysis" below and note VI1 to the Financial Statements in this report.

Management Discussion and Analysis

(V) Entrusted Management and the Development of Other Infrastructure

Relying on the core business of toll highway and building on the expertise and experience accumulated in the relevant areas throughout these years, the Group has continuously launched or engaged in the entrusted construction management business and the entrusted operation management business (also known as entrusted construction business and entrusted management business). Through the provision of services relating to construction management and operation management of toll highway, the Group has realised reasonable revenues and returns from the receipt of management fee and/or bonus according to the calculation methods as agreed with the entrusting parties. In addition, the Group also attempts to use its own financial resources and financing capability to participate in the construction and development of local infrastructure so as to obtain reasonable revenues and returns.

1. *Entrusted Construction Business*

During the Reporting Period, the Company has had entrusted construction projects in Shenzhen region including Outer Ring Project, Cargo Organisation Adjustment Project, Longhua Municipal Section Project, Shenshan Environmental Park Project, Duohua Bridge Project and Bimeng Project of Longli County, etc. At this stage, the major work of the Group in entrusted construction business is to strengthen the safety and quality management of the projects under construction, coordinate and supervise the collection of revenue from each of the entrusted construction projects, push forward the completion and acceptance of the completed projects and proactively promote the development and cooperation in new markets and new projects.

During the Reporting Period, all the work of the entrusted construction projects has been carried out in good order. In particular, for the relevant information on the progress of Outer Ring Project, please refer to the relevant content in above description of “Business Development” in this section. The 4 toll stations in the first batch of Cargo Organisation Adjustment Project have been completed and the second batch for Paibang station commenced construction in November 2020, while the preliminary works of Xiufeng station is being carried out. Construction of Longhua Municipal Section Project commenced in September 2018, which was mainly divided into three construction sections, namely Jianshe Road, Dafu Road and Golf Boulevard, among which 96% of the overall physical work of the Jianshe Road section has been completed and the Dafu Road section has been completed; the construction of the Golf Boulevard section has been suspended due to conflict with other municipal planning and the closing work at the site has been completed.

In addition, the Company was identified as entrusted construction party of infrastructure and ancillary projects for Shenshan Eco-Environmental Science and Technology Industrial Park through an open tendering procedure in July 2019, and was assigned to be responsible for the whole process of infrastructure construction of the Environmental Park. The construction primarily includes four sub-construction projects, namely municipal roads ancillary to the Park, “seven connections and site leveling” in the Park, public management and service facilities and ancillary facilities related to waste transfer. The management fee of the entrusted construction is approximately RMB226.55 million. This infrastructure construction project is invested by the Shenzhen Municipal People’s Government and is expected to be completed by 2025. During the Reporting Period, the preliminary approvals of each construction work of the project have been basically completed. The tendering work for construction has been completed and the construction of the project officially commenced in the end of 2020.

Duohua Bridge Project is about 2.2 km long in total, the major construction work of the project is the construction of Duohua Bridge. The total investment amount of the project is approximately RMB900 million and the construction period of the project is expected to be approximately 3 years. It is a municipal project invested by the government of Longli County, Guizhou through Guilong Holdings, its platform company. On 29 March 2018, Longli County Government, Guilong Holdings and Guishen Company signed an investment cooperation agreement for the project. According to the investment cooperation agreement, Guishen Company is responsible for raising construction funds, and Guilong Holdings will pay project fee to Guishen Company according to the

contract. For details, please refer to the announcement of the Company dated 29 March 2018. As at the end of the Reporting Period, approximately 65% of the physical work of the project have been completed. Duohua Bridge is located in a valley with high mountains. To meet the demanding requirements of the local government in terms of engineering design and construction, the project team commenced a series of scientific tests to secure the safety of the construction, while conducting in-depth design work of the project featuring characteristics of local geographical area and culture.

The Bimeng Project is a residential resettlement construction project invested by the government of Longli County through Guilong Holdings. The total investment budget of the project is expected to be not more than RMB1,000 million. On 13 May 2020, Guilong Holdings and Guishen Company signed an investment cooperation agreement for the project. According to the investment cooperation agreement, the construction period of the project will be 2 years and the operation period will be 3 years; Guishen Company is responsible for raising construction funds, and Guilong Holdings will pay project fee and investment returns to Guishen Company according to the contract. For details, please refer to the announcement of the Company dated 13 May 2020. During the Reporting Period, the site levelling and the slope reinforcement of the project has commenced construction, while approximately 29% of the overall physical work has been completed.

2. *Entrusted Management Business*

On 30 December 2019, the Company entered into the entrusted management agreement with Baotong Company, pursuant to which Baotong Company will entrust the Company to manage its 89.93% equity interests in Longda Company. The term of the entrusted management agreement will commence on 1 January 2020 and expire on 31 December 2020. During the Reporting Period, the Company entered into an agreement to acquire 89.93% equity interests in Longda Company. Given such, the entrusted management agreement entered into between the Company and Baotong Company regarding the 89.93% equity interests in Longda Company on 30 December 2019 terminated on the day of equity delivery as agreed by both parties. The Company will not charge the entrusted management fees for the period from 1 July 2020 to the day of equity delivery and the Company will be entitled to the corresponding 89.93% equity interests in Longda Company for the period from 31 December 2019 to the day of equity delivery.

The Four Expressways have been transferred to the Shenzhen Transportation Bureau from 0:00 on 1 January 2019. In 2019, through the public tendering procedures, the consortium established by the Company and Operation Development Company has successfully won the bid for the comprehensive maintenance project for the Four Expressways and undertake the maintenance work of the Four Expressways. The Company has gained the recognition of the Shenzhen Transportation Bureau by making efforts in improving the service quality of comprehensive maintenance through the introduction of information-based and intelligent technologies. During the Reporting Period, the Company has successfully renewed the contract for the comprehensive maintenance project for the Four Expressways for a contractual term from 11 June 2020 to 10 June 2021.

For details of the profits as well as incomes and expenses of various entrusted management businesses during the Reporting Period, please refer to the content in "Financial Analysis" below and the relevant content in Note V46 to the Financial Statements in this report.

3. *Development and Management of Land Projects*

With the relevant management experience and resources, the Group prudently explores new business types such as comprehensive development of land and urban renewal, while paying close attention to and seizing the opportunities for the cooperation between the advantageous areas and the existing business-related areas as business development and expansion beyond its core business as well as a beneficial supplement to revenue.

Management Discussion and Analysis

(1) *Guilong Regional Development Project*

The model of “construction – transfer” and ancillary land development was adopted for Guilong Project, which enabled the Group to accumulate business and management experience in respect of the exploration in the area of Guilong and development of appropriate business model. Following Guilong Project, the Group has contracted for the construction of Duohua Bridge Project and Bimeng Project in collaboration with the government of Longli County or its platform company successively.

With the improvement of Guilong Road and the infrastructure in peripheral regions and the development of the whole Guilong Economic Zone, it is expected that the peripheral land in the area of Longli County will have great potential for appreciation. In order to seize market opportunities and effectively reduce the risk of fund recovery from Guilong Project and Duohua Bridge Project, Guishen Company actively participated in the land tenders within the area of Guilong. At the end of the Reporting Period, Guishen Company has successfully won the bid for the land of Longli Project with an area of approximately 3,037 mu (approximately 2,020,000 square meters) in aggregate, including approximately 2,770 mu of Guilong Project land with a transaction amount of approximately RMB960 million, and approximately 268 mu of Duohua Bridge Project land with a transaction amount of approximately RMB146.56 million (deed tax included). In respect of Guilong Project land, the interests in approximately 1,610 mu have been transferred, while 1,075 mu is under secondary development as at the end of the Reporting Period. The remaining land is under planning. Guishen Company has set up certain wholly-owned subsidiaries to hold and manage the land use rights of the land parcels mentioned above.

Guishen Company is adopting a rolling development strategy by phases. Focusing on the Interlaken Town Project, it has conducted secondary self-development for certain land parcels acquired, which has an area of 1,075 mu (approximately 717,000 square meters). During the construction of the Interlaken Town Project, Guishen Company fully demonstrated the artisanal spirit of Shenzhen Expressway and diligently delivered high-end and quality works. As such, the Interlaken Town Project has established a favorable brand image in the local market with its unique architectural style, beautiful landscape and good living environment. The houses launched for Interlaken Town Phase I and Phase II in Stage I have been fully delivered for use, and payments have been received. The construction of Phase II Stage II project, mainly for commercial supporting property, has been fully completed. 95 sets of commercial properties have been launched, of which 57 sets have been contracted for sale and delivered for use, and payments have been received. The Interlaken Town Phase III has been put into construction. Among which Phase III Stage I project (approximately 162 mu, equivalent to 107,000 square meters) has been completed in 2020. A total of 271 sets of houses have been launched, of which 228 sets have been contracted for sale and payments have been received. As at the end of the Reporting Period, 132 sets of houses have been delivered. Phase III Stage II project (approximately 107 mu, equivalent to 70,700 square meters) has been put into construction. It would provide 244 sets of commercial supporting property and is expected to be completed by the end of 2021. Phase III Stage III project (approximately 216 mu, equivalent to 142,700 square meters) has also been put into construction in August 2020. It would provide over 1,200 sets of houses, of which 12 sets have been contracted for sale and payments have been received. It is expected to be completed in mid-2022. During the Reporting Period, Guishen Company has adopted multi-pronged marketing strategies, including billboards, advertisements in media and themed activities, with a view to actively promoting the sale of commercial and residential properties. Besides, Guishen Company is now conducting works in relation to the planning and design for the development of the remaining land.

By operating and implementing the preliminary work of Interlaken Town Project, Guishen Company has explored and accumulated some experience in the management and operation of property development projects, thereby developing a business development model suitable for the property industry in such region. On the above basis, Guishen Company will, through means such as timely market transfer, cooperation or self-development based on the overall market conditions and development opportunities, realise the market value of the lands it holds and the Group’s investment income as soon as possible, at the same time prevent the contractual and market risks in relation to the lands in an effective way.

(2) Meilin Checkpoint Renewal Project

Pursuant to the relevant agreement and the approval of the general meeting of the Company, the Company, Shenzhen International (through XTC Company, its wholly-owned subsidiary) and Vanke jointly invested in United Land Company. The three parties held 34.3%, 35.7% and 30% equity interests of United Land Company respectively. United Land Company mainly serves as the reporting and implementing entity of Meilin Checkpoint Renewal Project. Meilin Checkpoint Renewal Project occupies a land area of approximately 96,000 square meters, which shall be used for residential and commercial purposes, and a capacity building area of not more than 486,400 square meters (including public facilities) in aggregate. For details, please refer to the Company's announcements dated 8 August 2014, 10 September 2014, 8 October 2014, 25 July 2018, 28 September 2018 and 13 November 2018 respectively and the circular dated 17 September 2014 and 22 October 2018 respectively.

The Meilin Checkpoint Renewal Project will be developed in three phases. Among which, Phase I of the project comprises residential units with an saleable area of approximately 75,000 square meters, indemnificatory housing with an area of approximately 42,000 square meters; Phase II of the project comprises residential units with an saleable area of approximately 68,000 square meters; Phase III of the project will comprise residential units with an estimated saleable area of approximately 63,000 square meters and a complex building of office and business apartment with an area of approximately 190,000 square meters. In addition, the project has reserved approximately 34,500 square meters as commercial supporting property in its overall planning. 832 sets of houses of Phase I Hefengxuan have all been sold and payments have been received. Phase II Heyaxuan has been launched to the market in the end of September 2019, and 683 sets of houses have all been sold and payments have been basically received in 2020. The relevant approval for Phase III Hesongxuan of the project has been obtained and the construction thereof has commenced in 2020. 630 sets of houses and 2,722 sets of apartments will be launched and the public sale has commenced in early December 2020. As at the end of the Reporting Period, the acquisition rate of 630 sets of houses reached 88%.

4. Development and Management of Other Infrastructure

The Investment Company and Shenzhen One Apartment Management Co., Ltd. (深圳市壹家公寓管理有限公司) has established in Shenzhen a joint venture, i.e. Shenzhen Expressway One Apartment Management Co., Ltd. (深高速壹家公寓管理有限公司) which was held as to 60% by the Investment Company, as the principal entity for the cooperation under the long-term rental apartment business in Fuyong and Songgang. Due to the impact of the epidemic, the occupancy rate of Songgang Project was 68%, while the occupancy rate of Fuyong Project was 67% as at the end of the Reporting Period.

For details of the profits as well as incomes and expenses of various property development and management businesses during the Reporting Period, please refer to the relevant content in "Financial Analysis" below.

(VI) Industrial-Financial Integration

The Group subscribed for the additional shares issued by Bank of Guizhou in 2015 and 2016 respectively. The Board has approved the Company or its authorised subsidiary to increase the shareholding in the Bank of Guizhou with a total investment amount of not more than RMB190 million. The validity period of the authorisation shall be from 11 June 2019 (i.e. the date of approval of the Board) to 20 May 2021. Bank of Guizhou has been listed on the HKEx since 30 December 2019, 76,207,000 shares of which were subscribed under IPO by the Group at a price of HK\$2.48/share through Mei Wah Company, a wholly-owned subsidiary of the Group. As at the end of the Reporting Period, the Group held a total of around 502,000,000 shares in Bank of Guizhou, which accounted for approximately 3.44% of its total share capital as at the end of the Reporting Period. As Bank of Guizhou has a sound cash dividend capability and huge rooms for development, the increase in shareholding of the additional shares issued by Bank of Guizhou may be favorable for the Company to maintaining its position as a key shareholder of strategic investor, obtaining stable investment returns and strengthening regional business synergies. For details of the investment gains from Bank of Guizhou, please refer to the relevant content in "Financial Analysis" below.

Management Discussion and Analysis

During the Reporting Period, the Group has completed the acquisition of 48% interest in Financial Leasing Company held by SZ International through its wholly-owned subsidiaries at the consideration of RMB151.69 million (including debt obligations of RMB129 million). For details, please refer to the announcement of the Company dated 17 March 2020. Financial Leasing Company has been incorporated into the scope of consolidated statements of the Company since 15 April 2020. After completion of the acquisition, the Group conducted research and refined management on Financial Leasing Company in respect of its internal management as well as the mechanism for decision-making and approval, with a view to facilitating its daily business operation and development, thereby enhancing the efficiency in management and decision-making. The principal business of Financial Leasing Company is financial leasing services. The acquisition of Financial Leasing Company is conducive for the Group to give full play to its financing advantages, and helps to provide financial leasing services to satisfy the capital required in the principal businesses and the upstream and downstream of the industry chain of the Group. It is an important way for the Group to achieve “industrial-financial integration” and its business synergy strategy, which will help to enhance the overall value of the Group. During the Reporting Period, Financial Leasing Company has been proactively expanding business, while performing its function in providing financial leasing services for wind power generation equipment, thereby realising sound synergy in expanding the scale of wind power business of the Group and reducing the overall financing costs. As at the end of the Reporting Period, Financial Leasing Company has invested an amount of approximately RMB539 million in the business of industrial-financial integration.

In order to effectively consolidate its resources, expand the fund-raising channels and establish a market-oriented talent management system, Fund Company completed the capital injection by way of public listing and competitive negotiation upon approval of the Board. Two strategic investors, namely Shanghai Zezhen Investment Management Co., Ltd (上海擇珍投資管理有限公司) and Shenzhen Kangrui Dibo Investment Co., Ltd. (深圳康瑞迪博投資有限公司), were introduced in September 2020. Upon completion of capital increase of Fund Company, the registered capital has increased from RMB10 million to RMB19.6078 million. The Group has a shareholding of 51%, while the two strategic investors have a shareholding of 49% in aggregate. For details, please refer to the announcements of the Company dated 23 December 2019 and 21 September 2020.

The Board approved the promotion of establishment and participation in the investment of “Shengchuang – Shenzhen Expressway Environmental Technology Industry Investment M&A Fund” (“晟創-深高速環科產業併購投資基金”, name of fund subject to the industrial and commercial registration) by the Company (“Environmental Technology Industry M&A Fund”). On 14 April 2020, six parties, including the Company and Shengchuang Investment, entered into a partnership agreement, pursuant to which, the parties agreed to jointly invest in and establish Environmental Technology Industry M&A Fund. All partners of Environmental Technology Industry M&A Fund contributed a total amount of RMB1 billion, among which, the Company contributed an amount of RMB450 million. In June 2020, the partners of Environmental Technology Industry M&A Fund completed the first tranche of capital contribution totaling RMB300 million, among which, the Company contributed an amount of RMB135 million. The record-filing and registration in respect of the fund was completed on 27 August 2020. The name of fund upon approval is Foshan Shunde Shengchuang Shenzhen Expressway Environmental Technology Industry M&A Investment Partnership (Limited Partnership) and the manager is Guangdong Shengchuang Investment Management Co., Ltd. For details, please refer to the announcements of the Company dated 23 December 2019, 14 April 2020, 3 September 2020 and 29 September 2020. The focus of Environmental Technology Industry M&A Fund is four types of operational projects, comprising treatment of industrial hazardous waste, treatment of solid waste, treatment of sewage and the new energy of wind power. During the Reporting Period, the Environmental Technology Industry M&A Fund has carried out investment research on a number of projects.

The Board approved the participation in the investment of Shenzhen State-owned Assets Collaborative Development Private Fund (Limited Partnership) (深圳國資協同發展私募基金合夥企業(有限合夥)) (“State-owned Assets Collaborative Development Fund”) by the Company. On 17 August 2020, eight parties, including the Company and Shenzhen Kunpeng Zhanyi Equity Investment Management Co., Ltd. (深圳市鯤鵬展翼股權投資管理有限公司), entered into a partnership agreement, pursuant to which, the target size of proceeds raised for State-owned Assets Collaborative Development Fund shall be RMB4.01 billion, among which, the Company shall contribute an amount of RMB300 million, accounting for 7.48% of the total contribution. The manager of the fund is Shenzhen Kunpeng Equity Investment Management Co., Ltd. (深圳市鯤鵬股權投資管理有限公司). The record-filing and registration in respect of the fund was completed on 22 September 2020. For details, please refer to the announcements of the Company dated 30 June 2020, 17 August 2020 and 24 September 2020. The focus of State-owned Assets Collaborative Development Fund comprises utilities including environmental protection, new energy and infrastructure, as well as financial and strategic emerging industries, which will generate synergies with the industrial development of Shenzhen Expressway.

On 21 August 2020, the Board approved the Company’s participation in the capital increase and share subscription project of Vanho Securities, pursuant to which the Company invested an amount of approximately RMB950 million for subscription of approximately 8.68% of the enlarged equity interests in Vanho Securities. Vanho Securities is a comprehensive securities firm with full license controlled by the Shenzhen SASAC. Its principal business has developed steadily. The Company’s participation in the capital increase and share subscription project of Vanho Securities can, on one hand, allow the Company to share the development results in the PRC capital market and obtain certain investment income; on other hand, allow the Company to cooperate with State-owned enterprises in Shenzhen, share high-quality project resources and enhance the Company’s industrial-financial integration business.

(VII) Other Businesses

The Company has commenced to engage in billboard leasing, advertising agency, design production and related businesses alongside the toll highways and at the toll stations through Advertising Company, its wholly-owned subsidiary. In addition to operating and disseminating the self-owned media resources along the expressways, Advertising Company has also further developed outdoor media businesses of main urban roads in recent years and provided brand building and promotion plans for customers.

Management Discussion and Analysis

Consulting Company, held as to 24% by the Company, is a professional engineering consulting company with independent legal entity qualification. Its business scope covers pre-consultation, survey and design, tendering agency, cost consulting, engineering supervision, testing and inspection, as well as maintenance consulting, etc., and with the qualification and capability of providing consulting services to the whole process of investment and construction of the engineering project.

During the Reporting Period, Guangdong UETC completed the private placement. The Company currently holds 9.18% of its equity interests after placement. Guangdong UETC is principally engaged in the electronic clearing business for the toll highways in Guangdong Province, including investment, management and provision of services of the electronic toll and clearing systems, and sales of related products.

During the Reporting Period, each of the above businesses proceeded smoothly and has met the Group's expectation in general. Due to the limitation on the scales or investment models, the contributions from these businesses currently only account for a very small proportion of the Group's revenue and profit. For details of other businesses during the Reporting Period, please refer to the relevant content in note V14 and note V46 to the Financial Statements in this report.

II Financial Analysis

In 2020, the Group recorded net profit attributable to owners of the Company ("net profit") of RMB2,054,523,000 (2019 (restated): RMB2,564,318,000), taking aside the effects of the recognition of deferred income tax asset of Coastal Company by the Group in 2019, the YOY increase of the net profit is approximately 0.32%.

(I) Analysis of Main Business

Analysis of Changes in Related Items in the Income Statement and Statement of Cash Flows

Unit: '000 Currency: RMB

Item	Amount for the current period	Amount for the corresponding period of last year	Change (%)
Revenue	8,026,737	6,390,295	25.61
Cost of services	5,214,517	3,585,544	45.43
Selling expenses	53,051	27,305	94.29
General and administrative expenses	363,086	350,923	3.47
Research and development expenses	58,694	18,475	217.70
Financial expenses	491,548	587,734	-16.37
Investment income	937,363	1,242,672	-24.57
Income tax expenses	473,911	-68,080	N/A
Net cash flows from operating activities	1,100,634	1,695,357	-35.08
Net cash flows from investing activities	-4,430,832	-226,734	N/A
Net cash flows from financing activities	3,588,279	-1,154,217	N/A

1 Analysis of Revenue and Cost

During the Reporting Period, the Group recorded revenue of RMB8,026,737,000, representing a YOY increase of 25.61%, mainly due to the consolidation of Nanjing Wind Power, Baotou Nanfeng and Lande Environmental into the financial statements of the Group in April 2019, September 2019 and January 2020, respectively, leading to the increase in the Group's revenue from the environmental protection business in the current period. The detailed analysis of revenue is as follows:

Unit: '000 Currency: RMB

Revenue item	2020	Proportion (%)	2019 (restated)	Proportion (%)	Change (%)	Description
Revenue from main business – toll highways	4,386,674	54.65	4,722,127	73.90	-7.10	①
Revenue from main business – clean energy	1,665,755	20.75	598,792	9.37	178.19	②
Revenue from main business – recovery and solid waste management	843,231	10.51	–	–	N/A	②
Revenue from main business – other environmental protection businesses	11,635	0.14	176	–	6,510.92	
Revenue from other businesses – entrusted management services	510,745	6.36	376,403	5.89	35.69	③
Revenue from other businesses – real estate development	351,098	4.37	456,902	7.15	-23.16	④
Revenue from other businesses – other businesses	257,599	3.21	235,894	3.69	9.20	⑤
Total revenue	8,026,737	100.00	6,390,295	100.00	25.61	

Description:

- ① During the Reporting Period, the Group recorded a YOY decrease in the revenue of ancillary toll highways, mainly due to the Toll-free Policy during the Epidemic. Detailed analysis of the operational performance of various projects during the Reporting Period is set out in the "Business Review" above. Breakdown of revenue by specific items is set out in Point (1) below.
- ② Nanjing Wind Power, Baotou Nanfeng and Lande Environmental were consolidated into the financial statements of the Group on 8 April 2019, 17 September 2019 and 20 January 2020, respectively. During the Reporting Period, the revenue related to sales of wind turbine equipment, wind power generation and recovery and solid waste management was RMB1,427,887,000, RMB237,869,000 and RMB843,104,000, respectively. Among them, the significant growth in the revenue of Nanjing Wind Power during the current period was attributed to the rush for installation tide of wind turbines.
- ③ During the Reporting Period, revenue from entrusted management services recorded a YOY increase of 35.69%, mainly due to an increase in the revenue from entrusted management services in line with the progress of the entrusted construction projects during the Reporting Period.
- ④ During the Reporting Period, revenue from real estate development recorded a YOY decrease of 23.16%, mainly due to the decrease in delivered units in the current period of Guilong Development Project.
- ⑤ During the Reporting Period, revenue from other businesses recorded a YOY increase of 9.20%, mainly due to the growth in revenue of finance leases and other businesses.

Management Discussion and Analysis

(1) Breakdown of Main Business by Industry, Product and Region

Unit: '000 Currency: RMB

Breakdown of main business by industry						
Industry	Revenue	Cost of services	Gross profit margin (%)	YOY change in revenue (%)	YOY change in cost of services (%)	YOY change in gross profit margin (%)
Toll highway	4,386,674	2,422,203	44.78	-7.10	3.27	Decrease by 5.55 pct. pt
Clean energy	1,665,755	1,340,213	19.54	178.19	211.66	Decrease by 8.64 pct. pt
Recovery and solid waste management	843,231	696,359	17.42	N/A	N/A	N/A
Breakdown of main business by product						
Product	Revenue	Cost of services	Gross profit margin (%)	YOY change in revenue (%)	YOY change in cost of services (%)	YOY change in gross profit margin (%)
Qinglian Expressway	832,485	507,870	38.99	-0.54	4.61	Decrease by 3.00 pct. pt
Jihe East	736,384	338,656	54.01	-4.15	1.57	Decrease by 2.59 pct. pt
Jihe West	615,025	162,257	73.62	-7.88	19.09	Decrease by 5.98 pct. pt
Shuiguan Expressway	606,994	488,304	19.55	-6.91	1.70	Decrease by 6.81 pct. pt
Coastal Expressway	548,429	282,028	48.58	2.98	-1.27	Increase by 2.22 pct. pt
Yichang Expressway	305,899	212,318	30.59	-24.19	3.65	Decrease by 18.64 pct. pt
Wuhuang Expressway	304,076	187,601	38.30	-26.29	-11.06	Decrease by 10.56 pct. pt
Changsha Ring Road	146,796	65,665	55.27	-5.99	20.19	Decrease by 9.74 pct. pt
Meiguan Expressway	143,677	78,125	45.62	2.81	-1.79	Increase by 2.55 pct. pt
Longda Expressway	142,897	94,636	33.77	-6.40	26.90	Decrease by 17.38 pct. pt
Outer Ring Expressway	4,012	4,742	-18.19	N/A	N/A	N/A
Subtotal	4,386,674	2,422,203	44.78	-7.10	3.27	Decrease by 5.55 pct. pt
Sales of wind turbine equipment	1,427,887	1,242,956	12.95	179.36	214.23	Decrease by 9.66 pct. pt
Breakdown of main business by region						
Region	Revenue	Cost of services	Gross profit margin (%)	YOY change in revenue (%)	YOY change in cost of services (%)	YOY change in gross profit margin (%)
Guangdong Province	3,629,904	1,956,617	46.10	-3.20	4.35	Decrease by 3.90 pct. pt
Jiangsu Province	1,427,887	1,242,956	12.95	179.36	214.23	Decrease by 9.66 pct. pt

Description on the breakdown of main business by industry, product and region:

During the Reporting Period, the overall gross profit margin of the Group's ancillary toll highways was 44.78%, representing a YOY decrease of 5.55 percentage points, mainly due to the Toll-free Policy during the Epidemic resulting in the decrease in revenue.

The overall gross profit margin of the clean energy was 19.54%, representing a YOY decrease of 8.64 percentage points, mainly due to the rise in price resulting from the tight supply of components and parts of wind turbine equipment as affected by the rush for installation tide of wind turbines and the epidemic.

(2) *Analysis of Cost of Services*

During the Reporting Period, the cost of services of the Group amounted to RMB5,214,517,000 (2019 (restated): RMB3,585,544,000), representing a YOY increase of 45.43%, mainly due to the consolidation of Nanjing Wind Power, Baotou Nanfeng and Lande Environmental into the financial statements of the Group, leading to the increase in the Group's cost of services of the environmental protection business. The detailed analysis of cost of services is as follows:

Unit: '000 Currency: RMB

Industry	Cost item	Breakdown by industry					Description
		Amount for the current period	Amount for the current period as a percentage of total costs (%)	Amount for the corresponding period of last year (restated)	Amount for the corresponding period of last year as a percentage of total costs (%)	Change in amount for the current period as compared to the corresponding period of last year (%)	
Cost of main business – toll highways	Employee expenses	354,773	6.80	401,665	11.20	-11.67	①
	Road maintenance expenses	182,343	3.50	213,827	5.96	-14.72	②
	Depreciation and amortisation	1,551,995	29.76	1,477,821	41.22	5.02	③
	Other business costs	333,092	6.39	252,168	7.03	32.09	④
	Subtotal	2,422,203	46.45	2,345,481	65.41	3.27	⑤
Cost of main business – clean energy		1,340,213	25.70	430,019	11.99	211.66	⑥
Cost of main business – recovery and solid waste management		696,359	13.35	-	-	N/A	⑥
Cost of main business – other environmental protection businesses		2,996	0.06	3	-	95,916.03	
Other business costs – entrusted management services		406,456	7.79	356,797	9.95	13.92	⑦
Other business costs – real estate development		171,359	3.29	255,162	7.12	-32.84	⑧
Other business costs – other businesses		174,932	3.35	198,083	5.52	-11.69	⑨
Total cost of services		5,214,517	100.00	3,585,544	100.00	45.43	

Other Information of Cost Analysis:

- ① Mainly due to the decrease in the number of toll collection staff, the decrease in overtime expenses for toll collection staff attributed to the Toll-free Policy during the Epidemic, and the implementation of pension insurance Reduction and Exemption Policy in phases during the Reporting Period, resulting in a corresponding decrease in employee expenses in the current period.
- ② The repair of the slope landslide of Shuiguan Expressway for the corresponding period of last year, resulting in a decrease in special maintenance costs in the current period.

Management Discussion and Analysis

- ③ The increase in depreciation and amortization in the current period is mainly due to the completion of the relevant network of the national toll collection at the end of 2019 and the conversion to fixed assets, the upward adjustment of the amortisation amount of Yichang Expressway since 2020, and a YOY increase in traffic volume as a result of the Toll-free Policy during the Epidemic, etc.
- ④ Provision for the operation and management expenditure related to ancillary toll roads.
- ⑤ Costs presented based on specific item are set out in Point (1) above.
- ⑥ During the Reporting Period, the costs related to sales of wind turbine equipment, wind power generation and recovery and solid waste management was RMB1,242,956,000, RMB97,256,000 and RMB696,359,000, respectively, as a result of the consolidation of Nanjing Wind Power, Baotou Nanfeng and Lande Environmental into the financial statements of the Group. Among them, Nanjing Wind Power recorded a significant growth in the cost of service during the Reporting Period as compared to the corresponding period last year due to growth in revenue and rise in the price of components and parts.
- ⑦ Mainly due to an increase in the costs of entrusted construction management services in line with the progress of the entrusted construction projects.
- ⑧ Due to the YOY decrease in delivered units, the development cost for commercial housing carried forward by Guilong Development Project recorded a corresponding YOY decrease.
- ⑨ Decrease in advertising costs.

(3) Major Sales Customers and Major Suppliers

Given the nature of the Group's business, the target sales customers of toll highways are not specific. Apart from toll revenue, the total revenue from the top five customers of the Group amounted to RMB1,555,116,000, accounting for 19.37% of the overall revenue of the Group; of which none was sales from related parties.

The purchases from the Group's top five suppliers amounted to RMB2,788,629,000 accounting for 29.41% of total purchases of the Group for the year; of which none was purchase from related parties.

2. Expenses

The Group's selling expenses for the Reporting Period amounted to RMB53,051,000 (2019: RMB27,305,000), representing a YOY increase of 94.29%, which was mainly due to the consolidation of Lande Environmental into the financial statements and the increase in the selling expenses of Nanjing Wind Power in the current period.

The Group's general and administrative expenses for the Reporting Period amounted to RMB363,086,000 (2019 (restated): RMB350,923,000), representing a YOY increase of 3.47%, which was mainly due to the increase in the Group's general and administrative expenses resulting from the consolidation of Lande Environmental into the financial statements.

The Group's research and development expenses amounted to RMB58,694,000 (2019: RMB18,475,000) during the Reporting Period, representing a YOY increase of RMB40,219,000, which was mainly due to the consolidation of Lande Environmental into the financial statements and the increase in the research and development expenses of Nanjing Wind Power in the current period.

The Group's financial expenses for the Reporting Period amounted to RMB491,548,000 (2019 (restated): RMB587,734,000), representing a YOY decrease of 16.37%, which was mainly because foreign liabilities was affected by fluctuation in RMB exchange and resulted in exchange gain during the Reporting Period (2019: exchange loss). During the Reporting Period, the Company continued to lock the foreign exchange swap transactions on US dollar bond. Details of the foreign exchange swap transaction are set out in note V2 to the Financial Statements in this report. After hedging the "Gain from changes in fair value – Income from changes in fair value of foreign currency swap instruments" and "Gains from investment – Gains from completion of foreign currency swaps", the Group's comprehensive financial cost during the Reporting Period was RMB619,960,000 (2019 (restated): RMB543,288,000), representing a YOY increase of 14.11%, which was mainly due to increase in the scale of borrowing, decrease in the comprehensive borrowing costs (Reporting Period: 4.16%, 2019: 4.39%), as well as the combined effect of factors such as increase in capitalised interest. For details of the changes in borrowing scale, please refer to "Analysis of Assets and Liabilities" below. The detailed analysis of financial expenses is as follows:

Unit: '000 Currency: RMB

Financial expenses item	2020	2019 (restated)	Change (%)
Interest expenses	935,356	751,538	24.46
Less: Interest capitalised	237,873	133,609	78.04
Interest income	61,976	53,120	16.67
Add: Exchange loss	-154,936	33,399	-563.89
Finance income arising from the early repayment of finance leases	-1,166	-22,492	N/A
Others	12,142	12,019	1.03
Total financial expenses	491,548	587,734	-16.37

During the Reporting Period, the Group's income tax expenses amounted to RMB473,911,000 (2019 (restated): RMB-68,080,000), representing a YOY increase of approximately RMB541,991,000. The increase was mainly due to the recognition of deferred income tax assets in respect of partially compensable losses and impairment of road assets incurred by Coastal Company in previous periods in the corresponding period last year.

Management Discussion and Analysis

3. Investment Income

During the Reporting Period, the Group's investment income amounted to RMB937,363,000 (2019: RMB1,242,672,000), representing a YOY decrease of 24.57%, which was mainly due to the recognition of equity transfer income from the transfer of 100% equity interests and creditor's rights in four subsidiaries including Guizhou Shengbo during the corresponding period of last year, and the decrease of profit in toll highways operated by associates resulting from the Toll-free Policy during the Epidemic in the current period. Detailed analysis of investment income is as follows:

Unit: '000 Currency: RMB

Item	2020	2019	Change in amount
1. Investment income attributable to associates:			
Associated toll highway enterprises in total	172,489	219,856	-47,367
United Land Company	395,731	377,224	18,507
Derun Environment	206,420	193,468	12,953
Others ^{Note}	138,342	131,491	6,852
Subtotal	912,982	922,038	-9,055
2. Investment income arising from transfer of subsidiaries	-	262,207	-262,207
3. Investment income from other non-current financial assets	6,395	30,125	-23,730
4. Gains from completion of foreign currency swaps	17,955	26,860	-8,905
5. Others	31	1,442	-1,411
Total	937,363	1,242,672	-305,309

Note: Others are attributable to the investment income of Consulting Company, Bank of Guizhou, Shengchuang Environmental Technology and Guizhou Hengtongli.

4. Investment in Research and Development

The investment in research and development mainly represents the expenses arising from the research and development of wind power generation system conducted by Nanjing Wind Power and the research and development of kitchen waste treatment system conducted by Lande Environmental.

Breakdown of investment in research and development:

Unit: '000 Currency: RMB

Expensed investment in research and development for the current period	58,694
Capitalised investment in research and development for the current period	1,857
Total investment in research and development	60,551
Percentage of total investment in research and development over revenue (%)	0.75
Number of research and development staff of the Company (person)	131
Number of research and development staff over the total number of staff of the Company (%)	1.93
Proportion of capitalised investment in research and development (%)	3.07

5. *Cash Flow*

Descriptions on the reasons for changes in net cash flows from operating activities: During the Reporting Period, the Group's net cash inflows from operating activities amounted to RMB1,110,634,000 (2019 (restated): RMB1,695,357,000), representing a YOY decrease of 35.08%, which was mainly due to the significant decrease in cash inflows from toll revenue during the Reporting Period as affected by the Toll-free Policy during the Epidemic, and increase in the costs for procurement of wind turbine component and advance payment of project fee. In addition, the recurring cash return on investments from associates^{Note} during the Reporting Period amounted to RMB288,160,000 (2019: RMB396,706,000), representing a YOY decrease of RMB108,546,000, which was mainly due to the decrease in cash flow distributed by associates operating toll highways as affected by the Toll-free Policy during the Epidemic.

Note: The recurring cash return on investments refers to the cash flow distribution (including profit distribution) from the Company's associates. According to the articles of association of certain associates of the Company, those companies will distribute cash to their shareholders if the conditions for cash distribution are fulfilled. According to the characteristics of the toll highway industry, such cash return on investments will provide continuous and stable cash flow. The reason that the Company provided the aggregated figures of net cash inflows from operating activities and recurring cash return on investments was to help the users of the financial statements understand the performance of recurring cash flow from the Group's operating and investing activities.

Descriptions on the reasons for changes in net cash flows from investing activities: During the Reporting Period, the Group's net cash from investing activities recorded a YOY decrease of approximately RMB4.2 billion, which was mainly attributable to the payment for acquisition of equity interests in companies such as Lande Environmental and Qiantai Company and the payment for investment in Vanho Securities and State-owned Coordination Fund, the consolidation of Lande Environmental into the financial statements, increase in the construction expenditure of the kitchen waste project, and increase in procurement of target assets for finance lease during the Reporting Period, as well as receipt for capital reduction of United Land Company, the payment for the transfer of equity interests in four subsidiaries including Guizhou Shengbo and the redemption of the wealth management products from banks for the corresponding period of last year.

Descriptions on the reasons for changes in net cash flows from financing activities: During the Reporting Period, the Group's net cash from financing activities recorded a YOY increase of approximately RMB4,740 million, which was mainly due to the issuance of financing bonds for fund raising during the Reporting Period.

6. *Amortisation Policies of Concession Intangible Assets and the Difference of Different Amortisation Methods*

The Group's concession intangible assets are amortised based on the units-of-usage method. The amortised amount is calculated, based on usage amount per unit, by the percentage of the actual traffic volume in the respective periods to the total projected traffic volume during the toll operating period. The Group conducts regular review on the projected traffic volume and makes corresponding adjustments to ensure reasonableness of the amortised amount. Details of this accounting policy and accounting estimates are set out in note III\18(1) and 34(6) to the Financial Statements in this report.

During the preliminary stages of toll highways' operation, the amortised amount calculated by the units-of-usage method is generally lower than that calculated by the straight-line method. During the Reporting Period, the difference in amortisation attributable to the Company calculated by using two amortisation methods based on its share of interests was RMB279 million (2019 (restated): RMB271 million). The adoption of different amortisation methods had no impact on the cash flow generated from various toll highway projects and thus had no impact on the valuation of various projects.

Management Discussion and Analysis

(II) Analysis of Assets and Liabilities

1. Assets and Liabilities

As at 31 December 2020, the Group's total assets amounted to RMB55,144,962,000 (as at 31 December 2019 (restated): RMB45,658,414,000), representing an increase of 20.78% over the end of 2019, which was mainly due to the consolidation of Lande Environmental into the financial statements, the increase in the expenses on engineering construction of Outer Ring Project and participation in the investment of Vanho Securities and State-owned Coordination Fund.

As at 31 December 2020, the total outstanding interest-bearing liabilities of the Group amounted to RMB19,311,570,000 (as at 31 December 2019: RMB16,821,439,000), representing an increase of 14.80% over the end of 2019, mainly contributed to the increase in borrowings as a result of the increase in expenses on merger, acquisition and investment of Lande Environmental, Longda Company and Vanho Securities, and the acquisition of Lande Environmental through borrowings. In 2020, the Group's average borrowing scale was RMB20.4 billion (2019: RMB14.8 billion), representing a YOY increase of 38.08%.

The detailed analysis of assets and liabilities is as follows:

Unit: '000 Currency: RMB

Name of item	Amount as at the end of the current period	Amount as at the end of the current period as a percentage of total assets (%)	Amount as at the end of the previous period	Amount as at the end of the previous period as a percentage of total assets (%)	Change in amount as at the end of the current period as compared to the end of the previous period (%)	Description
Transactional financial assets (liabilities represented by "-")	-83,678	-0.15	62,689	0.14	-233.48	(1)
Bills receivable	378,533	0.69	9,895	0.02	3,725.47	(2)
Other receivable	773,039	1.40	522,976	1.15	47.82	(3)
Contract assets	344,066	0.62	187,764	0.41	83.24	(4)
Assets held for sale	494,663	0.90	-	-	N/A	(5)
Non-current assets due within one year	74,870	0.14	176,340	0.39	-57.54	(6)
Other current assets	325,723	0.59	247,716	0.54	31.49	(7)
Long-term receivables	997,355	1.81	433,144	0.95	130.26	(8)
Other non-current financial assets	1,605,891	2.91	217,939	0.48	636.85	(9)
Construction in progress	123,596	0.22	15,939	0.03	675.43	(10)
Long-term prepaid expenses	59,662	0.11	32,405	0.07	84.11	(11)
Other non-current assets	1,770,552	3.21	605,728	1.33	192.30	(12)
Short-term borrowings	1,341,218	2.43	363,878	0.80	268.59	(13)
Bills payable	295,467	0.54	131,750	0.29	124.26	(14)
Accounts payable	1,869,889	3.39	983,440	2.15	90.14	(15)
Contract liabilities	319,854	0.58	953,226	2.09	-66.45	(16)
Taxes payable	565,790	1.03	261,897	0.57	116.04	(17)
Non-current liabilities due within one year	3,665,799	6.65	505,102	1.11	625.75	(18)
Other current liabilities	2,041,455	3.70	-	-	N/A	(19)
Provisions	165,626	0.30	10,285	0.02	1,510.43	(20)

Descriptions of assets and liabilities:

- (1) Foreign exchange swap instruments were under the influence of exchange rate fluctuation.
 - (2) Increase in bills receivable of Nanjing Wind Power.
 - (3) Increase in fee advanced.
 - (4) The consolidation of Lande Environmental into the financial statements and increase of contract assets due to on-going and implementation of the entrusted construction projects as per scheduled.
 - (5) The net booking value of equity investment in Guangyun Company and Jiangzhong Company proposed for sale was classified as "Assets held for sale".
 - (6) Recovery of fund occupied by the original shareholders of Longda Company, and decrease of financial lease receivables (due within 1 year) by Financial Leasing Company.
 - (7) Increase in report item as the consolidation of Lande Environmental into the financial statements.
 - (8) Increase in long-term lease receivables of Financial Leasing Company and increase in long-term receivables of tariff subsidies of Baotou Nanfeng.
 - (9) Addition of the expenses on the investment of Vanho Securities and State-owned Coordination Fund.
 - (10) Items in related statements increase due to the consolidation of Lande Environmental and Qiantai Company into the financial statements.
 - (11) Increase in renovation costs of newly leased office.
 - (12) Transfer of asset contracts of over one year.
 - (13) Increase short-term borrowings in light of the adequacy of funds in the marketplace.
 - (14) Increase in payments for raw materials purchases of Nanjing Wind Power.
 - (15) The consolidation of Lande Environmental into the financial statements and increase in payments for components and parts purchases of Nanjing Wind Power.
 - (16) Advances from sales of real estate carried forward by Guilong Development Project and advances from sales of wind turbine set carried forward by Nanjing Wind Power.
 - (17) Increase in tax payables due to the consolidation of Lande Environmental and the recognition of gains from certain projects.
 - (18) Reclassification of bonds of USD300 million by maturity.
 - (19) Issuance of ultra-short-term commercial paper.
 - (20) Provision for the operation and management costs.
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Management Discussion and Analysis

2. Restriction of main assets as at the end of the Reporting Period

- (1) As at the end of the Reporting Period, details of the Company's and its subsidiaries' assets mortgaged or pledged are as follows:

Assets	Type	Bank	Scope of security	Balance of secured loan as at the end of the Reporting Period	Term
Toll collection rights of Qinglian Project	Pledge	A consortium including China Development Bank, etc.	Principal and interests of syndicated loans in an aggregate amount of RMB5.9 billion	384 million	Until repayment of all liabilities under the loan agreement
	Pledge	Industrial and Commercial Bank of China Limited Qingyuan Branch	Principal and interests of fixed asset loans in an aggregate amount of RMB2.5 billion	600 million	Until repayment of all liabilities under the loan agreement
100% equity interests in Meiguan Company	Pledge	China Construction Bank Shenzhen Branch	Counter-guarantee for the irrevocable guarantee with joint liability in respect of the redemption of the corporate bonds with an amount of RMB800 million upon maturity	800 million	Until repayment of corporate bonds (including principal and interests)
45% equity interests in JEL Company	Pledge	The Hong Kong and Shanghai Banking Corporation Limited	Principal and interests of bank loans in an aggregate amount of HKD350 million	HKD125 million	Until repayment of all liabilities under the loan agreement
Toll collection rights of Coastal Expressway	Pledge	A consortium including China Development Bank, etc.	Principal and interests of syndicated loans in an aggregate amount of RMB5.4 billion	3,518 million	Until repayment of all liabilities under the loan agreement
Toll collection rights of Shuiguan Expressway	Pledge	Guangdong Huaxing Bank Co., Ltd. Shenzhen Branch	Principal and interests of fixed asset loans in an aggregate amount of RMB600 million	483 million	Until repayment of all liabilities under the loan agreement
Equity interests, franchise rights, accounts receivable, land use rights and production equipment, among other assets, of various subsidiaries of Lande Environmental of RMB1,889 million	Pledge, mortgage	Various banks and financial leasing companies	The scope of security covers principal and interests of bank loans and finance leases for various projects in an aggregate amount of RMB852 million	573 million	Certain periods after the repayment of liabilities

- (2) As at the end of the Reporting Period, details of the restrictions on the capital of the Company and its subsidiaries are as follows:

Type of restricted capital	Amount subject to restrictions
Fund in special deposit account for the entrusted construction and management project	RMB1,790 million
Payable guarantee for acceptance of bills	RMB284 million
Consideration for acquisition of equity interests under supervision	RMB210 million
Security for letter of guarantee	RMB28 million
Security for wages of migrant workers	RMB1 million
Amount frozen due to litigations	RMB3 million
Total	RMB2,316 million

Details of restriction of assets:

Note 1: In addition, Outer Ring Company, a wholly-owned subsidiary of the Company, applied for bank loans in an aggregate amount of RMB6.5 billion from the consortium including China Development Bank, etc. by pledging the toll collection rights and the proceeds and credits receivable from the operating activities legally owned by Outer Ring Expressway. As at the end of the Reporting Period, the accumulated amount of loans withdrawn by Outer Ring Company was approximately RMB4.7 billion, which was settled at the end of the year. The loan facility available was RMB1.8 billion.

Note 2: Details of the restrictions on the Group's major assets at the end of the Reporting Period are set out in note V62 to the Financial Statements in this report.

3. Capital Structure and Debt Repayment Capability

The Company is always committed to maintaining a rational capital structure and enhancing its profitability, in order to maintain its good credit ratings and solid financial position. As at the end of the Reporting Period, affected by the increase in interest-bearing liabilities scale resulting from the rise in capital expenditure, the share profit distribution for 2019 and the adjustment to the capital structure, the debt-to-asset ratio of the Group and the net borrowings-to-equity ratio decreased to a certain extent as compared with that at the beginning of the year. As affected by the epidemic, other debt repayment performance indicators of the Group for the current period recorded a decrease in the short term. Given the Group's stable and robust operating cash flows and its strong capability in financing and capital management, the Board is of the view that changes of the debt repayment indicators were periodic and the financial leverage ratios remained at a safe level at the end of the Reporting Period.

Key indicators	As at the end of 2020	As at the end of 2019 (restated)
Debt-to-asset ratio (Total liabilities/Total assets)	52.35%	53.90%
Net borrowings-to-equity ratio (Total borrowings – cash and cash equivalents)/Total equity)	61.18%	65.77%
Net borrowing/EBITDA ((Total borrowings – cash and cash equivalents)/ Earnings before interests, tax, depreciation and amortisation)	3.14	3.00
	2020	2019 (restated)
Interest covered multiple ((Profit before tax + interest expenses)/Interest expenses)	3.87	4.71
EBITDA interest multiple (Earnings before interests, tax, depreciation and amortisation/Interest expenses)	5.95	7.12

4. Liquidity and Cash Management

During the Reporting Period, the increase in the short-term loans of the Group, the issuance of ultra-short-term commercial paper and reclassification of the USD bonds based on maturity date led to a decrease in the net current assets as at the end of the period as compared to the end of the previous year. Based on the financial status and capital needs, the Group will further strengthen the overall fund arrangements for subsidiaries and key projects, continue to optimise the capital structure, maintain appropriate cash on hand, and sufficient bank credit lines to prevent liquidity risks.

During the Reporting Period, the Group had no capital used in purchase of wealth management products or investment in securities.

Unit: Million Currency: RMB

	31 December 2020	31 December 2019 (restated)	Change in amount
Net current assets	-3,954	1,158	-5,113
Cash and cash equivalents	3,234	2,978	256
Banking facilities available	16,409	14,366	2,043

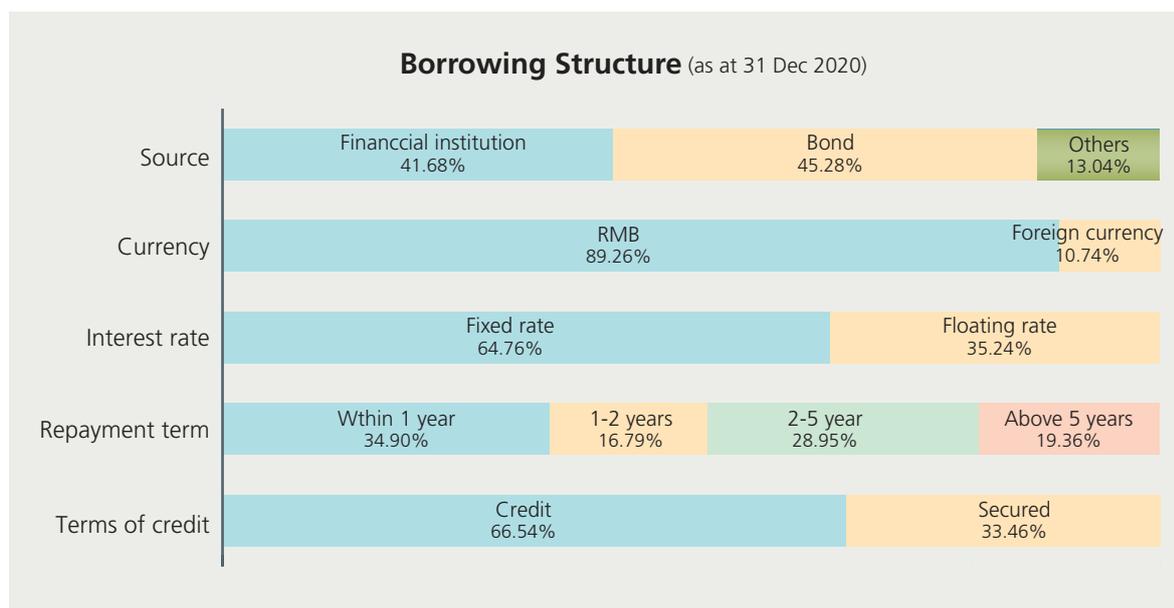
Management Discussion and Analysis

5. Financial Strategies and Financing Arrangements

During the Reporting Period, as affected by the Epidemic, the central bank continued to implement the stable monetary policy with more emphasis on flexibility, moderation and targeted and direct assess, and increased the base currency supply through the cutting of requirement reserve rate and the open market operations, thereby maintaining sufficient market liquidity in general, which has in turn led to a decrease in the price of funds. During the Reporting Period, the Group used its self-owned funds, bank loans and proceeds from bonds to meet the capital needs of debt repayment and investment expenditures, etc. Leveraging the favourable market opportunities, the Group issued financing bond instruments such as corporate bonds and ultra-short-term commercial paper for debt replacement and replenishment of working capital. It also grasped the opportunity from change in market conditions and negotiated with financial institutions to cut the interest rates of some existing debts in order to further lower financial cost. It also issued private perpetual bonds to raise capital for the Outer Ring Project and reduce debt ratios, optimise debt structure and control financial risks. The Company actively expanded its direct financing channels, and approved the issuance of ultra-short-term commercial paper with a principal amount of RMB4 billion and green cooperate bonds with a principal amount of RMB2 billion during the Reporting Period. It has also received the approval from CSRC for the issuance of not more than 300 million additional overseas-listed foreign shares in July 2020, which further expanded the financing channels for the Company.

During the Reporting Period, the Group did not have any overdue principal and interests for bank loans and bonds.

As at the end of the Reporting Period, the specific borrowing structure is shown as follows:



During the Reporting Period, the Company continued to maintain the highest credit rating and bond rating of AAA for domestic entities, and the existing investment grade ratings for international entities.

As of 31 December 2020, the Group had obtained a total of RMB34.331 billion of banking facilities, including approximately RMB15.918 billion of credit facilities specifically for construction projects, RMB14.65 billion of general credit facilities and approximately RMB3.763 billion for a single credit facility. As at the end of the Reporting Period, un-utilised banking facilities amounted to approximately RMB16.409 billion.

6. *Utilisation of funds raised*

During the Reporting Period, the Company completed the issuance of the first tranche of 2020 corporate bonds (epidemic prevention and control bond) (hereinafter referred to as "20SE01 Bonds") and the first tranche of 2020 green corporate bonds (hereinafter referred to as "G20SE1 Bonds") on 20 March 2020 and 22 October 2020, respectively. The fund raised was RMB1.4 billion and RMB800 million, respectively.

As at 31 December 2020, the funds raised by the issuance of the above corporate bonds have been fully used up. Among them, the funds raised by the issuance of 20SE01 Bonds was used for the repayment of interest-bearing debt of RMB1.235 billion and the replacement of capital for prevention of the epidemic of RMB163 million. The funds raised by the issuance of G20SE1 Bonds was used for the construction of green projects, the repayment of interest-bearing debt of RMB654 million for green projects and replenishment of liquidity of RMB144 million. The usage of the funds was in line with the usage, usage plans and other guarantees as stated in the fund-raising prospectus and also the operation regulations in respect of the special deposit account for fund raising.

7. *Contingencies*

Details of the Group's contingencies during the Reporting Period are set out in note XI\2 of the Financial Statements in this report.

(III) **Analysis of the Investment**

1. *General Analysis of External Equity Investments*

The details of the Company's external equity investments during the Reporting Period are as follows:

(1) *Material Equity Investments*

During the Reporting Period, the total equity investment of the Group amounted to approximately RMB3,094 million (2019: RMB790 million), representing a YOY increase of RMB2,304 million, mainly due to the acquisition of equity interests and the increase of capital in Lande Environmental and Longda Company, subscription for the additional shares issued by Vanho Securities and the investment in State-owned Coordination Fund and Environmental Technology Industry M&A Fund during the Reporting Period. For details, please refer to the content in Business Review above. The details of material equity investments during the Reporting Period are as follows:

Unit: '000 Currency: RMB

Name of Investee Company	Major business	Shareholding	Investment amount in 2020	Description
Vanho Securities	Securities brokerage, self-owned business, investment and consultation, financing and financing bonds, asset management, underwriting and sponsoring, financial consultation and other businesses	8.68%	950,000	During the Reporting Period, the Company invested RMB950 million to subscribe for 311,475,410 shares newly issued by Vanho Securities, and hence obtained its equity interest of 8.68%.
Lande Environmental	Engaging in the research and development of organic waste treatment technology with a focus on kitchen waste, manufacturing of core equipment, investment in construction, and operation and maintenance, etc.	67.14%	798,137	During the Reporting Period, Environmental Company, a subsidiary of the Company, acquired a total of 67.14% of equity interests of Lande Environmental through acquisition of equity interests and increase of capital.

Management Discussion and Analysis

Name of Investee Company	Major business	Shareholding	Investment amount in 2020	Description
Longda Company	Operation and maintenance of Longda Expressway	89.93%	405,388	During the Reporting Period, the Company was transferred 89.93% of interest in Longda Company held by Shenzhen International through its wholly-owned subsidiary at a price of RMB405,387,900.
State-owned Coordination Fund	Focusing on infrastructure utilities including environmental protection and new energy as well as financial and strategic emerging industries	7.48%	300,000	During the Reporting Period, the Company made a contribution of RMB300 million for the investment in State-owned Coordination Fund and acquired 7.48% of its equity interest.
Qiantai Company	Engaging in battery post-market recycling application business	50%	225,000	During the Reporting Period, Infrastructure Environmental Company, a subsidiary of the Company, acquired a total of 50% of equity interests of Qiantai Company through acquisition of equity interests and increase of capital.
Financial Leasing Company	Finance lease and commercial factoring	48%	151,690	During the Reporting Period, the Company and Mei Wah Company, a wholly-owned subsidiary of the Company, acquired the 48% equity interests of the Financial Leasing Company owned by Shenzhen International through its wholly-owned subsidiary at a total consideration of RMB151.69 million (including the repayment of RMB129 million borrowed by shareholders of Logistics Finance Company).
Environmental Technology Industry M&A Fund	Investment management and equity investment	45%	135,000	During the Reporting Period, the Company agreed to contribute 45% of the capital of Environmental Technology Industry Investment M&A Fund, totalling RMB450 million. As at the end of the Reporting Period, the Company had paid initial investment of RMB135 million in accordance with the investment progress.
Yangmao Company	Investment, construction and operation management of Yangjiang-Maoming Expressway and development of its supporting service projects	25%	103,750	The approved budget for Yangmao reconstruction and expansion project is estimated to be RMB8.0 billion (35% are self-raised funds), and the Company should invest RMB700 million according to the 25% shareholding ratio. During the Reporting Period, the Company paid RMB104 million for capital increase according to shareholding ratio and project progress, and had made an accumulated investment of RMB270 million.
Engineering Company	Expressway maintenance engineering projects	60%	24,811	During the Reporting Period, Operation Company, a subsidiary of the Company, acquired a total of 60% of equity interests of Engineering Company through acquisition of equity interests and increase of capital.

(2) *Material Non-equity Investments*

During the Reporting Period, the Group's expenditures on material non-equity investments mainly comprised expenditures for the construction of Outer Ring Project, kitchen waste projects of Lande Environmental and the reinforcement of Changsha Ring Road pavement structure, totalling approximately RMB2,741,884,000. The investments in major projects are as follows:

Unit: '000 Currency: RMB

Project name	Project amount	Project progress	Amount invested during the Reporting Period	Actual accumulated amount invested	Gains from the project
Outer Ring Project	6,500,000	81.4%	1,490,539	5,040,760	For details of the operational performance of projects (except for Outer Ring Phase II, Coastal Phase II, Early stage of Jihe Expressway reconstruction and expansion project and certain kitchen waste projects which are still under construction) during the Reporting Period, please refer to the Analysis of Main Business as set out above.
Coastal Phase II	1,000,000	47%	10,453	45,840	
Early stage of Jihe Expressway reconstruction and expansion project	/	/	119,856	200,786	
Various kitchen waste projects of Lande Environmental	/	/	646,105	646,105	
Reinforcement of Changsha Ring Road pavement structure	380,000	100%	204,986	227,216	
ETC renovation investment	438,000	100%	100,673	264,680	
Total	/	/	2,572,611	6,425,387	

(3) *Financial Assets/Liabilities at Fair Value*

Unit: '000 Currency: RMB

Item name	Opening balance	Closing balance	Change during the period	Impact on total profit for the period
Transactional financial assets (liabilities represented by "-")	62,689	-83,678	-146,367	-146,367
Other non-current financial assets	217,939	1,605,891	1,387,952	104,024

(IV) **Sale of Material Assets and Equity**

During the Reporting Period, 25% of equity interests in Jiangzhong Company and 30% of equity interests in Guangyun Company held by the Group were sold by the way of public listing at Shenzhen United Property and Share Rights Exchange. For details, please refer to note V9 to the Financial Statements in this Report.

Management Discussion and Analysis

(V) Analysis of Major Controlling Companies and Participating Companies

Unit: '000 Currency: RMB

Company name	Percentage of interests held by the Group	Registered capital	2020年12月31日		2020年			Principal business
			Total assets	Net assets	Revenue	Operating profit	Net profit / (net loss)	
Jihe East Company	100%	440,000	2,083,278	1,568,585	740,840	398,016	296,789	Construction, operation and management of Jihe East
Coastal Company	100%	4,600,000	8,163,860	6,339,613	561,955	279,451	209,588	Investment in the construction and operation of Shenzhen section of Guangzhou-Shenzhen Coastal Expressway
Outer Ring Company	100%	6,500,000	6,490,014	5,099,443	4,012	-743	-557	Investment in the construction and operation of the Shenzhen section of Outer Ring Expressway
Qinglian Company	76.37%	3,361,000	6,644,038	2,996,282	836,742	161,476	119,968	Construction, operation and management of Qinglian Expressway and related auxiliary facilities
Qinglong Company	50%	324,000	2,573,282	1,426,712	614,664	95,800	73,999	Development, construction, toll collection and management of Shuiguan Expressway
Guishen Company	70%	500,000	1,938,314	1,312,374	681,891	218,975	115,928	Investment, construction and management of road and urban and rural infrastructure
Nanjing Wind Power	51%	357,143	2,715,474	826,326	1,450,366	75,234	67,009	The research & development, integration, manufacturing, installation, sales and maintenance of wind power generation system, as well as investment and operation of wind farms
Lande Environmental	67.14%	234,933	3,398,192	1,198,219	847,750	8,265	9,457	Research and development of organic waste treatment technology with a focus on kitchen waste, manufacturing of core equipment, investment in construction, and operation and maintenance, etc.
United Land Company	34.3%	714,286	12,888,616	4,560,812	4,073,666	1,414,616	1,059,704	As the reporting entity and legal person for Meilin Checkpoint Renewal Project, it is responsible for acquiring the land, demolition and relocation and other works in respect of Meilin Checkpoint Renewal Project
Derun Environment	20%	1,000,000	49,583,987	16,342,175	11,308,509	2,694,150	1,032,102	The principal business of Derun Environment is investment holding. The major assets are 50.04% and 43.86% equity interests held in Water Group and Sanfeng Environmental, respectively

Note 1: The companies listed in the above table are the major companies controlled or participated by the Company.

Note 2: Relevant data is consolidated, and has been adjusted with factors such as premium amortisation. The income and the net profit of Lande Environmental for 2020 in the table above were the amounts realised upon the completion of acquisition of relevant equity interests.

Note 3: The net profit listed in the above table is the net profit of such companies which is attributable to owners of the Company.

Note 4: For details of the operational and financial performance of the above major controlling companies and participating companies and their businesses during the Reporting Period, please refer to related contents in this section.

(VI) Analysis and Description on the Reasons and Impacts of Changes in Accounting Policies and Accounting Estimates or Correction of Material Accounting Errors by the Company

1. Impact of Changes in Accounting Estimates

According to the Company's requirements under relevant accounting policies and systems, and in view of the actual situation of each main toll roads, the Group changed relevant accounting estimates of unit amortisation amount of the concession intangible assets of Yichang Expressway and Shuiguan Expressway with effect from 1 January 2020. The above changes in accounting estimates have resulted in a decrease of approximately RMB9,257,000 in equity attributable to owners of the Company as of 31 December 2020 and a decrease of approximately RMB9,257,000 in the Group's net profit attributable to owners of the Company for the Reporting Period. The above changes in accounting estimates did not have significant impact on the financial position and operating results of the Group as a whole.

The above changes in accounting estimates have been reviewed and approved at the 25th meeting of the 8th session Board of Directors of the Company. For details, please refer to note III\35 to the Financial Statements in this Annual Report and the relevant announcements of the Company dated 18 March 2020.

(VII) Fulfilment of performance commitment and impact on goodwill impairment test

1. Nanjing Wind Power

On 15 March 2019, Environment Company, a wholly-owned subsidiary of the Company, entered into the "Equity Acquisition Agreement in respect of Nanjing Wind Power Technology Co., Ltd" (《關於南京風電科技有限公司的股權併購協議》) with 12 parties, including Nanjing Anbeixin Investment Management Co., Ltd, Jiangyin Jiangong Group Co., Ltd, Pan Ai Hua, Wang An Zheng, etc. all being original shareholders (collectively "Party B"), and Pan Yu ("Party C"), and Environment Company acquired a total of 30% equity interests in Nanjing Wind Power from Party B and Party C, and unilaterally increased its shareholdings to 51% via capital contribution, upon which, Party C exited from the investment and Party B made a commitment that the audited revenue of Nanjing Wind Power in 2019, 2020, 2021 and 2022 will be no less than RMB450 million, RMB600 million, RMB760 million and RMB950 million, respectively, while the audited net profit will be no less than RMB56 million, RMB70 million, RMB88 million and RMB106 million, respectively.

Nanjing Wing Power fulfilled its performance commitment for 2019. As at the date of this Report, Nanjing Wing Power has not yet issued its audit report for year 2020. Based on its preliminary financial results, it is expected it is able to fulfil its performance commitment target for year 2020. The Group's goodwill arising from the acquisition of equity interests in Nanjing Wind Power was RMB156 million. Pursuant to the evaluation report issued by Shenzhen Pengxin Asset, Land and Real Estate Appraisal Co., Ltd. on the asset position of Nanjing Wind Power as of 31 December 2020 (i.e. the evaluation benchmark date), the recoverable amount of the asset group (including goodwill) was higher than the carrying amount, hence, no impairment loss on goodwill was recorded.

2. Lande Environmental

On 8 January 2020, Environmental Company, a wholly-owned subsidiary of the Company, entered into a capital increase and equity transfer agreement with the relevant parties to acquire not more than 68.1045% of the controlling interest in Lande Environmental at a consideration of not more than RMB809,600,000 by way of share subscription and capital increase. For details, please refer to the Company's announcement dated 8 January 2020. Pursuant to the agreement, the relevant parties, including Zhengzhou Cida Environmental Technology Co., Ltd. (鄭州詞達環保科技有限責任公司), Beijing Shuiqi Lande Technology Co., Ltd. (北京水氣藍德科技有限公司), Mr. Shi Junying (施軍營) and Mr. Shi Junhua (施軍華), jointly undertook and guaranteed in joint liability that: the audited net profit attributable to owners of the Company (after deducting non-recurring profit or loss) of Lande Environmental in 2020, 2021, 2022 and 2023 ("Performance Commitment Period") will be no less than RMB30 million, RMB80 million, RMB110 million and RMB140 million, respectively, while the accumulated net profit attributable to owners of the Company realised during the Performance Commitment Period will be no less than RMB360 million.

Management Discussion and Analysis

As at the date of this Report, Lande Environmental has not yet issued its audit report for year 2020. Based on its preliminary financial results, it is expected it is able to fulfil its performance commitment target for year 2020.

3. *Qiantai Company*

On 6 August 2020, Infrastructure and Environmental Protection Company, a wholly-owned subsidiary of the Company, entered into an agreement in respect of acquiring 50% of equity interest in Qiantai Company by way of capital increase and transfer. The total capital contribution was RMB225 million. Meanwhile, Qiantai Company guaranteed that: the audited net profit of Qiantai Company in 2021, 2022, 2023 and 2024 (“Valuation Adjustment Mechanism Period”) will be no less than RMB12.29 million, RMB18.56 million, RMB23.00 million and RMB28.34 million, respectively.

(VIII) Proposed Profit Distribution

The Company’s 2020 net profits attributable to ordinary shareholders of listed companies in its consolidated statements and the net profits of parent company statements audited based on CASBE were RMB2,054,523,306.30 and RMB952,217,667.93 respectively. Pursuant to the relevant PRC regulations and the Articles of Association, the Company withdrew its statutory common reserve fund of RMB93,790,655.68 for the year of 2020. The Board recommended to distribute a final dividend of RMB0.43 per share (tax inclusive) in cash to all shareholders for the year ended 31 December 2020, based on the total share capital of 2,180,770,326 shares at the end of 2020, with an aggregate amount of RMB937,731,240.18, which accounts for 45.96% of the net profits attributable to ordinary shareholders of the listed company in the consolidated statements for 2020 after excluding the investment income payable to the holders of the perpetual bonds. The residual balance upon distribution shall be carried forward to the next year. No capital reserve was converted into share capital during the year. The aforesaid recommendation will be proposed at the 2020 Annual General Meeting of the Company for approval.

1. *Formulation, Implementation or Adjustment of Cash Dividend Policy*

The Company has always been pursuing to reward its shareholders and has been distributing cash dividends for 23 consecutive years since its listing.

Pursuant to the Articles of Association, the Company shall implement a proactive cash dividend policy in line with the principle of attaching great importance to reasonable returns to shareholders while satisfying the needs of sustainable operation and development. The Articles of Association has a clear standard of dividend distribution and the minimum proportion of annual dividends, and has formulated sound decision-making procedures and mechanisms. Any modification to the profit distribution policy or failure in formulating/implementing profit distribution proposals according to such policy by the Company shall be proposed at the general meeting by way of a special resolution for consideration.

The 2020 profit distribution proposal (including the cash dividend proposal) formulated by the Company was in compliance with the relevant requirements of the Articles of Association and the Shareholders’ Return Proposal. In formulating and determining the proposal, the Independent Directors have issued an independent opinion after careful study and analysis of relevant factors, and the Company is also able to listen to the opinions of the Independent Directors and the shareholders through various channels, and give regard to the demands and legitimate interests of the minority investors.

2. Plans/Proposals of Profit Distribution and Conversion of Capital Reserve into Share Capital of the Company in the Past Three Years

Unit: RMB

Year of dividend distribution	Number of bonus shares for every 10 shares	Dividend (RMB) for every 10 shares (tax inclusive)	Number of share (share) for conversion of capital reserve into share capital for every 10 shares	Cash dividend (tax inclusive)	Net profit in consolidated statements for the year of distribution ^{Note}	Percentage (%) of dividend over the net profit in consolidated statements
2020 (Proposed)	0	4.30	0	937,731,240.18	2,040,212,195.19	45.96%
2019	0	5.20	0	1,134,000,569.52	2,499,484,975.75	45.37%
2018	0	7.10	0	1,548,346,931.46	3,440,050,607.33	45.01%

Note:

- (1) The net profits attributable to ordinary shareholders the listed company in the consolidated statements for 2018 and 2019 in the above table are data before being restated.
- (2) The net profits attributable to ordinary shareholders of the listed company in the consolidated statements for 2020 has excluded the investment income payable to the holders of the perpetual bonds

III. Outlook and Plans

(I) Development Strategies of the Company

Upholding the spirit of the Fifth Plenary Session of the 19th Central Committee, the Company has drawn up the draft of its Strategic Development Plans for the 14th Five Year Plan, which needs to be proposed for approval. The Company will take building quality infrastructure to provide beautiful living experience in cities as its mission. The Company will seize the opportunities of this era arising from the Guangdong-Hong Kong-Macau Greater Bay Area and Shenzhen in building a pioneering demonstration zone for socialism with Chinese characteristics by pursuing a market-oriented and innovation-driven strategy featuring “innovation, intelligence, environmental protection and high efficiency”, with a view to consolidating and enhancing the advantages of the toll highway industry, and actively expanding the comprehensive clean energy industry of featured environmental protection, thereby building an intelligent Shenzhen Expressway and facilitating quality sustainable development of the Company, so as to provide cities with solutions of sustainable development, and become a first-class transportation and environmental protection infrastructure construction and operation service provider.

(II) Operation Plans

The basic judgment of the Group on the business environment and its basic understanding of the industry development trend and competition layout were explained under the section headed “Future Outlook” in the “Chairman’s Statement” of this report. In view of the actual situations of the Group, the working goals and focuses for the Group in 2021 are as follows:

- ◆ **Operating Targets:** Based on the reasonable analysis and expectation on our operating environment and operating conditions, the Group has set a total revenue target for 2021 of exceeding RMB10 billion, with the total of operating costs, management expenses and selling expenses (excluding depreciation and amortisation) of approximately RMB4.5 billion. In 2021, it is expected that the average borrowing scale and the financial cost of the Group will increase on a YOY basis.
- ◆ **Toll Highway Business:** The Group will enhance operation management of its existing toll highway projects, continue to optimise the operation management system under the ETC model and strengthen the operational integration of the newly opened Outer Ring Phase I and the newly acquired Longda Project, in order to increase the overall profit of projects in operation. While actively promoting the research and negotiation regarding the

Management Discussion and Analysis

financing plan of the Jihe Expressway reconstruction and expansion project for commencement of construction in full swing in mid-2021, the Group will also actively facilitate the construction and management of the engineering works of Outer Ring Phase II and Coastal Phase II, and also the preliminary work of Shenshan Second Expressway, with a view to consolidating and upgrading the core business of toll highway on an ongoing basis. Besides, the Group will strengthen the service capabilities throughout the industry chain of highways and expand to the upstream and downstream industries such as design, consultation, construction and maintenance, with an aim to give full play to the professional capabilities of Engineering Development Company and Construction Technology Company, thereby developing the Group's professional competitiveness in the markets of engineering construction and management and maintenance. In addition, the Group will further enhance the level of informatisation and intelligence in its construction and operation activities through increased application of information technology, with a view to effectively enhancing the level of centralised dispatching management and the comprehensive monitoring and management ability.

- ◆ **General-Environmental Protection:** With a focus on resource recovery of solid waste and the clean energy sector, the Company will actively promote construction of the existing projects and acquisition of new projects of Lande Environmental, manage the construction management of the Guangming Environmental Park Project and enhance the internal management and expand the market for Qiantai Company, with a view to increasing the market share and influence of the Group in the sub-sectors of organic waste treatment and scrap vehicle dismantling. The Group will actively seek for appropriate investment opportunities of the industry chain by further capitalising on market opportunities arising from the national development of new energy, while effectively enhancing the management and carrying out works in relation to resource integration of Nanjing Wind Power, Baotou Nanfeng, Qianzhi Project and Qianhui Project to secure proper completion of production missions. Besides, the Group will continue to optimise the organisation structure, management system and financial structure of its subsidiaries in the general-environmental protection industry, with a view to facilitating the creation of synergy between such subsidiaries and other resources of the Group. The Group will also make full use of the financial instruments and financial resources provided by fund management platforms and Financial Leasing Company to actively explore the development of industry-finance integration.
- ◆ **Financial Management and Corporate Governance:** The Group will strengthen its classification management and financial management on the invested companies, and optimise the authorisation management system based on the characteristics of different invested enterprises. Through adopting information technology, the Group will strengthen capital planning and management within the Group, implement budget and medium and long term forecast management, and coordinate financial resources. The Group will closely monitor the changes in monetary policy and the financing environment, study various types of financial instruments, actively expand financing channels to replenish the Company's capital, at the same time maintaining sound fund management and financing to reduce financing costs and ensure financial safety. Capitalising on the comprehensive reform of state-owned enterprises, the Group will actively make attempts in innovations of mechanisms. It will also adhere to the principles of good corporate governance and further improve corporate governance and various management systems, with the aim to satisfy the actual needs of the Group in business management, further improve the transparency of the Company, optimise the multi-level incentive and restraint system and promote the healthy and sustainable development of the Company.

(III) Capital Expenditure Plan

As of the date of approval of this announcement, the capital expenditures approved by the board of directors of the Group mainly include the construction expenditures for the Outer Ring Project, Coastal Phase II, Kitchen waste project of Lande Environmental Guangming Environmental Park PPP Project, and other projects, the acquisition of the office property in Hanjing Financial Centre, as well as investment expenditure for Yangmao Renovation and Expansion and wind farm projects, and etc. It is estimated that by the end of 2023, the total capital expenditure of the Group will be approximately RMB7.196 billion. The Group plans to use its own funds and bank loans to meet its funding needs. The Group's financial resources and financing capacity is currently able to meet the various capital expenditure needs,.

The Group's capital expenditure plans approved by the Board from 2021 to 2023 are as follows:

Unit: '000 Currency: RMB

Project	2021	2022	2023	Total
I. Investment in intangible assets and fixed assets				
Outer Ring Project	727,086	941,577	–	1,668,663
Coastal Phase II	21,669	321,669	321,669	665,007
Kitchen waste project of Lande Environmental	656,648	88,216	8,400	753,264
Guangming Environmental Park PPP Project	230,000	380,000	98,191	708,191
Acquisition of the office property in Hanjing Financial Centre	1,601,547	–	–	1,601,547
Reinforcement of Changsha Ring Road pavement structure	109,398	–	12,044	121,442
II. Equity investment				
Reconstruction and expansion of Yangmao Expressway	192,500	35,000	–	227,500
Mergers & acquisitions and capital increase of wind farm projects	1,015,240	–	–	1,015,240
Shengchuang Environmental Technology Industry Fund	135,000	180,000	–	315,000
Other projects	120,299	–	–	120,299
Total	4,809,387	1,946,462	440,304	7,196,153

Note: The Board also approved capital expenditures of approximately RMB2,622 million for the Jihe Expressway reconstruction and expansion project, the early stage of Shenshan Second Expressway and Phase III of the Outer Ring project, etc. The investment and financing methods of such projects are not yet determined.

(IV) Risk Management

Through active identification, assessment and response to risk issues occurred in the operation, the Company has applied risk management to all segments, including corporate strategies, financial management, decision-making and operations. For details of the establishment and operation of the Company's risk management system, please refer to the "Internal Control" section in this annual report. Currently, the Company focuses on internal and external risk issues in respect of operation management, business expansion, financing and construction management.

Management Discussion and Analysis

1. **Operational Management Risks**

Risk position/analysis:

The official launch of the nation-wide ETC toll interconnection project has brought new challenges to the toll collection model and management model of the Group's operation, including new requirements on the function of toll collection systems and facilities as well as heavier workload in relation to toll collection inspection and accounting. To a large extent, electronic toll collection has replaced manual toll collection, which on one hand resulted in the problem of staff allocation and job placement, and on the other hand, imposed higher requirements on contingency response capability during the operation of highways. In addition, certain discounts have been offered for ETC toll collection, which may cause certain negative impacts on toll revenue.

Moreover, the Group has been carrying out the preliminary work of the Jihe Expressway reconstruction and expansion project. Based on the working results achieved in the current stage, it is expected that toll services will be provided according to the standard of two-direction four-lane during the reconstruction and expansion of Jihe Expressway, hence causing adverse impact on the traffic organisation, operation management and toll revenue of Jihe Expressway.

Management/response measures:

The Group has completed the transformation of toll stations and the switch of its toll collection system according to the overall national deployment. The new toll collection system and facilities have operated reliably as a whole with strong support. The Group has revised and improved the operation procedures and institutional system. It also plans to introduce the toll collection inspection management system under the free-flow model, with a view to early identifying problems such as abnormalities of data, system and vehicle driving, through big data analysis, automatic inspection and analysis of records of passing vehicles. The establishment of the road network monitoring system is also an important measure for managing the above risks. With the indicator system for monitoring the traffic of road networks, the Group can realise real-time monitoring of the operation of roads and toll stations through multi-dimensional statistics and analysis, so as to enhance the efficiency of prompt response.

The ultimate objective of nation-wide ETC toll interconnection project is to enhance the overall traffic efficiency of road networks, which will definitely attract more drivers using toll highways and enhance the utilisation rate of toll highways. In the long run, it will help to increase the traffic volume and toll revenue of road networks, thereby improving the overall operating performance of each project.

With regard to the reconstruction and expansion of Jihe Expressway, the Group has thoroughly considered the arrangement of traffic organisation during the reconstruction and expansion in its preliminary work. The Group has extensive experience in operation management and construction management of expressways, which will enable the Group to minimise the impact on traffic volume while promoting the reconstruction and expansion of Jihe Expressway as planned. The Group will also take the impact of this factor into consideration when conducting investment analysis on the reconstruction and expansion of Jihe Expressway.

2. **Business Expansion Risks**

Risk position/analysis:

To facilitate transformation and upgrading and realise sustainable development, the Company has stepped up its efforts in the investment and management of merger and acquisition (M&A) in recent years. The major risks and challenges in business expansion include: (1) Scarce resources of quality projects lead to intense competitions, and high costs of new construction projects and reconstruction and expansion projects in general result in a decrease in the expected rate of return; (2) For the general-environmental protection industry, various uncertainties exist in the daily operation of the organic waste treatment business and the clean energy business. The Group will face challenges, including the technical research and development and equipment development for waste treatment,

supply chain management of Nanjing Wind Power, safety management of wind farms, etc.; (3) M&A projects require integration and management of the operation team, as well as adaptation to differences in terms of the internal and external environment, corporate culture, business philosophy, management mindset, etc., which is to realise integration of management models with that of the Group while maintaining stability of the original management teams and core talents.

Management/response measures:

The extensive experience of the Group in feasibility studies and construction and design of projects is an important measure for controlling the costs of new construction projects and reconstruction and expansion projects. In the face of changes in industries and development of the internal and external environment, the Group will also actively develop its capabilities in project financing plans and business model design to increase the returns of projects. As for project financing, reasonable design of financing and capital bridging solutions during the construction and operation period can effectively reduce the financial risk of the project. With regard to business model design, the Group will give full play to its innovative capabilities, conduct sufficient evaluation and estimation on the project value, maintain adequate communication and cooperation with the government, specify rights and responsibilities through business contracts and control relevant risks, striving to achieve a win-win situation benefiting the government, society and enterprises.

Aiming to realise standardised management and sustainable development of each acquisition and collaboration projects, the Group will establish and improve its various rules, regulations and systems as well as incentive measures, and assign staff to be responsible for the management of the project companies so as to achieve all-round control over respective risks in terms of investments, finance, operations and human resources. The Group will establish and improve a standardised management system by benchmarking to the industry leaders, at the same time laying a sound foundation for the management of other newly acquired projects in the future. Meanwhile, the Group will also conduct in-depth classification and management of invested enterprises by giving them authorities of different aspects and levels according to their development stage, industry features, management capabilities and management foundation after comprehensive consideration, with a view to stimulate the operational momentum of invested enterprises and optimising the management models constantly, thereby establishing standardised management models to prevent and solve operational risks.

3. Financing Risk

Risk position/analysis:

In general, the Group's existing toll highway business and general-environmental protection business are both capital-intensive. The ability to provide sufficient capital support to the Group's businesses and proper financial resources for the realisation of the development strategies are important risks required to be managed by the Group.

Given increased efforts of the Group in expanding core businesses in recent years, the overall scale of investment is increasing. The Group is expecting a surge in capital expenditures in years ahead since its businesses have a relatively high funding need. Toll highway business comprises projects such as Outer Ring Phase II and Coastal Phase II; general-environmental protection business comprises projects such as Guangming Environmental Park Project, Mulei Project, and a number of waste treatment projects of Lande Environmental; other businesses comprise projects such as Duohua Bridge and Bimeng Project. In case of capital shortage or cost increase in the future market, the Group may be exposed to financing risks, which will in turn affect the Company's operating results.

Management Discussion and Analysis

Management/response measures:

The Group's excellent financing and capital management capability are its major core advantages. The Group will manage such risk in the following manners: (1) revise capital planning on a rolling basis and control the overall payment arrangement based on the capital in hand; (2) coordinate bank resources, maintain sufficient credit lines, strengthen the management of existing credit lines, maintain effective communication and information renewal with credit rating agencies and safeguard the Company's domestic and overseas credit rating; (3) make effective use of the multi-level capital market to expand financing channels, seize the opportunity of the State to encourage direct financing and physical economy of financial services, and make full use of different financing products and instruments, including securities, convertible bonds, perpetual bonds, foreign bonds, securitisation and REITS, to expand financing channels in the capital market; (4) coordinate and optimise capital planning and financing arrangement, capitalising on market opportunities and carry out debt replacement in a timely manner, continue to optimise the Company's debt structure, reduce financial costs and enhance efficiency in resource allocation.

4. Construction and Management Risks

Risk position/analysis:

With continuous development of the dual core businesses, the engineering construction of the Company has entered the peak period. In 2021, the Group's main construction projects include Outer Ring Phase II, Coastal Phase II, Shenshan Environmental Park Project, Duohua Bridge Project, Bimeng Project and a number of kitchen waste treatment projects, etc. The current construction cost, future operating cost, project profitability and company reputation are directly or indirectly dependent on whether the project construction met the expected objectives in terms of construction period, quality, cost, safety and environmental protection. Fluctuations of building materials price, change of planning or design, new policy and technical regulations promulgated by the government, administrative measures on public affairs introduced by the government and the adjustment of development plans made by the government may affect the realisation of the above construction and management goals.

Management/response measure:

Project construction management capability has become one of the Group's important core competencies after more than 20 years of development. The Group has maintained an effective management system and is capable of managing and controlling various types of risks in the course of project construction. For preliminary works, the Group will conduct full research, strengthen communication with design parties, optimise design and construction plans, overcome technical difficulties, and economise project costs. As for contract and construction management, on the one hand, the Group will take full consideration of the adjustment of material spreads in the construction contract, which can effectively reduce or transfer the risks of building material price fluctuation through the terms of the contract. On the other hand, the Group will enhance internal control and reduce changes of design by strengthening its management of changes in construction projects. Responsibilities shall be allocated on an equality basis in terms of duties, powers and interests. In terms of quality and safety management, the Group will pay more attention to safety management by continuously improving the management system of safe production, strengthening training, standardising the operation and raising the safety awareness and management ability of staff at all levels. Meanwhile, the Group will actively promote the application of new technologies, new techniques, new materials and also information technology such as Big Data and BIM, with a view to establishing an intelligent management platform for site construction, thereby realising visualised and intelligent management of engineering projects, so as to secure safe production with the application of technologies.

Report of the Directors

The Board presents herewith the Report of the Directors and the audited financial statements for the year ended 31 December 2020. The financial statements were prepared in accordance with CASBE, and also in compliance with the disclosure requirements under the Hong Kong Companies Ordinance and the Listing Rules of HKEx.

