PUBLICATION OF OFFERING CIRCULAR

深 圳 高 速 公 路 股 份 有 限 公 司

SHENZHEN EXPRESSWAY COMPANY LIMITED

(Incorporated in the People's Republic of China with limited liability)

(Stock Code: 600548.SSE 00548.SEHK)

US$300,000,000 1.750 PER CENT. BONDS DUE 2026 (THE "BONDS")

(Stock Code: 40752)

This announcement is issued pursuant to Rule 37.39A of the Listing Rules. Please refer to the offering circular dated 24 June 2021 (the "**Offering Circular**") appended herein in relation to the issuance of the Bonds. The Offering Circular is published in English.

Notice to Hong Kong investors: the Issuer confirms that the Bonds are intended for purchase by professional investors (as defined in Chapter 37 of the Listing Rules) only and have been listed on The Stock Exchange of Hong Kong Limited on that basis. Accordingly, the Issuer confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong or elsewhere. Investors should carefully consider the risks involved.

The Offering Circular does not constitute a prospectus, notice, circular, brochure or advertisement offering to sell any bonds to the public in any jurisdiction, nor is it an invitation to the public to make offers to subscribe for or purchase any bonds, nor is it circulated to invite offers by the public to subscribe for or purchase any bonds.

The Offering Circular must not be regarded as an inducement to subscribe for or purchase any bonds of the Issuer, and no such inducement is intended. No investment decision should be made based on the information contained in the Offering Circular.

Hong Kong, 9 July 2021

As at the date of this announcement, the Directors of the Company are 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 (Nonexecutive Director), Mr. BAI Hua (Independent non-executive Director), Mr. LI Fei Long (Independent non-executive Director), Mr. MIAO Jun (Independent non-executive Director) and Mr. XU Hua Xiang (Independent non-executive Director).

* *For identification purpose only*

IMPORTANT NOTICE

NOT FOR DISTRIBUTION DIRECTLY OR INDIRECTLY IN OR INTO THE UNITED STATES

IMPORTANT: You must read the following disclaimer before continuing. The following disclaimer applies to the attached offering circular (the "Offering Circular"). You are therefore advised to read this disclaimer carefully before reading, accessing or making any other use of the attached. In accessing the attached, you agree to be bound by the following terms and conditions, including any modifications to them from time to time, each time you receive any information from us as a result of such access.

Confirmation of Your Representation: You have accessed the attached document on the basis that you have confirmed your representation to the Joint Lead Managers (as defined in the attached Offering Circular) that (1) you are not in the United States and the e-mail address to which this e-mail has been delivered is not located in the United States and, to the extent you purchase the securities described in the attached Offering Circular, you will be doing so pursuant to Regulation S under the U.S. Securities Act of 1933, as amended (the "Securities Act"), and (2) you consent to delivery of the attached Offering Circular and any amendments or supplements thereto by electronic transmission.

The attached Offering Circular has been made available to you in electronic form. You are reminded that documents transmitted via this medium may be altered or changed during the process of transmission and consequently none of the Company (as defined in the attached Offering Circular), the Joint Lead Managers or any of their respective directors, employees, advisers, representatives or affiliates accepts any liability or responsibility whatsoever in respect of any discrepancies between the document distributed to you in electronic format and the hard copy version. The Joint Lead Managers will upon request provide a hard copy version to you.

Restrictions: The attached Offering Circular is being furnished in connection with an offering outside the United States in compliance with Regulation S under the Securities Act solely for the purpose of enabling a prospective investor to consider the purchase of the securities described herein.

THE SECURITIES HAVE NOT BEEN, AND WILL NOT BE, REGISTERED UNDER THE SECURITIES ACT, OR THE SECURITIES LAWS OF ANY STATE OF THE UNITED STATES OR OTHER JURISDICTION AND MAY NOT BE OFFERED OR SOLD WITHIN THE UNITED STATES, EXCEPT PURSUANT TO AN EXEMPTION FROM, OR IN A TRANSACTION NOT SUBJECT TO, THE REGISTRATION REQUIREMENTS OF THE SECURITIES ACT AND ANY APPLICABLE STATE OR LOCAL SECURITIES LAWS.

NOTHING IN THIS ELECTRONIC TRANSMISSION CONSTITUTES AN OFFER OF SECURITIES FOR SALE IN ANY JURISDICTION WHERE IT IS UNLAWFUL TO DO SO.

Except with respect to eligible investors in jurisdictions where such offer is permitted by law, nothing in this electronic transmission constitutes an offer or an invitation by or on behalf of the Company or the Joint Lead Managers to subscribe for or purchase any of the securities described therein, and access has been limited so that it shall not constitute a general advertisement or general solicitation (as those terms are used in Regulation D under the Securities Act) or directed selling efforts (within the meaning of Regulation S under the Securities Act) in the United States or elsewhere. If a jurisdiction requires that the offering be made by a licensed broker or dealer and a Joint Lead Manager or any affiliate of such Joint Lead Manager is a licensed broker or dealer in that jurisdiction, the offering shall be deemed to be made by such Joint Lead Manager or such affiliate on behalf of the Company in such jurisdiction.

You are reminded that you have accessed the attached Offering Circular on the basis that you are a person into whose possession the attached Offering Circular may be lawfully delivered in accordance with the laws of the jurisdiction in which you are located and you may not nor are you authorised to deliver or forward this document, electronically or otherwise, to any other person. If you have gained access to this transmission contrary to the foregoing restrictions, you will be unable to purchase any of the securities described therein.

Actions that You May Not Take: You should not reply by e-mail to this electronic transmission and you may not purchase any securities by doing so. Any reply e-mail communications, including those you generate by using the "Reply" function on your e-mail software, will be ignored or rejected.

THE ATTACHED OFFERING CIRCULAR MAY NOT BE FORWARDED OR DISTRIBUTED TO ANY OTHER PERSON AND MAY NOT BE REPRODUCED IN ANY MANNER WHATSOEVER. ANY FORWARDING, DISTRIBUTION OR REPRODUCTION OF THIS DOCUMENT IN WHOLE OR IN PART IS UNAUTHORISED. FAILURE TO COMPLY WITH THIS DIRECTIVE MAY RESULT IN A VIOLATION OF THE SECURITIES ACT OR THE APPLICABLE LAWS OF OTHER JURISDICTIONS.

You are responsible for protecting your electronic device against viruses and other destructive items. Your use of this e-mail is at your own risk and it is your responsibility to take precautions to ensure that it is free from viruses and other items of a destructive nature.

Shenzhen Expressway Company Limited

(incorporated in the People's Republic of China with limited liability)

(600548.SSE 00548.SEHK)

US$300,000,000 1.750 per cent. Bonds due 2026

Issue Price: 99.610 per cent.

The 1.750 per cent. Bonds due 2026 (the "**Bonds**") in the aggregate principal amount of US$300,000,000 will be issued by Shenzhen Expressway Company Limited (the "**Issuer" or the "Company**"). The Bonds will bear interest from and including 8 July 2021 (the "**Issue Date**") at the rate of 1.750 per cent. per annum, payable semi-annually in arrear on 8 January and 8 July of each year (each an "Interest Payment Date"), commencing on 8 January 2022. All payments on the Bonds will be made without withholding or deduction for or on account of taxes of the PRC (as defined herein) or any political subdivision or authority therein or thereof having power to tax to the extent described in "Terms and Conditions of the Bonds — Taxation".