Principal Activities and Business Review

The principal activities of the Group are the investment, construction and operation management of toll highways and roads as well as other infrastructure in the PRC. During the Reporting Period, there is no substantial change in respect of the Group's businesses. Discussion and analysis of the Group's business as required by the relevant regulations and guidelines (including but not limited to the Hong Kong Companies Ordinance) can be found in "Management Discussion and Analysis" in this annual report, the Notes to Financial Statements and the Social Responsibility Report 2020 of the Company dated 24 March 2021.

Major Customers and Suppliers

During the Reporting Period, the revenue from the Group's top five customers and the amount of purchases from the Group's top five suppliers accounted approximately 19.37% and 29.41% of the Group's total revenue and total amount of purchases, respectively. For details, please refer to "Financial Analysis" of "Management Discussion and Analysis" in this annual report. No further disclosure in respect of its major customers and suppliers is to be made by the Group.

Results and Profit Distribution

The results of the Group for the year ended 31 December 2020 are set out in Consolidated Income Statement in this annual report.

The Board recommended the payment of a final dividend of RMB0.43 (tax included) per share in cash for 2020, the details of which are set out in "Financial Analysis" of "Management Discussion and Analysis" in this annual report.

Financial Highlights of the Group

The financial positions of the Group and the Company as at 31 December 2020 are set out in Consolidated Statement of Financial Position and Company Statement of Financial Position in this annual report.

A summary of the results and of the assets and liabilities of the Company for the last five financial years is set out in "Financial and Operational Highlights" in this annual report.

Share Capital

The share capital of the Company was RMB2,180,770,326. Details are set out in "Share Capital and Shareholders" and note V40 to the Financial Statements in this annual report.

Purchase, Sale or Redemption of Securities

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

Report of the Directors

Pre-emptive Rights

According to the PRC laws and the Articles of Association, there are no provisions for pre-emptive rights requiring the Company to offer new shares to the existing shareholders in proportion to their shareholdings if new shares are issued.

Tax and Tax Relief

Shareholders of the Company are taxed in accordance with the following tax regulations and the amendments thereof from time to time. They shall enjoy possible tax relief according to the actual situation. The following cited laws, regulations and stipulations are all relevant provisions issued before 31 December 2020. Shareholders should, if necessary, consult professional tax and legal advisors for advices relating to specific tax payment or the impact therefrom:

Holders of A Shares:

Pursuant to Notice on Differentiated Individual Income Tax Policy for Stock Dividends of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) (Cai Shui [2015] No. 101), for shares of listed companies obtained by individuals from public offerings or the market, where the holding period exceeds one year, the dividends shall be exempted from individual income tax; where the holding period is less than one month (inclusive), the dividends shall be counted as taxable income in the full amount; where the holding period is more than one month and less than one year (inclusive), 50% of the dividends shall be counted as taxable income on a provisional basis. The individual income tax rate of 20% shall be applicable for all incomes mentioned above.

Pursuant to Notice on Withholding and Paying Enterprise Income Tax Matters Concerning PRC Domestic Enterprise Paying Dividends, Bonuses and Interests to QFII (《關於中國居民企業向QFII支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2009] No. 47), for qualified foreign institutional investors, the Company shall withhold and pay enterprise income tax at a tax rate of 10%. If the relevant Shareholders consider their dividends enjoy tax treaty (arrangement) benefits, such Shareholders may apply for tax refund on their own to the competent tax authorities in accordance with the provisions after obtaining dividends.

Holders of H Shares:

Pursuant to Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and its implementation rules implemented in 2008, any PRC domestic enterprise which pays dividends to non-resident enterprise overseas H shareholder shall withhold and pay enterprise income tax at tax rate of 10%. Pursuant to Notice on Matters Concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) and the letter of HKEx titled "Tax Arrangements on Dividends Paid to Hong Kong Residents by Mainland Companies" dated 4 July 2011, when the domestic non-foreign invested companies which are listed in Hong Kong distribute dividends to their shareholders, the shareholders in general will be subject to individual income tax at the rate of 10%, unless otherwise specified by the tax regulations and relevant tax agreements.

Under the current practice of relevant tax authorities, no tax is payable in Hong Kong in respect of dividends paid by the Company.

Investors of Shanghai-Hong Kong Stock Connect Program:

For tax matters on individual investors in the PRC investing in H shares listed on HKEx and the investors in Hong Kong investing in A shares listed on the Shanghai Stock Exchange under Shanghai-Hong Kong Stock Connect Program, please refer to Notice on Tax Policy Concerning the Pilot Inter-connected Mechanism for Trading on the Stock Markets of Shanghai and Hong Kong (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Cai Shui [2014] No.81) and Notice on Continuing Implementation of the Individual Income Tax Policy Concerning the Inter-connected Mechanism for Trading on the Stock Markets of Shanghai and Hong Kong (《關於繼續執行滬港股票市場交易互聯互通機制有關個人所得稅政策的通知》) (Cai Shui [2017] No.78) jointly issued by the Ministry of Finance, State Administration of Taxation and CSRC.

Charity Donations

During the Reporting Period, the Group donated RMB6,000,000 for charity or public welfares.

Environmental Policies and Performance

As a corporation with the principally engaged in the investment, construction and operation management of toll highways and roads as well as other urban and transport infrastructure in the PRC, currently, the Company's major environmental protection business areas mainly include solid waste and hazardous waste treatment and clean energy. The Company adheres to the basic environment policy of include solid waste and hazardous waste treatment and clean energy. nd roads as well as other urban and transStock Marmentally-friendly technologies and materials in various aspects such as daily management, engineering design and construction. ically of include solid waste and hazardous waste treatment and clean energy. nd roads as well as other urban and transStock Marmentalltire process of the Company's operation. The Company also strictly complies with laws, regulations and industry provisions such as Environmental Protection Law, Air Pollution Prevention Law, Solid Waste Pollution Prevention Law, Water Pollution Prevention Law, Environmental Impact Assessment Law and Regulations on the Administration of Construction Project Regarding Environmental Protection. The Company also promotes green construction and low carbon operation, actively develops and introduces innovative technologies, innovative processes and environmentally-friendly materials so as to encourage energy saving and emission reduction, promote recycling of resources and endeavor to assume the social responsibility of protecting the environment.

For details of the Group's environmental policies and performance during the Reporting Period, please refer to the Company's Environmental, Social and Governance Report 2020.

Report of the Directors

Communication with Stakeholders

Shenzhen Expressway has paid attention to and actively identified the appeals and expectations of stakeholders on an ongoing basis, including the government, shareholders, suppliers, customers, employees and the community. The Company has improved the communication and feedback mechanism by establishing diverse communication channels, with a view to fully understanding and actively responding to the needs of its stakeholders, thereby facilitating sustainable development of both the Company and the stakeholders. Communication of the stakeholders of Shenzhen Expressway is as follows:

Stakeholders	Appeals and Expectations	Responses
Government and regulatory authorities	Comply with the laws and regulations Implement national policies Carry out targeted poverty alleviation and support regional development	Enhance compliance management of the Group constantly Respond to national policies actively
Shareholders	Improve information disclosure Maintain sound operation Create market value	Conduct compliant information disclosure Convene general meetings Strengthen investor relations Achieve growth in operating results on an ongoing basis Improve the management of the Company
Suppliers	Commence cooperation to achieve win-win situation Promote development of industries	Promote fair procurement to create a responsible supply chain Convene meetings for suppliers Promote development of industries
Customers	Protect legitimate rights and interests Maintain safe and smooth operation of roads Perform road maintenance	Facilitate communication between each other Establish public channels of complaints Enhance safety management of roads
Employees	Remuneration packages Room for development Training system	Enhance the remuneration management system on an ongoing basis Conduct employee satisfaction survey Organise career development training
Community	Environmental impact of highways Ethics in business operation	Organise public welfare activities Establish public channels of complaints
Environment	Ensure reasonable utilisation of resources Protect the ecological environment	Increase the utilisation rate of energy and resources Implement green operation and green office Enhance information disclosure regarding environmental protection

In 2020, the Company continued to communicate and interact with various stakeholders through different channels to create a mutually beneficial and win-win relationship and promote the sustainable development of the Company. For details of the Company's fulfillment of social responsibility for stakeholders during the Reporting Period, please refer to the chapter headed "Investor Relations" in this annual report as well as the Company's Environmental, Social and Governance Report 2020.

Compliance with Laws and Regulations

During 2020, the Group has complied with the relevant laws and regulations that exert a significant impact on its businesses. Pursuant to the disclosure requirements under the “Environmental, Social and Governance Reporting Guidelines” contained in Appendix 27 of the Listing Rules of the HKEx, the relevant details are set out as follows:

Principal laws/regulations	Systems/procedures established by the Company	Compliance measures
Highway Law of the People's Republic of China (《中華人民共和國公路法》) Measures on the Administration of Highway Project Quality (《公路工程質量管理辦法》) Inspection and Evaluation Quality Standards for Highway Engineering (JTG F80/1-2004) (《公路工程質量檢驗評定標準(JTG F80/1-2004)》) Highway Performance Assessment Standards (JTG H20-2007) (《公路技術狀況評定標準(JTG H20-2007)》)	Procedures for Engineering Quality Management (《工程質量管理規程》) Procedures for Construction Safety Management (《施工安全管理規程》) Manual for Standardized Management of Engineering Construction (《工程施工標準化管理手冊》) Manual for the Prevention of Common Quality Issues (《質量通病防治手冊》) Engineering Construction Organization Design Scheme (《工程施工組織設計方案》) Specifications for Supervision of Highway Projects (《公路工程監理規範》)	The Company has strictly implemented its systems and procedures. During the project management process, the Company treats contract management as the core and implements refined control over construction quality through measures such as system management, access management, construction procedure management, and standardized management. It implements quality management systems such as access management for equipment, access system for raw materials, owners' independent random inspection system, first construction recognition system, and trial construction system, so as to ensure the quality of its construction projects.
Regulations on the Administration of Toll Highways (《收費公路管理條例》) Highway Maintenance Technical Specifications (JTGH10-2009) (《公路養護技術規範(JTGH10-2009)》) Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) Standardised Basic Regulations on Production Safety of Highway Maintenance Department (《養護部門安全生產標準化基本規範》)	Technical Specifications and Acceptance Criteria for Daily Maintenance Projects (《日常養護工程技術規範與驗收標準》) Manual for Project Management of Special Maintenance Work (《專項養護工程項目管理手冊》) Implementation Measures for Maintenance Work and Road Assets Management during the Defect Liability Period of Newly Constructed Highways (《新建公路缺陷責任期內養護、路產管理實施辦法》) Implementation Measures for Entrusted Management of Highway Maintenance Projects (《公路養護項目委託實施辦法》) Administrative Measures for Highway Maintenance Contracts (《公路養護合同管理辦法》) Safety Production Management Manual of Road Maintenance Department (《道路養護部安全生產管理手冊》) Investigation and Rectification System on Potential Hazards of Road Maintenance Department (《道路養護部隱患排查治理制度》)	The Company has been strictly adhering to the National Highway Maintenance Technical Specifications and Assessment Criteria, pursuant to which a mid-to-long term maintenance plan for each expressway mainly based on the five-year maintenance system has been formulated. Routine inspections, frequent inspections and regular inspections have been conducted to ensure the safety of structures such as bridges and tunnels. The Company has been closely monitoring the technical conditions of highways to identify and make corrections for highway damages as early as possible.
Tendering and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》) Implementation of the Tendering and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法實施條例》)	Administrative Measures for Tendering and Bidding of Highway Construction Projects (《公路工程建設項目招標投標管理辦法》) Administrative Measures for Outsourcing and Management of Highway Construction (《公路工程施工分包管理辦法》) Measures for Tendering and Bidding of Construction Projects (《工程建設項目施工招標投標辦法》) Management Measures for Tendering and Bidding of Supervision over Highway Construction (《公路工程監理招標投標管理辦法》) Procedures for Project Tendering Management (《工程招標管理規程》) Procedures for Special Construction Technologies (《專用施工技術規程》) Management Measures for Documents of Contractors Engaging in Highway Maintenance (《公路養護承包商檔案管理辦法》) Controlling Process of Outsourcing Management (《外包管理控制程序》)	The Company has formulated and strictly adhered to the standards for special construction technologies in accordance with the regulatory requirements regarding qualification management and tendering and bidding management. The Company has reviewed the qualification of potential contractors, strengthened its control over the quality of tender documents, and conducted regular evaluation and established appraisal and assessment records for the constructors or contractors, with whom it cooperates, striving to select cooperation partners who can meet the requirements for qualification and project quality and establish long term cooperation relationship with creditworthy partners.
Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) Air Pollution Prevention Law of the People's Republic of China (《中華人民共和國大氣污染防治法》) Water Pollution Prevention Law of the People's Republic of China (《中華人民共和國水污染防治法》) Solid Waste Pollution Prevention Law of the People's Republic of China (《中華人民共和國固體廢物污染環境防治法》) Opinions on Further Promoting Classification of Household Waste (《關於進一步推進生活垃圾分類工作的若干意見》) Renewable Energy Law of the People's Republic of China (《中華人民共和國可再生能源法》) Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》)	Monitoring and Management System of Third-parties (《第三方監測管理制度》) Operating Rules for Deodorisation (《除臭操作規範》) Operating Procedures for Sewage (《污水操作規程》) Operating Procedures for the Desulphurization System (《脫硫系統操作規程》) Regulations on Maintenance of Pre-processing Equipment (《預處理設備維修規範》) Regulations on Maintenance of Anaerobic Gas and Methane Equipment (《厭氧沼氣設備維修規範》) Management System of Equipment (《設備管理制度》) Management System of Production Sites (《生產現場管理制度》) Operation Guide on Analysis of Operating Data of Wind Turbine (《風機運行數據分析作業指導書》) Management System of Safety and Production (《安全及生產管理制度》) Management System of Equipment Abnormality (《設備異常管理制度》) Management System of Technical Transformation (《技術改造管理制度》) Management System of Special Projects (《專項工程管理制度》) Monitoring and Management System of Techniques (《技術監督管理制度》)	In accordance with requirements of the relevant laws and regulations on environmental protection, the Company has formulated the corresponding operating rules and management systems, coupled with the establishment of facilities and equipment of environmental protection with stringent management, to ensure effective operation of such facilities and equipment of environmental protection. The Company has also monitored the emission and treatment of all types of waste in strict compliance with the requirements of pollutant discharge and environmental impact assessment to ensure compliance with the standards. In strict compliance with the technical regulations and evaluation standards issued by the PRC on the recycling and treatment of solid waste, the Company has formulated the technical standards and operating procedures in respect of harmless treatment and landfilling of inorganic waste, as well as resource recovery of kitchen waste for recycling, with a view to improving the treatment effect and reducing waste through active research and development of innovative technologies and techniques. In strict compliance with the technical parameters and standards issued by the PRC on wind turbine manufacturing, the Company has secured compliance with the requirements of national regulations in respect of the technical standards and equipment installation of wind turbines. The Company has also secured safe production by strictly implementing the systems and procedures, refining the safe production system, and carrying out investigation and rectification by levels on potential hazards in a strict manner.

Report of the Directors

Report on Corporate Social Responsibility

In March 2021, the management of the Company has submitted to the Board the “Environmental, Social and Governance Report 2020”, which focuses on the responsibility and practices of the Company in relation to environment, products, customers, employees, community and other aspects. Details of the performance of the Group in terms of corporate social responsibility in 2020 is set out in the “Environmental, Social and Governance Report 2020”, which can be viewed and downloaded on the websites of SSE (<http://www.sse.com.cn> (in Chinese)), HKEx <http://www.hkexnews.hk> (in both Chinese and English)) and the Company (<http://www.sz-expressway.com>), under the column of “Social Responsibility” of “Company Overview”. Through the report, investors can obtain more comprehensive and detailed information in relation to the performance of social responsibility of the Company.

Reserves

The amounts and details of material transfers to and from reserves of the Group and the Company during the Reporting Period are set out in notes V41–44 to the Financial Statements in this annual report.

Fixed Assets and Intangible Assets

The movements in fixed assets and intangible assets of the Group during the Reporting Period are set out in V17 and 20 to the Financial Statements in this annual report respectively.

Bank Loans and Other Borrowings

Details of bank loans and other borrowings of the Group and the Company as at the end of the Reporting Period are set out in V24, 32 and 33 to the Financial Statements in this annual report.

Subsidiaries and Joint Ventures

Details of the Company’s subsidiaries and joint ventures are set out in notes VII1 and V15 to the Financial Statements in this annual report respectively.

Directors, Supervisors and Senior Management (hereinafter referred to as “Management”)

- (1) Information of the Management and changes in the Management during the Reporting Period are set out in “Directors, Supervisors, Senior Management and Employees” in this annual report.
- (2) Details of the remuneration received by the Management during the Reporting Period are set out in “Directors, Supervisors, Senior Management and Employees” and notes X15 to the Financial Statements in this annual report.
- (3) Service contracts:

Each of the Directors of the eighth session of the Board had entered into director’s service contract with the Company. Contents of such contracts are the same in all material respects. The service contract of Independent Director BAI Hua was effective from 8 February 2018 to 31 December 2020. The service contract of Non-executive Director CHEN Kai was effective from 31 May 2018 to 31 December 2020 (resigned on 13 August 2020). The service contract of Executive Director WEN Liang was effective from 4 March 2019 to 31 December 2020. The service contract of Executive Director WANG Zeng Jin was effective from 23 June 2020 to 31 December 2020.

The service contract of Non-executive Director CHEN Zhi Sheng was effective from 29 September 2020 to 31 December 2020. The service contracts of other Directors were effective from 1 January 2018 to 31 December 2020. Save as the aforesaid, no service contracts that can be terminated within one year with compensation (other than general statutory compensation) have been or proposed to be entered into between the Company and the Directors or the Supervisors.

(4) Interests in contracts:

As at the end of the Reporting Period or at any time during the Reporting Period, no contract of significance was entered into to which the Company or its subsidiaries was a party and in which a Director or Supervisor of the Company had a material interest, whether directly or indirectly, or had significant conflict of interests, whether directly or indirectly, nor any of the aforesaid contract still subsisted at the end of the Reporting Period or at any time during the Reporting Period (excluding service contracts).

None of the Management has conflict of interests in any contract or arrangement entered into by any member of the Group or any contract or arrangement which subsist at the date of this annual report and which is significant to the business of the Group.

(5) Loans provided to senior management:

During the Reporting Period, the Group has not directly or indirectly provided loans to or guarantee to the debts of the Management of the Company and its controlling shareholder(s) or their respective connected persons.

(6) Rights to subscribe for shares or debentures:

As at 31 December 2020, the interests or short positions of the Directors, the Supervisors or the Chief Executive in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part 15 of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) which were required to be entered into the register maintained by the Company under Section 352 of Securities and Futures Ordinance (including interests and short positions deemed or taken to have under provisions of Securities and Futures Ordinance) or which were required to be notified to the Company and HKEx pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (collectively, "interests or short positions") were as follows:

Long positions in ordinary shares of Shenzhen International:

Name	Number of ordinary shares held as at 31 December 2020	Change during the Reporting Period	Approximate percentage of ordinary shares held in the issued share capital of Shenzhen International	Nature of interests	Capacity
Hu Wei	130,315	–	0.0059%	Personal	Beneficial owner
Liao Xiang Wen ⁽³⁾	16,192	–	0.0007%	Family interests	Beneficial owner
Fan Zhi Yong ⁽³⁾	72,081	+22,081	0.0033%	Family interests	Beneficial owner

Report of the Directors

Interests in share option of Shenzhen International:

Name	Options	Number of share options unexercised as at 31 December 2020 ⁽¹⁾⁽²⁾	Change during the Reporting Period				Nature of interests	Capacity
			Adjustment during the Reporting Period	Granted during the Reporting Period ⁽²⁾	Exercised	Lapsed		
Hu Wei	Share option scheme 1	1,173,448	92,726	-	-	-	Personal	Beneficial owner
	Share option scheme 2	-	-	-	-	-		
Liao Xiang Wen ⁽³⁾	Share option scheme 1	460,150	36,361	-	-	-	Family interests	Beneficial owner
	Share option scheme 2	282,308	22,308	260,000	-	-		
Fan Zhi Yong ⁽³⁾	Share option scheme 1	704,069	55,636	-	-	-	Personal	Beneficial owner
	Share option scheme 2	-	-	-	-	-		
Lin Ji Tong ⁽⁴⁾	Share option scheme 1	378,051	-	-	-	-	Personal	Beneficial owner
	Share option scheme 2	-	-	-	-	-		

Note:

- (1) The share option scheme 1 was granted on 26 May 2017 and could be exercised during the period from 26 May 2019 to 25 May 2022 pursuant to the grant provision. On 19 June 2020, Shenzhen International adjusted the exercise price and quantity of the outstanding options. The exercise price was adjusted from HK\$11.100 per share to HK\$10.223 per share.
- (2) The share option scheme 2 was granted on 18 May 2020 and could be exercised during the period from 18 May 2020 to 25 May 2022 pursuant to the grant provision. On 19 June 2020, Shenzhen International adjusted the exercise price and quantity of the outstanding options. The exercise price was adjusted from HK\$15.108 per share to HK\$13.914 per share.
- (3) The interests are owned by the spouse of Liao Xiang Wen and Fan Zhi Yong respectively, both Directors.
- (4) Lin Ji Tong has served as a supervisor of the Company since 23 June 2020. During Mr. Lin's tenure, his interests in share option of Shenzhen International has not changed.

Saved as disclosed above, as at 31 December 2020, none of the Management had interests or short positions defined above.

Progress of the Public Issuance of A Share Convertible Corporate Bonds

On 28 December 2017, the Company's general meeting and class meetings of shareholders considered and approved the proposal of public issuance of A Share convertible corporate bonds ("convertible bonds") with validity period of one year, respectively. Thereafter, the Company's extraordinary general meeting and class meetings of shareholders have approved the extension of the validity period of the relevant resolution to 27 December 2019.

On 23 December 2019, after taking into account the changes in the external environment and the actual conditions of the Company, the Board decided to terminate the issuance of convertible bonds and would not apply to the general meeting for extension of the validity period regarding the resolution on and authorization for the issuance of convertible bonds, and upon the expiry of the validity period regarding the resolution and authorization, would make application to the CSRC to withdraw the application document relating to the issuance of convertible bonds.

On 24 March 2020, the Company received the Notification of Termination of Inspection on the Application for Administrative Approval issued by the CSRC. The CSRC has determined to terminate its inspection on the Company's application for administrative approval. Accordingly, the declarations, undertakings and confirmations in relation to the issuance of convertible bonds were also terminated on the same day. For details, please refer to the announcements of the Company dated 9 November 2017, 28 December 2017, 28 December 2018, 4 March 2019, 23 December 2019 and 25 March 2020 respectively.

Progress of the Non-public Issuance of H Shares

On 10 January 2020, the Board of the Company considered and approved the resolution on the non-public issuance of not more than 300 million (inclusive) H Shares and proposed to the general meeting and class meetings for consideration and approval. An extraordinary general meeting and the A/H Shares class meetings were held by the Company on 31 March 2020 and the relevant resolutions were considered and approved. The CSRC has accepted the Company's application for administrative permission of its non-public issuance of H Shares and approved the aforesaid application of the Company in July 2020. For details, please refer to the announcements of the Company dated 10 January 2020, 14 February 2020, 31 March 2020, 22 April 2020 and 14 July 2020 respectively and the circular dated 27 February 2020.

Progress of the Issuance of Corporate Bonds

Pursuant to the approval by the CSRC, the Company is entitled to issue corporate bonds with nominal value not exceeding RMB5 billion to qualified investors by way of public issuance. The issue of phase 1 of the 2020 corporate bonds (epidemic prevention and control debt) (the "20SE01 Bonds") has been completed by the Company on 20 March 2020. The actual issuance size thereof is RMB1.4 billion and the final coupon rate is 3.05%. The bonds have a term of 5 years, to which the Company shall have the coupon rate adjustment right and the bondholders shall have the right to sell-back at the end of the third year. For details of the issue of the 20SE01 Bonds, please refer to the announcements of the Company dated 17 March, 18 March and 23 March 2020.

Pursuant to the "Approval for Consent to the Registration of Public Issuance of Green Corporate Bonds to Professional Investors by Shenzhen Expressway Company Limited" (CSRC Approval [2020] No. 1003) issued by the CSRC, the Company may publicly issue green corporate bonds with total nominal value not exceeding RMB2 billion to professional investors in multiple tranches. From 20 October 2020 to 22 October 2020, the Company issued 2020 phase I green corporate bonds (G20SE1) with an issue size amounted to RMB800 million and carrying an interest rate of 3.65%. The maturity of the current bond is 5 years, with an issuer adjusted coupon option and an investor callback option at the end of the third year. For details, please refer to the announcements of the Company dated 16 October, 19 October, 20 October and 22 October 2020 respectively.

According to the comprehensive assessment by United Credit Ratings Co., Ltd, the credit rating of 20SE01 Bonds and G20SE1 Bonds were both "AAA".

Progress of the Establishment of and Investment in M&A Fund

On 18 August 2017, the Board of the Company considered and approved the "Proposal on Establishing a Traffic and Environmental Protection Investment M&A Fund". Pursuant to the approval of the Board, the Fund Company has been established by the Company and the establishment of the fund manager has been completed. On 23 December 2019, the Board considered and approved the "Proposal on the Capital Injection and Introduction of Strategic Investors to Shenzhen Expressway (Guangzhou) Industrial Investment Fund Management Co. Ltd. through Public Listing". The Fund Company intended to increase the capital contribution and introduce strategic investors. On 21 September 2020, as examined by the Shenzhen United Property and Share Rights Exchange, the Fund Company completed the introduction of strategic investors, with Shanghai Zezhen Investment Management Co., Ltd. (上海擇珍投資管理有限公司) and Shenzhen Kangrui Dibo Investment Co., Ltd. (深圳康瑞迪博投資有限公司) as its strategic investors holding 26% and 23% of its equity interests respectively. For details, please refer to the announcements of the Company dated 18 August 2017, 12 January 2018, 23 December 2019 and 21 September 2020, respectively.

Report of the Directors

On 23 December 2019, the Board of the Company considered and approved the “Proposal on the Joint Establishment of and Investment in Shengchuang-Shenzhen Expressway Environmental Protection Technology Industry M&A Fund (晟創-深高速環科產業併購投資基金)”. It is proposed that the Company will promote the establishment of and participate in the investment in Shengchuang-Shenzhen Expressway Environmental Protection Technology Industry M&A Fund. The investment amount to be made is RMB450 million. On 14 April 2020, the Company and related parties signed the partnership agreement. On 29 September 2020, the registration and filing for the establishing of the M&A Fund were completed. For details, please refer to the announcements of the Company dated 23 December 2019, 14 April 2020, 3 September 2020 and 29 September 2020, respectively.

On 30 June 2020, the Board of the Company considered and approved the “Proposal on the Investment in Shenzhen State-owned Assets Collaborative Development Fund Project”, which proposed that the Company will participate in the investment in Shenzhen State-owned Assets Collaborative Development Private Fund Partnership (Limited Partnership) (深圳國資協同發展私募基金合夥企業(有限合夥)). The investment amount to be made is RMB300 million. The relevant partnership agreement was signed on 17 August 2020 and the filing for registration was completed on 22 September 2020. For details, please refer to the announcements of the Company dated 30 June 2020, 17 August 2020 and 24 September 2020 respectively.

Absorption and Merger of Certain Wholly-owned Subsidiaries

On 13 August 2020, the Board of the Company resolved the “Resolution on the Absorption and Merger of Certain Wholly-owned Subsidiaries”. In order to reduce the levels of management, give full play to the economic benefits to be brought by asset integration, and meet the needs of the overall renovation and expansion of Jihe Expressway, the Company proposes to absorb and merge with its wholly-owned subsidiaries, Jihe East Company and Coastal Company. As the merging party, the Company will merge all the assets, liabilities, businesses and personnel of the said two subsidiaries through the method of overall absorption and merger, and the Company will continue to operate upon completion of the absorption and merger while the independent legal status of Jihe East Company and Coastal Company will be cancelled. This matter was considered and approved at the general meeting of the Company on 29 September 2020. For details, please refer to the announcements of the Company dated 13 August 2020 and 29 September 2020.

Significant External Investment

On 21 August 2020, upon the approval by the Board of Directors, the Company and the relevant parties entered into the capital increase agreement for Vanho Securities, pursuant to which the Company has contributed approximately RMB950,000,000 for the subscription of approximately 8.68% of the shares of Vanho Securities after its capital increase. Vanho Securities is a comprehensive securities firm with full license controlled by the Shenzhen SASAC. Its principal business has developed steadily. The Company’s participation in the capital increase and share subscription project of Vanho Securities can, on one hand, provide the Group with financial resources and services for its investment in mergers and acquisitions and capital operation, thereby creating synergistic and complementary effects that are conducive to the sustainable development of the Group, on the other hand, allow the Group to invest in Vanho Securities with a reasonable price and to share the results of the rapid development of the capital market in the PRC and hence realise satisfactory investment returns. For details, please refer to the announcement of the Company dated 21 August 2020. The capital increase of Vanho Securities is still pending the approval by the securities regulatory authorities in the PRC. As at the end of the Reporting Period, the relevant matters are under active progress.

On 12 November 2020, upon the approval of the Board, the Company shall inject RMB6.4 billion in cash to Outer Ring Company, which was a wholly-owned subsidiary of the Company. Upon the completion of the capital contribution, the registered capital of Outer Ring Company will be RMB6.5 billion and the Outer Ring Company will remain a wholly-owned subsidiary of the Company. The capital injection can strengthen the capital base and enhance the financial structure of Outer Ring Company, thereby facilitating the operation and management of the Shenzhen section of the Outer Ring Expressway in Shenzhen City after it was put into operation. For details, please refer to the announcement of the Company dated 12 November 2020. As at the date of this report, the Company has injected RMB5.1 billion. Based on the actual needs of Outer Ring Company, arrangements were made as and when appropriate.

Significant Transaction

On 13 May 2020, Investment Company, a wholly-owned subsidiary of the Company, and Guilong Holdings entered into an investment cooperation agreement. Pursuant to the investment cooperation agreement, Investment Company shall be responsible for the financing and construction work of Bimeng Project, and it shall handover the project to Guilong Holdings upon completion and inspection. The investment amount of the Investment Company in the Bimeng Project is estimated to be approximately RMB1 billion, and Guilong Holdings shall pay the project fee to Investment Company pursuant to the investment cooperation agreement. The Bimeng Project is located in Guizhou Province, with a total construction area of approximately 327,000 square meters. The project is composed of four first-class high-rise commercial and residential buildings and twelve second-class high-rise residential buildings. For details, please refer to the announcement of the Company dated 13 May 2020.

Material Contracts (as defined in the relevant PRC regulatory provisions)

Through public tendering, Outer Ring Company entered into construction contracts of the second, third, fourth, sixth and ninth sections of Outer Ring Section A with China Railway 12th Bureau Group Co., Ltd., CCC Second Highway Engineering Bureau Co., Ltd., CCC Second Harbour Engineering Bureau Co., Ltd., China Railway 18th Bureau Group Co., Ltd. and CCC Third Harbour Engineering Bureau Co., Ltd. on 24 March 2016 respectively. The total contract prices are approximately RMB1,167 million, RMB1,237 million, RMB956 million, RMB962 million and RMB929 million respectively. The total contract prices are determined based on the bid prices submitted by each of the construction contractors for the public tenders for the construction of the relevant sections of Outer Ring Section A conducted by Outer Ring Company. For details, please refer to the announcement of the Company dated 24 March 2016. As at the end of the Reporting Period, the contract amounts recognised in each construction section were RMB1283 million, RMB937 million, RMB989 million, RMB1,028 million and RMB852 million, respectively.

Connected Transactions

(1) Connected transactions

On 17 March 2020, the Company and Mei Wah Company, a wholly-owned subsidiary of the Company, entered into two equity transfer agreements with SZI (HK) and SZI Logistics (both being wholly-owned subsidiaries of Shenzhen International) respectively. Pursuant to the agreements, the Group shall acquire an aggregate of 48% interest in Finance Leasing Company at a consideration of RMB151.69 million (including debt obligations of RMB129 million). Since Shenzhen International indirectly holds approximately 52% interest of the Company, and SZI (HK) and SZI Logistics are wholly-owned subsidiaries of Shenzhen International, the transaction constitutes a connected transaction of the Company under the Listing Rules of SSE and the Listing Rules of HKEx. For details, please refer to the announcement of the Company dated 17 March 2020.

Report of the Directors

On 17 August 2020, the Company and other partners entered into a partnership agreement. Pursuant to the partnership agreement, the Company, as a limited partner, shall subscribe RMB300 million for the investment in Shenzhen State-owned Assets Collaborative Development Private Equity Partnership (Limited Partnership) (深圳國資協同發展私募基金合夥企業(有限合夥)) (tentative name, the final name is subject to the industrial and commercial registration). Since Shenzhen International Holdings (SZ) Limited, a wholly-owned subsidiary of Shenzhen International, is also a limited partner of the fund, and Shenzhen International indirectly holds approximately 52% interests of the Company, the transaction constitutes a connected transaction of the Company under the Listing Rules of SSE and the Listing Rules of HKEx. For details, please refer to the announcement of the Company dated 17 August 2020.

On 9 November 2020, the Company entered into the Equity Transfer Agreement with Baotong Company, pursuant to which Baotong Company shall transfer 89.93% equity interests in Longda Company to the Company at the consideration of RMB405.3879 million. As determined through negotiation between both parties, the abovementioned entrusted management agreement shall be terminated on the Completion Date accordingly. The Company shall waive the entrusted management fees for the period from 1 July 2020 up to the Completion Date, while the corresponding interests generated from the 89.93% equity interest in Longda Company for the period from 1 January 2020 to the Completion Date shall belong to the Company. Upon completion of the transaction contemplated under the Equity Transfer Agreement, the Company will hold 89.93% equity interest in Longda Company, and Longda Company will become a subsidiary of the Company and consolidated into the Company's financial statements. Since Baotong Company is a wholly-owned subsidiary of Shenzhen International, and Shenzhen International indirectly holds approximately 52% interest in the Company, the transaction constitutes a daily transaction with related parties/continuing connected transaction of the Company under the Listing Rules of SSE and the Listing Rules of HKEx. For details, please refer to the announcements of the Company dated 29 October 2020 and 9 November 2020. As at the date of this report, the transaction was completed.

(2) Daily Transactions with Related Parties and Continuing Connected Transactions

On 30 December 2019, the Company entered into an entrusted operation management agreement with Baotong Company. Pursuant to such agreement, Baotong Company continued to entrust the Company to manage its 89.93% equity interests in Longda Company on its behalf for a term from 1 January 2020 to 31 December 2020. The entrusted management fees are RMB8.77 million. As Baotong Company is a wholly-owned subsidiary of Shenzhen International, and Shenzhen International indirectly owns approximately 52% interests in the Company, the transaction constitutes a daily transaction with related parties/continuing connected transaction of the Company under the Listing Rules of SSE and the Listing Rules of HKEx. As agreed in the Equity Transfer Agreement entered into by the Company and Baotong Company on 9 November 2020, the Company shall waive the entrusted management fees from 1 July 2020 and the entrusted operation management agreement was terminated. For details, please refer to the announcements of the Company dated 30 December 2019 and 9 November 2020.

The Independent Directors of the Company has conducted an annual review on this continuing connected transaction and confirmed that the transaction was on normal commercial terms and in the ordinary and usual course of business of the Company, and during the Reporting Period the transactions were in accordance with the terms of the entrusted management agreement entered into and that the terms are fair and reasonable and in line with the interests of the Company and the Shareholders as a whole. The auditor of the Company has conducted an annual review on this continuing connected transaction pursuant to the requirements of the Listing Rules of HKEx and issued a written letter on the matters described in Rule 14A.56 of the Listing Rules of HKEx.

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

Save as the above-mentioned, the transactions with related parties set out in note X15 to the Financial Statements in this annual report are either connected transactions or continuing connected transactions exempt from reporting, announcement, independent shareholders' approval and/or annual review requirements under Rules 14A.76, 14A.95 and 14A.96 of the Listing Rules of HKEx or do not constitute a connected transaction or a continuing connected transaction as defined under Chapter 14A of the Listing Rules of HKEx. The Company does not have any other matters that need to be disclosed in accordance with Chapter 14A of the Listing Rules of HKEx.

(4) Credits and Liabilities with the Related Parties (as defined in the relevant PRC regulatory provisions)

As at the date of this Report, none of the Company's funds are embezzled by its controlling shareholder or its related parties for non-operating purpose. The auditor of the Company has issued a specific report in relation to the statement of fund embezzlement by the controlling shareholders and other related parties prepared by the Company in accordance with the relevant requirements.

Management Contract

Pursuant to a contract dated 7 June 1995 and the subsequent amendments, Magerk Company entrusted the toll collection of Wuhuang Expressway and the usage, management, preservation, maintenance and repair of its ancillary facilities to Hubei Bureau for the Administration of Higher Class Public Roads (湖北省高等級公路管理局), or the contractor whom it may designate from time to time (now being Hubei Communication Investment Wuhuang Expressway Operation Management Co. Ltd. (湖北交投武黃高速公路運營管理有限公司)), throughout the operating period of Wuhuang Expressway. The entrusted management service was charged at a fee which is proportional to the toll revenues on a fixed basis. The aforesaid matters were disclosed in the relevant announcement and circular of the Company in relation to the acquisition of interests in Wuhuang Expressway by the Company.

In 2020, the entrusted assets and entrusted management fees recognized for Magerk Company amounted to RMB235,383,000 and RMB79,151,000 respectively. In 2020, Magerk Company achieved operating profit of RMB124,725,000, representing approximately 4.60% of the Group's operating profit, and recorded a net profit of RMB93,386,000 representing approximately 4.55% of the net profit attributable to owners of the Company. This aforesaid management contract has no material impact on the operating results and financial position of the Group.

Report of the Directors

External Guarantees

Unit: RMB million, unless otherwise stated

External guarantees of the Company (excluding guarantees for subsidiaries)										
Name of the guarantor	Name of the guaranteed	Amount of guarantee	Date of occurrence (date of the agreement)	Commencement of guarantee	Expiry of guarantee	Type of guarantee	Completed or not	Overdue or not	Counter guarantee provided or not	Guarantee for related party or not
The Company	China Construction Bank Shenzhen Branch	800	2007-4-20	August 2007	Full repayment of principal and interest of the corporate bonds	Joint liability guarantee ⁽¹⁾	No	No	No	No
Guizhou Property	Customers of Shenzhen Expressway • Interlaken Town	606.73	2015-05 to 2020-12	Effective date of the mortgage loan contract	Effective date of the mortgage under the contract	Joint liability guarantee ⁽²⁾	No	No	No	No
Total amount of guarantees occurred during the Reporting Period										-44.19
Total balance of guarantees as at the end of the Reporting Period (A)										1,406.73
Guarantees for subsidiaries of the Company										
Total amount of guarantees occurred for subsidiaries during the Reporting Period										-
Total balance of guarantees for subsidiaries as at the end of the Reporting Period (B)										-
Total amount of guarantees of the Company (including guarantees for subsidiaries)										
Total amount of guarantees (A+B)										1,406.73
Proportion of total amount of guarantees to the net assets of the Company (%)										6.10%
Including:										
Amount of the guarantees for shareholders, de-facto controller and their related parties (C)										-
Amount of the debt guarantees directly or indirectly provided for those whose gearing ratio exceeded 70% (D)										800
Amount of the guarantees that exceed 50% of net assets in aggregate (E)										-
Total amount of the above three guarantees (C+D+E)										800
Description on unexpired guarantees may be confronted with joint liability										N/A

Description on guarantees:

- (1) The external guarantees to China Construction Bank Shenzhen Branch have been approved by the 2006 annual general meeting of the Company. For details on the guarantee, please refer to the relevant content heading "Mortgage and Pledge of Assets" below.
- (2) The provision of periodical joint liability guarantees by Guizhou Property, a subsidiary of the Company, to qualified mortgage customers of "Shenzhen Expressway • Interlaken Town" project in accordance with the business practices of the real estate industry have been considered and approved by the fourth meeting of the seventh session of the Board of the Company held on 30 June 2015, the 27th meeting of the seventh session of the Board held on 18 August 2017, and the 2017 annual general meeting held on 31 May 2018. It is expected the total amount of guarantees will not exceed RMB1.55 billion. During the Reporting Period, Guizhou Property provided periodic guarantees for 14 customers with an accumulated amount of RMB26,390,000 and the periodic guarantees of RMB70,579,000 provided in the prior periods had been released during the Reporting Period. As at the end of the Reporting Period, the actual amount of the guarantees provided by Guizhou Property is RMB606,727,000.

- (3) The Company has not provided external guarantee in violation of the stipulated decision-making procedures.
- (4) The Independent Directors of the Company have, in accordance with the relevant regulations of the CSRC, issued specific explanations and independent opinions in relation to the external guarantees of the Company.

Authorisation of Guarantee

The Company's 2018 annual general meeting held on 22 May 2019 considered and approved the proposal on the authorisation of the guarantees. The Board of the Company may provide guarantees for wholly-owned subsidiaries for not more than RMB4.5 billion in aggregate, and not more than RMB500 million in aggregate for non-wholly-owned subsidiaries, as necessary. The guarantee includes guarantee for financing and guarantee for bankers' letter of guarantee. The guarantee authorisation is effective from the date of approval by the general meeting until the date of the convening of the 2019 annual general meeting. Subsequently, the 2019 annual general meeting held on 23 June 2020 considered and approved the proposal on the authorisation of the guarantees. The Board of the Company may provide guarantees for wholly-owned subsidiaries of not more than RMB2.7 billion in aggregate, and not more than RMB3.7 billion in aggregate for non-wholly-owned subsidiaries, as necessary. The guarantee includes guarantee for financing and guarantee for bankers' letter of guarantee. The guarantee authorisation is effective from the date of approval by the general meeting to the date of convening of the 2020 annual general meeting. As of the end of the Reporting Period, the relevant guarantees have not occurred.

Mortgage and Pledge of Assets

As of the end of the Reporting Period, details of the mortgaged or pledged assets of the Company and its subsidiaries are as follows:

Assets	Type	Bank	Scope of security	Balance of secured loan as at the end of the Reporting Period	Term
Toll collection rights of Qinglian Project	Pledge	A consortium including China Development Bank, etc.	Principal and interests of syndicated loans in an aggregate amount of RMB5.9 billion	384 million	Until repayment of all liabilities under the loan agreement
	Pledge	Industrial and Commercial Bank of China Limited Qingyuan Branch	Principal and interests of fixed asset loans in an aggregate amount of RMB2.5 billion	600 million	Until repayment of all liabilities under the loan agreement
100% equity interests in Meiguan Company	Pledge	China Construction Bank Shenzhen Branch	Counter-guarantee for the irrevocable guarantee with joint liability in respect of the redemption of the corporate bonds with an amount of RMB800 million upon maturity	800 million	Until repayment of corporate bonds (including principal and interests)
45% equity interests in JEL Company	Pledge	The Hong Kong and Shanghai Banking Corporation Limited	Principal and interests of bank loans in an aggregate amount of HKD350 million	HKD125 million	Until repayment of all liabilities under the loan agreement
Toll collection rights of Coastal Expressway	Pledge	A consortium including China Development Bank, etc.	Principal and interests of syndicated loans in an aggregate amount of RMB5.4 billion	3,518 million	Until repayment of all liabilities under the loan agreement
Toll collection rights of Shuiguan Expressway	Pledge	Guangdong Huaxing Bank Co., Ltd. Shenzhen Branch	Principal and interests of fixed asset loans in an aggregate amount of RMB600 million	483 million	Until repayment of all liabilities under the loan agreement
Equity interests, franchise rights, accounts receivable, land use rights and production equipment, among other assets, of various subsidiaries of Lande Environmental of RMB1,889 million	Pledge, mortgage	Various banks and financial leasing companies	The scope of security covers principal and interests of bank loans and finance leases for various projects in an aggregate amount of RMB889 million	573 million	Certain periods after the repayment of liabilities

Report of the Directors

Details of restriction of assets:

Note 1: In addition, Outer Ring Company, a wholly-owned subsidiary of the Company, applied for bank loans in an aggregate amount of RMB6.5 billion from the consortium including China Development Bank, etc. by pledging the toll collection rights and the proceeds and credits receivable from the operating activities legally owned by Outer Ring Expressway. As at the end of the Reporting Period, the accumulated amount of loans withdrawn by Outer Ring Company was approximately RMB4.7 million, which was settled at the end of the year. The loan facility available was RMB1.8 million.

Note 2: Details of the restrictions on the Group's major assets at the end of the Reporting Period are set out in note V62 to the Financial Statements in this announcement.

Entrusted Wealth Management

As approved by the Board of the Company, subject to the condition that both safety and liquidity of capital reserve can be assured, the Group invested part of the funds in monetary funds, wealth management products issued by banks, financial products for financing purposes issued by holding enterprises within the Shenzhen SASAC system and other types of wealth management products. During the Reporting Period, the Group did not purchase or sell any wealth management products. As at the end of the Reporting Period, the balance of such wealth management products of the Group was nil and there was no outstanding principal and gains overdue.

Other Agreements and Matters

Save as disclosed in this report, the Company did not enter into any contract in respect of the management or administration of its overall business or any material business or had any such contract subsisting, nor did it enter into any other material contract in relation to entrustment, subcontracting, leasing or guarantee during the Reporting Period. Furthermore, there was no such prior material contract subsisting during the Reporting Period.

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

During the Reporting Period, the Company acquired equity interests of Lande Environmental and the Financial Leasing Company, and these companies were consolidated into the financial statements of the Company. The two aforesaid acquired companies are involved in certain minor claims arbitrations and litigations, which will not have significant impacts on the daily operations of the Company. For details, please refer to the announcements of the Company dated 21 April 2020, 13 July 2020 and 13 November 2020 respectively.

Undertakings

Background of undertaking	Type of undertaking	Undertaking party	Undertaking details	Time of undertaking	Term of fulfilment or not	Whether fulfilled timely and strictly or not
Undertakings made in Acquisition Report or Report on the Changes in Equity Interests	Other	Shenzhen International/ Shenzhen International Holdings (SZ) Limited	Undertook to avoid peer competition and regulate connected transactions. For details, please refer to Detailed Report on the Changes in Equity Interests (《詳式權益變動報告書》) published on 18 October 2007 in the securities market of the PRC by undertaking parties or relevant contents in the Annual Report 2007 of the Company.	October 2007	No	Yes
	Other	Shenzhen International	Undertaken in respect of matters including the avoidance of peer competition and support for the Company's business development. Among which, the undertaking parties undertook to inject the expressway assets owned by them into the Company in around 5-8 years, subject to the satisfaction of certain conditions. For details, please refer to Acquisition Report (《收購報告書》) published by SIHCL on 4 January 2011 in the securities market of the PRC and the announcement of the Company dated 1 June 2011.	December 2010	Yes	Yes
	Other	Shenzhen Investment Holdings Company Limited		June 2011	Yes	Yes
Undertakings related to IPO	Avoidance of peer competition	XTC Company/SGH Company	The undertaking parties will not engage in any industry or business in any way which, directly or indirectly, competes with the Company in Shenzhen.	January 1997	No	Yes
				May 2011	Yes	Yes

Notes:

- (1) On 29 December 2017, Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd (深圳投控國際資本控股基建有限公司), a subsidiary of SIHCL (as the purchaser), SIHCL (as the guarantor of the purchaser) and Anber Investments Limited (as the vendor) and Hopewell Holdings Limited (as the guarantor of the vendor) entered into an agreement in relation to the proposed acquisition of interests in Hopewell Highway Infrastructure Limited ("HHI"). Upon completion of the general offer and placing, SIHCL owned 71.83% equity interest in HHI as at 18 September 2018. HHI is a Hong Kong listed company, which, together with its subsidiaries, is principally engaged in the construction of highway infrastructure in Guangdong Province and currently owns interests in Guangzhou-Shenzhen Expressway and Guangdong Guangzhou-Zhuhai West Expressway. HHI was renamed as Shenzhen Investment Holdings Bay Area Development Company Limited ("Bay Area Development") on 30 April 2019.

Prior to the entering into of the agreement above, SIHCL had enquired the Company as to whether it considers acting as the acquirer in the aforementioned acquisition without disclosing the name of the target company. Based on the business of the target company and various conditions, such as the scale and completion timeframe of the acquisition, as provided by SIHCL, the Company was of the view that it was impracticable and incapable to proceed with the acquisition and the Company intended to give up such acquisition opportunity. Upon receiving the relevant report, the Board (including the independent non-executive Directors) concurred with the Company's decision to not to proceed with the acquisition. In the event that SIHCL completes the said acquisition, SIHCL will perform its obligations under the non-competition undertaking, further negotiate with the Company on the detailed arrangement on the business of the target company and properly settle the matters in accordance with the existing undertaking.

On 15 March 2021, SIHCL signed a "Memorandum of Understanding" with the Company. The Company will receive a six-month exclusivity period to discuss with SIHCL on the transfer of all 71.83% of the interests in Bay Area Development, and arrange follow-up work based on the results of the discussions. If the Company signs a contract to transfer the rights and interests of Bay Area Development, the final implementation of the relevant matters may need to meet a number of prerequisites, including the approval of the Company's general meeting of shareholders, and there will be greater uncertainty. The transfer of equity interest of Bay Area Development is conducive to the expansion of the Company's toll road business scale and profit base.

- (2) Given the proposed public issuance of the Convertible Bonds, the Company performed self-inspections on its real estate projects to identify if there were any violations of laws or regulations pursuant to the relevant requirements of the CSRC. On 20 June 2018, Shenzhen International and XTC Company, each being a holding company of the Company, and all the Directors, Supervisors, and senior management of the Company made undertakings in relation to the relevant issues. During the Reporting Period, upon the application of the Company, the CSRC has terminated the review and inspection on the relevant application for administrative approval and such undertakings were terminated accordingly.

Appointment of Auditor for the Year

Details of the appointment and remuneration of the auditor for the year (including audit of financial reports and internal control) are set out in "Corporate Governance Report" in this annual report.

Review of Results

The Audit Committee of the Company has reviewed and confirmed the financial statements and the annual report for the twelve months ended 31 December 2020. For details, please refer to "Corporate Governance Report" in this annual report.

Report of the Directors

Compliance with Laws and Regulations

The Group's businesses are mainly carried out by the Company and its subsidiaries in the PRC. Our operations accordingly shall mainly comply with the relevant laws and regulations in the PRC. During the Reporting Period, the Group had not breached the relevant laws and regulations that exert a significant impact on the Group.

Name of Directors

As at the date of this report, the members of the Board include: Mr. Hu Wei (Executive Director and Chairman of the Board), Mr. Liao Xiang Wen (Executive Director and President), Mr. Wang Zeng Jin (Executive Director), Mr. Wen Liang (Executive Director), Mr. Dai Jing Ming (Non-executive Director), Ms. Li Xiao Yan (Non-executive Director), Ms. Chen Hai Shan (Non-executive Director), Ms. Chen Xiao Lu (Independent Director), Mr. Bai Hua (Independent Director) and Mr. Li Fei Long (Independent Director).

By Order of the Board

HU Wei

Chairman

Shenzhen, the PRC, 24 March 2021

Share Capital and Shareholders

I. Profile of Movements of Share Capital

During the Reporting Period, there was no change in the Company's total number of shares or share structure.

A total of 2,180,770,326 ordinary shares were issued by the Company, of which 1,433,270,326 A Shares are listed on SSE and 747,500,000 H Shares are listed on HKEx, representing 65.72% and 34.28% of the total share capital of the Company respectively.

II. Issuing and Listing of the Securities

1. During the Reporting Period, there is no issuing or listing of the stock or derivative securities by the Company.

Based on the publicly available information known to the Directors, the Board believes that the Company has maintained a sufficient public float as at the latest practicable date prior to the printing of this annual report.

As at the end of the Reporting Period, the circulating market capitalisation of the A Shares of the Company (circulating A Share capital \times closing price of A Shares (RMB8.88)) was RMB12.727 billion and the circulating market capitalisation of H Shares (circulating H Share capital \times closing price of H Shares (HK\$7.30)) was HK\$5.457 billion.

2. The Company issued overseas debenture of US\$300 million at fixed interest rate with a maturity of 5 years in July 2016, the bond abbreviation is "SZEWE B2107" and to bond code is "5684", and it has been listed on HKEx since 19 July 2016.
3. The Company has completed the issuance of phase 1 of the 2020 corporate bonds (epidemic prevention and control debt) of RMB1.4 billion with a term of 5 years on 20 March 2020. The bond abbreviation is "20 Shenzhen Expressway 01" and the bond code is "163300", which has been listed on the Shanghai Stock Exchange.
4. The Company has completed the issuance of phase 1 of the 2020 green corporate bonds of RMB800 million on 22 October 2020. The abbreviation of the bond is "G20 Shenzhen Expressway 1" and the bond code is "175271", which has been listed on the Shanghai Stock Exchange.

III. Information of Share Capital and the De-facto Controller

As at the end of the Reporting Period, based on the shareholders' registers provided by the share registrars and the transfer offices of the Company in the PRC and Hong Kong, the information of the total number of shareholders, the top ten shareholders and the top ten holders of non-restricted circulating shares of the Company were as follows:

1. Total Number of Shareholders :

Total number of shareholders as at the end of the Reporting Period	21,819
Total number of shareholders as at the end of the last month prior to the Reporting Date	20,183

Note :

- (1) The Company had 21,578 holders of A Shares and 241 holders of H Shares as at the end of the Reporting Period.
- (2) The Company had 19,947 holders of A Shares and 236 holders of H Shares as at the end of the last month prior to the Reporting Date.

Share Capital and Shareholders

2. Information of the Top Ten Shareholders and the Top Ten Holders of Non-restricted Circulating Shares of the Company as at the end of the Reporting Period

The top ten shareholders							
Name of shareholder	Changes during the Reporting Period	Number of shares held	Percentage	Number of restricted circulating shares held	Number of shares pledged or frozen		Nature of shareholders
					State of shares	Number	
HKSCC NOMINEES LIMITED ^{Note}	-355,057	729,570,042	33.45%	—	Unknown		Overseas legal person
Xin Tong Chan Development (Shenzhen) Company Limited	—	654,780,000	30.03%	—	None	0	State-owned legal person
Shenzhen Shen Guang Hui Highway Development Company	—	411,459,887	18.87%	—	None	0	State-owned legal person
China Merchants Expressway Network & Technology Holdings Company Limited	+3,881,420	91,092,743	4.18%	—	None	0	State-owned legal person
Guangdong Roads and Bridges Construction Development Company Limited	—	61,948,790	2.84%	—	None	0	State-owned legal person
China Merchants Bank-SSE Dividend Trading Open Index Securities Investment Fund	+16,969,176	22,641,573	1.04%	—	Unknown		Domestic non-state-owned legal person
AU SIU KWOK	—	11,000,000	0.50%	—	Unknown		Overseas natural person
Mo Jing Xian	+10,711,880	10,711,880	0.49%	—	Unknown		Domestic natural person
Zhang Ping Ying	+2,697,565	7,714,565	0.35%	—	Unknown		Domestic natural person
Hong Kong Central Clearing Company Limited	-38,813,359	5,843,692	0.27%	—	Unknown		Domestic non-state-owned legal person
The top ten holders of non-restricted circulating shares							
Name of shareholder	Number of non-restricted circulating shares held			Type of shares			
HKSCC NOMINEES LIMITED ^{Note}	729,570,042			H share			
Xin Tong Chan Development (Shenzhen) Company Limited	654,780,000			A share			
Shenzhen Shen Guang Hui Highway Development Company	411,459,887			A share			
China Merchants Expressway Network & Technology Holdings Company Limited	91,092,743			A share			
Guangdong Roads and Bridges Construction Development Company Limited	61,948,790			A share			
China Merchants Bank-SSE Dividend Trading Open Index Securities Investment Fund	22,641,573			A share			
AU SIU KWOK	11,000,000			H share			
Mo Jing Xian	10,711,880			A share			
Zhang Ping Ying	7,714,565			A share			
Hong Kong Central Clearing Company Limited	5,843,692			A share			
Connected relationship or concerted action relationship among the abovementioned shareholders	XTC Company and SGH Company are connected persons under the same control of Shenzhen International. In addition to the above associations, there is no connected relationship among the state-owned shareholders in the above table. The Company did not notice any connected relationship among the other abovementioned shareholders or any connected relationship among the abovementioned state-owned shareholders and other shareholders.						

Note: (1) The H Shares held by HKSCC NOMINEES LIMITED were held on behalf of various clients.

3. Disclosure of Interests of Shareholders Pursuant to the Listing Rules of HKEx

As at 31 December 2020, the interests or short positions of shareholders, other than a Director, Supervisor or senior management of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), or in accordance with the notice received by the Company and the HKEx, were as follows:

A Shares:

Name of shareholder	Capacity	Number of A Shares of the Company held	Percentage of total issued A Share capital
Shenzhen International ⁽²⁾	Interest of corporation controlled ⁽³⁾	1,066,239,887(L)	74.39%(L)
SIHCL	Interest of corporation controlled ⁽⁴⁾	1,066,239,887(L)	74.39%(L)

H Shares:

Name of shareholder	Capacity	Number of H Shares of the Company held	Percentage of total issued H Share capital
China Merchants Expressway Network & Technology Holdings Company Limited	Interest of corporation controlled	53,276,000(L)	7.13% (L)
Shenzhen International ⁽²⁾	Interest of corporation controlled ⁽³⁾	52,612,000 (L)	7.03% (L)
SIHCL	Interest of corporation controlled ⁽⁴⁾	52,612,000 (L)	7.03% (L)
Pacific Asset Management Co., Ltd.	Investment manager	44,112,000 (L)	5.90% (L)
UBS Group AG	Interest of corporation controlled	40,226,740 (L) 19,862,054 (S)	5.38%(L) 2.66%(S)

Note: (L) – long positions, (S) – short positions, (P) – lending pool. Please refer to Securities and Futures Ordinance for relevant definitions.

Notes :

- (1) All the A Shares of the Company are listed on SSE, and all the H Shares of the Company are listed on the main board of HKEx.
- (2) Shenzhen International is a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of HKEx.
- (3) Long positions of 654,780,000 A Shares were directly held by XTC Company as beneficial owner, 411,459,887 A Shares were directly held by SGH Company as beneficial owner, and long position of 52,612,000 H Shares were directly held by Advance Great Limited as beneficial owner. All of these companies are wholly-owned subsidiaries of Shenzhen International. Pursuant to a written letter provided by Shenzhen International, Advance Great Limited actually held 58,194,000 H shares of the Company as at 31 December 2020, while 58,194,000 H Shares were indirectly held by Shenzhen International and SIHCL.
- (4) SIHCL indirectly held 43.37% interests in Shenzhen International. Pursuant to the Securities and Futures Ordinance, SIHCL was deemed to be interested in shares of the Company owned by Shenzhen International.

Save as disclosed above, the register required to be kept under Section 336 of Part 15 of Securities and Futures Ordinance showed that the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company as at 31 December 2020.

Share Capital and Shareholders

IV. Information of the Controlling Shareholder and the De-facto Controller

1. Information of the Controlling Shareholder

XTC Company, holding 30.025% shares of the Company, is the largest beneficial shareholder of the Company :

Name of shareholder	Legal representative	Date of establishment	Registered capital	Major operating management activities
Xin Tong Chan Development (Shenzhen) Company Limited	Ge Fei	8 September 1993	RMB200,000,000	Transportation information consulting, software development of transport platform software and investment in various industrial projects (specific project shall be applied separately)

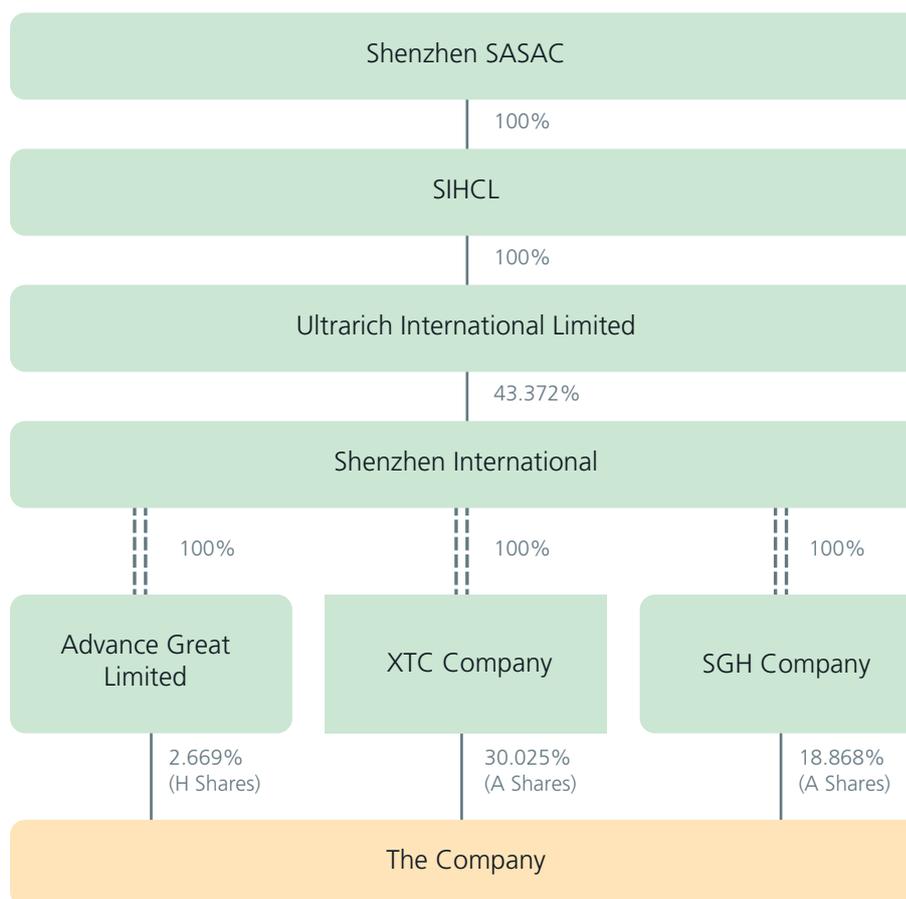
As at the end of the Reporting Period, Shenzhen International indirectly held a total of 51.561% shares of the Company by its wholly-owned subsidiaries XTC Company, SGH Company and Advance Great Limited. For details, please refer to the following “chart of ownership and relation of control between the Company and the de-facto controller”.

Name	Shenzhen International Holdings Limited
Person in charge or legal representative	Li Hai Tao (Chairman of the Board)
Date of establishment	22 November 1989
Registered capital	HK\$2,194,991,106 (issued share capital)
Major operating management activities	Shenzhen International is principally engaged in investment holding. Shenzhen International and its subsidiaries are principally engaged in the investment, construction and operation of logistic infrastructure facilities, as well as providing various value-added logistic services to customers leveraging its infrastructure facilities and information services platform.
Other domestic and overseas listed company controlled or participated during the Reporting Period	It held approximately 1.28% A shares of CSG Holding Co., Ltd., a domestic listed company, as at the end of 2020.
Other information	Shenzhen International is listed on the main board of HKEx (Stock Code: 00152). For details and the latest information of Shenzhen International, please refer to the information disclosed on the websites of HKEx and Shenzhen International.

2. Information of the De-facto Controller

As at 31 December 2020, SIHCL held 43.37% shares of Shenzhen International through its wholly-owned subsidiary Ultrarich International Limited. Shenzhen SASAC holds 100% interests in SIHCL, and performs supervision and management on SIHCL.

The chart of ownership and relation of control between the Company and the de-facto controller:



V. Other Legal Person Shareholders Holding More Than 10% of the Company's Shares

As at the end of the Reporting Period, other legal person shareholders beneficially holding more than 10% shares of the Company included:

Name of shareholder	Legal representative	Date of establishment	Registered capital	Major operating management activities
Shenzhen Shen Guang Hui Highway Development Company	Yi Ai Guo	June 1993	RMB105,600,000	Road and bridge construction and investment, materials supply and marketing
Description	Based on the shareholders' registers provided by the share registrars and the transfer offices of the Company in Hong Kong and the PRC, as at the end of the Reporting Period, apart from XTC Company and SGH Company disclosed in this section, the Company has not found any other individual shareholder beneficially holding issued shares of the Company reaching 10% or more of the total share capital.			

Directors, Supervisors, Senior Management and Employees

I. General Information, Change in Shareholding and Remuneration

1. General Information of Directors, Supervisors and Senior Management in Office as at the End of the Period and whom had Left Office During the Period

1.1 General Information of Directors, Supervisors and Senior Management in Office as at the End of the Reporting Period

Name	Title (as at the end of the Reporting Period)	Sex	Age	Commencement of the term of office of this session ⁽⁵⁾	End of the term of office of this session
Hu Wei	Chairman of the Board	Male	58	Jan 2015	Dec 2020
Liao Xiang Wen	Executive Director	Male	52	Nov 2016	Dec 2020
Liao Xiang Wen (concurrent position)	President	Male	52	Sep 2018	Sep 2021
Wang Zeng Jin	Executive Director	Male	50	Jun 2020	Dec 2020
Wen Liang	Executive Director	Male	47	Mar 2019	Dec 2020
Wen Liang (concurrent position)	Financial Controller	Male	47	Sep 2018	Sep 2021
Chen Yan	Non-executive Director	Female	48	Jan 2018	Dec 2020
Fan Zhi Yong	Non-executive Director	Male	47	Jan 2018	Dec 2020
Chen Yuan Jun	Non-executive Director	Male	59	Nov 2016	Dec 2020
Chen Zhi Sheng	Non-executive Director	Male	59	Sep 2020	Dec 2020
Cai Shu Guang	Independent Director	Male	65	May 2017	Dec 2020
Wan Siu Wah Wilson	Independent Director	Male	59	Jan 2018	Dec 2020
Chen Xiao Lu	Independent Director	Female	45	Jan 2018	Dec 2020
Bai Hua	Independent Director	Male	51	Feb 2018	Dec 2020
Lin Ji Tong	Chairman of the Supervisory Committee	Male	51	Jun 2020	Dec 2020
Ye Jun	Supervisor	Female	46	Jan 2018	Dec 2020
Xin Jian	Supervisor	Male	52	Jan 2016	Dec 2020
Gong Tao Tao	Vice President	Female	47	Sep 2018	Sep 2021
Gong Tao Tao (concurrent position)	Secretary of the Board	Female	47	Aug 2019	Aug 2022
Sun Ce	Vice President	Male	55	Sep 2015	Sep 2021
Huang Bi Nan	Vice President	Female	49	Sep 2015	Sep 2021
Wen Po Wei	Vice President	Male	47	Sep 2015	Sep 2021
Zhao Gui Ping	Chief Financial Officer	Female	47	Sep 2018	Sep 2021
Chen Shou Yi	Chief Engineer	Male	49	Sep 2018	Sep 2021

1.2 General Information and Changes in Duties of Directors, Supervisors and Senior Management whom had Left Office During the Period

Name	Title (before leaving office)	Sex	Age	Commencement of the term of office of this session ⁽⁴⁾	The leaving date
Chen Kai	Non-executive Director	Male	54	May 2018	Aug 2020
Wang Zeng Jin	Supervisor	Male	50	Jan 2018	Jun 2020

Note:

- (1) At the General Meeting hold on 23 June 2020, Mr. Wang Zeng Jin, was appointed as Executive Director of the eighth session of the Board, the term of office is from 23 June 2020 to 31 December 2020.
- (2) At the General Meeting hold on 23 June 2020, Mr. Lin Ji Tong, was appointed as Shareholders' representative supervisor of the eighth session of the Supervisory Committee, the term of office is from 23 June 2020 to 31 December 2020. The resignation of Mr. Wang Zeng Jin as supervisor has taken effect from the appointment of Mr. Lin Ji Tong as a supervisor.
- (3) The Company received a written resignation report submitted by Mr. Chen Kai on 13 August 2020, and his resignation took effect immediately; Mr. Chen Zhi Sheng was appointed as a Non-executive Director of the eighth session of the Board upon approval of the General Meeting held on 29 September 2020, the term of office is from 29 September 2020 to 31 December 2020.
- (4) The commencement of the term of office refers to the commencement of the position listed on the chart, for details of other positions, please refer to point 3 below.
- (5) Mr. Wan Siu Wah Wilson passed away on 8 January 2021.

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

Unit: RMB ten thousand (before tax)

Name	Whether hold or trade shares of the Company	Remuneration receivable from the Company during the Reporting Period				Whether receive remuneration from related parties during the Period
		Salary	Statutory benefits	Fee and/or meeting subsidies	Total	
Hu Wei	No	100.00	20.17	N/A	120.17	No
Liao Xiang Wen	No	116.48	21.22	N/A	137.70	No
Wang Zeng Jin	No	104.00	20.84	N/A	124.84	No
Wen Liang	No	N/A	N/A	N/A	0.00	Yes
Chen Yan	No	N/A	N/A	N/A	0.00	Yes
Fan Zhi Yong	No	N/A	N/A	N/A	0.00	Yes
Chen Yuan Jun	No	N/A	N/A	N/A	0.00	Yes
Chen Zhi Sheng	No	N/A	N/A	0.40	0.40	Yes
Cai Shu Guang	No	N/A	N/A	22.35	22.35	Yes
Wan Siu Wah Wilson	No	N/A	N/A	22.45	22.45	Yes
Chen Xiao Lu	No	N/A	N/A	22.70	22.70	Yes
Bai Hua	No	N/A	N/A	22.70	22.70	Yes
Lin Ji Tong	No	N/A	N/A	N/A	0.00	Yes
Ye Jun	No	N/A	N/A	N/A	0.00	No
Xin Jian	No	53.31	10.84	1.35	65.50	No
Gong Tao Tao	No	104.00	21.04	N/A	125.04	No

Directors, Supervisors, Senior Management and Employees

Name	Whether hold or trade shares of the Company	Remuneration receivable from the Company during the Reporting Period				Whether receive remuneration from related parties during the Period
		Salary	Statutory benefits	Fee and/or meeting subsidies	Total	
Sun Ce	No	101.92	19.32	N/A	121.24	No
Huang Bi Nan	No	101.92	19.39	N/A	121.31	No
Wen Po Wei	No	101.92	20.63	N/A	122.55	No
Zhao Gui Ping	No	99.84	18.77	N/A	118.61	No
Chen Shou Yi	No	99.84	20.37	N/A	120.21	No
Chen Kai (Leave)	No	N/A	N/A	N/A	0.00	Yes
Total	/	/	/	/	1,267.77	/

Notes:

- (1) Statutory benefits including the contributions to social retirement insurance, other kinds of social insurance, the supplemental retirement scheme, the housing allowances.
- (2) Director Wen Liang and Supervisor Lin Ji Tong get paid in related parties of the Company.
- (3) Non-executive Director Mr. Chen Yuan Jun, Independent Directors Mr. Cai Shu Guang, Mr. Wan Siu Wah Wilson and Ms. Chen Xiao Lu get paid in related parties, and such related parties, has no relationship with the substantial shareholder of the Company.
- (4) The remunerations in the above table do not include ① the 2019 risk mortgage bonus of RMB35,000, RMB24,000, RMB13,100, RMB15,000, RMB15,000 and RMB15,000 received by Directors Hu Wei, Liao Xiang Wen, Wang Zeng Jin and Senior Management Sun Ce, Huang Be Nan and Chen Shou Yi in 2020; ② the 2019 performance bonus of RMB252,600 which was releasable in 2019 and received by Director Hu Wei in 2020; ③ Directors Hu Wei, Liao Xiang Wen and Senior Management Gong Tao Tao and Zhao Gui Ping received RMB420,000, RMB84,000, RMB84,000 and RMB84,000 for the 2019 Nanjing Wind Power risk liability incentives in 2020; ④ the 2019 long term incentive bonus (before tax) of RMB405,100, RMB725,000, RMB725,000, RMB725,000, RMB725,000, RMB725,000, RMB725,000 and RMB725,000 which were releasable in 2019 and received by Directors Liao Xiang Wen, Wang Zeng Jin and Wen Liang and Senior Management Gong Tao Tao, Sun Ce, Huang Bi Nan, Wen Po Wei, Zhao Gui Ping and Chen Shou Yi in 2020.

For the information on the remuneration policies of the Directors/Supervisors of the Company, remuneration and benefits policies and performance evaluation and incentive system of the Company, please refer to point III below.

3. Biography of the Directors, Supervisors and Senior Management

The member of eighth session of the Board and the Supervisory Committee of the Company term expired at 31 December 2020. Director Ms. Chen Yan, Mr. Fan Zhi Yong, Mr. Chen Yuan Jun and Independent Director Mr. Cai Shu Guang have been no longer as the Directors of the Company after the expiry of the term. Supervisor Ms. Ye Jun and Mr. Xin Jian have been no longer as the Supervisors of the Company after the expiry of the term.

At the Third Extraordinary General Meeting 2020 of the Company hold on 29 December 2020, Mr. Hu Wei, Mr. Liao Xiang Wen, Mr. Wang Zeng Jin, Mr. Wen Liang, Mr. Chen Zhi Sheng, Mr. Dai Jing Ming, Ms. Li Xiao Yan and Ms. Chen Hai Shan were appointed as Directors of the ninth session of the Board, Mr. Wan Siu Wah Wilson, Ms. Chen Xiao Lu, Mr. Bai Hua and Mr. Li Fei Long were appointed as Independent Directors of the ninth session of the Board, and Mr. Lin Ji Tong and Mr. Wang Chao were appointed as shareholders' representative Supervisors of the ninth session of the Supervisory Committee. Besides, Ms. Ye Hui Hui was elected as staff representative Supervisor of the ninth session of the Supervisory Committee in the staff representatives' meeting. The term of office of the members of the ninth session of the Board and the Supervisory Committee is three years, commenced on 1 January 2021. Mr. Hu Wei and Mr. Lin Ji Tong have been elected as the Chairman of the Board at the Directors' meeting and the chairman of the Supervisory Committee at the Supervisors' meeting held on 1 January 2021 respectively.

The Independent Director of the Company, Mr. Wan Siu Wah Wilson, passed away on 8 January 2021. Following the passing away of Mr. Wan, the Company's board of directors has 11 members, including 3 independent directors. The number of independent directors is less than one-third of the number of board members. The Company is endeavoring to identify a suitable candidate to fill the vacancy as soon as possible and perform necessary procedures.

The resumes of the Director, Supervisor and Senior Management in Office as at the End of the Reporting Period:

The Board:

Name	Position in the Company	Resume
<p>HU Wei</p> 	<p><i>Executive Director/Chairman,</i> Chairman of Strategic Committee, Member of Nomination Committee.</p> <p>Director since Jan 2012, Chairman since Jan 2015.</p>	<p>Born in 1962. Mr. Hu has extensive experiences in corporate operation, corporate management including investment, financing, capital operations, auditing and risk management, and experience in overseas enterprises.</p> <p>Mr. Hu had worked in China Everbright Bank from October 2001 to August 2011, and has served successively as a Vice President and a Director of Shenzhen International (Hong Kong listed company) since August 2011 until now. Mr. Hu joined the Company in January 2015. He has been the Chairman and Secretary of the Party Committee of the Company, concurrently, Mr. Hu holds directorship in some subsidiaries of the Company.</p>
<p>LIAO Xiang Wen</p> 	<p><i>Executive Director, President,</i> Member of Strategic Committee. Member of Risk Management Committee.</p> <p>Director since Nov 2016, President since Sep 2018.</p>	<p>Born in 1968. Mr. Liao has extensive experience in toll highway management, human resources, and legal affairs management.</p> <p>Mr. Liao joined the Company in November 2004. He has been a Vice President from September 2009 to August 2018, and has been President since September 2018. Mr. Liao holds directorship in some subsidiaries and investment enterprises of the Company.</p>
<p>WANG Zeng Jin</p> 	<p><i>Executive Director,</i> Member of Risk Management Committee.</p> <p>Director since Jun 2020.</p>	<p>Born in 1970. Mr. Wang has more than 20 years' experiences in human resource management and corporate management. Mr. Wang is mainly responsible for coordination and management of general administrative affairs, Party building, development of corporate culture, development of Trade Union Organisation and human resources affairs of the Company.</p> <p>Mr. Wang joined Shenzhen International (a Hong Kong listed company) in October 2004 and had been the secretary to the chairman and the general manager of Human Resources Department successively. Mr. Wang had been a Director of the Company from January 2015 to December 2017 and a Supervisor of the Company from January 2018 to June 2020. Mr. Wang has been an executive Director of the Company since June 2020. Mr. Wang had been the Secretary of Disciplinary Committee of the Company and is currently also the Deputy Secretary of the Party Committee of the Company and director of certain subsidiaries of the Company.</p>
<p>WEN Liang</p> 	<p><i>Executive Director, Financial Controller.</i> Member of Risk Management Committee.</p> <p>Director since Mar 2019, Financial Controller since Sep 2018.</p>	<p>Born in 1973, Mr. Wen has extensive experience in finance and auditing management. Mr. Wen is mainly responsible for coordination and management of financial monitoring, internal control and internal auditing affairs. Mr. Wen takes the lead in charge of the Company's asset evaluation and filing work.</p> <p>Mr. Wen served successively as, among others, the head of budget control office and auditing department of Shenzhen Water (Group) Co., Ltd. from 1996 to September 2018 and concurrently served as director and supervisor of some of its subsidiaries. Mr. Wen has also been concurrently served as supervisor of Shenzhen Yantian Port Group Holdings Limited since February 2017. Mr. Wen joined the Company in September 2018 and served as the Financial Controller. Mr. Wen has served as a Director of the Company since March 2019 and he also concurrently served as director of some investee companies of the Company.</p>

Directors, Supervisors, Senior Management and Employees

Name	Position in the Company	Resume
CHEN Zhi Sheng 	<i>Non-executive Director,</i> Member of Strategic Committee. Director since Sep 2020.	Born in 1961, Mr. Chen has more than 30 years of experience in financial management, corporate management, and investment and financing management. Mr. Chen had successively worked in Xiamen University, Shenzhen Municipal Government and Shenzhen Investment Management Company, etc. He had successively served as an executive director, general manager and party secretary in Shenzhen Capital Holdings Co., Ltd. for the period from December 2009 to July 2020. Mr. Chen has been a Director of the Company since September 2020.
DAI Jing Ming 	<i>Non-executive Director,</i> Member of Strategic Committee. Director since Jan 2021.	Born in 1964, Mr. Dai has extensive experiences in corporate finance, investment and management. Mr. Dai had successively served in Shum Yip Investment Development Co., Ltd. and Shum Yip Group Limited, etc. from July 1998 to August 2017. He joined Shenzhen International (a Hong Kong listed company) and acted as the chief financial officer in August 2017, and has served as an executive director of Shenzhen International since September 2020.
LI Xiao Yan 	<i>Non-executive Director,</i> Member of Audit Committee, Member of Remuneration Committee. Director since Jan 2021.	Born in 1977, Ms. Li has extensive working experience in financial management, corporate management, and investment and financing management. Ms. Li worked in SinoTrans Group from August 2001 to March 2020. She had served as the chief financial officer of a business division, general manager of the finance department, and a member of the disciplinary committee of SinoTrans Limited (a company listed in Hong Kong and the PRC). Since April 2020, she has served as the deputy chief financial officer of CMET (a PRC listed company).
CHEN Hai Shan 	<i>Non-executive Director,</i> Member of Risk Management Committee. Director since Jan 2021.	Born in 1966, Ms. Chen has extensive experience in corporate management, investment and legal management. Ms. Chen had served in Guangdong Provincial Highway Design Institute, Guangdong Provincial Highway Construction Company, Guangdong Guanyue Road and Bridge Co., Ltd., Guangzhou-Shenzhen-Zhuhai Expressway Co., Ltd. and Guangdong Western Coastal Expressway Zhuhai Section Co., Ltd. etc. She has served as a member of the party committee and a deputy general manager of GDRB since March 2015.
Wan Siu Wah Wilson 	<i>Independent Director,</i> Member of Audit Committee, Chairman of Remuneration Committee Independent Director from 1 Jan 2018 to 8 Jan 2021	Born in 1961. Mr. Wan had over 30 years of experiences in commercial banking and investment banking. Mr. Wan passed away on 8 January 2021. Mr. Wan had worked in Bank of Credit and Commerce International, Australia & New Zealand Banking Group Limited, Industrial and Commercial Bank of China (Asia) Limited. From May 2007 to July 2015, he successively served as Managing Director of BOC International Holdings Limited, the Chief Executive Officer of China Merchants Securities (HK) Co., Limited. Mr. Wan served as Chief Executive Officer of Cleverage Capital Limited from September 2015 to 8 Jan 2021. He served as an independent director of Shougang Sifang (Group) Co., Ltd. (a listed company in Hong Kong) from March 2018 to 8 Jan 2021, and he also served as Visiting Professor and Consultant of The Chinese University of Hong Kong.

Name	Position in the Company	Resume
<p>CHEN Xiao Lu</p> 	<p><i>Independent Director,</i> Member of Audit Committee, Member of Nomination Committee.</p> <p>Independent Director since Jan 2018.</p>	<p>Born in 1975. Ms. Chen has 20 years of experiences in consulting and investment banking.</p> <p>Ms. Chen had joined BOC International Holdings Limited since May 1999 and successively served as vice chairman, joint supervisor, and executive officer of investment banking department of BOCI Asia Limited, a wholly-owned subsidiary of BOC International Holdings Limited. Since September 2019, she has been the head of investment banking department of BOCI Asia Limited. Ms. Chen is currently also a director of Bohai Industrial Investment Fund.</p>
<p>BAI Hua</p> 	<p><i>Independent Director,</i> Chairman of Audit Committee, Member of Remuneration Committee.</p> <p>Independent Director since Feb 2018.</p>	<p>Born in 1969, Mr. Bai has extensive research and practical experience in auditing and internal control.</p> <p>Mr. Bai has worked in the Department of Accounting of Jinan University since October 2003 and now serves as a professor and doctoral tutor of the Department of Accounting of Jinan University. Mr. Bai had served as an independent director of Guangdong Mingjia United Mobile Technology Co., Ltd. (a PRC listed company), Guangzhou Yichang Technology Co., Ltd. (a PRC listed company) and Yipinhong Pharmaceutical Co., Ltd. (a PRC listed company). Mr. Bai is currently an executive of Guangdong Audit Association and an independent director of Guangzhou Improve Medical Instruments Co., Ltd (a PRC listed company), Livzon Pharmaceutical Group Inc. (a company listed in Hong Kong and PRC) and Guangdong Hongxing Industrial Co., Ltd.</p>
<p>LI Fei Long</p> 	<p><i>Independent Director,</i> Chairman of Remuneration Committee, Chairman of Nomination Committee, Member of Strategic Committee, Member of Audit Committee.</p> <p>Independent Director since Jan 2021.</p>	<p>Born in 1964, Mr. Li has extensive experience in financial management, capital operation, investment and financing management, as well as experience in energy industry.</p> <p>Mr. Li had worked in China National Offshore Oil Company, and served as an executive director, executive vice president and chief financial officer of China Oilfield Services Limited (a company listed in Hong Kong and the PRC) from September 2010 to February 2018 and served as the vice president and chief financial officer of POLY-GCL Petroleum Group Holdings Limited from March 2018 to October 2019. He has served as a director and the chairman of the audit and risk committee of Newage (African Global Energy) Ltd. in the United Kingdom since November 2019.</p>

The Member of Ninth Session of Supervisory Committee:

Name	Position in the Company	Resume
<p>LIN Ji Tong</p> 	<p><i>(Shareholders' representative) Supervisor,</i></p> <p>Chairman of Supervisory Committee since Jun 2020.</p>	<p>Born in 1969, Mr. Lin has extensive working experience in the Communist party and disciplinary inspection and supervision. Mr. Lin is mainly responsible for the overall management of the Company's disciplinary supervision and integrity building.</p> <p>Mr. Lin had worked as the head of the People's Court of Rongcheng District of Jieyang City and the Rongcheng District Committee of Jieyang City. He had worked as deputy secretary of the party working committee of Gongming Office and the director of the Land Supervision Bureau of Guangming New District of Shenzhen successively from August 2008 to September 2016. He had also worked as the deputy general manager of a subsidiary of Shenzhen International (a Hong Kong listed company), the head of the discipline inspection and supervision office and the deputy secretary of the disciplinary committee of Shenzhen International successively from September 2016 to April 2020. Mr. Lin has served as the Secretary of the Disciplinary Committee of the Company since May 2020 and has been the Chairman of the Supervisory Committee of the Company since June 2020.</p>

Directors, Supervisors, Senior Management and Employees

Name	Position in the Company	Resume
<p>WANG Chao</p> 	<p><i>(Shareholders' representative) Supervisor,</i> Supervisor since Jan 2021.</p>	<p>Born in 1972, Mr. Wang has extensive working experience in finance, auditing, and risk management.</p> <p>Mr. Wang had worked in Shenzhen Baoheng (Group) Co., Ltd. and COFCO Real Estate (Group) Co., Ltd. He had served as department head and deputy minister in Shenzhen Investment Holdings Co., Ltd. from June 2008 to November 2016, and served as the head and minister of the financial department of Shenzhen Talents Housing Group Co., Ltd. from November 2016 to November 2020. He has served as a director and chief financial officer of Shenzhen Tagen Group Co., Ltd. (a PRC listed company) since November 2020.</p>
<p>YE Hui Hui</p> 	<p><i>(Staff representative) Supervisor,</i> Supervisor since Jan 2021.</p>	<p>Born in 1976, Ms. Ye has years of auditing experience.</p> <p>Ms. Ye had taught in the department of economics and management of Guangdong Shaoguan University from July 1997 to March 2001. She joined the Company in November 2001 and had served as a senior manager of the standards management department, senior manager of the Board secretary department, and senior auditor of the audit department. She currently served as the senior manager of risk management and legal department of the Company.</p>

Non-director Senior Management and Joint Company Secretaries:

Name	Position in the Company	Resume
<p>GONG Tao Tao</p> 	<p><i>Vice President,</i> <i>Secretary of the Board,</i> <i>Joint Company Secretary.</i></p> <p>Details are set out in the resume in the right column.</p>	<p>Born in 1973. Ms. Gong has many years' experiences in finance, accounting and risk management. Ms. Gong is mainly responsible for coordination and management of investment planning and implementation and business operation of new energy industry projects, management of industrial finance, information disclosure, corporate governance and investor relations as well as playing a leading role in capital operation of the Company.</p> <p>Ms. Gong joined the Company in 1999, and served as the Financial Controller from November 2002 to August 2018. Ms. Gong has been the Vice President of the Company since September 2018, the Secretary to the Board of the Company and a Joint Company Secretary since August 2019. Ms. Gong has served as Executive Director of the Company from January 2018 to September 2018 and is also concurrently serving as Chairman/Directors of some subsidiaries of the Company.</p>
<p>SUN Ce</p> 	<p><i>Vice President.</i></p> <p>Details are set out in the resume in the right column.</p>	<p>Born in 1965. Mr. Sun has extensive experience in engineering construction and project management. Mr. Sun is mainly responsible for overall management of technical works, construction business.</p> <p>Mr. Sun joined the Company in 1997, and has been the General Manager of engineering department of the Company since July 2011, and has been a Vice President since September 2015, concurrently he serving as Director of some subsidiaries of the Company.</p>

Name	Position in the Company	Resume
<p data-bbox="295 441 422 470">HUANG Bi Nan</p> 	<p data-bbox="526 441 686 470"><i>Vice President.</i></p> <p data-bbox="526 485 1005 517">Details are set out in the resume in the right column.</p>	<p data-bbox="1005 441 1498 625">Born in 1971. Ms. Huang has many years' experience in management system and development of corporate culture. Ms. Huang is mainly responsible for overall management of operation business of roads of the Company, business innovation, collaborative business, property right management and operation plan management of the enterprises invested by the Company, and performance appraisal.</p> <p data-bbox="1005 636 1498 776">Ms. Huang joined the Company in 1997 and has been the Office Administrator of the Company since June 2008 and a Vice President since September 2015, concurrently Ms. Huang serving as Chairman, Vice Chairman and Director of some subsidiaries and joint companies of the Company.</p>
<p data-bbox="295 808 422 836">WEN Po Wei</p> 	<p data-bbox="526 808 686 836"><i>Vice President.</i></p> <p data-bbox="526 851 1005 883">Details are set out in the resume in the right column.</p>	<p data-bbox="1005 808 1498 937">Born in 1973. Mr. Wen has many years of experience in highway operation management and project investment management. Mr. Wen is mainly responsible for coordination and management of the Company's strategic affairs, investment business and property rights changes.</p> <p data-bbox="1005 948 1498 1153">Mr. Wen has been the General Manager of the strategy and investment development department of Shenzhen International as well as the Deputy General Manager of a number of subsidiaries from April 2008 to August 2015. Mr. Wen joined the Company in 2015. He has been a Vice President since September 2015, concurrently Mr. Wen serving as Chairman of some subsidiaries of the Company and Director of some enterprises invested by the Company.</p>
<p data-bbox="295 1207 422 1235">Zhao Gui Ping</p> 	<p data-bbox="526 1207 750 1235"><i>Chief Financial Officer.</i></p> <p data-bbox="526 1250 1005 1282">Details are set out in the resume in the right column.</p>	<p data-bbox="1005 1207 1498 1369">Born in 1973, Ms. Zhao has extensive experience in finance, auditing and corporate management. Ms. Zhao is mainly responsible for coordination of financing and funding of the Company, including but not limited to, financial budgets, financial reporting and information, financial incomes and expenses, tax and equity and debt financing as well as capital management.</p> <p data-bbox="1005 1379 1498 1606">Ms. Zhao joined the Company in 2000 and served successively as, among others, assistant manager of finance department, Deputy General Manager of finance department and Financial Controller of Shenzhen Expressway Investment Company Limited. Ms. Zhao has been the General Manager of finance department of the Company from December 2016 to March 2020. Ms. Zhao has been the Chief Financial Officer of the Company since September 2018. Ms. Zhao is also concurrently serving as Directors of some subsidiaries of the Company.</p>
<p data-bbox="295 1638 422 1666">Chen Shou Yi</p> 	<p data-bbox="526 1638 686 1666"><i>Chief Engineer.</i></p> <p data-bbox="526 1681 1005 1714">Details are set out in the resume in the right column.</p>	<p data-bbox="1005 1638 1498 1757">Born in 1971, Mr. Chen has extensive experience in project construction and management. Mr. Chen is mainly responsible for coordination of technology, safety production and information development of the Company.</p> <p data-bbox="1005 1767 1498 1940">Mr. Chen served as the General Manager of Shenzhen Longda Expressway Company Limited from 2008 to 2015. Mr. Chen joined the Company in 2015 and served successively as, among others, General Manager of Engineer Department and Chairman of Shenzhen Expressway Construction Development Company Limited. Mr. Chen has been the Chief Engineer of the Company since September 2018.</p>

Directors, Supervisors, Senior Management and Employees

Name	Position in the Company	Resume
LAM Yuen Ling Eva 	<i>Joint Company Secretary.</i> Details are set out in the resume in the right column.	Born in 1966. Ms. Lam has over 20 years of experience in company secretarial services and commercial solutions. Ms. Lam is a fellow of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Ms. Lam is currently a director of BMI Listed Corporate Services Limited and is responsible for supervising the company secretarial teams to provide full range of listed and private company secretarial services to clients, and she has been the Joint Company Secretary from January 2016 to January 2019 and since August 2019.

Other Directors in office at the end of the Reporting Period :

Name	Position in the Company at the end of the Reporting Period
CHEN Yan	From January 2018 to December 2020, Ms. Chen served as a non-executive Director and a member of Strategic Committee of the Company. Born in 1972. Ms. Chen has extensive experiences in capital operation, investment and financing and corporate management. She had worked in Shenzhen Investment Fund Management Company and Shenzhen Shentou Technology Venture Investment Co., Ltd. Ms. Chen joined Shenzhen International (a Hong Kong listed company) in July 2002, had served as the General Manager of the strategic development department, etc. She has been the General Manager of corporate management department of Shenzhen International since February 2017.
FAN Zhi Yong	From January 2018 to December 2020, Mr. Fan served as a non-executive Director and a member of Risk Management Committee of the Company. Born in 1973. Mr. Fan has more than 20 years of extensive experiences in engineering management and corporate management. Mr. Fan had worked in Shenzhen Nanyou (Holdings) Co., Ltd. He joined Shenzhen International (a Hong Kong listed company) in May 2003, and served successively in Shenzhen International West Logistics Co., Ltd., Shenzhen International Qianhai Industrial (Shenzhen) Co., Ltd.. He has been the Vice President of Shenzhen International since July 2020, and now he is also the Chairman of some unlisted subsidiaries of Shenzhen International.
CHEN Yuan Jun	From November 2016 to December 2020, Mr. Chen served as a non-executive Director, a member of Remuneration Committee and a member of Auditing Committee of the Company. Born in 1961. Mr. Chen has extensive experiences in investment and management and administrative management in expressway. Mr. Chen joined CMET (a PRC listed company) in 2004, and served as Deputy General Manager and Chief Operating Officer of China Merchants Holdings (Pacific) Limited (a Singapore listed company), he has been a Deputy General Manager and member of the Party Committee of CMET since February 2013. Mr. Chen has been a Director of Huabei Expressway Company Limited (a PRC listed company) and a Deputy General Manager, General Manager, Director and/or Deputy Chairman of a number of other investee companies of CMET. He is also a Director of "Year Book of China Transportation and Communications" and a Director of the Operation and Management Association of Chinese Expressway.

CAI Shu Guang	<p>From May 2017 to December 2020, Mr. Cai served as the Company's Independent Director, member of Strategic Committee, Chairman of Remuneration Committee and Chairman of Nomination Committee.</p> <p>Born in 1955. Mr. Cai has extensive experience and knowledge in project planning and corporate management.</p> <p>Mr. Cai had worked in Yangzi Petrochemical Company, Shanghai Synthetic Detergent Factory and Guangdong Holding Group. He joined China Everbright International Limited (a Hong Kong listed company) in February 2004. Mr. Cai has served as an executive director and a deputy general manager of China Everbright International, and also served as chairman and president of some subsidiaries of China Everbright International. His tenure with China Everbright International ends in July 2020.</p>
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Other Supervisors in office at the end of the Reporting Period :

Name	Positon in the Company at the end of the Reporting Period
YE Jun	<p>From January 2018 to December 2020, Ms. Ye served as Supervisor of the Company.</p> <p>Born in 1974. Ms. Ye has extensive experiences in financial management and auditing.</p> <p>Ms. Ye joined GDRB in March 2001 and has been a Deputy Manager of financial management department of that company since March 2010.</p>
XIN Jian	<p>From January 2016 to December 2020, Mr. Xin served as Supervisor of the Company.</p> <p>Born in 1968. Mr. Xin has many years of experiences in finance and capital management.</p> <p>Mr. Xin joined the Company in 1996, and had been capital manager of finance department, etc. Currently, Mr. Xin works in a subsidiary of the Company.</p>



Directors, Supervisors, Senior Management and Employees

II. Major Position held by the Directors, Supervisors and Senior Management Hold

1. Positions in Shareholders' Entities

Name	Name of shareholder entity	Position	Term
Hu Wei	XTC Company	Director	Oct 2012 – Now
	Shenzhen International	Director	May 2017- Now
Chen Yan	Shenzhen International	General Manager of corporate management department	Feb 2017 – Now
Fan Zhi Yong	Shenzhen International	Vice President	Jul 2020- Now
	Shenzhen International Commercial Management (Shenzhen) Co., Ltd.	Chairman	Jul 2018- Now
	United Land	Chairman	May 2018-Now
	Shijiazhuang Shenzhen International Integrated Logistics Port Development Co., Ltd.	Chairman	Dec 2018 – Now
	Shenzhen Wanyin Business Management (Shenzhen) Co., Ltd.	Chairman	Oct 2019 – Now
Chen Yuan Jun	CMET	Deputy General Manager	Feb 2013 – Now
Dai Jing Ming	Shenzhen International	Executive Director	Sep 2020 – Now
		Financial Controller	Aug 2017 – Now
Li Xiao Yan	CMET	Deputy Financial Controller	Apr 2020 – Now
Chen Hai Shan	GDRB Company	Deputy General Manager	Mar 2015 – Now
Chen Kai	Shenzhen International	General Manager of human resources department	Aug 2015 – Now
Ye Jun	GDRB Company	Deputy Minister of financial management	Mar 2010 – Now
The description of position in shareholder entities	In addition to abovementioned main positions in shareholders entities, Director Hu Wei, Fan Zhi Yong, Chen Yuan Jun, Chen Kai and Supervisor Ye Jun are also concurrently serving as a Chairman/Director or Supervisor in some subsidiaries or investee companies of the relevant shareholders entities.		

2. Positions in Other Entities

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

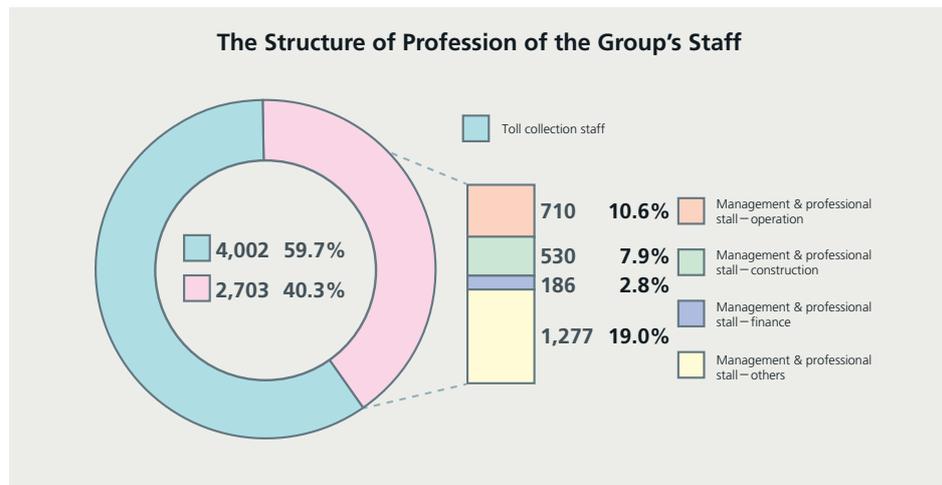
Name	Name of other entity	Position	Term
Bai Hua	Guangzhou Improve Medical Instruments Co., Ltd	Independent Director	Jun 2020 – Now
	Livzon Pharmaceutical Group Inc.	Independent Director	Jun 2020 – Now
	Guangdong Hongxing Industrial Co., Ltd.	Independent Director	Nov 2018 – Now

III. Basic Information of Employees and Human Resource Management

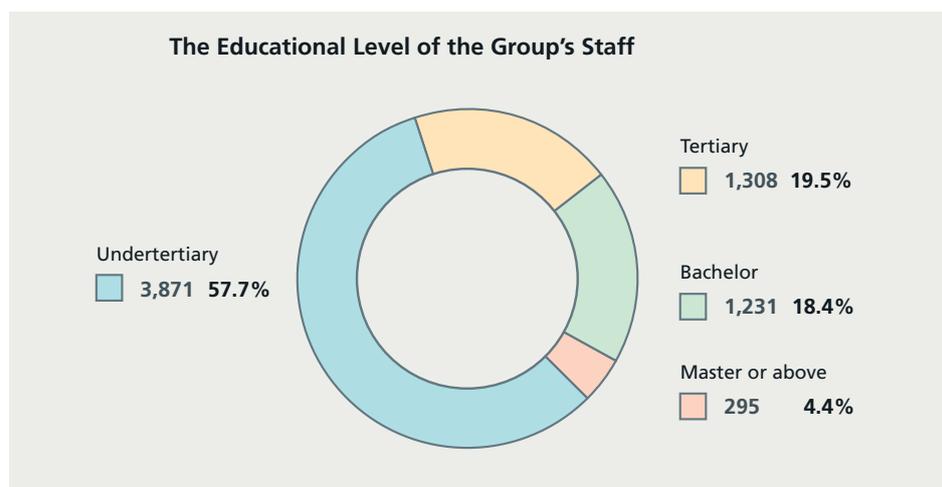
1. Basic Information of Employees :

Amount of employees in the parent company	191
Amount of employees in main subsidiaries	6,514
The total amount of employees	6,705
Amount of retired employee for whom the parent company and main subsidiaries shall bear retirement costs	0

At the end of the Reporting Period, among the employees of the Group (including the Company and its consolidated subsidiaries) 4,002 were toll collection staff, representing 60% of total number, while 2,703 were management and professional staff, including staff of operation, engineering, finance and other series, representing 40% of the total number. The structure of profession of the Group's staff is as follows:



Among the employees of the Group, 42% held tertiary or above qualifications, of which 81% of the management and professional staff held tertiary or above qualifications. The educational level of the Group's staff is as follows:



2. Remuneration Policies

Remuneration Policies of the Directors/Supervisors :

The remuneration of the Directors and the Supervisors of the Company are determined in accordance with the relevant PRC policies/regulations with reference to prevailing market conditions and the Company's actual situation, subject to approval at the general meeting upon review by the Board and the Supervisory Committee respectively. The Remuneration Committee is responsible for advising the Board on formulating the proposals in respect of the Directors' remuneration during the Reporting Period.

Directors, Supervisors, Senior Management and Employees

According to the proposed plans approved by the general meeting, Independent Directors and Directors who were not nominated by the shareholders of the Company would receive Directors' fees, and the Company would not separately determine or pay any additional fees to the Directors and the Supervisors who are entitled to receive management salary in the Company or shareholder entities. All Directors and Supervisors are entitled to obtain meeting subsidy for the meetings as stipulated. During the Period, the proposal for the remuneration of the members of the Board and the Supervisory Committee was strictly implemented as approved by the general meeting.

Remuneration and Benefits Policies :

The remuneration and benefit policies of the Company were implemented pursuant to the statutory requirements and the Management Procedures for Remuneration and Benefits (《薪酬福利管理程序》) of the Company. The remuneration and benefits of the staff include position salary, the performance bonus and the statutory and corporate welfares and are determined by the market value of the position and the comprehensive performance of staff on the principle of "salary based on the position and changed with the position", with strategy-oriented, market-oriented and performance-oriented objectives, taking into account of both internal and external fairness.

Pursuant to statutory requirements, the Group has participated in an employee retirement scheme organised by the local government authorities (social pension insurance) and the housing provident fund plan, and has adopted various protection plans such as medical insurance, work injury insurance, unemployment insurance, and maternity insurance for its employees. According to the relevant regulations, the Group is required to pay contributions equivalent to a certain percentage of the employee's aggregate salary (subject to the required maximum cap) to the labour and social security authorities management centre as social insurance contributions for items such as pension and medical insurance expenses. Moreover, the Company has made regular enterprise annuity payments (supplemental pension insurance) for its management personnel and key technical staff members. As at 31 December 2020, the Group has a total of 96 retired staff. The registration procedures in relation to their retirement have been completed through Shenzhen or local social security authorities, concurrently the company provides a free physical examination and important festivals sympathy to retirees every year. For details of the remuneration and benefits for employees during the Reporting Period, please refer to note V28 to the Financial Statements in this annual report.

The Company's Executive Directors, senior management and the staff representative Supervisor received management salary based on their specific management positions in the Company. The remuneration of senior management includes fixed salaries and performance bonuses, of which performance bonuses are calculated based on how the annual performance targets are met by them, and are proposed or reviewed by the Remuneration Committee.

Performance Evaluation and Incentive System :

The Board determines the Company's annual operating performance targets at each year and sets out clear and concrete rating criteria as the basis for year-end appraisals on the overall performance of the Executive Directors and the management of the Company. During 2020, the Company determined its key performance targets in four aspects, namely finance, customers, internal process and learning and maturity, and included ten key goals, namely the return on shareholders' equity, net profit, operating revenue, profit to cost ratio, customers' satisfaction, project construction and project investment, key work promotion, safety production and material risk control, Party building and discipline inspection and employees' satisfaction.

Based on the operating performance targets approved by the Board, the Company is required to determine the annual tasks and targets for staff members of all ranks, segregate and delegate the Company's objectives to the relevant departments and staff. Meanwhile, senior management members are also required to sign accountability statements on their performance targets with the President. By the end of the year, the Board and the President will determine the overall performance score of the Company and individual performance scores of the senior management members with reference to the state of completion of the Company's and individual performance targets, and calculate the performance bonuses for the Executive Directors and other senior management members accordingly. The remuneration of all senior management members is subject to review by the Remuneration Committee and are required to be reported to the Board.

In order to establish and improve the Company's long-term incentive mechanism, attract and retain outstanding talents; fully motivate the enthusiasm of the senior management, intermediate management and the backbone personnel of core management and technical staff, the Company has approved the implementation of the "Profit Increment Based Incentive and Restraint Scheme" after deliberation by the Board of Directors and shareholders meeting. For details, please refer to the announcement of the Company dated 29 January, 13 February, 4 March 2019, the Circular on 13 February 2019. During the Reporting Period, according to the "Profit Increment Based Incentive and Restraint Scheme" (2018-2020) and the performance of major indicators for 2019, the Company has implemented the "Profit Increment Based Incentive and Restraint Scheme" for 2019.

3. Staff Training

The Company values staff training and has established the training system based on job competency. At the beginning of each year, according to the actual needs of the businesses and staff, the Company formulates the training plan to guide the training work of the year, with summary and review conducted at the end of the year. In 2020, the Company and its departments have organised 24 training sessions, which covered all business segments of the Company, including general management, operating management and professional skills. The training hours totalled 2,922 hours, with 317 person-times participation and covering management and professional staffs at all levels.

CORPORATE GOVERNANCE

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Corporate Governance Summary

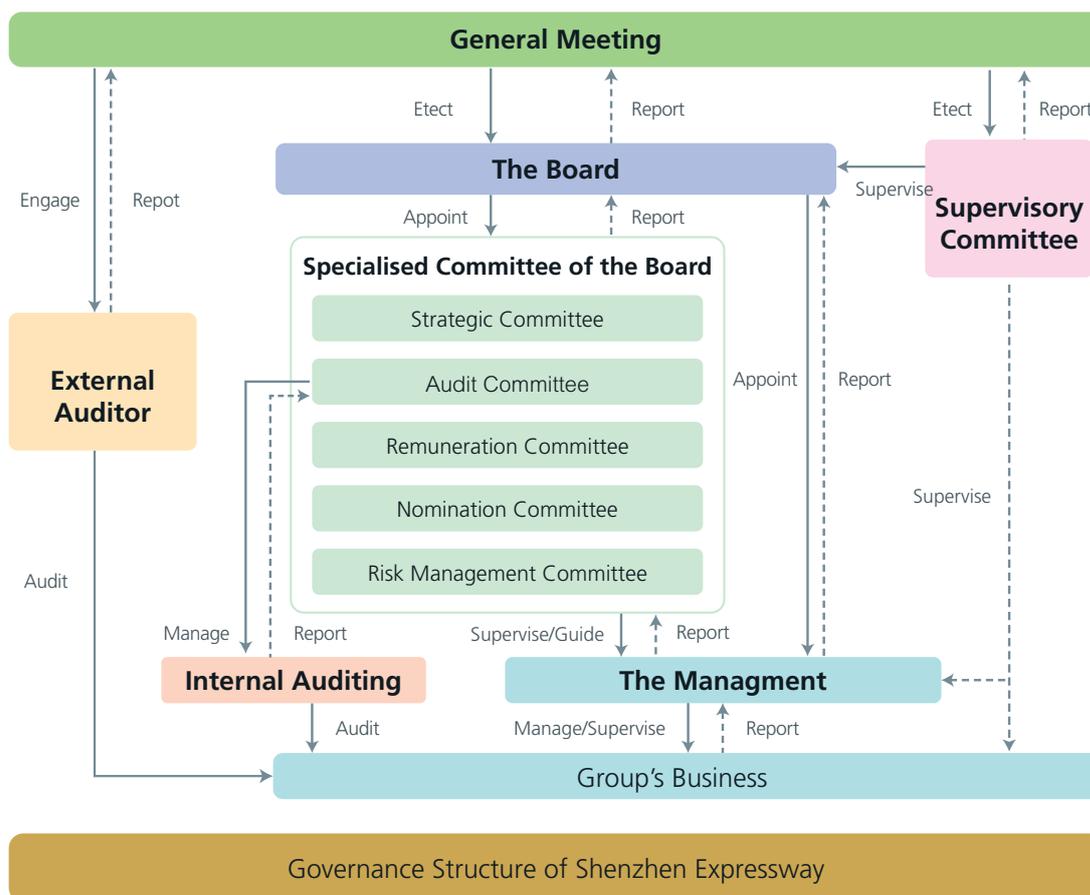
I. Description of the Overall Corporate Governance

Sound corporate governance enables the Company to achieve healthy and stable development. The Company has always been committed to perfecting its governance structure, establishing and improving operational principles and improving the effectiveness of governance continuously.

The Company is listed on both SSE and HKEx that must comply with the applicable laws and regulatory requirements for securities regarding the practice of corporate governance of both places. During the Reporting Period, the Company complied with the Company Law and relevant requirements issued by the China Securities Regulatory Commission and have also fully adopted all the code provisions of the “Corporate Governance Code” set out in Appendix 14 of the Listing Rules of HKEx and there was no material deviation or breach of such code provisions. The Company strives to implement better corporate governance practice and has adopted more stringent requirements than the code provisions under the “Corporate Governance Code” in certain aspects. Please refer to “Corporate Governance Report” in this annual report for details of the compliance with the “Corporate Governance Code”.

II. Corporate Governance Structure and Rules

The Company has set up a corporate governance structure which comprises the general meeting, the Board, the Supervisory Committee and the management. It has formulated multi-tier governance rules based on “the Articles of Association”, covering overall policies, principles and standards on corporate governance, compliance and code of conduct, aiming to clearly define the duties, scope of authority and code of conduct of various parties.



The key documents of governance rules of the Company include “the Articles of Association” and its appendices (“Rules of Procedures for the Shareholders Meeting”, “Rules of Procedures for the Board of Directors” and “Rules of Procedures for the Supervisory Committee”), “Terms of Reference” of various specialised committees, “Rules on Performing Duties by the Independent Directors”, “Rules on Performing Duties by the President”, “Securities Transaction Code”, “Rules Governing Information Disclosure Matters”, “Rules Governing Investor Relationship Management”, “Rules Governing Insider Information”, and “Rules Governing Connected Transactions” etc., all of which can be found or downloaded in the section of “Corporate Governance” on the Company’s website.

The implementation of the management system of insiders:

The Company attaches great importance to enhancing the law observance and compliance awareness of the Directors, Supervisors and senior management and forbids any insider trading of the shares of the Company. The Company has established various systems including “Securities Transaction Code”, “Rules Governing Insider Information Management”, and “Code of Conduct in Relation to Information Disclosure to Shareholders” so as to enhance the secrecy management of the inside information, regulate insider trading of the shares of the Company and protect the Company’s interest and the principle of equality for information disclosure. During the year, the Company has completed the insiders’ registration in relation to the regular reports and material contracts pursuant to relevant regulations.

III. Information on General Meetings

During 2020, 4 general meetings, 2 A Share class meetings and 2 H Share class meetings were held by the Company at the conference room of the Company. Details of the meetings are as follows:

No.	Name of the meeting	Convening date	Disclosing date
1	The First Extraordinary General Meeting 2020	31 March 2020	31 March 2020
	The First Class Meeting 2020 of holders of A Shares		
	The First Class Meeting 2020 of holders of H Shares		
2	The 2019 Annual General Meeting	23 June 2020	23 June 2020
	The Second Class Meeting 2020 of holders of A Shares		
	The Second Class Meeting 2020 of holders of H Shares		
3	The Second Extraordinary General Meeting 2020	29 September 2020	29 September 2020
4	The Third Extraordinary General Meeting 2020	29 December 2020	29 December 2020

Note: The resolutions of the above general meetings and class meetings are available on the website of SSE at <http://www.sse.com.cn>, the website of HKEx at <http://www.hkexnews.hk>, as well as the websites of the Company at <http://www.sz-expressway.com> and <http://www.sz-expressway-ir.com.hk> (H Shares).

Corporate Governance Summary

IV. Performance of Duties by Directors

(I) Attendance of Directors at the Board Meetings and the General Meetings in 2020

Directors in service as at the end of the Reporting Period	Position	Attendance at the Board Meetings					Attendance at the General Meetings (Attendance in person/Total number of meetings)
		Total number of meetings	Attendance in person	Attendance by proxy	Absence	Attendance rate in person	
Hu Wei	Executive Director	11	9	2	0	82%	3/4
Liao Xiang Wen	Executive Director	11	11	0	0	100%	3/4
Wang Zeng Jin ^{Note 1}	Executive Director	7	5	2	0	71%	1/2
Wen Liang	Executive Director	11	11	0	0	100%	3/4
Chen Yan	Non-executive Director	11	11	0	0	100%	4/4
Fan Zhi Yong	Non-executive Director	11	9	2	0	82%	4/4
Chen Yuan Jun	Non-executive Director	11	9	2	0	82%	1/4
Chen Zhi Sheng ^{Note 1}	Non-executive Director	4	4	0	0	100%	0/1
Cai Shu Guang	Independent Director	11	11	0	0	100%	3/4
Wan Siu Wah Wilson	Independent Director	11	9	1	1	82%	3/4
Chen Xiao Lu	Independent Director	11	11	0	0	100%	4/4
Bai Hua	Independent Director	11	11	0	0	100%	4/4

Directors off position as at the end of the Reporting Period	Position	Attendance at the Board Meetings					Attendance at the General Meetings (Attendance in person/Total number of meetings)
		Total number of meetings	Attendance in person	Attendance by proxy	Absence	Attendance rate in person	
Chen Kai	Non-executive Director	6	5	1	0	83%	2/2

Note 1. Wang Zeng Jin has acted as a Director since 23 June 2020;

Chen Zhi Sheng has acted as a Director since 29 September 2020;

Chen Kai has not served as a Director since 13 August 2020.

(II) Attendance of Directors at the Meetings of the Specialised Committees in 2020

		Attendance (Attendance in person/Total number of meetings)						
Directors in service	Position held in the specialised committees	Strategic Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee	Independent Director Meetings	Special Meeting ^{Note 3}
Hu Wei	Chairman of Strategic Committee Member of Nomination Committee	1/1	N/A	^{Note 1} 2	^{Note 2} 2/3	N/A	N/A	1/1
Liao Xiang Wen	Member of Strategic Committee Member of Risk Management Committee	1/1	^{Note 1} 2	^{Note 1} 2	^{Note 1} 1	^{Note 2} 4/5	N/A	N/A
Wang Zeng Jin	N/A	N/A	N/A	^{Note 1} 3	^{Note 1} 1	N/A	N/A	N/A
Wen Liang	Member of Risk Management Committee	N/A	^{Note 1} 4	N/A	N/A	5/5	N/A	N/A
Chen Yan	Member of Strategic Committee	1/1	N/A	N/A	N/A	N/A	N/A	N/A
Fan Zhi Yong	Member of Risk Management Committee	^{Note 1} 1	N/A	N/A	N/A	5/5	N/A	N/A
Chen Yuan Jun	Member of Audit Committee Member of Remuneration Committee	^{Note 1} 1	^{Note 2} 7/8	5/5	N/A	N/A	N/A	N/A
Chen Zhi Sheng	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Cai Shu Guang	Chairman of Remuneration Committee Chairman of Nomination Committee Member of Strategic Committee	1/1	N/A	5/5	3/3	N/A	2/2	1/1
Wan Siu Wah Wilson	Chairman of Risk Management Committee Member of Audit Committee Member of Remuneration Committee Member of Nomination Committee	N/A	8/8	5/5	3/3	5/5	2/2	1/1
Chen Xiao Lu	Member of Audit Committee Member of Nomination Committee	N/A	^{Note 2} 7/8	N/A	3/3	N/A	2/2	1/1
Bai Hua	Chairman of Audit Committee Member of Remuneration Committee	N/A	8/8	5/5	N/A	N/A	2/2	1/1

		Attendance (Attendance in person/Total number of meetings)						
Directors off position	Position held in the specialised committees	Strategic Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee	Independent Director Meetings	Special Meeting ^{Note 4}
Chen Kai	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A

Note:

- Observed at the meeting.
- Absent from the meetings:

Director Hu Wei was unable to attend the Third Nomination Committee Meeting 2020 due to business engagements, and has approved the resolution before the meeting;

Director Chen Yuan Jun was unable to attend the Fifth Audit Committee Meeting 2020 due to business engagements, and has appointed Director Bai Hua to attend on his behalf;

Director Chen Xiao Lu was unable to attend the Seventh Audit Committee Meeting 2020 due to business engagements, and has appointed Director Bai Hua to attend on her behalf;

Director Liao Xiang Wen was unable to attend the Fifth Risk Management Committee Meeting 2020 due to business engagements, and has appointed Director Wen Liang to attend on his behalf.

- One special meeting was held for the Chairman and Independent Directors by the Company during the Reporting Period.

Corporate Governance Summary

(III) Performance of Duties by Independent Directors

The Independent Directors gave no dissent to the resolutions/matters discussed by the Board or specialised committees of the Company. In 2020, no Independent Director of the Company proposed to convene any Board meeting or general meeting. During the year, four Independent Directors of the Company have provided independent advice on matters including the Company's external guarantees, profit distribution plan, changes in accounting policies, investment and financing plans, Directors' nomination and remuneration proposals, connected transactions and annual review on continuing connected transactions pursuant to regulatory requirements and guidelines, and provided constructive opinion on the business development and strategic plans of the Company, with a view to protecting the overall interests of the Company and shareholders by duly performing its monitoring and balancing role. For details of performance of duties by the Independent Directors during the year, please refer to the "2020 Duty Report of Independent Directors (2020年度獨立董事述職報告)" (Chinese version) published by the Company on the websites of the exchanges on the Reporting Date.

V. Performance of Duties by Specialised Committees of the Board during the Year

The Board of the Company establishes five specialised committees, namely Strategic Committee, Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee. Members of the specialized committees are appointed by the Board for a term of three years, consistent with the term of the Board. Each specialised committee has its terms of reference which explicitly explains and defines its duties and powers, which have been approved by the Board. In 2020, the specialised committees of the Board convened 22 meetings in total. For the composition of each specialised committee and the attendance at the committee meetings during the year, please refer to "Performance of Duties by Directors" above.

(I) Strategic Committee

The Strategic Committee was established in November 2001, responsible for studying the directions of the Company's strategic development, considering the Company's strategic plans, monitoring the implementation of strategies and facilitating adjustments to the Company's strategies and governance structure on a timely basis.

In 2020, the Strategic Committee held one meeting, during which the committee considered the "14th Five-Year Development Strategic Planning of Shenzhen Expressway Company Limited (Revised Version) (深圳高速公路股份有限公司“十四五”發展戰略規劃(評審修訂稿))" (the "Strategic Planning") submitted by the management of the Company. The committee fully acknowledged the main content of the Strategic Planning, considering its clear strategic goals and reasonable development planning. Meanwhile, the committee has further provided relevant recommendations and opinions, with a view to further optimizing the Strategic Planning by reasonably considering the opinions of the senior management and the professional review team and submitting to the Board for consideration on a timely basis.

(II) Audit Committee

The Audit Committee was established in August 1999, mainly responsible for the independent review on the Company's financial reporting and the quality and efficiency of internal control as well as the control and routine management of connected transactions of the Company.

In 2020, the Audit Committee held eight meetings in total, and actively conducted work and performed duties focusing on the goal set at the beginning of the year, reviewed the periodic reports, internal control reports and the internal control system of the Group, and provided the Company with professional opinions and suggestions on various aspects including financial reporting, relevant accounting policies and estimates, audit work, corporate governance, risk management and internal control.

During the year, auditors attended meetings of the Audit Committee to discuss the matters in relation to the review of regular reports. In addition, auditors also held one independent meeting with the committee in the absence of management of the Company to ensure the independence and objectivity of the reports. The major tasks of the committee during the year included:

- ◆ review of the Group's periodical financial statements, including the annual financial statements for 2019 and the unaudited financial statements for the first quarter, interim and the third quarter of 2020, and making recommendation to the Board for approval;
- ◆ assisting the Board in making independent evaluations on the effectiveness of the Group's internal control;
- ◆ supervision and guidance for the internal audit work;
- ◆ supervision on control and routine management work of connected transactions;
- ◆ supervision and guidance for the Group's anti-fraudulent work;
- ◆ coordination and evaluation of the work of auditor and recommendations for appointments.

The related work of and opinions on the Group's financial reporting, review on financial statements, internal control and auditors are set out in "Corporate Governance Report" and "Internal Control" in this annual report. For details of the annual performance of duties by the Audit Committee, please refer to the "2020 Duty Report of the Audit Committee (審核委員會2020年度履職情況報告)" (Chinese version) published by the Company on the websites of the exchanges on the Reporting Date.

Corporate Governance Summary

(III) Remuneration Committee

The Remuneration Committee was established in November 2001, responsible for assisting the Board to review the remuneration policies and incentive mechanism of the Company on an ongoing basis, devising the appraisal standards for the Directors and senior management of the Company and conducting appraisals thereof, and ensuring that none of the Directors, senior management or their associates was involved in setting his/her own remuneration. The committee only makes recommendations to the Board regarding the remuneration of the Directors, and the remuneration of the Directors and senior management shall be specifically determined in general meetings or by the Board.

In 2020, the Remuneration Committee held five meetings in total, and its major tasks during the year included:

- ◆ evaluating the operating performance of the management and the Executive Directors for 2019, reviewing the relevant incentive proposal of the management and the Executive Directors, and submitting the appraisal results and review opinions to the Board;
- ◆ reviewing the remuneration disclosure proposal of Directors and senior management for 2019;
- ◆ reviewing the incentive proposal for Nanjing Wind Power Project;
- ◆ reviewing the provision for the profit increment based incentive reward for 2019 and its distribution to the senior management;
- ◆ reviewing Directors' remuneration of the ninth session of the Board;
- ◆ reviewing the formulation of the operating performance target of the Company for 2020 and submitting review opinions.

Details of the remuneration policies and incentive mechanism of the Company and relevant recommendations of the committee are set out in the section headed "Directors, Supervisors, Senior Management and Employees" in this annual report.

(IV) Nomination Committee

The Nomination Committee was established in November 2001, responsible for examining or devising the Company's human resources development strategies and planning; and conducting studies and providing recommendations in respect of candidates, nomination criteria and nomination procedures for Directors and senior management of the Company.

In 2020, the Nomination Committee held three meetings in total, and its major tasks during the year included:

- ◆ reviewing the structure, number of members and composition of the Board;
- ◆ completing the qualification review for appointment of the General Manager of the Audit Department, and submitting recommendations for appointment to the Board;

- ◆ completing the qualification review for candidates nominated for directorship, and submitting recommendations for nomination to the Board;
- ◆ completing the qualification review for candidates nominated for the ninth session of the Board, and submitting recommendations for nomination to the Board.

Details of the appointment of Directors and senior management of the Company are set out in “Directors, Supervisors, Senior Management and Employees” in this annual report.

(V) Risk Management Committee

The Risk Management Committee was established in August 2004, responsible for formulating policies on risk management of the Company, ensuring that the management has established a comprehensive and effective risk management system, supervising the Group’s overall risk position, reviewing the Company’s risk management system and material risk matters, and analyzing and monitoring the risk position of the Company’s material projects.

In 2020, the Risk Management Committee held five meetings in total, and actively conducted work and performed duties focusing on the goals set at the beginning of the year, reviewed the Group’s risk management review and plan, and provided the Company with professional advice and recommendations on various aspects including risk warning indicators and risk assessment for investment projects. Its major tasks during the year included:

- ◆ reviewing the annual risk review report and risk management plans of the Group, understanding the changes of risk exposed to the Company and the implementation of risk responsive measures, and discussing the major risks exposed to the Company in the future and responsive measures with the management;
- ◆ reviewing the updates of the financial warning indicator system and monitoring the material changes of the warning indicators;
- ◆ reviewing the Company’s acquisition of Financial Leasing Company, investment in Shenzhen State-owned Assets Collaborative Development Fund Project, participation in the capital increase and share subscription project of Vanho Securities and investment in pension projects, and providing opinions and recommendations to the Board from the aspect of risk control.

VI. Work of the Supervisory Committee

In 2020, the Supervisory Committee held eleven meetings in total, and the Supervisors also attended all the general meetings and Board meetings. They considered or reviewed matters including the regular reports, financial accounts and budget reports, proposed profit distribution, changes in accounting policies, changes in accounting estimates, connected transactions, the non-public issuance of H Shares, the nomination for candidates of supervisors and election of the Chairman of the Supervisory Committee, the nomination for the shareholders’ representative of the ninth session of the Supervisory Committee and the remuneration of the Supervisory Committee, and supervised the compliance of the decision-making procedures of general meetings and Board meetings, the implementation of the resolutions in the general meetings, the implementation of the Company’s profit distribution policy, the disclosure of regular reports and other information, the performance of duties by the Directors and senior management and the implementation of relevant securities regulatory requirements. During the Reporting Period, there was no occurrence about which the Supervisors disputed with the Directors or sued the Directors on behalf of the Company. The Supervisory Committee has no objection to the matters under their supervision during the Reporting Period.

Corporate Governance Report

During the Reporting Period, the Company has fully adopted all the code provisions of the “Corporate Governance Code” as set out in Appendix 14 of the Listing Rules of HKEx and there is no material deviation or breach of the code provisions occurred. For corporate governance practice, we strive to implement better practices than the code provisions under the “Corporate Governance Code”, mainly in the following aspects:

- The stipulation on the terms of office for Independent Directors of no more than 6 years;
- Disclosure of the remunerations of all Directors, Supervisors and senior management on a named basis in the annual report;
- Appointment of an external auditor for the audit on the internal control of the financial reporting;
- Preparation and publication of quarterly results announcements;
- Provision of an independent channel for the Audit Committee to obtain information on fraudulent risk;
- Establishment of the Risk Management Committee, the risk control and management system for the Group as well as financial risk warning system to exercise regular control and reporting by the Company, etc.

Pursuant to the good corporate governance principles contained in the “Corporate Governance Code”, the evaluation and details of the daily governance work and practices of the Company during the Reporting Period are set out as follows:

A. Directors

A.1 The Board

The code provisions that we complied with

A.1.1~A.1.8

The Board of the Company exercises management and decision-making powers according to the authorisations granted at the general meeting in respect of development strategies, management structure, investment and financing, planning, financial control, human resources and corporate governance, and so forth. The Board is responsible for leading the Group’s development, ensuring the availability of necessary resources for the Group to achieve pre-set strategic goals and supervising and inspecting the Company’s development and operation.

The Board holds one regular meeting each quarter and convenes ad hoc meetings when necessary. The Company has issued a written notice to all Directors in respect of the date and the resolutions to be proposed 30 days before the regular meeting is convened, so as to ensure that they can propose issues to be discussed and to put forth in the agenda. Formal notices of all regular meetings have been dispatched to all Directors 14 days before the meeting is convened, while notices of ad hoc meetings have been dispatched at least 5 days before the meeting is convened. If a substantial shareholder or a Director has material conflict of interest in the issues to be discussed, the Company shall hold a plenary Board meeting for consideration of such resolution and shall not approve the same by a written resolution or authorisation. When considering the related issues, any Director who is connected or interested in the same shall not have any voting rights and shall be absent when necessary.

In 2020, the Board convened 11 plenary meetings, 24 executive Directors' meetings and signed 5 written resolutions of the Board. It has discussed and made decisions on issues covering the Group's operating and financial performance, planning and supervision, business development and challenges, investment and financing plans, accounting treatment, connected transactions, and nomination and remuneration of Directors. During the year, when considering relevant proposals, the Directors who had material interest in the same had complied with the avoidance principle and abstained from voting. For example, when considering the transaction with related parties/connected transaction in relation to the acquisition of 48% equity interest in Shenzhen International Financial Leasing Company Limited, the participation in the investment in Shenzhen State-owned Assets Collaborative Development Fund Project, and the acquisition of 89.93% equity interest in Longda Company, the Directors holding office in Shenzhen International Group (excluding the Group) and other Directors holding interests have declared their interests to the Board and abstained from voting.

The meeting minutes of the Board and Board committees contain the details of the matters discussed in the meeting, which include the factors taken into consideration, the questions proposed or the objection and the decision made by each Director. The draft of the meeting minutes should be delivered to all Directors for comments within reasonable time after each meeting. The final version should be maintained properly according to the file management system of the Company and the copy of which should be delivered to all Directors for filing. The meeting minutes are also available for Directors' access at any time through the secretary of the Board.

According to the consideration and decision making needs, the Company may engage the professional institutions including the accountants firms, lawyers and assessment institutions based on the actual situation to issue written report for Directors' review. In addition, in accordance with the "Rules of Procedures" for the Board of Directors and the relevant requirements, the Directors and the specialised committees may engage professional institutions or professionals through established procedures to obtain professional advice, and the fees so incurred shall be borne by the Company. To ensure the independence of the professional institutions, the specific selection and employment work is conducted by the Independent Directors or independent Board committee for the engagement of independent financial advisor for the connected transactions. The selection and employment shall be determined by a majority of votes of the members and the members with connected relationship or conflict of interest shall avoid from voting and shall not constitute a quorum. In 2020, regarding the non-public issuance of H shares by the Company, an independent board committee comprising all the Independent Directors of the Company was formed in January and an independent financial advisor was appointed to provide independent opinions on the non-public issuance of H shares for Shareholders' reference.

In accordance with the approval and authorisation of the general meeting, the Company has taken out liability insurance for the Directors, the Supervisors and senior management every year since 2008, and taken out adequate insurance for the legal actions that the management may face, in order to promote the Company's resilience to risk, protect the legal rights and interests of shareholders and build the professional risk prevention mechanism of the management.

Corporate Governance Report

A.2 Chairman and Chief Executive Officer

The code provisions that we complied with

A.2.1~A.2.9

The Company clearly defines the duties between the Chairman and the President, so that the functions of the Board and management are separated to ensure the balance of power and authority. In 2020, the Chairman of the Company is Mr. Hu Wei, and the President of the Company is Mr. Liao Xiang Wen. There is no affiliation or interest relationship between the Chairman and the President, including financial, business, family or any other related relationships. The Chairman is responsible for taking charge and coordinating the operation of the Board, providing leadership in the Board to set the Group's overall development strategies and directions and to achieve the Group's goals, ensuring effective operation of the Board and assuring good corporate governance practices and procedures for the Company. The President, with the support and assistance of the Board and other senior management of the Company, is responsible for coordinating and managing the Group's business and operation, implementing the strategies laid down by the Board and making day-to-day operating decisions.

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

The Board encourages the Directors to maintain a prudent and doubtful attitude as expected, to create an open-minded discussion atmosphere to encourage any dissenting Directors to fully express their point of views, and to motivate the Directors, especially Non-executive Directors to have effective contributions to the Board. During 2020, the Company solicited the opinions of all the Non-executive Directors, the Non-executive Directors considered that there was no matter required to be discussed by the Chairman and Non-executive Directors. In addition, 1 special meeting was convened by the Company for the Chairman and the Independent Directors. The Company has set up a well-established governance structure and formulated multi-tier governance rules. Please refer to "Corporate Governance Summary" in this annual report and D.3 below for details.

The Company has been complying with the principle of equal treatment of all investors, and established a smooth communication channel with investors while observing various regulations relating to information disclosure by maintaining an effective two-way communication with investors through various channels. Please refer to "Investor Relations" in this annual report and E.1 below for details.

A.3 The composition of the Board

The code provisions that we complied with

A.3.1~A.3.2

According to the requirements of the "Articles of Association", the Board of the Company comprises 12 Directors. The Board regularly evaluates its structure, number of members and composition (including their skills, knowledge, experience, etc.) through the Nomination Committee.

The term of office of the eighth session of the Board of the Company is from 1 January 2018 to 31 December 2020. As at 31 December 2020, the Board comprises Hu Wei, Liao Xiang Wen, Wang Zeng Jin and Wen Liang as Executive Directors, Chen Yan, Fan Zhi Yong, Chen Yuan Jun and Chen Zhi Sheng as Non-executive Directors, and Cai Shu Guang, Wan Siu Wah Wilson, Chen Xiao Lu and Bai Hua as Independent Directors. The Board members come from various industry backgrounds with professional expertise in highway industry, environmental protection industry, financial, accounting and auditing, finance and securities, law, property development and administration and human resources, and one of them (being Independent Director) possesses professional financial and accounting qualifications. The members of the Board have various industry backgrounds and maintain diversity in terms of various aspects including experience, skills and judgment, allowing the Board to analyse and discuss issues from different perspectives and make decisions in a more cautious and careful manner.

During the Reporting Period, the Board of the Company comprises 4 Independent Directors, representing no less than one-third of the number of members of the Board, which complies with the relevant requirements. Except for Mr. Wan Siu Wah Wilson, an Independent Director who sadly passed away on 8 January 2021, the Board has obtained written confirmations from all Independent Directors concerning their independence in accordance with the requirements under Rule 3.13 of the Listing Rules of HKEx. The Company believes that all Independent Directors have complied with the relevant guidelines as stipulated in such rule and are regarded as independent parties during 2020.

The term of office of the eighth session of the Board has expired on 31 December 2020. As such, the Company convened a general meeting on 29 December 2020 for the election of members of the ninth session of the Board with a term of three years commencing from 1 January 2021.

Details of the election and change of the Directors, the Directors' biographies, terms of office and key positions are set out in "Directors, Supervisors, Senior Management and Employees" in this annual report.

A.4 Appointment, re-election and removal

The code provisions that we complied with

A.4.1–A.4.3

In accordance with the stipulations of the "Articles of Association" and its attachments, Directors are elected or replaced by general meetings. The shareholders of the Company, the Board or the Supervisory Committee are eligible to nominate candidates for directorship. Directors serve for a term of 3 years, and upon expiry of the term, their appointments are subject to re-submission for consideration at a general meeting and they may offer themselves for re-election. Independent Directors are eligible for re-election, subject to a maximum term of 6 years. A cumulative voting system is adopted for the election of the Directors of the Company, and the Independent Directors and non-independent Directors vote separately. The requirements of the Company on the qualifications and basic qualities of the Directors, the ways of nomination and the proposing procedures are set out in the "Rules of Procedures for the Board of Directors" of the Company. The Nomination Committee is responsible for qualification inspections and quality assessments on the candidates for directorship, as well as making proposals to the Board and providing explanations at the general meetings. In order to make the shareholders have a better understanding of the procedures of nomination of Directors, the Company has extracted the relevant clauses for the procedures of nomination of Directors separately and has posted them on the Company's website.

The term of office of the eighth session of the Board has expired at the end of 2020. In this regard, the Company issued a voluntary announcement on 18 September 2020 to inform all Shareholders about the arrangement for the re-election of the Board and matters in relation to the nomination, including the procedures of the re-election, the qualification of the nominators, the basic requirements of the qualifications of directors, as well as the documents and information required to be submitted by nominators and nominees, so as to ensure that all Shareholders would be given the opportunity to exercise their right of nomination.

A.5 Nomination Committee

The code provisions that we complied with

A.5.1–A.5.6

The Board has established the Nomination Committee with the majority being Independent Directors, and chaired by an Independent Director. Please refer to D.2 below and "Corporate Governance Summary" in this annual report for the details of the composition of the Nomination Committee and its performance of duties. The "Terms of Reference of the Nomination Committee" approved by the Board has been published on the websites of the exchanges and the Company. The Company provided the committee with sufficient resources for its performance of duties. During the year, the Nomination Committee did not seek for independent professional advice for the performance of duties.

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The Company has established the Board diversity policy. Under the policy, the Board shall opt for the capability of all candidates for directorship during the selection, evaluation and nomination of its members. It shall also take full consideration of the actual situation and development needs of the Company and follow the diversity principle when forming the Board. The Board shall consider and assess the diversification of members in the aspects of age, cultural background, educational background, professional experience and expertise and the length of service, and authorise the Nomination Committee to oversee the implementation of the policy, and when appropriate, review the policy, and expand and review measurable targets. After the review, the members of the eighth session of the Board demonstrated the diversity principle particularly well in the aspects of professional experience and background, length of service, age, cultural background and independence. During the year, while selecting and assessing the candidates for the members of the ninth session of the Board, the Company has fully considered the balance and diversity of the candidates' qualities in respect of the aspects mentioned above.

A.6 The responsibilities of Directors

The code provisions that we complied with

A.6.1~A.6.8

The "Rules of Procedures for the Board of Directors", the "Terms of Reference" of each specialised committee and the "Rules on Performing Duties by the Independent Directors" prepared by the Company has clearly stated the responsibilities of the Directors to ensure their complete understanding on their roles and responsibilities.

Attendance of Directors (including attendance by appointing other Directors as proxies) at the Board meetings in 2020 was 99%, while attendance in person was 92%. Attendance of members in person at the meetings of the specialised committees of the Board (including the meetings of the Independent Directors) was 74%. Attendance of members in person at the general meetings was 73%. Please refer to "Corporate Governance Summary" in this annual report for the details of the attendance of Directors and the overview of the performance of duties of the Independent Directors during the year.

During the Reporting Period, the Company's Directors attended Board meetings and specialised committee meetings in a prudent, responsible, proactive and serious manner. After gaining an understanding of the Company's operation and operating development, they capitalised on their respective professional experience and expertise and provided independent judgment, knowledge and experience towards the matters discussed, thereby enabling the Board to carry out effective discussions and make prompt yet prudent decisions. They produced proactive and encouraging effect in ensuring the Board to work in the best interest of the Company as its objective.

Upon the acceptance of the appointment and after the appointment, each Director and Supervisor of the Company has to provide the information about their services in other companies in time, including their services in other listed companies for the last three years. The relevant information has been disclosed in the announcements and the shareholder documents relating to the nomination and election of the Directors/Supervisors, and is available in the section of "Directors, Supervisors, Senior Management and Employees" in this annual report.

In accordance with Appendix 10 to the Listing Rules of HKEx titled "Model Code for Securities Transactions by Directors of Listed Issuers" and the relevant requirements of domestic securities regulatory authorities, the Board formulated the "Securities Transaction Code" of the Company as a written guideline for securities transactions of the Company by the Directors, the Supervisors and relevant staff members. The "Securities Transaction Code" of the Company has incorporated the standards as set out in Appendix 10 to the Listing Rules of HKEx, and has gone beyond such standards to a certain extent. Except for Mr. Wan Siu Wah Wilson, an Independent Director who sadly passed away on 8 January 2021, after making specific inquiry to all of the Directors, Supervisors and senior management, the Company confirms that all of them have complied with the standards on securities transactions as stipulated in the aforementioned code during the Reporting Period.

In 2020, all Directors attended the meeting and training for high quality development of listed companies held by Shenzhen Office of the CSRC, and the online training on new securities laws organized by the China Capital Market Institute. Hu Wei and Liao Xiang Wen, both being Directors, attended courses from the training series for chairmen and general managers of listed companies organized by the China Association for Public Companies; Wen Liang, a Director, attended the subsequent trainings for chief financial officer of listed companies held by the China Capital Market Institute and the SSE; and Bai Hua, an Independent Director, attended the subsequent trainings for independent director held by the SSE and systematically studied the relevant laws and regulations concerning the operation of listed companies. During the year, the Company prepared 5 issues of "Reference Document Summaries for the Board", which systematically summarised and delivered the relevant regulatory documents concerning Directors' performance of duties and responsibilities, and sent approximately 19 regulatory documents relating to various laws and regulations of listed company and the industry. It also provided explanations, advice and interpretations on the key points of the relevant rules and the matters to be brought to the attention of the Directors/Supervisors through document guidance and explanation on the meetings. The above measures allow the Board and the Supervisory Committee to continuously and effectively learn the relevant laws and regulations promulgated or updated by regulatory authorities, and provided practical guarantee for the continuous updating of the knowledge and information required for the performance of their duties and the fulfillment of duties of the Directors/Supervisors.

A.7 Provision and use of information

The code provisions that we complied with

A.7.1~A.7.3

The management of the Company has provided the Board, the specialised committees of the Board and the Supervisory Committee with the materials and information necessary for the consideration of each resolution within a reasonable period. After the Directors/Supervisors have raised reasonable inquiries, the management shall make appropriate response or provide further information as soon as possible. Under normal circumstances, the relevant documents containing the matters to be proposed for consideration and discussion on the Board shall be delivered to all Directors and Supervisors at least 3 days before the meetings. In addition, each Director and Supervisor is provided with channels to independently contact and communicate with the Company's senior management and secretaries of the specialised committees when necessary.

Non-executive Directors (including Independent Directors) and Supervisors are able to understand the Company's operation activities, business development trend and the duties as the Company's Directors/Supervisors through several channels to ensure their proper performance of such duties. In 2020, the Company supported the performance of duties of the Directors/Supervisors through the following approaches:

- ◆ Arranged the management to report the progress of the material matters of the Group on the meetings of the Board;
- ◆ Arranged the presentation of the works for the year to provide a detailed report on the completion of the Group's works in 2019 and the work plan in 2020, as well as the progress of the major works and projects including operating condition, project construction, environmental protection project investments and industry expansion;
- ◆ Organised on-site inspections to understand the development and operation of the Taizhou project of Lande Environmental and the related business, and helped the Directors and Supervisors gained better understanding of the operating environment and performance of the Company and the specific projects;

Corporate Governance Report

- ◆ Dispatched “Operation Information Monthly”, which regularly reports information such as the operation performances of highway projects, progress of construction projects and major works, updates on investee companies, monitoring of the early warning indicators of financial risks and work progress during adjournments of the Board;
- ◆ Dispatched “Market Information Bulletin”, assisting the Directors/Supervisors to understand in time the news, regulatory trends and developments, market assessments and share price performance regarding the Company and other listed companies in the same industry;
- ◆ Arranged the Directors and Supervisors to participate in the trainings held by securities regulatory authorities, and provided consultation of laws and regulations for the Directors/Supervisors in need, allowing them to understand the operation of the Company and the domestic and international rules and principles relating to governance in a comprehensive and systematic manner.

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

B.1 Standard and composition of remuneration and its disclosure

The code provisions that we complied with	B.1.1~B.1.5
The recommended best practice(s) that we complied with	B.1.6~B.1.8

The Board has established the Remuneration Committee comprising Non-executive Directors, with the majority being Independent Directors, and chaired by an Independent Director. Please refer to D.2 below and “Corporate Governance Summary” in this annual report for the details of the composition of the Remuneration Committee and its performance of duties. The “Terms of Reference of the Remuneration Committee” approved by the Board has been published on the websites of the stock exchanges and the Company. The Company provided the committee with sufficient resources for its performance of duties. During the year, the Remuneration Committee did not seek for independent professional advice for the performance of duties.

The Company has disclosed the remunerations of the Directors, Supervisors and senior management on a named basis. Please refer to “Directors, Supervisors, Senior Management and Employees” in this annual report for the details of the remuneration policy of the Directors, the appraisal and incentive mechanism of the senior management and the remuneration of the management for the year.

C. Accountability and Audit

C.1 Financial reporting

The code provisions that we complied with	C.1.1~C.1.5
The recommended best practice(s) that we complied with	C.1.6~C.1.7

In the regular financial reporting over the years, the Board made efforts to comply with the requirements of the relevant laws and the Listing Rules and prepared documents and disclosed information under the principle of more and stricter as possible so as to fit the regulatory requirements of both Shanghai and Hong Kong markets. On this basis, the Company took the initiative to understand what the investors focused on, carried out more targeted voluntary information disclosures, striving to make comprehensive, objective, fair and clear statements on status and prospects of the operation and management of the Group. Apart from an in-depth analysis on the operational and financial positions and the major factors affecting the business performance, the Company also provided the information in relation to the risks that our business faced in operating activities, responsive measures, development strategies and plans, etc. in annual reports to enhance investors’ understanding on the

Company's business, management and development trends. The Company has also prepared and published reports on quarterly results within 30 days upon the conclusion of the first quarter and the third quarter each year in compliance with the requirements of the CSRC and the SSE. The Board shall be able to assess the Company's performance and make decisions on the basis of fully understanding the required information. Please refer to A.6 and A.7 above for the details of the provision and support of the information.

Statement of the Responsibilities towards the Financial Statements of the Board:

The financial statements contained in this annual report were prepared in accordance with CASBE, and have been audited by the Company's auditor for the year – Ernst & Young Hua Ming LLP ("Ernst & Young"). This statement intends to make clarification to our shareholders for the respective responsibilities of the Directors and the auditor of the Company in relation to the financial statements. It should be read together with the statement of responsibilities of the auditor set out in the Auditor's Report of this annual report.

It is in the Board's opinion that the financial statements are prepared on a going concern basis given that the resources available to the Company are sufficient for carrying out ongoing business operations in the foreseeable future. Appropriate accounting policies have been adopted in preparing the financial statements. These policies have been consistently applied in the preparation of the financial statements and supported by reasonable and prudent judgments and estimates, and they are in accordance with all accounting standards as the Board deems appropriate. It is the responsibility of the Directors to ensure that the account records prepared by the Company can reflect a reasonable and accurate view of the Company's financial positions and that the financial statements are in compliance with the requirements of relevant accounting standards.

Under the authorisation granted by the Board, the Audit Committee is responsible for reviewing and monitoring the quality and procedures of the Group's financial reporting. During 2020, the committee reviewed the periodic financial statements and made recommendation to the Board for approval. The specific works of the committee included the following:

- ◆ The committee reviewed the interim and the quarterly financial statements of the Group, received the report on the review from the auditor and discussed the handling methods of significant financial and accounting matters with the management and the auditor;
- ◆ Before the annual audit began, the committee held meetings with the auditor and discussed the composition of its audit team members, risks of the year, scope of audit, method of audit, focus of audit and the schedule for the annual audit in order to understand the overall work arrangement of the financial statements of the Company for the year, conducted preliminary reviews and issued opinions in writing for the statements;
- ◆ During the annual audit process, the committee maintained an ongoing communication with the management and the auditor, and discussed and confirmed over the handling methods of significant financial and accounting matters of the Group, the appropriateness of the accounting policies adopted and the reasonableness of the accounting estimates;
- ◆ The committee supervised the completion of the annual audit by the auditor as scheduled and reviewed the Group's annual financial statements and issued its written opinions. The Audit Committee held two meetings in early 2021 (up to the Reporting Date) to review the 2020 annual financial statements and annual report of the Group. Based on the results of relevant work and with reference to the audit opinions of the auditor, the committee is of the view that the Group's 2020 financial statements truthfully and reasonably reflected the operating results and financial position of the Group for the year, and thus recommend the Board to approve the same.

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C.2 Internal control

The code provisions that we complied with	C.2.1~C.2.5
The recommended best practice(s) that we complied with	C.2.7

Having an improved and practical internal control system is the basis of good corporate governance. The Board is responsible for developing and maintaining the internal control system of the Company for the review of the effectiveness of all important control procedures in finance, operations, compliance and risk management, thereby safeguarding shareholders' interests and the Group's assets. During 2020, the Board carried out reviews on the soundness and effectiveness of the internal control system of the Group and issued a self-assessment report on internal control, the assessment of which has included but not limited to the aspects required by C.2.1~C.2.4 of the code provisions. In addition, the Company has engaged an auditor to audit the effectiveness of internal control relating to the financial reporting of the Company in order to provide independent and objective assessment and recommendation in the form of audit report. Please refer to "Internal Control" in this annual report for the details of the establishment of the internal control and risk management system of the Company, the Statement of the Responsibilities of the Board, the self-assessment, key deficiencies (if any) and the audit.

In August 2000, the Company established the Audit Department, and has carried out an independent internal audit system to review the Group's operating and management activities and the effectiveness of the internal control system. Internal audit personnel have the authority to access all information about the Company and make inquiries to relevant personnel at work. The General Manager of the Audit Department directly reports the result of his work to the Audit Committee, and the Audit Committee will then make recommendation to the management of the Company after consideration and examine the implementation of the rectification and improvement plan by way of follow-up inspection.

C.3 Audit Committee

The code provisions that we complied with	C.3.1~C.3.7
The recommended best practice(s) that we complied with	C.3.8

The Board has established the Audit Committee comprising Non-executive Directors, with the majority being Independent Directors and chaired by an Independent Director. The Audit Committee is responsible for the review and supervision of the financial accounting policies, financial reporting procedures and reporting quality of the Group; the evaluation of the soundness and effectiveness of the internal control system of the Company, supervision of fraudulent risk and management measures of the Company; responsible for the coordination with the work of the auditor and the evaluation of its efficiency and quality of work as well as its engagement; the review on the internal audit report and evaluation of the feedback from the management; and responsible for the control and daily management of connected transactions of the Company. Works falling under the scope of risk management are handled by the Risk Management Committee under the Board. Please refer to D.2 below and the "Corporate Governance Summary" in this annual report for the details of the compositions of the Audit Committee and Risk Management Committee and their respective performance of duties. The "Terms of Reference of the Audit Committee" approved by the Board has been published on the websites of the exchanges and the Company. The Company provides the committee with sufficient resources for its performance of duties. During the year, the Audit Committee did not seek for independent professional advice for the performance of duties.

The Board established the "Anti-fraudulent Work Regulation" and specified the key areas of anti-fraudulent work and the matters including the division of roles, fraud prevention and control, procedures for accusing, investigating, handling and reporting on fraud cases. The Audit Committee and the Audit Department have set up independent hotlines and email boxes for reporting any suspected cases which are posted on the internal

and external websites of the Company as channels for staff at all levels and stakeholders of the Company to reflect and report the violation of the ethical issues or suspected fraud cases in connection to the Company or its staff. During the year, the Audit Committee communicated with the auditor of the Company in relation to the fraudulent risk and control measures in order to understand the recommendation of internal control proposed by the auditor and the Audit Department and the feedback and the rectification and improvement of the management, investigate the reports/complaints against the Company or the management from the perspective of internal control and provide continual guideline and supervision on the anti-fraudulent work of the Company.

The report of the auditor:

Upon the approval of general meeting, the Company appointed Ernst & Young as the Company's auditor for the year of 2020 to carry out an audit for the annual financial statements and the internal control and assume the due duties of an international auditor as provided for by the Listing Rules of the HKEx. Ernst & Young has been appointed by the Company as its statutory auditor since 2016. It has been providing audit services to the Group for 5 consecutive years.

The remunerations of the Company's auditor for the year 2020 are set out as follows:

(Unit: 000'RMB)	2020	2019
Financial statements audit/review fees	4,600	3,998
Internal control audit fees	600	600
Others	1,460	2,078

Note:

1. The auditor has submitted to the Company a written confirmation letter in respect of the total amount of the aforementioned remunerations.
2. Other services provided by Ernst & Young in 2020 mainly included the declaration regarding issuance of debenture, services in relation to the issuance of audit opinions, specific audits, etc.

Save as the above-mentioned, the Advertising Company, Qinglian Company, Qinglong Company, a total of 37 wholly owned or majority owned subsidiaries of the Company, engaged Pan-China Certified Public Accountants LLP (Shenzhen branch), Zhongzheng Tiantong Certified Public Accountants LLP (Shenzhen branch), Changsha Lewei C.P.A. Office Ltd, LIF & Wong CPA Limited in Hong Kong, and Jiangsu Runhua Certified Public Accountants (江蘇潤華會計師事務所) to provide audit services and etc. The audit fees for the year 2020 amounted to RMB775,000, RMB10,000, RMB16,000, HKD34,000 and HKD9,000.

The Audit Committee is responsible for conducting an assessment on the completion of the annual audit and the quality of professional services of the auditor, and makes recommendations to the Board in respect of the appointment or replacement of the auditor. The appointment or replacement of the auditor as well as the determination of audit fees are proposed by the Board at the general meeting for the approval or authorisation. According to the stipulated procedures of the Company, the Audit Committee already assessed and summarised the 2020 audit work of Ernst & Young. The committee is of the view that Ernst & Young performed well in terms of independence and objectivity, professional skills, quality and efficiency of audit for financial information disclosure and the communication with the Company.

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D. Delegation of Authority of the Board

D.1 The management function

The code provisions that we complied with

D.1.1~D.1.4

The functions of the Board and senior management are separated (details are set out in the “Articles of Association” and the attached “Rules of Procedures for the Board of Directors” and the “Rules on Performing Duties by the President”) to protect the relative independence of the decision-making of the Board and operating and management activities of the Company. The above rules have been published on the websites of the exchanges and the Company.

The Board is responsible for leading the Group’s development, determining the strategic goals of the Group and ensuring the availability of necessary financial and other resources for the Group to achieve pre-set strategic goals. The “Articles of Association” of the Company and “Rules of Procedures for the Board of Directors” have clearly defined the powers of the Board in respect of development strategies, management structure, investment and financing, planning, financial control, human resources and corporate governance, and so forth as well as the supervision and inspection of the Company’s development and operation.

Without material prejudice to or impairment of the overall capability to perform duties and authorities of the Board, the Board has granted Executive Directors certain authorities, so as to enhance the overall quality and efficiency of decision-making of the Company. The Board has also formulated the “Rules of Procedures for the Executive Directors Meeting” to monitoring and management on the authorised matters by establishing a mechanism on procedural management, filing and regular reviews. During the year, the general authorized matters of the Executive Directors were re-organised by the Company with suitable adjustment on the scope of authorization. The “Rules of Procedures for the Board of Directors” was also revised accordingly to further enhance the efficiency of decision-making of the Company. Specific information and management procedures relating to the authorisation have been clearly set out in the “Articles of Association” of the Company and “Rules of Procedures for the Board of Directors”. In 2020, the Executive Directors held 24 meetings in total, during which they discussed and made decisions on matters regarding organisational structure adjustment, project investment and disposal, financing management and donation within their authorisation. Resolutions for such matters have been reported to the Board and Supervisory Committee in time.

D.2 The committees under the Board

The code provisions that we complied with

D.2.1~D.2.2

Five specialised committees have been set up under the Board, and each committee has its terms of reference, which explicitly explain and define their duties and powers, and they have been approved by the Board. These committees are responsible for reviewing and monitoring specific matters of the Company, such as the Company's strategies, financial reports, accounting policies, project investments and the nomination, assessment and remuneration of the management, and make corresponding recommendations to the Board. As at the end of the Reporting Period, the composition of each specialised committee of the Board of the Company is set out as follows:

	Strategic Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee
Chairman:	Hu Wei Executive director	Bai Hua Independent director	Cai Shu Guang Independent director	Cai Shu Guang Independent director	Wan Siu Wah Wilson Independent director
Member:	Cai Shu Guang Independent director Liao Xiang Wen Executive director Chen Yan Non-Executive director	Wan Siu Wah Wilson Independent director Chen Xiao Lu Independent director Chen Yuan Jun Non-Executive director	Wan Siu Wah Wilson Independent director Bai Hua Independent director Chen Yuan Jun Non-Executive director	Wan Siu Wah Wilson Independent director Chen Xiao Lu Independent director Hu Wei Executive director	Fan Zhi Yong Non-Executive director Liao Xiang Wen Executive director Wen Liang Executive Director

Each specialised committee has appointed a designated member of the management to be the secretary of the committee and clearly defined the meeting and reporting procedures with reference to the procedures for the Board. The meeting minutes of the committees contain the details of the matters discussed in the meetings and are maintained properly according to the file management system of the Company upon the confirmation of all members. The chairman of each committee reports the work progress to the Board regularly and submits the relevant minutes for record. In 2020, the five specialized committees of the Company convened 22 meetings. For details, please refer to the "Corporate Governance Summary" in this annual report.

The ninth session of the Board of the Company started to perform its duties commencing from 1 January 2021. The composition of each specialised committee under the Board as at the Reporting date is set out as follows:

	Strategic Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee
Chairman:	Hu Wei Executive director	Bai Hua Independent director	Li Fei Long Independent director	Li Fei Long Independent director	Chen Xiao Lu Independent director
Member:	Li Fei Long Independent director Chen Zhi Sheng Non-Executive director Dai Jing Ming Non-Executive director Liao Xiang Wen Executive director	Li Fei Long Independent director Li Xiao Yan Non-Executive director	Bai Hua Independent director Li Xiao Yan Non-Executive director	Chen Xiao Lu Independent director Bai Hua Independent director Hu Wei Executive director	Chen Hai Shan Non-Executive director Liao Xiang Wen Executive director Wang Zeng Jin Executive Director Wen Liang Executive director

Corporate Governance Report

D.3 Corporate governance function

The code provisions that we complied with

D.3.1~D.3.2

The Board is responsible for the performance of its duty on corporate governance. During 2020, the Board regularly received reports on the reviews of the rules on governance, the compliant operation of the Company, the Directors' compliant performance of duties and the training and growth of the management personnel, and constantly monitored the overall states and level of corporate governance. Moreover, the Audit Committee also regularly reviewed the relevant review checklists submitted by the Audit Department, examined the compliance of corporate governance practices and the disclosure of the corporate governance report of the Company to ensure the related regulations and issues are implemented and disclosed appropriately.

E. Communication with Shareholders

E.1 Effective communication

The code provisions that we complied with

E.1.1~E.1.4

The Company encourages all shareholders to attend the general meetings. In 2020, a total of 4 general meetings were held by the Company, as well as 2 A Share class meetings and 2 H Share class meetings. For details, please refer to the "Corporate Governance Summary" in this annual report.

The Company serves a notice of 45 days prior to the date of the general meeting, and provides the shareholders with any information necessary for them to attend and make decision at the meeting. Each separate matter in substance submitted to the general meeting for consideration is put forth respectively as a separate resolution. According to the provisions of the "Articles of Association" of the Company, the qualified shareholders of the Company have the right to call general meetings and propose impromptu motions or collect voting rights from other shareholders in accordance with the established procedures. A cumulative voting system is adopted for the election of the Directors and the Supervisors by the shareholders. These arrangements are made to protect the rights of minority shareholders and encourage them to fully express their opinions. The specific procedures and requirements of the aforementioned arrangements are set out in details in the "Articles of Association" of the Company and the attached "Rules of Procedures for the General Meetings". The full texts of the "Articles of Association" of the Company and "Rules of Procedures for the General Meetings" are available on the website of the Company.

During the year, the Chairman of the Company attended the annual general meeting and all chairmen of the specialised committees under the Board or their representatives were also arranged to attend the annual general meeting to answer inquiries from the shareholders when necessary.

At a general meeting, all shareholders present at the meeting are entitled to make inquiries to the Directors and the other management regarding the issues in relation to the resolutions. At any other time other than at the general meeting, the shareholders may make their inquiries and express their opinions to the Board by calling the investor hotline of the Company or in writing (including facsimile, letter, e-mail, online message, etc.). The Company has published detailed methods of contact through its website, notices of the general meeting, circulars to the shareholders and annual reports for the shareholders to express their opinions or make any inquiries. The Board has formulated the "Rules of Investor Relationship Management" and the "Standards of Work for Investor Relationship Management", which clearly defines the principles, responsible person, channel and standards of work for the communication with the shareholders. The Board keeps in touch with the shareholders on an ongoing basis. Please refer to "Investor Relations" in this annual report for details.

The Company regularly discloses the details of total share capital, categories of shareholders, substantial shareholders and market value of the shares held by the public. Please refer to “Share Capital and Shareholders” in this annual report for details.

E.2 Voting by poll

The code provisions that we complied with

E.2.1

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

The Company provides detailed explanations on the documents for convening a general meeting on such matters as the way of filling in voting forms, rights of the shareholders, voting procedures and method of vote counting to ensure that the shareholders are familiar with the voting procedures by way of poll. A shareholder who is unable to attend the general meeting in person may appoint his or her proxy (the proxy need not to be a shareholder of the Company) to attend and vote at the general meeting.

F. Company Secretary

The code provisions that we complied with

F.1.1~F.1.4

The Secretary to the Board of the Company, who is appointed by the Board and reports to the Chairman of the Board for daily routines, is a senior management member of the Company. The Secretary to the Board is responsible for the communication and coordination among the Company, Directors and the shareholders, giving advice to the Board and the management on corporate governance, information disclosure and investor relationship management and the arrangement of specific matters. The Secretary to the Board of the Company is Ms. Gong Tao Tao and the Joint Company Secretaries are Ms. Gong Tao Tao and Ms. Lam Yuen Ling, Eva. During 2020, both Ms. Gong Tao Tao and Ms. Lam Yuen Ling, Eva have completed a total of not less than 15 hours of related training sessions so as to keep their professional knowledge and skills up-to-date and better support the operation of the Board.

During their respective terms of office, all Directors of the Company are able to obtain from the Secretary to the Board the relevant information and updates on the statutory, regulatory and other continuing obligations of directors of listed companies on a timely manner, and directly contact the Secretary to the Board individually and independently when necessary to obtain more detailed information and opinions.

Internal Control

I. Statement of Responsibilities towards Internal Control

To develop, improve and effectively implement internal control, assess its effectiveness and accurately disclose the assessment report on the internal control is the responsibility of the Board of the Company. The Supervisory Committee shall supervise the establishment and implementation of internal control by the Board. The management shall be responsible for organising and leading the daily operation of the Company's internal control.

The internal control objectives of the Company are to reasonably ensure that its operations and management are in compliance with the relevant laws and regulations, its assets are managed in a sound manner, and its financial reports and relevant information are truthful and complete, to enhance its operational efficiency and results and facilitate the fulfilment of its development strategy. As the internal control bears inherent limitations, it can only provide reasonable assurance for achieving the aforesaid objectives. Moreover, as changes in the circumstances may render internal control inappropriate, or reduce the degree of compliance with control policies and procedures, it is risky, to a certain extent, to make predictions about the effectiveness of internal control in the future based on the results of internal control evaluation.

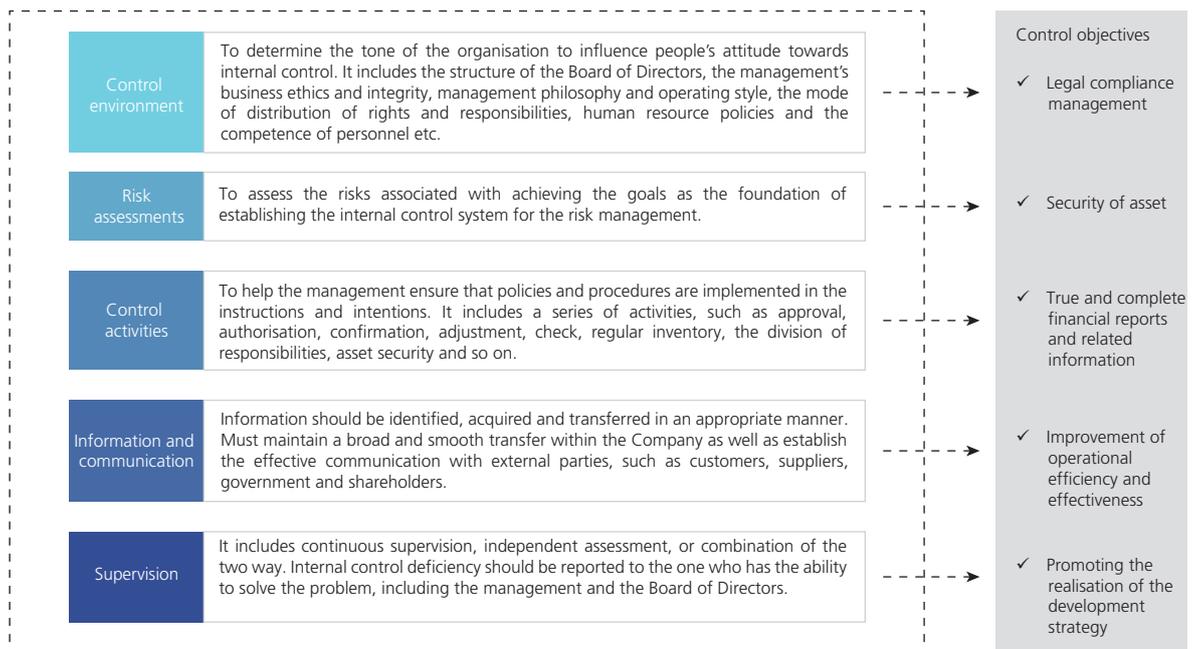
The purpose for the establishment of the internal control system is to manage the potential risks as it will be unrealistic to eliminate all of the risks. Meanwhile, the coverage of internal control should be in line with the Company's operating scale, business scope, competition condition and risks levels, and shall be timely adjusted to reflect the change of circumstances. It would be a persistent and continuous task to improve the internal control system, regulate the implementation of the system and strengthen the supervision and examination of the internal control.

II. Establishment of the Internal Control System

The Company always focuses on the standardisation of its internal management. It has established a comprehensive management system and the practical rules for various layers of business operation in order to maintain a stable growth of the Company. The Company’s prevailing management system covers the key management procedures of various business segments and supporting segments such as investment, project construction, management on road assets, toll collection management, wind power management, financial management, general and administrative management, human resources management, information systems, legal management, safety management, information disclosure management, management of investee companies, “Three Important and One Substantial (三重一大)” issues, integrity management on the Party and mass and internal audit.

As required in the Basic Standard for Enterprise Internal Control jointly issued by five ministries including Ministry of Finance and CSRC and the requirements set out in various internal control application guidelines, the Company formulated its own internal control manual to clarify the focuses of such aspect. In addition, the Company formulated the Quality Control Procedures for the Assessment of Internal Control, setting out the measures for the examination of internal control and assessment for the deficiency, and format for the preparation of an assessment report on internal control and disclosure procedures, with an aim to standardise the assessments on the Company’s internal control.

For the establishment of the sound internal control system and the maintenance of its effectiveness, the Company has considered five major basic aspects of internal control, namely control environment, risk assessments, control activities, information and communication, and supervision.



Internal Control

III. Risk Management

The Company improves its management capability and adaptability, and further ensures the realisation of the business objectives and a sustainable growth through active and systematic identification, assessment and response to risk issues occurred in the operation process. The Company has formulated the Procedures for Risk Control and Management to define the risk assessment model and the risk evaluation criteria, and qualitative and quantitative evaluation was carried out to evaluate risks from two dimensionalities, i.e. probability and impact of the risks, so as to determine the levels of risk. In preparing the annual work plans, those major risks that may affect the achievement of the business objectives were comprehensively identified, analysed and assessed by each unit of the Company, and corresponding risk response measures and annual risk management plan for each unit were formulated. In combination with the Company's annual business objectives and company strategy, the management determined the Company's key area of the annual risk management, and reviewed and assessed the implementation of the risk management plan quarterly, in the middle and at the end of the year. Meanwhile, the Company has formulated reporting mechanism for major risk emergency events and quarterly material risk matters to strengthen the supervision on major risk events. In addition, the Company has also formulated the Management Rules on the Warning of Financial Risks (《財務風險預警管理辦法》) to regularly monitor the warning indicator system and hierarchically report the results to the management, Risk Management Committee and the Board.

IV. The Supervision and Self-Assessment of the Internal Control Systems

The Board focuses on the five basic elements of the internal control and continues to review the effectiveness of the Company's internal control system through the Audit Committee and its subordinate Audit Department. The Audit Department independently reviews, supervises and evaluates internal control activities regularly and whenever necessary based on possible risks and degrees of importance involved in various businesses and procedures and directly reports to the Audit Committee. Through the following tasks, the Audit Committee continuously supervises and reviews the soundness and effectiveness of the Company's financial reporting and internal control system on an ongoing basis:

- ◆ Review and approve the annual Assessment Plan for Internal Control;
- ◆ Keep abreast of the progress of internal control establishment and evaluation tasks through daily routines, periodical summary and reports submitted by the Audit Department;
- ◆ Comprehend the method and scope of the internal control assessment tests and the key deficiencies found during the tests and their correction;
- ◆ Discuss with the auditor the scope of audit, the audit results and audit opinions in respect of the audit of internal control;
- ◆ Review the annual Assessment Report for Internal Control.

According to the relevant requirements of the Corporate Internal Control Standard System which is based on the Basic Standard for Enterprise Internal Control together with the Company's internal control system and method of evaluation, the Board had assessed the effectiveness of the Company's internal control as at 31 December 2020 (the base date of the Assessment Report) and issued 2020 Assessment Report on Internal Control based on its routine monitoring and project-based supervision. The scope of evaluation included Shenzhen Expressway Company Limited, Shenzhen Jihe Expressway (Eastern Section) Company Limited, Shenzhen Guangshen Coastal Expressway Investment Company Limited, Guangdong Qinglian Highway Development Company Limited, Hunan Yichang Expressway Development Company Limited, Hubei Magerk Expressway Management Private Limited, Shenzhen Qinglong Expressway Company Limited, Shenzhen Expressway Investment Company Limited and its subsidiaries, Shenzhen Expressway Environment Company Limited and its subsidiaries, Shenzhen Outer Ring Expressway Investment Company Limited, Shenzhen Meiguan Expressway Company Limited, Shenzhen Expressway Advertising Company Limited, Baotou Nanfeng Wind Power Technology Company Limited, Mei Wah Industrial (Hong Kong) Limited, Jade Emperor Limited (JEL Company), Maxprofit Gain Limited (Maxprofit Company), Hunan Changsha Shenchang Expressway Company Limited, Shenzhen Expressway Operation Development Company Limited and Shenzhen Expressway Construction Development Company Limited, and also covered the main businesses and matters of these companies in terms of corporate governance, business procedures and high-risk areas. The assets of the abovementioned assessed companies accounted for 98.36% of the Group's total assets as per the consolidated financial statements and their aggregated revenues accounted for 97.46% of the Group's total revenues.

Assessment Report for Internal Control 2020 of the Company (Chinese version) was disclosed on the website of SSE (<http://www.sse.com.cn>), the website of HKEx (<http://www.hkexnews.hk>) and the website of the Company (<http://www.sz-expressway.com>) in separate reports. According to the identified key deficiencies in the internal control on the Company's financial reporting, there was no key deficiency in the internal control on the Company's financial reporting as at the basis date of the assessment report. The Board of Directors are of the opinion that the Company has maintained an effective internal control on financial reporting in all material aspects according to the Corporate Internal Control Standard System and the relevant regulatory requirements. According to the identified key deficiencies in the internal control on the Company's non-financial reporting, no key deficiency in the internal control on the Company's non-financial reporting was aware of as at the basis date of the assessment report. During the period from the basis date of the assessment report to the issue date of Assessment Report for Internal Control 2020, no factors that affect the conclusions on effectiveness of internal control evaluation occurred.

V. Description on Internal Control Audit

Ernst & Young Hua Ming LLP appointed by the Company had audited the effectiveness of internal control relating to the Company's financial reporting, and issued its unqualified audit opinion. The audit report (Chinese version) was disclosed on the websites of the exchanges and the Company in separate reports.

Investor Relations

The Company advocates a corporate culture that respects investors and holds itself accountable for investors. The Company establishes a smooth communication channel with investors and enhances mutual trust and interaction based on proper information disclosure and initiating various investor relation activities, and fully respects investors' rights of knowledge and option, while asserting to reward its shareholders.

I. Information Disclosure

Credible information disclosure can effectively build a bridge of communication and understanding between the Company and its investors, the regulatory authorities and the public. This can facilitate a broader and more thorough understanding of the Company's values. For years, according to the fundamental principles of openness, impartiality and fairness, the Company has been striving to comply with the requirements of the relevant laws and the Listing Rules, and fulfilling the information disclosure obligations in a timely and accurate manner. The Company takes the initiative to understand investors' concerns and voluntarily discloses information in response to these concerns so as to increase its transparency.

In 2020, the Company timely completed the preparation and disclosure of its annual, interim and quarterly reports and published over 400 announcements and other shareholders' documents and information in both English and Chinese, disclosing in detail the following information of the Company: operations of the Board, the Supervisory Committee and general meetings, dividend distributions, exchange with investors, corporate governance, operating conditions, investment and financing arrangements and so forth. The Company acted, on its own accord, to disclose its monthly operational statistics by way of announcements. The Company also maintained to provide in-depth analyses on its operating and financial positions as well as the major factors affecting its business performance in its annual reports with a view to strengthening investors' understanding about the operation, management and development trends of the Company.