Unless previously redeemed or repurchased and cancelled, the Bonds will mature on 8 July 2026, at their principal amount. The Company may redeem the Bonds, in whole but not in part, (i) at the Make Whole Amount (as defined in the Terms and Conditions of the Bonds), at any time before 8 June 2026 (being the date that falls one month prior to the Maturity Date (as defined in the Terms and Conditions of the Bonds)) or (ii) at their principal amount at any time on or after 8 June 2026 (being the date that falls one month prior to the Maturity Date), in each case, together with accrued and unpaid interest up to but excluding the Optional Redemption Date (as defined in the Terms and Conditions of the Bonds). See "Terms and Conditions of the Bonds — Redemption and Purchase — Redemption at the option of the Issuer". The Company may redeem the Bonds, in whole but not in part, at their principal amount, together with accrued and unpaid interest up to but excluding the date fixed for redemption, in the event of certain changes affecting taxes of the PRC. See "Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Tax Reasons". At any time following the occurrence of a Change of Control or a No Registration Event (each as defined in the Terms and Conditions of the Bonds), the holder of any Bond will have the right, at such holder's option, to require the Company to redeem all but not some only of that holder's Bonds on the Put Settlement Date (as defined in the Terms and Conditions of the Bonds) at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together with accrued and unpaid interest up to but excluding such Put Settlement Date. See "Terms and Conditions of the Bonds — Redemption and Purchase — Redemption for Relevant Event".

The Bonds will constitute direct, unsubordinated, unconditional and (subject to Condition 4(a) of the Terms and Conditions of the Bonds) unsecured obligations of the Company and will at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Company under the Bonds will, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all the Company's other present and future unsecured and unsubordinated obligations. See "Terms and Conditions of the Bonds — Status".

Pursuant to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (NDRC Waizi [2015] No. 2044) (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知 (發改外資 [2015] 2044號)) (the "**NDRC Circular**") issued by the National Development and Reform Commission of the PRC or its local counterpart ("**NDRC**") on 14 September 2015 which came into effect on the same day, the Company has registered the issuance of the Bonds with NDRC and obtained a certificate from NDRC dated 7 April 2021 evidencing such registration which, as at the date of this Offering Circular, remains valid and in full force and effect. The Issuer will undertake to file or cause to be filed with the NDRC the requisite information and documents within 10 PRC Business Days (as defined in the Terms and Conditions of the Bonds) after the Issue Date in accordance with the NDRC Circular. Pursuant to the applicable PRC laws on the administration of foreign debt, including without limitation, the Interim Provisions on the Management of Foreign Debts (外債管理暫行辦法) effective from 1 March 2003, the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) effective from 13 May 2013 and the Notice on Issues Relating to the Macro-prudential Management of Overall Cross-border Financing (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知), the Issuer is required to register the Bonds with the State Administration of Foreign Exchange or its local branch ("**SAFE**"). The Issuer will undertake to make the SAFE Registration and use its best endeavours to complete the SAFE Registration and obtain a certificate of registration from SAFE on or before the Registration Deadline (as defined in the Terms and Conditions of the Bonds).

Application will be made to The Stock Exchange of Hong Kong Limited (the "**SEHK**") for the listing of the Bonds by way of debt issues to professional investors (as defined in Chapter 37 of the Listing Rules) ("**Professional Investors**") only. This document is for distribution to Professional Investors only.

Notice to Hong Kong investors: The Company confirms that the Bonds are intended for purchase by Professional Investors only and will be listed on the SEHK on that basis. Accordingly, the Company confirms that the Bonds are not appropriate as an investment for retail investors in Hong Kong. Investors should carefully consider the risks involved.

The SEHK has not reviewed the contents of this Offering Circular, other than to ensure that the prescribed form disclaimer and responsibility statements, and a statement limiting distribution of this Offering Circular to Professional Investors only have been reproduced in this Offering Circular. Listing of the Bonds on the SEHK in not to be taken as an indication of the commercial merits or credit quality of the Bonds or the Company or quality of disclosure in this Offering Circular. Hong Kong Exchanges and Clearing Limited and the SEHK take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

Investing in the Bonds involves certain risks. See "Risk Factors" beginning on page 18.

The Bonds have not been and will not be registered under the United States Securities Act of 1933, as amended (the "Securities Act"), and, subject to certain exceptions, may not be offered or sold within the United States. The Bonds are being offered and sold only outside the United States in reliance on Regulation S under the Securities Act ("Regulation S"). For a description of these and certain further restrictions on offers and sales of the Bonds and the distribution of this Offering Circular, see "Subscription and Sale".

The denominations of the Bonds shall be US$200,000 and integral multiples of US$1,000 in excess thereof. The Bonds will be represented initially by beneficial interests in a global certificate (the "**Global Certificate**") in registered form which will be registered in the name of a nominee for, and shall be deposited on or about the Issue Date with, a common depositary for Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). Beneficial interests in the Global Certificate will be shown on, and transfers thereof will be effected only through, records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, certificates for Bonds will not be issued in exchange for interests in the Global Certificate.

Moody's Investors Service, Inc. ("**Moody's**") has assigned a corporate rating of "Baa2" to the Company with a stable outlook, S&P Global Ratings ("**S&P**"), has assigned a corporate rating of "BBB" to the Company with a stable outlook and Fitch Ratings Inc. ("**Fitch**") has assigned a corporate rating of "BBB" to the Company with a negative outlook. The Bonds are expected to be assigned a rating of "Baa2" by Moody's and "BBB" by S&P. A rating is not a recommendation to buy, sell or hold the Bonds and may be subject to suspension, reduction or withdrawal at any time by Moody's or S&P. A suspension, reduction or withdrawal of the rating assigned to the Bonds may adversely affect the market price of the Bonds.

Lead Global Coordinator

BOC International

Joint Global Coordinators, Joint Bookrunners and Joint Lead Managers

BOC International	**UBS**	**Guotai Junan International**	**China PA Securities (Hong Kong) Company Limited**	**ICBC International**

Joint Bookrunners and Joint Lead Managers

Bank of China	**China International Capital Corporation**	**ABC International**	**China Everbright Bank Hong Kong Branch**	**CMB Wing Lung Bank Limited**	**China Minsheng Banking Corp., Ltd., Hong Kong Branch**

China Merchants Securities (HK)	**Industrial Bank Co., Ltd. Hong Kong Branch**	**Bank of Communications**	**Hua Xia Bank Co., Limited Hong Kong Branch**	**CLSA**

The date of this Offering Circular is 24 June 2021.

NOTICE TO INVESTORS

The Company, having made all reasonable enquiries, confirms that (i) this Offering Circular contains all information with respect to the Company and its subsidiaries (collectively, "**the Group**") and the Bonds, which is material in the context of the issue and offering of the Bonds (including the information which, is required by applicable laws and according to the particular nature of the Company and the Bonds, is necessary to enable investors and their investment advisers to make an informed assessment of the assets and liabilities, financial position, profits and losses, and prospects of the Company and of the rights attaching to the Bonds); (ii) the statements contained in this Offering Circular relating to the Company and the Group are in every material particular true and accurate and not misleading and do not comprise or include any information (oral or written) relating to the Company and the Group which was not available in the public domain at that time or which ought reasonably to have been made available in the public domain at that time; (iii) the opinions and intentions expressed in this Offering Circular with regard to the Company and the Group are honestly held, have been reached after considering all relevant circumstances and are based on reasonable assumptions; (iv) there are no other facts in relation to the Company, the Group or the Bonds, the omission of which would, in the context of the issue and offering of the Bonds, make any statement in this Offering Circular misleading in any material respect; (v) all reasonable enquiries have been made by the Company to ascertain such facts and to verify the accuracy of all such information and statements contained in this Offering Circular; and (vi) this Offering Circular does not include an untrue statement of a material fact or omits to state a material fact necessary in order to make the statements therein, in light of the circumstances under which they were made, not misleading. In addition, the Company accepts full responsibility for the accuracy of the information contained in this Offering Circular.