II. Ongoing Communication

On the basis of a competent disclosure of information, the Company maintains effective two-way communication with investors through various channels and conveys information which investors are concerned with, so as to boost their confidence in the Company's future development. Meanwhile, the Company extensively collects feedback from the market to elevate the standards of the Company's governance and operations management.

The management of the Company highly values the communication with its investors. During the year, the Chairman, President, Chief Financial Officer, Secretary of the Board and the investor relations team of the Company actively participated in the relevant investor relations activities to communicate and interact with investors directly. The investor relations activities were mostly organised by the Company in the following forms:

- ◆ Making the public known the investor hotline and investor relations e-mail, establishing the Investors' Message section on the Company's website and the Shanghai Stock Exchange e-interaction Message section, and promptly responding to investors' inquiries. In 2020, the Company replied to approximately 214 investors' inquiries through telephone, email and website messages.

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

- ◆ Properly arranging requests of visits and research from the investors, maintaining an open-minded attitude to exchange views and communicate with investors, and establishing a direct communication mechanism between investors and the Company. Following the outbreak of the novel coronavirus pneumonia epidemic in 2020, the Company communicated with investors mainly through online means. To facilitate more convenient and efficient communication, the Company optimised the network, compared platform providers, and developed more online communication channels in a timely manner, so as to accommodate the research needs of investors. During the year, the Company received in aggregate approximately 30 batches of investor research.

Active in conducting and participating in various forms of domestic and overseas presentation activities, including result presentations and press conferences, online investor meetings, online roadshows and investor conferences organised by brokers or intermediaries. During the year, the Company interacted with a total of over 560 investors and media reporters.

Details of major presentation activities during 2020 are as follows:

January	◆	Participated in Northeast Securities Industry Forum and Listed Companies Communication Conference 2020 (Shenzhen)
March	◆	Held Shenzhen Expressway 2019 annual result presentation and press conference (Virtual)
	◆	Held Shenzhen Expressway virtual investor meeting in relation to the announcement of 2019 annual results
	◆	Held Shenzhen Expressway virtual roadshows in relation to the announcement of 2019 annual results
April	◆	Held Shenzhen Expressway virtual investor meeting in relation to the announcement of 2020 first quarterly results
May	◆	Participated in Huachuang Securities Mid-term Conference 2020 (Virtual)
	◆	Participated in Haitong Securities Spring Listed Companies Conference (Virtual)
	◆	Participated in Northeast Securities Listed Companies Virtual Exchange Conference-2020 Summer
	◆	Participated in Western Securities Spring Strategy Conference 2020
	◆	Participated in Daiwa China A-Share Conference 2020 (Virtual Meetings)
June	◆	Participated in Industrial Securities Semi-annual Investment Strategy Summit (Transportation Sector) (Virtual)
	◆	Participated in CICC Investment Strategy Conference 2H2020 – Opportunities and Challenges in the Post-COVID-19 World (Virtual)
	◆	Participated in the Citi Industrials/Logistics/SME Virtual Corporate Day
	◆	Participated in CITICS Capital Market Conference 2020 (Virtual)
	◆	Participated in Huatai Securities 2020 Summer Virtual Strategy Summit
August	◆	Held Shenzhen Expressway 2020 interim result presentation and press conference (Virtual)
	◆	Held Shenzhen Expressway virtual investor meeting in relation to the announcement of 2020 interim results
	◆	Held Shenzhen Expressway virtual roadshows in relation to the announcement of 2020 interim results

Investor Relations

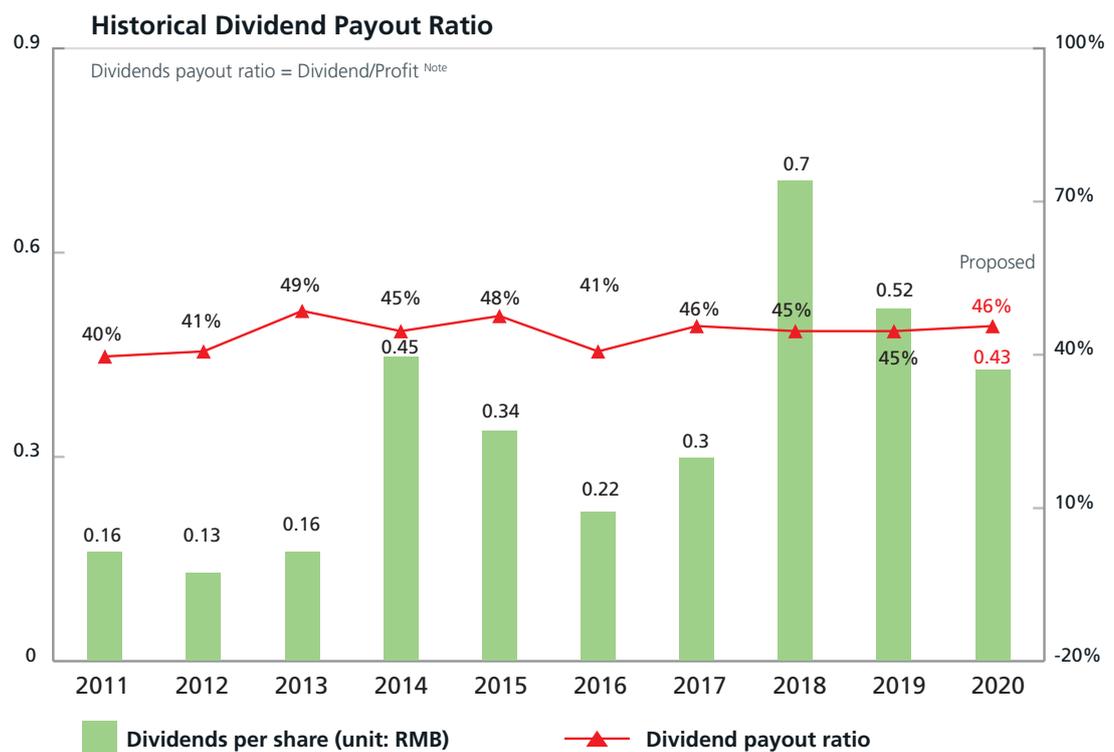
September	◆	Participated in Huatai Securities 2020 Autumn Listed Companies Conference – USA Virtual China Conference
October	◆	Held Shenzhen Expressway virtual investor meeting in relation to the announcement of 2020 third quarterly results
November	◆	Participated in The 15th Citi China Investor Conference 2020 (Virtual)
	◆	Participated in “Shenzhen Expressway 2020 Third Quarterly Results Conference” organised by Roadshow China (Virtual)
	◆	Participated in The 15th Daiwa Investment Conference Hong Kong 2020 (Virtual)
	◆	Participated in CITICS Capital Market Annual Conference 2021 in Shenzhen
	◆	Participated in HuaChuang Securities Capital Market Annual Conference 2021 in Shenzhen
December	◆	Participated in 2020 Virtual Investor Collective Reception Day of Listed Companies in Shenzhen
	◆	Held Shenzhen Expressway Media Communication Activity 2020

- ◆ Regularly dispatching information and materials on the operations and development of the Group. The Company prepared and issued a total of 3 issues of E-news and 8 result and progress presentation materials in 2020, providing information to investors on the operating performance and environment of the Company, and giving responses to issues which concern investors. Apart from the manner of e-mails, they are also uploaded to the Company’s website for more investors’ access at any time.
- ◆ Investors and the public may check out information such as the Group’s basic information, rules for the Company’s corporate governance, information disclosure documents, profiles of directors, supervisors and the senior management and the Group’s monthly operating performance of toll highway projects at any time on the Company’s website.
- ◆ The Company also timely handled and replied to investors’ messages, and uploaded investors’ interaction records monthly through the “e-interaction” platform developed by the SSE for listed companies and investors.

III. Shareholder Return

The Company has insisted on rewarding its shareholders with high returns ever since its listing, which is underpinned by the payment of cash dividends for 23 consecutive years with an aggregate cash dividend payment of approximately RMB9.93 billion.

The Board of the Company recommended the payment of a cash dividend of RMB0.43 (tax included) per share for the year 2020. Such proposal is to be submitted to the 2020 Annual General Meeting of the Company for approval. For details of the dividend, policy and payment of cash dividends of the Company, please refer to “Financial Analysis” in “Management Discussion and Analysis” of this annual report.



Note: The dividend payout ratio was calculated based on the financial statistics of payout without taking into consideration of the effect of changes in accounting policies thereafter

AUDITOR'S REPORT AND 2020 FINANCIAL STATEMENTS

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Note: The part marked with * in the notes to the financial statements is the new or more detailed disclosure in compliance with the Hong Kong Companies Ordinance and the Listing Rules of the Hong Kong Stock Exchange.



Auditor's Report

2020

Ernst & Young Hua Ming (2021) Shen Zi No.61278656_H01
Shenzhen Expressway Company Limited

To the Board of Directors of Shenzhen Expressway Company Limited

(I). OPINION

We have audited the financial statements of Shenzhen Expressway Company Limited and its subsidiaries, which comprise the consolidated and company statements of financial position as at 31 December 2020 and the consolidated and company statements of profit or loss and other comprehensive income, the consolidated and company statements of changes in equity and the consolidated and company statements of cash flows for the year then ended, and notes to the financial statements.

In our opinion, the accompanying financial statements give a true and fair view, in all material respects, of the consolidated and the Company's financial position of Shenzhen Expressway Company Limited as at 31 December 2020, and their financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises.

(II). BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing ("CSAs"). Our responsibilities under those standards are further described in the *Auditor's responsibilities for the audit of the financial statements* section of our report. We are independent of the Company in accordance with *China Code of Ethics for Certified Public Accountants* (the "Code") and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

(III). KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgement, were of most significance in our audit of the financial statements of the current period. These matters were addressed in the context of our audit of the financial statements as a whole and in forming our opinion thereon and we do not provide a separate opinion on these matters. For each matter below, our description of how our audit addressed the matter is provided in that context.

We have fulfilled the responsibilities described in the *Auditor's responsibilities for the audit of the financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying financial statements.

(III). KEY AUDIT MATTERS (CONTINUED)

Key audit matters:	How our audit addressed the key audit matters
<p>1. Long-term equity investment impairment consideration</p> <p>As of 31 December 2020, the amount of long-term equity investments of the Company was RMB8,939,325,449.78, accounting for a significant part of the assets of the Company. For long-term equity investments with indications of impairment, the Company implemented an impairment test on these long-term equity investments and hired an independent appraiser to evaluate the invested enterprises in order to determine the fair value. The key factors of the assessment affecting the uncertainty of significant accounting estimates include the Enterprise Value/Earnings Before Interest, Taxes, Depreciation and Amortization Ratio (EV/EBIDTA), liquidity discount rates and others. Therefore, we considered the issue as a key audit matter. The disclosures related to the impairment of long-term equity investments mentioned above are included in Note III, 19. Impairment of long-term assets, Note III, 34(9) Impairment of long-term equity investments and Note V 15. Long-term equity investments.</p>	<p>In the course of our audit, we carried out the following work on this matter:</p> <ol style="list-style-type: none"> 1) We reviewed the operation and market values of the invested enterprises and discussed with management in order to assess whether there was an existing impairment indicator of the long-term equity investments at the end of the reporting period. 2) For the long-term equity investment with signs of impairment, we obtained the financial statements and appraisal report of invested enterprises at the end of the reporting period, By reviewing the reporting deliverables of invested enterprises' auditors("the component auditors") and working papers in accordance with the group audit instruction, we evaluated the sufficiency and appropriateness of the component auditors' audit procedures for the purpose of our audit of the consolidated financial statements and discussed with the component auditors their audit findings and conclusions with regard to their audit; 3) We obtained the appraisal report of the invested enterprises' shareholder equity issued by the independent asset appraisers, invited our internal evaluation experts to review the evaluation methods, key parameters and calculations adopted, and compared key hypothesis data with public data from the third parties; 4) We reviewed the qualifications, professional competence and independence of the asset appraisers; 5) We evaluated the adequacy of disclosures of the considerations and on the impairment of long-term equity investments in the financial statements.

Auditor's Report

2020

(III). KEY AUDIT MATTERS (CONTINUED)

Key audit matters:	How our audit addressed the key audit matters
2. Business combinations not involving enterprises under common control	
1) Shenzhen Expressway environmental Co., Ltd. ("Environmental company", a subsidiary of Shenzhen Expressway Co., Ltd), Beijing Waterland Technology Co., Ltd. ("Beijing Waterland"), Zhengzhou Cida Environmental Protection Technology Co., Ltd. ("Zhengzhou Cida), Shi Junying, Shi Junhua and the others entered into an acquisition agreement. On 20 January 2020, Environmental company completed the procedures of equity acquisition and capital increase, substantially controlled Bioland Environmental Technologies Group Corp., Ltd. ("Bioland Company") and enjoyed relevant benefits and assumed relevant risks. After the completion of the transaction under the equity merger and acquisition agreement, Environmental Company finally held 67.14% equity of Bioland Company, with a total transaction consideration of RMB798,137,126.60.	<p>In the course of our audit, we carried out the following work on this matter:</p> <p>1) We obtained and reviewed the equity transfer agreements, equity transfer agreement related to equity acquisition, registration form of industrial and commercial alteration, articles of association of the subject company around the alteration, resolutions of shareholders' meeting and directors' meeting, the payment documents for the acquisition considerations, property rights transfer procedures, etc., checked whether the relevant legal procedures were completed, and discussed with management on the determination of the acquisition dates;</p> <p>2) We reviewed the qualifications, professional competence and independence of the asset appraisers;</p> <p>3) We obtained and checked the identifiable assets and liabilities assessment report of the acquired company, reviewed the rationality and completeness of the financial forecast assumptions involved in the assessment, and invite our internal assessment experts to assess the important assumptions and key coefficients involved in the application, our internal assessment experts selected a series of comparable companies in the same industry for reference and data calculation;</p>
2) Shenzhen Expressway Operation Development Co., Ltd. ("Operation Development Company", a subsidiary of Shenzhen Expressway Co., Ltd.) and Guangdong Boyuan Construction Engineering Co., Ltd. ("Guangdong Boyuan") former shareholder Cui Gangxian, signed an equity transfer agreement. On 14 August 2020, Operation Development Company completed the equity acquisition and procedures, essentially controlled Guangdong Boyuan, enjoyed the relevant benefits and assumed the relevant risks. After the completion of the transaction under the equity merger and acquisition agreement, Operation Development Company finally held 60% equity of Guangdong Boyuan, with a total transaction consideration of RMB6,990,900.00.	

(III). KEY AUDIT MATTERS (CONTINUED)

Key audit matters:	How our audit addressed the key audit matters
2. Business combinations not involving enterprises under common control (continued)	
3) Shenzhen Expressway Construction Environmental Development Co., Ltd. (“the Infrastructure Environmental Development Company”, a subsidiary of Shenzhen Expressway Co., Ltd.) and Shenzhen Qiantai Renewable Energy Technology Co., Ltd. (“Shenzhen Qiantai”) and Guangdong Peoples Together Investment Co., Ltd. (“Peoples Together”) signed an equity merger agreement. On 16 December 2020, the Infrastructure Environmental Development Company completed the equity acquisition and capital increase procedures and essentially controlled Shenzhen Shenshan Special Corporation Zone Qiantai Technology Co., Ltd. (“Qiantai Company”) and enjoyed the relevant benefits and assumed the relevant risks. After the completion of the transaction under the equity merger agreement, the Infrastructure Environmental Development Company finally held 50% of the equity of Qiantai Company, with a total transaction consideration of RMB217,780,961.85.	4) We obtained and reviewed the financial statements of the companies acquired on the acquisition date and their asset valuation reports, and conducted audit procedures on the financial statements of the companies acquired on the acquisition date, checked the reasonableness of the allocation of acquisition costs among the identifiable assets and liabilities, and reviewed the consolidation accounting treatment on the acquisition date; 5) We evaluated the adequacy of the relevant acquisition disclosures in the financial statements.

The above-mentioned equity acquisition transactions involved business combinations not involving enterprises under common control. The group need to determine the purchase date of the business combination and the allocation of acquisition costs among each identifiable asset and liability, etc. Shenzhen Expressway Limited employed the independent asset appraiser to evaluate the acquiree to determine the fair value of its identifiable assets and liabilities, including cash flow forecasting and discount rate assumptions and estimates. Therefore, we considered this as a key audit matter. The disclosures of the above acquisitions are included in Note III.5. Business Combinations and Note VI.1. Business combinations not under common control.

Auditor's Report

2020

(IV). OTHER INFORMATION

The management of the Company is responsible for the other information. The other information comprises the information included in the annual report, other than the financial statements and our auditor's report thereon. We have already obtained the A-share 2020 annual report before the auditor's report date, and the H-share 2020 annual report is expected to be provided to us after the auditor's report date.

Our opinion on the financial statements does not cover the other information and we do not express any form of assurance conclusion thereon.

In connection with our audit of the financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated.

If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

(V). RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

The management of the Company is responsible for the preparation and fair presentation of the financial statements in accordance with ASBEs, and for designing, implementing and maintaining 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.

In preparing the financial statements, management is responsible for assessing the Company's ability to continue as a going concern, disclosing, as applicable, matters related to going concern and using the going concern basis of accounting, unless management either intends to liquidate the Group or to cease operations or has no realistic alternative but to do so.

Those charged with governance are responsible for overseeing the process of the Company's financial reporting.

(VI). AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not a guarantee that an audit conducted in accordance with CSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are generally considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these financial statements.

(VI). AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

As part of an audit in accordance with CSAs, we exercise professional judgement and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by management.
- (4) Conclude on the appropriateness of management's use of the going concern basis of accounting, and based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the financial statements. If such disclosures are inadequate, the opinion should not be unmodified. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Company to cease to continue as a going concern.
- (5) Evaluate the overall presentation, structure and content of the financial statements, including the disclosures and whether the financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

We communicate with those charged with governance regarding, the planned scope and timing of the audit and significant audit findings. The communications include any significant deficiencies in internal control that we identify during our audit.



Auditor's Report

2020

(VI). AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS (CONTINUED)

We also provide those charged with governance with a statement that we have complied with relevant ethical requirements regarding independence and to communicate with them all relationships and other matters that may reasonably be thought to bear on our independence, and where applicable, related safeguards.

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements of the current period and are therefore the key audit matters. We describe these matters in our auditor's report unless law or regulation precludes public disclosure about the matter or when, in extremely rare circumstances, we determine that a matter should not be communicated in our report because the adverse consequences of doing so would reasonably be expected to outweigh the public interest benefits of such communication.

Ernst & Young Hua Ming LLP

Chinese Certified Public Accountant: Xie Feng
(Engagement Partner)

Beijing, the People's Republic of China
24 March 2021

Chinese Certified Public Accountant: Liang Chang'e



Consolidated Statement of Financial Position

2020
(RMB)

Item	Note	31 December 2020	31 December 2019 (Restated)
Current assets :			
Cash at banks and on hand	V.1	5,549,304,352.44	4,779,129,953.96
Transactional financial assets	V.2	–	62,689,444.00
Bills receivable	V.3	378,532,713.65	9,895,060.34
Accounts receivable	V.4	798,070,361.76	789,334,048.57
Prepayments	V.5	403,190,304.27	335,836,766.05
Other receivables	V.6	773,039,332.04	522,976,116.30
Inventories	V.7	939,799,846.74	724,293,477.40
Contract assets	V.8	344,065,793.25	187,763,917.15
Assets held for sale	V.9	494,662,913.71	–
Non-current assets due within one year	V.10	74,870,082.79	176,339,894.25
Other current assets	V.11	325,722,991.02	247,715,780.63
Total current assets		10,081,258,691.67	7,835,974,458.65
Non-current assets:			
Long-term prepayments	V.12	318,301,869.39	360,050,431.14
Long-term receivables	V.13	997,354,914.31	433,144,452.90
Other non-current financial assets	V.14	1,605,891,286.54	217,939,080.00
Long-term equity investments	V.15	8,939,325,449.78	8,706,289,341.73
Investment properties	V.16	11,222,998.80	11,798,941.20
Fixed assets	V.17	3,493,301,179.79	2,871,815,153.51
Construction in progress	V.18	123,595,758.16	15,938,914.56
Right-of-use assets	V.19	139,306,754.99	152,870,380.46
Intangible assets	V.20	26,853,518,315.85	23,603,411,519.77
Development expenditure		1,856,946.00	–
Goodwill	V.21	156,039,775.24	156,039,775.24
Long-term prepaid expenses		59,662,232.25	32,405,392.30
Deferred income tax assets	V.22	593,773,910.48	655,007,680.73
Other non-current assets	V.23	1,770,551,959.38	605,728,136.72
Total non-current assets		45,063,703,350.96	37,822,439,200.26
Total assets		55,144,962,042.63	45,658,413,658.91

Consolidated Statement of Financial Position

2020
(RMB)

Item	Note	31 December 2020	31 December 2019 (Restated)
Current liabilities:			
Short-term borrowings	V.24	1,341,218,126.43	363,877,741.65
Transactional financial liabilities	V.2	83,677,813.21	–
Notes payable	V.25	295,467,331.39	131,749,731.69
Accounts payable	V.26	1,869,889,416.15	983,440,109.43
Contract liabilities	V.27	319,853,971.11	953,225,966.42
Employee benefits payable	V.28	281,972,189.76	288,511,044.14
Payable taxes	V.29	565,789,757.10	261,897,258.24
Other Payables	V.30	3,570,365,680.07	3,189,731,830.23
Non-current liabilities due within one year	V.31	3,665,798,518.83	505,101,989.80
Other current liabilities	V.32	2,041,455,397.33	–
Total current liabilities		14,035,488,201.38	6,677,535,671.60
Non-current liabilities:			
Long-term borrowings	V.33	6,511,333,267.55	9,031,815,479.53
Bonds payable	V.34	3,792,324,357.82	4,676,256,207.56
Long-term payables	V.35	2,234,299,535.22	2,217,015,191.85
Long-term employee benefits payable	V.36	114,813,411.45	105,824,300.00
Lease liabilities	V.37	104,653,671.67	118,269,744.66
Estimated debts	V.38	165,626,186.20	10,284,566.66
Deferred revenue	V.39	608,186,171.37	616,021,048.73
Deferred income tax liabilities	V.22	1,299,127,356.20	1,157,482,536.08
Total non-current liabilities		14,830,363,957.48	17,932,969,075.07
Total liabilities		28,865,852,158.86	24,610,504,746.67
Shareholders' equity			
Equity	V.40	2,180,770,326.00	2,180,770,326.00
Other equity instruments	V.41	4,000,000,000.00	–
Including: perpetual debt		4,000,000,000.00	–
Capital reserves	V.42	6,003,524,259.38	6,280,676,402.09
Other comprehensive income	V.43	868,945,190.79	916,005,374.46
Surplus reserves	V.44	2,711,599,472.69	2,617,808,817.01
Undistributed profit	V.45	7,278,102,534.06	6,530,627,585.70
Total shareholders' equity attributable to the parent company		23,042,941,782.92	18,525,888,505.26
Minority interests		3,236,168,100.85	2,522,020,406.98
Total shareholders' equity		26,279,109,883.77	21,047,908,912.24
Total liabilities and shareholders' equity		55,144,962,042.63	45,658,413,658.91

The accompanying notes are an integral part of these financial statements

These financial statements are signed by:

Legal representative:
Hu Wei

Chief financial officer:
Zhao Guiping

Head of accounting department:
Li Xiaojun

Company Statement of Financial Position

2020
(RMB)

Item	Notes	31 December 2020	31 December 2019
Current assets			
Cash at banks and on hand		1,365,622,853.05	1,309,001,086.11
Transactional financial assets		–	62,689,444.00
Accounts receivable	XIV.1	20,151,041.12	16,170,543.00
Prepayments		21,750,910.62	15,546,278.08
Other receivables	XIV.2	1,319,653,642.94	1,005,795,909.83
Inventories		1,263,019.74	776,373.15
Contract assets		134,830,169.45	115,303,836.38
Assets held for sale		494,662,913.71	–
Other current assets		–	13,771,786.56
Total current assets		3,357,934,550.63	2,539,055,257.11
Non-current assets			
Long-term prepayments		206,552,739.53	80,469,002.23
Long-term receivables		6,014,995,341.30	4,503,665,771.45
Long-term equity investments	XIV.3	25,003,745,962.67	19,741,522,254.89
Other non-current financial assets		1,571,963,316.54	217,939,080.00
Investment properties		11,222,998.80	11,798,941.20
Fixed assets		154,670,681.46	159,982,306.36
Construction in progress		–	2,398,709.49
Right-of-use assets		23,040,119.83	32,330,237.50
Intangible assets		187,570,677.62	219,274,003.05
Development expenditures		1,856,946.00	–
Long-term prepaid expenses		16,421,680.05	1,144,174.07
Deferred tax assets		84,546,531.11	62,996,204.64
Other current assets		152,054,832.31	–
Total non-current assets		33,428,641,827.22	25,033,520,684.88
Total assets		36,786,576,377.85	27,572,575,941.99

Company Statement of Financial Position

2020
(RMB)

Item	Notes	31 December 2020	31 December 2019
Current liabilities			
Short-term borrowings		601,857,503.53	–
Transactional financial liabilities		83,677,813.21	–
Accounts payable		62,687,911.59	19,760,352.78
Contract liabilities		–	2,411,761.00
Employee benefits payable		96,584,656.04	101,746,485.90
Taxes payable		38,268,742.63	14,883,928.57
Other payables		1,710,725,016.45	2,046,947,507.14
Current portion of non-current liabilities		3,315,629,370.65	155,386,860.13
Other current liabilities		2,018,087,592.62	–
Total current liabilities		7,927,518,606.72	2,341,136,895.52
Non-current liabilities			
Long-term borrowings		4,658,608,867.55	4,015,858,867.55
Bonds payable		3,792,324,357.82	4,676,256,207.56
Long-term payables		1,948,950,517.48	1,618,960,000.00
Long-term employee benefits payable		69,517,451.40	59,000,200.00
Lease liabilities		19,098,409.12	28,620,243.26
Provision		29,708,258.21	–
Deferred income		272,250,747.47	291,504,931.35
Deferred Tax Liability		40,123,832.92	–
Total non-current liabilities		10,830,582,441.97	10,690,200,449.72
Total liabilities		18,758,101,048.69	13,031,337,345.24
Owners' equity			
Share capital	V.40	2,180,770,326.00	2,180,770,326.00
Other equity instruments	V.41	4,000,000,000.00	–
Including: permanent debt		4,000,000,000.00	–
Capital surplus		2,978,192,273.96	3,279,942,664.85
Other comprehensive income		-14,148,065.97	770,798.03
Surplus reserve	V.44	2,711,599,472.69	2,617,808,817.01
Undistributed profits		6,172,061,322.48	6,461,945,990.86
Total owners' equity		18,028,475,329.16	14,541,238,596.75
Total liabilities and owners' equity		36,786,576,377.85	27,572,575,941.99

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

These financial statements are signed by:

Legal representative:
Hu Wei

Chief financial officer:
Zhao Guiping

Head of accounting department:
Li Xiaojun

Consolidated Income Statement

2020
(RMB)

Item	Notes	2020	2019 (Restated)
1. Total revenue	V.46	8,026,737,099.99	6,390,295,110.82
2. Total costs		6,247,745,214.15	4,625,148,989.65
Including: Cost of services	V.46	5,214,517,013.16	3,585,544,228.47
Taxes and surcharges	V.47	66,849,496.88	55,168,145.30
Selling expenses		53,050,692.24	27,304,777.79
General and administrative expenses	V.48	363,086,346.32	350,922,800.60
Research and development expenses	V.49	58,693,733.78	18,474,814.08
Financial expenses	V.50	491,547,931.77	587,734,223.41
Including: Interest expense		696,585,411.91	616,906,852.64
Interest income		-61,078,272.26	-52,098,081.71
Add: Other income	V.51	46,895,088.75	8,563,991.88
Investment income	V.52	937,363,288.55	1,242,672,036.85
Including: Share of profits of associates and joint ventures	V.15	880,729,972.60	899,684,300.39
Gain or loss from changes in fair value (loss shown with "-")	V.53	-2,343,020.67	81,086,510.00
Credit impairment losses (loss shown with "-")	V.54	-48,205,059.78	-5,435,762.42
Asset impairment loss (loss shown with "-")	V.55	-116,143.51	-552,000,000.00
Gains or loss on disposal of assets (loss shown with "-")		74,529.31	386,045.39
3. Operating profits		2,712,660,568.49	2,540,418,942.87
Add: Non-operating income	V.56	11,048,942.94	12,446,180.50
Less: Non-operating expenses	V.57	14,243,130.20	12,266,950.23
4. Total profit		2,709,466,381.23	2,540,598,173.14
Less: Income tax expenses	V.59	473,910,634.04	-68,080,046.28
5. Net profit		2,235,555,747.19	2,608,678,219.42
Including: net profit before the merger of the merged party in a business combination under common control		43,219,171.98	72,194,997.65
(1) Classified by business continuity			
Net profit from continuing operations (loss shown with "-")		2,235,555,747.19	2,608,678,219.42
(2) Classified by ownership			
Net profit attributable to owners of the Company		2,054,523,306.30	2,564,317,594.25
Minority interests		181,032,440.89	44,360,625.17

Consolidated Income Statement

2020
(RMB)

Item	Notes	2020	2019 (Restated)
6. Other comprehensive income after tax (loss shown with "-")		-47,060,183.67	34,629,387.26
Other comprehensive income after tax attributable to owners of the company		-47,060,183.67	34,629,387.26
Items that may be reclassified subsequently to profit or loss		-47,060,183.67	34,629,387.26
Including: Foreign exchange gain/loss	V.43	-5,459,626.18	1,407,655.27
Share of other comprehensive income from investees accounted for the equity method to be reclassified to profit or loss in the subsequent period	V.43	-41,600,557.49	33,221,731.99
7. Total comprehensive income		2,188,495,563.52	2,643,307,606.68
Total comprehensive income attributable to owners of the Company		2,007,463,122.63	2,598,946,981.51
Total comprehensive income attributable to minority interests		181,032,440.89	44,360,625.17
8. Earnings per share			
Basic earnings per share (RMB/share)	V.64(1)	0.94	1.18
Diluted earnings per share (RMB/share)	V.64(1)	0.94	1.18

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

These financial statements are signed by:

Legal representative:
Hu Wei

Chief financial officer:
Zhao Guiping

Head of accounting department:
Li Xiaojun

Company Income Statement

2020
(RMB)

Item	Notes	2020	2019
1. Total revenue	XIV.4	748,753,621.85	847,458,688.26
Less: Cost of services	XIV.4	278,167,368.83	304,766,868.20
Tax and surcharges		4,531,940.97	5,870,527.93
General and administrative expenses		214,880,143.28	253,094,815.03
Financial expenses		126,603,248.48	212,540,305.49
Including: Interest expense		521,950,889.21	335,770,080.64
Interest income		-263,575,094.42	-169,176,987.11
Add: Other income		33,448,014.58	1,411,793.31
Investment income	XIV.5	888,967,922.38	1,274,784,245.06
Including: Share of profits of associates and joint ventures		655,401,158.35	705,905,909.94
Gain or loss from changes in fair value (loss shown with "-")		-42,343,020.67	55,086,510.00
Gains or loss on disposal of assets		12,978.64	401,073.56
2. Operating profit		1,004,656,815.22	1,402,869,793.54
Add: Non-operating income		1,349,035.86	334,300.41
Less: Non-operating expenses		1,826,249.17	883,418.11
3. Total profit		1,004,179,601.91	1,402,320,675.84
Less: Income tax expenses		51,961,933.98	40,883,108.64
4. Net profit		952,217,667.93	1,361,437,567.20
Net profit from continuing operations		952,217,667.93	1,361,437,567.20
5. Other comprehensive income (loss shown with "-")		-14,918,864.00	-1,175,383.96
Items that may be reclassified subsequently to profit or loss		-5,330,956.40	-1,175,383.96
Including: Share of other comprehensive income from investees accounted for the equity method to be reclassified to profit or loss in the subsequent period		-5,330,956.40	-1,175,383.96
6. Total comprehensive income		937,298,803.93	1,360,262,183.24

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

These financial statements are signed by:

Legal representative:
Hu Wei

Chief financial officer:
Zhao Guiping

Head of accounting department:
Li Xiaojun

Consolidated Statement of Cash Flows

2020
(RMB)

Item	Notes	2020	2019 (Restated)
1. Cash flows from operating activities:			
Cash received from rendering services and selling goods		5,224,541,330.86	5,617,980,236.44
Refund of taxes		9,055,921.31	10,311,510.97
Cash received relating to other operating activities	V.60(1)	392,344,240.69	80,459,082.50
Sub-total of cash inflows		5,625,941,492.86	5,708,750,829.91
Cash paid for goods and services		2,431,058,268.63	1,503,309,464.74
Cash paid to and on behalf of employees		813,081,462.48	717,728,043.38
Payments of taxes and surcharges		563,904,568.19	1,058,003,538.90
Cash paid relating to other operating activities	V.60(2)	717,263,260.49	734,352,445.83
Sub-total of cash outflows		4,525,307,559.79	4,013,393,492.85
Net cash flows used in operating activities	V.61(1)	1,100,633,933.07	1,695,357,337.06
2. Cash flows from investing activities			
Cash received from recovery of investments		113,918,059.94	710,881,506.16
Cash received from returns on investments		306,114,819.30	425,251,397.49
Net cash received from disposal of fixed assets intangible assets and other long-term assets		1,262,708.09	1,699,012,279.00
Net cash flows from disposal of subsidiaries and other business units	V.60(3)	156,010,000.00	567,000,000.00
Cash received relating to other investing activities	V.60(4)	107,350,604.72	382,928,403.86
Sub-total of cash inflows		684,656,192.05	3,785,073,586.51
Cash paid to acquire fixed assets, intangible assets and other long-term assets		2,483,911,608.02	1,621,704,789.93
Payments for investing activities		2,028,234,088.71	363,126,864.49
Cash paid to acquire subsidiaries and other business units	V.60(5)	453,525,734.29	–
Cash paid relating to other investing activities	V.60(6)	149,816,594.72	2,026,976,098.65
Sub-total of cash outflows		5,115,488,025.74	4,011,807,753.07
Net cash flows used in investing activities		-4,430,831,833.69	-226,734,166.56

Item	Notes	2020	2019 (Restated)
3. Cash flows from financing activities			
Cash received from absorbing investment		4,030,790,067.00	2,205,000.00
Cash received from borrowings		12,012,675,519.46	4,857,576,249.18
Cash received relating to other financing activities	V.60(7)	445,900,000.00	2,569,790,000.00
Sub-total of cash inflows		16,489,365,586.46	7,429,571,249.18
Cash repayments of borrowings		9,447,323,816.64	4,567,023,779.19
Cash payments for interest expenses and distribution of dividends or profits		1,920,539,452.58	2,336,361,865.92
Including: Dividends and profits paid by subsidiaries to minority shareholders		127,272,394.51	153,885,579.25
Cash payments relating to other financing activities	V.60(8)	1,533,223,757.72	1,680,402,187.93
Sub-total of cash outflows		12,901,087,026.94	8,583,787,833.04
Net cash flows used in financing activities		3,588,278,559.52	-1,154,216,583.86
4. Effect of foreign exchange rate changes on cash and cash equivalents		-2,334,372.36	113,118.38
5. Net increase in cash and cash equivalents	V.61(1).2	255,746,286.54	314,519,705.02
Add: Cash and cash equivalents at beginning of year		2,977,834,893.73	2,663,315,188.71
6. Cash and cash equivalents at end of year	V.62(1).2	3,233,581,180.27	2,977,834,893.73

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

These financial statements are signed by:

Legal representative:
Hu Wei

Chief financial officer:
Zhao Guiping

Head of accounting department:
Li Xiaojun

Company Statement of Cash Flows

2020
(RMB)

Item	Notes	2020	2019
1. Cash flows from operating activities			
Cash received from selling goods and rendering services		411,736,643.63	798,453,954.44
Cash received relating to other operating activities		1,621,908,100.32	2,398,164,503.30
Sub-total of cash inflows		2,033,644,743.95	3,196,618,457.74
Cash paid for goods and services		91,944,300.64	88,113,186.77
Cash paid to and on behalf of employees		218,471,575.93	219,375,894.78
Payments of taxes and surcharges		43,596,759.47	129,354,240.36
Cash paid relating to other operating activities		1,389,384,766.00	2,783,675,175.29
Sub-total of cash outflows		1,743,397,402.04	3,220,518,497.20
Net cash flows from operating activities		290,247,341.91	-23,900,039.46
2. Cash flows from investing activities			
Cash received from recovery of investments		156,010,000.00	622,570,553.84
Cash received from returns on investments		300,288,849.79	427,627,287.90
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		3,500.00	932,730,318.97
Cash received relating to other investing activities		2,242,504,940.76	1,315,343,863.53
Sub-total of cash inflows		2,698,807,290.55	3,298,272,024.24
Cash paid to acquire fixed assets, intangible assets and other long-term assets		138,562,417.10	102,597,953.29
Payments for investing activities		6,986,405,267.59	4,758,950,000.67
Cash paid relating to other investing activities		3,759,314,703.05	2,286,832,118.97
Sub-total of cash outflows		10,884,282,387.74	7,148,380,072.93
Net cash flows from investing activities		-8,185,475,097.19	-3,850,108,048.69
3. Cash flows from financing activities			
Cash received from absorbing investment		4,000,000,000.00	-
Cash received from borrowings		8,298,070,797.56	4,438,000,000.00
Cash received relating to other financing activities		635,900,000.00	4,274,290,000.00
Sub-total of cash inflows		12,933,970,797.56	8,712,290,000.00
Cash repayments of borrowings		2,688,000,000.00	689,954,545.45
Cash payments for interest expenses and distribution of dividends or profits		1,545,367,456.34	1,882,670,260.13
Cash payments relating to other financing activities		745,891,639.05	2,190,993,833.63
Sub-total of cash outflows		4,979,259,095.39	4,763,618,639.21
Net cash flows from financing activities		7,954,711,702.17	3,948,671,360.79
4. Effect of foreign exchange rate changes on cash and cash equivalents		-5,090.24	-80.34
5. Net increase in cash and cash equivalents		59,478,856.65	74,663,192.30
Add: Cash and cash equivalents at beginning of year		1,267,105,113.94	1,192,441,921.64
6. Cash and cash equivalents at end of year		1,326,583,970.59	1,267,105,113.94

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

These financial statements are signed by:

Legal representative:
Hu Wei

Chief financial officer:
Zhao Guiping

Head of accounting department:
Li Xiaojun

Consolidated Statement of Changes in Equity

2020
(RMB)

Item	2020									
	Attributable to owners of the Company								Minority interests	Total owners' equity
	Share capital	Other equity instruments	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Subtotal			
1. Ending balance on 31 December 2020	2,180,770,326.00	-	6,220,711,401.21	916,005,374.46	2,617,808,817.01	6,439,246,724.95	18,374,542,643.63	2,348,729,616.21	20,723,272,259.84	
Add: Business combination under common control	-	-	59,965,000.88	-	-	91,380,860.75	151,345,861.63	173,290,790.77	324,636,652.40	
2. Beginning balance on 1 January 2020	2,180,770,326.00	-	6,280,676,402.09	916,005,374.46	2,617,808,817.01	6,530,627,585.70	18,525,888,505.26	2,522,020,406.98	21,047,908,912.24	
3. Increases/decreases in the current year ("-" for decreases)	-	4,000,000,000.00	-277,152,142.71	-47,060,183.67	93,790,655.68	747,474,948.36	4,517,053,277.66	714,147,693.87	5,231,200,971.53	
(1) Total comprehensive income	-	-	-	-47,060,183.67	-	2,054,523,306.30	2,007,463,122.63	181,032,440.89	2,188,495,563.52	
1. Net profit	-	-	-	-	-	2,054,523,306.30	2,054,523,306.30	181,032,440.89	2,235,555,747.19	
2. Other comprehensive income	-	-	-	-47,060,183.67	-	-	-47,060,183.67	-	-47,060,183.67	
(2) Profit distribution (Note V.45)	-	-	-	-	93,790,655.68	-1,307,048,357.94	-1,213,257,702.26	-127,272,394.51	-1,340,530,096.77	
1. Withdrawal of surplus reserve	-	-	-	-	93,790,655.68	-93,790,655.68	-	-	-	
2. Profit distribution to equity owners	-	-	-	-	-	-1,198,946,591.15	-1,198,946,591.15	-127,272,394.51	-1,326,218,985.66	
3. Profit distribution to perpetual bond	-	-	-	-	-	-14,311,111.11	-14,311,111.11	-	-14,311,111.11	
(3) Capital invested and reduced by shareholders	-	4,000,000,000.00	-429,089,399.70	-	-	-	3,570,910,600.30	660,387,647.49	4,231,298,247.79	
1. Capital invested by shareholders	-	-	-1,011,521.33	-	-	-	-1,011,521.33	31,801,588.33	30,790,067.00	
2. Capital reduced by shareholders	-	-	-	-	-	-	-	-29,749,845.09	-29,749,845.09	
3. Capital invested by holders of other equity instruments-perpetual bonds	-	4,000,000,000.00	-	-	-	-	4,000,000,000.00	-	4,000,000,000.00	
4. Business combination under common control	-	-	-428,077,878.37	-	-	-	-428,077,878.37	-	-428,077,878.37	
5. Business combination not under common control (Note VI.1)	-	-	-	-	-	-	-	658,335,904.25	658,335,904.25	
(4) Others	-	-	151,937,256.99	-	-	-	151,937,256.99	-	151,937,256.99	
1. Other changes in equity of associates (Note V.15(b))	-	-	151,937,256.99	-	-	-	151,937,256.99	-	151,937,256.99	
4. Ending balance on 31 December 2020	2,180,770,326.00	4,000,000,000.00	6,003,524,259.38	868,945,190.79	2,711,599,472.69	7,278,102,534.06	23,042,941,782.92	3,236,168,100.85	26,279,109,883.77	

Consolidated Statement of Changes in Equity

2020
(RMB)

Item	2019							
	Attributable to owners of the Company						Minority interests	Total owners' equity
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Subtotal		
1. Ending balance on 31 December 2018	2,180,770,326.00	6,219,027,132.41	881,375,987.20	2,481,665,060.29	5,624,252,437.38	17,387,090,943.28	2,152,661,784.07	19,539,752,727.35
Add: Business combination under common control	-	59,965,000.88	-	-	26,548,242.25	86,513,243.13	169,813,990.87	256,327,234.00
2. Beginning balance on 1 January 2019	2,180,770,326.00	6,278,992,133.29	881,375,987.20	2,481,665,060.29	5,650,800,679.63	17,473,604,186.41	2,322,475,774.94	19,796,079,961.35
3. Increases/decreases in the current year ("-" for decreases)	-	1,684,268.80	34,629,387.26	136,143,756.72	879,826,906.07	1,052,284,318.85	199,544,632.04	1,251,828,950.89
(1) Total comprehensive income	-	-	34,629,387.26	-	2,564,317,594.25	2,598,946,981.51	44,360,625.17	2,643,307,606.68
1. Net profit	-	-	-	-	2,564,317,594.25	2,564,317,594.25	44,360,625.17	2,608,678,219.42
2. Other comprehensive income	-	-	34,629,387.26	-	-	34,629,387.26	-	34,629,387.26
(2) Profit distribution (Note V.45)	-	-	-	136,143,756.72	-1,684,490,688.18	-1,548,346,931.46	-153,885,579.25	-1,702,232,510.71
1. Withdrawal of surplus reserve	-	-	-	136,143,756.72	-136,143,756.72	-	-	-
2. Profit distribution to equity owners	-	-	-	-	-1,548,346,931.46	-1,548,346,931.46	-153,885,579.25	-1,702,232,510.71
(3) Capital invested and reduced by shareholders	-	-	-	-	-	-	309,069,586.12	309,069,586.12
1. Capital invested by shareholders	-	-	-	-	-	-	-	-
2. Capital reduced by shareholders	-	-	-	-	-	-	-31,009,845.84	-31,009,845.84
3. Business combination not under common control	-	-	-	-	-	-	340,079,431.96	340,079,431.96
(4) Others	-	1,684,268.80	-	-	-	1,684,268.80	-	1,684,268.80
1. Other changes in equity of associates	-	1,684,268.80	-	-	-	1,684,268.80	-	1,684,268.80
4. Ending balance on 31 December 2019	2,180,770,326.00	6,280,676,402.09	916,005,374.46	2,617,808,817.01	6,530,627,585.70	18,525,888,505.26	2,522,020,406.98	21,047,908,912.24

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

These financial statements are signed by:

Legal representative:
Hu Wei

Chief financial officer:
Zhao Guiping

Head of accounting department:
Li Xiaojun

Company Statement of Changes in Equity

2020
(RMB)

2020

Item	2020						Total owners' equity
	Share capital	Other equity instruments	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	
1. Beginning balance on 1 January 2020	2,180,770,326.00	-	3,279,942,664.85	770,798.03	2,617,808,817.01	6,461,945,990.86	14,541,238,596.75
2. Increases/decreases during the year ("-" for decreases)	-	4,000,000,000.00	-301,750,390.89	-14,918,864.00	93,790,655.68	-289,884,668.38	3,487,236,732.41
(1) Total comprehensive income	-	-	-	-14,918,864.00	-	952,217,667.93	937,298,803.93
1. Net profit	-	-	-	-	-	952,217,667.93	952,217,667.93
2. Other comprehensive income	-	-	-	-14,918,864.00	-	-	-14,918,864.00
(2) Profit distribution (Note V,45)	-	-	-	-	93,790,655.68	-1,242,102,336.31	-1,148,311,680.63
1. Withdrawal of surplus reserve	-	-	-	-	93,790,655.68	-93,790,655.68	-
2. Profit distribution to equity owners	-	-	-	-	-	-1,134,000,569.52	-1,134,000,569.52
3. Profit distribution to perpetual payment interest	-	-	-	-	-	-14,311,111.11	-14,311,111.11
(3) Shareholders invested and reducing capital	-	4,000,000,000.00	-301,750,390.89	-	-	-	3,698,249,609.11
1. Other equity tool holders put into capital – perpetual debts	-	4,000,000,000.00	-	-	-	-	4,000,000,000.00
2. Business combination under common control	-	-	-301,750,390.89	-	-	-	-301,750,390.89
3. Ending balance on 31 December 2020	2,180,770,326.00	4,000,000,000.00	2,978,192,273.96	-14,148,065.97	2,711,599,472.69	6,172,061,322.48	18,028,475,329.16

2019

Item	2019						Total owners' equity
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit		
1. Ending balance on 31 December 2018	2,180,770,326.00	3,279,942,664.85	1,946,181.99	2,481,665,060.29	6,784,999,111.84	14,729,323,344.97	
2. Increases/decreases during the year ("-" for decreases)	-	-	-1,175,383.96	136,143,756.72	-323,053,120.98	-188,084,748.22	
(1) Total comprehensive income	-	-	-1,175,383.96	-	1,361,437,567.20	1,360,262,183.24	
1. Net profit	-	-	-	-	1,361,437,567.20	1,361,437,567.20	
2. Other comprehensive income	-	-	-1,175,383.96	-	-	-1,175,383.96	
(2) Profit distribution (Note V,45)	-	-	-	136,143,756.72	-1,684,490,688.18	-1,548,346,931.46	
1. Withdrawal of surplus reserve	-	-	-	136,143,756.72	-136,143,756.72	-	
2. Profit distribution to equity owners	-	-	-	-	-1,548,346,931.46	-1,548,346,931.46	
3. Ending balance on 31 December 2019	2,180,770,326.00	3,279,942,664.85	770,798.03	2,617,808,817.01	6,461,945,990.86	14,541,238,596.75	

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

These financial statements are signed by:

Legal representative:
Hu Wei

Chief financial officer:
Zhao Guiping

Head of accounting department:
Li Xiaojun

Notes to Financial Statements

2020
(RMB)

I. GENERAL INFORMATION

Shenzhen Expressway Company Limited (the “Company”) was established as a joint stock limited company in Guangdong Province, the People’s Republic of China (the “PRC”) on 30 December 1996. The Company has its H shares and A shares listed on the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange of the PRC, respectively. The address of its registered office is Fumin Toll Station, Fucheng Subdistrict, Longhua District, Shenzhen, the PRC. The head office of the Company is located at 2–4/F, Jiangu Building, Yitian Road, Futian District, Shenzhen, the PRC.

The principal activities of the Company and its subsidiaries (collectively the “Group”) are the construction, operation, management, investment of toll highways and environmental protection in China. The environmental business mainly includes solid waste treatment and clean energy.

Shenzhen International Holdings Limited (“Shenzhen International”) is the parent company of the Company. The State-owned Assets Supervision and Administration Commission of the People’s Government of Shenzhen Municipality (“Shenzhen SASAC”) is the ultimate controlling company of the Company.

These financial statements have been approved for issue by the Company’s Board of Directors on 24 March 2021.

The consolidation scope of the financial statements is determined on the basis of control. The detailed information of changes in the scope of consolidation is included in Note VI.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

These financial statements have been prepared in accordance with the “Accounting Standards for Business Enterprises – Basic Standards” issued by the Ministry of Finance and the subsequent issuance and revision of specific accounting standards, application guidelines, interpretations and other relevant provisions (collectively, “Accounting Standards for Business Enterprises”). In addition, the financial statements have been prepared in accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and regulations of the Hong Kong Companies Ordinance.

On 31 December 2020, The Group’s current liabilities exceeded its current assets by RMB3,954,229,509.71. The directors of the company have assessed that as the group can generate positive cash flow from operating activities, and the group still has unused bank credit lines of about RMB16.41 billion as at 31 December 2020, and the relevant banks have not made any reservation on the use of these credit lines, which can meet the financial needs of the group’s debt and capital commitments, the directors of the company consider that the group has not made any reservation on the use of these credit lines. There is no going concern in the group. Therefore, the company adopted the going concern basis in preparing the consolidated financial statements.

Except for certain financial instruments, the financial statements have been prepared using historical cost as the principle of measurement. A disposal group classified as held for sale is reported at the lower of the book value and the net amount of the fair value less the cost of the sale. Where assets are impaired, provisions for asset impairment are made in accordance with the relevant requirements.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

The Group adopts specific accounting policies and makes accounting estimates according to the characteristics of its business operations. The focus of the accounting policies and accounting is the criteria for assessing impairment of non-current assets (Note III. 19), depreciation policy for fixed assets and amortization policy for intangible assets (Note III. 14 and 18), measurement of provisions (Note III. 23), revenue recognition (Note III. 25) and recognition of deferred income tax assets (Note III. 29), etc.

The major accounting judgments and estimates adopted by the group in the application of important accounting policies, please see note III. 34 for details.

1. Statement of compliance with Accounting standards for Business Enterprises

The financial statements present truly and completely the financial position of the Group and the Company as at 31 December 2020, and the financial performance and the cash flows for the year ended 31 December 2020 in accordance with Accounting Standards for Business Enterprises.

2. Accounting period

The fiscal year of the Group begins on 1 January and ends on 31 December of the Gregorian calendar. This accounting period begins on 1 January 2020 and ends on 31 December 2020.

3. Normal operating cycle

Except for the real estate business, kitchen waste disposal construction projects and agent construction business, the Group's business has a relatively short operating cycle and takes 12 months as the standard for the liquidity division of assets and liabilities. The business cycle of real estate business is generally more than 12 months from real estate development to sales realization. The specific cycle is determined according to the development project, and the business cycle is taken as the criterion for the liquidity division of assets and liabilities. The business cycle of kitchen waste disposal construction projects and agent construction businesses is generally more than 12 months from project development to project completion. The specific cycle is determined according to the development of the project, and its business cycle is taken as the liquidity division standard of assets and liabilities.

4. Functional currency

The Company adopts Renminbi ("RMB") as its functional currency for preparing its financial statements except that Fameluxe Investment Company Limited ("Fameluxe Investment") adopts the Hong Kong dollar ("HKD") as its functional currency. The financial statements are denominated in RMB unless there is any special circumstance.

Notes to Financial Statements

2020
(RMB)

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

5. Business combinations

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

The accounting treatment of business combinations involving enterprises under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination involving entities under common control, the party that, on the combination date, obtains control of another entity participating in the combination is the merging party, the other combining enterprise(s) is(are) the merged party(parties). The combination date is the date on which the merging party actually obtains control of the merged party(parties). Assets and liabilities (including goodwill arising from the acquisition of the merged party by the ultimate controlling party) obtained by the merging party in a business combination shall be measured at their carrying amounts at the date of combination as recorded by the ultimate controlling party. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to share premium under capital surplus. If the capital surplus is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

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

If the enterprises participating in the merger are not ultimately controlled by the same party or the same parties before and after the merger, it is an enterprise merger under different control. In case of a combination of enterprises not under common control, the party that acquires the control right of the other enterprises participating in the merger on the purchase date is the purchaser, and the other enterprises participating in the merger are the purchaser. The term "purchase date" refers to the date on which the purchaser actually acquires the control right of the purchaser.

The acquirer shall measure the acquiree's identifiable assets, liabilities and contingent liabilities acquired in the business combination at their fair values on the acquisition date.

Where the fair value of combination consideration and the fair value of the equity interest held in the acquiree prior to the acquisition date exceed the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill, which is subsequently measured at cost less accumulated impairment losses. Where the fair value of combination consideration and the fair value of the equity interest held in the acquiree prior to the acquisition date are less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer first reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the fair value of combination consideration and the fair value of the equity interest held in the acquiree prior to the acquisition date. If the fair value of combination consideration and the fair value of the equity interest held in the acquiree prior to the acquisition date are still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets after the reassessment, the acquirer recognizes the difference immediately in profit or loss for the current period.

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

6. Consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. A subsidiary is an entity (including an entity, a separable part of an investee, and the structured entities controlled by the Company) which is under the control of the Company.

The accounting policies and accounting periods of the Company and subsidiaries are consistent in the preparation of the consolidated financial statements. All assets, liabilities, equity, income, expenses and cash flows arising from intra-group transactions are eliminated on consolidation.

When the amount of loss for the period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount is still charged against non-controlling interests.

For a subsidiary that is acquired in a business combination involving enterprises not under common control, the operating results and cash flows of the acquiree shall be consolidated into the consolidated financial statements from the date on which the Group takes control of acquiree to the date on which such control ceases. In the preparation of the consolidated financial statements, the financial statements of the subsidiary are adjusted based on the fair value of the subsidiary's identifiable assets, liabilities or contingent liabilities determined as at the acquisition date.

For a subsidiary that is acquired in a business combination involving enterprises under common control, the operating results and cash flows of the merged party shall be incorporated into the consolidated financial statements at the beginning of the current period. In the preparation of the consolidated financial statements, the relative items of the financial statements of the previous period are treated as if the merged party had been formed under the control of the Group at the very beginning.

If a change in any facts and circumstances gives rise to one or more changes in controlling factors, the Group will reassess whether it controls the investee or not.

Change in non-controlling interests that does not result in the loss of control over the subsidiary is accounted for as an equity transaction.

7. Cash and cash equivalents

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



Notes to Financial Statements

2020
(RMB)

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

8. Foreign currency translation

The Group's foreign currency transactions are translated and recorded in the respective functional currencies.

A foreign currency transaction is recorded in the functional currency on initial recognition, by applying the exchange rate on the date of transaction or applying the average exchange rate through the transaction period. At the end of the reporting period, foreign currency monetary items are translated into the functional currency using the spot exchange rates at the end of the reporting period. Exchange differences arising from the differences between the spot exchange rates prevailing at the end of the reporting period and those on initial recognition or at the end of the previous reporting period are recognized in profit or loss for the period, except that exchange differences that qualify for capitalization related to a specific-purpose borrowing denominated in foreign currency are capitalized as part of the cost of the qualifying asset during the capitalization period. Foreign currency non-monetary items measured at historical cost are re-translated at the spot exchange rate on the date of transaction but the amount of the functional currency is not changed. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Differences between the re-translated functional and the original functional currency amount are recognized in profit or loss or as other comprehensive income depending on the nature of the non-monetary items.

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the statement of financial position are translated at the spot exchange rate at the end of the reporting period; shareholders' equity items except for retained earnings are translated at the spot exchange rates at the dates on which such items arose; income and expenses in profit or loss are translated at the average exchange rates during the transaction period. The exchange differences arising on translation of financial statements denominated in foreign currencies are recognized as other comprehensive income. For disposals of equity interests in foreign operations, the proportionate share of the accumulated exchange differences arising on translation of financial statements in other comprehensive income of foreign operations is transferred to profit or loss. For partial disposals, the reclassification is determined in proportion to the disposal.

Foreign currency cash flows and cash flows of overseas subsidiaries shall be converted at the average exchange rate of the period when the cash flow occurs. The impact of exchange rate changes on cash is shown separately in the statement of cash flows as an adjustment item.

9. Financial instruments

Financial instruments refer to contracts that form the financial assets of one company and form the financial liabilities or equity instruments of other companies.

Recognition and derecognition of financial instruments

The Group recognizes a financial asset or financial liability when it becomes a party to a financial instrument contract.

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

9. Financial instruments (Continued)

Recognition and derecognition of financial instruments (Continued)

A financial asset (or, where applicable, a part of a financial asset or part of a group of similar financial assets) is primarily derecognised (i.e., removed from the Group's consolidated balance sheet) when:

- (1) The right to receive cash flows from financial assets expires;
- (2) Transferring the right to receive cash flows from financial assets, or under the "hands-on agreement", the obligation to pay the full amount of cash flows to the third party in full; and (a) substantially transferring the ownership of the financial assets all risks and rewards, or (b) abandoning the control of the financial asset, although it does not substantially transfer or retain almost all of the risks and rewards of ownership of the financial asset.

If the responsibility for a financial liability has been fulfilled or revoked or has expired, the financial liability should be derecognized. If an existing financial liability is replaced by another financial liability of the same creditor on substantially virtually different terms, or if the terms of the existing liability are substantially modified, such replacement or modification is deemed to terminate the recognition of the original liability and to confirm the new disposal of liabilities, the difference is included in the current profit or loss.

The purchases and sales of financial assets in regular ways are recognized and derecognized on a trade date basis. The purchases and sales of financial assets in regular ways refer to the collection or delivery of financial assets within the time limit stipulated by regulations or common practices in accordance with the terms of the contract. The trading day is the date on which the Group commits to buy or sell the financial assets.

Classification and measurement of financial assets

The financial assets of the Group are classified upon the initial recognition based on the business model of the Group's financial asset management and the characteristics of the financial assets' contractual cash flows: financial assets measured at fair value and whose changes are included in the current profit or loss, financial assets measured at amortized cost, financial assets measured at fair value and whose changes are included in other comprehensive income. Financial assets are measured at fair value on initial recognition, but accounts receivable or notes receivable arising from the sale of goods or rendering of services that do not contain significant financing components or for which the Group has applied the practical expedient of not adjusting the effect of a significant financing component due within one year, are initially measured at the transaction price.

For financial assets measured at fair value through profit or loss, the related transaction expense is directly recognized in profit or loss for the current period. The related transaction costs of other types of financial assets are included in their initial recognition amount.

Notes to Financial Statements

2020
(RMB)

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

9. Financial instruments (Continued)

Classification and measurement of financial assets (Continued)

Subsequent measurement of financial assets depends on their classification:

Debt instrument investments measured at amortized cost

Financial assets are classified as financial assets measured at amortized cost if the financial assets meet the following conditions: The Group's business model for managing the financial assets is to collect contractual cash flows; the contractual terms of the financial assets stipulate that cash generated on a specific date. The flow is only the payment of the principal and the interest based on the outstanding principal amount. The effective interest method is used to recognize interest revenue for such financial assets. The gains or losses arising from derecognition, modification or impairment are recognized in profit or loss.

Financial assets measured at fair value through profit or loss

For financial assets classified as measured at fair value through profit or loss, fair value is used for subsequent measurement, and all changes in fair value are recognized in profit or loss for the current period.

Only when it is possible to eliminate or significantly reduce accounting mismatches, financial assets can only be designated as financial assets at fair value through profit or loss.

Once the Company initially designates a financial asset as a financial asset measured at fair value through profit or loss, it cannot be reclassified to other financial assets; other financial assets cannot be reclassified to financial assets measured at fair value through profit or loss after initial recognition.

Financial assets at fair value through other comprehensive income (equity instrument investments)

The Group irrevocably chooses to designate some instrument investments of non-trading nature as financial assets at fair value through other comprehensive income. Only relevant dividend income (excluding dividend income explicitly recovered as part of investment cost) is recognised in profit or loss, and subsequent changes in fair value are included in other comprehensive income without provision for impairment.

Under the above conditions, such financial assets designated by the Group consist mainly of transactional financial assets (Note V.2) and other non-current financial assets (Note V.14).

Classification and measurement of financial liabilities

The financial liabilities of the Group are classified as financial liabilities at fair value through profit or loss and other financial liabilities. For financial liabilities measured at fair value through profit or loss, the related transaction expense is directly recognized in profit or loss, while the related transaction expense of other financial liabilities is included in the initial recognition amount.

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

9. Financial instruments (Continued)

Classification and measurement of financial liabilities (Continued)

Subsequent measurement of financial liabilities depends on their classification:

Financial liabilities measured at fair value through profit or loss

Financial liabilities at fair value through profit or loss include financial liabilities held for trading (including derivative instruments attributable to financial liabilities) and financial liabilities designated upon initial recognition as at fair value through profit or loss. Financial liabilities held for trading (including derivative instruments attributable to financial liabilities) are subsequently measured at fair value. All changes in fair value of such financial liabilities are recognized in profit or loss¹⁰ except for the derivatives designated as hedging instruments in an effective hedge. Financial liabilities designated at fair value through profit or loss are subsequently measured at fair value and gains or losses are recognized in profit or loss, except for the gains or losses arising from the Group's own credit risk which are presented in other comprehensive income. If gains or losses arising from the Group's own credit risk which are presented in other comprehensive income will lead to or expand an accounting mismatch in profit or loss, the Group will include all the changes in fair value (including the amount affected by changes in the Group's own credit risk) of such financial liabilities in profit or loss.

If only 1 one of the following conditions is satisfied, financial liabilities can be designated as financial liabilities at fair value through profit or loss at their initial measurement.

- (1) Accounting mismatches can be eliminated or significantly reduced.
- (2) A formal written document on risk management or investment strategy states that the portfolio of financial instruments is managed, evaluated and reported to key management personnel on a fair value basis.
- (3) A hybrid instrument that includes one or more embedded derivatives, unless the embedded derivative does not significantly change the cash flow of the hybrid instrument, or the embedded derivative is clearly not to be split from the relevant hybrid tool.
- (4) A hybrid instrument that includes embedded derivatives that need to be split but cannot be separately measured at the time of acquisition or on the subsequent statement day.

Once the Company initially designates a financial liability as a financial liability measured at fair value through profit or loss, it cannot be reclassified to other financial liabilities; other financial liabilities cannot be reclassified to financial liabilities measured at fair value through profit or loss after initial recognition.

Other financial liabilities

For such financial liabilities, the actual interest rate method is adopted and the subsequent measurement is carried out according to the amortized cost.

Notes to Financial Statements

2020
(RMB)

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

9. Financial instruments (Continued)

Impairment of financial instruments

On the basis of expected credit losses, the Group performs the impairment treatment on financial assets and contract assets measured at amortized cost and confirms the loss provision.

For trade receivables and contract assets that do not contain a significant financing component, the Group applies the simplified approach to recognise a loss allowance based on lifetime ECLs.

For trade receivables and contract assets that contain a significant financing component and lease receivables, the Group chooses to adopt the simplified approach to recognise a loss allowance based on lifetime ECLs.

Except for financial assets which apply the simplified approach as mentioned above, other financial assets, the Group assesses whether the credit risk has increased significantly since initial recognition at each balance sheet date. If the credit risk has not increased significantly since initial recognition (stage 1), the loss allowance is measured at an amount equal to 12-month ECLs by the Group and the interest income is calculated according to the carrying amount and the effective interest rate; if the credit risk has increased significantly since initial recognition but are not credit-impaired (stage 2), the loss allowance is measured at an amount equal to lifetime ECLs by the Group and the interest income is calculated according to the carrying amount and the effective interest rate; if such financial assets are credit-impaired after initial recognition (stage 3), the loss allowance is measured at an amount equal to lifetime ECLs by the Group and the interest income is calculated according to the amortised cost and the effective interest rate. If the credit risk of financial instruments is low at the balance sheet date, the Group assumes that the credit risk has not increased significantly since initial recognition.

The Group assesses the expected credit losses for financial instruments individually and collectively. The Group considers the credit risk characteristics of different customers and evaluates the expected credit losses for accounts receivable on the basis of the age combination. See the following table for details:

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

Group 1 Government receivable and related parties receivable	Other appropriate methods
Group 2 Fans receivable sales industry customers	Aging analysis
Group 3 Receivable customers in kitchen waste disposal industry	Aging analysis
Group 4 Receivable from all third parties other than Portfolio 1, Portfolio 2 and Portfolio 3	Aging analysis

When the Group no longer reasonably expects to be able to fully or partially recover the contractual cash flows of financial assets, the Group directly writes down the carrying amount of the financial assets.

Offsetting of financial instruments

If the following conditions are met at the same time, the financial assets and financial liabilities are presented in the statement of financial position offset with each other: a statutory right to offset the confirmed amount, and the legal right is currently enforceable; net settlement, or simultaneous realization of the financial assets and settlement of the financial liabilities.

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

9. Financial instruments (Continued)

Derivative financial instruments

The Group uses derivative financial instruments, which are foreign exchange forward contracts and foreign exchange swap contracts, to hedge its foreign currency risk. Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The gain or loss arising from changes in the fair value of derivatives is recognized directly in profit or loss, except for those that are related to hedge accounting.

Transfer of financial assets

If the Group has transferred substantially all the risks and rewards associated with the ownership of a financial asset to the transferee, the asset should be derecognized. If the Group retains substantially all the risks and rewards of ownership of a financial asset, the asset should not be derecognized.

When the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, it may either derecognize the financial asset and recognize any associated assets and liabilities if control of the financial asset has not been retained; or recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability if control has been retained.

Assets formed by the continuing involvement by way of the provision of financial guarantee in respect of the transferred financial assets shall be recognized as the lower of the carrying value of the financial asset and the amount of financial guarantee. The amount of financial guarantee means the maximum amount among the considerations received to be required for repayment.

Financial guarantee contract

A financial guarantee contract is a contract by which the guarantor and the lender agree that the guarantor would settle the debts or bear obligations in accordance with terms of the contract in case the borrower fails to settle the debts. Financial guarantee contracts are measured at fair value on initial recognition. Subsequent to initial recognition, financial guarantee contracts that are not designated as financial liabilities at fair value through profit and loss are measured at the higher of: the expected credit loss amount recognised on the date of statement of financial position and the balance of the initial recognition amount after deducting the accumulated amortisation amount recognised according to the revenue recognition principle.

10. Inventories

(1) Classification

Inventories include real estate development properties, raw materials, in-process products, goods in stock, tickets, low-value consumables, maintenance and repair parts, contract performance costs and inventory materials, etc., which are listed at the lower of cost and net realizable value.

Notes to Financial Statements

2020
(RMB)

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

10. Inventories (Continued)

(1) Classification (Continued)

Real estate properties comprise properties held for sale, properties under development and properties held for development. Properties held for sale are those properties completed and for sale, while properties under development are those properties still under construction and for sale purposes, and properties held for development are those lands purchased and planned to have properties developed on. The costs of raw materials, work in progress, and finished goods include procurement costs, processing costs, and other costs.

Manufacturing business inventories include procurement costs, processing costs and other costs. The actual cost of delivered inventory is determined by the monthly weighted average method. Low value consumables are amortized by the one-time resale method.

(2) Costing of inventories

The cost of completed properties held for sale is determined using the specific identification method, which comprises the land cost, construction cost and other cost. The actual cost of raw materials, work in progress, and finished goods is determined using the FIFO method. The costs of toll tickets, low value consumables, maintenance and repair parts and materials in stock are determined using the weighted average method or amortization method.

(3) Basis for determination of net realisable value and provisions for declines in value of inventories

At the end of the reporting period, the inventories are measured at the lower of the cost and the net realizable value. If the cost is higher than the net realizable value, the provision for the inventories should be recognized in profit or loss for the current period. If the influencing factors of the provision for inventories have been eliminated and the net realizable value of inventories is higher than its book value, the previously deducted amount will be recovered from the amount of provision for inventories accrued previously and the amount should be recognized in profit or loss for the current period.

Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs and related taxes necessary to achieve completion and to make the sale. When recognizing the provision for value decline of inventories, the raw materials are recognized based on the categories, and the finished goods are recognized based on the items. The provisions for declines in value of inventories are consolidated for the inventories that are related to a product line produced and sold in the same region having the same or similar end use or purpose and difficult to measure separately from other items.

The Perpetual Inventory System is adopted for the inventories

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

11. Non-current assets or disposal groups held for sale

Those whose book value is recovered mainly through the sale of a non-current asset or the disposal group rather than the continuous use of the asset are classified as holding for sale. If the following conditions are also met, the assets are classified as held for sale: immediately available for sale under current conditions in accordance with the usual practice of selling such assets or the disposal group in similar transactions; The sale is most likely to occur, that is, the enterprise has made a decision on a sale plan and obtained a firm purchase commitment, the sale is expected to be completed within one year (the relevant regulations require the enterprise relevant authority or regulatory authority approval before the sale, has been approved). Part from the sale of the company's investment causes such as loss of control of the subsidiary, whether sale to keep part of the equity investment, meet division holds for sale conditions, in individual investment as a whole is divided into holding subsidiary to the financial statements will be for sale category, in the heart of the consolidated financial statements, a subsidiary of all assets and liabilities are divided into category holds for sale.

Hold illiquid assets for sale or disposal groups (except financial assets and deferred income tax assets), its book value is higher than the fair value minus the net amount after sale cost, book value will be down to the fair value minus the net amount after selling fees, the amount of write-down shall be recognized as asset impairment loss, included in the current profits and losses, provision for assets impairment provision holds for sale at the same time. Non-current assets held for sale or non-current assets in the disposal group are not depreciated or amortized.

12. Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries as well as the Group's long-term equity investments in its joint ventures and associates.

Subsidiaries are the investees over which the Company is able to exercise control. A joint venture arrangement reached by the Group through a separate entity that can exercise joint control with other parties and has rights to its net assets based on legal form, contract terms, and other facts and circumstances. Associates are the investees that the Group has significant influence on their financial and operating policies.

Investments in subsidiaries are presented in the Company's financial statements using the cost method and are adjusted for preparing the consolidated financial statements using the equity method. Investments in joint ventures and associates are accounted for using the equity method.

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

12. Long-term equity investments (Continued)

(1) Determination of investment costs

For long-term equity investments acquired through a business combination: for a long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination costs. Where the initial investment cost of a long-term equity investment is acquired through a business combination involving enterprises under common control, the initial investment cost is the absorbing party's share of the carrying amount of the owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the initial investment cost and the carrying amount of the consideration of the combination is adjusted to capital reserve (and the excess goes to retained earnings, if any). For other comprehensive income before the combination date, it is accounted for on the same basis as would have been required if the investee has directly disposed of the related assets or liabilities. The investee's shareholders' equity recognized resulting from changes in shareholders' equity other than net profit or loss, other comprehensive income and profit distribution is charged to profit or loss when the related investment is disposed of. Investments which remain long-term after disposal are recognized in proportion, whereas investments converted to financial instruments after disposal are recognized in full.

For long-term equity investments acquired not through a business combination: for a long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

(2) Subsequent measurement and the methods of investment income recognition

For long-term equity investments accounted for cost method, they are measured at the initial investment costs, and cash dividends or profit distribution declared by the investees are recognized as investment income in profit or loss.

For long-term equity investments accounted for cost method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the long-term equity investment is measured at the initial investment cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

For long-term equity investments accounted for using the equity method, the Group recognizes the investment income according to its share of net profit or loss of the investee. The Group discontinues to recognize its share of net losses of an investee after the book value of the long-term equity investment and any long-term interests that, in substance, form part of the investor's net investment in the investee is reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues to recognize the investment losses and the provisions. For changes in owners' equity of the investee other than those arising from its net profit or loss, comprehensive income and profit distribution, the Group records its proportionate share directly in capital surplus. The book value of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealized profits or losses arising from the intra-group transactions amongst the Group and its investees are eliminated in proportion to the Group's equity interests in the investees, and then based on which the investment gains or losses are recognized. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment, any unrealized loss is not eliminated.

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

12. Long-term equity investments (Continued)

(2) Subsequent measurement and the methods of investment income recognition (Continued)

On disposal of a long-term equity investment, the difference between the proceeds actually received and the book value is recognized in profit or loss for the current period. For a long-term equity investment accounted for using the equity method, when the Group discontinues to use the equity method, any other comprehensive income previously recognized is accounted for on the same basis as would have been required for if the investee had directly disposed of the related assets or liabilities. Shareholders' equity recognized resulting from changes in shareholders' equity other than net profit or loss, other comprehensive income and profit distribution is charged to profit or loss in its entirety. When the Group continues to use the equity method, any other comprehensive income previously recognized is accounted for on the same basis as would have been required for if the investee had directly disposed of the related assets or liabilities and charged to the current period profit or loss on a pro-rata basis. Shareholders' equity, recognized resulting from changes in shareholders' equity other than net profit or loss, other comprehensive income and profit distribution, is charged to profit or loss on a pro-rata basis.

(3) Basis for determination of the existence of control, joint control or significant influence over the investees

Control refers to having the power over the investee, enjoying variable returns by participating in related activities of the investee, and being able to use its power over the investee to influence the investment return.

Joint control refers to the common control of an arrangement in accordance with relevant agreements, and related activities of the arrangement can only be made after the unanimous consent of the participants sharing control.

Significant influence is the power to participate in the decision making of financial and operating policies of the investee but is not control or joint control over those policies.

(4) Impairment of long-term equity investments

When the recoverable amount of the long-term equity investment in the subsidiaries and associated enterprises is less than the book value, the book value shall be written down to the recoverable amount (Note III.19).

13. Investment properties

Investment properties, the buildings held for the purpose of leasing, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and its cost can be reliably measured; otherwise, the expenditures are recognized in profit or loss in the period in which they are incurred.

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

13. Investment properties (Continued)

The Group adopts the cost model for the subsequent measurement of investment properties. Investment properties are depreciated or amortized to their estimated net residual values over their estimated useful lives. The estimated useful life, the estimated residual value rate and the annual amortization rate of the investment properties are as follows:

	Estimated useful life	Estimated residual value rate	Annual amortization rate
Car parking spaces	30 years	–	3.33%

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

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

An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sales, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognized in profit or loss for the current period.

The carrying amount of investment properties should be reduced to the recoverable amount when its recoverable amount is below the carrying amount (Note III.19).

14. Fixed assets

(1) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, traffic equipment, mechanical equipment, motor vehicles and office and other equipment.

Fixed assets are initially measured at cost. The cost of purchasing a fixed asset includes the purchase price, related taxes and fees, and other expenses directly attributable to the asset incurred before the fixed asset is ready for its intended use. The cost and accumulated depreciation of fixed assets invested by state shareholders to the Company on 1 January 1997 were recognized according to the valuation results performed by the valuer which were certified by the State-owned Assets Supervision and Administration Bureau in accordance with Guo Zi Ping (1996) No.911.

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

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

14. Fixed assets (Continued)

(2) Depreciation methods of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been impaired, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

Type	Depreciation method	Estimated useful life	Estimated residual value rate	Annual depreciation rate
Buildings	Straight-line	20–30 years	5%	3.17%-4.75%
Traffic equipment	Straight-line	5–11 years	0%-10%	8.18%-20.00%
Mechanical equipment	Straight-line	5–20 years	4%-5%	4.75%-19.20%
Motor vehicles	Straight-line	5–6 years	5%	15.83%-19.00%
Office and other equipment	Straight-line	3–5 years	0%-5%	19.00%-33.33%

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 at least at each year-end.

(3) Impairment of fixed assets

The book value of fixed assets is reduced to the recoverable amount if the recoverable amount is below the book value (Note III.19).

(4) Disposal of fixed assets

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

15. Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs and borrowing costs that are eligible for capitalization and other costs necessary to bring the construction in progress ready for their intended use. Construction in progress should be transferred to fixed assets when the assets are ready for their intended use and should start to depreciate in the following month. The book value of construction in progress should be reduced to the recoverable amount if the recoverable amount is below the book value (Note III.19).

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

16. Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time for acquisition and construction for its intended use, which are to be capitalized 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 capitalization of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use, the borrowing costs incurred thereafter are recognized in profit or loss for the current period. Capitalization of borrowing costs is suspended during the 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.

For the specific borrowings obtained for the acquisition or construction of a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalization period.

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

17. Right-of-use assets

Right-of-use assets comprise buildings, equipment and billboards.

At the commencement date of the lease, the Group recognises a right-of-use asset. The cost of the right-of-use asset comprises: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date of the lease less any lease incentives received; (iii) any initial direct cost incurred; and (iv) an estimate of costs incurred by the lessee in dismantling and removing the underlying asset, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease. The right-of-use assets are depreciated on a straight-line basis subsequently by the Group. If the Group is reasonably certain that the ownership of the underlying asset will be transferred to the Group at the end of the lease term, the Group depreciates the asset from the commencement date to the end of the useful life of the asset. Otherwise, the Group depreciates the assets from the commencement date to the earlier of the end of the useful life of the asset or the end of the lease term.

The Group remeasures the lease liability at the present value of the changed lease payments and adjusts the carrying amount of the right-of-use assets accordingly. When the carrying amount of the right-of-use asset is reduced to zero, and there is a further reduction in the measurement of the lease liability, the Group recognises the remaining amount of the remeasurement in profit or loss.

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

18. Intangible assets

Intangible assets include concession intangible assets (toll road and kitchen waste disposal projects), billboard use right, patent, land use right and software. Intangible assets are measured at cost.

(1) Concession intangible assets

(a) Toll roads

Toll road concession intangible assets refer to the rights granted by the respective concession grantors, which entitle the Group to receive the toll fees from users and the land use right obtained in conjunction with the concession arrangement. Concession intangible assets are measured at actual cost because the Group subcontracts the construction to third parties instead of providing actual construction service. Actual cost comprises construction infrastructure prices, construction related costs and borrowing costs that are eligible for capitalization and incurred before the toll roads are ready for their intended use. The concession intangible assets of the toll road that the Group has delivered but not yet completed the final settlement account are temporarily estimated based on the book value of the toll road project or the estimated value of the project. When the final account is completed, the book value will be adjusted to the actual value.

The concession intangible assets of the toll roads invested by the state-owned shareholders on 1 January 1997 were stated at valuation performed by the asset valuation firms and the values were certified by the State-owned Assets Supervision and Administration Bureau (“SASAB”) in accordance with Guo Zi Ping (1996) No.911. The land use right relating to Shenzhen Airport-Heao Expressway (Western Section) invested to the Company by the promoter of the Company during the restructuring period of the Group was stated at the then revaluation amount admitted by the SASAB on 30 June 1996. The land use right relating to Meiguan Expressway and Shenzhen Airport-Heao Expressway (Eastern Section) owned by Shenzhen Meiguan Expressway Company Limited (“Meiguan Company”) and Airport-Heao Eastern Company (“Airport-Heao Eastern Company”), the subsidiary, were invested by Xin Tong Chan Development (Shenzhen) Company Limited (“Xin Tong Chan Company”), one of the promoters of the Company, at the value specified in the respective investment agreement.

When toll roads are ready for their intended use, amortization of concession intangible assets is calculated to write off their costs on the traffic volume amortization method. Amortization is provided on projected units-of-usage (“unit usage”), which is calculated based on the total projected traffic volume during the operating period of the concessions and the original or book value of the concession intangible assets with the concession combined with the actual traffic volume during each accounting period.

The Company has set policies to execute internal review on the total projected traffic volume during the operating period of the concessions annually. The Group also appoints an independent professional traffic consultant to perform independent professional traffic studies when material differences between actual traffic volume and projected traffic volume exist, or every 3 to 5 years and then adjust the amortization unit usage according to the revised total projected traffic volume, to ensure that the respective concession intangible assets would be fully amortized in the operating period.

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

18. Intangible assets (continued)

(1) Concession intangible assets (continued)

(a) Toll road (continued)

The respective operating periods and amortization units of the toll roads are set out as follows:

Item	Operating period	The unit usage (RMB)
Meiguan Expressway	May 1995 to March 2027	0.53
Shenzhen Airport-Heao Expressway (Western Section)	May 1999 to March 2027	0.59
Shenzhen Airport-Heao Expressway (Eastern Section)	October 1997 to March 2027	2.95
Wuhuang Expressway	September 1997 to September 2022	5.82
Qinglian Expressway	July 2009 to July 2034	30.01
Shuiguan Expressway	March 2002 to February 2027	5.66 (Note 1)
Yichang Expressway	January 2004 to December 2033	10.88 (Note 1)
Changsha Ring Road (North-western Section) ("Changsha Ring Road")	November 1999 to October 2029	5.09
Coastal Expressway	December 2013 to December 2038	6.21
Outer ring highway	December 2020 to December 2045*	7.02
Same high-speed	October 2005 to October 2027	0.25

* The toll years of the Outer Ring Expressway have not yet been approved.

Note 1: As stated in Note III.35(a), the unit usage of concession intangible assets of Shuiguan Expressway and Yichang Expressway have been adjusted from RMB5.86 and RMB9.55 to RMB5.66 and RMB10.88 separately from 1 January 2020.

Subsequent expenditures incurred for the toll roads are included in the cost of the concession intangible assets when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. All the other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

(b) Kitchen waste disposal projects

Concession intangible assets related to kitchen waste allows the Company to charge the government department a kitchen waste disposal fee according to negotiated price, to generate electricity by biogas, and to sell the oil and grease extracted from the kitchen waste in the franchise period.

The income from the kitchen waste disposal project contract is evaluated by the fair value. The income is recognized, and the project is regarded as financial assets and intangible assets when: (1) the Company can charge the contract awarding party a certain amount of cash or cash equivalents or other financial assets in a given period as the infrastructural construction has been finished. When the Company provides the operating service below a regulated price, the contract awarding party will compensate for the loss according to the contract. The financial assets will be recognized at the time the income is recognized according to Chinese Accounting Standard No.22 The recognition and measurement of financial instruments (Note III.9); and (2) the contract gives the Company the right to charge served clients in a given period. The Company cannot charge cash unconditionally if the charge amount is uncertain. The Company will recognize intangible assets at the time when the income is recognized.

The Group recognizes the franchised kitchen waste disposal projects as an intangible asset. The Group uses the straight-line amortization methods in the franchise period.

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

18. Intangible assets (continued)

(2) Other intangible assets

The useful lives of other intangible assets are as follows:

Item	Useful life (year)
Billboard use right	5
Patent	5–10
Land use rights	50
Software and others	2–10
Franchises	10

Intangible assets with finite useful lives are amortized over their estimated useful lives using the straight-line method.

(3) Periodical review of useful life and amortization method

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method and makes adjustment if necessary at each year-end.

(4) Impairment of intangible assets

The book value of intangible assets should be reduced to the recoverable amount if the recoverable amount is below the book value (Note III.19).

(5) Development expenditure

The Group classifies the expenditures on an internal research and development project into expenditure on the research phase and expenditure on the development phase. Expenditure on the research phase is recognised in profit or loss as incurred.

Expenditures during the development phase may be capitalized only if the following conditions are simultaneously satisfied, i.e., it is technically feasible to complete the intangible asset so that it can be used or sold; It has the intention to complete the intangible asset and use or sell it. The ways in which the intangible asset generates economic benefits include the ability to prove the existence of the market for the products produced by using the intangible asset or the existence of the market for the intangible asset itself. If the intangible asset will be used internally, the ability to prove its usefulness; Having sufficient technical, financial and other resources to support the completion of the development of the intangible asset and having the ability to use or sell the intangible asset; The expenditure attributable to the development stage of the intangible asset can be measured reliably. The development expenditures that do not meet the above conditions shall be recorded into the current profit or loss when incurred.

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

19. Impairment of long-term assets

Impairment of assets other than inventories, deferred tax assets, financial assets and held for sale assets is recognised based on the following methods:

The Group assesses at each date of statement of financial position whether there is any indication that the assets may be impaired. If there is any indication that such assets may be impaired, recoverable amounts are estimated for such assets and impairment tests are performed. Goodwill arising in a business combination and an intangible asset with an indefinite useful life shall be assessed for impairment at least at each year end, irrespective of whether there is any indication occurring. Impairment tests of intangible assets should be performed annually, even if they are not ready for use.

The recoverable amount of an asset is the higher of fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. The recoverable amount is estimated on an individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. Identification of an asset group shall be based on whether there are major cash inflows which are independent from other assets or asset groups.

If the recoverable amount of an asset or asset group is less than its carrying amount, the carrying amount shall be reduced to its recoverable amount. The reduction is recognised as an impairment loss and charged to profit or loss for the current period. A provision for impairment losses of the asset is recognised accordingly.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated on a reasonable basis to each of the Group's cash-generating units or to relevant groups of cash-generating units if it is difficult to do so. Each unit or group of units to which the goodwill is so allocated represents those which are expected to benefit from the synergies of the combination and is not larger than a reported segment of the Group.

In testing an asset group or a set of asset groups to which goodwill has been allocated for impairment, if there is evidence of impairment in relation to goodwill, the Group shall first test the asset group or the set of asset groups excluding the amount of goodwill allocated for impairment. It shall determine and compare the recoverable amount with the related carrying amount and recognise any impairment loss. After that, the Group shall test the asset group or set of asset groups including the goodwill for impairment. The carrying amount is compared to its recoverable amount. If the recoverable amount of the asset group or set of asset groups is lower than its carrying amount, an impairment loss on goodwill shall be recognised. Firstly, the impairment loss shall be allocated to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups. Then, the impairment loss shall be allocated to the other assets of the asset group or set of asset groups (excluding goodwill) on the basis of the proportion of the carrying amount of each asset in the asset group or set of asset groups.

Once an impairment loss of the abovementioned asset is recognised, it shall not be reversed in any subsequent period.

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

20. Long-term prepaid expenses

Long-term prepaid expenses comprise the prepaid expenditures but should be recognized as expenses for the current and subsequent periods, which in total are more than one year. Long-term prepaid expenses are averagely amortized over the expected benefit period and are presented at actual expenditure net of accumulated amortization.

21. Employee benefits

Employee benefits represent all kinds of allowances and compensations paid by the Group for services rendered by employees or for termination of employment relationship, which mainly include short-term wages, retirement benefits, termination of employment benefits and other long-term staff welfare.

(1) Accounting treatment of short-term wages

Short-term wages include wages or salaries, bonuses, allowances and subsidies, staff welfare, medical insurance, employment injury insurance, maternity insurance, housing funds, labor union funds, employee education funds, short term paid leave and etc. Actual short-term wages are recognized as liabilities in the periods when the employees render services and are charged to profit or loss or capitalized in costs of related assets. The non-monetary welfare is measured at fair value.

(2) Accounting treatment of retirement benefits

The Group classifies the retirement benefit plans as defined contribution plans and defined benefit plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independent fund. As a result, the Group has no legal or constructive obligations to pay further contributions. A defined benefit plan is a pension plan other than a defined contribution plan. During the reporting period, the Group's retirement benefits were mainly basic pension insurance and unemployment insurance which were both defined contribution plans.

(a) Basic pension insurance

The Group's employees are involved in the basic social pension insurance organized and implemented by the local labor and social security bureau. The Group pays the basic pension issuance expenses monthly to designated insurance companies for its employees. The basic amounts and rates are determined by the local regulations. Upon employees' retirement, the local labor and social security bureau is responsible for paying the pension benefit to the retired employees. The amounts of pension insurance payable calculated according to the above regulations are recognized as liabilities in profit or loss or capitalized in costs of related assets during the periods when the employees provide services.

(b) Enterprise annuity plan

Beside the above basic social pension insurance, the Company establishes an enterprise annuities plan in accordance with the relevant national enterprise annuity system policies ("enterprise annuity plan"), in which the Group's employees can voluntarily participate. The Company shall provide the annuities at a certain proportion of employees' total wages, and the corresponding expenditures shall be recorded in the current profit or loss. Except for the above-mentioned, the Company did not have any other significant social insurance commitments to its employees.

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

21. Employee benefits (continued)

(3) Accounting treatment of termination benefits

The Group provides compensation for the termination of employment relationship before the expiry of employment contracts or for employees' voluntary layoffs. The compensation is recognized as a liability and in profit or loss at the earlier of the date the Group is unable to unilaterally withdraw the plan on the termination of employment relationship or the layoff proposal and the date on which the costs and expenses in relation to the payment of compensation to the termination of employment relationship are recognized.

(4) Other long-term employee benefits

For other long-term employee benefits provided to employees, the net liabilities or net assets of other long-term employee benefits shall be recognized and measured in accordance with the relevant provisions of pension benefits, but changes are included in the current profit or loss or the cost of related assets.

22. Lease liabilities

At the commencement date of the lease, the Group recognizes the present value of the lease payments that have not been paid as lease liabilities, except for short-term leases and low-value asset leases. In calculating the present value of the lease payments, the Group uses the leased interest rate as the discount rate; if the interest rate of the lease cannot be determined, the lessee's incremental borrowing rate is used as the discount rate. The Group calculates the interest expense of the lease liability for each period of the lease term based on the fixed periodic interest rate and recognizes it in profit or loss for the current period. The variable lease payments that are not included in the measurement of the lease liabilities are recognized in profit or loss when incurred.

After the commencement date of the lease period, when the actual fixed payment amount changes, the expected amount of the guarantee residual value changes, or the index or ratio used to determine the lease payment amount changes, the purchase option, the renewal option or the termination option is evaluated and when the results or actual exercise rights change, the Group remeasures the lease liability based on the present value of the changed lease payments.

23. Provisions

An obligation related to a contingency shall be recognised by the Group as a provision when all of the following conditions are satisfied, except for contingent considerations and contingent liabilities assumed in a business combination not involving entities under common control:

- (1) the obligation is a present obligation of the Group;
- (2) It is probable that an outflow of economic benefits will be required to settle the obligation; and
- (3) a reliable estimate can be made of the amount of the obligation.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money as a whole. Provisions are reviewed at each balance sheet date. Where there is clear evidence that the carrying amount of a provision does not reflect the current best estimate, the carrying amount is adjusted to the current best estimate.

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

24. Other equity instruments

The perpetual bonds issued by the Group have no maturity date, and the Group has the right to defer payment of the coupon interest on the perpetual bonds. The Group has no contractual obligation to pay cash or other financial assets, which are classified as equity instruments.

25. Revenue from contracts with customers

Revenue from contracts with customers is recognized when the Group has fulfilled its performance obligations in the contracts, that is, when the customer obtains control of relevant goods or services. Control of the relevant goods or services refers to the ability to direct the use of the goods, or the provision of the services, and obtain substantially all of the remaining benefits from the goods or services.

- (1) The Group's toll revenue from the operations of toll roads is recognized when the related services have been provided, revenue and total costs can be measured reliably and economic benefits with transactions can flow to the Group.
- (2) The contracts for the sale of goods between the Group and the customer usually contain the performance obligations for the transfer of the complete machine, components, and accessories of wind turbine generators, transfer kitchen waste disposal equipment and accessories, and the sales of electricity. The Group generally recognizes revenue at the point of transfer of control of the goods on the basis of a combination of the following factors: the current right to collect the goods, the transfer of major risks and benefits in the ownership of the goods, and the transfer of the legal ownership of the goods, the transfer of physical assets of the goods and that the customers have accepted the goods.
- (3) For sales with a right of return, the Group recognizes the revenue in the amount of consideration to which the Group expects to be entitled in exchange for transferring control of the goods to the customer, and recognizes the amount expected to be refunded as a result of the sales return as a refund liability. At the same time, an asset recognized for an entity's right to recover goods from a customer on settling a refund liability is measured by reference to the carrying amount of the goods less any expected costs to recover the goods (including potential decreases in the value of the returned goods), that is, right-of-return assets, and recognized cost of sales based on the carrying amount of the transferred goods at the time of transfer of the goods less the net amount of the asset cost above. At the end of the reporting period, the group reassesses the return of future sales and remeasures the assets and liabilities mentioned above.
- (4) According to the contractual agreement, legal provisions etc., the Group provides quality assurance for the goods sold. For the quality assurances of guarantees, which ensure the established standard of the product, and the quality assurances of services, which provide separate services from the product, the Group treats both of them as a single performance obligation. For this performance obligation, the Group allocates part of the transaction price to the quality assurance of the service category with the relative ratio of the individual selling prices of the product to that of the provided quality assurance, and the revenue of this performance obligation is recognized when the customers obtain the control of the service. In assessing whether the quality assurance provides a separate service in ensuring that the goods sold meet the established standards, the Group considers the statutory requirement of the assurances, the term of the assurance, the nature of the Group's commitment of performance, etc.

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

25. Revenue from contracts with customers (Continued)

- (5) Service contracts between the Group and its customers usually include the obligation to perform construction management services. For construction management service projects, the Group is responsible for the construction and implementation of the entire project as the general contractor. For the construction unit, survey and design, consulting, etc., the Group is responsible for bidding and signing contracts with the third-party units and the government shall pay the total price of the project investment to the Group in accordance with the payment method agreed in the agency construction. The Group takes control over the projects under construction before transferring the goods to the owners, leads the third party to provide services to the owners, and bears the primary responsibility for transferring the construction to the owners. Therefore, the Group is the main responsible person and recognizes the revenue according to the total consideration received or receivable. Otherwise, the Group is an agent and recognizes the revenue according to the amount of the commission or handling fee expected to receive. The amount shall be netted according to the total amount received or receivable, after deducting the price payable to other related parties, or the established commission amount or proportion is determined. As the services provided by the Group in the course of performance are irreplaceable and the Group has the right to calculate the revenue accumulated to date for the performance of the contract during the whole contract period, when the results of the construction management services can be estimated reliably, construction management service revenue is recognized using the percentage of completion method and the stage of completion is measured with reference to the actual construction costs and related management expenses incurred till the end of the reporting period as a percentage of the total estimated construction costs and management expenses. When the results of the construction management services cannot be estimated reliably, construction management service revenue is recognized at the same amount of actual management expenses incurred only to the extent that such expenses are probable to be recovered.
- (6) The realization of the sales income of the Group's property shall be confirmed upon the completion and acceptance of the property, the signing of the sales contract, the acquisition of the buyer's payment certificate and the delivery of use. If the buyer refuses to receive the written notice of house delivery without justifiable reasons, the income shall be confirmed after the end of the time limit of the written notice of house delivery. The Group's property sales contracts with its customers generally contain a performance obligation and, based on the terms contained in the existing sales contracts, the Group considers that the proceeds from the sale of the property should be recognized when control of the asset is transferred to the customer (normally delivery).

Under the revenue criteria, the transaction price and the amount of proceeds from the sale need to be adjusted for the impact (if material) of the financing component if, as agreed in the contract, the period during which the customer pays is different from the period during which the promised goods or services are transferred. The Group considers that, given the time difference between customer payment and delivery of the property to customer and current market interest rates, the financing component is significant and needs to be discounted at the sale price to calculate the material financing component. The Group recognizes contractual liabilities in respect of interest received from customers on advances containing a material financing component. The Group does not take into account the material financing component of the contract where the customer is expected to acquire control of the commodity and the customer is expected to pay the price within one year.

- (7) Revenue from highway entrusted services is recognized on a straight-line basis over the contract period.
- (8) Revenue from entrusted operation and management service of kitchen waste disposal of the Group shall be recognized according to the actual disposal volume and unit price agreed in the agreement.

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

25. Revenue from contracts with customers (Continued)

- (9) For the service concession contracts entered into with the government departments, pursuant to which the Group participates in the development, financing, operations and maintenance of the toll road construction, the Group recognizes no construction service revenue because the Group subcontracts the work to other parties and does not undertake the construction work on its own.
- (10) The Group and the government department have signed franchise agreements via the build-operate-transfer method to engage in the kitchen waste disposal project, core equipment construction, and complete equipment system integration and maintenance. During the construction period, the construction service provided by the Group shall be regarded as the performance obligations performed within a certain period and the construction income shall be recognized by the completion percentage methods in accordance with the proportion of the incurred costs to estimated total costs. During the commercial operation period, the kitchen waste revenue of the restaurant shall be recognized according to the actual amount of waste disposal and the unit price agreed in the franchise agreement or the waste disposal agreement. Income from biogas power generation shall be recognized according to the unit price agreed in the electricity generation and electricity purchase and sale contracts. Grease sales revenue shall be confirmed according to the actual grease supply and the unit price agreed in the agreement.

In addition, the Group provides system integration services for complete sets of equipment for third-party customers, which is also regarded as a performance obligation to be performed within a certain period of time. Percentage of completion method is adopted to recognize construction revenue in accordance with the proportion of the cost incurred to the estimated total cost.

- (11) Advertising revenue is recognized on a straight-line basis over the contract period.
- (12) Interest income is determined by using the effective interest method, based on the length of time for which the Group's cash is used by others.
- (13) Income from an operating lease is recognized on a straight-line basis over the period of the lease. Income from a finance lease is recognized by the effective interest rate method during each period of the lease term.
- (14) Some of the contracts between the Group and its customers have arrangements for sales rebates, compensation for non-compliance, contract discounts, liquidated damages, assessment fines and incentives, and results in a variable consideration. The Group determines the best estimate amount of the variable consideration based on the expected value or the most likely amount, but the transaction price including the variable consideration does not exceed the amount that the accumulated revenue is likely not to be significantly reversed when the relevant uncertainty is eliminated.
- (15) When the contract for construction entered into between the Group and the customer changes:
- (a) If the contract change adds a clearly distinguishable construction service and contract price and the new contract price reflects the separate selling price of the new construction service, the Group treats the contract change as a separate contract for the accounting treatment;
- (b) If the contract change does not fall within the above-mentioned situation (a), and the construction service transferred and the one not transferred can be clearly distinguished on the contract change date, the Group will regard it as the original contract termination, and at the same time, the non-compliance part of the contract and the contract change part are merged into a new contract for the accounting treatment;
- (c) If the contract change does not fall within the above-mentioned situation (a), and there is no clear distinction between the construction service transferred and the one not transferred on the contract change date, the Group will treat the changed part of the contract as part of the original contract. The resulting impact on the recognized revenue is adjusted for current income on the contract change date.

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

26. Contract asset and liability

Contracts with customers will be presented in the Group's statement of financial position as a contract liability or a contract asset, depending on the relationship between the Group's performance and the customer's payment. The Group offsets the contract assets and contract liabilities under the same contract and presents them on the statement of financial position as a net amount.

Contract asset

A contract asset is recognized when the Group's right to consideration is conditional on something other than the passage of time, for example future performance of the Group. A receivable is recognized when the Group's right to consideration is unconditional except for the passage of time. The Group's method for determining and accounting for expected credit losses, which are related to contract assets are detailed in Note III.9.

Contract liability

A contract liability is presented in the statement of financial position where a customer has paid an amount of consideration prior to the Group performing by transferring the related good or service to the customer.

27. Assets relating to contract cost

The Group's assets relating to contract cost include the contract acquisition costs and contract performance costs, presented respectively under inventories, other current assets and other noncurrent assets.

Where the Group expects the incremental costs for acquiring a contract to be recoverable, such contract acquisition costs are recognized as an asset (unless the amortization period of the asset is not more than 1 year).

Costs incurred by the Group for the performance of a contract are recognized as an asset as contract performance costs if they do not fall under the scope of the relevant standards for inventories, fixed assets or intangible assets but meet all the following conditions:

- (1) They are directly related to a current or anticipated contract, including direct labor, direct materials, manufacturing expenses (or similar expenses), to be borne by customers as specifically stipulated, and otherwise incurred solely in connection with the contract;
- (2) They will increase the resources to be utilized in the Company's future performance of its contractual obligations;
- (3) They are expected to be recoverable.

The Group amortizes assets relating contract costs on the same basis as that for the recognition of revenue relating to such assets and recognizes the amortized assets in current profit or loss.

For assets relating to contract costs whose carrying value is higher than the difference between the following two items, the Group makes provision for impairment for the excess to be recognized as asset impairment losses:

- (1) The remaining consideration expected to be obtained as a result of the transfer of goods relating to such assets;
- (2) Estimated costs to be incurred in connection with the transfer of relevant goods.

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

27. Assets relating to contract cost (Continued)

In the event that the difference between (1) and (2) becomes higher than the carrying value of such assets as a result of changes in the factors of impairment for previous periods, previous provisions for asset impairment losses should be written back and included in current profit or loss, provided that the carrying asset value following the write-back shall not exceed the carrying value such assets would have on the date of write-back were there no provision for impairment.

28. Government grants

A government grant is recognized when the condition attached to it is fulfilled and the grant can be received. The monetary grant from the government is measured at the amount received or receivable. The non-monetary grant from the government is measured at its fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount.

Government documents stipulate that if the long-term assets are obtained by acquisitions, constructions or other forms, the grants should be recognized as the government grants related to assets. If the government documents are unclear, they should be judged on the basis of the basic conditions necessary for obtaining such grants. If the long-term assets are obtained by acquisitions, constructions or other forms, the grants should be recognized as the government grants related to assets, and others should be recognized as income-related government grants.

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

Government grants related to assets are adjusted against the book value of the assets or recognized as deferred income and evenly distributed in profit or loss over the useful life of related assets in a reasonable and systematic way. Government grants measured at their nominal amounts shall be recognized immediately in profit or loss for the current period. If the relevant assets are sold, transferred, disposed of or ruined before their useful life ends, the undistributed relevant deferred income shall be transferred to the gain from asset disposal for the current period.

The total amount method is applied for the Group's government grants.

29. Income tax

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

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

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

29. Income tax (Continued)

At the end of the reporting period, for temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the carrying amounts of items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- (1) When the taxable temporary difference arises from: the initial recognition of goodwill or the initial recognition of an asset or liability in transactions that are not business combinations and, at the time of the transaction, affects neither the accounting profit, taxable profit or loss nor deductible losses;
- (2) For taxable temporary differences related to the investments of subsidiaries and associates, the timing of reversal of such temporary differences can be controlled and it is likely that such temporary differences will not be reversed in the foreseeable future.

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

- (1) When the deductible temporary differences do not arise from business combinations and, at the time of the transaction, affects neither the accounting profit, taxable profit or loss nor deductible losses;
- (2) For the deductible temporary differences related to the investments of subsidiaries and affiliates, the corresponding deferred tax assets shall be recognized if the following conditions are met: the temporary differences are likely to be reversed in the foreseeable future, and the taxable income amount used to offset the deductible temporary differences is likely to be obtained in the future.

At the end of the reporting period, deferred tax assets and liabilities are measured at applicable tax rates according to the requirements of tax laws during the period that the assets are expected to be recovered or the liability expected to be repaid. The recognition of deferred tax assets and liabilities also takes the recovery or the repayment terms into account.

At the end of the reporting period, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. At the end of the reporting period, the carrying amount of deferred tax assets is reviewed and recognized to the extent that it is probable that available taxable profits in the future will allow the benefit of deferred tax assets to be utilized.

When all of the following conditions are satisfied simultaneously, the deferred income tax assets and deferred income tax liabilities are listed as the net amount after offsetting: the Group has a legal right to settle current tax assets and liabilities on a net basis; the deferred taxes are related to the same tax payer within the Group and the same taxation authority, or related to different tax payers but during the period when each of the significant deferred income tax assets and deferred income tax liabilities is reversed and the tax payer involved intends to settle the current income tax asset and current income tax liability on a net basis, or simultaneously obtain assets and pay off the debts.

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

30. Leases

Identification of leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the customer has both of the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

Identification of separate lease components

For a contract that contains multiple separate lease components, the Group separates the components of the contract and accounts for each separate lease component. The right to use an underlying asset is a separate lease component if both:

- (1) the lessee can benefit from use of the underlying asset either on its own or together with other resources that are readily available to the lessee;
- (2) the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

Assessment of lease term

The lease term is the period during which the Group has the right to use the leased asset and is irrevocable. The Group has the option to renew the lease, that is, it has the right to choose to renew the lease, and it is reasonable to determine that the option will be exercised. The lease term also includes the period covered by the option to renew the lease. The Group has the option to terminate the lease, that is, it has the right to choose to terminate the lease of the asset, but it is reasonable to determine that the option will not be exercised. The lease term includes the period covered by the termination of the lease option. In the event of a major event or change within the Group's controllable range, and affecting whether the Group reasonably determines that the option will be exercised, the Group determines whether it will reasonably exercise the option to renew the lease, purchase option or terminate the lease option.

As a lessee

For the general accounting treatment of the Group as a lessee, refer to Note III.17 and Note III.22.

Lease changes

Lease modification is a change in the scope of a lease, or the consideration for a lease, that was not part of the original terms and conditions of the lease, for example, adding or terminating the right to use one or more underlying assets, or extending or shortening the contractual lease term.

The Group accounts for a lease modification as a separate lease if both:

- (1) the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

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

30. Leases (Continued)

Lease changes (Continued)

- (2) the consideration for the lease increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, at the effective date of the lease modification the Group remeasures the lease liability by discounting the revised lease payments using a revised discount rate. The revised discount rate is determined as the interest rate implicit in the lease for the remainder of the lease term, or the lessee's incremental borrowing rate at the effective date of the modification, if the interest rate implicit in the lease cannot be readily determined.

For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by:

- (1) decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, and recognizing the gain or loss relating to the partial or full termination of the lease in profit or loss; or
- (2) making a corresponding adjustment to the right-of-use asset for all other lease modifications.

Short-term leases and lease of low-value assets

The Group considers a lease that, at the commencement date of the lease, has a lease term of 12 months or less, and does not contain any purchase option as a short-term lease; and a lease for which the value of the individual underlying asset is not more than RMB50,000.00 when it is new as a lease of low-value assets. If the Group subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset. The Group does not recognise the right-of-use assets and lease liabilities for short-term leases and low-value assets. The Group recognises lease payments on short-term leases and leases of low-value assets in the costs of the related asset or profit or loss on a straight-line basis over the lease term.

Rent reduction during COVID-19

The Company and the lessor apply a reduction in rentals, delay in payment and other forms of rent reduction to lessees who are directly affected by COVID-19. The following methods will apply to those who meet the condition:

- (1) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (2) any reduction in lease payments affects only payments originally due on or before 30 June 2021;
- (3) there is no substantive change to other terms and conditions of the lease.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**30. Leases (Continued)****Rent reduction during COVID-19 (Continued)**

The Group does not assess whether there is a lease change, thus, the Group will apply the same amortization rate as before COVID-19 to the interest expenses of lease liability and included it in this period's expenditure. For rent concessions, the Group will regard concessions as a variable lease payment. When the rent concession condition is met, the Group will write off the cost or expense of related assets and make adjustments to lease liability based on the amount that has not been discounted; for payment delay, the Group will offset the lease liabilities recognized in the previous period when paying.

As a lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date.

As lessor of a finance lease

At the commencement date of the lease, the Group recognises finance lease receivable and derecognises finance lease assets. The Group presents lease receivable at an amount equal to the net investment in the lease for the initial measurement. The net investment in the lease is the sum of any unguaranteed residual value accruing to the lessor and at the commencement date of the lease the lease payments receivable by a lessor under a finance lease discounted at the interest rate implicit in the lease.

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the its net investment in the lease. Variable lease payments received by the Group that are not included in the measurement of the net investment in the lease are recognised in profit or loss as incurred.

As lessor of an operating lease

The rental income of the operating lease shall be recognized as the profit or loss of the current period according to the straight-line method in each period of the lease term, and the variable lease payment that is not included in the lease income shall be included in the profit or loss of the current period when actually incurred.

Sale and leaseback transactions

The Group applies the requirements in Note III.25 to assess and determine whether the transfer of an asset is accounted for as a sale of that asset.

As a lessee

If the asset transfer in the sale and leaseback transaction does not belong to the sale, the Group, as the lessee, continues to recognize the transferred asset, and meanwhile recognizes a financial liability equal to the transfer income. The financial liability shall be accounted for in accordance with Note III 9.

31. Dividend distribution

Cash dividends of the Company are recognized as liabilities after being approved at the shareholders' meeting.

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

32. Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement of the related assets and liabilities at fair value is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market is accessible by the Group as at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly; Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization at the end of each reporting period.

33. Other significant accounting policies and accounting estimates

Segment information

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

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

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

34. Significant accounting judgments and estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the presentation and disclosure of income, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the statement of financial position. However, the results of these assumptions and estimated uncertainties may cause significant adjustments to the carrying amounts of future assets or liabilities that are affected.

Judgments

During the application of the Group's accounting policies, management made the following judgments that had a significant impact on the confirmed amounts in the financial statements:

(1) Business model

The classification of financial assets at initial recognition depends on the business model of the Group's management of financial assets. When determining whether the business model is still likely to be based on the collection of contractual cash flows, the Group needs to analyze the sale of financial assets before the maturity date. It also requires judgment whether the sale is accidental or whether the value of the sale is low.

(2) Contractual cash flow characteristics

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial assets. When it is necessary to judge whether the contractual cash flow is only the payment of the principal and the interest based on the outstanding principal, the correction of the time value of the currency is included. In the assessment, it is necessary to judge whether there is a significant difference compared with the benchmark cash flow, and for the financial assets including the prepayment characteristics, it is necessary to judge whether the fair value of the early repayment characteristics is very small.

(3) Principal responsible person/agent

As for the Group's ability to lead a third party to provide services on behalf of the Group to its customers, the Group has the right to decide the price of the commodities traded independently, that is, the Group can control the project before transferring the agent project to the customer. Therefore, the Group is the main responsible person, recognizing the revenue according to the total consideration received or receivable. Otherwise, the Group as an agent shall recognize income in accordance with the amount of commission or commission expected to be entitled to collect. The amount shall be determined by deducting the net amount payable to other interested parties from the total amount of consideration received or receivable, or by the established amount or proportion of commission.

(4) Lease period – Lease contract with a renewal option

The lease term is the period during which the Group has the right to use the leased asset and is irrevocable. If there is an option to renew the lease and it is reasonably determined that the option will be exercised, the lease term also includes the period covered by the option to renew the lease. Some of the Group's lease contracts have the option to renew the lease for 1 to 3 years. In assessing whether it is reasonable to determine whether the option to renew the lease will be exercised, it will consider all relevant facts and circumstances that bring economic benefits to the exercise of the option of renewal of the Group, including the facts from the commencement date of the lease term to the date of exercise of the option and expected changes in the situation. The Group believes that due to the conditions relating to the exercise of the option and the possibility of meeting the relevant conditions, the Group can reasonably determine that the option to renew the lease will be exercised. Therefore, the lease period includes the period covered by the option of renewal.

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

34. Significant accounting judgments and estimates (Continued)

Estimation uncertainty

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 future financial year are addressed below:

(5) Estimation of construction management services income and costs

As stated in Note III.25(5), the Group recognizes revenue from construction management services using the percentage of completion method when the outcome of the construction management services can be estimated reliably.

During the current period, the directors of the Company recognized construction management service income and costs according to the optimum estimation on the total investment top limit, project costs as well as other construction management service costs.

If the total budget for the project and project costs as well as the actual construction management service costs is different from management's current estimates, the construction management service income and costs will be changed prospectively.

(6) Amortization of concession intangible assets

As stated in Note III.18(1) (a), amortization of concession intangible assets is provided under the traffic volume amortization method. Appropriate adjustments to the amortization of concession intangible assets will be made when there is a material difference between total projected traffic volume and the actual results.

The directors perform periodic assessment of the total projected traffic volume. The Group will appoint an independent professional traffic consultant to perform independent professional traffic studies in order to make an appropriate adjustment if there is a material and continuous difference between projected and actual traffic volume. The Group appointed independent professional traffic consultants to perform independent professional traffic studies on its main toll roads in years 2016, 2017, 2018 and 2019 and perform independent traffic volume studies respectively on major expressways.

(7) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the present value of the future cash flows expected to be derived from the asset groups (sets of asset groups) to which the goodwill is allocated. Estimating the present value requires the Group to make an estimate of the expected future cash flows from the asset groups (sets of asset groups) and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(8) Income tax and deferred tax

The Group is subject to income taxes in several jurisdictions. During the ordinary course of business, the ultimate tax determinations of some transactions and events are uncertain. Significant judgment is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

III. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)**34. Significant accounting judgments and estimates (Continued)****(8) Income tax and deferred tax (Continued)**

The Group recognizes deferred tax assets based on estimates that it is probable to generate enough taxable income in the foreseeable future that the deductible losses will be utilized. The recognition of deferred tax assets mainly involves management's judgments and estimations about the timing and the amount of taxable income of the Company which has tax losses. Where the final outcome of timing and the amount is different from the original estimate, such differences will impact the current income taxes and deferred tax assets in the period in which such determination is made.

(9) Impairment of long-term equity investments

The Group assesses at the end of the reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment test should be executed when there is any indication that the carrying amount is not recoverable. An impairment exists if the carrying amount of the financial asset or the group of financial assets exceeds its recoverable amount, which is the higher of the fair value net of disposal costs and the present value of the estimated future cash flow. The net amount of fair value minus disposal costs is determined by reference to the agreement price or observable market price of similar assets in the fair trade. When estimating the present value of future cash flows, management must estimate the expected future cash flows of the asset or asset group and select the appropriate discount rate to determine the present value of future cash flows.

(10) Estimate of fair value of the identifiable net assets acquired

- (a) As of 31 December 2020, Shenzhen Expressway Environment Co., Ltd. (the "Environment Company"), a subsidiary of the Company, has completed the acquisition of 67.1402% of the shares of Bioland Environmental Technology Group Co., Ltd. ("Bioland Company"), thereby realizing control of the Company. According to the share acquisition agreement, the following terms are set for the performance of Bioland Company in 2020, 2021, 2022 and 2023:
- i) During the period of performance betting, if the accumulated net profit of the parent after deducting non recurring profit and loss at the end of a certain year is not less than 70% of the total accumulated net profit of the corresponding period, the performance commitment party shall pay the performance compensation to the investor in cash. If the accumulated net profit of parent company after deducting non recurring profit and loss as of the end of a certain year is not less than 90% of the total accumulated net profit committed in the same period, the performance compensation will not be carried out temporarily in the current year but will be postponed to the year with corresponding indicators lower than 90% or accumulated compensation will be carried out after the end of the performance commitment period, if the accumulated net profit of the parent company after deducting the non recurring profit and loss at the end of a certain year is lower than 90% but higher than 70% of the total accumulated committed net profit for the same period, the performance commitment party shall pay cash compensation to the investor in that year to achieve the net profit enjoyed by the environmental company according to the shareholding ratio and the accumulated committed net profit for the same period.

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

34. Significant accounting judgments and estimates (Continued)

(10) Estimate of fair value of the identifiable net assets acquired (Continued)

- ii) If the cumulative actual net profit at the end of any year during the Valuation Adjustment Mechanism period is less than 70% of the committed cumulative net profit during the same period, the equity compensation mechanism will be triggered. The performance promises shall transfer shares to Environmental Company according to the following term: That is, the number of shares that should be compensated for the current period = [(The cumulative committed net profit as of the end of the current period - the cumulative realized net profit as of the end of the current period) × the proportion of shares held by the investor after the completion of this transaction – the compensation paid in the previous period (including cash compensation and equity compensation)] ÷ the acquisition price per share of this transaction.

On the purchase date, the Company judged that the performance could be reached based on the profit forecast, and the contingent consideration was zero. As at the date of this report, Bioland Company's 2020 audit report has not yet been issued, and the Group expects Bioland Company to reach the 2020 benchmark performance indicator.

The Company also continued to pay attention to the realization of Bioland Company's future performance and based on the existing profit forecast, it judged that future performance could still be achieved, and the contingent consideration was zero.

- (b) During the year 2019, the Company's wholly-owned subsidiary, Environment Company, completed the acquisition of 51% of the shares of Nanjing Wind Power Technology Co., Ltd. ("Nanjing Wind Power"), thus obtaining its control. According to the terms and conditions of the equity purchase agreement:
- i) During the Valuation Adjustment Mechanism period, if Nanjing Wind Power fails to reach the gambling performance in 2019 and 2020, it will trigger a profit compensation mechanism: the original shareholders who still hold the shares will transfer some of the shareholders' profits for the year to the environmental company without compensation for compensation. That is, the original shareholders transferred part of the shareholders' profits corresponding to their shareholdings to the environmental company as compensation to ensure that the actual shareholder profit of the environmental company for the year reached the shareholder profit that the environmental company should obtain according to the shareholding ratio under the current year's performance. The profit compensation to the environmental company shall be subject to the profit for the year corresponding to all the equity held by the original shareholders;
- ii) During the Valuation Adjustment Mechanism period, if Nanjing Wind Power does not reach the performance in 2021 and 2022, the equity adjustment mechanism will be triggered: the original shareholders were required to transfer the corresponding proportion of equity at no charge to the stock ratio based on the net profit amount that the performance should achieve in the current period to the environmental company. That is, the original shareholders transferred the corresponding proportion of equity to the environmental company free of charge in order to compensate the environmental company to ensure that the actual shareholder profit of the environmental company in the year after obtaining this part of the equity reached the shareholder profit that the environmental company should obtain according to the shareholding ratio.

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

34. Significant accounting judgments and estimates (Continued)

(10) Estimate of fair value of the identifiable net assets acquired (Continued)

On the purchase date, the Company judged that the performance could be reached based on the profit forecast, and the contingent consideration was zero. At the end of the year 2019, Nanjing Wind Power successfully achieved the 2019 performance indicators. As at the date of this report, Nanjing Wind Power's 2020 annual audit report has not yet been issued. The Group expects Nanjing Wind Power to reach the 2020 benchmark performance indicator.

The Company also continued to pay attention to the realization of Nanjing Wind Power's future performance, and based on the existing profit forecast, it judged that future performance could still be achieved, and the contingent consideration was zero.

- (c) On 31 December 2020, the Company's subsidiary, Infrastructure Environmental Development Company, has completed the acquisition of 50% of the shares of Qiantai Company, thus realizing its control. According to the Share Acquisition Agreement, for the performance of Qiantai Company in 2021, 2022, 2023 and 2024, the following terms of bet are set:
- i) During the gambling period, if Qiantai company fails to achieve the performance of the gambling for the first time, the profit compensation mechanism will be triggered. The performance commitment party shall transfer part of the shareholders' profits of the year to Infrastructure Environmental Development Company for free to compensate the infrastructure environmental protection development company for the difference in the performance of the gambling obtained during the assessment period, that is, the performance commitment party shall not enjoy the profit distribution rights of Qiantai company since the year when the performance of the gambling is not achieved in the assessment, and the originally entitled profit distribution rights shall be enjoyed by Infrastructure Environmental Development Company. Until the above performance difference of the gambling is compensated, if the performance commitment party fails to fully compensate the performance difference of the gambling that should be obtained by Infrastructure Environmental Development Company after transferring all the shareholders' profits that should be obtained by the performance commitment party within the assessment period, the performance commitment party shall continue to compensate the performance difference of the gambling until the next assessment period.
- ii) In the gambling period, if Qiantai company fails to achieve the gambling performance for the second time, the cash compensation mechanism/equity adjustment mechanism shall be triggered. Within three months from the date of triggering, the performance commitment party shall first compensate Infrastructure Environmental Development Company with the following amount in cash: the difference of gambling performance that Infrastructure Environmental Development Company shall obtain in the evaluation period, and the performance commitment party shall make up for the infrastructure in the previous evaluation period Infrastructure Environmental Development Company but not make up the part. If the performance commitment party fails to make full compensation in cash within three months, or makes it clear that it will not make compensation, the equity adjustment mechanism will be triggered, and the performance commitment party will compensate the infrastructure environmental protection development company with its equity of Qiantai company, the performance commitment party will make up the difference between the performance of Infrastructure Environmental Development Company (and) according to the valuation determined by this transaction And) the corresponding proportion of Qiantai company's equity is transferred to Infrastructure Environmental Development Company free of charge, and the relevant taxes involved in the above equity transfer are borne by the performance commitment party.

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

34. Significant accounting judgments and estimates (Continued)

(10) Estimate of fair value of the identifiable net assets acquired (Continued)

- iii) During the gambling period, if Qiantai company fails to achieve the gambling performance for the third time, it will trigger the equity adjustment mechanism/equity repurchase mechanism: in such cases, the Infrastructure Environmental Development Company has the right to unilaterally choose the equity adjustment mechanism or the equity repurchase mechanism according to the following agreement. If the Infrastructure Environmental Development Company chooses the equity adjustment mechanism, the equity adjustment mechanism in II) above shall be implemented. If the Infrastructure Environmental Development Company chooses the share repurchase mechanism, the performance commitment Party (or the third party designated by the performance commitment party) shall, according to the time point of Infrastructure Environmental Development Company choosing the share repurchase mechanism, calculate the investment amount of Infrastructure Environmental Development Company in this transaction and the investment amount by 8% IRR per year After deducting the dividend amount obtained by Infrastructure Environmental Development Company the equity repurchase of Infrastructure Environmental Development Company shall be completed within one year (12 months) after Infrastructure Environmental Development Company proposes to exercise the equity repurchase mechanism. If the performance commitment Party (or the third party designated by the performance commitment party) fails to complete the equity buyback on schedule, the performance commitment party shall transfer its equity of the same value of Qiantai Company to Infrastructure Environmental Development Company free of charge (the proportion of equity transferred free of charge = the above equity buyback price/the valuation determined in this transaction; where "equity buyback price" = the investment in this transaction of Infrastructure Environmental Development Company) If the equity held by the performance commitment party in Qiantai Company is insufficient to make up for the equity repurchase price, the insufficient part shall be made up by the performance commitment party in cash.

On the purchase date, the company judges that the gambling performance can be achieved or the contingent consideration is zero according to the profit forecast. The company also continues to pay attention to the future performance of Qiantai Company. Based on the current profit forecast, it is judged that the future performance of gambling can be achieved or the consideration is zero.

(11) Impairment of concession intangible assets

The estimates on the net realizable value should be made when considering the impairment of the concession intangible assets.

When considering the impairment of the concession intangible assets, the management of the Company calculates the future cash flows of the toll roads and determines the recoverable amount. The key assumptions of this calculation include the estimated growth rate of the traffic volume, the standards of toll road charge, operating period, maintenance cost and the required return rate. The assumptions of calculating the kitchen waste disposal project franchise right include the per unit waste disposal fee, production/processing capacity, operation duration, operating cost, and necessary return rate.

Under the previous assumptions, the Group's management considered that a concession intangible asset had a recoverable amount higher than the book value, and therefore provision for the impairment of a concession intangible asset was not necessary during the current period. The Group is going to examine the relevant items closely and continually. Adjustments will be made during the corresponding period once there is any indication for adjustment of the accounting estimates.

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

34. Significant accounting judgments and estimates (Continued)

(12) *Depreciation and amortization*

After the residual value of fixed assets and intangible assets is taken into account, depreciation and amortization of fixed assets and intangible assets are calculated and withdrawn on a straight-line basis within their service life. The group periodically reviews the service life to determine the amount of depreciation and amortization that will be included in each reporting period. The service life of the group is based on previous experience with similar assets and in combination with expected technical updates. In the event of a material change in previous estimates, depreciation and amortization expenses are adjusted for future periods.

(13) *Method for determining the performance progress of a construction contract*

The Group shall determine the performance progress of the construction contract provided by the Group in accordance with the input method. Specifically, the Group shall determine the performance progress in accordance with the proportion of the accumulated actual construction cost to the estimated total cost. The accumulated actual incurred cost shall include the direct and indirect costs incurred in the process of the Group's commodity transfer to the customer. In the Group's opinion, the construction contract price with the customer is determined on the basis of the construction cost, and the proportion of the actual construction cost to the estimated total cost can accurately reflect the performance progress of the construction services. The Group determines the performance progress according to the proportion of the actual accumulated construction cost to the estimated total cost and recognizes the revenue accordingly. In view of the long duration of the construction contract, which may span several accounting periods, the Group will review and revise the budget as the construction contract progresses and adjust the revenue recognition amount accordingly.

(14) *Impairment of financial instruments*

The Group uses the expected credit loss model to assess the impairment of financial instruments. The application of the expected credit loss model requires significant judgments and estimations, and all reasonable and evidenced information, including forward-looking information, should be considered. In making such judgments and estimations, the Group infers the expected changes in the debtor's credit risk based on the historical repayment data in combination with economic policies, macroeconomic indicators, and industry risks. Different estimates may affect the provision for impairment and the provision for impairment that has been made may not be equal to the actual amount of impairment losses in the future.

(15) *Fair value of unlisted equity investments*

Fair value of non-listed equity investment at fair value through profit or loss is estimated using the market-based method. The assumptions on which it is based are unobservable input. The estimation requires management to determine comparable public companies (peers) based on industry, scale, gearing and strategy and compute appropriate price multiples in respect of each identified comparable company, such as enterprise value to EBITDA ("EV/EBITDA"), price to book ("P/B") or price to earnings ("P/E"), etc. Such multiples are measured and arrived at based on the relevant data of the comparable companies and discounted by a percentage for the lack of liquidity. The discounted multiple shall be used for the measurement of the profit or asset of the non-listed equity investment to arrive at its fair value. Management believes that the estimated fair value (as recorded in the financial statements) and changes in fair value (as recorded in profit or loss and other comprehensive income) arrived at using the aforesaid valuation method were reasonable and represented the most appropriate value at the end of the reporting period.

Notes to Financial Statements

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(RMB)

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

34. Significant accounting judgments and estimates (Continued)

(16) *Quality assurance*

The Group will make a reasonable estimate of the warranty rate for the contract Product improvements combination with similar characteristics based on the historical warranty data, current warranty conditions, market changes, and other relevant information. The Group re-evaluates the warranty rate at least on every balance sheet date and determines the estimated liability based on the re-evaluated warranty rate.

(17) *Estimated compensation*

The Group is involved in a number of litigations. The estimated compensation is based on management's understanding of the litigations and the opinions of legal counsels or legal representatives. These estimations are likely to be updated according to the progress of the litigations. This may affect the Group's operation and operating results.

35. Changes in accounting policies and accounting estimates

Changes in accounting estimates

Details and reasons for changes in accounting estimates	Procedures for approval	Effective date	Notes (Financial statement items and amounts affected)
Changes in accounting estimates of unit usage of Shuiguan Expressway and Yichang Expressway	Approved by the Board of Directors of the Company on 18 March 2020	1 January 2020 (a)	(a)

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

35. Changes in accounting policies and accounting estimates (Continued)

Changes in accounting estimates (Continued)

Changes in accounting estimates of unit usage of concession intangible assets of Shuiguan Expressway and Yichang Expressway:

- (a) Since the net book value and predicted tolling period for Shuiguan Expressway has changed, Yichang Expressway significantly different from the projected traffic volumes in the current period and the difference between the actual traffic volumes and the previous projected traffic volumes is expected to continue, and the surrounding highway networks and traffic diversion impact became stable now, the management team reviewed the traffic volumes of the two expressways for remaining years and changed the per unit amortization amount. The Board of Directors of the Company approved the changes in accounting estimates according to the revised traffic volume projection on 18 March 2020 and adjusted the unit amortization of the aforesaid expressways according to the revised total projected traffic volume from 1 January 2020 using the prospective application. The per-unit amortization for Shuiguan Expressway was adjusted from RMB5.86 to RMB5.66. The per-unit amortization for Yichang Expressway was adjusted from RMB9.55 to RMB10.88. The impact of the change in accounting estimates on the accounting statement items of the current year is as follows:

	Impact amount	
	Shuiguan Expressway	Yichang Expressway
Intangible assets increase/(decrease)	13,153,468.56	-18,919,117.71
Deferred income tax liabilities increase/(decrease)	10,401,640.82	-4,729,779.43
Tax payable increase/(decrease)	-7,113,273.68	-
Operating costs increase/(decrease)	-13,153,468.56	18,919,117.71
Income tax expenses increase/(decrease)	3,288,367.14	-4,729,779.43
Net profit increase/(decrease)	9,865,101.42	-14,189,338.28
Net profit which belongs to parent company shareholders increase/(decrease)	4,932,550.71	-14,189,338.28

The above changes in accounting estimates would impact the magnitude of future amortization of the concession intangible assets of Shuiguan Expressway and Yichang Expressway to a certain extent.

Notes to Financial Statements

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(RMB)

IV. TAXATION

1. Main categories and rates of taxes:

Category	Tax base	Tax rate
Value-added tax ("VAT")	Income from the sale of goods and rendering of services (from 1 May 2018 to 31 March 2019)	16%
	Income from the sale of goods and rendering of services (from 1 April 2019)	13%
	Real estate development income (from 1 April 2019)	9%
	Taxable advertisement income	6%
	Entrusted management income revenue from businesses other than expressway toll road (from 1 May 2016)	6%
	Revenue from expressway toll road business (from 1 May 2016)	3% (Simple Method)
	Tangible assets lease income (1 May 2018 to 31 March 2019)	16%
	Tangible assets lease income (from 1 April 2019)	13%
	Tangible assets lease back	6%
	Construction income (from 1 May 2018 to 31 March 2019)	10%
	Construction income (from 1 April 2019)	9%
	Electricity sales (from 1 May 2018 to 31 March 2019)	16%
	Electricity sales (from 1 April 2019)	13%
	Waste disposal operating income	6%
	Property operating lease income	5% (Simple Method)
	City maintenance and construction tax	Amount of commodity turnover tax paid
Educational surcharge	Amount of commodity turnover tax paid	3%
Local educational surcharge	Amount of commodity turnover tax paid	2%
Construction fee for culture undertakings	Amount of advertising turnover	3%
Corporate income tax ("CIT")	Taxable income	Except the companies in the following chart, 25%
Land appreciation tax	Gain on the transfer of real estate	Four-level progressive rates, 30%-60%

The different CIT rates used by the Company's subsidiaries are disclosed as follows:

The Company	Applicable tax rate
China Logistics Financial Services Limited (China Logistics Finance) ⁽¹⁾	16.5%
Bioland Environmental Technologies Group (Hongkong) Co., Ltd. ("Hongkong Bioland Company")	16.5%

- (1) Fameluxe Company and Bioland Company are incorporated in Hong Kong with an applicable income tax rate of 16.5%.
- (2) Announcement No.9 2020 of the State Administration of Taxation: If no goods are produced after professional treatment by means of landfill, incineration, etc., for the "professional technical services" in the "Modern Services" of the trustee's data, 6% of the processing fees shall apply Value-added tax; if goods are produced after professional processing and the goods belong to the entrusting party, the entrusted party provides "processing services", and the processing fee charged is subject to a 13% tax rate; if goods are produced after professional processing and the goods belong to the entrusted party, the entrusted party The processing fee charged for providing "professional technical services" is subject to a 6% value-added tax rate. When the consignee uses the goods generated for sale, the value-added tax rate of the goods is applicable.

IV. TAXATION (CONTINUED)

2 Tax preference

(1) Baotou Nanfeng Wind Power Technology Co., Ltd. (“Baotou Nanfeng”) is a wind power enterprise and enjoys the following tax benefits

(a) 50% VAT refund policy

Caishui [2015] Notice of the State Administration of Taxation on Wind Power VAT Policy: In order to encourage the use of wind power and promote the healthy development of related industries, the VAT policy for wind power is hereby notified: As of 1 July 2015, taxpayers who sell their self-produced power products using wind power are subject to a 50% VAT refund policy.

(b) Preferential policies for three exemptions, three halves and half of corporate income tax

According to the provisions of Article 27 of Chapter 4 of the “Enterprise Income Tax Law of the People’s Republic of China”, the income tax of enterprises engaged in the investment and operation of public infrastructure projects supported by the state can be exempted or reduced. Pursuant to the provisions of Article 87 of the “Enterprise Income Tax Law of the People’s Republic of China”, engaging in the investment of ports, airports, railways, highways, urban public transportation, electricity, water conservancy and other projects specified in the “Public Infrastructure Projects Enterprise Income Tax Preferential Catalogue” For operating income, from the tax year in which the project obtains the first production and operation income, the corporate income tax will be exempt from the first to the third year, and the corporate income tax will be levied by half from the fourth to sixth year. “Public Infrastructure Projects Corporate Income Tax Preferential Catalogue” includes new wind power generation projects, new wind power generation projects approved by the government investment authority.

Baotou Southern Wind Company started grid-connected power generation in 2018 and obtained its first production and operation income. The “three years exemptions, three years half reduction” tax incentive period began in 2018 and ends in 2023.

(2) Shenzhen International Financial Leasing Co., Ltd. (“Financial Leasing Company”) has the following tax benefits:

(a) VAT difference preferential tax policy

Caishui [2016] No.36 Notice the revenue of pilot taxpayer approved by the People’s Bank of China, China Securities Regulatory Commission or the Commerce Department to operate financial leasing business and provide tangible asset financial leasing leaseback service to generate full charges and other charges will exclude the charge on the principal of tangible assets of the lease and the remaining balance after issuing bonds interests.

(b) 3% VAT refund preferential policy

Caishui [2016] No. 36 notice that general taxpayers who provide financial leasing services and financial sale and leaseback services for tangible movable properties implement the policy of immediate collection and refund of VAT for the part with the actual tax burden of VAT exceeding 3%.

Notes to Financial Statements

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IV. TAXATION (CONTINUED)

2. Tax preference (continued)

(3) Bioland Company and its subsidiaries enjoy the following tax preferences:

Bioland Company obtained the high-tech Enterprise Certificate (Certificate No. GR202041000586) in September 2020, and the high-tech Enterprise Certificate is valid for three years. According to the law of the People's Republic of China on enterprise income tax law and related regulations, the company enjoys the preferential policy of corporate income tax at the rate of 15% from 2020 to 2022. In accordance with the measures for the administration of the recognition of hi-tech enterprises, high-tech enterprise qualification from the date of issue the certificate is valid for three years, and the enterprise income tax rate in 2020 will be 15%.

Guangxi Bioland Renewable Energy Co., Ltd. ("Guangxi Bioland") obtained the High-tech Enterprise Certificate (Certificate No.: GR201945000737) on 25 November 2019. The validity period of this High-tech Enterprise Certificate is three years. In accordance with the Enterprise Income Tax Law of the People's Republic of China and relevant provisions, the company enjoys the preferential policy of corporate income tax at the rate of 15% from 2019 to 2021. According to the "Measures for the Administration of Recognition of High-tech Enterprises", the hi-tech enterprise qualification shall be valid for three years from the date of issuance of the certificate. The company may apply for re-examination within three months prior to the expiration of the certificate, and the enterprise passing the re-examination shall continue to enjoy the hi-tech enterprise qualification.

According to the provisions of Article 88 of the Regulations for the Implementation of the Enterprise Income Tax Law of the People's Republic of China, enterprises that engage in eligible environmental protection, energy conservation and water saving projects shall, from the tax year in which the first production and business income of the project is obtained, be exempted from enterprise income tax for the first year to the third year, and enjoy the half payment from the fourth year to the sixth year.

Guiyang Bioland Environmental Technologies Co., Ltd. ("Guiyang Bioland Company") is engaged in the management project meet the environmental protection, energy-saving water conservation project of enterprise income tax preferential policies, to enjoy the preferential period of 1 January 2016 to 31 December 2021, from 2016 to 2018 to enjoy the enterprise income tax exemption policy, from 2019 to 2021 to enjoy the half payment of enterprise income tax policy.

Dezhou Bioland Environmental Technologies Co., Ltd. ("Dezhou Bioland Company") is engaged in business projects that meet the preferential policies of enterprise income tax for environmental protection, energy conservation and water conservation projects. From 2016 to 2018, Dezhou Bioland Company Texas enjoys the exemption policy of enterprise income tax, and from 2019 to 2021, it enjoys the policy of half payment of enterprise income tax.

Taizhou Bioland Environmental Protection Technology Co., Ltd. ("Taizhou Bioland Company") is engaged in business projects to meet the environmental protection, energy saving and water saving project enterprise income tax preferential policies. In September 2018, it entered the trial operation period, the first income obtained from September 2018, enjoy the preferential period is to enjoy the income tax exemption policy from 2018 to 2020, and enjoy the income tax halving policy from 2021 to 2023. We need to submit an application to the local tax bureau. Because it has no profit at the moment, the company has not applied for it.

Longyou Bioland Environmental Protection Technology Co., Ltd. ("Taizhou Bioland Company") is engaged in business projects to meet the environmental protection, energy saving and water saving project enterprise income tax preferential policies. In February 2018, it entered the trial operation period, the first income obtained from February 2018, enjoy the preferential period is to enjoy the income tax exemption policy from 2018 to 2020, and enjoy the income tax halving policy from 2021 to 2023.

IV. TAXATION (CONTINUED)**2. Tax preference (continued)****(3) Bioland Company and its subsidiaries enjoy the following tax preferences (continued):**

Huangshi Bioland Environmental Technologies Co., Ltd. (“Huangshi Bioland Company”) is engaged in business projects that meet the preferential policies of enterprise income tax for environmental protection, energy conservation and water conservation projects, and enjoys the exemption policy of enterprise income tax from 2020 to 2022, and enjoys the policy of half payment of enterprise income tax from 2023 to 2025.

Shangrao Bioland Environmental Protection Technology Co., Ltd. (“Shangrao Bioland”), as of December 31, 2020, the company has not yet entered the trial operation period and has not yet obtained the first income. From the tax year in which the project in the future obtains the first production and operation income, the enterprise income tax shall be exempted from the first to the third year, and the enterprise income tax shall be halved from the fourth to the sixth year. Applications need to be submitted locally and reviewed it.

Handan Bioland Environmental Protection Technology Co., Ltd. (“Shangrao Bioland”), as of December 31, 2020, the company has not yet entered the trial operation period and has not yet obtained the first income. From the tax year in which the project in the future obtains the first production and operation income, the enterprise income tax shall be exempted from the first to the third year, and the enterprise income tax shall be halved from the fourth to the sixth year. Applications need to be submitted locally and reviewed it.

Guilin Bioland Environmental Protection Technology Co., Ltd. (“Shangrao Bioland”), as of December 31, 2020, the company has not yet entered the trial operation period and has not yet obtained the first income. From the tax year in which the project in the future obtains the first production and operation income, the enterprise income tax shall be exempted from the first to the third year, and the enterprise income tax shall be halved from the fourth to the sixth year.

(4) Nanjing Wind Power Co, Ltd (“Nanjing wind Power”) enjoys the following tax preferences:

In November 2016, Nanjing Wind Power obtained the high-tech Enterprise Certificate (Certificate No. GR201632004558), which was valid for three years. In November 2019, Nanjing Wind Power has been recognized as the second batch of high-tech enterprises in Jiangsu Province in 2019 (Certificate No. GR201932002858). According to the Article 28 of Chapter 2 of the Enterprise Income Tax Law of the People’s Republic of China, high-tech enterprises that need support from the state are levied at a reduced corporate income tax rate of 15% and the company will apply 15% corporate income tax rate in 2020.

Nanjing wind Power enjoy the pre-tax deduction policy for research and development expenses. According to the “Notice of the Ministry of Finance, the State Administration of Taxation, the Ministry of Science and Technology on Increasing the Ratio of the Pre-tax Deduction of Research and Development Expenses” (Caishui [2018] No. 99), the actual occurrence of R&D activities by enterprises Research and development expenses that have not formed intangible assets and are included in the current profits and losses shall be deducted before tax at 75% of the actual amount on the basis of actual deductions according to regulations.

Apart from the above, there are no tax preferences that have a significant impact on the Group.

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IV. TAXATION (CONTINUED)

3 Others

According to Guoshuihan (2010) No. 651, "Reply from the State Administration of Taxation concerning about the recognition as resident enterprises of related overseas enterprises of Shenzhen Expressway Company Limited" issued by the State Administration of Taxation on 30 December 2010, Mei Wah Industrial (Hong Kong) Limited ("Mei Wah Company"), Maxprofit Company and JEL Company were recognized as resident enterprises of China and would be subject to the relevant taxation administration, which came into effect in 2008.

According to the Shenzhen Taxation Bureau of the State Administration of Taxation, Shenzhen Municipal Taxation Bureau [2020] No. 4: Fengli Investment Co., Ltd. is recognized as a Chinese resident enterprise and implements corresponding tax management. Which came into effect in 2020

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and cash equivalents

Item	2020	2019
Cash on hand	8,148,179.86	10,439,104.00
Bank deposits	5,242,004,245.67	4,636,126,395.17
Other money funds	299,151,926.91	132,564,454.79
Total	5,549,304,352.44	4,779,129,953.96
Including: restricted bank deposits	2,315,723,172.17	1,801,295,060.23

On 31 December 2020, the foreign currency funds of the Group amounted to RMB18,975,467.53 (31 December 2019: RMB13,418,993.21).

On 31 December 2020, the Group's specific account for project management was RMB1,789,556,126.60, the acceptance margin of notes payable was RMB283,557,145.56 and the regulated equity purchase fund was RMB210,000,000.00. Bioland Company has a performance guarantee of RMB9,000,000.00 and a construction performance guarantee of kitchen waste disposal project of RMB9,000,000.00 in China Minsheng Banking, and a construction performance guarantee of kitchen waste disposal project of RMB10,000,000.00 in Postal Savings Bank of China. Besides, Bioland Company has the margin account of migrant worker wages of RMB1,201,768.77, and the litigation freeze was RMB3,408,131.24 (Note XI.2). The total balance was RMB2,315,723,172.17. (31 December 2019: the balance of funds for the project management special account was RMB1,459,545,328.54. The acceptance margin for notes payable was RMB131,749,731.69. The regulated equity purchase fund was RMB210,000,000.00. The total balance was RMB1,801,295,060.23) (Note V.62). The balance of the project management specific account of the above project is reflected in the statement of the cash flows as restricted bank deposits.

Current deposits earn interest at the rate based on current deposit interest rates. Maturities of short-term time deposits range from 7 days to 12 months depending on the fund arrangement of the Group. Time deposits earn interest at the relevant rates with different maturities.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**2. Transactional financial assets/(Liabilities)**

Item	2020	2019
Financial assets measured at fair value through profit or loss/ (liabilities represented by "-")	-83,677,813.21	62,689,444.00
Including: Derivative financial assets (liabilities represented by "-")	-83,677,813.21	62,689,444.00
Total	-83,677,813.21	62,689,444.00

Transactional financial assets are foreign exchange swap/forward contracts and options contracts that are measured at fair value through profit or loss. In order to hedge exchange rate risk, the Company signed foreign exchange swap/forward contracts with a number of banks in phases. At the end of 2019, the company held forward/swap contracts totaling USD300 million. In July 2020, the USD150 million foreign exchange swap/forward contract expired and generated delivery income of RMB17,955,000.00 (Note V.52). The remaining contracts of USD150 million began in July 2018 and will expire in July 2021. In addition, the Company signed an option contract with Bank of China in August 2020 with a face value of USD150 million. On 31 December 2020, the Company held forward/swap contracts and options contracts totaling USD300 million. During this year, the loss from the fair value change of the above derivative financial instruments was RMB146,367,257.21 (2019: Income RMB17,586,250.00) (Note V.53).

3. Bills receivable

Item	2020	2019
Bank acceptance bills	52,953,063.65	9,895,060.34
Commercial acceptance bills	325,579,650.00	-
Total	378,532,713.65	9,895,060.34

The bills receivable that have been endorsed or discounted but not yet matured on 31 December 2020 are as follows:

Item	2020		2019	
	Derecognition	Non-termination confirmation	Derecognition	Non-termination confirmation
Bank acceptance bills	41,410,185.83	33,962,000.00	106,751,000.00	-
Commercial acceptance bills	-	295,514,920.11	-	-
Total	41,410,185.83	329,476,920.11	106,751,000.00	-

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable

Trade receivables are interest-free with a credit period of one to twelve months in general.

(1) The aging of accounts receivable according to the recognition date is analyzed below:

Aging	2020	2019
Within 1 year	627,253,791.35	696,120,138.78
1 to 2 years	89,168,733.25	75,684,818.95
2 to 3 years	75,334,742.08	22,404,325.16
Over 3 years	21,572,362.63	2,520,857.54
Sub-total	813,329,629.31	796,730,140.43
Less : Provision for bad debts	15,259,267.55	7,396,091.86
Total	798,070,361.76	789,334,048.57

(2) Accounts receivable are analyzed by category as follows:

Category	2020			
	Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance
Receivables that are subject to provision by group with similar credit risk characteristics	813,329,629.31	100	15,259,267.55	1.88
Group 1	68,748,253.75	8.45	—	—
Group 2	494,729,302.36	60.84	916,513.98	0.19
Group 3	53,474,048.23	6.57	3,988,012.20	7.46
Group 4	196,378,024.97	24.14	10,354,741.37	5.27
Total	813,329,629.31	100	15,259,267.55	1.88

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**4. Accounts receivable (Continued)****(2) Accounts receivable are analyzed by category as follows: (Continued)**

The aging of group 2, group 3 and group 4 according to the recognition date is analyzed below:

Group 2	2020		
	Estimated default book balance	Expected credit loss rate (%)	Expected credit loss over the duration
Aging			
Within 1 year	416,404,556.26	0.14	579,784.53
1 to 2 years	78,324,746.10	0.43	336,729.46
2 to 3 years	–	/	–
Over 3 years	–	/	–
Total	494,729,302.36	/	916,513.98

Group 3	2020		
	Estimated default book balance	Expected credit loss rate (%)	Expected credit loss over the duration
Aging			
Within 1 year	29,119,847.54	2.27	660,704.81
1 to 2 years	8,869,902.34	10.14	899,094.46
2 to 3 years	15,484,298.35	15.68	2,428,212.93
Over 3 years	–	/	–
Total	53,474,048.23	/	3,988,012.20

Group 4	2020		
	Estimated default book balance	Expected credit loss rate (%)	Expected credit loss over the duration
Aging			
Within 1 year	146,883,372.64	0.10	144,938.51
1 to 2 years	1,949,340.56	10.29	200,590.91
2 to 3 years	47,545,311.77	21.05	10,009,211.95
Over 3 years	–	/	–
Total	196,378,024.97	/	10,354,741.37

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

(2) Accounts receivable are analyzed by category as follows: (Continued)

Category	2019			
	Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance
Receivables that are subject to provision by group with similar credit risk characteristics	796,730,140.43	100.00	7,396,091.86	0.93
Group 1	56,345,778.13	7.07	—	—
Group 2	530,446,388.70	66.58	—	—
Group 4	209,937,973.60	26.35	7,396,091.86	3.52
Total	796,730,140.43	100.00	7,396,091.86	0.93

The aging of group 2 and group 4 according to the recognition date is analyzed below:

Group 2	2019		
	Estimated default book balance	Expected credit loss rate (%)	Expected credit loss over the duration
Aging			
Within 1 year	530,446,388.70	/	—
1 to 2 years	—	/	—
2 to 3 years	—	/	—
Over 3 years	—	/	—
Total	530,446,388.70	/	—

Group 4	2019		
	Estimated default book balance	Expected credit loss rate (%)	Expected credit loss over the duration
Aging			
Within 1 year	136,165,707.71	0.13	170,440.07
1 to 2 years	73,545,850.81	9.78	7,192,108.82
2 to 3 years	226,415.08	14.81	33,542.97
Over 3 years	—	/	—
Total	209,937,973.60	/	7,396,091.86

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

(3) The changes in the provision for bad debt are as follows:

Item	Beginning balance	Additions	Reversal	Cancellation after verification	Ending balance
31 December 2020	7,396,091.86	8,136,242.67	–	273,066.98	15,259,267.55
31 December 2019	860,000.00	8,799,054.07	1,966,962.21	296,000.00	7,396,091.86

(4) Accumulated accounts receivable from the five largest debtors:

Item	Balance	Provision for bad debts	% of total balance
Total accumulated accounts receivable from the five largest debtors at 31 December 2020	445,740,649.92	579,462.84	54.80
Total accumulated accounts receivable from the five largest debtors at 31 December 2019	718,544,601.49	9,688,980.50	90.19

5. Prepayments

(1) Prepayments presented on the basis of their respective nature:

Item	2020	2019
Prepaid land-transfer fee	145,820,495.00	136,912,559.45
Prepaid material payment	145,718,896.27	115,464,238.07
Others	111,650,913.00	83,459,968.53
Total	403,190,304.27	335,836,766.05

At 31 December 2020, the amount represented the prepayments for land-transfer fee, materials, construction, administrative expenses, special expenses and so on.

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

Aging	2020		2019	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	243,676,587.11	60.44	199,167,831.06	59.30
1 to 2 years	24,647,828.03	6.11	134,696,211.26	40.11
2 to 3 years	132,868,330.44	32.95	1,136,063.92	0.34
Over 3 years	1,997,558.69	0.50	836,659.81	0.25
Total	403,190,304.27	100.00	335,836,766.05	100.00

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Prepayments (Continued)

(2) The aging analysis of prepayments is as follows: (Continued)

On 31 December 2020, advances to suppliers over 1 year mainly represented the land-transfer fee, materials, and construction. The advances to suppliers have not been carried over because the contracts and projects have not been completed.

(3) Accumulated advances to the five largest suppliers

Total accumulated advances to the five largest suppliers	Amount	% of total balance
31 December 2020	288,470,560.88	71.55
31 December 2019	207,797,685.53	61.87

6. Other receivables

(1) Other receivables are classified as follows:

Item	2020	2019
Interest receivable	9,588,821.98	6,517,105.90
Other receivables	763,450,510.06	516,459,010.40
Total	773,039,332.04	522,976,116.30

(2) The aging of other receivables according to the recognition date is analyzed below:

Aging	2020	2019
Within 1 year	409,305,059.09	411,315,252.14
1 to 2 years	247,255,021.80	90,514,675.98
2 to 3 years	95,688,580.46	17,290,150.38
Over 3 years	20,815,817.45	3,856,037.80
Sub-total	773,064,478.80	522,976,116.30
Less : Provision for bad debts	25,146.76	—
Total	773,039,332.04	522,976,116.30

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**6. Other receivables (Continued)****(3) Classification of other receivables by nature:**

Nature of payment	2020	2019
Advances receivable	492,041,718.06	164,880,235.27
Deposits and guarantees	182,244,199.27	152,948,350.82
Account receivable due to cancellation of toll stations in Yanpai and Yanba sections	9,209,048.19	11,170,906.19
Interest receivable	9,588,821.98	6,517,105.90
Receivable from Nanjing Economic Development Commission (Note V. 60(1))	–	10,000,000.00
Employee advance loan	8,436,704.73	4,258,371.18
Administrative reserve	4,929,923.93	3,718,676.45
Receivable from other related parties (Note X. 6(1))	–	147,711,533.95
Receivable from third parties	32,818,954.76	–
Receivable overpaid tax on the government's compensation revenue for the renovation and expansion of Meiguan	–	2,441,247.40
Receivable from Hotai Investment to return the equity transfer payment	16,890,000.00	–
Others	16,905,107.88	19,329,689.14
Sub-total	773,064,478.80	522,976,116.30
Less : Provision for bad debts	25,146.76	–
Total	773,039,332.04	522,976,116.30

(4) The changes in the provision for bad debt are as follows:**2020**

Item	Stage 1	Stage 2	Stage 3	Total
	12-month expected credit losses	Lifetime expected credit losses	Credit-impaired financial assets (Lifetime expected credit losses)	
Opening balance	–	–	–	–
Accrual	25,146.76	–	–	25,146.76
Closing balance	25,146.76	–	–	25,146.76

Notes to Financial Statements

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (Continued)

(5) The five largest other receivables are analysed as follows:

2020

Company name	Nature	2020	Aging	% of total balance	Provision for bad debts
Nanjing Ningfeng Energy Technology Co., Ltd.	Advances receivable	119,704,571.95	1 to 2 years/ 2 to 3 years	15.48	–
Henan Senyuan Electric Co., Ltd.	Advances receivable	105,860,793.16	Within 1 year/ 1 to 2 years	13.69	–
Ningxia Zhongwei Xintang New Energy Co., Ltd.	Advances receivable	92,435,851.16	Within 1 year/ 1 to 2 years	11.96	–
Henan Senyuan Group Co., Ltd.	Margin	80,000,000.00	1 to 2 years	10.35	–
Zhangshu Gaochuan New Energy Co., Ltd.	Advances receivable	62,205,709.23	Within 1 year/ 1 to 2 years	8.05	–
Total	/	460,206,925.50	/	59.53	–

2019

Company name	Nature	2019	Aging	% of total balance	Provision for bad debts
Shenzhen International Holdings (Holdings) Co., Ltd. (Shenzhen International Holdings)	Receivables	144,619,354.91	Within 1 year	27.65	–
Nanjing Ningfeng Energy Technology Co., Ltd.	Advances receivable	125,704,571.95	Within 1 year/ 1 to 2 years	24.04	–
Henan Senyuan Group Co., Ltd.	Margin	80,000,000.00	Within 1 year	15.30	–
China Power Construction Corporation Jiangxi Electric Power Construction Co., Ltd.	Margin	41,200,000.00	Within 1 year	7.88	–
Ningxia Zhongwei Xintang New Energy Co., Ltd.	Margin and advances receivable	25,200,000.00	Within 1 year	4.82	–
Total	/	416,723,926.86	/	79.68	–

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**7. Inventories****(1) Inventory classification**

Item	2020			2019		
	Book balance	Allowance for impairment	Book value	Book balance	Allowance for impairment	Book value
Properties held for development (a)	103,918,051.88	-	103,918,051.88	167,000,061.05	-	167,000,061.05
Properties under development (b)	213,644,249.47	-	213,644,249.47	271,966,290.35	-	271,966,290.35
Properties held for sale (c)	256,963,485.78	-	256,963,485.78	63,146,328.73	-	63,146,328.73
Raw materials	191,271,917.73	-	191,271,917.73	205,092,765.90	-	205,092,765.90
Goods in progress	27,168,786.90	-	27,168,786.90	1,246,570.01	-	1,246,570.01
Finished goods	141,440,322.60	-	141,440,322.60	10,839,757.29	-	10,839,757.29
Low value consumables and others	5,509,175.89	116,143.51	5,393,032.38	5,001,704.07	-	5,001,704.07
Total	939,915,990.25	116,143.51	939,799,846.74	724,293,477.40	-	724,293,477.40

(a) Properties held for development were the lands held by the Group's subsidiary, Guizhou Shenzhen Expressway Land Co., Ltd. (Guizhou Land) and the lands were planned to be developed under Phase II and Phase V of the "Interlaken Town Project".

(b) Properties under development

Name of project	Start time	Estimated completion date	The amount of estimated investment	Ending balance on 31 December 2020	Opening balance on 1 January 2020
Phase III Stage I of "Interlaken Town Project"	2018.12	2020.11	425,000,000.00	-	111,198,261.43
Phase III Stage III of "Interlaken Town Project"	2020.9	2022.6	960,479,500.00	151,306,227.06	-
Public area	2015.12	/	/	62,338,022.41	160,768,028.92
Total	/	/	1,385,479,500.00	213,644,249.47	271,966,290.35

(c) Properties held for sale

Name of project	Completion time	Opening balance	Increase	Decrease	Ending balance	Provision
Phase I Stage I of "Interlaken Town Project"	2016.12	15,312,898.68	-	-	15,312,898.68	-
Phase II Stage II of "Interlaken Town Project"	2019.04	47,833,430.05	-	-	47,833,430.05	-
Phase III Stage I of "Interlaken Town Project"	2020.11	-	370,733,277.04	176,916,119.99	193,817,157.05	-
Total	/	63,146,328.73	370,733,277.04	176,916,119.99	256,963,485.78	-

The properties held for sale are properties of the first Stage of Phase I, the second Stage of Phase II and the first Stage of Phase III of the Interlaken Town Project. The first Stage of Phase I achieved a completion area of 38,768.63 square meters in 2016, of which 37,195.49 square meters of the completed area were delivered. In the current year, there was no delivery area and the remaining completed saleable area was 1,573.14 square meters. The second Stage of Phase II achieved a completion area of 8,899.77 square meters in 2019, of which 3,185.02 square meters were delivered in 2019. In the current year, there was no delivery area and the remaining completed saleable area was 5,714.75 square meters. The first Stage of Phase III achieved a completion area of 58,018.83 square meters in 2020, of which 27,686.93 square meters were delivered and the remaining completed saleable area was 30,331.90 square meters.

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories (Continued)

(2) The changes in the allowance for impairment are as follows:

2020

Item	Beginning balance	Additions	Reversal	Cancellation after verification	Ending balance
Finished goods	-	116,143.51	-	-	116,143.51

There was no provision for inventories in 2019.

(3) Explanation of inventories year-end balance containing capitalization of borrowing costs:

In the current year, the additional capitalized interest expense in the Group's inventories was RMB6,359,622.38 (2019: RMB1,672,862.02), and the capitalization rate used to confirm the amount of capitalization was 4.75% (2019: 4.75%). At 31 December 2020, the capitalized interest in the inventory ending balance was RMB3,244,555.73 (31 December 2019: RMB2,758,034.72).

8. Contract assets

Item	2020			2019		
	Book balance	Provision for bad debt	Book value	Book balance	Provision for bad debt	Book value
Construction receivables	191,552,442.89	-	191,552,442.89	144,838,347.15	-	144,838,347.15
Kitchen waste engineering construction receivables (a)	123,825,838.12	37,882,763.76	85,943,074.36	-	-	-
Warranty receivables (b)	65,873,700.00	329,368.50	65,544,331.50	43,051,850.00	126,280.00	42,925,570.00
Others	1,025,944.50	-	1,025,944.50	-	-	-
Total	382,277,925.51	38,212,132.26	344,065,793.25	187,890,197.15	126,280.00	187,763,917.15

(a) The Group's newly-increased receivables from the restaurant kitchen waste engineering construction business amounted to RMB85,943,074.36, all of which were revenues from Bioland Company's environmental engineering construction business.

(b) The balance of the Group's warranty receivables this year was RMB65,544,331.50 (2019: RMB42,925,570.00), all from Nanjing Wind Power's wind turbine sales warranty.

The changes in the impairment of contract assets are as follows:

Item	Beginning balance	Additions	Reversal	Cancellation after verification	Ending balance
2020	126,280.00	38,085,852.26	-	-	38,212,132.26
2019	-	126,280.00	-	-	126,280.00

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Assets held for sale

Item	2020 book value	Fair value	Estimated disposal cost	Disposal time
Long-term equity investments	494,662,913.71	520,000,000.00	694,580.00	The first quarter of 2021
Total	494,662,913.71	520,000,000.00	694,580.00	/

On 20 November 2020, the 25% equity of Guangdong Jiangzhong Expressway Co., Ltd. ("Jiangzhong Company") and 30% equity of Yunfu Guangyun Expressway Co., Ltd. ("Guangyun Company") held by the Company were publicly listed for sale on Shenzhen United Property Exchange. On 28 December 2020, Xinyue (Guangzhou) Investment Co., Ltd. was delisted and became the transferee and paid a deposit of RMB156,010,000.00. The Company has made a resolution of the board of directors on the transaction on 10 November 2020, and it is expected that the transfer will be completed within one year. Accordingly, the subject matter related to the agreement is classified from long-term equity investment into assets held for sale. For details, please refer to Note V.15(d).

10. Current portion of non-current assets

Item	2020	2019
Receivables from Longli BT Project (Note V.13(a))	22,548,751.19	22,548,751.19
Financial leasing receivables (Note V.13(c))	52,879,136.63	82,446,043.35
Receivables from related parties (Note X.6(1))	–	64,946,021.63
Government compensation receivables from minority shareholders (Note V.13(d))	–	7,272,394.51
Sub-total	75,427,887.82	177,213,210.68
Less : Provision for bad debts	557,805.03	873,316.43
Total	74,870,082.79	176,339,894.25

11. Other current assets

Item	2020	2019
Prepaid tax	9,443.73	13,771,786.56
Pending deduction of input value-added tax	325,713,547.29	233,943,994.07
Total	325,722,991.02	247,715,780.63

12. Long-term prepayments

Item	2020	2019
Construction prepayments from Shenzhen Outer Ring Expressway Investment Company Limited (Outer Ring Company)	104,418,379.86	272,936,643.91
Prepayments for Shenzhen Airport-Heao Expressway reconstruction and expansion	213,883,489.53	87,113,787.23
Total	318,301,869.39	360,050,431.14

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Long-term prepayments (Continued)

At 31 December 2020, Outer Ring Company has prepaid the construction funds for Baoan Section and Longgang Section in Outer Ring Expressway amounting to RMB104,418,379.86 (2019: RMB272,936,643.91). The Company has prepaid the construction funds for Shenzhen Airport-Heao Expressway reconstruction and expansion amounting to RMB213,883,489.53 (2019: RMB87,113,787.23). The prepayments will be settled according to the progress of the construction.

13. Long-term receivables

(1) General information:

Item	2020			2019		
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value
Due from Shenzhen-Shanwei Special Cooperation Zone Development and Construction Co., Ltd	166,378,392.13	-	166,378,392.13	159,360,103.10	-	159,360,103.10
Due from Guizhou Longli County Government in relation to the project management services provided to Longli BT Project (a)	22,548,751.19	-	22,548,751.19	22,548,751.19	-	22,548,751.19
Electricity compensation income (b)	307,076,579.09	810,495.51	306,266,083.58	180,002,544.81	252,529.92	179,750,014.89
Financial leasing receivables (c)	548,313,304.01	3,341,173.42	544,972,130.59	176,956,132.35	1,941,320.91	175,014,811.44
Long-term receivables from related parties	-	-	-	65,478,632.41	-	65,478,632.41
Government compensation receivables from minority shareholders (d)	59,639.61	-	59,639.61	7,332,034.12	-	7,332,034.12
Receivable from Hotai Investment to return the equity transfer payment (e)	32,000,000.00	-	32,000,000.00	-	-	-
Sub-total	1,076,376,666.03	4,151,668.93	1,072,224,997.10	611,678,197.98	2,193,850.83	609,484,347.15
Less: Current portion	-	-	-	-	-	-
Due from Guizhou Longli County Government in relation to the project management services provided to Longli BT Project (b)	22,548,751.19	-	22,548,751.19	22,548,751.19	-	22,548,751.19
Financial leasing receivables (c)	52,879,136.63	557,805.03	52,321,331.60	82,446,043.35	873,316.43	81,572,726.92
Long-term receivables from related parties (Note X.6(1))	-	-	-	64,946,021.63	-	64,946,021.63
Government compensation receivable from minority shareholders (d)	-	-	-	7,272,394.51	-	7,272,394.51
Sub-total	75,427,887.82	557,805.03	74,870,082.79	177,213,210.68	873,316.43	176,339,894.25
Total	1,000,948,778.21	3,593,863.90	997,354,914.31	434,464,987.30	1,320,534.40	433,144,452.90

- (a) The Longli BT project entrusted to Guizhou Guishen Investment Development Company Limited ("Guishen Company") was completed at the end of 2014. As at 31 December 2020, accounts receivable due from the Longli BT project was RMB22,548,751.19 (2019: RMB22,548,751.19).
- (b) The balance for Baotou Southern Wind electricity compensation income at 31 December 2020 was RMB306,266,083.58 (2019: RMB179,750,014.89).
- (c) Financial Leasing Company had financial leasing and interest receivables of RMB544,972,130.59 at 31 December 2020 (2019: RMB175,014,811.44).

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**13. Long-term receivables (Continued)****(1) General information: (Continued)**

(d) According to the business combination under the same control, the beginning balance of Longda Company's receivables from minority shareholders was RMB7,332,034.12. The money was almost received in this year. As of 31 December 2020, the remaining balance of this account was RMB59,639.61.

(e) On 31 December 2020, Qinglong Company, a subsidiary of the group, has not signed an expressway adjustment toll agreement with the Shenzhen Municipal Government, which triggered the adjusting mechanism of acquisition consideration between Mei Wah Company, another subsidiary of the group, and Qinglong Company's original shareholder Hotai Investment Co., Ltd. According to the sale and purchase agreement and supplementary agreement signed between the Company's subsidiary Mei Wah Company and Hotai Investment, Hotai Investment should return the balance of equity transfer consideration totaling RMB40,000,000.00 and interest totaling RMB8,890,000.00. The balance mentioned above should be returned by installments. As of 31 December 2020, the balance should be returned within one year was RMB32,000,000.00.

(2) The changes in the ending balance and bad debt provision of long-term receivables based on expected credit losses are as follows:**2020**

Item	The first stage Expected credit loss over the next 12 months	
	Ending balance	Provision for bad debt
Opening balance	434,464,987.30	1,320,534.40
Additions	871,319,340.74	2,517,296.90
Reduction	304,835,549.83	243,967.40
Closing balance	1,000,948,778.21	3,593,863.90

2019

Item	The first stage Expected credit loss over the next 12 months	
	Ending balance	Provision for bad debt
Opening balance	2,084,299,413.47	1,269,816.74
Additions	87,354,167.26	914,305.89
Business combinations not under common control	163,261,168.36	–
Reduction	1,900,449,761.79	863,588.23
Closing balance	434,464,987.30	1,320,534.40

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Other non-current financial assets

Item	2020	2019
Wanhe Securities Co., Ltd.	950,000,000.00	–
Shenzhen State-owned Collaborative Development Private Equity Fund Partnership Equity (“Collaborative Development Fund”)	308,486,714.70	–
Shenzhen Water Planning and Design Institute Co., Ltd. (“Water Regulation Institute”) equity	188,515,110.00	103,125,000.00
Guangdong United Electronic Services Co., Ltd. (“United Electronics”) equity	124,961,491.84	114,814,080.00
Equity of Guangdong Heyuan Rural Commercial Bank Co., Ltd	22,503,680.00	–
Equity of Guangdong Zijin Rural Commercial Bank Co., Ltd	9,180,560.00	–
Yiwu Shenneng Renewable Resources Co., Ltd. equity	2,243,730.00	–
Total	1,605,891,286.54	217,939,080.00

During the year, gains from changes in fair value of those equity investments amounted to RMB104,024,236.54 (2019: RMB37,500,260.00). Please refer to Note V.53.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Long-term equity investments

2020

Investee	Current year movements							2020	Shareholding (%)	Impairment provided during the year
	2019	Current year additions	Investment income/loss recognized under equity pick-up method	Cash dividend declared	Investment cost refunded	Disposals	Others			
Associates										
Jiangzhong Company(d)	311,781,980.50	-	-1,509,329.42	-	-	-310,272,651.08	-	-	25	-
Nanjing Yangtze River Third Bridge Company Limited ("Nanjing Third Bridge Company")	324,986,381.30	-	24,049,144.41	-24,049,144.41	-13,540,741.77	-	-	311,445,639.53	25	-
Guangdong Yangmao Expressway Company Limited ("Yangmao Company")	428,642,868.52	103,750,000.00	60,398,918.39	-53,005,173.19	-	-	-	539,786,613.72	25	-
Guangzhou Western Second Ring Expressway Company Limited ("GZ W2 Company")	296,913,135.45	-	58,506,923.55	-28,559,500.00	-	-	-	326,860,559.00	25	-
Guangyun Company(d)	100,871,961.58	-	23,458,902.01	-	-	-184,390,262.63	60,059,399.04	-	30	-
Shenzhen International United Land Company Limited ("United Land Company") (a)	1,391,569,806.30	-	363,478,450.64	-312,120,473.62	-	-	32,252,473.61	1,475,180,256.93	34.30	-
Chongqing Derun Environment Co., Limited ("Derun Environment") (b)	4,525,056,258.95	-	206,420,366.54	-128,000,000.00	-	-	127,912,347.50	4,731,388,972.99	20	-
Foshan Shunde Shengchuang Shenzhen Expressway Environmental Technology Industry M&A Investment Partnership (Limited Partnership) ("Environmental Technology Industry M&A Fund") (c)	-	135,000,000.00	-4,281,830.64	-	-	-	-	130,718,169.36	45	-
Others (e)	1,326,466,949.13	-	150,208,427.12	-35,154,490.00	-	-	-17,575,648.00	1,423,945,238.25	/	-
Total	8,706,289,341.73	238,750,000.00	880,729,972.60	-580,888,781.22	-13,540,741.77	-494,662,913.71	202,648,572.15	8,939,325,449.78	/	-

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Long-term equity investments (continued)

2019

Investee	2018	Current year movements						2019	Shareholding (%)	Impairment provided during the year
		Current year additions	Reduction	Investment income/loss recognized under equity pick-up method	Cash dividend declared	Investment cost refunded	Others			
Associates										
Jiangzhong Company(d)	315,321,289.79	-	-	19,491,390.53	-19,491,390.53	-3,539,309.29	-	311,781,980.50	25	-
Nanjing Third Bridge Company	336,657,796.18	-	-	53,683,206.87	-53,683,206.87	-11,671,414.88	-	324,986,381.30	25	-
Yangmao Company	383,837,714.75	108,750,000.00	-	44,343,401.49	-44,343,401.49	-63,944,846.23	-	428,642,868.52	25	-
GZ W2 Company	289,747,039.65	-	-	59,515,308.40	-52,349,212.60	-	-	296,913,135.45	25	-
Guangyun Company(d)	68,925,398.16	-	-	34,578,929.22	-2,632,365.80	-	-	100,871,961.58	30	-
United Land Company	1,014,607,875.06	-	-	354,869,950.44	-	-	22,091,980.80	1,391,569,806.30	34.30	-
Derun Environment	4,411,573,102.56	-	-	193,467,531.92	-116,000,000.00	-	36,015,624.47	4,525,056,258.95	20	-
Others (e)	1,038,438,281.47	171,044,470.10	-	139,734,581.52	-9,818,750.96	-11,756,249.04	-1,175,383.96	1,326,466,949.13	/	-
Total	7,859,108,497.62	279,794,470.10	-	899,684,300.39	-298,318,328.25	-90,911,819.44	56,932,221.31	8,706,289,341.73	/	-

- (a) The Company holds a 34.3% equity interest in United Land and has significant influence on its important financial and production and operation decisions. Therefore, the Company uses the equity method to account for this long-term equity investment. During the year, according to the sold ratio of the United Landmark Meilinguan Urban Renewal Project of 38.67%, the unrealized internal transaction gains and losses offset by previous years were reversed to RMB32,252,473.61. Please refer to Note V. 52(a) for details.
- (b) Due to the change of other comprehensive income of Derun Environment during the year, the Group confirmed the decrease of other comprehensive income of RMB24,024,909.49 according to the shareholding ratio and confirmed the increase of capital reserve of RMB151,937,256.99 according to the shareholding ratio due to the change of Derun Environment's capital reserve.
- (c) On 14 April 2020, the Company, Guangdong Shengchuang Investment Management Co., Ltd. ("Shengchuang Investment") and the others entered into a partnership agreement to invest in Environmental Technology Industry M&A Fund. The total subscribed capital contribution of all partners was RMB1,000,000,000.00, of which the subscribed capital contribution of the Company was RMB450,000,000.00, with the shareholding ratio of 45%. As of 31 December 2020, the Company has contributed RMB135,000,000.00. The Company had significant influence on its investment decision. Therefore, the Company accounted for Environmental Technology Industry M&A Fund as an associate under the equity method.
- (d) During the year, the 25% equity of Jiangzhong Company and the 30% equity of Guangyun Company held by the Company were classified from long-term equity investment into assets held for sale. Please refer to Note V.9 for details.
- (e) Others include the Company's affiliated companies such as Shenzhen Expressway Engineering Consulting Co., Ltd. ("Consulting Company"), Shenzhen Huayu Expressway Investment Co., Ltd. ("Huayu Company"), Guizhou Hengtongli Property Co., Ltd. ("Guizhou Hengtongli"), and Guizhou Bank Co., Ltd. ("Guizhou Bank"). Due to the change of other comprehensive income of Guizhou Bank during the year, the Group confirmed the decrease of other comprehensive income of RMB17,575,648.00 according to the shareholding ratio.
- (f) The percentage of ownership interest of the associated enterprise held is the same as the percentage of its voting power.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**16. Investment properties**

Subsequently measured at cost:

Item	2020	2019
1. Cost		
Balance at 1 January	18,180,000.00	18,180,000.00
Balance at 31 December	18,180,000.00	18,180,000.00
2. Accumulated depreciation		
Balance at 1 January	6,381,058.80	5,805,116.40
Current year additions	575,942.40	575,942.40
– Addition	575,942.40	575,942.40
Balance at 31 December	6,957,001.20	6,381,058.80
3. Carrying amount		
Balance at 31 December	11,222,998.80	11,798,941.20
Balance at 1 January	11,798,941.20	12,374,883.60

The investment properties are the parking spaces in the Group's headquarters in Jiangsu Building, where the Group commissioned the property company to rent these properties to the relevant car owners.