This Offering Circular includes particulars given in compliance with the Rules Governing the Listing of Securities on the SEHK (the "**Listing Rules**") for the purpose of giving information with regard to the Company, the Group or the Bonds. The Company accepts full responsibility for the accuracy of the information contained in this Offering Circular and confirms, having made all reasonable enquiries, that to the best of its knowledge and belief there are no other facts the omission of which would make any statement herein misleading.

Hong Kong Exchanges and Clearing Limited and the SEHK take no responsibility for the contents of this Offering Circular, make no representation as to its accuracy or completeness and expressly disclaim any liability whatsoever for any loss howsoever arising from or in reliance upon the whole or any part of the contents of this Offering Circular.

No person has been or is authorised to give any information or to make any representation concerning the Company, the Group or the Bonds other than as contained herein and, if given or made, any such other information or representation should not be relied upon as having been authorised by the Company, BOCI Asia Limited, UBS AG Hong Kong Branch, Guotai Junan Securities (Hong Kong) Limited, China PA Securities (Hong Kong) Company Limited and ICBC International Securities Limited (the "**Joint Global Coordinators**"), Bank of China Limited, China International Capital Corporation Hong Kong Securities Limited, ABCI Capital Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, CMB Wing Lung Bank Limited, China Minsheng Banking Corp., Ltd., Hong Kong Branch, China Merchants Securities (HK) Co., Limited, Industrial Bank Co., Ltd. Hong Kong Branch, Bank of Communications Co., Ltd. Hong Kong Branch, Hua Xia Bank Co., Limited Hong Kong Branch and CLSA Limited (together with the Joint Global Coordinators, the "**Joint Lead Managers**"), the Trustee or the Agents (as defined in the "Terms and Conditions of the Bonds"). Neither the delivery of this Offering Circular nor any offering, sale or delivery made in connection with the issue of the Bonds shall, under any circumstances, constitute a representation that there has been no change or development reasonably likely to involve a change in the affairs of the Company and the Group since the date hereof or create any implication that the information contained herein is correct as at any date subsequent to the date hereof. This Offering Circular does not constitute an offer of, or an invitation by or on behalf of, the Company, the Joint Lead Managers, the Trustee or the Agents to subscribe for or purchase any of the Bonds and may not be used for the purpose of an offer to, or a solicitation by, anyone in any jurisdiction or in any circumstances in which such offer or solicitation is not authorised or is unlawful.

No representation or warranty, express or implied, is made or given by the Joint Lead Managers, the Trustee or the Agents (or any of their respective directors, officers, employees, representatives, affiliates, agents, advisers or any person who controls them) as to the accuracy, completeness or sufficiency of the information contained in this Offering Circular, and nothing contained in this Offering Circular is, or shall be relied upon as, a promise, representation or warranty by the Joint Lead Managers, the Trustee or the Agents (or any of their respective directors, officers, employees, representatives, affiliates, agents, advisers or any person who controls them). None of the Joint Lead Managers, the Trustee and the Agents (or any of their respective directors, officers, employees, representatives, affiliates, agents, advisers or any person who controls them) has independently verified any of the information contained in this Offering Circular and can give assurance that such information is accurate, truthful or complete.

This Offering Circular is not intended to provide the basis of any credit or other evaluation nor should it be considered as a recommendation by the Company, the Joint Lead Managers, the Trustee or the Agents (or any of their respective directors, officers, employees, representatives, affiliates, agents, advisers or any person who controls them) that any recipient of this Offering Circular should purchase the Bonds. Each potential purchaser of the Bonds should determine for itself the relevance of the information contained in this Offering Circular and its purchase of the Bonds should be based upon such investigations with its own tax, legal and business advisers as it deems necessary.

To the fullest extent permitted by law, none of the Joint Lead Managers, the Trustee and the Agents (or any of their respective directors, officers, employees, representatives, affiliates, agents, advisers or any person who controls them) accepts any responsibility for the contents of this Offering Circular or for any statement made or purported to be made by it or on its behalf in connection with the Company, the Group or the issue and offering of the Bonds. Each of the Joint Lead Managers, the Trustee and the Agents and any of their respective directors, officers, employees, representatives, affiliates, agents, advisers or any person who controls them accordingly disclaims all and any liability whether arising in tort or contract or otherwise (save as referred to above) which it might otherwise have in respect of this Offering Circular or any such statement. None of the Joint Lead Managers, the Trustee and the Agents and any of their respective directors, officers, employees, representatives, affiliates, agents, advisers or any person who controls them undertakes to review the results of operations, financial condition or affairs of the Company or the Group during the life of the arrangements contemplated by this Offering Circular nor to advise any investor or prospective investors in the Bonds of any information coming to the attention of either Joint Lead Manager, the Trustee or the Agents or any of their respective directors, officers, employees, representatives, affiliates, agents, advisers or any person who controls them.

This Offering Circular has been prepared by the Company solely for use in connection with the proposed offering of the Bonds described in this Offering Circular. The Company has not authorised its use for any other purpose. This Offering Circular may not be copied or reproduced in whole or in part. It may be distributed only to and its contents may be disclosed only to the prospective investors to whom it is provided. By accepting delivery of this Offering Circular each investor agrees to these restrictions.

The distribution of this Offering Circular and the offering of the Bonds in certain jurisdictions may be restricted by law. Persons into whose possession this Offering Circular comes are required by the Company, the Joint Lead Managers, the Trustee and the Agents to inform themselves about and to observe any such restrictions. No action is being taken to permit a public offering of the Bonds or the distribution of this Offering Circular in any jurisdiction where action would be required for such purposes. There are restrictions on the offer and sale of the Bonds or redemption of the Bonds, and the circulation of documents relating thereto, in certain jurisdictions, including the United States, the United Kingdom, the EEA, Singapore, Japan, the PRC and Hong Kong, and to persons connected therewith. For a description of certain further restrictions on offers, sales and resales of the Bonds and distribution of this Offering Circular, see "Subscription and Sale".

In making an investment decision, investors must rely on their own examination of the Company, the Group and the terms of the offering, including the merits and risks involved. See "Risk Factors" for a discussion of certain factors to be considered in connection with an investment in the Bonds.

Each person receiving this Offering Circular acknowledges that such person has not relied on the Joint Lead Managers, the Trustee or the Agents (or any of their respective directors, officers, employees, representatives, affiliates, agents, advisers or any person who controls them) in connection with its investigation of the accuracy of such information or its investment decision.

The audited consolidated financial information of the Group as at and for the years ended 31 December 2019 and 2020 are included in this Offering Circular and was extracted from the audited consolidated financial statements of the Group as at and for the year ended 31 December 2020. The audited consolidated financial statements of the Group as at and for the year ended 31 December 2019 are also included in this Offering Circular. The audited consolidated financial statements of the Group were prepared and presented 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**"), the Listing Rules and regulations of the Hong Kong Companies Ordinance, which have been audited by Ernst & Young Hua Ming LLP, the Company's then independent auditors.

The Group's audited consolidated financial statements as at and for each of the years ended 31 December 2019 and 2020 included in the Offering Circular are English translation of the Group's consolidated financial statements as at and for each of the years ended 31 December 2019 and 2020 prepared in Chinese included in the Group's annual reports published on the Shanghai Stock Exchange. None of the Joint Lead Managers, the Trustee or the Agents or any of their respective affiliates, directors, officers, employees, agents, representatives or advisers or any person who controls any of them has independently verified or checked the accuracy of the English translated financial statements and gives no assurance that the information contained in the English translated financial statements is accurate, truthful or complete. Potential investors must exercise caution when they use such financial information to evaluate the financial condition and results of operations of the Company or the Group.

Certain comparative information for the year ended 31 December 2019 has been restated in the Group's audited consolidated financial statements as at and for the year ended 31 December 2020 to reflect the retrospective adjustments to the consolidated financial information due to the merger of Shenzhen International Financial Leasing Co., Ltd., China Logistics Financial Services Limited and

Shenzhen Longda Expressway Company Limited under the common control into the Group's consolidation scope according to the relevant requirements of the Accounting Standards for Business Enterprises. Please refer to Note VI to the Group's audited consolidated financial statements as at and for the year ended 31 December 2020 for more details. As a result, the financial information of the Group as at and for the year ended 31 December 2019 and 2020 contained in the Group's audited consolidated financial statements as at and for the year ended 31 December 2020 may not be directly comparable to the financial information of the Group as at and for the year ended 31 December 2018 contained in the Group's audited consolidated financial statements as at and for the year ended 31 December 2019. The historical results are not necessarily indicative of results to be expected in any future period.

The Group's earnings before interest expenses of borrowings, income tax expenses, depreciation and amortisation ("**EBITDA**") information in this Offering Circular has been included because the Group believes the measure is a useful supplement to cash flow data as a measure of its performance and its ability to generate cash flow from operations to cover debt service and taxes. EBITDA for any period consists of profit for the period before interest expenses of borrowings, income tax expenses, depreciation and amortisation. EBITDA as well as the related ratios presented in this Offering Circular are supplemental measures of the Group's performance and liquidity that are not required by, or presented in accordance with, China Accounting Standards. EBITDA is not a measurement of the Group's financial performance or liquidity under China Accounting Standards and should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of financial performance derived in accordance with China Accounting Standards or as alternatives to operating performance, liquidity, profitability or cash flows as a measure of the Group's liquidity. EBITDA does not account for taxes, interest expense or other non-operating cash expenses. In addition, EBITDA is not a standardised term, hence a direct comparison between companies using such terms may not be possible.

The Company believes that EBITDA facilitates comparisons of operating performance from period to period and company to company by eliminating potential differences caused by variations in capital structures (affecting interest expense), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses), the age and booked depreciation and amortisation of assets (affecting relative depreciation and amortisation expense).

The Company believes that EBITDA is frequently used by securities analysts, investors and other interested parties in evaluating similar companies in the same industry, many of whom present such non-GAAP financial measures when reporting their results.

Nevertheless, EBITDA has limitations as an analytical tool, and investors should not consider it in isolation from, or as a substitute for analysis of the Group's financial condition or results of operations, as reported under China Accounting Standards. Because of these limitations, EBITDA should not be considered a measure of discretionary cash available to the Group to invest in the growth of its business. The Group compensates for these limitations by relying primarily on China Accounting Standards results and using EBITDA measures only as a supplement. See "Summary Consolidated Financial Information" and the Group's consolidated financial statements.

IN CONNECTION WITH THE ISSUE OF THE BONDS, ANY OF THE JOINT GLOBAL COORDINATORS APPOINTED AND ACTING IN ITS CAPACITY AS STABILISATION MANAGER (THE "STABILISATION MANAGERS") (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISATION MANAGERS) MAY OVER-ALLOT BONDS OR EFFECT TRANSACTIONS WITH A VIEW TO SUPPORTING THE MARKET PRICE OF THE BONDS AT A LEVEL HIGHER THAN THAT WHICH MIGHT OTHERWISE PREVAIL. HOWEVER,

THERE IS NO ASSURANCE THAT THE STABILISATION MANAGERS (OR ANY PERSON ACTING ON BEHALF OF A STABILISATION MANAGER) WILL UNDERTAKE STABILISATION ACTION. ANY STABILISATION ACTION MAY BEGIN ON OR AFTER THE DATE ON WHICH ADEQUATE PUBLIC DISCLOSURE OF THE TERMS OF THE OFFER OF THE BONDS IS MADE AND, IF BEGUN, MAY BE ENDED AT ANY TIME, BUT IT MUST END NO LATER THAN THE EARLIER OF 30 DAYS AFTER THE ISSUE DATE OF THE BONDS AND 60 DAYS AFTER THE DATE OF THE ALLOTMENT OF THE BONDS. ANY STABILISATION ACTION OR OVER-ALLOTMENT MUST BE CONDUCTED BY THE RELEVANT STABILISATION MANAGERS (OR ANY PERSON ACTING ON BEHALF OF ANY STABILISATION MANAGERS) IN ACCORDANCE WITH ALL APPLICABLE LAWS AND RULES.

The Bonds are expected to be assigned a rating of "Baa2" by Moody's and "BBB" by S&P. A rating is not a recommendation to buy, sell or hold securities, does not address the likelihood or timing of prepayment and may be subject to revision, qualification, suspension or withdrawal at any time by the assigning rating organisation. A revision, qualification, suspension or withdrawal of any rating assigned to the Bonds may adversely affect the market price of the Bonds.

PRIIPs REGULATION/PROHIBITION OF SALES TO EEA RETAIL INVESTORS — The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the European Economic Area ("**EEA**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client as defined in point (11) of Article 4(1) of Directive 2014/65/EU (as amended, "**MiFID II**"); or (ii) a customer within the meaning of Directive (EU) 2016/97 (the "**Insurance Distribution Directive**"), where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II. Consequently, no key information document required by Regulation (EU) No 1286/2014 (as amended, the "**PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the EEA has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the EEA may be unlawful under the PRIIPs Regulation.

UK PRIIPs REGULATION/PROHIBITION OF SALES TO UK RETAIL INVESTORS — The Bonds are not intended to be offered, sold or otherwise made available to and should not be offered, sold or otherwise made available to any retail investor in the United Kingdom (the "**UK**"). For these purposes, a retail investor means a person who is one (or more) of: (i) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the European Union (Withdrawal) Act 2018 (the "**EUWA**"); or (ii) a customer within the meaning of the provisions of the Financial Services and Markets Act 2000 (the "**FSMA**") and any rules or regulations made under the FSMA to implement the Insurance Distribution Directive, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA. Consequently no key information document required by the PRIIPs Regulation as it forms part of domestic law by virtue of the EUWA (the "**UK PRIIPs Regulation**") for offering or selling the Bonds or otherwise making them available to retail investors in the UK has been prepared and therefore offering or selling the Bonds or otherwise making them available to any retail investor in the UK may be unlawful under the UK PRIIPs Regulation.