* The Group's investment properties are all located in the mainland of China and held in the form of leases.

At 31 December 2020, the investments without the certificate of ownership are listed as follows

	Carrying amount	Reason for not yet obtaining the certificate of ownership
The parking lot beneath Jiangsu Building	11,222,998.80	All the certificates of ownership of the parking lots in Shenzhen are not available

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Fixed assets

(1) Fixed asset movements

2020

Item	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Mechanical equipment	Total
1. Cost						
31 December 2019	645,380,552.08	1,474,200,027.80	35,129,771.42	71,944,256.09	1,690,461,830.69	3,917,116,438.08
Current year additions	497,356,315.29	257,780,002.57	10,702,796.46	24,734,032.71	144,716,333.36	935,289,480.39
– Purchase	366,450,145.39	219,095,946.15	7,061,837.44	22,642,108.43	78,759,603.58	694,009,640.99
– Construction in progress	272,373.97	38,684,056.42	–	784,934.48	714,793.00	40,456,157.87
– Acquisition of subsidiaries	130,633,795.93	–	3,640,959.02	1,306,989.80	65,241,936.78	200,823,681.53
Current year reductions	17,416,506.07	30,179,350.20	7,400,502.56	6,321,991.37	49,914.53	61,368,264.73
– Disposals	17,416,506.07	30,179,350.20	7,400,502.56	6,321,991.37	49,914.53	61,368,264.73
31 December 2020	1,125,320,361.30	1,701,800,680.17	38,432,065.32	90,356,297.43	1,835,128,249.52	4,791,037,653.74
2. Accumulated depreciation						
31 December 2019	232,877,100.27	718,794,314.56	26,693,653.70	37,591,782.11	29,344,433.93	1,045,301,284.57
Current year additions	32,393,749.21	145,674,645.58	3,439,613.43	11,264,201.47	93,483,153.57	286,255,363.26
– Addition	32,393,749.21	145,674,645.58	3,439,613.43	11,264,201.47	93,483,153.57	286,255,363.26
Current year reductions	4,433,272.33	16,865,982.45	6,813,928.45	5,672,012.02	34,978.63	33,820,173.88
– Disposals	4,433,272.33	16,865,982.45	6,813,928.45	5,672,012.02	34,978.63	33,820,173.88
31 December 2020	260,837,577.15	847,602,977.69	23,319,338.68	43,183,971.56	122,792,608.87	1,297,736,473.95
3. Book value						
31 December 2020	864,482,784.15	854,197,702.48	15,112,726.64	47,172,325.87	1,712,335,640.65	3,493,301,179.79
31 December 2019	412,503,451.81	755,405,713.24	8,436,117.72	34,352,473.98	1,661,117,396.76	2,871,815,153.51

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**17. Fixed assets (Continued)****(1) Fixed asset movements (Continued)**

2019

Item	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Mechanical equipment	Total
1. Cost	645,380,552.08	1,474,200,027.80	35,129,771.42	71,944,256.09	1,690,461,830.69	3,917,116,438.08
31 December 2018	657,285,759.74	1,021,941,980.54	35,497,632.41	65,141,683.23	3,556,013.67	1,783,423,069.59
Current year additions	4,476,242.84	462,566,520.47	4,160,435.46	11,340,381.50	1,686,905,817.02	2,169,449,397.29
– Purchase	2,421,206.13	90,210,519.66	3,424,468.20	10,189,070.73	13,326,416.87	119,571,681.59
– Construction in progress	2,055,036.71	372,095,943.17	–	–	–	374,150,979.88
– Acquisition of subsidiaries	–	260,057.64	735,967.26	1,151,310.77	345,726,339.03	347,873,674.70
– Transfer of right-of-use assets	–	–	–	–	1,327,853,061.12	1,327,853,061.12
Current year reductions	16,381,450.50	10,308,473.21	4,528,296.45	4,537,808.64	–	35,756,028.80
– Disposals	16,381,450.50	10,308,473.21	4,528,296.45	4,537,808.64	–	35,756,028.80
31 December 2019	645,380,552.08	1,474,200,027.80	35,129,771.42	71,944,256.09	1,690,461,830.69	3,917,116,438.08
2. Accumulated depreciation						
31 December 2018	213,690,987.65	642,931,605.38	26,487,308.13	31,960,798.16	3,503,242.43	918,573,941.75
Current year additions	31,547,146.70	84,094,786.91	4,525,858.45	9,608,746.71	25,841,191.50	155,617,730.27
– Addition	31,547,146.70	84,094,786.91	4,525,858.45	9,608,746.71	19,279,782.95	149,056,321.72
– Transfer of right-of-use assets	–	–	–	–	6,561,408.55	6,561,408.55
Current year reductions	12,361,034.08	8,232,077.73	4,319,512.88	3,977,762.76	–	28,890,387.45
– Disposals	12,361,034.08	8,232,077.73	4,319,512.88	3,977,762.76	–	28,890,387.45
31 December 2019	232,877,100.27	718,794,314.56	26,693,653.70	37,591,782.11	29,344,433.93	1,045,301,284.57
3. Book value						
31 December 2019	412,503,451.81	755,405,713.24	8,436,117.72	34,352,473.98	1,661,117,396.76	2,871,815,153.51
31 December 2018	443,594,772.09	379,010,375.16	9,010,324.28	33,180,885.07	52,771.24	864,849,127.84

(2) Fixed assets without certificates of ownership

At 31 December 2020, the fixed assets without the certificates of ownership were listed as follows:

Item	Book value	Reason for lacking certificates of ownership
Buildings	757,008,975.43	Qiantai Company's house and building property certificate with book value of RMB130,633,795.93 is still under processing. In addition, as all toll roads and the affiliated buildings and structures would be returned to the government when the approved operating periods expire, the Group has no intention to acquire the related property ownership certificates.

In this year, depreciation expenses amounting to RMB262,920,991.14 were charged to cost of services (2019: RMB140,964,282.47), and depreciation expenses amounting to RMB20,661,192.84 were charged to general and administrative expenses (2019: RMB8,092,039.25), and depreciation expenses amounting to RMB434,870.13 were charged to sales expenses (2019: nil), and depreciation expenses amounting to RMB2,238,309.15 were charged to research and development expenses (2019: nil).

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Construction in progress

(1) General information of construction in progress

Item	2020			2019		
	Book balance	Impairment	Book value	Book balance	Impairment	Book value
Increase ETC lane project	-	-	-	7,207,393.15	-	7,207,393.15
First-class weighting equipment project	-	-	-	2,085,479.05	-	2,085,479.05
Toll station expansion project	551,462.00	-	551,462.00	1,142,383.00	-	1,142,383.00
ETC system project	-	-	-	734,080.00	-	734,080.00
Cancellation of the provincial toll station	22,457.00	-	22,457.00	-	-	-
Langfang factory project	60,395,031.28	-	60,395,031.28	-	-	-
Office building decoration and rectification civil engineering	47,670,190.46	-	47,670,190.46	-	-	-
Electromechanical platform transformation project	1,744,972.16	-	1,744,972.16	-	-	-
Kitchen equipment installation and furniture procurement project	4,986,746.05	-	4,986,746.05	-	-	-
Others	8,224,899.21	-	8,224,899.21	4,769,579.36	-	4,769,579.36
Total	123,595,758.16	-	123,595,758.16	15,938,914.56	-	15,938,914.56

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

2020

Item	Budget amount	31 December 2019	Current year additions	Transfer to fixed assets	31 December 2020	The proportion of the current year additions to total budget (%)	Source of funds
Increase ETC lane project	59 million	7,207,393.15	8,353,409.36	15,560,802.51	-	14.16	Self-owned funds
First-class weighting equipment project	9.58 million	2,085,479.05	725,189.78	2,810,668.83	-	7.57	Self-owned funds
Toll station expansion project	25 million	1,142,383.00	-	590,921.00	551,462.00	/	Self-owned funds
ETC system project	1.2 million	734,080.00	-	734,080.00	-	/	Self-owned funds
Cancellation of the provincial toll station	190 million	-	15,383,549.71	15,361,092.71	22,457.00	8.09	Self-owned funds
Langfang factory project	183 million	-	60,395,031.28	-	60,395,031.28	33.00	Self-owned funds
Office building decoration and rectification civil engineering	65 million	-	47,670,190.46	-	47,670,190.46	72.80	Self-owned funds
Electromechanical platform transformation project	43 million	-	1,744,972.16	-	1,744,972.16	4.02	Self-owned funds
Kitchen equipment installation and furniture procurement project	4.99 million	-	4,986,746.05	-	4,986,746.05	100	Self-owned funds
Others (a)	/	4,769,579.36	8,853,912.67	5,398,592.82	8,224,899.21	/	Self-owned funds
Total	/	15,938,914.56	148,113,001.47	40,456,157.87	123,595,758.16	/	/

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Construction in progress (continued)

(2) Movements of significant construction in progress during the year (continued)

2019

Item	Budget amount	31 December 2018	Current year additions	Transfer to fixed assets	Transfer to intangible assets	Other reductions in current year	31 December 2019	The proportion of the current year additions to total budget (%)	Source of funds
Increase ETC lane project	59 million	964,412.87	6,421,776.28	178,796.00	-	-	7,207,393.15	9.63	Self-owned funds
First-class weighting equipment project	9.58 million	5,383,423.19	4,138,031.00	7,435,975.14	-	-	2,085,479.05	43.19	Self-owned funds
Toll station expansion project	25 million	10,309,997.09	1,303,239.74	1,479,051.58	8,177,668.25	814,134.00	1,142,383.00	5.21	Self-owned funds
ETC system project	1.2 million	695,250.00	163,775.00	124,945.00	-	-	734,080.00	13.65	Self-owned funds
Cancellation of the provincial toll station	349 million	-	348,926,489.35	348,926,489.35	-	-	-	100	Self-owned funds
Video monitoring project	6.67 million	6,672,530.60	-	6,672,530.60	-	-	-	100	Self-owned funds
Others (a)	-	8,236,631.83	5,878,022.74	9,333,192.21	-	11,883.00	4,769,579.36	/	Self-owned funds
Total	/	32,262,245.58	366,831,334.11	374,150,979.88	8,177,668.25	826,017.00	15,938,914.56	/	/

(a) The amounts of projects were not disclosed separately as they are not material.

19. Right-of-use assets

2020

Item	Buildings	Billboards	Total
1. Cost			
31 December 2019	161,523,085.45	25,661,801.99	187,184,887.44
Current year additions	34,099,223.49	-	34,099,223.49
– Additions	34,044,597.00	-	34,044,597.00
– Business combinations not under common control	54,626.49	-	54,626.49
Current period reductions	2,123,647.27	2,998,203.32	5,121,850.59
– Other reductions	2,123,647.27	2,998,203.32	5,121,850.59
31 December 2020	193,498,661.67	22,663,598.67	216,162,260.34
2. Accumulated amortization:			
Original book balance	28,849,860.59	5,464,646.39	34,314,506.98
Current period additions	39,155,022.85	5,363,654.19	44,518,677.04
– Current period provision	39,155,022.85	5,363,654.19	44,518,677.04
Current period reductions	1,035,880.77	941,797.90	1,977,678.67
– Other reductions	1,035,880.77	941,797.90	1,977,678.67
31 December 2020	66,969,002.67	9,886,502.68	76,855,505.35
3. Book value			
31 December 2020	126,529,659.00	12,777,095.99	139,306,754.99
31 December 2019	132,673,224.86	20,197,155.60	152,870,380.46

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Right-of-use assets (Continued)

2019

Item	Buildings	Billboards	Equipment	Total
1. Cost	–	–	–	–
31 December 2018	–	–	–	–
Change in accounting policies	107,254,807.99	25,661,801.99	–	132,916,609.98
1 January 2019	107,254,807.99	25,661,801.99	–	132,916,609.98
Current year additions	54,268,277.46	–	1,327,853,061.12	1,382,121,338.58
– Additions	54,268,277.46	–	–	54,268,277.46
– Business combinations not under common control	–	–	1,327,853,061.12	1,327,853,061.12
Current year reductions	–	–	1,327,853,061.12	1,327,853,061.12
– Current year transfer to fixed assets	–	–	1,327,853,061.12	1,327,853,061.12
31 December 2019	161,523,085.45	25,661,801.99	–	187,184,887.44
2. Accumulated amortization				
Current year additions	28,849,860.59	5,464,646.39	6,561,408.55	40,875,915.53
– Additions	28,849,860.59	5,464,646.39	6,561,408.55	40,875,915.53
Current year reductions	–	–	6,561,408.55	6,561,408.55
– Current year transfer to fixed assets	–	–	6,561,408.55	6,561,408.55
31 December 2019	28,849,860.59	5,464,646.39	–	34,314,506.98
3. Book value				
31 December 2019	132,673,224.86	20,197,155.60	–	152,870,380.46
31 December 2018	–	–	–	–

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**20. Intangible assets****2020**

Item	Concession intangible assets (a)	Software and others	Billboard land use rights	Land use right*	Rights and interests of contract	Patent	Total
1. Cost	34,532,766,806.91	13,549,554.76	63,075,736.39	-	-	-	34,609,392,098.06
31 December 2019	36,450,013,974.36	20,582,945.26	63,075,736.39	52,741,993.14	-	79,810,700.00	36,666,225,349.15
Current year additions	4,694,439,824.52	15,163,835.91	-	112,894,700.00	68,866,700.00	51,536,100.34	4,942,901,160.77
- Purchased	-	15,075,830.49	-	-	-	-	15,075,830.49
- Constructions	2,867,240,037.15	-	-	-	-	-	2,867,240,037.15
- Business combinations not under common control	1,827,199,787.37	88,005.42	-	112,894,700.00	68,866,700.00	51,536,100.34	2,060,585,293.13
Current year reductions	244,007,543.45	-	3,121,895.51	-	-	-	247,129,438.96
- Disposals	-	-	3,121,895.51	-	-	-	3,121,895.51
- Other reduction	244,007,543.45	-	-	-	-	-	244,007,543.45
31 December 2020	40,900,446,255.43	35,746,781.17	59,953,840.88	165,636,693.14	68,866,700.00	131,346,800.34	41,361,997,070.96
2. Accumulated amortization							
31 December 2019	9,174,090,929.49	11,462,981.98	60,804,048.58	234,772.22	-	5,985,802.50	9,252,578,534.77
Current year additions	1,423,697,484.42	5,369,502.44	531,138.40	1,955,507.75	-	16,110,190.25	1,447,663,823.26
- Additions	1,423,697,484.42	5,369,502.44	531,138.40	1,955,507.75	-	16,110,190.25	1,447,663,823.26
Current year reductions	-	-	1,998,897.53	-	-	-	1,998,897.53
- Disposals	-	-	1,998,897.53	-	-	-	1,998,897.53
31 December 2020	10,597,788,413.91	16,832,484.42	59,336,289.45	2,190,279.97	-	22,095,992.75	10,698,243,460.50
3. Impairment							
31 December 2019	3,810,235,294.61	-	-	-	-	-	3,810,235,294.61
31 December 2020	3,810,235,294.61	-	-	-	-	-	3,810,235,294.61
4. Net book value							
31 December 2020	26,492,422,546.91	18,914,296.75	617,551.43	163,446,413.17	68,866,700.00	109,250,807.59	26,853,518,315.85
31 December 2019	23,465,687,750.26	9,119,963.28	2,271,687.81	52,507,220.92	-	73,824,897.50	23,603,411,519.77

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Intangible assets (continued)

2019

Item	Concession intangible assets (a)	Software and others	Billboard land use rights	Land use right*	Patent	Total
1. Cost						
31 December 2018	34,784,326,021.04	13,549,554.76	63,075,736.39	-	-	34,860,951,312.19
Current year additions	1,675,661,600.32	7,033,390.50	-	52,741,993.14	79,810,700.00	1,815,247,683.96
- Purchased	43,127,536.44	4,382,484.36	-	-	-	47,510,020.80
- From construction in progress	8,177,668.25	-	-	-	-	8,177,668.25
- Construction	1,624,356,395.63	-	-	-	-	1,624,356,395.63
- Business combinations not under common control	-	2,650,906.14	-	52,741,993.14	79,810,700.00	135,203,599.28
Current year reductions	9,973,647.00	-	-	-	-	9,973,647.00
- Other reduction	9,973,647.00	-	-	-	-	9,973,647.00
31 December 2019	36,450,013,974.36	20,582,945.26	63,075,736.39	52,741,993.14	79,810,700.00	36,666,225,349.15
2. Accumulated amortization						
31 December 2018	7,813,563,357.67	9,545,558.54	59,769,216.25	-	-	7,882,878,132.46
Current year additions	1,360,527,571.82	1,917,423.44	1,034,832.33	234,772.22	5,985,802.50	1,369,700,402.31
- Additions	1,360,527,571.82	1,917,423.44	1,034,832.33	234,772.22	5,985,802.50	1,369,700,402.31
31 December 2019	9,174,090,929.49	11,462,981.98	60,804,048.58	234,772.22	5,985,802.50	9,252,578,534.77
3. Impairment						
31 December 2018	3,258,235,294.61	-	-	-	-	3,258,235,294.61
Current year additions	552,000,000.00	-	-	-	-	552,000,000.00
31 December 2019	3,810,235,294.61	-	-	-	-	3,810,235,294.61
4. Net book value						
31 December 2019	23,465,687,750.26	9,119,963.28	2,271,687.81	52,507,220.92	73,824,897.50	23,603,411,519.77
31 December 2018	23,712,527,368.76	4,003,996.22	3,306,520.14	-	-	23,719,837,885.12

* The land use right of the Group are in Mainland China and in the form of concession intangible assets.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Intangible assets (continued)

At 31 December 2020, the intangible asset without the certificate of ownership was listed as follows:

Item	Book value	Reason for lacking certificate of ownership
Land use right of Damaoqi wind power project	12,690,986.37	In progress

(a) The detailed information of concession intangible assets is analysed below:

2020

Toll Roads	31 December		Business combinations not under common control	Current year additions	Current year reductions	Current year amortization	31 December 2020	Accumulated amortization	Impairment
	Cost	2019							
Qinglian Expressway (b)	9,286,032,976.89	6,449,325,178.71	-	-	2,924,993.50	320,302,627.26	6,126,097,557.95	2,539,935,418.94	620,000,000.00
Shenzhen Airport-Heao Expressway									
– Eastern Section	3,086,787,505.32	1,163,513,229.08	-	-	-	181,827,051.45	981,686,177.63	2,105,101,327.69	-
Shuiguan Expressway (b)	4,448,811,774.58	2,510,301,742.69	-	-	-	377,226,473.46	2,133,075,269.23	1,763,736,505.35	552,000,000.00
Wuhuang Expressway	1,523,192,561.64	252,577,084.50	-	-	-	77,443,840.60	175,133,243.90	1,348,059,317.74	-
Meiguan Expressway	604,588,701.64	225,594,005.15	-	-	-	27,983,842.45	197,610,162.70	406,978,538.94	-
Shenzhen Airport-Heao Expressway									
– Western Section	843,517,682.25	214,604,815.37	-	-	-	31,958,176.20	182,646,639.17	660,871,043.08	-
Outer Ring Expressway	5,047,752,771.12	3,409,706,840.88	-	1,638,045,930.24	-	1,070,373.40	5,046,682,397.72	1,070,373.40	-
Yichang Expressway	3,123,065,164.24	2,745,716,347.29	-	-	-	154,884,554.86	2,590,831,792.43	532,233,371.81	-
Changsha Ring Road	602,716,559.80	230,130,329.78	-	317,758,650.43	-	31,672,489.76	516,216,490.45	86,500,069.35	-
Coastal Expressway (b)	9,355,410,927.01	6,154,511,908.42	-	11,624,827.04	241,082,549.95	169,483,666.94	5,755,570,518.57	961,605,113.83	2,638,235,294.61
Longda Expressway	251,559,214.13	109,706,268.39	-	-	-	13,403,666.39	96,302,602.00	155,256,612.13	-
Kitchen waste disposal projects (b)	2,727,010,416.81	-	1,827,199,787.37	899,810,629.44	-	36,440,721.65	2,690,569,695.16	36,440,721.65	-
Total	40,900,446,255.43	23,465,687,750.26	1,827,199,787.37	2,867,240,037.15	244,007,543.45	1,423,697,484.42	26,492,422,546.91	10,597,788,413.91	3,810,235,294.61

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Intangible assets (continued)

(a) The detailed information of concession intangible assets is analysed below (continued):

2019

Toll Roads	Cost	31 December 2018	Current year additions	Current year reductions	Current year amortization	Current year Impairment	31 December 2019	Accumulated amortization	Impairment
Qinglian Expressway (b)	9,288,957,970.39	6,748,322,028.50	8,177,668.25	9,973,647.00	297,200,871.04	-	6,449,325,178.71	2,219,632,791.68	620,000,000.00
Shenzhen Airport-Heao Expressway									
- Eastern Section	3,086,787,505.32	1,358,244,757.07	-	-	194,731,527.99	-	1,163,513,229.08	1,923,274,276.24	-
Shuiguan Expressway (b)	4,448,811,774.58	3,410,481,252.11	-	-	348,179,509.42	552,000,000.00	2,510,301,742.69	1,386,510,031.89	552,000,000.00
Wuhuang Expressway	1,523,192,561.64	347,707,901.88	-	-	95,130,817.38	-	252,577,084.50	1,270,615,477.14	-
Meiguan Expressway	604,588,701.64	256,852,212.06	-	-	31,258,206.91	-	225,594,005.15	378,994,696.49	-
Shenzhen Airport-Heao Expressway									
- Western Section	843,517,682.25	251,736,510.04	-	-	37,131,694.67	-	214,604,815.37	628,912,866.88	-
Outer Ring Expressway	3,409,706,840.88	1,947,057,863.50	1,462,648,977.38	-	-	-	3,409,706,840.88	-	-
Yichang Expressway	3,123,065,164.24	2,889,552,387.26	-	-	143,836,039.97	-	2,745,716,347.29	377,348,816.95	-
Changsha Ring Road	284,957,909.37	205,589,616.50	43,127,536.44	-	18,586,823.16	-	230,130,329.78	54,827,579.59	-
Coastal Expressway (b)	9,584,868,649.92	6,173,378,443.67	161,707,418.25	-	180,573,953.50	-	6,154,511,908.42	792,121,446.89	2,638,235,294.61
Longda Expressway	251,559,214.13	123,604,396.17	-	-	13,898,127.78	-	109,706,268.39	141,852,945.74	-
Total	36,450,013,974.36	23,712,527,368.76	1,675,661,600.32	9,973,647.00	1,360,527,571.82	552,000,000.00	23,465,687,750.26	9,174,090,929.49	3,810,235,294.61

- (b) For the pledge of charging rights/equity/rights of management related to Qinglian Expressway, Coastal Expressway, Shuiguan Expressway and Bioland Company kitchen waste disposal projects, please refer to Notes V.62.
- (c) During the current year, due to the business combination not under common control, intangible assets increased RMB2,060,585,293.13, including RMB1,827,199,787.37 for kitchen waste disposal projects, RMB112,894,700.00 for land use right, RMB68,866,700.00 for franchise right, RMB51,536,100.34 for patent right and RMB88,005.42 yuan for office software.
- (d) During the current year, both the amount of intangible assets amortized and the amount included in profit and loss were RMB1,447,663,823.26 (2019: RMB1,369,700,402.31).
- (e) During the current year, the Group capitalized borrowing costs on intangible assets amounting to RMB231,513,845.85 (2019: RMB131,935,775.82).

21. Goodwill

Item	1 January 2020	Current year additions	Current year reductions	31 December 2020
Nanjing Wind Power	156,039,775.24	-	-	156,039,775.24

The Group acquired Nanjing Wind Power in April 2019, and the goodwill generated was RMB156,039,775.24. For details of the counterparty's commitment to Nanjing Wind Power's performance, refer to Note III.34(10b).

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**21. Goodwill (Continued)**

Goodwill from the merger has been allocated to the following asset groups for impairment testing:

- Wind turbines manufacturing asset group

The book value of goodwill is allocated to the asset group is as follows:

Item	Wind turbines manufacturing asset group	
	31 December 2020	31 December 2019
Book value of goodwill	156,039,775.24	156,039,775.24

The cash inflow generated by the wind turbine manufacturing asset group is basically independent of the cash inflow generated by other assets or asset groups. The recoverable amount adopts the present value of the estimated future cash flow and is determined according to the cash flow forecast based on the 5-year budget approved by the management. The average growth rate of income during the period was 7.12%, and the pre-tax discount rate used in the cash flow forecast is 13.93% (2019: 13.97%).

Key assumptions made by management in determining the cash flow forecast for the goodwill impairment test are described below:

- 1) It is assumed that the assessed unit continues to operate, and there is no major change from the current situation in the key aspects of the business scope, sales model and channels, and management that affect production and operation.
- 2) It is assumed that the social and economic environment of the assessed unit does not have major changes, and the relevant laws and regulations of the region where the company is located have no major changes from the current situation.
- 3) It is assumed that the business scope, business methods, and management models of the assessed unit are continuously improved and perfected on the basis of maintaining consistency and can be adjusted and innovated in time with the development of the economy.
- 4) Assuming that interest rates and tax rates have no major changes within the prescribed normal range, etc.

Revenue growth rate Based on the company's business plan, the forecasted annual revenue growth rate is determined based on historical experience and market development forecasts

Budget margin The basis is to increase the average gross profit margin based on the average gross profit margin realized in the year prior to the budget year based on the expected improvement in efficiency.

Discount rate The discount rate used is the pre-tax discount rate that reflects the specific risk of the relevant asset group or asset group combination.

The amounts assigned to the asset group or combination of the key assumptions are consistent with the Group's historical experience and external information.

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Deferred tax assets and deferred tax liabilities

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

Item	2020		2019	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Depreciation and amortization difference of intangible assets along Coastal Expressway (a)	927,369,279.48	231,842,319.87	1,140,350,272.00	285,087,568.00
Deductible losses of Coastal Expressway (a)	508,903,441.96	127,225,860.49	571,400,876.52	142,850,219.13
Freight subsidy of Coastal Expressway (b)	–	–	25,232,071.76	6,308,017.94
Operating compensation of newly built toll station of Three Expressways (c)	268,104,931.36	67,026,232.84	291,504,931.36	72,876,232.84
Operating compensation of newly built toll station of Longda Expressways (c)	191,394,147.62	47,848,536.93	210,600,210.02	52,650,052.53
Compensation for demolition costs of old toll station of Three Expressways and Longda expressway (d)	7,375,937.57	1,843,984.39	6,413,246.28	1,603,311.57
Fair value adjustments arising from acquisition of ShenChang Expressway Co., Ltd in Changsha, Hunan (“ShenChang Company”) (e)	163,472,282.47	40,868,070.62	183,059,248.59	45,764,812.15
Payroll accrued but not paid	136,678,000.60	34,169,500.15	101,216,999.16	25,304,249.79
Property compensation of Meiguan Company (f)	72,070,951.44	18,017,737.86	98,885,805.48	24,721,451.37
Operating compensation of newly built gates of Meiguan Expressway (g)	81,752,454.52	20,438,113.63	94,832,847.16	23,708,211.79
Amortization of Concession intangible assets (h)	47,803,177.28	11,950,794.32	50,465,440.16	12,616,360.04
Interest receivable from United Land Company’s capital reduction (i)	17,278,947.52	4,319,736.88	20,052,445.24	5,013,111.31
The significant financing component of Guizhou Land’s advance payment (j)	11,837,489.76	2,959,372.44	24,133,322.64	6,033,330.66
Guizhou Land’s advance payment of prepaid income tax (k)	12,699,461.96	3,174,865.49	10,993,400.64	2,748,350.16
Bad debt provision	85,625,144.76	14,077,889.05	4,573,039.77	685,955.97
Impairment of intangible assets	17,309,482.62	4,327,370.66	–	–
Estimated liabilities (l)	174,309,374.84	40,023,231.37	13,783,960.66	2,067,594.09
Expenses accrued but not paid (m)	82,833,782.72	20,708,445.68	–	–
Foreign exchange swap(n)	83,677,813.24	20,919,453.31	–	–
Other	13,823,153.31	3,738,235.61	21,957,785.27	5,489,446.29
Total	2,904,319,255.03	715,479,751.59	2,869,455,902.71	715,528,275.63

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**22. Deferred tax assets and deferred tax liabilities (continued)****(1) Deferred tax assets without taking into consideration the offsetting of balances (continued)**

- (a) Based on the future earnings, Shenzhen Guangshen Coastal Expressway Investment Co., Ltd. (“Coastal Company”) recognized the differences between the tax base and book value of intangible asset impairment and the accumulative amortization tax differences and the previous year losses can be partially offset.
- (b) On 28 February 2018, Coastal Company and the Shenzhen Transportation Bureau signed an agreement on freight compensation for the Shenzhen section of the Guangzhou-Shenzhen Coastal Expressway. The agreement stipulated that during the adjustment, the freight charges of the Shenzhen section of the Coastal Expressway will be charged at 50% of the standard, and the freight charge adjustment period is effective from 0:00 on 1 March 2018 to 24:00 on 31 December 2020. The Group recognized the differences between the tax base and book value of freight compensation as deferred tax assets.
- (c) The Company received a prepayment from the Shenzhen Government for the arrangement of compensation for the toll adjustment and asset transfer agreement of the Three Expressways and Longda Expressway and recognized the differences between the tax base and book value as deferred tax assets.
- (d) The Company advanced demolition costs of all old toll stations for the arrangement of compensation for the toll adjustment and asset transfer agreement of the Three Expressways and Longda Expressway and recognized the differences between the tax base and book value as deferred tax assets (Note V.30).
- (e) After confirming the fair value of each identifiable asset and liability due to the acquisition of Shenchang Company, the Company confirmed the corresponding deferred tax asset for the temporary difference between its tax base and book value.
- (f) The Company holds 34.30% equity of United Land Company, which is regarded as an associated company of the Company. Meiguan Company, the Company’s subsidiary, recognized the future reverted property compensation granted by United Land Company as non-current assets and confirmed the gains on disposal of assets. Considering the impact of the unrealized profits of the associates, the Group confirmed the gains on disposal of assets and recognized the differences between the tax base and book value as deferred tax assets.
- (g) In 2015, the Group received a prepayment from the Shenzhen Government for compensation for the toll adjustment of Meiguan Expressway and recognized the differences between the tax base and book value as deferred tax assets.
- (h) The Group has recognized the differences between the tax base and book value of concession intangible assets of toll highways, including Shenzhen Airport-Heao Expressway – Eastern Section, Shenzhen Airport-Heao Expressway – Western Section and Meiguan Expressway, as deferred tax assets.
- (i) In the current year, United Land Company, an associated company of the Company, capitalized the interest of the capital reduction of the Company. Considering the impact of the unrealized profits of the associates, the Company recognized the corresponding deferred income tax assets formed by the difference between the tax base and the book value based on its shareholding ratio of 34.30%.
- (j) According to “ASBE No.14 – Revenue”, Guizhou Land recognized the impact of the financing component and accrued the interest expense on the contract with a term of more than one year between the payment of customers and the promised transfer of ownership of the property or service, and the deferred income tax asset was recognized accordingly.
- (k) According to the requirements of Guo Shui Fa [2009] No. 31, Guizhou Land pre-paid income tax on the estimated gross profit calculated based on the estimated tax rate of advances from sales of unfinished development products, and recognized the differences between the tax bases and book values as deferred tax assets.
- (l) Deferred income tax assets were recognized based on the estimated liabilities for the expected future extension of the road life period, the estimated liabilities recognized by the subsidiary Bioland protection for pending litigation and subsequent expenditures of the restaurant waste franchise project, and the deferred income tax assets of the group. The company’s Nanjing Wind Power confirmed the deferred income tax assets of the estimated liabilities for quality assurance.
- (m) The costs incurred by the highway companies in the group are deferred income tax assets that have not been paid and have been taxed before the final settlement.
- (n) Changes in the fair value of the foreign exchange swap contract signed by the Company and the bank recognized the deferred income tax assets.

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Deferred tax assets and deferred tax liabilities (continued)

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

Item	2020		2019	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
The amortisation of concession intangible assets (a)	479,162,951.92	119,790,737.98	483,447,613.04	120,861,903.26
Business combinations involving enterprises not under common control (b)				
– Qinglong Company	1,308,856,737.53	327,214,184.39	1,540,183,175.01	385,045,793.76
– Hunan Yichang Expressway Development Co., Ltd. (Yichang Company)	945,229,954.18	236,307,488.55	1,001,457,170.10	250,364,292.53
– Airport-Heao Eastern Company	688,264,394.24	172,066,100.55	815,727,365.08	203,931,843.26
– Guangdong Qinglian Highway Development Co., Ltd (“Qinglian Company”)	569,033,050.80	138,953,455.79	598,774,512.44	146,388,821.20
– JEL Company	132,668,515.92	33,031,295.43	185,579,904.54	46,259,142.58
– Meiguan Company	7,082,832.36	1,770,708.09	17,310,641.43	2,307,319.68
– Nanjing Wind Power	38,943,796.48	9,735,949.12	41,482,438.48	10,370,609.62
– Baotou Nanfeng	34,067,010.92	8,516,752.73	35,822,266.12	8,955,566.53
– Bioland Company	500,944,661.87	125,330,163.09	–	–
– Qiantai Company	148,698,313.13	22,304,746.97	–	–
Others	903,246,458.46	225,811,614.62	174,071,354.22	43,517,838.56
Total	5,756,198,677.81	1,420,833,197.31	4,893,856,440.46	1,218,003,130.98

(a) The deferred tax liability was recognized based on the temporary difference between the accounting base (traffic volume basis) and tax base (straight-line basis) for the amortisation of toll road concession intangible assets.

(b) When the Company acquired equity interests of Qinglong Company, Yichang Company, Airport-Heao Eastern Company, Qinglian Company, JEL Company, Meiguan Company, Nanjing Wind Power Company, Baotou Nanfeng Company, Bioland Company, Qiantai Company, deferred tax liabilities were recognized on temporary differences between the tax base and book values of the respective identifiable assets and liabilities acquired.

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

Item	Deferred tax assets and liabilities offset as at	Net values of deferred tax assets/ liabilities as at	Deferred tax assets and liabilities offset as at	Net values of deferred tax assets/ liabilities as at
	31 December 2020	December 2020	31 December 2019	31 December 2019
Deferred tax assets	-121,705,841.11	593,773,910.48	-60,520,594.90	655,007,680.73
Deferred tax liabilities	121,705,841.11	1,299,127,356.20	60,520,594.90	1,157,482,536.08

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Deferred tax assets and deferred tax liabilities (continued)

(4) Unrecognized deferred tax assets are analysed as follows:

Item	2020	2019
Deductible tax losses	691,593,443.60	970,333,173.42
Deductible temporary difference	26,135,034.55	31,574,764.62
Total	717,728,478.15	1,001,907,938.04

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

Year	2020	2019
Year 2020	–	405,881,015.88
Year 2021	252,330,647.24	250,798,838.62
Year 2022	170,392,532.12	154,626,657.66
Year 2023	61,657,228.91	84,781,898.41
Year 2024	79,638,898.54	74,244,762.85
Year 2025	127,574,136.79	–
Total	691,593,443.60	970,333,173.42

23. Other non-current assets

Item	2020	2019
Meiguan Company-relocation property compensation (a)	342,599,500.00	342,599,500.00
Contract assets over one year (b)	1,427,952,459.38	263,128,636.72
Total	1,770,551,959.38	605,728,136.72

- (a) According to the "Compensation Agreement for Meilinguan Urban Renewal Project of Shenzhen Longhua New District Minzhi Office", in July 2016, United Land Company paid the compensation for demolition of RMB28,328,230.00 to Meiguan Company, a subsidiary of the Company. On 27 April 2018, the two parties entered into the "Supplementary agreement for compensation Agreement for Meilinguan Urban Renewal Project of Shenzhen Longhua New District Minzhi Office", which stipulates that United Land Company will increase the property compensation on the basis of the above monetary compensation, the compensated relocated property is the office building property of United Land Company, and the compensated building area is 9,120 square meters. The relocated property will be built in 2 to 3 years. On the date of signing the supplementary agreement, according to the evaluation report issued by Shenzhen Pengxin Assets Appraisal Co., Ltd. (Pengxin Valuing Newspaper [2018] No.062), the fair value of the relocated property was RMB342,599,500.00, unchanged in 2020.
- (b) It includes the Company's understanding and judgment of the documents received by the Guangdong Provincial Transportation Administration regarding the exemption of toll road tolls during Covid-19 epidemic and confirming the contract assets corresponding to the income.

24. Short-term borrowings

Item	2020	2019
Pledged loans (a)	105,288,805.67	44,905,614.03
Credit loans (b)	1,076,426,920.76	318,972,127.62
Discounted notes (c)	159,502,400.00	–
Total	1,341,218,126.43	363,877,741.65

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Short-term borrowings (Continued)

- (a) At 31 December 2020, RMB105,200,000.00 (original currency: HKD125,000,000.00) was a pledged loan of Mei Wah in the Hong Kong head office of HSBC. The borrowing period of HKD50,000,000 is from 3 December 2020 to 3 December 2021; The borrowing period of the remaining HKD75,000,000.00 is from 15 June 2020 to 14 June 2021. Interest was charged at Hong Kong Interbank Offered Rate (HIBOR) + 0.8% p.a., together with the pledged shares of JEL (45% of stake). In addition, the balance of interest payable was RMB88,805.67.
- (b) At 31 December 2020, RMB728,114.31 of the above short-term loan was the overdraft balance of Coastal Company in the overdraft account of Ping An Bank. This loan receives overdraft interest and handling fees at 1% and 0.3% on a quarterly basis according to the actual overdraft amount. The borrowing period is from 30 December 2020 to 29 June 2021. In addition, the balance of interest payable was RMB215,324.69.

Of the above short-term loans, RMB81,900,000.00 was a loan of Nanjing Wind Power in Chengnan branch of CCB. The borrowing rate was 4.5675% the borrowing period is from 19 January 2020 to 18 January 2021, and the balance of interest payable was RMB103,910.63.

Of the above short-term loans, RMB178,658,203.17 was a loan of Nanjing Wind Power in Shenzhen branch of HSBC. The borrowing rate is 4.1325%, the borrowing period is from 18 May 2020 to 14 May 2021, and the balance of interest payable was RMB927,945.65.

Of the above short-term loans, RMB191,803,000.00 was a loan of Lease Finance Company in China Everbright Bank. The borrowing rate is 4.5% the borrowing period is from 24 July 2020 to 23 July 2021, the balance of interest payable was RMB212,171.46.

Of the above short-term loans RMB20,000,000.00 was a loan of Lease Finance Company in China Merchants Bank. The borrowing rate is 4.22%, the borrowing period is from 14 August 2020 to 13 August 2021, and the balance of interest payable was RMB20,747.32.

At 31 December 2020, RMB599,353,639.17 of the above short-term loan was the overdraft balance of Shenzhen Expressway in the overdraft account of Ping An Bank. This loan receives overdraft interest and handling fees at 1% and 0.3% on a quarterly basis according to the actual overdraft amount. The borrowing period is from 25 December 2020 to 24 June 2021. In addition, the balance of interest payable was RMB2,503,864.36.

- (c) At 31 December 2020, the discounted trade acceptance that had not due was RMB159,502,400.00.
- (d) At 31 December 2020, the Group had no overdue loans.

25. Bills payable

Item	2020	2019
Bank acceptance bills	283,557,145.56	131,749,731.69
Trade acceptance bills	11,910,185.83	–
Total	295,467,331.39	131,749,731.69

At 31 December 2020, the Group had no overdue bills.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Accounts payable

Accounts payable are interest-free which will be paid within one year in general. Accounts payable aged over 1 year are mainly payables for construction projects which will be paid after settlement.

(1) Analysis of accounts payable

Item	2020	2019
Payables for construction projects and quality deposits	1,191,102,313.21	736,795,451.55
Payables for goods	544,289,020.23	192,518,335.20
Others	134,498,082.71	54,126,322.68
Total	1,869,889,416.15	983,440,109.43

(2) The significant accounts payable aged over 1 year:

Item	2020	Reason for unsettlement
China Communications Second Highway Engineering Bureau Co., Ltd.	54,387,144.03	Unsettled project funds
China Railway 18 Bureau Group Co., Ltd.	36,034,384.03	Unsettled project funds
China Construction Wuzhou Engineering Equipment Co., Ltd.	26,175,489.77	Unsettled project funds
Tongyu Heavy Industry Co., Ltd.	24,855,471.23	Unsettled project funds
Yonker Environmental Protection Co., Ltd.	23,529,000.00	Unsettled project funds
Total	164,981,489.06	/

(3) The aging of accounts payable according to the recognition date is analysed below:

Item	2020	2019
Within 1 month	814,290,583.45	91,863,622.51
1 to 2 months	104,265,436.09	15,811,871.78
2 to 3 months	86,771,980.17	24,360,444.47
3 months to 1 year	209,962,342.88	203,213,637.74
Over 1 year	654,599,073.56	648,190,532.93
Total	1,869,889,416.15	983,440,109.43

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

27. Contract liabilities

(1) Items of contract liabilities

Item	2020	2019
Advances from sales of real estate (a)	290,892,248.44	601,994,692.65
Advances from sales of wind turbine set	–	338,728,000.00
Advances from sales of goods	8,191,055.74	–
Advances from advertising customers	2,329,217.97	4,750,118.33
Advances from sales of wind turbine operation and maintenance service charge	5,993,361.00	3,499,394.00
Advances from operating and management fees	7,333,333.33	–
Others	5,114,754.63	4,253,761.44
Total	319,853,971.11	953,225,966.42

(a) As at 31 December 2020, the balance of advance sales of development properties in part A of Phase I, part B of Phase II, part C of Phase I and part C of Phase III of Interlaken Town was RMB11,380,000.00, RMB981,979.81, RMB265,036,695.07 and RMB13,493,573.56, respectively. (As at 31 December 2019: The balance of advance sales of development properties in part B of Phase II, part C of Phase I of Interlaken Town was RMB217,441.00 and RMB601,777,251.65, respectively.).

28. Employee benefits payable

(1) Analysis of employee benefits payable

2020

Item	31 December 2019	Current year additions	Current year reductions	31 December 2020
I. Short-term wages	286,820,557.52	790,238,792.14	797,523,755.70	279,535,593.96
II. Pension benefits – defined contributions plans	1,690,486.62	36,587,568.28	35,841,459.10	2,436,595.80
Total	288,511,044.14	826,826,360.42	833,365,214.80	281,972,189.76

2019

Item	31 December 2018	Current year additions	Current year reductions	31 December 2019
I. Short-term wages	223,279,518.15	664,706,718.43	601,165,679.06	286,820,557.52
II. Pension benefits – defined contributions	942,579.94	50,595,323.21	49,847,416.53	1,690,486.62
Total	224,222,098.09	715,302,041.64	651,013,095.59	288,511,044.14

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**28. Employee benefits payable (Continued)****(2) Analysis of short-term wages****2020**

Item	31 December 2019	Current year additions	Current year reductions	31 December 2020
I. Wages and salaries, bonuses, allowances and subsidies	277,625,886.44	660,360,458.65	669,906,167.91	268,080,177.18
II. Staff welfare	790,264.11	61,805,599.65	61,457,533.50	1,138,330.26
III. Social security contributions	176,965.68	10,171,596.43	9,785,404.14	563,157.97
Including: Medical insurance	148,651.67	9,122,322.65	8,651,814.91	619,159.41
Work injury insurance	9,264.64	387,913.34	380,883.02	16,294.96
Maternity insurance	19,049.37	661,360.44	752,706.21	-72,296.40
IV. Housing funds	326,903.84	40,251,006.97	39,635,606.44	942,304.37
V. Labor union funds and employee education funds	7,766,387.45	12,927,614.70	12,266,927.97	8,427,074.18
VI. Others	134,150.00	4,722,515.74	4,472,115.74	384,550.00
Total	286,820,557.52	790,238,792.14	797,523,755.70	279,535,593.96

2019

Item	31 December 2018	Current year additions	Current year reductions	31 December 2019
I. Wages and salaries, bonuses, allowances and subsidies	214,622,121.64	546,662,106.95	483,551,010.18	277,733,218.41
II. Staff welfare	958,617.42	49,899,430.23	50,067,783.54	790,264.11
III. Social security contributions	258,998.08	19,289,958.13	19,371,990.53	176,965.68
Including: Medical insurance	217,559.11	16,228,738.59	16,297,646.03	148,651.67
Work injury insurance	13,559.28	998,415.92	1,002,710.56	9,264.64
Maternity insurance	27,879.69	2,062,803.62	2,071,633.94	19,049.37
IV. Housing funds	683,037.28	30,827,172.81	31,183,306.25	326,903.84
V. Labor union funds and employee education funds	6,725,493.73	14,062,341.79	13,128,780.04	7,659,055.48
VI. Others	31,250.00	3,965,708.52	3,862,808.52	134,150.00
Total	223,279,518.15	664,706,718.43	601,165,679.06	286,820,557.52

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Employee benefits payable (Continued)

(3) Analysis of defined contribution plans

2020

Item	31 December 2019	Current year additions	Current year reductions	31 December 2020
I. Basic pensions	322,644.33	20,594,382.64	20,043,321.05	873,705.92
II. Unemployment insurance	6,690.51	1,030,196.08	983,469.31	53,417.28
III. Enterprise annuities	1,361,151.78	14,962,989.56	14,814,668.74	1,509,472.60
Total	1,690,486.62	36,587,568.28	35,841,459.10	2,436,595.80

2019

Item	31 December 2018	Current year additions	Current year reductions	31 December 2019
I. Basic pensions	472,206.04	35,392,415.74	35,541,977.45	322,644.33
II. Unemployment insurance	9,791.90	727,550.16	730,651.55	6,690.51
III. Enterprise annuities	460,582.00	14,475,357.31	13,574,787.53	1,361,151.78
Total	942,579.94	50,595,323.21	49,847,416.53	1,690,486.62

29. Taxes payable

Item	2020	2019
Corporate income tax payable	255,073,902.91	211,933,609.60
VAT payable (a)	241,675,517.95	33,538,750.25
Land appreciation tax payable	41,388,859.01	10,115,954.44
City maintenance and construction tax payable	7,027,191.60	2,151,056.19
Educational surcharge payable	5,133,496.16	1,528,551.81
Others (b)	15,490,789.47	2,629,335.95
Total	565,789,757.10	261,897,258.24

(a) VAT payable increased as a result of the new subsidiary company that is Bioland Company during this year.

(b) Others mainly include personal income tax payable, stamp duty payable, etc. The substantial increase in the amount at the end of the year was mainly due to the substantial increase in the personal income tax payable.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Other payables

(1) Analysis of other payables by nature

Item	2020	2019
Project funds retained for construction management contracts (a)	1,791,268,991.54	1,478,561,695.23
Payables due to associates	–	284,859,099.00
Payables for equity acquisition (b)	313,126,357.91	210,046,233.40
Payable related to maintenance for roads	216,363,917.34	199,992,263.79
Accrued project expenditure and administrative special expenses	181,596,154.68	58,902,262.01
Payable for tender and performance deposits and warranty	162,235,006.60	89,330,139.60
Payables for the cost of provincial toll station cancellation project	156,192,621.25	219,206,085.74
Advance from security deposit for equity transfer (c)	156,010,000.00	–
Payables for the construction cost of the Shenzhen World Exhibition & Convention Center toll station	139,855,284.60	139,855,284.60
Payable related to costs of construction projects independently	138,725,330.25	139,530,736.25
Mechanical and electrical costs payable	61,438,327.16	56,384,831.38
Dividend payable	58,771,206.22	54,447,000.00
Payables for collection of NanJing Wind power (d)	36,106,194.70	–
Country road construction fee and management service fee of Hunan Province	33,849,758.38	37,968,950.48
Payable due to equity transfer liquidated damages of Guizhou Xinhe Lifu Real Estate Development Co., Ltd.	20,412,000.00	20,412,000.00
Payable for agent-construction fee of Coastal Project Phase II	19,378,599.38	19,378,599.38
Payable for outsourcing service fee for collection and transportation of food waste	12,512,272.71	–
Payable for demolition fee of old stations	7,375,937.57	7,176,461.60
Subscription funds and down deposits received for real estate sales	4,047,714.00	1,610,000.00
Accounts payable to related parties (Note X.6)	–	129,249,890.99
Others	61,100,005.78	42,820,296.78
Total	3,570,365,680.07	3,189,731,830.23

- (a) The Company was entrusted by the Shenzhen Government for the management of the construction of highway projects. The projects are funded by the Shenzhen Government. The Company follows the arrangement of the commitment contract to pay for the construction. The balance at the end of the year is the government appropriation that has been received, deducting part of the difference that should be borne by the government according to the construction payment arrangement.
- (b) The balance of payables for equity acquisition was due to the Group's acquisition in the current year. Mainly the remaining unpaid balance of RMB62,780,961.85 when the Group's acquired Qiantai Company this year; the remaining unpaid balance of RMB36,803,712.66 when the Group's acquired Bioland Company; the remaining unpaid balance of RMB3,495,450.00 when the Group's acquired Guangdong Boyuan Construction Engineering Co., Ltd. In 2019, the acquisition of Nanjing Wind Power's equity transfer payment to the original shareholders of Nanjing Wind Power was RMB210,046,233.40. According to the M&A agreement, the payment will only be paid after Nanjing Wind Power has cleared up the unrecovered employee occupation funds and accounts receivable and has been confirmed by the Shenzhen Express Environment Co., Ltd., which is expected to be cleaned up in 2021.
- (c) On 20 November 2020, the 25% equity of Jiangzhong Company and the 30% equity of Guangyun Company held by the Group's will be publicly listed for sale on the Shenzhen United Equity Exchange. On 28 December 2020, Xinyue (Guangzhou) The Investment Co., Ltd. was delisted and became the transferee, and paid a deposit of RMB156,010,000.00 in accordance with the agreement. The company has made a resolution on the transaction on 10 November 2020 and expects the transfer to be completed within one year. As of 31 December 2020, the Shenzhen United Assets and Equity Exchange Co., Ltd. has received a deposit of RMB156,010,000.00 for the equity transfer of Jiangzhong Company and Guangyun Company. For details, please refer to Note V (9).
- (d) The amount is due to Nanjing Wind Power's collection of cable payments from Ningxia Zhongwei. As of 31 December 2020, the balance of cable payments to be paid is RMB36,106,194.70.

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Other payables (continued)

(2) Significant other payables with aging over 1 year

Item	2020	Reason for unsettlement
Nanjing Abexin Investment Management Co., Ltd.	99,330,000.00	The equity transfer payment has not yet been liquidated
Sichuan Qingyu Transportation Technology Co., Ltd.	71,975,911.99	Contract settlement has not been completed
Shandong Road and Bridge Group Co., Ltd.	37,420,702.10	Contract settlement has not been completed
Aihua Pan	29,820,000.00	The equity transfer payment has not yet been liquidated
Guangdong Changda Highway Engineering Co., Ltd.	20,600,001.53	Contract settlement has not been completed
Total	259,146,615.62	/

31. Current portion of non-current liabilities

Item	2020	2019
Compensations related to adjustment of fees and the freight subsidy of Coastal Expressway due within one year (a)	–	128,370,047.21
Current portion of long-term payables (Note V.35)	195,636,586.62	73,121,418.41
Current portion of lease liabilities (Note V.37)	36,715,241.68	34,681,544.60
Current portion of non-current borrowings (Note V.33)	365,084,520.70	191,133,945.38
Including: Pledged loans	112,768,975.77	134,826,577.78
Credit loans	233,284,363.75	56,307,367.60
Mortgage loan	9,431,181.18	
Guaranteed loan	9,600,000.00	
Current portion of bonds payable (Note V.34)	3,068,362,169.83	77,795,034.20
Total	3,665,798,518.83	505,101,989.80

- (a) At 28 February 2018, Coastal Company and the Shenzhen Municipal Transportation Commission signed an agreement on freight compensation for the Shenzhen section of the Guangzhou-Shenzhen Coastal Expressway. The agreement stipulated that during the adjustment period, the freight charges of the Shenzhen section of the Coastal Expressway will be charged at 50% of the standard, and the freight charge adjustment period starts from 0:00 on 1 March 2018 to 24:00 on 31 December 2020. The total amount of compensation agreed is RMB302 million. Coastal Company has received the above compensation of RMB302 million in total. The company will record the above compensation as the present value of future income into the bank deposit, and the compensation of RMB346 million from the road fee income during the freight charge adjustment period, after deducting the relevant taxes of RMB10 million, will be regarded as the final value of future income and recorded into other non current liabilities. The final value of the expected income and the actual income received will be the same. The difference of the present value of RMB44 million is included in the unrecognized financing expenses, of which the unrecognized financing expenses are amortised in this year, and the recognized financial expenses are RMB6,481,242.86.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**32. Other current liabilities**

Item	2020	2019
Ultra-short term financing notes (a)	2,018,087,592.62	–
Output tax to be transferred	23,367,804.71	–
Total	2,041,455,397.33	–

- (a) As at 31 December 2020, the balance of the Group's other current liabilities was RMB2 billion of ultra-short term financing notes, the amortized cost at the end of the year was RMB1,999,479,373.45, and the balance of interest payable was RMB18,608,219.17, totaling RMB2,018,087,592.62. Among the financing notes, the second financing note of 1 billion ultra short term financing notes was issued on 2 July 2020 with an interest rate of 2.4% and a term of 270 days; the third financing note of 1 billion ultra short term financing notes was issued on 24 September 2020 with an interest rate of 2.6% and a term of 270 days.

33. Long-term borrowings

Item	2020	2019
Pledged	5,122,921,243.32	8,668,942,057.31
Credit	1,676,465,363.75	554,007,367.60
Mortgage	18,631,181.18	–
Guaranteed	58,400,000.00	–
Less: Current portion (Note V.31)	365,084,520.70	191,133,945.38
Total	6,511,333,267.55	9,031,815,479.53

- (a) As at 31 December 2020, the Group's borrowings were repayable as follows:

Item	2020	2019
Within 1 year	365,084,520.70	191,133,945.38
1 to 2 years	401,055,600.00	656,800,000.00
2 to 5 years	2,324,600,900.93	1,475,276,341.23
Over 5 years	3,785,676,766.62	6,899,739,138.30
Total	6,876,417,788.25	9,222,949,424.91

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Long-term borrowings (continued)

(b) As at 31 December 2020, details of the long-term borrowings are set out as follows:

Item	Interest rate in current year	Currency	Amount in RMB	Guarantee details
Pledge borrowings of Qinglian (i)	4.41%/3.8%	RMB	984,460,000.00	Operating rights of Qinglian Expressway
Syndicated borrowings of Shenzhen Expressway (ii)	4.41%/4.15%	RMB	3,518,158,867.55	Operating rights of Coastal Expressway
Floating loans (iii)	3.1%/4.03%	RMB	20,000,000.00	Credit (Floating)
Mergers & acquisitions loans(iv)	3.3%/3.7%	RMB	1,181,000,000.00	Credit(M&A)
Entrusted borrowings of Shenzhen Expressway (v)	4.275%	RMB	105,000,000.00	Credit (Entrusted)
Collateral borrowings of Qinglong (vi)	4.56%/4.4175%	RMB	482,500,000.00	Operating rights of Shuiguan Expressway
Credit borrowings of ShenChang Company	4.513%	RMB	180,730,000.00	Credit
Floating loans of lease finance company(vii)	4.75%/4.6925%	RMB	187,740,000.00	Credit
Pledged borrowings of Huangshi Bioland (Note V.62(Note 9))	5.88%	RMB	53,000,000.00	Guaranteed by Bioland Company and pledged with the expected revenue right paid by the government, the receivables formed by the future operating income of Bioland Company and the equity of Bioland Company subsidiary
Pledged borrowings of Longyou Bioland (Note V.62(Note 9))	4.9%	RMB	16,500,000.00	Guaranteed by Bioland Company and pledged with the income and franchise rights of Longyou Bioland during the franchise period
Pledged borrowings of Guiyang Bioland (Note V.62(Note 9))	5.88%	RMB	62,500,000.00	Guaranteed by Bioland Company and Shi Junying, collateralized with the machinery and equipment of Guiyang Bioland, and pledged with the equity of subsidiary company of Bioland Company and the franchise right of Guiyang Bioland
Pledged borrowings of Guangxi Bioland (Note V.62(Note 9))	4.9%	RMB	18,400,000.00	Guaranteed by Bioland Company and Shi Junying, pledged with the equity of subsidiary company of Bioland Company
Pledged borrowings of Guangxi Bioland (Note V.62(Note 9))	5.145%	RMB	58,400,000.00	Guaranteed by Bioland Company and Shi Junying, collateralized with the machinery and equipment of Guangxi Bioland and pledged with the equity of subsidiary company of Bioland Company
Plus: Interest accrued	/	RMB	8,076,865.11	/
Less: Current portion (Note V.31)	/	RMB	365,084,520.70	/
Total	/		6,511,333,267.55	/

(i) As at 31 December 2020, the annual interest rate of RMB384,460,000.00 in these loans is 10% lower than the benchmark interest rate of the people's Bank of China for loans over 5 years, i.e. 4.41%; the annual interest rate of the remaining balance of RMB600,000,000.00 is 3.8%.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**33. Long-term borrowings (continued)**

- (ii) As at 31 December 2020, the annual interest rate of RMB1,561,027,839.74 in these loans has changed from 4.41% to 4.15% since 28 May 2020, and the annual interest rate of the remaining balance of RMB1,957,131,027.81 is 4.41%.
- (iii) As at 31 December 2020, the annual interest rate of these loans was 3.1%; the interest rate of the first year was 3.3%, the interest rate of the second, third year was 4.03%, and the interest rate of the first year was changed to 3.1% on 26 August 2,020.
- (iv) At 31 December 2020, the annual interest rate of RMB941,000,000.00 was 3.3%, the annual interest rate of the remaining balance of RMB240,000,000.00 is 3.7%.
- (v) At 31 December 2020, the loan of RMB105,000,000.00 was an entrusted loan from Guangzhou West Second Ring Company, which entrusted the Industrial and Commercial Bank of China to issue an entrusted loan to the Company, with an interest rate of 4.2750%, please refer to Notes X.5(5).
- (vi) At 31 December 2020, the annual interest rate of RMB332,500,000.00 in this loan is 4.56% and the interest rate on the remaining loan of RMB150,000,000 is 4.4175%.
- (vii) At 31 December 2020, the annual interest rate of the balance of RMB17,740,000.00.00 is 4.75% and the annual interest rate of the balance of RMB170,000,000.00 is 4.6925%.

34. Bonds payable**(1) Bonds payable**

Item	2020	2019
Corporate bonds	5,030,803,095.66	2,912,420,937.41
Medium-term notes	1,829,883,431.99	1,841,630,304.35
Subtotal	6,860,686,527.65	4,754,051,241.76
Less: Current portion (Note V.31)	3,068,362,169.83	77,795,034.20
Total	3,792,324,357.82	4,676,256,207.56

(2) Movements of bonds payable

Name of bonds	Par value	Date of issuance	Maturity	Issued amount	Balance at 31 December 2019	Current issue amount	Accrual of interest by par value	Discount and issue fee amortization	Exchange gains	Interest payable	Balance at 31 December 2020
Corporate bonds (a)	800,000,000.00	2007/7/31	15 years	800,000,000.00	798,273,936.24	-	44,000,000.00	668,153.64	-	18,333,335.00	817,275,424.88
Corporate bonds (a)	1,995,330,000.00	2016/7/18	5 years	1,984,555,218.00	2,081,928,816.33	-	60,110,979.18	7,226,331.44	-135,390,000.00	25,481,093.83	1,979,246,241.60
Corporate bonds (a)	1,400,000,000.00	2020/3/19	5 years	1,396,973,584.92	-	1,396,973,584.92	33,402,419.47	336,833.54	-	33,402,419.47	1,430,712,837.93
Corporate bonds (a)	800,000,000.00	2020/10/22	5 years	797,815,698.11	-	797,815,698.11	5,677,777.77	75,115.37	-	5,677,777.77	803,568,591.25
Medium-term notes (b)	1,000,000,000.00	2018/7/30	3 years	1,000,000,000.00	998,536,815.00	-	41,421,609.28	925,785.41	-	17,272,421.88	1,016,735,022.29
Medium-term notes (b)	800,000,000.00	2018/8/15	5 years	800,000,000.00	797,516,640.00	-	35,921,694.85	664,396.00	-	14,967,373.70	813,148,409.70
Total	6,795,330,000.00	/	/	6,779,344,501.03	4,676,256,207.57	2,200,000,000.00	220,534,480.55	9,896,615.40	-135,390,000.00	115,134,421.65	6,860,686,527.65

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Bonds payable (continued)

(2) Movements of bonds payable (continued)

(a) Corporate bonds

The Company issued a long-term corporate bond on 31 July 2007 with a principal amount of RMB800,000,000.00 which bears interest at a rate of 5.5% per annum in accordance with the approval of Fa Gai Cai Jin [2007] No.1791 issued by the National Development & Reform Commission. The interest is payable annually and the principal is repayable in full upon maturity on 31 July 2022. The principal and interest of the bonds are unconditionally and irrevocably guaranteed by China Construction Bank and are in turn secured by the Company's 100% equity interest in Meiguan Company, please refer to Notes V.62.

On 18 July 2016, the Company issued a 5-year bond with a principal value of USD300,000,000.00. The bond issuance price was 99.46% of the principal value, bearing a term of 5 years and interest at a rate of 2.875% per annum. Interest has begun to be accrued from 18 July 2016 and is repaid semi-annually. On 18 July 2021, the bond should be fully repaid upon maturity. The main purpose of the bond is to repay the bank loans and supplement the Group's operating capital.

The Company was permitted to publicly issue corporate bonds with a face value of not more than RMB5 billion to QFII upon approval of the Document "Securities Regulatory Commission Permit [2019] [2262]" issued by the CSRC on 12 November 2019. On 20 March 2020, the Company completed the issuance of the first phase of 2020 corporate bonds (epidemic prevention and control bonds) and the actual issuance scale was RMB1.4 billion. The bond was issued at the rate of 3.05%, with interest to be paid once a year and principal repaid once at maturity. The maturity of the current bond is 5 years, with an issuer adjusted coupon option and an investor resale option at the end of the third year. The interest-bearing term is from 20 March 2020 to 19 March 2025; If the investor exercises the resale option, the interest-bearing maturity of the portion of the bond it sells back is from 20 March 2020 to 19 March 2023.

The Company was permitted to publicly issue corporate bonds of no more than RMB2 billion to professional investors upon approval of the Shanghai Stock Exchange and the registration of China Securities Regulatory Commission (Securities Regulatory Commission Permit [2020] No.1003). On 22 October 2020, the Company completed the public issuance of green corporate bonds (phase I) in 2020, with the actual issuance scale of RMB800 million. The bonds are issued at par value, with the coupon rate of 3.65%, and the interest is paid once a year, and the principal is paid once at maturity. The term of this year's bonds is 5 years, with the issuer's option to adjust the coupon rate and the investor's option to sell back at the end of the third year. The interest period is from 22 October 2020 to 21 October 2025, if the investor exercises the repurchase option, and the interest period of part of the bonds sold back is from 22 October 2020 to 22 October 2023.

(b) Medium term notes

On 30 July 2018, approved by the China Association of Interbank Market Dealers, the Company issued medium-term notes of RMB1,000,000,000.00, which bear a term of 3 years and interest at a rate of 4.14% per annum with the interest payable annually and the principal repayable in full upon maturity on 30 July 2021.

On 15 August 2018, approved by the China Association of Interbank Market Dealers, the Company issued medium-term notes of RMB800,000,000.00, which bear a term of 5 years and interest at a rate of 4.49% per annum with the interest payable annually and the principal repayable in full upon maturity on 15 August 2023.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**35. Long-term payables**

Item	2020	2019
Long-term payables	2,234,299,535.22	2,217,015,191.85
Total	2,234,299,535.22	2,217,015,191.85

(1) The details of long-term payables

Item	2020	2019
Financial liabilities arising from sale and leaseback transactions (a)	412,053,574.13	660,027,912.26
Borrowings from associates (b)	2,017,882,547.71	1,630,108,698.00
Sub-total	2,429,936,121.84	2,290,136,610.26
Less: Current portion (a) (Note V.31)	195,636,586.62	73,121,418.41
Total	2,234,299,535.22	2,217,015,191.85

- (a) As of 31 December 2019, the long-term payable principal of the Group's subsidiary, Baotou Nanfeng Fan Equipment, was formed after the sale and leaseback with equipment using rights and land using rights of Baotou Wind Power, 100% equity use rights of Damaoqi Ningyuan Wind Power Co., Ltd. (Damaoqi Ningyuan), Damaoqi Ningxiang Wind Power Co., Ltd.(Damaoqi Ningxiang), Damaoqi Nanchuan Wind Power Co., Ltd.(Damaoqi Nanchuan), and Damaoqi Ningfeng Wind Power Co., Ltd.(Damaoqi Ningfeng) as pledges. The liabilities were paid in advance with a remaining balance of RMB0.00 until 31 December 2020. The amortized unrecognized financing costs that formed financial expenses of the current year were RMB11,206,580.18. The financial income from the early repayment of the sale and leaseback was RMB1,165,853.24.

As of 31 December 2020, the long-term principal of the Group's subsidiaries, Zhuji Bioland Environmental Technologies Co., Ltd. ("Zhuji Bioland Company"), Guilin Bioland Company, Guangxi Bioland Company, Dezhou Bioland Company, Taizhou Bioland Company, Handan Bioland Company, Shangrao Bioland Company and Xinyu Bioland Environmental Technologies Co., Ltd ("Xinyu Bioland Company") was formed after the sale and leaseback with franchise rights of kitchen waste disposal of Bioland Environment, 100% equity rights of Dezhou Bioland Company, Taizhou Bioland Company, Shangrao Bioland Company, Guilin Bioland Company and Xinyu Bioland Company, 90% equity rights of Handan Boland Company and Zhuji Bioland Company and the land use right of Langfang Shuiqi Bioland Machinery Equipment Manufacturing Co., Ltd. ("Langfang Shuiqi") as a mortgage. The long-term payable for the finance lease secured by the above mortgage as of 31 December 2020 was RMB364,369,903.87, as detailed in Note V.62 Note 9(2). The balance of this payment at the acquisition date was RMB508,804,307.83, and the interest expense generated by the amortization of unrecognized financing expenses in the current year was RMB41,680,821.22, the financial leasing fee was RMB3,133,629.97, the principal was RMB77,076,583.93, and the interest was RMB33,955,613.42. As at 31 December 2020, the balance of this payment was RMB412,053,574.13.

- (b) The borrowings of the head office were from United Land Company for a term of two to three years. The loan agreement was signed on 25 July 2019 at an annual interest rate of 3.65%. The agreement stipulates that the United Land Company shall provide the Company with a total loan of not more than RMB2,058 million. In 2020, the Company borrowed RMB445,900,000.00 from United Land Company. This year, it has repaid the loan of RMB102,900,000.00 to United Land Company. As at 31 December 2020, the long-term payable balance of the Headquarters was RMB2,017,882,547.71 and the recognized interest expense on financial expenses was RMB68,932,030.23. For details, referring to Note X.5(5)e.

(2) The analysis of long-term payables by the due date is as follows:

Item	2020	2019
Within 1 year	195,636,586.62	73,121,418.41
1 to 2 years	110,724,565.74	598,055,191.85
2 to 5 years	2,123,574,969.48	1,618,960,000.00
Total	2,429,936,121.84	2,290,136,610.26

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Long-term employee benefits payable

Item	2020	2019
Other long-term employee benefits (a)	114,813,411.45	105,824,300.00

(a) Other long-term employee benefits are long-term incentive bonuses, which are expected to be paid during the period from year 2022 to 2023.

37. Lease liabilities

Item	2020	2019
Lease contracts	141,368,913.35	152,951,289.26
Less: Current portions (Note V.31)	36,715,241.68	34,681,544.60
Total	104,653,671.67	118,269,744.66

38. Provisions

Item	2020	2019
Product warranty (a)	17,171,133.72	10,284,566.66
Pending litigation or arbitration (b)	6,120,000.00	–
BOT project follow-up expenditure (c)	9,297,341.14	–
Extra expenses for extended period (d)	133,037,711.34	–
Total	165,626,186.20	10,284,566.66

(a) Nanjing Wind Power estimates the service fees required for dealing with quality problems and provides a premium based on 1% of sales revenue.

(b) Dispute over infringement of patent right of invention: Organic Waste System Co., Ltd. ("Organic Waste Company") filed a lawsuit in Zhengzhou Intermediate People's Court on 27 September 2018 claiming that Bioland Company and Guangxi Bioland Company violated its patent right. At 28 November 2019, Zhengzhou Intermediate People's Court sentenced Bioland Company and Guangxi Bioland Company to a compensation to Organic Waste Company of RMB6,000,000.00 within 10 days. If Bioland Company did not fulfill its obligation, it shall pay interest on the debt for the belated payment and bear the fees for accepting the case which was RMB60,000.00. Bioland Company filed an appeal on 27 December 2019. As at 31 December 2020, the judgment of the second instance has not been reached yet, and Bioland Company accrued an estimated liability of RMB6,120,000.00 based on the expected amount of compensation.

(c) BOT project follow-up expenditure is expected to be incurred for the Company to maintain a certain service capacity of the BOT assets it holds or to maintain a certain state of use before they are handed over to the contract grantor. The interest expense incurred by this part of the expenditure was RMB2,370,620.85, as detailed in Note V.50.

(d) The Group accrued estimated liabilities for the extra expenses expected to occur during the extension of the toll period of expressways in Guangdong Province.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Deferred income

2020

Item	31 December 2019	Current period additions	Current period reductions	31 December 2020	Explanation
Non-current liabilities					
Compensation for operating costs for Toll Free Section of Meiguan Expressway	94,832,847.16	–	13,080,392.64	81,752,454.52	Shenzhen Government compensation for the accrued operating costs for Toll Free Section of Meiguan Expressway in the future
Government compensation for demolition (note V, 56 (a))	16,481,933.34	–	2,746,988.88	13,734,944.46	Government compensation for demolition of Qinglong Company
Compensation for the accrued operating costs for Nanguang and Yanpai new station (a)	291,504,931.35	–	23,400,000.00	268,104,931.35	Shenzhen Government compensation for the accrued operating costs for Nanguang and Yanpai new station
Government financial grants for environmental protection equipment of Bioland Group	–	6,337,158.02	133,549.59	6,203,608.43	Government financial grants for environmental protection equipment of Bioland Group
Government financial grants (note V. 51(a))	2,601,126.90	–	115,909.39	2,485,217.51	Guishen company received financial subsidies from Longli county government of Guizhou Province
Compensation for future operation cost of Toll Free Section in free section of Longda Expressway (b)	210,600,209.98	–	19,206,062.28	191,394,147.70	Shenzhen Government's cash compensation for early recovery of rights and interests of Shenzhen section of Longda Expressway
Central subsidy from the cancellation of provincial boundary toll stations on Expressways (c)	–	48,460,798.00	3,949,930.60	44,510,867.40	Cash compensation given by the Ministry of Transport for the cancellation of provincial boundary toll station project of Shenzhen Expressway Toll Road
Total	616,021,048.73	54,797,956.02	62,632,833.38	608,186,171.37	/

2019

Item	31 December 2018	Current year additions	Current year reductions	31 December 2019	Explanation
Non-current liabilities					
Compensation for operating costs for Toll Free Section of Meiguan Expressway	107,913,239.80	–	13,080,392.64	94,832,847.16	Shenzhen Government compensation for the accrued operating costs for Toll Free Section of Meiguan Expressway in the future
Government compensation for demolition (note V, 56 (a))	19,228,922.22	–	2,746,988.88	16,481,933.34	Government compensation for demolition of Qinglong Company
Compensation for the accrued operating costs for Nanguang and Yanpai new station (a)	312,144,931.35	–	20,640,000.00	291,504,931.35	Shenzhen Government compensation for the accrued operating costs for Nanguang and Yanpai new station
Government financial grants	2,796,223.13	–	195,096.23	2,601,126.90	Guishen company received financial subsidies from Longli county government of Guizhou Province
Compensation for future operation cost of new station in Toll Free Section of Longda Expressway (b)	–	210,600,209.98	–	210,600,209.98	Shenzhen Government's cash compensation for early recovery of rights and interests of Shenzhen section of Longda Expressway
Total	442,083,316.50	210,600,209.98	36,662,477.75	616,021,048.73	/

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Deferred income (continued)

- (a) Due to the entrusted operation of the new toll station invested by Shenzhen Transportation Commission, other business income of RMB45,240,000.00 (other business income of RMB43,920,000.00 in 2019) was recognized and unrecognized financing expense of RMB21,840,000.00 (unrecognized financing expense of RMB23,280,000.00 in 2019) was amortised in this year, resulting in a decrease of net deferred income of RMB23,400,000.00 (in 2019 the net deferred income decreased by RMB20,640,000.00).
- (b) Due to the withdrawal of the three projects and the remaining toll road rights and interests of Longda Shenzhen section in advance by Shenzhen Municipal Transportation Commission, the cash compensation is recognized as other business income of RMB34,940,813.88 in this year (other business income of RMB34,104,133.68 in 2019) and the unrecognized financing expense of RMB15,734,751.60 (unrecognized financing expense of RMB17,011,768.06 in 2019), which makes the net deferred income decreased by RMB19,206,062.28 (decreased by RMB17,092,365.62 in 2019).
- (c) Due to the cash compensation given by the Ministry of Transport for the cancellation of a provincial boundary toll station project of Expressways under the Company's toll road, a total amount of RMB48,460,798.00 of new deferred income was increased this year, which was carried forward to other income of RMB3,949,930.60. For details, please refer to note V.51(a).

Items of government grants:

2020

Item	31 December 2019	Additional grants in current period	Recognized in non-operating income in current period	31 December 2020	Related to assets/revenue
Government financial grants	2,601,126.90	-	115,909.39	2,485,217.51	Related to assets
Compensation for demolition	16,481,933.34	-	2,746,988.88	13,734,944.46	Related to assets
Government financial grants for environmental protection equipment of Bioland Group	-	6,337,158.02	133,549.59	6,203,608.43	Related to assets
Total	19,083,060.24	6,337,158.02	2,996,447.86	22,423,770.40	/

2019

Item	31 December 2018	Additional grants in current year	Recognized in non-operating income in current year	31 December 2019	Related to assets/revenue
Government financial grants	2,796,223.13	-	195,096.23	2,601,126.90	Related to assets
Compensation for demolition	19,228,922.22	-	2,746,988.88	16,481,933.34	Related to assets
Total	22,025,145.35	-	2,942,085.11	19,083,060.24	/

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**40. Share capital****2020**

Item	31 December 2019	Movement					31 December 2020
		New shares issued	Rights issue	Transfer from surplus	Others	Sub-total	
Total share capital	2,180,770,326.00	-	-	-	-	-	2,180,770,326.00

2019

Item	31 December 2018	Movement					31 December 2019
		New shares issued	Rights issue	Transfer from surplus	Others	Sub-total	
Total share capital	2,180,770,326.00	-	-	-	-	-	2,180,770,326.00

41. Other equity instruments

On 31 December 2020, the specific situation of the perpetual debt of the Group issued is as follows:

item	Issue time	Accounting classification	Dividend or interest rate	Distribution amount	Expiry day or renewal situation	Transfer conditions	Transit
Perpetual bond	December 4, 2020	Other equity tools	4.6%	4,000,000,000.00	No fixed deadline	Nil	Nil

The Company issued perpetual bonds on 4 December, 2020. According to the terms of the issuance, the term of the perpetual bonds is unlimited. The initial coupon interest of the perpetual bonds is 4.6% per year within a 10-year period. At the expiration of the 10-year period, if the Company does not choose to redeem the funds, the interest rate will be increased by 200 basis points (i.e. 2%) on the base of the original interest rate from the day after the expiration of the 10-year period (including the day); It will be reset once every two years, and the annualized interest rate after each reset should be increased by 200 basis points on the base of the annual interest rate applicable to the last accounting period of the previous investment period, and in a similar fashion, with a maximum of two resets. To explain, the highest interest rate of each investment fund after resetting is 400 base points higher than the initial interest rate of the investment fund, that is, 8.6%/year. The Company has the right to choose to defer the payment of interests and is not limited by the number of renewals. The Company classifies them as other equity instruments.

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. Capital surplus

2020

Item	31 December 2019	Business combination involving enterprise under common control		Current year additions	Current year reductions	31 December 2020
			1 January 2020			
Share premium	2,274,351,523.42	-	2,274,351,523.42	-	-	2,274,351,523.42
Other capital reserve – Business combination involving enterprises under common control	3,128,000,000.00	59,965,000.88	3,187,965,000.88	-	428,077,878.37	2,759,887,122.51
Other capital reserve – Acquisition of minority interests	-120,924,166.49	-	-120,924,166.49	-	-	-120,924,166.49
Capital injection in the invested entity	921,200,000.00	-	921,200,000.00	-	1,011,521.33	920,188,478.67
Other capital reserve – others (Note V.15(b))	18,084,044.28	-	18,084,044.28	151,937,256.99	-	170,021,301.27
Total	6,220,711,401.21	59,965,000.88	6,280,676,402.09	151,937,256.99	429,089,399.70	6,003,524,259.38

2019

Item	31 December 2019	Business combination involving enterprise under common control		Current year additions	Current year reductions	31 December 2020
			1 January 2020			
Share premium	2,274,351,523.42	-	2,274,351,523.42	-	-	2,274,351,523.42
Other capital reserve-Business combination involving enterprise under common control	3,128,000,000.00	59,965,000.88	3,187,965,000.88	-	-	3,187,965,000.88
Other capital reserve- Acquisition of minority interests	-120,924,166.49	-	-120,924,166.49	-	-	-120,924,166.49
Capital injection in the invested entity	921,200,000.00	-	921,200,000.00	-	-	921,200,000.00
Other capital reserve-others	16,399,775.48	-	16,399,775.48	1,684,268.80	-	18,084,044.28
Total	6,219,027,132.41	59,965,000.88	6,278,992,133.29	1,684,268.80	-	6,280,676,402.09

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**43. Other comprehensive income****2020**

Item	Opening balance	Amount incurred in current period		End of year balance
		Pre-tax amount incurred during the year	Post-tax amount attributable to owners of the Company	
Items that may be reclassified subsequently to profit or loss:	916,005,374.46	-47,060,183.67	-47,060,183.67	868,945,190.79
– Appreciation of initial equity interest upon business combination	893,132,218.74	–	–	893,132,218.74
– Equity investment reserve	406,180.00	–	–	406,180.00
– Share of other comprehensive income from investees accounted for the equity method to be reclassified to profit or loss in subsequent periods (Note V.15(b) (e))	19,654,907.64	-41,600,557.49	-41,600,557.49	-21,945,649.85
– Foreign currency financial statement translation differences	2,812,068.08	-5,459,626.18	-5,459,626.18	-2,647,558.10
Total	916,005,374.46	-47,060,183.67	-47,060,183.67	868,945,190.79

2019

Item	Opening balance	Amount incurred in current year		Ending balance
		Pre-tax amount incurred during the year	Post-tax amount attributable to owners of the Company	
Items that may be reclassified subsequently to profit or loss:	881,375,987.20	34,629,387.26	34,629,387.26	916,005,374.46
– Appreciation of initial equity interest upon business combinations	893,132,218.74	–	–	893,132,218.74
– Equity investment reserve	406,180.00	–	–	406,180.00
– Share of other comprehensive income from investees accounted for the equity method to be reclassified to profit or loss in subsequent years	-13,566,824.35	33,221,731.99	33,221,731.99	19,654,907.64
– Foreign currency financial statement translation difference	1,404,412.81	1,407,655.27	1,407,655.27	2,812,068.08
Total	881,375,987.20	34,629,387.26	34,629,387.26	916,005,374.46

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

44. Surplus reserve

2020

Item	31 December 2019	Current year additions	Current year reductions	31 December 2020
Statutory surplus reserve	2,164,417,486.95	93,790,655.68	–	2,258,208,142.63
Discretionary surplus reserve	453,391,330.06	–	–	453,391,330.06
Total	2,617,808,817.01	93,790,655.68	–	2,711,599,472.69

2019

Item	31 December 2018	Current year additions	Current year reductions	31 December 2019
Statutory surplus reserve	2,028,273,730.23	136,143,756.72	–	2,164,417,486.95
Discretionary surplus reserve	453,391,330.06	–	–	453,391,330.06
Total	2,481,665,060.29	136,143,756.72	–	2,617,808,817.01

According to the Company Law of the People's Republic of China, the Company's articles of association and the resolutions of the board of directors, the company draws statutory surplus reserve at 10% of the annual net profit. When the cumulative amount of the statutory surplus reserve reaches the amount more than 50% of the share capital, the appropriation can cease. The statutory surplus reserve fund can be used to make up for losses or increase share capital after approval. The company will accrue a statutory surplus reserve of RMB93,790,655.68 in 2020 (2019: RMB136,143,756.72).

The amount of the Company's discretionary surplus reserve fund is proposed by the board of directors and approved by the general meeting of shareholders. The discretionary surplus reserve fund can be used to make up for previous years' losses or increase share capital after approval. The Company did not accrue discretionary surplus reserve this year (2019: nil).

45. Undistributed profits

Item	2020	2019
Unadjusted balance of undistributed profit at the end of the last financial year	6,439,246,724.95	5,624,252,437.38
Adjusted: Business combinations involving enterprises under common control(a)	91,380,860.75	26,548,242.25
Adjusted opening balance of undistributed profits	6,530,627,585.70	5,650,800,679.63
Add: Net profit attributable to equity holders of the Company in current year	2,054,523,306.30	2,564,317,594.25
Less: Appropriation for statutory surplus reserve	93,790,655.68	136,143,756.72
Dividends payable (b)	1,198,946,591.15	1,548,346,931.46
Perpetual interest (c)	14,311,111.11	–
Undistributed profits at the end of the year	7,278,102,534.06	6,530,627,585.70

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**45. Undistributed profits (Continued)**

(a) From January to December 2020, due to changes in the scope of consolidation caused by the merger of enterprises under the same control, the undistributed profit at the beginning of the year was RMB91,380,860.75 (31 December 2019: RMB26,548,242.25).

(b) According to the resolution of the shareholders' annual meeting on 23 June 2020, the company will distribute cash dividends of RMB0.52 per share to all shareholders for the year of 2019. Based on the 2,180,770,326 shares issued, a total amount of RMB1,134,000,569.52 will be distributed, of which A shares have been issued. 1,433,270,326 shares were distributed with cash dividends of RMB745,300,569.52, and 747,500,000 H shares issued were distributed with cash dividends of HKD425,128,665.00 (equivalent to RMB388,700,000.00). This dividend accounted for 45% of the company's 2019 net profit. As of December 31, 2020, the above dividends have been paid in full.

Longda Company, a subsidiary of the company, announced the distribution of the 2019 profit distribution of RMB72,218,416.14, of which the profit distribution attributable to the original controlling shareholder Shenzhen Baotong Highway Construction and Development Co., Ltd. ("Baotong Company") was RMB64,946,021.63, and RMB7,272,394.51 was allocated to minority shareholders.

(c) The Company issued perpetual bonds on December 4, 2020. Please refer to Note V. 41 for details. The Company accrued perpetual bond interest of RMB14,311,111.11, of which interest has been paid RMB8,688,888.89, and the remaining accrued and unpaid interest of RMB5,622,222.22 is listed in other payables.