Singapore SFA Product Classification — In connection with Section 309B of the Securities and Futures Act (Chapter 289) of Singapore (the "**SFA**") and the Securities and Futures (Capital Markets Products) Regulations 2018 of Singapore (the "**CMP Regulations 2018**"), the Company has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are "prescribed capital markets products" (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

FORWARD-LOOKING STATEMENTS

This Offering Circular includes forward-looking statements. All statements other than statements of historical facts contained in this Offering Circular, including, without limitation, those regarding the future financial position, strategies, plans, objectives, goals, targets and future developments of the Group in the markets where the Group participates or is seeking to participate, and any statements preceded by, followed by or that include the words "believe", "expect", "estimate", "predict", "aim", "intend", "will", "may", "plan", "consider", "anticipate", "seek", "should", "could", "would", "continue", or similar expressions or the negative thereof, are forward-looking statements. These forward-looking statements involve known and unknown risks, uncertainties and other factors, some of which are beyond the control of the Group, which may cause the actual results, performance or achievements of the Group to be materially different from any future results, performance or achievements expressed or implied by the forward-looking statements. These forward-looking statements are based on numerous assumptions regarding the present and future business strategies of the Group and the environment in which the Group will operate in the future. Important factors that could cause the actual results, performance or achievements of the Group to differ materially from those expressed or implied by the forward-looking statements include, among other things, the following:

- the ability to successfully implement the business plans and strategies of the Group;
- future developments, trends and conditions in the industry and markets in which the Group operates or into which the Group intends to expand;
- business prospects of the Group;
- capital expenditure plans of the Group;
- the actions and developments of the competitors of the Group;
- the financial condition and performance of the Group;
- capital markets developments;
- dividend policy of the Company;
- any changes in the laws, rules and regulations of the central and local governments in the PRC and other relevant jurisdictions and the rules, regulations and policies of the relevant governmental authorities relating to all aspects of the Group's business or business plans;
- general political and economic conditions, including those related to the PRC and other relevant jurisdictions in which the Group has or intends to have business operations;
- changes or volatility in interest rates, foreign exchange rates, equity prices or other rates or prices, including those pertaining to the PRC and the industry and markets in which the Group operates;
- various business opportunities that the Group may pursue;
- macroeconomic measures taken by the PRC government to manage economic growth; and
- changes in the global economic conditions and material volatility in the global financial markets.

Additional factors that could cause actual performance or achievements to differ materially include, but are not limited to, those discussed in "Risk Factors" and elsewhere in this Offering Circular. The Company cautions investors not to place undue reliance on these forward-looking statements, which reflect the management's view of the Company only as at the date of this Offering Circular and not a guarantee of future performance. The Company undertakes no obligation to update or revise any forward-looking statements, whether as a result of new information, future events or otherwise. In light of these risks, uncertainties and assumptions, the forward-looking events discussed in this Offering Circular might not occur in the way the Company expects, or at all. All forward-looking statements contained in this Offering Circular are qualified by reference to the cautionary statements set out in this section.

TABLE OF CONTENTS

CERTAIN DEFINED TERMS AND CONVENTIONS

In this Offering Circular, unless the context otherwise requires, the following expressions have the following meanings.

A share(s)	RMB-denominated ordinary share(s) of the Company which were issued in the PRC and subscribed in RMB and are listed on SSE
Accounting Standards for Business Enterprises	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
Baotou Nanfeng	Baotou Nanfeng Wind Power Technology Co., Ltd. (包頭市南風風電科技有限公司)
Beijing-Tianjin-Hebei Region . . .	including Beijing Municipality, Tianjin Municipality and Hebei Province
Bioland Company	Bioland Environmental Technologies Group Corp., Ltd.
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
China or **PRC**	People's Republic of China, excluding, for purpose of this Offering Circular, Taiwan, Macau and Hong Kong
Chongqing Water.	Chongqing Water Group Company Limited (重慶水務集團股份有限公司), a company listed on the SSE, stock code: 601158
Coastal Company.	Shenzhen Guangshen Costal Expressway Investment Company Limited
Consulting Company	Shenzhen Expressway Engineering Consulting Company Limited
Derun Environment	Chongqing Derun Environment Company Limited (重慶德潤環境有限公司)
Environmental Company	Shenzhen Expressway Environmental Company Limited (深圳高速環境有限公司)
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
Ft	feet

GDP	gross domestic product
Guangdong New Energy Company	Shenzhen Expressway (Guangdong) New Energy Investment Co., Ltd (深高速(廣東)新能源投資有限公司)
Guangdong UETC	Guangdong United Electronic Toll Collection Inc (廣東聯合電子服務股份有限公司)
Guangshen Expressway	Guangzhou-Shenzhen Expressway, the expressway with a total mileage of 122.8 km, connects Guangzhou, Dongguan and Shenzhen
Guangzhu West Expressway	Guangzhou-Zhuhai West Expressway, with a total mileage of 97.9 km, is the main road connecting downtown Guangzhou with downtown Zhuhai and leading to the Hong Kong-Zhuhai-Macao Bridge
Guishen Company	Guizhou Guishen Investment Development Company Limited (貴州貴深投資發展有限公司)
H share(s)	overseas-listed foreign share(s) of the Company which were issued in Hong Kong and subscribed in HK$ and are listed on SEHK
Hong Kong or **HK**	Hong Kong Special Administrative Region
Hong Kong dollars and HK$	lawful currency of Hong Kong
HSBC	The Hongkong and Shanghai Banking Corporation Limited
km	kilometre
Lande Environmental	Shenzhen Expressway Lande Environmental Technology Group Holdings Co., Ltd (深高藍德環保科技集團股份有限公司)
Longda Company	Shenzhen Longda Expressway Company Limited (深圳龍大高速公路有限公司)
Macau	Macao Special Administrative Region
Model Code	the Model Code for Securities Transactions by Directors of Listed Issuers
Pan-Pearl River Delta Economic Zone	including Hong Kong, Macau, Guangdong Province, Fujian Province, Jiangxi Province, Guangxi Province, Hainan Province, Hunan Province, Sichuan Province, Guizhou Province and Yunnan Province
PBOC	People's Bank of China
Pearl River Delta	as specified by Guangdong Province, including nine municipalities, namely Guangzhou, Shenzhen, Dongguan, Foshan, Jiangmen, Zhongshan, Zhuhai, and the urban areas of Huizhou and Zhaoqing

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
Qinglian Company	Guangdong Qinglian Highway Development Company Limited
RMB or **Renminbi**	lawful currency of the PRC
Sanfeng Environment	Chongqing San Feng Environmental Industrial Group Co., Ltd. (重慶三峰環境集團股份有限公司), a company listed on the SSE, stock code: 601827
SFO	Securities and Futures Ordinance (Cap. 571, Laws of Hong Kong)
SGH Company	Shenzhen Shen Guang Hui Highway Development Company (深圳市深廣惠公路開發總公司)
Shenzhen International	Shenzhen International Holdings Limited (深圳國際控股有限公司)
Shenzhen SASAC	State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People's Government (深圳市人民政府國有資產監督管理委員會), formerly known as Shenzhen State-owned Assets Supervision and Administration Bureau (深圳市國有資產監督管理局), a state-owned authority of the PRC
SIHCL	Shenzhen Investment Holdings Company Limited (深圳市投資控股有限公司)
SSE	The Shanghai Stock Exchange
Suez Group	Suez Group, France (法國蘇伊士集團)
The Yangtze River Delta	including Shanghai Municipality, Jiangsu Province and Zhejiang Province
Three Expressways	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
US or **U.S.**	the United States of America
US dollars or **US$**	lawful currency of the United States of America

Vanke	China Vanke Co., Ltd. (萬科企業股份有限公司)
Water Planning Company.	Shenzhen Water Planning & Design Institute Company Limited (深圳市水務規劃設計院股份有限公司)
XTC Company.	Xin Tong Chan Development (Shenzhen) Company Limited (新通產實業開發(深圳)有限公司), formerly known as Shenzhen Freeway Development Company Limited (深圳市高速公路開發公司)

References in this Offering Circular to years are based on the Company's fiscal year, which ends on 31 December.

In this Offering Circular, when we use the terms the "Issuer", the "Company", the "Group" and words of similar nature, we are referring to Shenzhen Expressway Company Limited, or to Shenzhen Expressway Company Limited and its consolidated subsidiaries, as the context requires.

In this Offering Circular, where information has been presented in thousands or millions of units, amounts may have been rounded up or down. Accordingly, totals of columns or rows of numbers in tables may not be equal to the apparent total of the individual items and actual numbers may differ from those contained herein due to rounding. References to information in billions of units are to the equivalent of a thousand million units.

The English names of the PRC nationals, entities, departments, facilities, laws, regulations, certificates, titles and the like are translations of their Chinese names and are included in this Offering Circular for identification purposes only. In the event of any inconsistency, the Chinese names shall prevail.

The statistics and estimates set forth in this Offering Circular relating to the PRC, the Guangdong Province, the Shenzhen Municipality and the industries in which the Group operates were taken or derived from various official or third party publications. None of the Company and the Joint Lead Managers makes any representation as to the accuracy and reliability of such statistics and estimates, which may not be consistent with other information compiled within or outside the PRC. Due to possible inconsistent data collection and consolidation methods and other associated data collection difficulties, the statistics and estimates herein may be inaccurate and should not be unduly relied upon.

SUMMARY

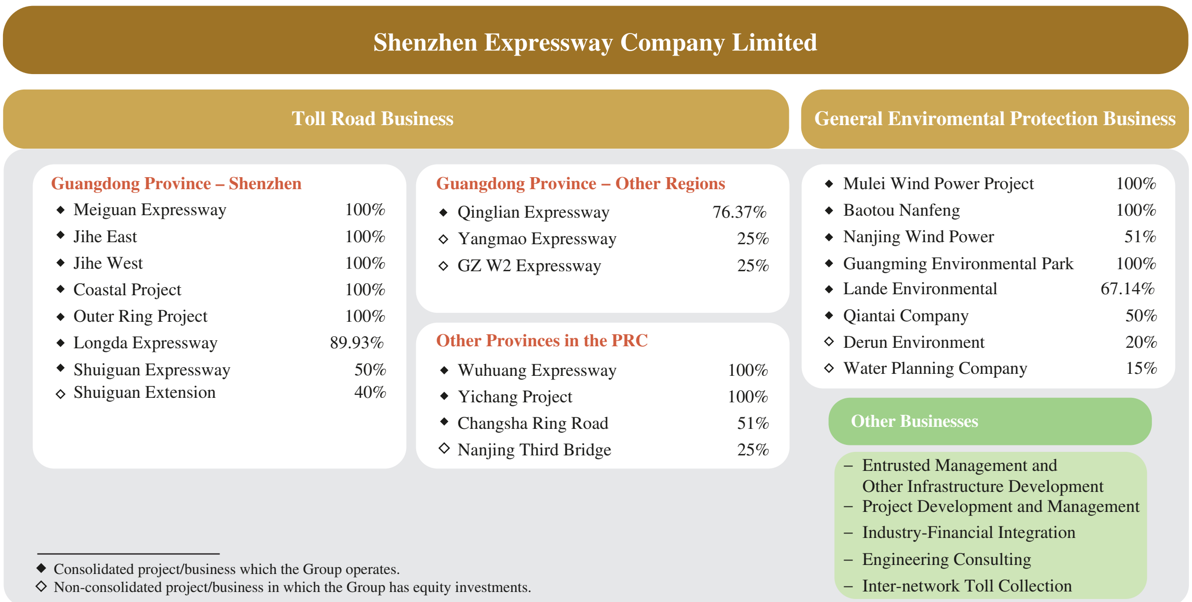
The summary below is intended only to provide a limited overview of information described in more detail elsewhere in this Offering Circular. As it is a summary, it does not contain all the information that may be important to investors. Terms defined elsewhere in this Offering Circular shall have the same meanings when used in this summary. Prospective investors should therefore read this Offering Circular in its entirety, including "Risk Factors", to determine whether an investment in the Bonds is appropriate.

Overview

The Group principally engages in the investment, construction, operation and management of toll roads, as well as the general environmental protection business. At present, the general environmental protection business includes recovery and solid waste management, clean energy business and other environmental protection business. In addition, the Group 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 roads, the Group has expanded into related businesses such as project development and management, operation & maintenance, intelligent traffic system, construction consulting, urban complex and industrial finance services.

The Group operates or invests in 15 toll roads in the PRC, with a total length of approximately 529 kilometres (on an equity ownership basis), among which approximately 360 kilometres or 67.8% are located in Guangdong Province as at the date of this Offering Circular. The Group's toll roads are strategically positioned and are important components of the national and Guangdong's provincial trunk road network. The Group's roads are important infrastructure for the comprehensive development of the Pan-Pearl River Delta Economic Zone, by linking not only the airport, customs, and major ports and industrial zones in Shenzhen, but also the expressways to Hong Kong and other important regions in the Pearl River Delta. In addition, the Group 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.

As of the date of this Offering Circular, the Group's principal businesses are set out as follows:



The toll road business segment is the largest contributor to the Group's revenue and profit, and has provided the Group with stable cash flow growth. As the PRC's road network has expanded and its condition has improved, the traffic volume on the Group's toll roads has generally increased which has in turn caused the Group's revenue from its toll road business to grow. For the years ended 31 December 2019 and 2020, the Group's revenue from its toll road business was RMB4,722.1 million and RMB4,386.7 million or 73.9% and 54.7% of the Group's total revenue, respectively, despite the toll-free policy during the COVID-19 epidemic, which lasts from 0:00 on 17 February 2020 to 0:00 on 6 May 2020.

The general environmental protection business is the second core business of the Group. The Group focuses on featured environmental protection sectors such as recovery and solid waste management, clean energy sector and other environmental protection business. For the years ended 31 December 2019 and 2020, the Group's revenue from its general environmental protection business was RMB599.0 million and RMB2,520.6 million or 9.4% and 31.4% of the Group's total revenue, respectively.

The Group provides entrusted road construction and operation management services for governments and enterprises, which the Group refers to as its entrusted management service business. For the years ended 31 December 2019 and 2020, the Group's revenue from its entrusted management service business was RMB376.4 million and RMB510.7 million, or 5.9% and 6.4% of the Group's total revenue, respectively.

With relevant management experience and resources, the Group has prudently expanded into the real-estate development business, including comprehensive land development and urban renewal. For the years ending 31 December 2019 and 2020, the Group's revenue from its real-estate development business was RMB456.9 million and RMB351.1 million, accounting for 7.2% and 4.4% of the Group's total revenue, respectively.

The Group's other businesses primarily consist of advertisement service, financial leasing business, etc. For the years ended 31 December 2019 and 2020, the Group's revenue from other businesses was RMB235.9 million and RMB257.6 million, respectively, representing approximately 3.7% and 3.2% of the Group's total revenue for the same periods, respectively.