46. Revenue and cost of services

Item	2020		2019	
	Revenue	Cost	Revenue	Cost
Main business – Toll road	4,386,674,349.61	2,422,202,538.44	4,722,126,783.24	2,345,480,765.93
Main business – Environmental protection	2,520,621,312.93	2,039,567,237.83	598,968,458.64	430,021,848.73
– Sales related to wind turbine equipment	1,427,886,563.79	1,242,956,248.25	511,125,563.54	395,550,875.16
– Wind power	237,868,767.28	97,256,484.14	87,666,895.10	34,467,853.57
– Kitchen waste disposal projects construction	737,728,420.15	582,916,859.55	–	–
– Kitchen waste disposal projects operation	105,375,895.57	113,441,945.89	–	–
– Others	11,761,666.14	2,995,700.00	176,000.00	3,120.00
Other services	1,119,441,437.45	752,747,236.89	1,069,199,868.94	810,041,613.81
– Real estate development	351,097,821.01	171,358,709.86	456,902,470.68	255,161,517.06
– Management services	510,744,894.58	406,456,427.27	376,403,186.50	356,797,256.75
– Advertising services	34,781,315.76	28,413,224.83	55,875,222.93	51,518,188.66
– Financial leasing	25,588,040.54	22,470,366.05	13,607,222.61	9,560,886.33
– Others	197,229,365.56	124,048,508.88	166,411,766.22	137,003,765.01
Total	8,026,737,099.99	5,214,517,013.16	6,390,295,110.82	3,585,544,228.47

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Revenue and cost of services (Continued)

The revenue is analyzed as follows:

2020

Reportable segments	Toll road	Environmental protection	Real estate development	Management service	Advertising service	Financial leasing service	Others	Total
Main operating areas								
Guangdong Province	3,629,903,776.51	-	-	154,190,121.89	34,781,315.76	25,588,040.54	167,301,123.59	4,011,764,378.29
Hunan Province	452,694,717.86	-	-	-	-	-	9,300,164.92	461,994,882.78
Guizhou Province	-	41,133,390.26	351,097,821.01	356,554,772.69	-	-	8,733,462.58	757,519,446.54
Hubei Province	304,075,855.24	2,709,516.01	-	-	-	-	-	306,785,371.25
Jiangsu Province	-	1,439,648,229.93	-	-	-	-	10,619,469.02	1,450,267,698.95
Nei Monggol Autonomous Region	-	237,868,767.28	-	-	-	-	-	237,868,767.28
Beijing	-	743,783,793.50	-	-	-	-	743,783,793.50	743,783,793.50
Guangxi Autonomous Region	-	38,762,001.68	-	-	-	-	1,275,145.45	40,037,147.13
Shandong Province	-	16,715,614.27	-	-	-	-	16,715,614.27	16,715,614.27
Total	4,386,674,349.61	2,520,621,312.93	351,097,821.01	510,744,894.58	34,781,315.76	25,588,040.54	197,229,365.56	8,026,737,099.99
Main service categories								
Toll road	4,386,674,349.61	-	-	-	-	-	-	4,386,674,349.61
Environmental protection	-	2,520,621,312.93	-	-	-	-	-	2,520,621,312.93
Real estate development	-	-	351,097,821.01	-	-	-	-	351,097,821.01
Management service	-	-	-	510,744,894.58	-	-	-	510,744,894.58
Advertising service	-	-	-	-	34,781,315.76	-	-	34,781,315.76
Financial leasing service	-	-	-	-	-	25,588,040.54	-	25,588,040.54
Others	-	-	-	-	-	-	197,229,365.56	197,229,365.56
Total	4,386,674,349.61	2,520,621,312.93	351,097,821.01	510,744,894.58	34,781,315.76	25,588,040.54	197,229,365.56	8,026,737,099.99
Timing for revenue recognition								
Revenue recognized at a certain point in time	4,386,674,349.61	1,770,314,305.06	351,097,821.01	-	5,067,181.10	-	40,284,664.20	6,553,438,320.98
Revenue recognized over a period of time	-	750,307,007.87	-	510,744,894.58	29,714,134.66	25,588,040.54	156,944,701.36	1,473,298,779.01
Total	4,386,674,349.61	2,520,621,312.93	351,097,821.01	510,744,894.58	34,781,315.76	25,588,040.54	197,229,365.56	8,026,737,099.99

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**46. Revenue and cost of services (Continued)**

The revenue is analyzed as follows:(continued)

2019

Reportable segments	Toll road	Environmental protection	Real estate development	Management service	Advertising service	Financial leasing service	Others	Total
Main operating areas								
Guangdong Province	3,749,928,829.05	176,000.00	-	152,572,764.83	55,875,222.93	13,607,222.61	152,208,393.66	4,124,368,433.08
Hunan Province	559,664,089.09	-	-	-	-	-	9,410,501.41	569,074,590.50
Guizhou Province	-	-	456,902,470.68	223,830,421.67	-	-	4,792,871.15	685,525,763.50
Hubei Province	412,533,865.10	-	-	-	-	-	-	412,533,865.10
Jiangsu Province	-	511,125,563.54	-	-	-	-	-	511,125,563.54
Nei Monggol Autonomous Region	-	87,666,895.10	-	-	-	-	-	87,666,895.10
Total	4,722,126,783.24	598,968,458.64	456,902,470.68	376,403,186.50	55,875,222.93	13,607,222.61	166,411,766.22	6,390,295,110.82
Main service categories								
Toll road	4,722,126,783.24	-	-	-	-	-	-	4,722,126,783.24
Environmental protection	-	598,968,458.64	-	-	-	-	-	598,968,458.64
Real estate development	-	-	456,902,470.68	-	-	-	-	456,902,470.68
Management service	-	-	-	376,403,186.50	-	-	-	376,403,186.50
Advertising service	-	-	-	-	55,875,222.93	-	-	55,875,222.93
Financial leasing service	-	-	-	-	-	13,607,222.61	-	13,607,222.61
Others	-	-	-	-	-	-	166,411,766.22	166,411,766.22
Total	4,722,126,783.24	598,968,458.64	456,902,470.68	376,403,186.50	55,875,222.93	13,607,222.61	166,411,766.22	6,390,295,110.82
Timing for revenue recognition								
Revenue recognized at a certain point in time	4,722,126,783.24	597,427,112.64	456,902,470.68	-	7,303,827.29	-	27,171,390.33	5,810,931,584.18
Revenue recognized over a period of time	-	1,541,346.00	-	376,403,186.50	48,571,395.64	13,607,222.61	139,240,375.89	579,363,526.64
Total	4,722,126,783.24	598,968,458.64	456,902,470.68	376,403,186.50	55,875,222.93	13,607,222.61	166,411,766.22	6,390,295,110.82

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

46. Revenue and cost of services (Continued)

The income recognized in the current year and included in the beginning book value of contract liabilities is as follows :

Item	2020	2019
Advances from sales of wind turbine equipment	338,728,000.00	–
Advances from sales of real estate	325,575,286.24	417,435,394.79
Advances from advertising customers	4,750,118.33	6,814,256.43
Advances from sales of wind turbine operation and maintenance services	1,226,383.00	–
Others	4,253,761.44	1,500,689.35
Total	674,533,549.01	425,750,340.57

47. Tax and surcharges

Item	2020	2019
Land appreciation tax	40,482,796.77	25,270,279.55
City maintenance and construction tax	11,481,192.79	11,122,710.34
Educational surcharge	8,989,628.03	8,290,433.75
Property tax	3,333,005.18	5,355,936.05
Stamp tax	2,115,455.73	3,146,314.79
Construction fee for culture development	55,801.64	891,679.13
Others	391,616.74	1,090,791.69
Total	66,849,496.88	55,168,145.30

48. General and administrative expenses

Item	2020	2019
Salaries and wages	232,236,301.46	256,099,232.40
Depreciation and amortization	51,902,833.37	29,079,076.77
Legal and advisory fees	23,817,155.37	23,174,146.43
Audit fees	8,931,071.43	8,061,628.86
Stock exchange fees	3,092,355.69	5,340,561.51
Business entertainment	5,352,916.82	4,486,615.57
Travel fees	8,349,566.02	3,872,724.70
Office building management fees	4,616,624.24	3,621,029.54
Office and communication charges	4,607,834.92	3,166,515.26
Vehicle fees	1,751,492.82	1,797,141.55
Rental fees	6,012,351.85	1,323,303.48
Others	12,415,842.33	10,900,824.53
Total	363,086,346.32	350,922,800.60

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49. Research and development expenses

Item	2020	2019
Labor cost	20,580,502.46	9,194,257.65
Depreciation and amortization	3,371,095.24	269,979.33
Direct materials	16,567,922.76	6,035,604.83
Advisory expense	12,314,942.55	–
Others	5,859,270.77	2,974,972.27
Total	58,693,733.78	18,474,814.08

The research and development expenses include costs of materials, and labor, depreciation and amortization of R&D machines used in the development of patents. The R&D projects in this year mainly include research and development of wind turbines for Nanjing Wind Power Company and the newly acquired subsidiary, Bioland Environmental Technologies Group Co., Ltd, has developed various environmental protection device systems and process technologies.

50. Financial expenses

Item	2020	2019
Interest expenses	935,356,181.84	750,515,490.48
Including: Interest expenses on borrowings	478,734,666.87	434,561,336.96
Interest expenses on bonds payable	261,555,054.50	190,798,550.73
The amortization of unsettled financing expenses of freight subsidy of Coastal Expressway (Note V. 31(a))	6,481,242.86	16,877,400.18
The amortization of unsettled financing expenses of compensation of newly built toll stations of Three Expressways (Note V.39(a))	21,840,000.00	23,280,000.00
Interest expense of house payment collected in advance	19,586,324.27	30,582,324.80
Lease interest expense	7,234,089.26	14,227,011.48
The amortization of unrecognized financing cost of Longda new station (Note V. 39(b))	15,734,751.60	17,011,767.96
Interest expenses on long-term payables	121,819,431.63	24,199,509.01
Interest expenses on accrued liabilities (Note V. 38(c))	2,370,620.85	–
Less: Interest income	61,975,573.96	53,120,492.35
Including: Bank account interests and others	61,975,573.96	53,120,492.35
Less: Interest capitalized	237,873,468.23	133,608,637.84
Including: Interest expense capitalized	238,770,769.93	134,631,048.48
Interest income capitalized	897,301.70	1,022,410.64
Exchange gains or losses (Income is indicated with “-”)	-154,935,502.55	33,399,084.64
Less: Financial benefit for pre-repayment of finance leases	1,165,853.24	22,492,284.97
Others	12,142,147.91	12,018,652.81
Total	491,547,931.77	587,734,223.41

In the current year, the Group's borrowing interest capitalization amount has been included in inventories and intangible assets. Please refer to Note V.7(3) and Note V.20(e) for the relevant information.

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50. Financial expenses (Continued)

The details of the interest income are listed as follows:

Item	2020	2019
Cash and cash equivalents	61,975,573.96	50,744,215.01
Long-term receivables	–	1,731,571.08
Other receivables	–	644,706.26
Less: Interest income capitalized	897,301.70	1,022,410.64
Total	61,078,272.26	52,098,081.71

51. Other income

Item	2020	2019	Asset/profit related
Government grants related to deferred income (Note V.39)	4,199,389.58	195,096.23	Asset
Talent supporting funds	–	6,240,000.00	Profit
Grants for supporting the development of head company	30,000,000.00	–	Profit
Returned taxation	5,690,000.00	–	Profit
Grants for high-tech enterprise	1,400,000.00	–	Profit
Others	5,605,699.17	2,128,895.65	Profit
Total	46,895,088.75	8,563,991.88	

Government grants related to deferred income (Note V.39):

Item	2020	2019	Asset/profit related
Return of government financial grants provided by Guizhou Longli County Government to Guishen Company	115,909.39	195,096.23	Asset
Grants for environmental protection equipment of Bioland Group	133,549.59	–	Asset
Central subsidy from the cancellation of provincial boundary toll stations on expressways	3,949,930.60	–	Asset
Total	4,199,389.58	195,096.23	/

52. Investment income

Item	2020	2019
Investment income from long-term equity investments in associates under the equity method (Note V.15)	880,729,972.60	899,684,300.39
Realized downstream trading gains and losses (a) (Note V.15(a))	32,252,473.61	22,402,839.33
Investment gain/loss from foreign exchange swap (Note V.2)	17,955,000.00	26,860,000.00
Investment income from other non-current financial assets	6,395,165.94	30,125,114.78
Investment income from other disposal of subsidiaries	–	262,207,206.28
Others	30,676.40	1,392,576.07
Total	937,363,288.55	1,242,672,036.85

- (a) In 2018, United Land Company's compensation for the relocation of the office building of Meiguan Company was offset by the group's merger level to offset the shareholding portion of the asset disposal income. In this year, United Land Company's program of property development and construction has realized income. The property ratio was transferred back to the realized income of RMB32,252,473.61 (2019: RMB22,402,839.33).

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**53. Gains or losses from changes in fair value**

Item	2020	2019
Financial assets measured at fair value through profit or loss	-42,343,020.67	55,086,510.00
Including: Derivative financial instruments (Note V.2)	-146,367,257.21	17,586,250.00
Including: Financial assets designated to be measured at fair value through profit or loss (Note V.14)	104,024,236.54	37,500,260.00
Gains from adjustment of Shuiguan Expressway's acquisition contingent consideration (Note V.13)	40,000,000.00	26,000,000.00
Total	-2,343,020.67	81,086,510.00

54. Credit impairment loss

Item	2020	2019
Loss from impairment of accounts receivable	8,136,242.67	6,832,091.86
Loss from impairment of other receivables	25,146.76	–
Loss from current portion of non-current assets	-315,511.41	-544,720.40
Loss from impairment of long-term receivables	2,273,329.50	914,305.89
Loss from impairment of contract assets	38,085,852.26	126,280.00
Loss from impairment of notes receivable	–	-1,892,194.93
Total	48,205,059.78	5,435,762.42

55. Impairment losses on assets

Item	2020	2019
Losses from falling inventory	116,143.51	–
Loss from impairment of intangible assets	–	552,000,000.00
Total	116,143.51	552,000,000.00

56. Non-operating income

Item	2020	2019	Amount recorded as non-recurring profit or loss for the year ended 31 December 2020
Government grants not related to daily activities (a)	4,033,977.39	3,246,706.07	4,033,977.39
Others (b)	7,014,965.55	9,199,474.43	7,014,965.55
Total	11,048,942.94	12,446,180.50	11,048,942.94

Notes to Financial Statements

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

56. Non-operating income (Continued)

(a) Government grants not related to daily activities are as follows:

Item	2020	2019	Asset/profit related
Government incentives	1,286,988.51	499,717.19	Profit related
Grants related to deferred income (i)	2,746,988.88	2,746,988.88	Asset related
Total	4,033,977.39	3,246,706.07	/

(i) In 2010, 2011 and 2014, Qinglong Company received the compensation for land expropriation from Longgang district of Shenzhen respectively, and the deferred amortization income of RMB2,746,988.88 was included in the non-operating income for the reporting period. Refer to Note V.39 for detail.

(b) Others mainly included demolition compensation of RMB1,268,660.00. One of subsidiaries, Advertisement Company received this compensation from the office of community, Bao An district, Shenzhen city for the demolition of advertisement board JX-5 and JX-16. Besides, the newly acquired company, Bioland Company confirmed non-operating income of RMB1,861,721.91 for the reversal of contingent liabilities and deferred tax assets.

57. Non-operating expenses

Item	2020	2019	Amount recognized in non-recurring profit or loss for the year ended 31 December 2020
The loss on damage or scrap of non-current assets	6,536,861.37	8,588,634.03	6,536,861.37
Donations	1,591,213.11	1,016,000.00	1,591,213.11
Others	6,115,055.72	2,662,316.20	6,115,055.72
Total	14,243,130.20	12,266,950.23	14,243,130.20

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**58. Expenses by nature**

Costs of services, selling expenses, general and administrative expenses, research and development expenses in the consolidated statements of profit or loss are analyzed by nature as follows:

Item	2020	2019
Depreciation and amortization	1,786,561,559.30	1,564,546,569.16
Production costs of wind power equipment	1,223,758,991.24	395,641,140.25
Salaries and wages	896,582,856.56	845,586,837.09
Construction costs of kitchen waste disposal project	611,731,120.85	–
Costs of construction management services	277,923,640.54	233,952,570.62
Road maintenance expenses	259,020,049.44	238,007,742.22
Real estate development costs	171,358,709.86	255,161,517.06
Entrusted management expenses for Wuhuang Expressway	79,150,884.86	107,382,395.19
Material of manufacturing equipment, water and electricity costs	48,735,062.26	58,285,249.15
Mechanical and electrical costs	44,886,613.10	41,211,170.54
Costs of agencies	42,939,709.53	38,158,239.84
Promotion and marketing expenses	22,528,841.48	7,742,026.05
Vehicle fees	19,606,224.29	14,669,000.79
Integrated tolls settlement service expenses	18,993,512.93	25,514,246.55
Security production fees	16,124,218.20	8,242,054.13
Business entertainment fees	12,145,859.65	10,222,128.38
Maintenance costs of wind farm	5,514,135.87	10,508,918.00
Other expenses	151,785,795.54	127,414,815.92
Total	5,689,347,785.50	3,982,246,620.94

59. Income tax expense**(1) Classification of income tax expense**

Item	2020	2019
Income tax expense	407,667,945.94	638,982,366.61
Deferred income tax	66,242,688.10	-707,062,412.89
Total	473,910,634.04	-68,080,046.28

Notes to Financial Statements

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(RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

59. Income tax expense (Continued)

(2) Income tax expense reconciled from profit before tax

Item	2020	2019
Profit before tax	2,709,466,381.23	2,540,598,173.14
Income tax expenses calculated at the applicable tax rate	677,366,595.31	635,149,543.28
Effect of different tax rates applicable to certain subsidiaries	-23,374,390.30	-16,274,150.81
Effect of withholding tax on distributable profits of the Group's PRC subsidiaries	-	1,650,136.16
Income not subject to tax	-229,844,403.04	-238,040,745.70
Unrecognized tax losses in the current year	31,893,534.20	17,749,348.38
Use of unrecognized tax losses in previous periods	-	-3,200,554.91
Recognized deferred tax assets of deductible losses and deductible temporary differences in previous years	-16,060,135.54	-473,765,943.45
Adjustment of income tax in previous periods	31,691,031.07	6,657,216.86
Expenses not deductible for tax purposes	2,238,402.34	1,995,103.91
Income tax expense calculated based on the effective tax rate of the Group	473,910,634.04	-68,080,046.28

60. Notes to the consolidated statement of cash flows

(1) Cash received relating to other operating activities

Item	2020	2019
Centralized management of deposits for newly acquired corporate funds	145,796,490.44	-
Receive the cancellation provincial toll station central subsidy	40,915,265.00	-
Interest income	36,423,224.13	11,741,985.04
Receive special funds for economic development (Note V.51)	30,000,000.00	-
Receive margin	26,335,240.20	-
Received construction compensation	15,130,000.00	-
Received Nanjing Open Management Committee land prepayment (Note V.6 (3))	10,000,000.00	-
Rent received in advance	6,000,000.00	-
Collected the rent of the site of Shenzhen Branch of China Tower Corporation	-	2,555,018.52
Received Talent funds for Longhua Finance Bureau	-	2,400,000.00
Received insurance claims transferred from PICC	-	1,875,098.25
Received advance payment for CLP's traffic violation and accident detection projects	-	1,339,282.48
Other	81,744,020.92	60,547,698.21
Total	392,344,240.69	80,459,082.50

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

60. Notes to the consolidated statement of cash flows (Continued)

(2) Cash paid relating to other operating activities

Item	2020	2019
Payment of advances for wind turbine project development	225,334,966.95	11,422,000.00
Payment of Entrusted construction project development	214,444,710.71	278,250,815.20
Paid security deposit	67,233,632.91	156,116,611.47
Administrative costs	51,770,632.97	26,606,342.76
Intermediary service fee	36,486,459.88	30,841,700.27
Sales planning promotion fee	8,333,770.96	–
Agent construction management fee expenditure	6,362,535.28	72,661,999.42
Centralized management of deposits for newly acquired corporate funds	–	81,787,691.57
Refund of the settlement payment for the renovation and expansion of the Meiguan Expressway	–	33,227,515.27
Other operating expenses paid	107,296,550.83	43,437,769.87
Total	717,263,260.49	734,352,445.83

(3) Cash received from disposal of subsidiaries and other business units

Item	2020	2019
Received equity transfer payment for disposal of Jiangzhong Company and Guangyun Company (Note V.9)	156,010,000.00	–
Received the transfer payment for the disposal of Guizhou Shengbo Real Estate Co., Ltd., Guizhou Hengfengxin Real Estate Co., Ltd., Guizhou Henghongda Real Estate Co., Ltd., and Guizhou Yehengda Real Estate Co., Ltd.	–	567,000,000.00
Total	156,010,000.00	567,000,000.00

(4) Cash received relating to other investment activities

Item	2020	2019
Maturity redemption of financial products	81,866,412.76	300,000,000.00
Interest income	25,484,191.96	39,002,229.97
Interest of capital reduced in Shenzhen International Land Co., Ltd.	–	20,742,909.45
Penalty received for the deferred payment of the equity purchase (Note V.30)	–	20,412,000.00
Cash inflow from Nanjing Wind Power acquisition	–	2,368,672.22
Cash inflows from the acquisition of Baotou Nanfeng	–	402,592.22
Total	107,350,604.72	382,928,403.86

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

60. Notes to the consolidated statement of cash flows (Continued)

(5) Net cash paid for acquiring subsidiaries and other business units

Item	2020	2019
Net cash payment for the acquisition of Bioland Company	338,788,946.90	–
Net cash payment for the acquisition of Qiantai Company	111,451,464.91	–
Net cash payment for acquisition of Shenzhen Expressway Development Co., Ltd. (“Engineering Development Company”)	3,285,322.48	–
Total	453,525,734.29	–

(6) Cash paid relating to other investment activities

Item	2020	2019
Purchased financial products	81,632,192.88	100,000,000.00
Return the pre-distributed profit of Guangyun Company	60,059,399.04	–
Payment of land bidding margin	5,430,000.00	–
Paying taxes and fees related to the disposal of four highways	–	1,696,976,098.65
Nanjing wind power stock purchase model	–	210,000,000.00
Refund of Guizhou Xinhe Lifu Real Estate Development Co., Ltd. 810 acres of land equity transfer deposit	–	20,000,000.00
Other	2,695,002.80	–
Total	149,816,594.72	2,026,976,098.65

(7) Cash received relating to other financing activities

Item	2020	2019
Loans received from United Land Company(Note V.35(1) (b))	445,900,000.00	1,896,790,000.00
Sale and leaseback financing received(Note V.35(1) (a))	–	673,000,000.00
Total	445,900,000.00	2,569,790,000.00

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**60. Notes to the consolidated statement of cash flows (Continued)****(8) Cash paid relating to other financing activities**

Item	2020	2019
Payment for equipment of Financial Leasing Company	668,902,785.84	1,424,271,632.23
Pay cash to acquire Longda Company (Note VI.2(b))	404,855,267.59	–
Pay China Logistics Finance's debt to Shenzhen International Hong Kong (Note VI.2(a))	129,000,000.00	–
Pay the principal and interest of the sale and leaseback financing	111,032,197.35	26,022,898.75
Return loans to the shareholders of United Land Company (Note V.35(1) (b))	102,900,000.00	–
Repayment of principal and interest on lease liabilities	57,528,760.76	20,561,750.92
Returning to the subsidiary minority shareholder borrowings (Note VII.1(2))	29,749,845.10	33,214,845.87
Pay cash to acquire China Logistics Finance and Financing Leasing Company (Note VI.2(a))	22,690,000.00	–
Bond issuance intermediary fee	4,422,400.00	400,000.00
Repayment of loans from minority shareholder Jiangsu Jinzhi	–	172,000,000.00
Other	2,142,501.08	3,931,060.16
Total	1,533,223,757.72	1,680,402,187.93

61. Supplementary information to the consolidated statement of cash flows**(1) Supplementary information to the consolidated statement of cash flows**

Supplementary information	2020	2019
1. Reconciliation from net profit to cash flows from operating activities:		
Net profit	2,235,555,747.19	2,608,678,219.42
Depreciation of fixed assets	286,255,363.26	149,056,321.72
Amortisation of use rights	44,518,677.04	40,875,915.53
Amortisation of investment properties	575,942.40	575,942.40
Amortisation of intangible assets	1,447,663,823.26	1,369,700,402.31
Amortisation of long-term prepaid expenses	7,547,753.34	4,337,987.20
Net profits on disposal of fixed, intangible, and other long-term assets	-74,529.31	-386,045.39
Loss on non-current asset scrap	6,536,861.37	8,588,634.03
Loss on change in fair value	2,343,020.67	-81,086,510.00
Financial expenses	516,222,930.60	625,857,169.14
Investment income	-937,363,288.55	-1,242,672,036.85
Asset impairment loss	116,143.51	552,000,000.00
Expected credit loss	48,205,059.78	5,435,762.42
Decrease in deferred income tax assets	76,330,541.50	-423,811,665.13
Decrease in deferred income tax liabilities	-10,087,853.40	-283,250,747.76
Increase in inventories	-189,340,354.45	-89,188,511.80
Increase in operating receivables	-1,822,071,834.65	-645,748,522.43
Decrease in operating payables	-612,300,070.49	-903,604,977.75
Net cash flows from operating activities	1,100,633,933.07	1,695,357,337.06

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

61. Supplementary information to the consolidated statement of cash flows (Continued)

(1) Supplementary information to the consolidated statement of cash flows (Continued)

Supplementary information	2020	2019
2. Net changes in cash and cash equivalents		
Cash at the end of the year	3,233,581,180.27	2,977,834,893.73
Less: cash at the beginning of the year	2,977,834,893.73	2,663,315,188.71
Net increase in cash and cash equivalents	255,746,286.54	314,519,705.02

(2) Major investment and financing activities that do not involve cash:

Item	2020	2019
Associated company dividends deducting related party loans	312,120,473.62	—

(3) Acquired subsidiaries and other business units

Item	2020	2019
Acquisition price of subsidiaries and other business units	1,022,908,988.45	—
Cash and cash equivalents paid to acquire subsidiaries and other business units	909,828,863.94	—
Less: Obtain cash and cash equivalents held by subsidiaries and other business units (a) (Note VI.1)	456,303,129.65	—
Net cash paid to acquire subsidiaries and other business units	453,525,734.29	—

(a) The Monetary funds of Bioland Company on the acquisition date is RMB456,562,275.95, of which cash and cash equivalents are RMB422,544,467.04, and the restricted monetary funds is RMB34,017,808.91. The amount was mainly derived from the subscription price of Bioland Company paid by the Environmental Company this year of RMB430,100,000.00. This year, the purchase consideration of RMB761,333,413.94 has been paid, and the remaining unpaid purchase consideration is RMB36,803,712.66.

On the acquisition date, the monetary funds of Project Development Company were RMB210,127.52. The purchase consideration paid this year is RMB3,495,450.00, and the remaining unpaid purchase consideration is RMB3,495,450.00.

On the acquisition date, the monetary funds of Qiantai Company were RMB33,548,535.09. The purchase consideration paid this year is RMB145,000,000.00, and the remaining unpaid purchase consideration is RMB72,780,961.85.

Disposal of subsidiaries and other business units

Item	2020	2019
Disposal price of subsidiaries and other business units	520,000,000.00	567,000,000.00
Cash and cash equivalents obtained to disposal subsidiaries and other business units	156,010,000.00	567,000,000.00
Less: Obtain cash and cash equivalents held by subsidiaries and other business units	—	—
Net cash obtained to disposal subsidiaries and other business units	156,010,000.00	567,000,000.00

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

61. Supplementary information to the consolidated statement of cash flows (Continued)

(4) Cash and cash equivalents

Item	2020	2019
Cash		
Including: Cash on hand	8,148,179.86	10,439,104.00
Cash at banks	3,225,433,000.41	2,967,395,789.73
Cash at the end of the year	3,233,581,180.27	2,977,834,893.73
Including: Restricted cash held by the Company and group companies (Note V.1)	2,315,723,172.17	1,801,295,060.23
Total cash at banks and on hand	5,549,304,352.44	4,779,129,953.96

62. Assets with ownership or use right restricted

Item	2020	2019	Reason for restriction
Operating right of Qinglian Expressway	6,126,097,557.95	6,449,325,178.71	(Note 1)
Operating right of Outer Ring Expressway	–	3,409,706,840.88	(Note 2)
Operating right of Coastal Expressway	5,755,570,518.57	6,154,511,908.42	(Note 3)
Operating right of Shuiguan Expressway	2,133,075,269.23	–	(Note 4)
The 100% equity in Meiguan Company	554,374,024.14	522,176,501.47	(Note 5)
The 45% equity in JEL Company	262,240,520.97	242,264,078.87	(Note 6)
Baotou Nanfeng Damaoqi Wind Power Equipment	–	1,359,289,012.09	(Note 7)
Baotou Nanfeng Damaoqi Land Use Right	–	18,912,756.63	(Note 7)
Cash at banks and on hand	2,315,723,172.17	1,801,295,060.23	(Note 8)
Land-use right of Langfang Waterland	22,225,401.45	–	(Note 9)
Bioland Company kitchen waste disposal project franchise	1,474,087,433.64	–	(Note 9)
The equity interest in Bioland Company subsidiaries	513,043,091.31	–	(Note 9)
Total	19,035,883,139.23	19,957,481,337.30	/

Note 1: At 31 December 2020, the operating right of Qinglian Expressway with a net carrying amount of RMB6,126,097,557.95 (31 December 2019: RMB6,449,325,178.71) was pledged to secure long-term bank loans. The pledged term will end on 21 June 2024. The loan balance was RMB984,460,000.00 on 31 December 2020. For details, refer to Note V.33(b).

Note 2: At 31 December 2019, the operating right of Outer Ring Expressway with a net carrying amount of RMB3,409,706,840.88 was pledged to secure long-term bank loans. The loan has been paid off before 31 December 2020 and the pledge has been released.

Note 3: At 31 December 2020, the operating right of Coastal Expressway with a net carrying amount of RMB5,755,570,518.57 (31 December 2019: RMB6,154,511,908.42) was pledged to secure long-term bank loans. The pledged term will end on 9 November 2034. The loan balance was RMB3,518,158,867.55 on 31 December 2020. For details, refer to Note V.33(b).

Note 4: At 31 December 2020, the operating right of Shuiguan Expressway with a net carrying amount of RMB2,133,075,269.23 was pledged to secure long-term bank loans. The pledged term will end on 14 January 2026. The loan balance was RMB482,500,000.00 on 31 December 2020. For details, refer to Note V.33(b).

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

62. Assets with ownership or use right restricted (continued)

Note 5: At 31 December 2020, the 100% equity of Meiguan Company with a net carrying amount of RMB554,374,024.14 (31 December 2019: RMB522,176,501.47) was pledged to secure long-term bonds. The pledged term will end on 31 July 2022. For details, refer to Note V.34(2(a)).

Note 6: At 31 December 2020, the 45% equity of JEL Company with a net carrying amount of RMB262,240,520.97 (31 December 2019: RMB242,264,078.87) was pledged to secure short-term bank loans. The pledged term will end on 3 December 2021. The loan balance was HKD125,000,000.00 on 31 December 2020. For details, refer to Note V.24(a).

Note 7: At 31 December 2019, Baotou Nanfeng Damaoqi Wind Power's equipment with a net carrying amount of RMB1,359,289,012.09, Baotou Nanfeng Damaoqi's land-use right with a net carrying amount of RMB18,912,756.63 and 100% equity of Damaoqi Ningyuan, Damaoqi Ningxiang, Damaoqi Nanchuan and Damaoqi Ningfeng were pledged and mortgaged to sale-leaseback debt from Three Gorges Financial Leasing Co., Ltd to the Group. The pledged term will end on 23 October 2021. The sale-leaseback payment has been paid in advance and the mortgage has been discharged on 31 December 2020.

Note 8: At 31 December 2020, cash and cash equivalents with a net carrying amount of RMB2,315,723,172.17 (31 December 2019: RMB1,801,295,060.23) were restricted as to use. For details refer to Note V.1.

Note 9: (1) At 31 December 2020, 100% equity of Guangxi Bioland with a book value of RMB143,780,085.74 and production equipment with a book value of RMB68,459,900.00 in the Guangxi Bioland were used to obtain two long-term bank loans of Guangxi Bioland. At 31 December 2020, the balance of these two long-term loans totaled RMB76,800,000.00. 100% equity interest of Guiyang Bioland with a book value of RMB42,183,769.54, and Guiyang Bioland's Phase I franchise of RMB267,736,554.23 (including machinery and equipment with a book value of RMB44,130,500.00) were used to obtain long-term bank loans from Guiyang Bioland. At 31 December 2020, the balance of this long-term loan was RMB62,500,000.00. The Longyou Bioland's franchise with a book value of RMB28,653,313.39 and the income during the concession period were used to obtain Longyou Bioland's long-term bank loans. At 31 December 2020, the total balance of this long-term loan was RMB16,500,000.00. 100% equity interest in Huangshi Bioland with a book value of RMB21,697,000.70. Expected income rights generated by the government, the rights which were generated by Huangshi Bioland's franchise with a book value of RMB104,682,012.34 and the accounts receivable formed by future operating income were used to obtain Huangshi Bioland's long-term bank loans. At 31 December 2020, the balance of the long-term loans was RMB53,000,000.00. Please refer to Note V.33(b) for details of the above-mentioned long-term loans.

(2) At 31 December 2020, 100% equity interests in five companies, Dezhou Bioland, Taizhou Bioland, Shangrao Bioland, Guilin Bioland and Xinyu Bioland and 90% equity interests in two companies, Handan Bioland and Zhuji Bioland with a total book value of RMB305,382,235.33 and franchises of five companies, Dezhou Bioland, Taizhou Bioland, Handan Bioland, Shangrao Bioland, Zhuji Bioland, with a total book value of RMB952,461,703.48, and Langfang Waterland with a book value of RMB22,225,401.45 were used to obtain the sale and leaseback of financial leases. At 31 December 2020, the total balance formed by the sale and leaseback of the financial lease obtained by the above guarantees was RMB364,369,903.87. For details, refer to Note V.35(1).

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)**63. Monetary items denominated in foreign currencies**

Item	2020			2019		
	Original amount	Exchange rate	Equivalent to RMB	Original amount	Exchange rate	Equivalent to RMB
Monetary capital						
HKD	18,194,061.09	0.8416	15,312,121.81	6,923,966.36	0.8958	6,202,489.07
USD	1,853.90	6.5249	12,096.51	2,242.72	6.9762	15,645.66
EUR	12.00	8.0250	96.30	12.00	7.8155	93.79
FRF	11.70	7.4006	86.59	11.70	7.2028	84.27
ESP	445.96	0.0468	20.87	445.96	0.0468	20.87
JPY	380.00	0.0632	24.02	380.00	0.0641	24.36
Other receivables						
HKD	1,330,513.80	0.8416	1,119,760.41	1,239,013.80	0.8958	1,109,908.56
Short-term borrowings						
HKD	125,000,000.00	0.8416	105,200,000.00	50,129,062.32	0.8958	44,905,614.03
Employee benefits payable						
HKD	2,331,000.00	0.8416	1,961,769.60	414,400.00	0.8958	371,219.52
Other payables						
HKD	192,145.00	0.8416	161,709.23	54,855.00	0.8958	49,139.11
Bond payable						
USD	–	6.5249	–	298,433,074.79	6.9762	2,081,928,816.35
Current portion of non-current liabilities						
USD	303,905,208.33	6.5249	1,982,951,093.83	3,905,208.33	6.9762	27,243,514.35
Lease liabilities						
HKD	2,302,417.81	0.8416	1,937,714.83	6,344,321.19	0.8958	5,683,242.92

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

64. Others

(1) Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

Item	2020	2019
Consolidated net profit attributable to ordinary shareholders of the Company	2,054,523,306.30	2,564,317,594.25
Weighted average number of ordinary shares outstanding	2,180,770,326.00	2,180,770,326.00
Basic earnings per share	0.936	1.176
Including: Basic earnings per share from continuing operations (Deduct current year's perpetual bond dividends)	0.936	1.176

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares on 31 December 2020, diluted earnings per share was equal to basic earnings per share.

VI. CHANGE IN CONSOLIDATION

1. Business combination not under common control

Purchased company	Share acquisition date	Cost of acquisition	Shareholding percentage (%)	Acquisition method	Acquisition date	Acquisition date determination
Bioland Company	20 January 2020	798,137,126.60	67.14	(a)	20 January 2020	Equity transfer procedures completed
Engineering Development Company	14 August 2020	6,990,900.00	60	(b)	14 August 2020	Equity transfer procedures completed
Qiantai Company	16 December 2020	217,780,961.85	50	(c)	16 December 2020	Equity transfer procedures completed

- (a) On 8 January 2020, the Company's subsidiary Environmental Company and Beijing Water Gas Lande Technology Co., Ltd. ("Beijing Water Gas Lande"), Zhengzhou CiDa Environmental Protection Technology Co., Ltd. ("Zhengzhou CiDa"), Shi Junying, Shi Junhua and others signed an equity merger agreement, agreeing to subscribe for the 85 million shares issued by Bioland Company without any rights at a price of RMB5.06 per share, and to be transferred no more than 75 million shares of Bioland Company. The total consideration for this transaction does not exceed RMB809,600,000.00. After the completion of the transaction, the Environment Company will eventually obtain no more than 160 million shares of Rand Environmental Protection and the shareholding ratio will not exceed 68.10%.

According to the equity merger agreement, the above transaction was completed in two phases. The Environmental Company completed the first phase of the transaction before 20 January 2020, subscribed for 85 million shares issued by Bioland Company and transferred 40 million shares from the seller Zhengzhou Cida. The total investment amount is RMB632,500,000.00, of which the equity transfer amount is RMB202,400,000.00, and the equity subscription price is RMB430,100,000.00. After the completion of the first phase of the transaction, the Environmental Company holds 53.21% of Bioland Company's equity. In the second phase of the transaction, the environmental company acquired 32.73 million shares of Bioland Company from Zhengzhou Cida, and the transfer amount was RMB165,637,126.60. After the completion of the transaction under the equity merger agreement, the Environmental Company ultimately holds 67.14% of the equity of Bioland Company.

VI. CHANGE IN CONSOLIDATION (CONTINUED)

1. Business combination not under common control (continued)

On 13 January 2020, Bioland Company held a general meeting of shareholders and passed the new company articles of association. The company's articles of association stipulate that the general resolution of the board of directors shall be voted by one person, one vote. There are 5 members of the board of directors, of which 3 persons appointed by the Company are elected as directors, and 2 members of the new board of supervisors are elected, of which 1 person appointed by the company is elected as a supervisor.

On 15 January 2020, the transfer of 40 million shares of Zhengzhou Cida by the Environment Company completed the transfer and registration of the Zhongyuan Equity Exchange Center; on the next day, Bioland Company completed the industrial and commercial change registration. On 20 January 2020, the transfer registration of 85 million shares of Bioland Company subscribed by the Company has been completed. Therefore, the Group will incorporate Bioland Company and its subsidiaries into the consolidation scope from 20 January 2020.

Identifiable assets and liabilities of the Bioland Company and its subsidiaries acquired on the acquisition date are listed below:

Item	20 January 2020 Fair value	20 January 2020 Book value
Assets:	2,789,453,374.37	2,242,243,075.29
Cash at banks and on hand	456,562,275.95	456,562,275.95
Accounts receivable	65,406,978.66	65,406,978.66
Prepayments	19,767,212.70	19,767,212.70
Other receivables	30,909,761.37	30,909,761.37
Inventories	23,002,594.03	21,524,663.81
Contract assets	141,219,964.51	141,219,964.51
Other current assets	53,584,590.96	53,584,590.96
Other non-current financial assets	2,243,730.00	2,243,730.00
Fixed assets	12,040,567.13	11,637,860.83
Construction in progress	31,115,029.43	31,115,029.43
Intangible assets	1,901,490,593.13	1,356,160,930.57
Development expenditures	319,018.12	319,018.12
Right-of-use assets	54,626.49	54,626.49
Long-term prepaid expenses	91,543.58	91,543.58
Deferred tax assets	15,096,771.25	15,096,771.25
Other non-current assets	36,548,117.06	36,548,117.06
Liabilities:	1,555,421,905.37	1,460,173,943.71
Short-term borrowings	25,000,000.00	25,000,000.00
Bills payable	20,000,000.00	20,000,000.00
Accounts payable	380,509,985.28	380,509,985.28
Contract liabilities	4,228,905.34	4,228,905.34
Employee benefits payable	4,666,975.94	4,666,975.94
Taxes payable	118,683,720.50	118,683,720.50
Other payables	76,249,062.50	76,249,062.50
Current portion of non-current liabilities	167,341,617.74	167,341,617.74
Long-term borrowings	202,313,400.00	202,313,400.00
Long-term payables	378,215,290.09	378,215,290.09
Provision	48,506,816.43	48,506,816.43
Deferred income	278,205.00	34,458,169.89
Deferred tax liabilities	129,427,926.55	-
Net assets	1,234,031,469.00	782,069,131.58
Net assets attributable to the parent company	1,188,761,388.77	761,631,692.88
Minority interests	435,894,342.40	20,437,438.70
Acquired net assets (67.14%)	798,137,126.60	/
Goodwill on acquisition	-	/
Considerations	798,137,126.60	/

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VI. CHANGE IN CONSOLIDATION (CONTINUED)

1. Business combination not under common control (continued)

Operating results and cash flows of Bioland Company from the date of acquisition to the end of the period are listed below:

Item	From 21 January to 31 December 2020
Revenue	847,749,894.99
Net profit	8,526,999.61
Net cash flows	-330,829,118.14

- (b) On 29 May 2020, Shenzhen Express Operation Development Co., Ltd. (the "Operation Company"), a subsidiary of the Company, signed an equity transfer agreement with Cui Gangxian, the original shareholder of Boyuan Construction, agreeing to acquire Guangdong Boyuan Construction Project Co., Ltd. for RMB6,990,900.00 ("Boyuan Construction") 60% equity. After the transaction is completed under the equity merger agreement, the operating company will hold 60% of the equity of Boyuan Construction. The acquisition was completed on August 14, 2020. On September 4, 2020, Boyuan Construction changed its name to Engineering Development Company.

The fair value and book value of the identifiable assets and liabilities of the Engineering Development Company on the purchase date are as follows:

Item	14 August 2020 Fair value	14 August 2020 Book value
Assets:	13,261,182.57	13,261,182.57
Cash at banks and on hand	210,127.52	210,127.52
Accounts receivable	3,999,154.30	3,999,154.30
Contract assets	5,494,360.51	5,494,360.51
Other receivables	1,003,503.69	1,003,503.69
Inventories	12,600.00	12,600.00
Other current assets	138,161.08	138,161.08
Fixed assets	2,403,275.47	2,403,275.47
Liabilities:	1,609,682.57	1,609,682.57
Accounts payable	1,028,640.76	1,028,640.76
Employee benefits payable	33,167.00	33,167.00
Taxes payable	544,874.81	544,874.81
Other payables	3,000.00	3,000.00
Net assets	11,651,500.00	11,651,500.00
Acquired net assets (60%)	6,990,900.00	/
Goodwill on acquisition	-	/
Considerations	6,990,900.00	/

Operating results and cash flows of Engineering Development Company from the date of acquisition to the end of the period are listed below:

Item	From 15 August 2020 to 31 December 2020
Revenue	16,817,082.21
Net profit	465,452.05
Net cash flows	31,800,570.64

VI. CHANGE IN CONSOLIDATION (CONTINUED)

1. Business combination not under common control (continued)

- (c) In October 2020, the Company's subsidiary Infrastructure Environmental Development Company signed equity shares with Shenzhen Qiantai Energy Renewable Technology Co., Ltd. ("Shenzhen Qiantai") and Guangdong Wanzhonghui Investment Co., Ltd. ("Guangdong Wanzhonghui") In the M&A agreement, the Infrastructure Environmental Development Company will first increase the capital of Qiantai Company by RMB40 million and hold 8.83% equity of Qiantai Company (Shenzhen Kunpeng Yichuang Strategic Emerging Industry Equity Investment Fund Partnership (Limited Partnership) ("Kunpeng Yichuang") At the same time, it increased its capital to Qiantai Company by 30 million yuan and held 6.67% equity of Qiantai Company); later, the Infrastructure Environmental Development Company was transferred to Shenzhen Qiantai and Guangdong Wanzhonghui to hold 34.67% and 6.5% of the equity of Qiantai Company after the capital increase. After the capital increase and equity transfer are completed, the Infrastructure Environmental Development Company holds 50% of the equity of Qiantai Company.

On 15 October 2020, Qiantai Company held a shareholders meeting and passed the new articles of association. The articles of association stipulate that the infrastructure environmental protection development company and Kunpeng Yichuang shall agree on the rights of the shareholders meeting and the powers of the board of directors. The general resolution of the board of directors shall be voted on by one person, one vote, and the resolution of the board of directors must be passed by more than half of all directors. At the same time, 4 new board members are elected, of which 2 persons appointed by the Company are elected as directors, and 1 person appointed by Kunpeng Yichuang is elected as director, Election of 3 members of the new board of supervisors, of which 1 person appointed by the Company is elected as a supervisor.

On 16 December 2020, the transfer of the 34.67% equity of Shenzhen Qiantai and the 6.5% equity of Guangdong Wanzhonghui by the Infrastructure Environmental Development Company were completed the transfer registration at the Equity Exchange Center. On the same day, the Qiantai Company completed the industrial and commercial change registration. Therefore, the Group will incorporate Qiantai Company into the scope of consolidation from 16 December 2020.

The fair value and book value of the identifiable assets and liabilities of the Qiantai Company on the purchase date are as follows:

Item	16 December 2020 Fair value	16 December 2020 Book value
Assets	507,025,134.43	358,326,821.27
Cash at banks and on hand	33,548,535.09	33,548,535.09
Accounts receivable	8,969,672.61	8,969,672.61
Prepayments	2,491,320.00	2,491,320.00
Other receivables	54,896,087.20	54,896,087.20
Inventories	3,150,820.86	3,150,820.86
Other current assets	10,487,096.06	10,487,096.06
Fixed assets	186,379,838.93	168,703,359.59
Construction in progress	47,483,000.00	41,858,092.25
Intangible assets	159,094,700.00	33,697,773.93
Long-term prepaid expenses	524,063.68	524,063.68
Liabilities:	71,463,210.73	49,158,463.76
Accounts payable	39,520,076.35	39,520,076.35
Advances	894,569.20	894,569.20
Employee benefits payable	1,012,569.00	1,012,569.00
Taxes payable	281.40	281.40
Other payables	7,730,967.81	7,730,967.81
Deferred tax liabilities	22,304,746.97	-
Net assets	435,561,923.70	309,168,357.51
Acquired net assets (50%)	217,780,961.85	/
Goodwill on acquisition	-	/
Goodwill on acquisition	217,780,961.85	/

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VI. CHANGE IN CONSOLIDATION (CONTINUED)

1. Business combination not under common control (continued)

Operating results and cash flows of Qiantai Company from the date of acquisition to the end of the period are listed below:

Item	From 17 December to 31 December 2020
Revenue	953,719.00
Net loss	-1,030,594.36
Net cash flows	5,994,454.26

2. Business combination under common control

- (a) On 17 March 2020, Meihua Company, a wholly-owned subsidiary of the Company, and Shenzhen International Hong Kong signed an equity transfer agreement to acquire 100% of China Logistics Finance and its financial leasing company at a consideration of RMB7,190,000.00 and at the same time assumes China Logistics Finance's debt of RMB129,000,000.00 to Shenzhen International Hong Kong. On the same day, the Company signed an equity transfer agreement with Shenzhen International Logistics Development Co., Ltd. ("Shenzhen International Logistics") and Shenzhen International Hong Kong to acquire a 5% equity interest in a financial leasing company held by Shenzhen International Logistics at a consideration of RMB15,500,000.00. After the equity transfer is completed, the Group holds a total of 48% of the equity in the financial leasing company.

In April 2020, China Logistics Finance's equity change registration was completed. On the same day, China Logistics Finance held a board of directors to elect 5 new board members, all of which were appointed by the company. On 15 April 2020, the financial leasing company held a board of directors and passed the new company articles of association. The company's articles of association stipulate that the general resolution of the board of directors shall be voted by one person, one vote, and the resolution of the board of directors must be passed by more than half of all directors; at the same time, a new term is elected. There are 5 members of the board of directors, among which 3 persons appointed by the Company are elected as directors. Since then, the Group has actually controlled the financial leasing company and the merger date was determined to be April 15.

The operating results and cash flows of China Logistics Finance and Financial Leasing Corporation from the beginning of the current period on the merger date to the merger date and the previous accounting period are listed below:

Item	China Logistics Finance and Financial Leasing Company (i)	
	From 1 January to 15 April 2020	From 1 January to 31 December 2019
Operating revenue	3,816,573.36	16,729,717.60
Net profit	1,384,733.13	-21,111.59
Net cash flows	84,908,049.55	-46,066,936.22

- (i) The financial data of period from 1 January to 15 April 2020 and period from 1 January to 31 December 2019 are simulated combination results of China Logistics Finance and Financial Leasing Company.

VI. CHANGE IN CONSOLIDATION (CONTINUED)

2. Business combination under common control (continued)

Identifiable assets and liabilities of acquirees acquired on the combination date and 31 December 2019 are listed below:

Item	China Logistics Finance and Financial Leasing Company (a)	
	15 April 2020	31 December 2019
Cash at banks and on hand	86,392,121.58	1,484,072.03
Accounts receivable	64,117,481.58	63,509,055.46
Advances	–	254,168.11
Other receivables	3,233,429.04	75,009,728.64
Other current assets	15,027,013.14	16,161,747.12
Long-term receivables	106,728,255.85	89,819,213.74
Current portion of non-current assets	50,446,183.20	85,195,597.70
Fixed assets	6,389,009.85	6,621,005.35
Deferred tax assets	2,735,330.23	2,735,330.23
Accounts payable	1,841.00	1,841.00
Other payables	153,127,160.31	159,216,197.22
Employee benefits payable	355,648.97	2,162,845.31
Taxes payable	1,278,197.05	487,790.82
Total	180,305,977.14	178,921,244.03
Minority interests	159,337,566.68	158,617,249.15
Acquired net assets	20,968,410.46	20,303,994.88
Combination difference (Included in the interest)	1,721,589.54	/
Combination considerations	22,690,000.00	/

(i) The financial data on 15 April 2020 and 31 December 2019 are simulated combination results of China Logistics Finance and Financial Leasing Company.

- (b) On November 9, 2020, the Company signed an equity transfer agreement with Baotong Company to acquire 89.93% of the shares of Longda Company for RMB404,855,267.59 in cash, and at the same time assume Baotong Company's debts of RMB532,610.78 to Longda Company. On November 26, 2020, Longda Company held a shareholder meeting resolution and passed the "Proposal on Amending the Articles of Association". The revised Articles of Association stipulates that there are seven members of the board of directors, one chairman, recommended by the company, and six other directors. Of them, four of whom are recommended by our company. The company's articles of association stipulate that one person, one vote is adopted for board resolutions, and board resolutions must be passed by more than two-thirds of all directors; on the same day, the "Proposal on Changing the Company's Board of Directors" was passed, agreeing to elect three persons appointed by the company to serve as Longda Company The seventh board of directors, plus the two previously appointed directors, the company occupies a total of five of the seven director seats. Since then, the Company has actually controlled Longda Company, and the merger date was determined on 26 November 2020. On 1 December 2020, Longda Company completed the procedures for the change of industrial and commercial registration.

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VI. CHANGE IN CONSOLIDATION (CONTINUED)

2. Business combination under common control (continued)

The operating results and cash flows of Longda Company from the beginning of the current period on the merger date to the merger date and the previous accounting period are listed below:

Item	Longda Company	
	From 1 January to 26 November 2020	From 1 January to 31 December 2019
Operating revenue	130,962,638.99	187,804,864.62
Net profit	41,834,438.85	72,216,109.24
Net cash flows	102,823,927.41	9,606,629.24

Identifiable assets and liabilities of acquirees acquired on the combination date and 31 December 2019 are listed below:

Item	Longda Company	
	26 November 2020	31 December 2019
Cash at banks and on hand	147,351,407.54	44,527,480.13
Accounts receivable	19,154.82	3,558,072.29
Prepayments	785,105.15	–
Other receivables	5,552,408.19	74,348,921.25
Inventories	929,612.59	1,010,313.98
Non-current assets due within one year	–	72,218,416.14
Other current assets	1,217,134.15	–
Long-term receivables	592,250.39	592,250.39
Fixed assets	27,610,091.43	17,533,417.56
Construction in progress	27,457.00	16,031,469.61
Intangible assets	97,686,829.68	109,706,268.39
Deferred tax assets	50,530,454.68	54,931,844.02
Accounts payable	7,632,058.06	12,679,243.34
Advances	6,348,946.61	–
Employee benefits payable	2,509,294.44	5,764,539.09
Taxes payable	475,013.88	4,490,117.55
Long-term payables	6,900,410.10	15,208,935.43
Deferred income	192,994,652.89	210,600,209.98
Total	115,441,529.64	145,715,408.37
Minority interests	11,624,962.03	14,673,541.62
Acquired net assets	103,816,567.61	131,041,866.75
Combination difference (Included in the interest)	301,571,310.76	/
Combination considerations	405,387,878.37	/

VI. CHANGE IN CONSOLIDATION (CONTINUED)

3. Newly Established Subsidiaries

Tangyuan County Ningfeng Wind Power Co., Ltd. (“Tangyuan Ningfeng”) was established on 20 March 2020 in Jiamusi, Heilongjiang Province, with registered capital of RMB10,000,000.00. A subsidiary of the Group, Nanjing Wind Power, holds 100% of its equity. The Company’s business scope is wind power. The newly established subsidiary was included in the scope of consolidation in the current year.

Jiamusi Nanfeng Yongfa Power Co., Ltd. (“Jiamusi Nanfeng”) was established on 26 March 2020 in Jiamusi, Heilongjiang Province, with registered capital of RMB10,000,000.00. A subsidiary of the Group, Nanjing Wind Power, holds 100% of its equity. The Company’s business scope is wind power. The newly established subsidiary was included in the scope of consolidation in the current year.

Shangzhi Nanfeng New Energy Co., Ltd. (“Shangzhi Nanfeng”) was established on 8 April 2020 in Shangzhi, Heilongjiang Province, with registered capital of RMB5,000,000.00. A subsidiary of the Group, Nanjing Wind Power, holds 100% of its equity. The Company’s business scope includes wind power, power-related technology development and consulting. The newly established subsidiary was included in the scope of consolidation in the current year.

Shenzhen Expressway New Energy Holdings Co., Ltd. (“New Energy Holdings”) was established in Shenzhen, Guangdong Province on August 7, 2020, with a registered capital of RMB1,400,000,000.00, and the Company holds 100% of its equity. The Company’s business scope includes sales of wind turbines and parts, technical services for wind power generation, sales of photovoltaic equipment and components, and technical services for solar power generation. The newly established subsidiary was included in the scope of consolidation this year.

Inner Mongolia Chenghuan Land Renewable Resources Co., Ltd. (“Inner Mongolia Chenghuan Land”) was established on September 30, 2020 in Hohhot, Inner Mongolia Autonomous Region, China with a registered capital of RMB43,360,000.00. Bioland Company, a subsidiary of the Group, holds its 51% equity. The Company’s business scope covers the collection, transportation, and treatment of urban domestic garbage. The newly established subsidiary was included in the scope of consolidation this year.

Shenzhen Expressway Gaoleyi Health Pension Co., Ltd. (“Health Pension Company”) was established in Shenzhen, Guangdong Province on October 29, 2020, with a registered capital of RMB30,000,000.00. The investment company of the Group’s subsidiary holds 100% of its equity. The Company’s business scope is investment in pension projects. The newly established subsidiary was included in the scope of consolidation this year.

Shenzhen Express Construction Technology Development Co., Ltd. (“Construction Technology”) was established on November 5, 2020 in Shenzhen, Guangdong Province, with a registered capital of RMB40,000,000.00. The construction company, a subsidiary of the Group, holds 51% of its equity. The Company’s business scope is R&D and sales of construction industrialized products. The newly established subsidiary was included in the scope of consolidation this year.

Shenzhen Expressway (Guangdong) New Energy Investment Co., Ltd. (“New Energy Investment”) was established on 25 November 2020 in Liannan Yao Autonomous County, Guangdong Province, with a registered capital of RMB100,000,000.00. The Company’s subsidiary New Energy Holdings holds its 100% equity. The Company’s business scope is the import and export business of wind turbines and other new energy equipment and related parts and components. The newly established subsidiary was included in the scope of consolidation this year.

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VI. CHANGE IN CONSOLIDATION (CONTINUED)

4. Cancellation of subsidiary

Chifeng Ningfeng Technology Co., Ltd. was cancelled on 14 December 2020.

Wulatehouqi Ningfeng Wind Power Technology Co., Ltd. was cancelled on 17 December 2020.

VII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Particulars of the Company's subsidiaries are as follows:

Name of subsidiaries	Place of main business	Place of registration	Nature of business and principal activities	Share capital	Equity interest (%)		
					Direct	Indirect	Acquired through
Outer Ring Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB6,500,000,000.00	100	-	Incorporation
Shenzhen Expressway Investment Company Limited ("Investment Company")	Guizhou Province, PRC	Shenzhen City, Guangdong Province, PRC	Investment	RMB400,000,000.00	95	5	Incorporation
Guishen Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Infrastructure construction	RMB500,000,000.00	-	70	Incorporation
Guizhou Land Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	RMB158,000,000.00	-	70	Incorporation
Property Company	Longli County, Guizhou Province, PRC	Shenzhen City, Guangdong Province, PRC	Property management	RMB1,000,000.00	-	100	Incorporation
Environmental Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Environmental projects and advisory	RMB5,000,000,000.00	100	-	Incorporation
JEL Company	Hubei Province, PRC	Cayman Islands	Investment holding	USD30,000,000.00	-	100	Business combinations under common control
Hubei Magerk Expressway Management Co., Ltd.	Hubei Province, PRC	Hubei Province, PRC	Toll road operation	USD28,000,000.00	-	100	Business combinations under common control
Qinglian Company	Qingyuan City, Guangdong Province, PRC	Qingyuan City, Guangdong Province, PRC	Toll road operation	RMB3,361,000,000.00	51.37	25	Business combinations not under common control
Shenzhen Express Advertising Co., Ltd. (Advertising Company)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Advertising agency	RMB30,000,000.00	95	5	Business combinations not under common control
Meiguan Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB332,400,000.00	100	-	Business combinations not under common control
Mei Wah Company	Hubei Province and Guangdong Province, PRC	Hong Kong	Investment holding	RMB823,012,897.00	100	-	Business combinations not under common control
Maxprofit Company	Guangdong Province, PRC	British Virgin Islands	Investment holding	USD85,360,000.00	-	100	Business combinations not under common control
Airport-Heao Eastern Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB440,000,000.00	100	-	Business combinations not under common control
Fameluxe Company	Hong Kong	Hong Kong	Investment holding	HKD10,000.00	-	100	Business combinations not under common control
Operation Development Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB30,000,000.00	95	5	Incorporation
Qinglong Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB324,000,000.00	40	10	Business combinations not under common control

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (continued)

(1) Particulars of the Company's subsidiaries are as follows: (continued)

Name of subsidiaries	Place of main business	Place of registration	Nature of business and principal activities	Share capital	Equity interest (%)		
					Direct	Indirect	Acquired through
Shenchang Company	Changsha City, Hunan Province, PRC	Changsha City, Hunan Province, PRC	Toll road operation	RMB200,000,000.00	51	-	Business combinations not under common control
Yichang Company	Changde City, Hunan Province, PRC	Changde City, Hunan Province, PRC	Toll road operation	RMB345,000,000.00	100	-	Business combinations not under common control
Shenzhen Expressway Construction Development Company Limited	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Infrastructure construction	RMB30,000,000.00	95	5	Incorporation
Infrastructure Environmental Development Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Environment protection construction	RMB500,000,000.00	51	49	Incorporation
Shenzhen Expressway (Guangzhou) Industrial Investment Fund Management Co., Ltd	Guangzhou City, Guangdong Province, PRC	Guangzhou City, Guangdong Province, PRC	Capital market services	RMB19,607,800.00	51	-	Incorporation
Shenzhen Guangshen Yanjiang Expressway Investment Co., Ltd.	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB4,600,000,000.00	100	-	Business combination under the common control common control
Shenzhen Expressway (Guangzhou) Industrial Investment Fund Management Co., Ltd	Guangzhou City, Guangdong Province, PRC	Guangzhou City, Guangdong Province, PRC	Capital market services	RMB19,607,800.00	51	-	Incorporation
Shenzhen Guangshen Yanjiang Expressway Investment Co., Ltd.	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB4,600,000,000.00	100	-	Business combination under the common control common control
Guizhou Shenzhen Expressway Investment Land Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	RMB1,000,000.00	-	70	Incorporation
Shenzhen Expressway Yijia Apartment Management Limited Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Apartment rental and management	RMB10,000,000.00	-	60	Incorporation
Guizhou Yefengrui Land Limited Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	RMB1,000,000.00	-	70	Incorporation
Shenzhen Expressway SUEZ Environment Limited Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Environmental technology development consultation	RMB100,000,000.00	-	51	Incorporation
Nanjing Wind Power	Nanjing City, Jiangsu Province, PRC	Nanjing City, Jiangsu Province, PRC	Manufacturing	RMB357,142,900.00	-	51	Business combinations not under common control
Baotou Jinling Wind Power Technology Co., Ltd.	Baotou City, Inner Mongolia Province, PRC	Baotou City, Inner Mongolia Province, PRC	Manufacturing	RMB20,000,000.00	-	51	Business combinations not under common control
Xuanwei Nanfeng New Energy Co., Ltd.	Qujing City, Yunnan Province, PRC	Qujing City, Yunnan Province, PRC	Manufacturing	RMB3,000,000.00	-	51	Business combinations not under common control
Harbin Lingfeng New Energy Co., Ltd.	Harbin City, Heilongjiang Province, PRC	Harbin City, Heilongjiang Province, PRC	Manufacturing	RMB5,000,000.00	-	51	Incorporation
Wulian County Nanfeng New Energy Co., Ltd.	Rizhao City, Shandong Province, PRC	Rizhao City, Shandong Province, PRC	Manufacturing	RMB5,000,000.00	-	51	Incorporation
Qing'an County Nanfeng New Energy Technology Co., Ltd.	Suihua City, Heilongjiang Province, PRC	Suihua City, Heilongjiang Province, PRC	Manufacturing	RMB5,000,000.00	-	51	Incorporation

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (continued)

(1) Particulars of the Company's subsidiaries are as follows: (continued)

Name of subsidiaries	Place of main business	Place of registration	Nature of business and principal activities	Share capital	Equity interest (%)		
					Direct	Indirect	Acquired through
Tangyuan Ningfeng (b)	Jiamusi City, Heilongjiang Province, PRC	Jiamusi City, Heilongjiang Province, PRC	Manufacturing	RMB10,000,000.00	-	51	Incorporation
Jiamusi Nanfeng (b)	Jiamusi City, Heilongjiang Province, PRC	Jiamusi City, Heilongjiang Province, PRC	Manufacturing	RMB10,000,000.00	-	51	Incorporation
Shangzhi Nanfeng (b)	Shangzhi City, Heilongjiang Province, PRC	Shangzhi City, Heilongjiang Province, PRC	Manufacturing	RMB5,000,000.00	-	51	Incorporation
Baotou Nanfeng	Baotou City, Inner Mongolia Province, PRC	Baotou City, Inner Mongolia Province, PRC	Wind Power	RMB6,000,000.00	67	-	Business combinations not under common control
Baotou Lingxiang New Energy Co. Ltd	Baotou City, Inner Mongolia Province, PRC	Baotou City, Inner Mongolia Province, PRC	Wind Power	RMB80,000,000.00	-	67	Business combinations not under common control
Damaoqi Nanchuan	Baotou City, Inner Mongolia Province, PRC	Baotou City, Inner Mongolia Province, PRC	Wind Power	RMB1,000,000.00	-	67	Business combinations not under common control
Damaoqi Ningyuan	Baotou City, Inner Mongolia Province, PRC	Baotou City, Inner Mongolia Province, PRC	Wind Power	RMB1,000,000.00	-	67	Business combinations not under common control
Damaoqi Ningxiang	Baotou City, Inner Mongolia Province, PRC	Baotou City, Inner Mongolia Province, PRC	Wind Power	RMB1,000,000.00	-	67	Business combinations not under common control
Damaoqi Ningfeng	Baotou City, Inner Mongolia Province, PRC	Baotou City, Inner Mongolia Province, PRC	Wind Power	RMB1,000,000.00	-	67	Business combinations not under common control
Bioland Company (a)	Beijing City, PRC	Zhengzhou City, Henan Province, PRC	Environment and facility services	RMB234,933,000.00	-	67.14	Business combinations not under common control
Guangxi Bioland (a)	Nanning City, Guangxi Province, PRC	Nanning City, Guangxi Province, PRC	Environment and facility services	RMB123,000,000.00	-	67.14	Business combinations not under common control
Dezhou Bioland (a)	Dezhou City, Shandong Province, PRC	Dezhou City, Shandong Province, PRC	Environment and facility services	RMB50,000,000.00	-	67.14	Business combinations not under common control
Guiyang Bioland (a)	Guiyang City, Guizhou Province, PRC	Guiyang City, Guizhou Province, PRC	Environment and facility services	RMB43,000,000.00	-	67.14	Business combinations not under common control
Taizhou Bioland (a)	Taizhou City, Jiangsu Province, PRC	Taizhou City, Jiangsu Province, PRC	Environment and facility services	RMB68,000,000.00	-	67.14	Business combinations not under common control
Dezhou United (a)	Dezhou City, Shandong Province, PRC	Dezhou City, Shandong Province, PRC	Equipment Manufacturing	RMB30,000,000.00	-	67.14	Business combinations not under common control
Kunshan Beier Bioland Environmental Technology Co., Ltd. (a)	Kunshan City, Jiangsu Province, PRC	Kunshan City, Jiangsu Province, PRC	Environment and facility services	RMB25,000,000.00	-	63.78	Business combinations not under common control
Longyou Bioland (a)	Quzhou City, Zhejiang Province, PRC	Quzhou City, Zhejiang Province, PRC	Environment and facility services	RMB10,500,000.00	-	67.14	Business combinations not under common control
Langfang Waterland(a)	Langfang City, Hebei Province, PRC	Langfang City, Hebei Province, PRC	Equipment Manufacturing	RMB30,000,000.00	-	67.14	Business combinations not under common control
Beijing Jingshan Jieshen Environmental Energy Technology Co., Ltd. (a)	Beijing City, PRC	Beijing City, PRC	Environment and facility services	RMB5,000,000.00	-	67.14	Business combinations not under common control
Tianjin Waterland Environmental Protection Equipment Manufacturing Co., Ltd. (a)	Tianjin City, PRC	Tianjin City, PRC	Environment and facility services	RMB3,000,000.00	-	67.14	Business combinations not under common control

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (continued)

(1) Particulars of the Company's subsidiaries are as follows: (continued)

Name of subsidiaries	Place of main business	Place of registration	Nature of business and principal activities	Share capital	Equity interest (%)		
					Direct	Indirect	Acquired through
Beijing Xingye Bioland Environmental Technology Co., Ltd.(a)	Beijing City, PRC	Beijing City, PRC	Environment and facility services	RMB3,000,000.00	-	53.17	Business combinations not under common control
Kunshan Bioland Environmental Technology Co., Ltd.(a)	Kunshan City, Jiangsu Province, PRC	Kunshan City, Jiangsu Province, PRC	Environment and facility services	RMB500,000.00	-	53.17	Business combinations not under common control
Hangzhou Zhishou Environmental Technology Co., Ltd.(a)	Hangzhou City, Zhejiang Province, PRC	Hangzhou City, Zhejiang Province, PRC	Environment and facility services	RMB500,000.00	-	47.00	Business combinations not under common control
Shangrao Bioland (a)	Shangrao City, Jiangxi Province, PRC	Shangrao City, Jiangxi Province, PRC	Environment and facility services	RMB25,000,000.00	-	66.46	Business combinations not under common control
Huangshi Bioland (a)	Huangshi City, Hubei Province, PRC	Huangshi City, Hubei Province, PRC	Environment and facility services	RMB24,274,980.00	-	47.00	Business combinations not under common control
Pingyu Beier Environmental Technology Co., Ltd.(a)	Zhumadian City, Henan Province, PRC	Zhumadian City, Henan Province, PRC	Environment and facility services	RMB500,000.00	-	67.14	Business combinations not under common control
Handan Bioland (a)	Handan City, Hebei Province, PRC	Handan City, Hebei Province, PRC	Environment and facility services	RMB28,000,000.00	-	60.43	Business combinations not under common control
Guilin Bioland (a)	Guilin City, Guangxi Province, PRC	Guilin City, Guangxi Province, PRC	Environment and facility services	RMB54,600,000.00	-	67.14	Business combinations not under common control
Xinyu Bioland (a)	Xinyu City, Jiangxi Province, PRC	Xinyu City, Jiangxi Province, PRC	Environment and facility services	RMB23,940,000.00	-	67.14	Business combinations not under common control
Zhuji Bioland (a)	Zhuji City, Zhejiang Province, PRC	Zhuji City, Zhejiang Province, PRC	Environment and facility services	RMB100,000,000.00	-	60.43	Business combinations not under common control
Beijing Bioland Environmental Management Co., Ltd.(a)	Beijing City, PRC	Beijing City, PRC	Environment and facility services	RMB45,500,000.00	-	67.14	Business combinations not under common control
Taizhou Bioland High-tech Environmental Protection Equipment Co., Ltd.(a)	Taizhou City, Jiangsu Province, PRC	Taizhou City, Jiangsu Province, PRC	Equipment Manufacturing	RMB300,000,000.00	-	67.14	Business combinations not under common control
Hongkong Bioland Company (a)	Hong Kong	Hong Kong	Investment holding	HKD5,000,000.00	-	67.14	Business combinations not under common control
Fuzhou Bioland Environmental Technology Co.,Ltd.(a)	Fuzhou City, Jiangxi Province, PRC	Fuzhou City, Jiangxi Province, PRC	Environment and facility services	RMB24,000,000.00	-	67.14	Business combinations not under common control
Nanjing Shenlu Environmental Technology Co.,Ltd. (a)	Nanjing City, Jiangsu Province, PRC	Nanjing City, Jiangsu Province, PRC	Environment and facility services	RMB100,000,000.00	-	67.14	Business combinations not under common control
BIOLAND ENVIRONMENTAL SOLUTIONS INC (a)	Canada	Canada	Environment and facility services	CAD 100,100.00	-	67.14	Business combinations not under common control
Sichuan Lansheng Environmental Technology Co., Ltd (a)	Zigong City, Sichuan Province, PRC	Zigong City, Sichuan Province, PRC	Environment and facility services	RMB45,039,000.00	-	56.78	Business combinations not under common control
Jiangsu Bioland Construction Engineering Co., Ltd. (a)	Taizhou City, Jiangsu Province, PRC	Taizhou City, Jiangsu Province, PRC	Architecture and Engineering	RMB10,000,000.00	-	67.14	Business combinations not under common control
China Logistics Finance (a)	Hong Kong	Hong Kong	Investment holding	HKD1.00	-	100	Business combinations under common control
Financial Leasing Company (a)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Financial leasing and commercial factoring	RMB300,000,000.00	5	43	Business combinations under common control

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (continued)

(1) Particulars of the Company's subsidiaries are as follows: (continued)

Name of subsidiaries	Place of main business	Place of registration	Nature of business and principal activities	Share capital	Equity interest (%)		
					Direct	Indirect	Acquired through
Engineering Development Company (a)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Road construction	RMB40,500,000.00	-	60	Business combinations not under common control
New Energy Holdings (b)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	wind power	RMB1,400,000,000.00	100	-	Incorporation
Inner Mongolia City Bioland (b)	Hohhot, Inner Mongolia Autonomous Region, PRC	Hohhot, Inner Mongolia Autonomous Region, PRC	Environment and facilities	RMB43,360,000.00	-	34.24	Incorporation
Healthy Pension Corporate (b)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Investment Holdings	RMB30,000,000.00	-	100	Incorporation
Building Technology (b)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Architecture and engineering	RMB40,000,000.00	-	51	Incorporation
New energy investment (b)	Liannan Yao Autonomous County, Guangdong Province	Liannan Yao Autonomous County, Guangdong Province	Investment Holdings	RMB1,020,000,000.00	-	100	Incorporation
Qiantai Company (b)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Resource comprehensive utilization	RMB307,692,300.00	-	50	Business combinations not under common control
Longda Company (b)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Highway business	RMB5,000,000.00	89.93	-	Business combinations under common control

(a) New consolidated subsidiary in the current period, see Note VI.1, 2 for details;

(b) New subsidiary, see Note VI.3 for details.

(c) Wulian County Pengguangxin Energy Co., Ltd. and Wulian County Ningxin Energy Co., Ltd. is the Company's subsidiary of the company.

(d) The Fund Company introduced strategic investors this year. Shanghai Zezhen Investment Management Co., Ltd. ("Shanghai Zezhen") and Shenzhen Kangrui Dibo Investment Co., Ltd. ("Kangrui Dibo") competed through public trading in the Shenzhen United Equity Exchange. Obtain a capital increase to the Fund Company at a price of RMB1.04083/registered capital, of which Shanghai Zezhen and Kangrui Dibo contributed RMB5,306,141.00 and RMB4,693,926.00 respectively, holding 26% and 23% of the equity of the Fund Company after the capital increase. After the capital increase is completed, the registered capital of the Fund Company has increased from RMB10,000,000.00 to RMB19,607,800.00, and the difference between the actual capital contribution and the registered capital contribution is included in the capital reserve. At the end of the year, the Fund Company has received a total of RMB10,000,067.00 for capital increase. As of the date of this report, the fund company has not yet completed the industrial and commercial change registration.

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)**1. Interests in subsidiaries (Continued)****(2) Significant partly-owned subsidiaries****31 December 2020**

Name of subsidiaries	Equity interest held by minority interests	Net profit attributable to minority shareholders	Dividend declared by subsidiaries to the minority shareholders	Shareholder investment/withdrawn	New business combination	Minority interests
Qinglian Company	23.63%	28,348,554.61	-	-	-	708,744,697.60
Guishen Company	30.00%	49,683,393.71	-	-	-	393,712,155.79
Qinglong Company	50.00%	36,999,567.85	-120,000,000.00	-	-	713,355,794.27
Nanjing Wind Power	49.00%	32,834,651.27	-	-	-	404,899,559.79
Bioland Company	32.86%	751,537.14	-	6,950,000.00	435,894,342.40	443,595,879.54
Total	/	148,617,704.58	-120,000,000.00	6,950,000.00	435,894,342.40	2,664,308,086.99

31 December 2019

Name of subsidiaries	Equity interest held by minority interests	Net profit attributable to minority shareholders	Dividend declared by subsidiaries to the minority shareholders	Shareholder investment/withdrawn	New business combination	Minority interests
Qinglian Company	23.63%	30,233,579.95	-	-	-	680,396,142.99
Guishen Company	30.00%	92,043,926.93	-	-	-	344,028,762.08
Qinglong Company	50.00%	-151,245,759.94	-150,000,000.00	-	-	796,356,226.42
Nanjing Wind Power	49.00%	31,985,476.89	-	-	340,079,431.63	372,064,908.52
Total	/	3,017,223.83	-150,000,000.00	-	340,079,431.63	2,192,846,040.01

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

Name of subsidiaries	2020					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	99,630,807.19	6,544,407,244.93	6,644,038,052.12	202,252,278.70	3,445,503,822.98	3,647,756,101.68
Guishen Company	1,888,065,694.66	50,247,831.51	1,938,313,526.17	623,454,456.12	2,485,217.51	625,939,673.63
Qinglong Company	165,939,804.34	2,407,342,395.70	2,573,282,200.04	149,486,273.63	997,084,337.86	1,146,570,611.49
Nanjing Wind Power	2,646,005,287.66	126,549,976.25	2,772,555,263.91	1,902,052,356.71	44,177,274.97	1,946,229,631.68
Bioland Company	529,369,666.81	2,868,822,363.74	3,398,192,030.55	802,438,934.98	1,346,244,626.98	2,148,683,561.96

2019

Name of subsidiaries	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	145,272,948.91	6,717,582,286.12	6,862,855,235.03	306,424,129.32	3,680,117,647.03	3,986,541,776.35
Guishen Company	1,959,179,316.17	52,827,347.96	2,012,006,664.13	865,244,123.96	-	865,244,123.96
Qinglong Company	85,063,882.24	2,649,734,125.26	2,734,798,007.50	160,557,827.55	981,527,727.10	1,142,085,554.65
Nanjing Wind Power	2,061,637,929.15	93,961,656.09	2,155,599,585.24	1,372,128,875.12	24,154,570.28	1,396,283,445.40

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (continued)

(3) Significant partly-owned subsidiaries (continued)

Name of subsidiaries	2020			
	Revenue	Net (loss)/profit	Total comprehensive income	Net cash flows from operating activities
Qinglian Company	836,741,871.22	119,968,491.76	119,968,491.76	530,079,410.72
Guishen Company	681,891,475.54	165,611,312.37	165,611,312.37	-508,988,766.87
Qinglong Company	614,663,829.63	73,999,135.70	73,999,135.70	364,945,153.96
Nanjing Wind Power	1,450,365,556.59	67,009,492.39	67,009,492.39	-801,795,889.36
Bioland Company (a)	847,749,894.99	8,526,999.61	8,526,999.61	-191,632,927.23

Name of subsidiaries	2019			
	Revenue	Net (loss)/profit	Total comprehensive income	Net cash flows from operating activities
Qinglian Company	840,343,568.52	127,945,746.72	127,945,746.72	640,086,081.16
Guishen Company	680,655,214.65	306,813,089.77	306,813,089.77	-411,319,538.50
Qinglong Company	658,484,578.21	-302,491,519.88	-302,491,519.88	381,510,016.71
Nanjing Wind Power	511,125,563.54	65,276,483.45	65,276,483.45	-329,781,805.07

Except for the important non-wholly-owned subsidiaries listed in (2), since the total income realized by other non-wholly-owned subsidiaries this year did not exceed 5% of the total income of the Group this year, the total profit realized this year did not exceed The Group's total profit for the year is 5%, and the total assets at the end of the year are no higher than 5% of the total assets of the Group at the end of the year. The directors of the group believe that in addition to the important non-wholly-owned subsidiaries listed in (2), other non-wholly-owned subsidiaries Subsidiaries are non-significant, non-wholly-owned subsidiaries.

(a) As Bioland Company became the Company's subsidiary on 20 January 2020, the financial information only includes the data from 21 January 2020 to 31 December 2020.

(4) Substantial restriction to the usage of assets or the settlement of liabilities of the Group

At 31 December 2020, there was no substantial restriction which prohibited the usage of assets or the settlement of liabilities of the Group (31 December 2019: nil).

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)**2. Interests in associates**

The Company's associated companies are as follows

Name of associates	Place of incorporation	Place of registration	Principal activities	Issued capital (RMB)	Percentage of shares held by the Company (%)		Accounting method
					Direct	Indirect	
Consulting Company	Shenzhen City, Guangdong Province, China	Shenzhen City, Guangdong Province, China	Engineering consulting service	18,750,000.00	24	–	Equity method
Huayu Company	Shenzhen City, Guangdong Province, China	Shenzhen City, Guangdong Province, China	Toll road operation	150,000,000.00	40	–	Equity method
Nanjing Third Bridge Company	Nanjing City, Jiangsu Province, China	Nanjing City, Jiangsu Province, China	Toll road operation	1,080,000,000.00	25	–	Equity method
Yangmao Company	Guangzhou City, Guangdong Province, China	Guangzhou City, Guangdong Province, China	Toll road operation	200,000,000.00	25	–	Equity method
GZ W2 Company	Guangzhou City, Guangdong Province, China	Guangzhou City, Guangdong Province, China	Toll road operation	1,000,000,000.00	25	–	Equity method
Guizhou Hengtongli	Longli County, Guizhou Province, China	Longli County, Guizhou Province, China	Real estate development	52,229,945.55	–	49	Equity method
United Land	Shenzhen City, Guangdong Province, China	Shenzhen City, Guangdong Province, China	Real estate development	714,285,714.29	34.30	–	Equity method
Bank of Guizhou (a)	Guiyang City, Guizhou Province, China	Guiyang City, Guizhou Province, China	Financial service	14,588,046,744.00	2.92	0.52	Equity method
Derun Environment	Chongqing City, China	Chongqing City, China	Environment improvement and resources recovery	1,000,000,000.00	–	20	Equity method
Environmental Technology Industry M&A Fund	Shenzhen City, Guangdong Province, China	Foshan City, Guangdong Province, China	commercial service	1,000,000,000.00	45	–	Equity method

(a) The Group sent a directors to the Bank of Guizhou Board of Directors and had a significant impact on their business and financial decisions.

(b) In the end of this year, the Group's long-term equity investment in Jiangzhong Company and Guangyun has been classified into held for sale, see Note V.9.

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in associates (continued)

(1) Summary financial information for important associates

The Group's important associates include Derun Environment and United Land Corporation, which are accounted for using the equity method. The following table lists the financial information of the above important associates, which adjusted all accounting policy differences and adjusted to the book value of this financial statement:

2020

Item	Derun Environment (Note1)	United Land Company (Note 2)
Current assets	11,402,640,099.13	12,579,671,364.22
Include: cash and cash equivalents	5,559,919,335.56	2,279,470,782.24
Non-current assets	34,669,930,056.31	308,944,152.67
Total assets	46,072,570,155.44	12,888,615,516.89
Current liabilities	8,008,560,551.28	4,965,643,554.03
Non-current liabilities	12,490,324,774.74	3,362,160,000.00
Total Liabilities	20,498,885,326.02	8,327,803,554.03
Minority shareholders' equity	12,742,926,767.91	-
Master's shareholders' equity	12,830,758,061.51	4,560,811,962.86
Net assets enjoyed by shareholding	2,566,151,612.30	1,564,358,503.26
Adjustment	2,165,237,360.69	-89,178,246.33
Goodwill	1,462,953,999.22	-
Non-current asset assessment premium	702,283,361.47	-
Internal trading is not achieved	-	-89,178,246.33
Book value of investment	4,731,388,972.99	1,475,180,256.93
Operating income	11,308,508,970.99	4,073,665,870.30
Income tax expense	441,163,734.52	354,912,218.46
Net profit	2,539,289,943.51	1,059,703,937.72
Net profit attributable to shareholders of the parent company	1,275,946,244.30	1,059,703,937.72
Other comprehensive income	-163,569,043.15	-
Net after-tax amount of other comprehensive income attributable to shareholders of the parent company	-43,624,547.47	-
Total comprehensive income	2,375,720,900.36	1,059,703,937.72
Received dividend	128,000,000.00	312,120,473.62

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)**2. Interests in associates (continued)****(1) Summary financial information for important associates (continued)**

2019

Item	Derun Environment	United Land Company
Flow assets	8,774,191,466.35	12,144,640,551.27
Among them: cash and cash equivalents	3,814,983,093.60	1,185,142,641.81
Non-current assets	29,572,544,964.32	389,179.64
Assessment	38,346,736,430.67	12,145,029,730.91
Current liabilities	8,366,837,442.13	5,401,949,479.48
Non-current liabilities	8,416,187,469.53	2,332,000,000.00
Total Liabilities	16,783,024,911.66	7,733,949,479.48
Minority shareholders	9,972,920,906.84	–
Master's shareholders' equity	11,590,790,612.17	4,411,080,251.43
Net assets enjoyed by shareholding	2,318,158,122.43	1,513,000,526.25
Adjustment	2,206,898,136.52	-121,430,719.95
Goodwill	1,462,953,999.22	–
Non-mobile asset assessment premium	743,944,137.30	–
Internal trading is not achieved	–	-121,430,719.95
Book value of investment	4,525,056,258.95	1,391,569,806.30
Operating income	10,021,925,093.24	4,067,148,180.06
Income tax expense	216,356,467.47	337,026,750.48
Net profit	2,248,369,209.90	1,034,606,269.51
Net profit attributable to shareholders of the mother	1,157,182,155.33	1,034,606,269.51
Other comprehensive income	304,234,732.73	–
Net net amount owned by other comprehensive income of the mother's shareholders	152,231,454.39	–
Total comprehensive income	2,552,603,942.63	1,034,606,269.51
Received dividend	116,000,000.00	–

Note 1: The Group shares the net profit of Derun Environment attributable to shareholders of the parent company at a 20% shareholding ratio. After deducting the current year's premium amortization of RMB41,660,775.82, the Group confirmed the investment income of Derun Environment of RMB206,420,366.54. The Group shares the net after-tax amount of other comprehensive income of Derun Environment attributable to shareholders of the parent company at a 20% shareholding ratio of RMB -24,024,909.49 and confirms that the capital reserve of Derun Environment is RMB151,937,256.99. See Note V.15(b).

Note 2: The Group shares the net profit attributable to the shareholders of the parent company of United Land at a shareholding ratio of 34.3%. This year, the Group confirmed the investment income of RMB363,478,450.64 from the United Land Company and transferred back the realized profit based on the proportion of the properties sold by the company. RMB32,252,473.61, please refer to Note V.15(a) for details.

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in associates (continued)

(2) Main financial information of joint ventures and associates that are not material

Item	Year end balance/ income this year	The balance of the year/previous year
Joint enterprise:		
Total investment book value	2,732,756,219.86	2,789,663,276.48
The following computations according to the shareholding ratio		
– Net profit	310,831,155.42	351,346,818.03
– Other comprehensive benefits (losses fill in “ – ”)	-17,575,648.00	-1,175,383.96
– Total comprehensive income	293,255,507.42	350,171,434.07
Capital reserve changes	–	–

In addition to the listed in (1) important associated enterprises, due to the group in the current year and the 2019 share of each consortium of investment gains/losses are not more than 10% of the total profit of the current period of the group, on the book value of a long-term equity investment consortium are no higher than 5% of the total assets of the group, the group in addition to (1) in the opinion of the directors of the listed important associated enterprises, other joint ventures are the important joint ventures.

(3) There is a significant statement on the capabilities of the company's transfer funds to the company:

As at 31 December 2020, there was no substantial restriction on transferring funds between the Group and the joint ventures and associates (31 December 2019: nil).

VIII. FINANCIAL INSTRUMENTS AND RISKS

1. Financial instruments by category

The carrying values of various financial instruments at the end of the reporting period are as follows:

2020

Financial assets

Item	Financial assets at fair value through profit or loss			Total
	Required by standard	Designated	Measured at amortized cost	
Cash	–	–	5,549,304,352.44	5,549,304,352.44
Notes receivable	–	–	378,532,713.65	378,532,713.65
Accounts receivable	–	–	798,070,361.76	798,070,361.76
Other receivables	–	–	773,039,332.04	773,039,332.04
Contract assets	–	–	344,065,793.25	344,065,793.25
Current portion of non-current assets	–	–	74,870,082.79	74,870,082.79
Long-term receivables	–	–	997,354,914.31	997,354,914.31
Other non-current financial assets	1,605,891,286.54	–	–	1,605,891,286.54
Other non-current assets	–	–	1,427,952,459.38	1,427,952,459.38
Total	1,605,891,286.54	–	10,343,190,009.62	11,949,081,296.16

Financial liabilities

Item	Financial assets at fair value through profit or loss			Total
	Required by standard	Designated	Measured at amortized cost	
Short-term borrowings	–	–	1,341,218,126.43	1,341,218,126.43
Transactional financial liabilities	83,677,813.21	–	–	83,677,813.21
Notes payable	–	–	295,467,331.39	295,467,331.39
Accounts payable	–	–	1,869,889,416.15	1,869,889,416.15
Other payables	–	–	3,570,365,680.07	3,570,365,680.07
Current portion of non-current liabilities	–	–	3,665,798,518.83	3,665,798,518.83
Other current liabilities	–	–	2,018,087,592.62	2,018,087,592.62
Long-term borrowings	–	–	6,511,333,267.55	6,511,333,267.55
Long-term payables	–	–	2,234,299,535.22	2,234,299,535.22
Bonds payable	–	–	3,792,324,357.82	3,792,324,357.82
Lease liabilities	–	–	104,653,671.67	104,653,671.67
Total	83,677,813.21	–	25,403,437,497.75	25,487,115,310.96

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(RMB)

VIII. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

1. Financial Instruments by category (continued)

The carrying values of various financial instruments at the end of the reporting period are as follows:(continued)

2019

Financial assets

Item	Financial assets at fair value through profit or loss		Measured at amortized cost	Total
	Required by standard	Designated		
Cash	-	-	4,779,129,953.96	4,779,129,953.96
Transactional financial liabilities	62,689,444.00	-	-	62,689,444.00
Notes receivable	-	-	9,895,060.34	9,895,060.34
Accounts receivable	-	-	789,334,048.57	789,334,048.57
Other receivables	-	-	522,976,116.30	522,976,116.30
Contract assets	-	-	450,892,553.87	450,892,553.87
Current portion of non-current assets	-	-	176,339,894.25	176,339,894.25
Long-term receivables	-	-	433,144,452.90	433,144,452.90
Other non-current financial assets	217,939,080.00	-	-	217,939,080.00
Other non-current assets	-	-	263,128,636.72	263,128,636.72
Total	280,628,524.00	-	7,424,840,716.91	7,705,469,240.91

Financial liabilities

Item	Measured at amortized cost	Total
Short-term borrowings	363,877,741.65	363,877,741.65
Notes payable	131,749,731.69	131,749,731.69
Accounts payable	983,440,109.43	983,440,109.43
Other payables	3,189,731,830.23	3,189,731,830.23
Long-term payable	2,217,015,191.85	2,217,015,191.85
Current portion of non-current liabilities	376,731,942.59	376,731,942.59
Long-term borrowings	9,031,815,479.53	9,031,815,479.53
Bonds payable	4,676,256,207.56	4,676,256,207.56
Lease liabilities	118,269,744.66	118,269,744.66
Total	21,088,887,979.19	21,088,887,979.19

VIII. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

2. Transfer of financial assets

Transferred financial assets that are not derecognised in their entirety

As part of its normal business, the Group entered into a bills receivable factoring arrangement (the “Arrangement”) and transferred certain bills receivable to a bank. Under the Arrangement, the Group may be required to reimburse the bank for loss of interest if any trade debtors have late payment up to 180 days. The Group is not exposed to default risks of the trade debtors after the transfer. After the transfer, the Group did not retain any rights on the use of the accounts receivable, including the rights of selling, transferring or pledging to any third parties. The original carrying value of the commercial acceptance bills transferred under the Arrangement that have not been settled as at 31 December 2020 was RMB125,540,400.00 (31 December 2019: Nil). The original carrying value of the bank acceptance bills transferred under the Arrangement that have not been settled as at 31 December 2020 was RMB33,962,000.00 (31 December 2019: nil). The carrying amount of the assets that the Group continued to recognise as at 31 December 2020 was RMB159,502,400.00 (31 December 2019: nil) and that of the associated liabilities as at 31 December 2020 was RMB159,502,400.00 (31 December 2019: nil), which were charged to short-term borrowings, respectively.

At 31 December 2020, the Group endorsed the supplier’s commercial acceptance bills for settlement of accounts payable with a carrying value of RMB169,974,520.11 (31 December 2019: nil), which has the maturity date from 1 to 12 months. The Group believes that the Group has not transferred majority of its risks and rewards at the time of endorsing, which doesn’t meet the conditions for derecognition of financial assets. Therefore, the relevant bills receivables are not derecognized at the endorsement date.

Transferred financial assets that have been derecognised as a whole but continue to be involved

At 31 December 2020, the book value of bank acceptance bills discounted by the Group was RMB11,910,185.83 (31 December 2019: RMB106,751,000.00), which has the maturity date from 1 to 12 months. The Group believes that almost all the risks and rewards related to bills receivable have been transferred at the time of discounting, which meets the conditions for derecognition of financial assets. Therefore, the relevant bills receivables are derecognized at the discount date based on their book values. If the bills of exchange are rejected by the acceptor on the maturity date, the discounted bank has the right to recourse from the Group (the “Continuing Involvement”). The maximum losses and undiscounted cash flows that continue to be involved in and repurchased are equal to their book values. The Group believes that continuing involvement in fair value is not significant.

At 31 December 2020, the Group endorsed the supplier’s bank acceptance bills for settlement of accounts payable with a carrying value of RMB29,500,000.00. As at 31 December 2020, its maturity date is 1 to 12 months. According to the relevant provisions of the Bills Act, if the accepted bank refuses to pay, its holder has the right to recourse from the Group (the “Continuing Involvement”). The Group believes that the Group has transferred almost all its risks and rewards, therefore derecognised the book value of it and settlement accounts payable related to it. The maximum losses and undiscounted cash flows that continue to be involved and repurchased are equal to their book values. The Group believes that continuing involvement in fair value is not significant.

In 2020, the Group has not recognised any gain or loss on the date of transfer of the derecognised bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively.

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VIII. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

3. Risks of financial instruments

The Group is faced with risks of various financial instruments in daily activities, which mainly include credit risk, liquidity risk and market risk (including exchange rate risk and interest rate risk). The Group's risk management policy is outlined below. The main financial instruments of the Group include monetary funds, loans and receivables, financial assets/liabilities measured at fair value and their changes recorded in profit or loss for the current period, financial instruments available for sale, loans, payables and bonds payable, etc. The risks associated with these instruments and the risk management strategies adopted by the Group to mitigate these risks are described below.

The board of directors shall be responsible for planning and establishing the risk management framework of the Group, formulating the Group's risk management policies and relevant guidelines, and supervising the implementation of risk management measures. The Group has developed risk management policies to identify and analyze risks faced by the Group. These risk management policies specify specific risks and cover many aspects such as market risk, credit risk and liquidity risk management. The Group periodically evaluates changes in the market environment and the Group's business activities to determine whether to update risk management policies and systems. The risk management of the Group shall be carried out by the risk management committee in accordance with the policies approved by the board of directors. The risk management committee works closely with other business units of the Group to identify, assess and mitigate risks. The internal audit department of the Group conducts regular audits on risk management control and procedures and reports the audit results to the Group's audit committee.

The Group diversifies the risks of financial instruments through appropriate diversification of investments and business portfolios and reduces the risk of concentration in any single industry, specific region or specific counterparty by formulating appropriate risk management policies.

Credit risk

The Group deals only with recognized and reputable third parties. In accordance with the Group's policy, all customers requiring credit transactions are subject to credit audits. In addition, the Group continuously monitors the balance of accounts receivable to ensure that the Group does not face significant risk of bad debts. For transactions that are not settled in the accounting base currency of the relevant business units, the Group will not provide conditions for credit transactions unless the Group's credit control department specifically approves them.

For financing sales, the group's end customers of sales of wind turbines and ancillary equipment signed equipment financing lease agreements with financial institutions on the basis of the income from wind farm projects and the income rights under the wind farm projects, so as to obtain financing and pay for wind turbines and ancillary equipment. As a seller, the group usually enters into separate agreements with financial institutions. If the end customers fail to repay the loans, the group is obliged to repay the outstanding loans to the financial institutions, in which case the group can assist the financial institutions to dispose of the pledged equipment. As a result, the management of the Group believes that it is possible to recover the losses arising from the guarantees provided by the group, so the risk of providing mortgage and finance lease guarantees to financial institutions is low. The group continuously conducts credit assessment on the financial status of customers, and the impairment loss of bad debts is maintained within the amount expected by the management.

Because the counterparty of currency funds and bills receivable is a bank with good reputation and a high credit rating, the credit risk of these financial instruments is low.

Other financial assets of the Group include monetary funds, creditor's rights investments and other receivables. The credit risk of these financial assets originates from the default of the counterparty. The maximum risk exposure is equal to the book value of these instruments.

VIII. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)**3. Risks of financial instruments (continued)****Credit risk (continued)***The judgment criteria of credit risk increase significantly*

The Group assesses whether the credit risk of the relevant financial instruments has increased significantly since the initial confirmation at each date of the statement of financial position. In determining whether credit risk has increased significantly since the initial recognition, the Group considers that reasonable and valid information, including qualitative and quantitative analysis based on the Group's historical data, external credit risk rating and forward-looking information, can be obtained without undue cost or effort. Based on a single financial instrument or a portfolio of financial instruments with similar credit risk characteristics, the Group compares the risk of default of financial instruments on the date of statement of financial position with the risk of default on the initial recognition date to determine the change of default risks of financial instruments during the expected lifetime.

When triggering one or more of the following quantitative and qualitative criteria, the Group believes that the credit risk of financial instruments has increased significantly,

- Quantitative criteria are that the probability of default of the remaining duration of the reporting day rises by more than a certain proportion compared with the initial recognition.
- Qualitative criteria include major adverse changes in the debtor's business or financial situation, early warning list of customers, etc.
- The upper limit is that the debtor's contract payments (including principal and interest) are more than 30 days overdue.

Definition of assets with impaired credit

In order to determine whether credit impairment occurs, the defining criteria adopted by the Group are consistent with the internal objectives of credit risk management for the relevant financial instruments, taking into account quantitative and qualitative indicators. In assessing whether the debtor has suffered credit impairment, the Group mainly considers the following factors:

- Major financial difficulties faced by the issuer or debtor;
- The debtor breaches the contract, such as paying interest on defaulting or overdue principal, etc.
- The creditor gives the debtor concessions in no other case for economic or contractual considerations related to the debtor's financial difficulties;
- The debtor is likely to go bankrupt or undergo other financial restructuring;
- The financial difficulties of the issuer or debtor lead to the disappearance of the active market of the financial assets;
- To purchase and derive a financial asset at a substantial discount, which reflects the fact that credit losses occur.

The occurrence of credit impairment in financial assets may be the result of a combination of multiple events, not necessarily those that can be identified separately.

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VIII. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

3. Risks of financial instruments (continued)

Credit risk (continued)

Parameters for measuring expected credit losses

Depending on whether credit risk has increased significantly and whether credit impairment has occurred, the Group measures impairment provision for different assets with the expected credit loss for 12 months or the whole life period, respectively. The key parameters for anticipated credit loss measurement include default probability, default loss rate and default risk exposure. Considering the quantitative analysis and forward-looking information of historical statistical data (such as counterparty ratings, guarantees and collateral types, repayment methods, etc.), the Group establishes a default probability, default loss rate and default risk exposure model.

The relevant definitions are as follows:

- The probability of default refers to the possibility that the debtor will not be able to fulfil its obligation to pay in the next 12 months or throughout the remaining period. The default probability of the Group is adjusted on the basis of the expected credit loss model, and forward-looking information is added to reflect the default probability of the debtor under the current macroeconomic environment.
- The default loss rate refers to the Group's expectation of the extent of loss from exposure to default risk. According to the type of counterparty, the way and priority of recourse, and the different collateral, the loss rate of breach of contract is also different. The default loss rate is the percentage of risk exposure loss at the time of default, which is calculated on the basis of the next 12 months or the whole duration.
- The default risk exposure is the amount that the Group should be repaid in the event of default in the next 12 months or throughout the remaining period.

The assessment of significant increases in credit risk and the calculation of expected credit losses involve forward-looking information. Through historical data analysis, the Group identifies key economic indicators that affect the credit risk and expected credit loss of various business types.

The impact of these economic indicators on default probability and default loss rate varies with different business types. In this process, the Group applies expert judgment to forecast these economic indicators quarterly based on the results of expert judgment, and through regression analysis to determine the impact of these economic indicators on default probability and default loss rate.

Liquidity risk

The Group adopts a revolving liquidity plan tool to manage the risk of capital shortage. The tool takes into account both the maturity date of its financial instruments and the expected cash flow generated by the operation of the Group.

The Group's goal is to maintain a balance between the sustainability and flexibility of financing by using various means of financing, such as bank loans and other interest-bearing loans.

VIII. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)**3. Risks of financial instruments (continued)****Liquidity risk (Continued)**

Subsidiaries within the Group are responsible for their own cash flow forecasts. On the basis of summarizing the cash flow forecasts of subsidiaries, the Headquarters Finance Department continuously monitors the short-term and long-term capital needs at the group level to ensure the maintenance of adequate cash reserves and marketable securities that can be realized at any time; at the same time, it continuously monitors whether it meets the requirements of loan agreements and obtains credit lines from major financial institutions to meet the short-term and long-term capital needs. On the date of the balance sheet, the uncounted contract cash flows of the Group's financial liabilities are shown as follows:

The following table summarizes the maturity analysis of financial liabilities based on contractual undiscounted cash flows:

2020

Item	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Financial liabilities					
Short-term loans	1,353,910,625.91	–	–	–	1,353,910,625.91
Transactional financial liabilities	83,677,813.21	–	–	–	83,677,813.21
Bills payable	295,467,331.39	–	–	–	295,467,331.39
Accounts payable	1,869,889,416.15	–	–	–	1,869,889,416.15
Other accounts payable	3,570,365,680.07	–	–	–	3,570,365,680.07
Long-term payables	68,932,030.23	91,730,870.99	2,215,319,169.50	37,167,717.67	2,413,149,788.39
Non-current liabilities due within one year (Note 1)	3,446,836,824.05	–	–	–	3,446,836,824.05
Long-term loans	8,028,920.70	686,414,122.91	3,146,051,534.19	5,630,416,439.09	9,470,911,016.89
Bonds payable	305,776,725.00	951,822,200.00	3,251,620,000.00	–	4,509,218,925.00
Lease liabilities	–	29,316,958.68	48,290,268.15	27,672,910.63	105,280,137.46
Other current liabilities	2,018,175,342.47	–	–	–	2,018,175,342.47
Total	13,021,060,709.18	1,759,284,152.58	8,661,280,971.84	5,695,257,067.39	29,136,882,900.99

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VIII. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

3. Risks of financial instruments (continued)

Liquidity risk (continued)

The following table summarizes the maturity analysis of financial liabilities based on contractual undiscounted cash flows: (continued)

2019

Item	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Financial liabilities					
Short-term loans	370,162,473.64	–	–	–	370,162,473.64
Bills payable	131,749,731.69	–	–	–	131,749,731.69
Accounts payable	983,440,109.43	–	–	–	983,440,109.43
Other accounts payable	3,192,871,309.42	–	–	–	3,192,871,309.42
Long-term payables	98,290,940.00	684,593,228.22	1,652,148,680.00	–	2,435,032,848.22
Non-current liabilities due within one year (Note 1)	391,275,533.44	–	–	–	391,275,533.44
Long-term loans	403,848,321.25	1,050,893,600.40	2,489,738,078.98	9,269,556,793.17	13,214,036,793.80
Bonds payable	181,491,925.00	3,274,351,925.00	1,715,842,200.00	–	5,171,686,050.00
Lease liabilities	–	30,136,992.71	63,717,425.33	40,050,537.77	133,904,955.81
Total	5,753,130,343.87	5,039,975,746.33	5,921,446,384.31	9,309,607,330.94	26,024,159,805.45

Note 1: Including long-term loans maturing within one year, long-term payables maturing within one year, lease liabilities maturing within one year and bonds payable maturing within one year.

In view of the stable and abundant operating cash flows, sufficient credit lines and appropriate financing arrangements to meet debt repayment and capital expenditure, the management of the Group believes that there is no significant liquidity risk in the Group.

Market risk

Interest rate risk

The Group's exposure to the risk of changes in market interest rates primarily relates to the Group's long-term borrowing with floating interest rates.

VIII. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)**3. Risks of financial instruments (continued)****Market risk (Continued)***Interest rate risk (Continued)*

The table below demonstrates the sensitivity analysis of the impact (of floating rate borrowings) on the net profit when reasonable and possible fluctuations of interest rate occurred, under the assumption that other variables were held constant.

2020

Item	In basis points Increase/(decrease is shown with "-")	In net profit Increase/(decrease is shown with "-")	In equity Total increase/(decrease is shown with "-")
RMB	100/-100	-44,992,018.96/ 44,992,018.96	-44,992,018.96/ 44,992,018.96

2019

Item	In basis points Increase/(decrease is shown with "-")	In net profit Increase/(decrease is shown with "-")	In equity Total increase/(decrease is shown with "-")
RMB	100/-100	-67,073,117.61/ 67,073,117.61	-67,073,117.61/ 67,073,117.61

Foreign exchange risk

The following table provides a sensitivity analysis of exchange rate risk, reflecting the impact on net gains and losses (due to changes in the fair value of monetary and monetary liabilities) in the event of a reasonable and possible change in the exchange rates of the United States dollar and HKD under the assumption that all other variables at the date of the statement of financial position remain unchanged.

2020

Item	Exchange rate Increase/(decrease is shown with "-")	Net profit or loss Increase/(decrease is shown with "-")	Total shareholders' equity Increase/(decrease is shown with "-")
Depreciation of RMB against USD	10%	-137,010.03	-137,010.03
Appreciation of RMB against USD	-10%	137,010.03	137,010.03
Depreciation of RMB against HKD	10%	-6,780,545.10	-6,780,545.10
Appreciation of RMB against HKD	-10%	6,780,545.10	6,780,545.10

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VIII. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

3. Risks of financial instruments (Continued)

Market risk (Continued)

Foreign exchange risk (Continued)

2019

Item	Exchange rate Increase/(decrease is shown with "-")	Net profit or loss Increase/(decrease is shown with "-")	Total shareholders' equity Increase/(decrease is shown with "-")
Depreciation of RMB against USD	10%	-3,350,265.13	-3,350,265.13
Appreciation of RMB against USD	-10%	3,350,265.13	3,350,265.13
Depreciation of RMB against HKD	10%	-3,277,600.19	-3,277,600.19
Appreciation of RMB against HKD	-10%	3,277,600.19	3,277,600.19

The Group pays attention to research on exchange rate risk management policies and strategies. To avoid the exchange rate risk of repayment of the principal and interest of bonds payable in USD, the Group has entered into a Forex swap contract with a bank. For details, please refer to Note V.2.

4. Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, repurchase shares or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital in the six months ended 31 December 2020 and the year ended 31 December 2019.

The Group monitors capital using a debt-to-asset ratio, which is total liabilities divided by total assets. The Group's debt-to-asset ratio as at the end of the reporting period was as follows:

Item	31 December 2020	31 December 2019
Total assets	55,144,962,042.63	45,658,413,658.91
Total liabilities	28,865,852,158.86	24,610,504,746.67
Debt-to-asset ratio	52.35%	53.90%

IX. FAIR VALUE DISCLOSURE

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: In addition to the input value of the first level, the input value of the relevant asset or liability is directly or indirectly observable.

Level 3: Unobservable inputs for the underlying asset or liability.

1. Financial assets and liabilities measured at fair value**2020**

Item	Fair value measurement using			Total
	Quoted price in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
Consecutive fair value measurement				
Transactional financial assets	-83,677,813.21	-	-	-83,677,813.21
Other non-current financial assets	-	-	1,605,891,286.54	1,605,891,286.54
Total	-83,677,813.21	-	1,605,891,286.54	1,522,213,473.33

2019

Item	Fair value measurement using			Total
	Quoted price in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
Consecutive fair value measurement				
Transactional financial assets	62,689,444.00	-	-	62,689,444.00
Other non-current financial assets	-	-	217,939,080.00	217,939,080.00
Total	62,689,444.00	-	217,939,080.00	280,628,524.00

The fair value of the Group's non-listed equity instrument investment is estimated using the market method. The Group believes that the fair value and its changes based on valuation techniques are reasonable and are the most appropriate value on 31 December 2020.

The Group has entered into derivative financial instrument contracts with multiple counterparties (mainly with high credit rating financial institutions). The Group's derivative financial instruments are forward foreign exchange contracts. The fair value of the transactional financial assets held by the Group is determined based on the forward interest rate in the active markets as at 31 December 2020.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

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X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

1. General information of the controlling shareholder:

Name	Place of registration	Nature of business	Registered capital	Interest held	Voting rights
Shenzhen International	Bermuda	Investment holding	HKD2,000,000,000.00	51.561%	51.561%

The controlling shareholder of the Company is Shenzhen International. The Company's ultimate controlling party is Shenzhen SASAC.

2. Information about subsidiaries

The information about the subsidiaries is set out in Note VII.1.

3. Information about associates

The information about associates is set out in Note VII.2.

The situation of the associated enterprises that have related party transactions with the Company in the current year or have related party transactions with the Company in the previous period is as follows:

Item	Relationship with the Group
Consulting Company	Associate
Huayu Company	Associate
GZ W2 Company	Associate
Yangmao Company	Associate
United Land Company	Associate

4. Information about other related parties

Item	Relationship with the Group
Baotong Company	wholly-owned subsidiary of the controlling shareholder
Shenzhen International Logistics Company	wholly-owned subsidiary of the controlling shareholder
Shenzhen International South-China Logistics Co., Ltd. ("SC Logistics Company")	wholly-owned subsidiary of the controlling shareholder
Guizhou Pengbo Investment Co., Ltd. (Guizhou Pengbo)	wholly-owned subsidiary of the controlling shareholder
Shenzhen Shen International Modern City Logistics Port Co., Ltd.	wholly-owned subsidiary of the controlling shareholder
Shenzhen International Limited	wholly-owned subsidiary of the controlling shareholder
Shen International Holdings	wholly-owned subsidiary of the controlling shareholder
Citic Logistics Fritz Co.,Ltd. ("Citic Logistics")	holding subsidiary of the controlling shareholder
Shenzhen Shen International Modern Logistics petty loan Co. Ltd ("Shen International Modern Logistics petty loan")	holding subsidiary of the controlling shareholder
Shenzhen International Whole-process Logistics (Shenzhen) Co. Ltd. ("Whole-process Logistics Company")	holding subsidiary of the controlling shareholder
Xin Tong Chan Company	Shareholder of the Company
Shenzhen Shenguanhui Expressway Development Co., Ltd. ("Shenguanhui Company")	Shareholder of the Company
Advance Great Limited	Shareholder of the Company
United Electronic Company	Participating company
Shenzhen Huayu Investment Development (Group) Co., Ltd. ("Huayu Investment")	Minority shareholders of holding subsidiaries

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)**5. Related party transactions****(1) Rendering of or receiving services***Procurement of goods/receipt of labor*

Name of related party	Nature of transaction	2020	2019
United Electronic Company (a)	Receiving integrated toll system settlement services	16,594,620.30	20,315,992.51
Consulting Company (b)	Accepted project management services	58,528,270.07	18,839,298.70
Others (c)	Receiving power supply services and others	277,990.23	302,786.90

(a) The Guangdong Provincial People's Government has designated United Electronics to take charge of the sub-account management of highway tolls across the province and unified management of non-cash settlement systems. The Company and its subsidiaries have signed a series of agreements with United Electronic Company and entrusted it to provide toll settlement services for Yanjiang Expressway, Meiguan Expressway, Jihe Expressway, Qinglian Expressway, Outer Ring Expressway, Longda Expressway and Shuiguan Expressway operated by the Group. The service periods end on the expiry dates of operating periods of the individual toll roads. The related service charges are determined by the commodity price bureau of the Guangdong Province.

(b) The Group has entered into management service contracts with Consulting Company to provide for construction consulting and testing services for the Outer Ring project and other roads of the Group. The contract pricing refers to the "Shenzhen Construction Project Cost Consultation Service Charge Market Reference Price" issued by the Shenzhen Cost Engineers Association.

(c) Advertising Company, a subsidiary of the Company, received the supply of water and electricity and power supply services for its advertising boards from SC Logistics Company, Xin Tong Chan Company, Huayu Company. The respective transaction amounts were not disclosed as they were not material.

Procurement of goods/receipt of labor

Name of related party	Nature of transaction	2020	2019
United Electronic Company (a)	ETC promotion service	5,032,765.09	160,641.51
Others (b)	Supply water and electricity for office and others	1,694,378.04	1,577,997.98

(a) Yanjiang Expressway, Meiguan Expressway, Jihe Expressway, Qinglian Expressway, Longda Expressway and Shuiguan Expressway operated by the Group, provide ETC promotion services for United Electronics. The transaction amount of the provision of this service is listed as the transaction amount between the Company and United Electronics.

(b) The Group provides hydropower resource services and other services to Xintongchan Company, Huayu Investment Group, Huayu Company, United Electronics, Consulting Company. The hydropower resource service is calculated based on the price paid to the water supply and power supply agency. Because the amount is small, it is not listed separately.

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X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(2) Related party trusteeship/contractual operation/situation of outsourcing

The Company's entrusted management/contracting situation table:

Entrusting party	Entrusted party	Type of entrustment	Date of the commencement of the trusteeship	Date of the termination of the trusteeship	The basis of pricing for the trusteeship	Custody income/contracting income recognized during the period
Baotong Company	The Company	Equity trusteeship	1 January 2020	30 June 2020	Negotiated price	4,136,792.45

The Company is entrusted by Baotong Company to be responsible for the operation and management of Longda Expressway in the form of equity custody. The two parties signed an entrusted management contract on 28 December 2019. The contract stipulates that the entrustment period is from 1 January 2020 to 31 December 2020. The entrusted management fee was RMB8,770,000.00 including tax. In November 2020, Longda Expressway was included in the scope of consolidation of the Company. The equity transfer agreement between the Company and Baotong Company stipulates that starting from 1 July 2020, the Company will no longer accrue the custody income of Longda Expressway. This year, the recognized custody income was RMB4,136,792.45 (2019: RMB8,273,584.90).

(3) Related leases

(a) As a lessor:

Item	Assets leased	2020	2019
Consulting Company	Office building	440,838.12	440,838.12
Citic Logistics & Whole-process Logistics Company	Equipment	157,883.80	4,252,650.85

(b) As a lessee:

Item	Assets leased	2020	2019
Xin Tong Chan Company & Huayu Company	Billboard land use rights	871,398.18	758,571.47

The individual transaction amounts were not disclosed as they were not material.

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)**5. Related party transactions (Continued)****(4) Remuneration of key management personnel**

Item	2020	2019
Remuneration of key management personnel	12,677,700.00	16,128,606.19

Key management personnel include directors, supervisors and senior management personnel. The Company had a total of 22 members of key management personnel (2019: 21) during the year.

Note: The above table does not include: (a) the 2019 risk mortgage rewards of RMB35,000, RMB24,000, RMB13,100, RMB15,000 and RMB15,000 received by directors Hu Wei, Liao Xiangwen, Wang Zengjin and senior executives Sun Ce, Huang Binan and Chen Shouyi in 2020; (b) the performance bonus of RMB252,600 received by director Hu Wei in 2020; (c) the Nanjing Wind Power risk responsibility incentive funds of RMB420,000, RMB84,000, RMB84,000 and RMB84,000 received by directors Hu Wei, Liao Xiangwen, Wen Liang and senior executives Gong Taotao and Zhao Guiping; (d) the long-term incentive bonuses that should be issued in 2019 and received by directors Liao Xiangwen, Wang Zengjin, Wen Liang and senior executives Gong Taotao, Sun Ce, Huang Binan, Wen Powei, Zhao Guiping and Chen Shouyi in 2020. The pre-tax amounts were RMB405,100, RMB725,000, RMB725,000, RMB725,000, RMB725,000, RMB725,000, RMB725,000 and RMB725,000.

(a) Remuneration of directors and supervisors

The remuneration of each director and supervisor in 2020 is as follows:

Name	Remuneration	Wages and bonuses	Total
Hu Wei*	–	1,000,000.00	1,000,000.00
Liao Xiangwen*	–	1,164,800.00	1,164,800.00
Wang Zengjin*	–	1,040,000.00	1,040,000.00
Wen Liang	–	–	–
Cai Shuguang	210,000.00	–	210,000.00
Wen zhaohua (passed away)	210,000.00	–	210,000.00
Chen Xiaolu	210,000.00	–	210,000.00
Bai hua	210,000.00	–	210,000.00
Xin Jian*	–	533,100.00	533,100.00

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X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(4) Remuneration of key management personnel (Continued)

(a) Remuneration of directors and supervisors (Continued)

The remuneration of each director and supervisor in 2019 is as follows:

Name	Remuneration	Wages	Total
Hu Wei*	–	1,000,000.00	1,000,000.00
Liao Xiangwen*	–	1,314,000.00	1,314,000.00
Wen Liang*	–	865,735.00	865,735.00
Wang Zengjin*	–	1,280,351.00	1,280,351.00
Cai Shuguang	210,000.00	–	210,000.00
Wen zhaohua (passed away)	210,000.00	–	210,000.00
Chen Xiaolu	210,000.00	–	210,000.00
Bai hua	210,000.00	–	210,000.00
Xin Jian*	–	425,139.00	425,139.00

* Remuneration of directors and supervisors has been reflected in the remuneration of key management personnel.

During the year, the meeting allowance (before tax) for directors Hu Wei, Liao Xiangwen, Wang Zengjin, Wen Liang, Chen Yan, Chen Yuanjun, Fan Zhiyong, Chen Zhisheng, Chen Kai, Cai Shuguang, Wen Zhaohua, Chen Xiaolu, Bai Hua and supervisor Xin Jian, Lin Jitong and Ye Jun was RMB11,500.00, RMB14,500.00, RMB11,500.00, RMB14,500.00, RMB13,000.00, RMB12,500.00, RMB13,000.00, RMB4,000.00, RMB7,000.00, RMB13,500.00, RMB14,500.00, RMB17,000.00, RMB17,000.00, RMB13,500.00, RMB7,500.00, RMB12,500.00, respectively. Among them, directors Hu Wei, Liao Xiangwen, Wang Zengjin, Wen Liang, Chen Yan, Chen Yuanjun, Fan Zhiyong, Chen Kai and supervisor Lin Jitong and Ye Jun waived the meeting allowance receivable for the year.

In addition, directors Hu Wei, Liao Xiangwen, Wang Zengjin (Executive director since June 2020), supervisor Xin Jian also obtained other benefits and allowances, including employer contributions to retirement plans, medical care contributions and others, with amounts of RMB201,700.00 (2019: RMB234,446.06), RMB212,200.00 (2019: RMB232,858.06), RMB208,400.00 (2019: RMB231,042.06), and RMB108,400.00 (2019: RMB137,375.43), respectively.

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)**5. Related party transactions (Continued)****(4) Remuneration of key management personnel (Continued)**

(b) *The top five highest paid members of the management team*

During the year, the top five highest paid members of the Group including 2 directors (2019: 2 director and supervisor), whose remuneration was reflected in the above table. The total amount of remuneration of the remaining 3 highest paid members (2019: 3) is as follows:

	2020	2019
Basic salary, bonus, housing subsidy, pension and other subsidies	3,689,000.00	4,588,435.18

	2020	2019
Salary range:		
HKD0 to 1,000,000	–	–
HKD1,000,001 to 1,500,000	3	–
HKD1,500,001 to 2,000,000	–	3
HKD2,000,001 and above	–	–

(5) Borrowings from/to related parties

Borrowings from related parties :

Related party		Amount of borrowings	Ending balance	Annual interest rate	Inception date	Due date
GZ W2 Company (a)	Note V.33(b) (v)	67,500,000.00	67,500,000.00	4.275%	2018/9/30	2021/9/20
GZ W2 Company (b)	Note V.33(b) (v)	37,500,000.00	37,500,000.00	4.275%	2019/12/26	2022/12/25
Jiangzhong Company (c)	Note V.33	60,000,000.00	–	3.915%	2018/11/27	2020/12/31
United Land Company (d)	Note V.30(1)	277,830,000.00	–	3.650%	2019/4/23	2020/4/22
United Land Company(e)	Note V.35(1) (b)	514,500,000.00	398,590,517.48	3.650%	2019/8/1	2022/7/24
United Land Company(e)	Note V.35(1) (b)	328,800,000.00	328,800,000.00	3.650%	2019/10/29	2022/7/24
United Land Company(e)	Note V.35(1) (b)	220,000,000.00	220,000,000.00	3.650%	2019/11/27	2022/7/24
United Land Company(e)	Note V.35(1) (b)	555,660,000.00	555,660,000.00	3.650%	2019/12/24	2022/7/24
United Land Company(e)	Note V.35(1) (b)	445,900,000.00	445,900,000.00	3.650%	2020/05/06	2022/7/24

(a) In September 2018, the Company signed an entrusted loan contract with Guangzhou West Second Ring Company and Industrial and Commercial Bank of China Co., Ltd. Guangzhou West Second Ring Company entrusted the Industrial and Commercial Bank of China Co., Ltd to issue entrusted loans of RMB67,500,000.00 to the Company. The loan will be used for the daily business activities of the Company. The loan term is 3 years and the annual interest rate of the loans is 4.275%. During the year, the Company confirmed the relevant interest expense of RMB3,051,542.42.

(b) In December 2019, the Company signed an entrusted loan contract with Guangzhou West Second Ring Company and Industrial and Commercial Bank of China Co., Ltd. The Guangzhou West Second Ring Company entrusted the Industrial and Commercial Bank of China Co., Ltd to issue an entrusted loan of RMB37,500,000.00 to the Company. This will be used for the Company's daily business activities. The loan is 3 years, and the annual interest rate of the loan is 4.275%. During the year, the Company confirmed interest expenses of RMB1,695,301.34 for this loan.

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X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (Continued)

(5) Borrowings from/to related parties (Continued)

- (c) In November 2018, the Company signed an entrusted loan contract with Jiangzhong Company and Industrial and Commercial Bank of China Co., Ltd. Jiangzhong Company entrusted the Industrial and Commercial Bank of China Co., Ltd to issue an entrusted loan of RMB60,000,000.00 to the Company. The loan will be used for the daily procurement of materials for the maintenance and repair of road pavements and facilities. The term of the loan is 5 years, and the annual interest rate of the loan is 3.915%. In December 2020, the Company has set off the loan and the Company confirmed interest expense of RMB2,185,875.00 for this loan.
- (d) In April 2019, the Company and United Land Company signed a loan agreement, which stipulated that United Land company provided borrowings of RMB277,830,000.00 to the Company. The loan period is one year and the annual interest rate of the loan is 3.65%. In April 2020, the Company has set off the loan and the Company confirmed interest expense of RMB3,103,194.10 for this loan.
- (e) In July 2019, the Company and United Land Company signed a loan agreement, which stipulated that United Land Company provided borrowings of not exceeding RMB2,058 million to the Company. The loan period is three years and the annual interest rate of the loan is 3.65%. The Company actually borrowed RMB2,064,860,000.00 and the balance of loans at the end of the year was RMB1,948,950,517.48. In the current year, the Company acknowledged the relevant interest expense of RMB68,932,030.23.

(6) Other related party transactions

Name of related party	Nature of transaction	2020	2019
Shenzhen International United Land Company	Interest on reduced capital	–	644,706.26

* The related transactions mentioned above in items (2), (3(b)) and (6) also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules.

6. Receivables due from and payables due to related parties

(1) Receivable items

Item	Related parties	31 December 2020		31 December 2019	
		Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Accounts receivable	Baotong Company	5,388,033.27	–	2,295,854.23	–
Accounts receivable	Huayu Company	250,940.72	–	–	–
Other receivable	Huayu Company	20,000.00	–	20,000.00	–
Other receivables	Consulting Company	84,050.00	–	84,050.00	–
Other receivables (Note V. 6(3))	Shenzhen International Holdings	–	–	144,619,354.91	–
Other receivables (Note V. 6(3))	Shenzhen International	–	–	3,092,179.04	–
Advances	Consulting Company	355,000.00	–	1,248,751.13	–
Advances	United Electronic Company	41,423.45	–	60,526.80	–
Long-term receivables	Citic Logistics	–	–	1,941,782.82	19,376.51
Long-term receivables	Whole-process Logistics Company	1,060,685.26	5,361.00	2,081,010.28	21,013.23
Long-term receivables	Baotong Company	–	–	532,610.78	–
Other non-current assets	United Land Company	342,599,500.00	–	342,599,500.00	–
Current portion of non-current assets (Note V. 13(1))	Baotong Company	–	–	64,946,021.63	–

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)**6. Receivables due from and payables due to related parties (Continued)****(2) Payable items**

Item	Related parties	31 December 2020	31 December 2019
Accounts payable	Consulting Company	9,430,065.02	3,983,139.38
Accounts payable	United Electronic Company	374,997.06	136,082.90
Accounts payable	Huayu Company	7,500.00	13,500.00
Accounts payable	Xin Tong Chan Company	79,279.25	80,279.25
Accounts payable	SC Logistics Company	2,107.80	2,107.80
Other payables	United Land Company	–	284,859,099.00
Other payables	Consulting Company	18,203,977.18	20,143,387.54
Other payables	United Electronic Company	1,429,573.01	591,084.13
Other payables	Guizhou Pengbo	955,680.55	515,680.55
Other payables	Xin Tong Chan Company	5,000.00	5,000.00
Other payables	Shenzhen International Modern Logistics petty loan	2,196.12	2,196.12
Other payables	Shenzhen International Limited	–	129,249,890.99
Other payables	Shenzhen International Holdings	1,618,400.33	881,101.19
Other payables	Huayu Company	–	12,011.08
Long-term payables	United Land Company	2,017,882,547.71	1,630,108,698.00

All receivables and payables to related parties excluded borrowings from related parties are non-interest bearing, unsecured and have no fixed repayment terms. The borrowings from related parties are interest bearing and have repayment terms.

7. Commitments to related parties

The following table presents the commitment that had been contracted but not yet recognized on the statement of financial position:

(1) Receiving service

Item	2020	2019
Consulting Company	16,289,446.39	22,106,438.74

(2) Investment commitments

On 31 December 2020, the Group's investment commitments to related parties are RMB748,335,914.05 (31 December 2019: RMB537,085,914.05), including the Company's commitments to increase the capital of Yangmao Company's renovation and expansion project of RMB433,335,914.05 and the Company's commitments to the subscribed capital contribution of Environmental Technology Industry M&A Fund of RMB315,000,000.00.

(3) Equity acquisition commitments

On 31 December 2020, the Group had no equity acquisition commitments.

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XI. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

In addition to the related party commitments disclosed in Note X.7, the important commitments of the Group are as follows:

(1) Capital commitments

(a) *Capital commitments approved by management but not yet contracted at the end of the reporting period:*

Item	31 December 2020	31 December 2019
Expressway construction projects	3,740,668,775.11	2,424,579,036.04
Wind power construction projects	1,015,240,000.00	–
Kitchen waste treatment projects	1,114,107,327.17	–
Total	5,870,016,102.28	2,424,579,036.04

(b) *Capital commitments contracted by management but not provided for at the end of the reporting period:*

Item	31 December 2020	31 December 2019
Expressway development projects	2,694,097,986.31	1,753,019,728.31
Kitchen waste treatment projects	548,835,823.49	–
Total	3,242,933,809.80	1,753,019,728.31

(2) Investment commitments

On 31 December 2020, the Group had no investment commitments.

2. Contingencies

(1) Significant contingencies at the end of the reporting period:

(a) On 31 December 2020, the Group provided a stage-and-combined liability guarantee of RMB606,726,985.54 to the bank for its house mortgage loans granted by the bank to the Group's property buyers. Under the terms of the guarantee, the Group is responsible for paying the outstanding mortgage loans and any accrued interest and penalties owed to the banks by the buyers in arrears if the buyers default in the mortgage payments and the Group can then receive legal ownership of the property. The Group's guarantee period expires from the date on which the bank granted the mortgage loan to acquire certain individual property ownership certificates from property buyers of the Group. Management believes that if the payment is in arrears, the net realisable value of the property is sufficient to cover the outstanding mortgage loans together with any accrued interest and penalties, and no provision is made for these guarantees.

XI. COMMITMENTS AND CONTINGENCIES (CONTINUED)**2. Contingencies (Continued)****(1) Significant contingencies at the end of the reporting period: (Continued)**

- (b) On 16 December 2016, Guangxi Bioland and Yonker Environmental Protection Co.,Ltd. (Yonker Environmental) entered into a contractor agreement, in relation to a project on food and kitchen waste utilization and renovation and expansion of a harmless treatment plant. On 19 November 2019, Yonker Environmental filed with Nanning Intermediate People's Court for property preservation. At 27 November 2019, the court ruled on property preservation and froze the property of Bioland Company and It was required to pay the equipment fund occupancy fee, civil engineering fee, civil engineering fee interest and liquidated damages totaling RMB31,648,600.00. On 25 December 2019, Yonker Environmental filed a lawsuit against Bioland Group and its subsidiary at the Nanning Intermediate People's Court of Guangxi Zhuang Autonomous Region, pursuant to which it claimed an amount of RMB31,648,596.79 from the subsidiary of Bioland Group (being the equipment occupancy fees, project fees, interest on the project fees and penalty for breach of agreement), requested Bioland Company to assume joint and several repayment responsibility for its subsidiary. The subsidiary of Bioland Company has counter-claimed the claimant for a compensation of RMB50,000,000 for the loss from the delay in construction and failure to complete the work on time caused by the claimant. This litigation was still in processed on 31 December 2020. With the assistance of the attorney representing the company in charge of the case, the board of directors believes that the outcome of the lawsuit and the compensation obligation (if any) cannot be reliably estimated.
- (c) In order to solve the financial problems of customers in purchasing wind power equipment and broaden the sales channels of wind power equipment, Nanjing Wind Power and China Development Bank Financial Leasing Co., Ltd. ("China Bank Leasing") launched a financial lease sales cooperation and the two parties agreed that China Bank Leasing provides financial leasing for Nanjing Wind power's terminal customers. If the terminal customer does not fulfill the payment obligation under the financial lease agreement, Nanjing Wind Power shall assume the obligation to re-dispose of the leased equipment and make up the difference b between the disposal price of leasing equipment belonging to Bank of China Leasing and the balance of finance leasing that has not been recovered. As at 31 December 2020, the financial lease balance was RMB846,166,575.00.
- (d) On October 28, 2016, Nantong Fourth Construction Group Co., Ltd. (hereinafter referred to as "Nantong Sijian") and Taizhou Bioland signed the "Taizhou Kitchen Waste Treatment Project Construction Contract" (hereinafter referred to as the "Contract"), It is agreed that Nantong Sijian will be responsible for the civil engineering, hydropower installation, mechanical and electrical equipment procurement and installation of the project. The contract price is tentatively set at RMB185,568,577.68. On December 30, 2017, Nantong No.4 Construction completed the additional works within the scope of the contract and outside the contract. On October 12, 2020, Nantong Sijian filed a lawsuit with the People's Court of Hailing District, Taizhou City, Jiangsu Province, with the following claims: First, the court ordered Taizhou Bioland to pay the remaining project cost of RMB42,952,327.45, and the annual interest rate was 6.5%. The standard payment of the above payment is RMB3,279,007.94 for one-year interest, the loss of interest for overdue payment is RMB4,730,721.62 and the payment of liquidated damages of RMB364,872.33, second, it is required to confirm that Nantong Sijian has the priority of compensation for the project price involved in the above case; Taizhou Bioland is required to bear the case acceptance fee, preservation fee, and liability insurance premium. Taizhou Bioland filed a counterclaim on November 30, 2020, requesting Nantong Sijian to compensate Taizhou Bioland for the loss of RMB1,408,072.96 yuan and the interest of the overdue payment due to the quality problem of the foundation engineering of the marsh airbag foundation. As of December 31, 2020, the case has been in court but has not yet been judged. At present, the result of the lawsuit and the liability for compensation (if any) cannot be reliably estimated.

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XII. EVENTS AFTER THE END OF THE REPORTING PERIOD

1. On 25 January 2021, Shenzhen Expressway (Guangdong) New Energy Investment Co., Ltd., a wholly-owned subsidiary of the Company, and Jiangsu Jinzhi Technology Co., Ltd. (“Jinzhi Technology”), Jiangsu Jinzhi Group Co., Ltd. (Jinzhi Technology), the controlling shareholder, Mulei County Qianzhiyuan Development Co., Ltd. (“Qianhui Company”) and Mulei County Qianhui Energy Development Co., Ltd. (“Qianhui Company”) signed an equity transfer and capital increase agreement. The Company will acquire 100% of the equity of Qianzhi Company and Qianhui Company at a price of RMB290 million and RMB160 million respectively and contribute capital of RMB189,183,100 to Qianzhi Company and Qianhui Company after the equity transfer is completed. In summary, the Company will invest a total of RMB743.56 million in Qianzhi Company and Qianhui Company, of which the equity transfer consideration will be RMB450 million and the capital increase will be RMB293.56 million. After the above-mentioned equity transfer is completed, Qianzhi Company and Qianhui Company will become wholly-owned subsidiaries indirectly held by the Company and merged into the financial statements of the Company.
2. On 8 December 2020, the company won the bid for the Guangming Environmental Park PPP project of Urban Management and Comprehensive Law Enforcement Bureau of Guangming District, Shenzhen. On February 7, 2021, the Project Company of Shenzhen Guangmingshen High-speed Environmental Technology Co., Ltd, a wholly-owned subsidiary of the company, which was established with an investment of RMB200 million for the implementation of the Guangming Project, signed the Franchise Agreement for the Guangming Environmental Park PPP Project and the Contract for the Guangming Environmental Park PPP Project with the Guangming City Management Bureau. Guangming Project, located in Guangming District, Shenzhen, will build a new kitchen waste treatment plant with a capacity of 1,000 tons per day. Construction of a building capable of handling large (waste furniture waste of 100 tons/day, green waste of 100 tons/day site conditions, etc. The total static investment of the project is estimated to be about RMB708 million.
3. According to the general authorization granted by the Company’s general meeting of shareholders to the board of directors to issue bond financing instruments, the Company has applied to the China Association of Interbank Market Dealers (“Association of Dealers”) to register for the issuance of RMB2 billion ultra-short-term financing bonds and has approved. According to the “Notice of Acceptance of Registration” issued by the Association of Dealers (Zhongshi Xie Note [2020] SCP704), the Company’s ultra-short-term financing bonds have a registered amount of RMB2 billion and the registration limit is from the date of signing of the “Notice of Acceptance of Registration” Effective within 2 years from the beginning, the Company can issue ultra-short-term financing bills in installments within the validity period of the registration. From February 23 to February 24, 2021, the Company issued the first phase of 2021 ultra-short-term financing bonds on the Chinese inter-bank market. The issuance scale is RMB1 billion, the maturity is 60 days and the issuance interest rate is 2.65%. The purpose is for the Group to repay interest-bearing debts.
4. The Company and Shenzhen Investment Holding Co., Ltd. (“Shenzhen Investment Holding”), the indirect controlling shareholder of the Company, entered into a Memorandum of Understanding dated March 15, 2021. According to the Memorandum of Understanding, in order to actively promote the reform of state-owned enterprises and improve the industrial layout of state-owned assets, Shenzhen Investment Group will eventually transfer all 71.83% of its interests in the Bay Area Development to the company. The Company shall, within 5 days from the date of signing the MOU, pay a goodwill payment of HK \$10 million to SZ Investment Holding for the exclusive right to transfer the development interests of the Bay Area. Within 6 months from the date of signing the MOU (the “Exclusivity Period”), SZ Investment Holding shall not discuss the transfer of the development interests of the Bay Area with any third party.

XII. EVENTS AFTER THE END OF THE REPORTING PERIOD (CONTINUED)

5. On 8 March 2021, the Board of Directors of the Company and Shenzhen International (the controlling shareholder of the Company) announced that the Company had entered into an agreement to purchase real estate for the amount of RMB1,558,648,480.00 between the Company and Rolandsberg Company. Due to the strategic changes in the company's business structure, the dual business of highway operation and environmental protection continues to develop rapidly, and the number of employees and affiliated companies continues to increase, so it purchased the office property to meet the needs of the office. The office property is located in the 35–48th floor of Hanjing Financial Center, No. 9968 Shennan Avenue, Nanshan District, Shenzhen, China, with a total construction area of about 23,796.16 square meters. The permitted use of the office is for commercial use, and the land use right term is from November 22, 2013 to November 21, 2053.

XIII. OTHER SIGNIFICANT MATTERS**1. Segment information****(1) Recognition and accounting policies of reportable segments:**

The reporting segment of the Group is a business unit that provides different services. Since various businesses require different technologies and market strategies, the Group independently manages the production and operation activities of the reporting segment and evaluates its operating results to decide to allocate resources to it and evaluate its performance.

The Group has two reportable segments: toll road segment, which takes charge of operation and management of toll roads in Mainland China, and environmental protection segment, which refers to the operation and management of environmentally related infrastructure, mainly including solid waste treatment and clean energy and other business fields.

Other businesses principally comprise the provision of construction management services, advertising services, property development, finance leases and other services. These businesses cannot be separated into reportable segments.

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XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

1. Segment information (continued)

(2) Segment information

2020	Toll road	Environmental protection	Others	Unallocated	Total
Revenue from external customers	4,386,674,349.61	2,520,621,312.93	1,119,441,437.45	–	8,026,737,099.99
Cost of service	2,422,202,538.44	2,039,567,237.83	752,747,236.89	–	5,214,517,013.16
Interest income	222,405.65	14,709,029.39	25,670,323.54	20,476,513.68	61,078,272.26
Interest expenses	504,303,585.06	161,452,289.78	30,829,537.07	–	696,585,411.91
Share of profits of associates	172,488,678.77	206,420,366.54	501,820,927.29	–	880,729,972.60
Gains or loss on disposal of assets (loss shown with “-”)	-32,224.59	–	93,775.26	12,978.64	74,529.31
Asset impairment loss (loss shown with “-”)	–	–	-116,143.51	–	-116,143.51
Credit impairment loss (loss shown with “-”)	–	-46,442,140.29	-1,762,919.49	–	-48,205,059.78
Depreciation and amortization	1,584,516,195.09	153,717,602.60	28,543,635.09	19,784,126.52	1,786,561,559.30
Total profit	1,919,129,530.97	320,948,965.22	662,439,154.74	-193,051,269.70	2,709,466,381.23
Income tax expense	398,787,015.45	10,819,272.08	64,304,346.51	–	473,910,634.04
Net profit	1,520,342,515.52	310,129,693.14	598,134,808.23	-193,051,269.70	2,235,555,747.19
31 December 2020					
Total assets	35,055,325,218.77	13,532,849,683.25	6,220,219,563.07	336,567,577.54	55,144,962,042.63
Total liabilities	18,009,151,304.18	6,657,326,309.65	1,513,902,088.54	2,685,472,456.49	28,865,852,158.86
2020					
Long-term equity investments in associates	1,231,212,138.41	4,731,388,972.99	2,976,724,338.38	–	8,939,325,449.78
Increase in original value of non-current assets other than financial assets, long-term equity investments and deferred income tax assets	2,643,131,539.27	3,376,757,964.03	81,348,364.71	25,681,954.54	6,126,919,822.55

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)**1. Segment information (continued)****(2) Segment information (continued)**

2019	Toll road	Environmental protection	Others	Unallocated	Total
Revenue from external customers	4,722,126,783.24	598,968,458.64	1,069,199,868.94	–	6,390,295,110.82
Cost of service	2,345,480,765.93	430,021,848.73	810,041,613.81	–	3,585,544,228.47
Interest income	11,529,751.25	3,984,388.20	9,263,730.63	27,320,211.63	52,098,081.71
Interest expenses	563,223,508.87	41,298,956.70	12,384,387.07	–	616,906,852.64
Share of profits of associates	219,855,987.47	193,467,531.92	486,360,781.00	–	899,684,300.39
Gains or loss on disposal of assets (loss shown with “-”)	386,045.39	–	–	–	386,045.39
Asset impairment loss (loss shown with “-”)	552,000,000.00	–	–	–	552,000,000.00
Credit impairment losses (loss shown with “-”)	–	-1,588,152.29	7,023,914.71	–	5,435,762.42
Depreciation and amortization	1,481,740,400.39	32,975,665.39	35,573,615.11	14,256,888.27	1,564,546,569.16
Total profit	1,606,347,459.82	331,576,105.39	787,909,350.05	-185,234,742.12	2,540,598,173.14
Income tax expense	-122,177,523.79	9,135,240.18	108,235,941.09	-63,273,703.76	-68,080,046.28
Net profit	1,728,524,983.61	322,440,865.21	679,673,408.96	-121,961,038.36	2,608,678,219.42
31 December 2019					
Total assets	32,026,086,272.52	8,907,580,337.25	4,536,274,983.53	188,472,065.61	45,658,413,658.91
Total liabilities	19,209,350,529.06	3,483,071,087.62	-298,472,211.23	2,216,555,341.22	24,610,504,746.67
2019					
Long-term equity investments in associates and joint ventures	1,508,731,533.68	4,525,056,258.95	2,672,501,549.10	–	8,706,289,341.73
Addition of non-current assets other than financial assets, long-term equity investments and deferred tax assets	2,179,104,854.33	1,821,475,726.69	267,149,383.01	6,580,238.04	4,274,310,202.07

(3) Other information

The Group's revenue from external customers and the total non-current assets other than financial assets and deferred tax assets are all derived from the PRC. The Group did not generate revenue from sales to any single customer that reached or exceeded 10% of the Group's revenue for the year.

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XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

2. Leases

(1) As lessor

Finance leases

The Group leases transportation equipment and machines, with leases ranging from 1 to 8 years, which form finance leases.

The profit or loss relating to finance leases is as follows:

Item	2020	2019
Finance income on the net investment in the lease	25,087,568.86	11,951,032.95

As at 31 December 2020, the balance of unearned finance income was RMB226,949,816.87 (31 December 2019: RMB21,280,452.58), which was allocated to each period during the lease term using the effective interest method. The Group had total future minimum lease receivables under non-cancellable leases with its tenants falling due as follows:

Item	2020	2019
Within 1 year, inclusive	111,503,772.76	91,172,611.71
1 to 2 years, inclusive	80,697,360.57	43,157,529.71
2 to 3 years, inclusive	70,442,741.57	20,741,957.35
3 to 4 years, inclusive	66,893,968.26	15,459,952.92
4 to 5 years, inclusive	62,919,459.00	11,890,821.45
Over 5 years	379,464,645.30	13,872,390.88
Less: Unearned finance income	226,949,816.87	21,280,452.58
Net investment in the lease	544,972,130.59	175,014,811.44

Operating leases

The Group leases out some parking spaces and the lease period is not a regular period, which form operating leases. According to the lease contract, the rent needs to be adjusted every year according to the market rent situation. For the year ended 31 December 2020, the Group's income from the rental of houses and buildings was RMB8,260,843.49 (2019 : RMB2,735,601.28). Leased houses and buildings are listed in investment real estate. See Note V.16.

The Group leases out transportation equipment, machinery and the lease period is not a regular period, which form operating leases.

The Group also leases highway billboards and service areas, with leases ranging from 1 to 3 years, which form operating leases.

Item	2020	2019
Lease income	35,073,229.83	22,315,960.50

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)**2. Leases (Continued)****(1) As lessor (Continued)***Operating leases (Continued)*

The Group had total future minimum lease receivables under non-cancellable leases with its tenants falling due as follows:

Item	2020	2019
Within 1 year, inclusive	17,938,934.01	16,673,859.02
1 to 2 years, inclusive	5,098,562.88	9,485,035.97
2 to 3 years, inclusive	3,737,909.38	4,531,476.19
3 to 4 years, inclusive	3,162,560.00	3,453,380.95
4 to 5 years, inclusive	204,120.00	3,207,036.19
Over 5 years	542,960.00	951,200.00
Total	30,685,046.27	38,301,988.32

(2) As lessee

Item	2020	2019
Interest expenses on lease liabilities (Note V.51)	7,234,089.26	14,227,011.48
Expenses relating to short-term leases accounted for by applying practical expedients	5,208,982.93	2,293,594.19
Expenses relating to leases of low-value assets accounted for applying practical expedients (other than short-term leases)	188,938.59	546,755.76
Income from sublease of right-of-use assets	7,897,876.68	2,287,794.17
Total cash outflow for leases	62,926,682.28	49,652,588.92

The Group has lease contracts for various items of houses and buildings, vehicles and other equipment used in the operating process. Leases of houses and buildings and machinery generally have lease terms of 1 to 22 years, while those of vehicles and other equipment generally have lease terms of 1 to 3 years. A few lease contracts contain options for renewal and termination.

Sale and leaseback transaction

In order to meet the capital requirements, the Group uses the sale and leaseback form of financing for the Bioland Environment food waste disposal project's equipment for a lease period of 1 to 8 years.

Item	2020	2019
Sale and leaseback transaction cash inflow	1,977,920.55	673,000,000.00
Sale and leaseback transaction cash outflow	779,934,983.19	26,022,898.75
Gains or losses arising from sale and leaseback transactions (Note V.35)	51,721,548.16	13,050,811.01

Other lease information

For right-of-use assets, see Note V.19; for simplified treatment of short-term leases and leases of low-value assets, see Note III.30; for lease liabilities, see Note V.37.

Notes to Financial Statements

2020
(RMB)

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

3. Comparable data

As Stated in Note VI.2, during the reporting period, Financial Leasing, China Logistics Finance and Longda Company were merged under common control into the Group's consolidation scope. The Company made retrospective adjustments to the consolidated financial statements data of previous years according to the relevant requirements of the Accounting Standards for Business Enterprises.

XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

(1) The aging of accounts receivable according to the recognition date is analysed below:

Item	2020	2019
Within 1 year	11,341,608.31	11,331,676.56
1 to 2 years	–	–
2 to 3 years	–	–
Over 3 years	8,809,432.81	4,838,866.44
Total	20,151,041.12	16,170,543.00

(2) Accounts receivable are analyzed by category as follows:

Item	2020			
	Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance
Receivables that are subject to provision by group with similar credit risk characteristics	20,151,041.12	100	–	–
Group 1	8,809,432.81	43.72	–	–
Group 2	11,341,608.31	56.28	–	–
Total	20,151,041.12	100	–	–

The aging of group 2 according to the recognition date is analyzed below :

Item	2020		
	Estimated default book balance	Expected credit loss rate (%)	Expected credit loss over the duration
Within 1 year	11,341,608.31	–	–
Total	11,341,608.31	–	–

XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)**1. Accounts receivable (Continued)****(2) Accounts receivable are analyzed by category as follows: (Continued)**

Item	2019			
	Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance
Receivables that are subject to provision by group with similar credit risk characteristics	16,170,543.00	100.00	–	–
Group 1	4,838,866.44	29.92	–	–
Group 2	11,331,676.56	70.08	–	–
Total	16,170,543.00	100.00	–	–

The aging of group 2 according to the recognition date is analyzed below:

Item	2019		
	Estimated default book balance	Expected credit loss rate (%)	Expected credit loss over the duration
Within 1 year	11,331,676.56	–	–
Total	11,331,676.56	–	–

(3) Accumulated accounts receivable from the five largest debtors:

Item	Balance	Provision for bad debts	% of total balance
Total accumulated accounts receivable from the five largest debtors at 31 December 2020	20,151,041.12	–	100.00
Total accumulated accounts receivable from the five largest debtors at 31 December 2019	16,163,313.05	–	99.96

2. Other receivables**(1) Other receivables are classified as follows:**

Item	2020	2019
Interest receivable	9,588,821.98	6,449,336.44
Dividends receivable	450,000,000.00	450,000,000.00
Other receivables	860,064,820.96	549,346,573.39
Total	1,319,653,642.94	1,005,795,909.83

Notes to Financial Statements

2020
(RMB)

XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (Continued)

(2) The aging of other receivables according to the recognition date is analyzed below:

Item	2020	2019
Within 1 year	802,023,477.17	483,144,327.89
1 to 2 years	14,861,946.96	476,608,031.77
2 to 3 years	456,868,460.89	181,085.27
Over 3 years	45,899,757.92	45,862,464.90
Total	1,319,653,642.94	1,005,795,909.83

(3) The changes in the ending balance and bad debt provision of other receivables based on expected credit losses are as follows:

Item	The first stage Expected credit loss over the next 12 months	
	Ending balance	Provision for bad debts
Balance on 1 January 2020	1,005,795,909.83	—
Additions	2,083,278,528.41	—
Reduction	1,769,420,795.30	—
Balance on 30 December 2020	1,319,653,642.94	—

Item	The first stage Expected credit loss over the next 12 months	
	Ending balance	Provision for bad debts
Balance on 1 January 2019	2,479,355,358.90	—
Additions	133,587,973.25	—
Reduction	1,607,147,422.32	—
Balance on 31 December 2019	1,005,795,909.83	—

(4) Other receivables by nature are analyzed as follows:

Nature	2020	2019
Dividends receivable	450,000,000.00	450,000,000.00
Loans receivable	545,997,537.77	378,789,412.68
Advances receivable	301,282,769.18	155,992,169.78
Receivable due to cancellation of toll stations in Yanpai and Yanba sections	9,209,048.19	11,170,906.19
Interest receivable	9,588,821.98	6,449,336.44
Others	3,575,465.82	3,394,084.74
Total	1,319,653,642.94	1,005,795,909.83

XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)**2. Other receivables (Continued)****(5) The five largest other receivables are analyzed as follows:****2020**

Categories	Nature	31 December 2020	Aging	% of total balance	Balance of provision for bad debts
Nanjing Wind Power	Loans receivable	485,000,000.00	Within 1 year	36.75	-
Mei Wah Company	Dividends receivable	450,000,000.00	2-3 years	34.10	-
Coastal Company	Advances receivable	152,262,183.67	Within 1 year	11.54	-
Mei Wah Company	Advances receivable	41,672,964.05	Over 3 years	3.16	-
Construction Bureau of Longhua District	Advances receivable	41,416,808.48	Within 3 years	3.14	-
Total	/	1,170,351,956.20	/	88.69	-

2019

Categories	Nature	31 December 2019	Aging	% of total balance	Balance of provision for bad debts
Mei Wah Company	Dividends receivable	450,000,000.00	1-2 years	44.74	-
Nanjing Wind Power	Loans receivable	300,000,000.00	Within 1 year	29.83	-
Coastal Company	Advances receivable	52,366,897.15	Within 1 year	5.21	-
Qinglong Company	Loans receivable	50,000,000.00	Within 1 year	4.97	-
Mei Wah Company	Advances receivable	41,750,067.95	Over 3 years	4.15	-
Total	/	894,116,965.10	/	88.90	-

3. Long-term equity investments

Item	2020			2019		
	Book balance	Impairment provided in current period	Book value	Book balance	Impairment provided in current period	Book value
Subsidiaries	21,698,802,208.41	-678,765,149.21	21,020,037,059.20	16,452,364,720.93	-678,765,149.21	15,773,599,571.72
Associates	3,983,708,903.47	-	3,983,708,903.47	3,967,922,683.17	-	3,967,922,683.17
Total	25,682,511,111.88	-678,765,149.21	25,003,745,962.67	20,420,287,404.10	-678,765,149.21	19,741,522,254.89

Notes to Financial Statements

2020
(RMB)

XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments (Continued)

(1) Investments in subsidiaries

Investee	31 December 2019	Addition of the period	31 December 2020	Cash dividend declared	Impairment provided on 31 December 2020
Airport-Heao Eastern Company	477,298,857.46	-	477,298,857.46	-	-
Meiguan Company	521,260,142.34	-	521,260,142.34	-	-
Qinglong Company	101,477,197.16	-	101,477,197.16	96,000,000.00	-
Advertising Company	3,325,000.01	-	3,325,000.01	50,000,000.00	-
Mei Wah Company	831,769,303.26	-	831,769,303.26	-	-
Qinglian Company	1,385,448,900.00	-	1,385,448,900.00	-	678,765,149.21
Outer Ring Company	100,000,000.00	5,000,000,000.00	5,100,000,000.00	-	-
Expressway Investment Company	380,000,000.00	-	380,000,000.00	-	-
Environmental Company	5,000,000,000.00	-	5,000,000,000.00	-	-
Operation Development Company	28,500,000.00	-	28,500,000.00	-	-
Shenchang Company	33,280,762.94	-	33,280,762.94	30,964,124.48	-
Yichang Company	1,270,000,000.00	-	1,270,000,000.00	-	-
Construction and Development Company	28,500,000.00	-	28,500,000.00	-	-
Infrastructure Environment Development Company	15,300,000.00	117,300,000.00	132,600,000.00	-	-
Coastal Company	5,587,939,407.88	-	5,587,939,407.88	-	-
Fund Management Company	9,500,000.00	-	9,500,000.00	-	-
Baotou Nanfeng	0.67	-	0.67	-	-
Financial Leasing Company	-	15,320,919.87	15,320,919.87	-	-
New Energy Company	-	10,000,000.00	10,000,000.00	-	-
Longda Company	-	103,816,567.61	103,816,567.61	-	-
Total	15,773,599,571.72	5,246,437,487.48	21,020,037,059.20	176,964,124.48	678,765,149.21

For investment in associated enterprises, please refer to Notes V.15. The company directly holds 2.92% of Guizhou Bank. Except for the investment of Guizhou Hengtongli and Derun Environment, all other investments of the Group in the associated enterprises are directly held by the company.

4. Revenue and costs of services

Item	2020		2019	
	Revenue	Cost	Revenue	Cost
Main businesses	615,025,300.47	162,256,516.94	667,662,764.59	136,187,766.16
Other businesses	133,728,321.38	115,910,851.89	179,795,923.67	168,579,102.04
Total	748,753,621.85	278,167,368.83	847,458,688.26	304,766,868.20

XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

5. Investment income

Item	2020	2019
Income from long-term equity investments under the equity method	655,401,158.35	705,905,909.94
Income from long-term equity investments under the cost method	176,964,124.48	489,432,484.94
Realized downstream trading gains and losses(a) (Note V.15(a))	32,252,473.61	22,402,839.33
Investment gain/loss from foreign exchange swap	17,955,000.00	26,860,000.00
Investment income from other non-current financial assets	6,395,165.94	30,125,114.78
Income from financial products	-	57,896.07
Total	888,967,922.38	1,274,784,245.06

- (a) In 2018, the United Land Company's compensation for the relocation of the office building properties of Meiguan Company was offset by the group's merger level to offset the shareholding portion of the asset disposal income. This year, the United Land Company's housing development project realized income. The proportion of properties sold was reversed to realized income of RMB32,252,473.61 (2019: RMB22,402,839.33).

XV. SUPPLEMENTARY INFORMATION

1. Detailed list of non-recurring profit or loss items

Item	Amount	Note
Income from entrusted management services	4,107,007.54	Income from entrusted management services provided to Longda Company in the current year.
The net profit and loss of the current period from the beginning of the period to the date of merger of the subsidiaries arising from the merger under common control	43,219,171.98	During the year, China Logistics Finance and Financial Leasing Company and Longda Company were included in the consolidated financial statements as an entity under common control. Net profit from the beginning of the current year to the combination date of the above companies.
Government subsidies included in current profits and losses	35,349,930.60	Abolish subsidies for provincial border toll stations and enterprises identify relevant awards or supporting funds
Capital appropriation fees for non-financial enterprises	8,890,000.00	Qinglong equity acquisition recognized fair value changes in the gains and losses of capital occupancy income
Gains and losses on changes in fair value of foreign currency swaps	-146,367,257.21	
Proceeds from the delivery of foreign currency swap instruments	17,955,000.00	
Gains and losses on changes in fair value of other non-current financial assets	104,024,236.54	

Notes to Financial Statements

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(RMB)

XV. SUPPLEMENTARY INFORMATION (CONTINUED)

1. Detailed list of non-recurring profit or loss items (Continued)

Item	Amount	Note
Acquisition of subsidiaries recognized fair value change gains and losses	40,000,000.00	Changes in fair value gains and losses due to the recognition of the acquisition of Qinglong shares
Financial income from paid capital lease in advance	1,165,853.24	The financial income generated by the repayment of the Three Gorges financing lease in advance
Non-current asset disposal proceeds	74,529.31	
Income and expenditure other than those mentioned above	-3,194,187.26	
Impact of income tax	-2,555,033.39	
Impact of minority interests	-5,161,458.69	
Total	97,507,792.66	

Basis for preparation of the detailed list of non-recurring profit or loss items:

Under the requirements in Explanatory Announcement No.1 on Information Disclosure by Companies Offering Securities to the Public – Non-Recurring Profits or Losses [2008] (“Explanatory announcement No.1”) from the CSRC, non-recurring profit or loss refers to transactions that are not directly relevant to the normal business operations, or those relevant to ordinary business, but are so extraordinary that would have an impact on users of the financial statements when making proper judgments on the performance and profitability of an enterprise.

2. Return on net assets and earnings per share

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary owners of the Company	10.83%	0.936	0.936
Net loss after deducting non-recurring profit or loss attributable to ordinary owners of the Company	10.34%	0.891	0.891

Company Information

I. Company Profile

Registered name	深圳高速公路股份有限公司
Chinese abbreviation	深高速
English name	Shenzhen Expressway Company Limited
English abbreviation	SZEW
Legal representative	HU Wei

II. Contact Information

	Secretary of the Board	Joint company secretary	Securities officer
Name	GONG Tao Tao	GONG Tao Tao, LAM Yuen Ling Eva	GONG Xin, XIAO Wei
Contact address	Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen		
Telephone	(86) 755-8285 3330; (86) 755-8285 3338		
Fax	(86) 755-8285 3400		
E-mail	secretary@sz-expressway.com		
Investor hotline	(86) 755-8285 3329		

Company Information

III. General Information

Registered address	Fumin Toll Station, Fucheng Street, Longhua District, Shenzhen (Postal Code:518110)
Place of business	Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen (Postal Code:518026)
Website	http://www.sz-expressway.com
E-mail	ir@sz-expressway.com
Principal place of business in Hong Kong	Room 1603, 16/F, China Building, 29 Queen's Road Central, Hong Kong Tel: (852) 2543 0633 Fax: (852) 2543 9996

IV. Information Disclosure and Site for Inspection

Designated publication newspaper	Shanghai Securities News, Securities Times, China Securities Journal, Securities Daily (for A Shares only)
Designated publication website	http://www.sse.com.cn http://www.hkexnews.hk http://www.sz-expressway.com
Annual report available at	PRC: Podium Levels 2-4, Jiangsu Building, Yitian Road, Futian District, Shenzhen Hong Kong: Room 1603, 16/F, China Building, 29 Queen's Road Central, Hong Kong

V. Security Profile

Type of securities	Listing exchange	Abbreviation	Security code
A Share	The Shanghai Stock Exchange	Shenzhen Expressway	600548
H Share	The Stock Exchange of Hong Kong Limited	Shenzhen Expressway	00548
Bond	The Stock Exchange of Hong Kong Limited	SZEW B2107	5684
Bond	The Shanghai Stock Exchange	20 Shenzhen Expressway 01	163300
Bond	The Shanghai Stock Exchange	G20 Shenzhen Expressway 1	175271

VI. Other Information

Auditor	Ernst & Young Hua Ming LLP Level 16, Ernst & Young Tower Oriental Plaza No.1 East Chang An Avenue Dong Cheng District Beijing, China Signing auditor: XIE Feng Eric, Liang Change
PRC legal adviser	Guangdong Junyan Law Firm Room C, 10th Floor, Block5 Dachong International Centre, Huarun, Shennan Street, Nanshan District, Shenzhen, China
Hong Kong legal adviser	Loong & Yeung, Solicitors Room 1603, 16/F, China Building, 29 Queen's Road Central, Hong Kong
Domestic share registrar and transfer office	China Securities Depository and Clearing Corporation Limited, Shanghai Branch 36/F, China Insurance Building, 166 Lujiazui Road East, Pudong New District, Shanghai
Share registrar and transfer office in Hong Kong	Hong Kong Registrars Limited 46/F, Hopewell Centre, 183 Queen's Road East, Hong Kong
Investor relations consultant of A Shares	Everbloom Investment Consultant Company Limited Room 3801-3803, Rongchao Trade Centre, 4028 Jintian Road, Futian District, Shenzhen
Investor relations consultant of H Shares	Wonderful Sky Financial Group 6/F, Nexus Building, No. 41 Connaught Road Central, Hong Kong
Principal banks	China Development Bank Industrial and Commercial Bank of China China Merchants Bank

Company Information

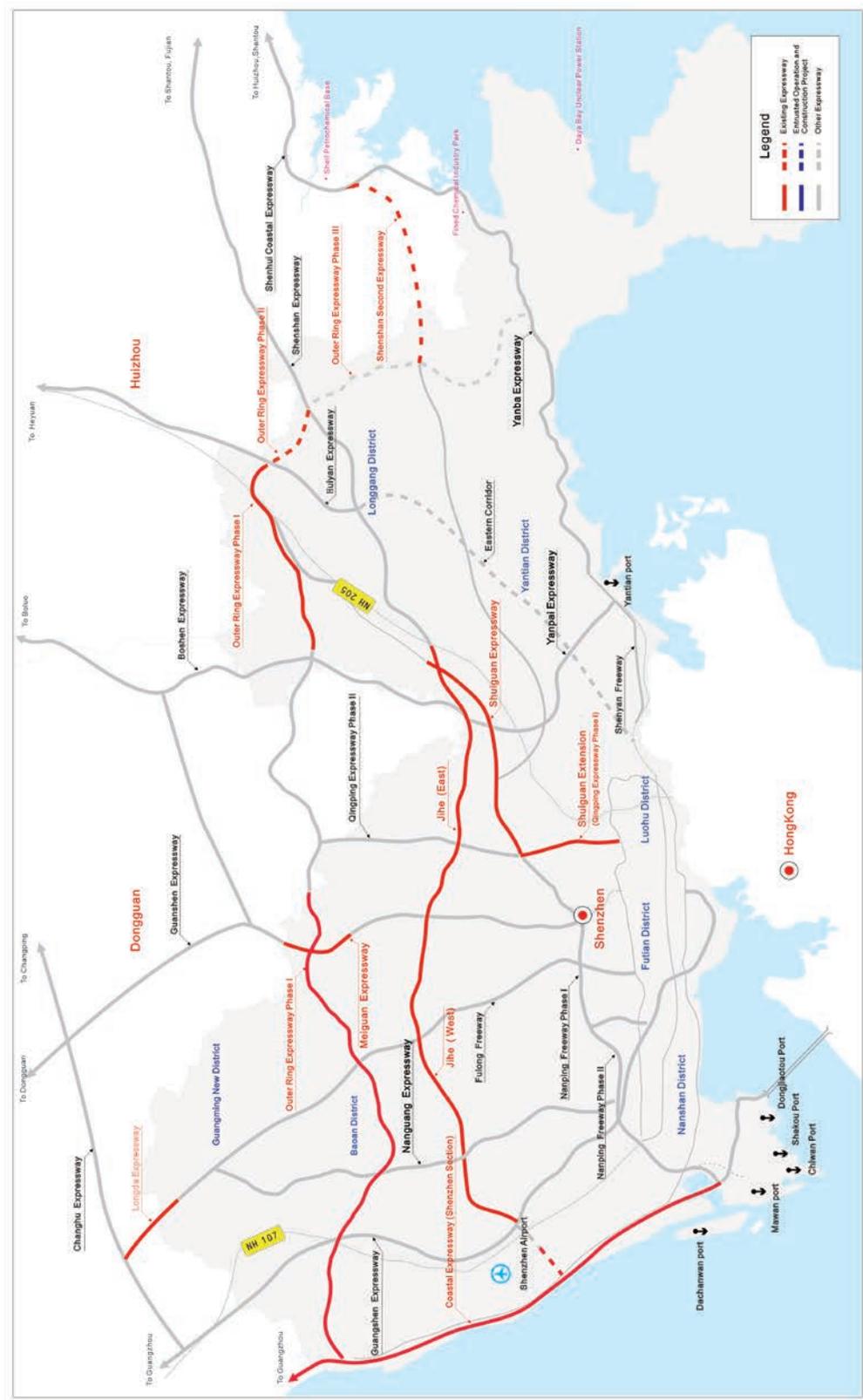
VII. Project Information (as at March 2021)

Toll highway	Interest held by the Company	Location	Toll mileage (km)	No. of lanes	Status
Meiguan Expressway	100%	Shenzhen	5.4	8	Under operation
Jihe East	100%	Shenzhen	23.7	6	Under operation
Jihe West	100%	Shenzhen	21.8	6	Under operation
Shuiguan Expressway	50%	Shenzhen	20.0	10	Under operation
Shuiguan Extension	40%	Shenzhen	6.3	6	Under operation
Coastal Project	100%	Shenzhen	36.6	8	Coastal Phase I: under operation Coastal Phase II: under construction
Outer Ring Project	100%	Shenzhen	60	6	Coastal Phase I: under operation Coastal Phase II: under construction
Longda Expressway ⁽²⁾	89.93%	Shenzhen	4.426	6	Under operation
Yangmao Expressway	25%	Guangdong	79.8	4	Under operation
GZ W2 Expressway	25%	Guangdong	40.2	6	Under operation
Qinglian Expressway	76.37%	Guangdong	216.0	4	Under operation
Wuhuang Expressway	100%	Hubei	70.3	4	Under operation
Yichang Project	100%	Hunan	78.3	4	Under operation
Changsha Ring Road	51%	Hunan	34.7	4	Under operation
Nanjing Third Bridge	25%	Jiangsu	15.6	6	Under operation

Note:

- (1) For detailed information, toll fees, historical operational data of above projects, and road network of peripheral area of the above projects, please refer to the column "Toll Roads & Bridges" under "Company Business", "Operational Statistics" under "Investor Relations" and "IR Materials" under "Investor Relations" in the website of the Company at <http://www.sz-expressway.com>.
- (2) On 1 December 2020, the Company completed the acquisition of 89.93% interests in Longda Expressway. For details, please refer to the announcement of the Company dated 9 November 2020.
- (3) On 24 December 2020, the Company contracted for the transfer of 30% interests in Guangyun Company and 25% interests in Jiangzhong Company. As at the date of this Report, the completion procedure of the equity transfer is still in progress.

Road Network of Shenzhen

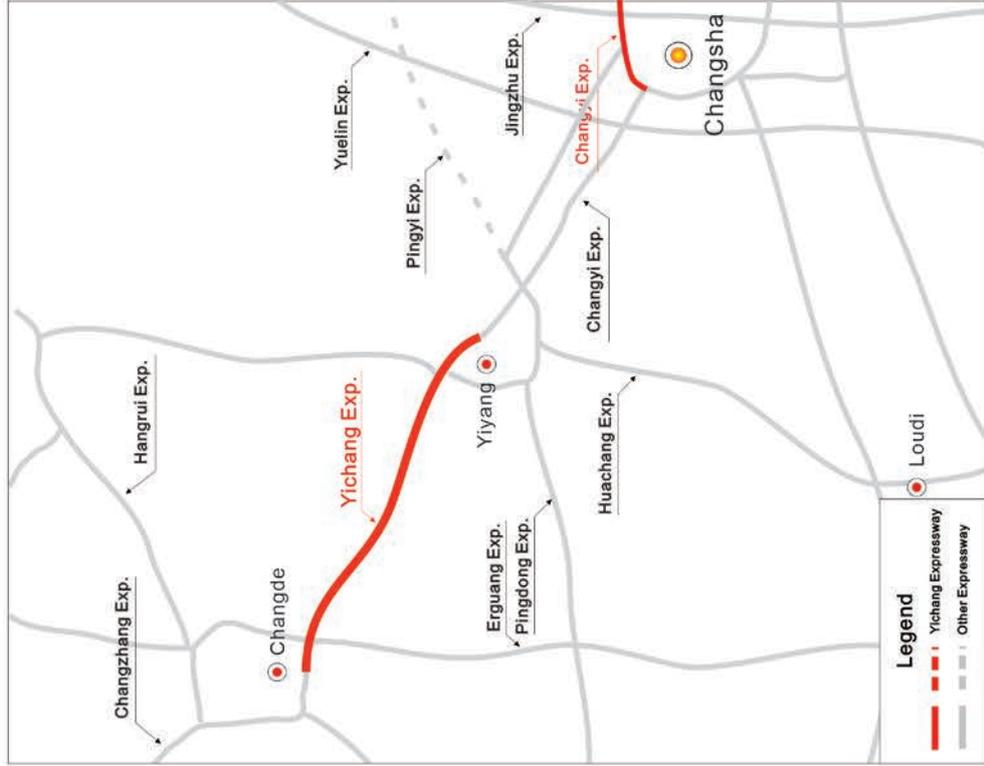


Company Information

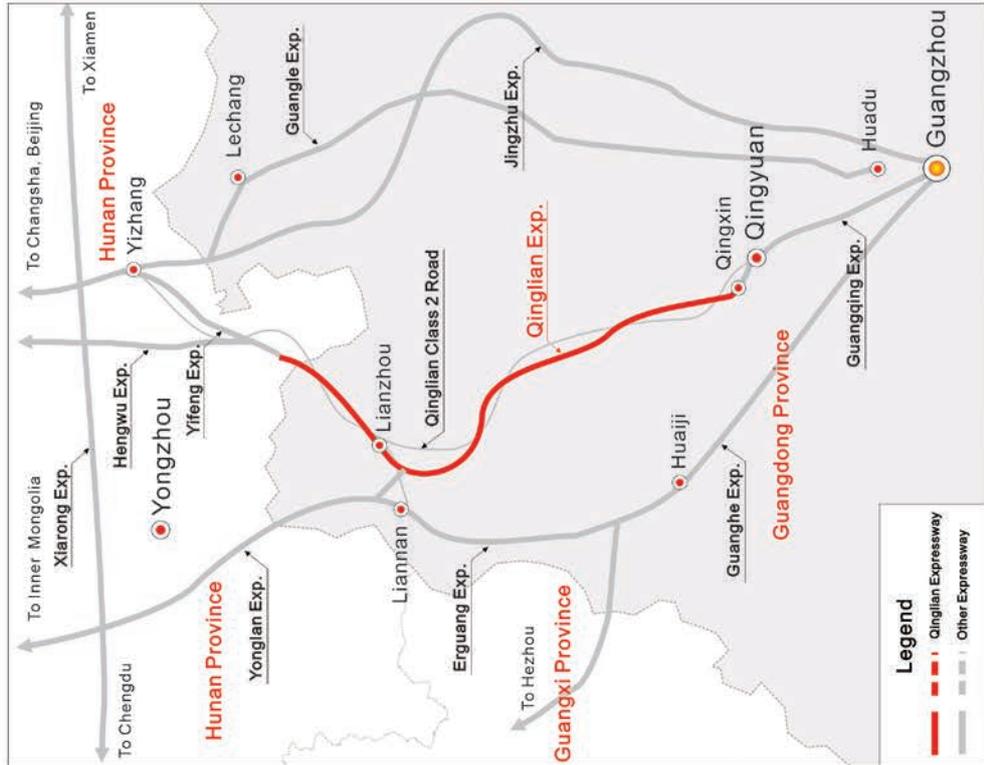
Road Network of Pearl River Delta



Road Network of Yichang Expressway



Road Network of Qinglian Expressway

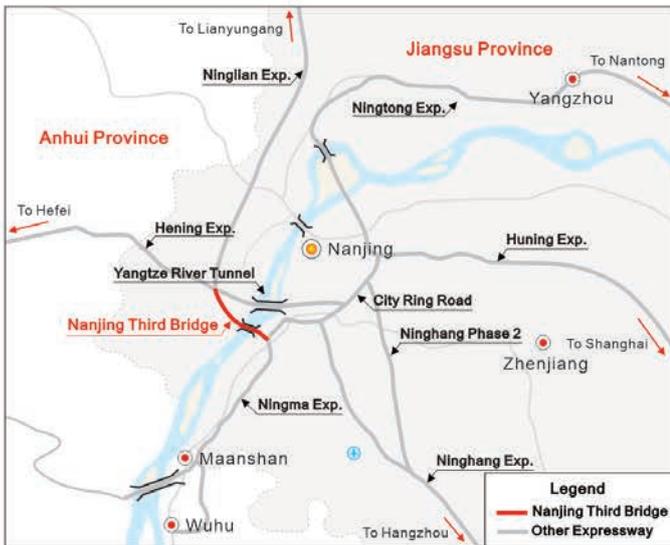


Company Information

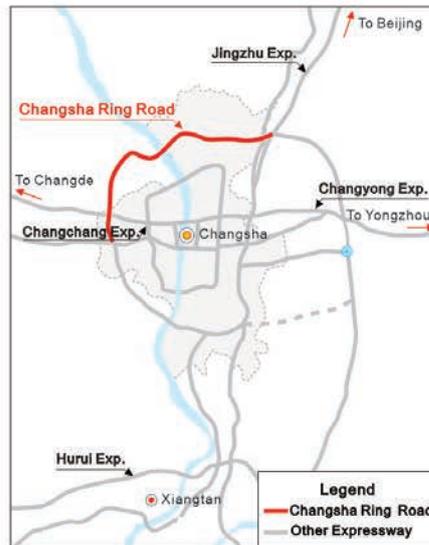
Road Network of Wuhuang Expressway



Road Network of Nanjing Third Bridge



Road Network of Changsha Ring Road



- ◆ *Unless otherwise stated, the amounts stated in this report are in RMB.*
- ◆ *The total of breakdown and the total may not equal in mantissa due to rounding.*



SHENZHEN EXPRESSWAY COMPANY LIMITED

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