For the years ended 31 December 2019 and 2020, the Group's revenue was RMB6,390.3 million and RMB8,026.7 million, respectively. For the years ended 31 December 2019 and 2020, the Group's net profit was RMB2,608.7 million and RMB2,235.6 million, respectively.

Competitive Strengths

The Group believes that the following competitive strengths have contributed to its success and will continue to help maintain its leading market position and future prospects:

- steady growth, stable earnings and significant development potential in China's expressway industry;
- locations of the Group's toll roads in economically developed regions in the PRC where large transportation demand is expected to continue to support the growth of the Group's toll road business;
- significant growth potentials in the Group's business under favorable policies;
- strong support from the Shenzhen municipal government;
- momentum to business development through application of innovative technologies;

- diversified business portfolio and synergies between different business units;
- experienced management team in infrastructure project construction, management and operations;
- stable and healthy cash flow from the Group's quality road assets; and
- prudent financial policies, a high-degree of financial flexibility and broad financing channels.

Strategies

By following market-oriented and innovation-driven strategies, the Group will seize the opportunities arising from the Guangdong-Hong Kong-Macau Greater Bay Area. The Group will continue to enhance the strengths of its core businesses, including the toll road business and the general environmental protection business, and build an intelligent business model to facilitate the quality and sustainable development of the Group. The Group aims to provide cities with solutions of sustainable development and become a first-class transportation and environmental protection infrastructure construction and operation service provider. The Group expects to focus on the following strategies:

- continue to enhance its core businesses;
- expand opportunities in general environmental protection;
- enhance management capabilities in investments and financing; and
- further develop organisational capability and human resources.

Recent Developments

Impact of COVID-19 pandemic

During the Spring Festival in 2021, as part of its epidemic prevention and control measures, the PRC governmental authorities encouraged people to stay at home. People who were returning from travels were subject to stringent preventive and control measures, leading to a decline of travelling needs nationwide during the period, and thus a decrease in the Group's toll revenue as compared with pre-pandemic years. In general, however, the macro economy in China has shown steady recovery and growth. The toll roads operated and invested by the Group resumed their pre-pandemic operational performance during the first quarter in 2021.

The latest epidemic resurgence in Guangdong has caused the local government to step up measures and control efforts to fight the spread of the coronavirus. The local governments have ordered home quarantine for residents in some neighbourhoods, and asked people who return by air, rail or long distance road journeys for proof of a negative COVID-19 test within three days, which may affect the Group's toll road business and the Group's financial conditions. As of the date of this Offering Circular, the Group does not recognize any significant negative impact caused by the COVID-19 pandemic on the production and operation of the Group.

Financial performance of the Group as of and for the three months ended 31 March 2021

In April 2021, the Group published its first quarterly report as of and for the three months ended 31 March, 2021 (the "**2021 Q1 Report**") on the website of The Stock Exchange of Hong Kong Limited. The 2021 Q1 Report is not incorporated by reference herein and does not form part of this Offering Circular. For the three months ended 31 March 2021, the Group recorded increases in revenue and net profit, which was mainly attributable to the impact of the toll-free policy during the COVID-19 pandemic, resulting in a substantial decline of toll revenue from highways operated and invested by the Group in the corresponding period last year.

The financial statements as at and for the three months ended 31 March 2021 have not been audited or reviewed by any independent auditor and may be subject to further adjustments. Such information should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or a review. None of the Trustee, the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers, advisers or any person who controls them makes any representation or warranty, express or implied, regarding the sufficiency of the Unaudited and Unreviewed Financials for an assessment of, and potential purchasers must exercise caution when using such data to evaluate, the Group's financial condition and results of operations. Such information should not be taken as an indication of the expected financial condition, results of operations and results of the Issuer or Group for these periods or the full financial year ending 31 December 2021.

Other material developments of the Group

To further enhance the scale of the Group's environmental protection business, Guangdong New Energy Company, a wholly-owned subsidiary of the Group, invested a total amount of approximately RMB744 million to acquire 100% equity interests in Mulei County Qianzhi Energy Development Co., Ltd. and Mulei County Qianhui Energy Development Co., Ltd. by way of equity transfer and capital increase in January 2021. Guangdong New Energy Company also invested a total amount of approximately RMB270 million to acquire 100% equity interests in Mulei County Qianxin Energy Development Co., Ltd. by way of equity transfer and capital increase in March 2021.

The Shenzhen municipal government has supported the Group's general environmental protection business. In the beginning of 2021, the Group secured the concession for the Guangming Environmental Park Project again by way of tender. The Group incorporated a project company upon winning the bid for the project and entered into a concession agreement with the government. As of the date of this Offering Circular, the Group has begun the relevant preparatory work.

To expand the scale of the Group's toll road business and acquire high-quality toll roads assets, the Group entered into a memorandum of understanding with SIHCL on 15 March 2021 to acquire 71.83% equity interest in Shenzhen Investment Holdings Bay Area Development Company Limited (Stock Code: 00737.SEHK) ("**Bay Area Development**") for a consideration of HK$10 million. The main target assets of this proposed transaction are 45% equity interest in Guangshen Expressway and 50% equity interest in Guangzhu West Expressway.

On 19 April 2020, the Company issued a total amount of RMB1.2 billion domestic phase 1 green corporate bonds with a maturity of five years and a coupon rate of 3.49%. The Company has the coupon rate adjustment right and the bondholders have the right to sell-back at the end of the third year.

Upon conclusion of the annual general meeting held on 17 May 2021 (the "**AGM**"), Ernst & Young Hua Ming LLP retired as the independent auditor of the Company since it has continuously performed audit work for the Company for almost 5 years, being the time limit prescribed in the relevant regulations. It was approved at the AGM by the shareholders of the Company that Deloitte Touche Tohmatsu Certified Public Accountants LLP will be appointed as the auditors of the Company for 2021.

SUMMARY CONSOLIDATED FINANCIAL INFORMATION

The following tables set forth summary consolidated financial information of the Group. The Group has derived the summary consolidated financial information as at and for the years ended 31 December 2019 and 2020 from its audited consolidated financial statements as at and for the year ended 31 December 2020 included elsewhere in this Offering Circular. The Group's audited consolidated financial statements as at and for the year ended 31 December 2020 were prepared and presented in accordance with the "Accounting Standards for Business Enterprises". In addition, The Group's audited consolidated financial statements as at and for the year ended 31 December 2020 were also prepared and presented in accordance with the Listing Rules and regulations of the Hong Kong Companies Ordinance. This summary financial data is qualified by reference to, and should be read in conjunction with, the Group's audited consolidated financial statements, including the notes thereto.

Certain comparative information as at and for the year ended 31 December 2019 has been restated in the Group's audited consolidated financial statements as at and for the year ended 31 December 2020 to reflect the retrospective adjustments to the consolidated financial information due to the merger of Shenzhen International Financial Leasing Co., Ltd., China Logistics Financial Services Limited and Shenzhen Longda Expressway Company Limited under the common control into the Group's consolidation scope according to the relevant requirements of the Accounting Standards for Business Enterprises. Please refer to Note VI to the Group's audited consolidated financial statements as at and for the year ended 31 December 2020 for more details. The historical results are not necessarily indicative of results to be expected in any future period.

The consolidated financial statements of the Group as at and for each of the years ended 31 December 2019 and 2020 included in this Offering Circular are English translation of the Group's consolidated financial statements as at and for each of the years ended 31 December 2019 and 2020 prepared in Chinese included in the Group's annual reports published on the Shanghai Stock Exchange.

Consolidated Income Statement

	For the Year Ended 31 December	
	2019	2020
	(RMB in millions, except per share figures)	
	(Audited) **(Restated)**	**(Audited)**
Total revenue	**6,390.3**	**8,026.7**
Total costs	**4,625.2**	**6,247.8**
Including:		
Cost of services	3,585.5	5,214.5
Taxes and surcharges	55.2	66.9
Selling expenses	27.3	53.1
General and administrative expenses	350.9	363.1
Research and development expenses	18.5	58.7
Finance expenses	587.7	491.5
Including:		
Interest expense	616.9	696.6
Interest income	(52.1)	(61.1)
Add:		
Other income	8.6	46.9
Investment income	1,242.7	937.4
Including: Share of profits of associates and joint ventures	899.7	880.7
Gain or loss from changes in fair value	81.1	(2.3)
Credit impairment losses	(5.4)	(48.2)
Asset impairment loss	(552.0)	(0.1)
Gains or loss on disposal of assets	0.4	0.1
Operating profit	2,540.5	2,712.7
Add: Non-operating income	12.4	11.0
Less: Non-operating expenses.	12.3	14.2
Total profit	2,540.6	2,709.5
Less: Income tax expenses	(68.1)	473.9
Net profit	2,608.7	2,235.6
Including: net profit before the merger of the merged party in a business combination under common control	72.2	43.2
(1) Classified by business continuity		
Net profit from continuing operations	2,608.7	2,235.6
(2) Classified by ownership		
Net profit attributable to owners of the Company	2,564.3	2,054.5
Minority interests	44.4	181.0
Other comprehensive income after tax	34.6	(47.1)
Other comprehensive income after tax attributable to owners of the company	34.6	(47.1)
Items that may be reclassified subsequently to profit or loss	34.6	(47.1)
Including:		
Foreign exchange gain/loss	1.4	(5.5)
Share of other comprehensive income from investees accounted for the equity method to be reclassified to profit or loss in the subsequent period	33.2	(41.6)
Total comprehensive income	2,643.3	2,188.5
Total comprehensive income attributable to owners of the Company	2,598.9	2,007.5
Total comprehensive income attributable to minority interests	44.4	181.0
Earnings per share		
Basic earnings per share (RMB/share)	1.2	0.9
Diluted earnings per share (RMB/share)	1.2	0.9

Consolidated Statement of Financial Position

	As at 31 December 2019	As at 31 December 2020
	(RMB in millions)	
	(Audited) (Restated)	(Audited)
Current asset		
Cash at bank and on hand	4,779.1	5,549.3
Transactional financial assets	62.7	—
Bills receivable	9.9	378.5
Accounts receivable	789.3	798.1
Prepayments	335.8	403.2
Other receivables	523.0	773.0
Inventories	724.3	939.8
Contract assets	187.8	344.1
Assets held for sale.	—	494.7
Non-current assets due within one year	176.3	74.9
Other current assets	247.7	325.7
Total current assets	7,836.0	10,081.3
Non-current assets		
Long-term prepayments	360.1	318.3
Long-term receivables	433.1	997.4
Other non-current financial assets	218.0	1,605.9
Long-term equity investments	8,706.3	8,939.3
Investment properties	11.8	11.2
Fixed assets	2,871.8	3,493.3
Construction in progress	15.9	123.6
Right-of-use assets	152.9	139.3
Intangible assets	23,603.4	26,853.5
Development expenditure	—	1.8
Goodwill	156.0	156.0
Long-term prepaid expenses	32.4	59.7
Deferred income tax assets	655.0	593.8
Other non-current assets	605.7	1,770.6
Total non-current assets	37,822.4	45,063.7
Total assets	45,658.4	55,145.0
Current liabilities		
Short-term borrowings	363.9	1,341.2
Transactional financial liabilities	—	83.7
Notes payable	131.8	295.5
Accounts payable	983.4	1,869.9
Contract liabilities	953.2	319.8
Employee benefits payable	288.5	282.0
Payable taxes	261.9	565.8
Other payables	3,189.7	3,570.4
Non-current liabilities due within one year	505.1	3,665.8
Other current liabilities	—	2,041.4
Total current liabilities	6,677.5	14,035.5

	As at 31 December 2019	As at 31 December 2020
	(RMB in millions)	
	(Audited) (Restated)	(Audited)
Non-current liabilities		
Long-term borrowings	9,031.8	6,511.3
Bonds payable	4,676.3	3,792.3
Long-term payables	2,217.0	2,234.3
Long-term employee benefits payable	105.8	114.8
Lease liabilities	118.3	104.7
Estimated debts	10.3	165.6
Deferred revenue	616.0	608.2
Deferred income tax liabilities	1,157.5	1,299.1
Total non-current liabilities	17,933.0	14,830.4
Total liabilities	24,610.5	28,865.9
Shareholders' equity		
Equity	2,180.8	2,180.8
Other equity instruments	—	4,000.0
Including: perpetual debt	—	4,000.0
Capital reserves	6,280.7	6,003.5
Other comprehensive income	916.0	868.9
Surplus reserves	2,617.8	2,711.6
Undistributed profits	6,530.6	7,278.1
Total shareholders' equity attributable to owners of the Company	18,525.9	23,042.9
Minority interests	2,522.0	3,236.2
Total shareholders' equity	21,047.9	26,279.1
Total liabilities and shareholders' equity	45,658.4	55,145.0

Summary Consolidated Statement of Cash Flows

	For the Year Ended 31 December	
	2019	2020
	(RMB in millions)	
	(Audited) **(Restated)**	**(Audited)**
Net cash flows used in operating activities	1,695.3	1,100.6
Net cash flows used in investing activities	(226.7)	(4,430.8)
Net cash flows used in financing activities	(1,154.2)	3,588.3
Effect of foreign exchange rate changes on cash and cash equivalents	0.1	(2.3)
Net increase/(decrease) in cash and cash equivalents	314.5	255.8
Add: Cash and cash equivalents at beginning of year	2,663.3	2,977.8
Cash and cash equivalents at end of year	2,977.8	3,233.6

Other Financial Data

	As at and for the Year Ended 31 December	
	2019	2020
	(RMB in millions, except per share figures)	
EBITDA(1)	4,621.7	5,125.7
EBITDA margin(2)	0.72	0.64
EBITDA interest multiple(3)	7.12	5.95
Net borrowing(4)	13,843.6	16,078.0
Net borrowing/EBITDA(4)	3.00	3.14

(1) EBITDA for any period consists of profit for the period before interest expenses of borrowings, income tax expenses, depreciation and amortisation. EBITDA is a widely used financial indicator of a company's ability to service and incur debt. EBITDA should not be considered in isolation or construed as an alternative to cash flows, net income or any other measure of performance or as an indicator of the operating performance, liquidity, profitability or cash flows generated by operating, investing or financing activities of the Group. EBITDA presented herein may not be comparable to similarly titled measures presented by other companies. Investors should not compare the EBITDA of the Group to EBITDA presented by other companies because not all companies use the same definitions.

(2) EBITDA margin is calculated by dividing EBITDA by revenue.

(3) Earnings before interest expenses of borrowings, income tax expenses, depreciation and amortisation/lnterest expenses. Interest expenses include interest expenses of borrowings plus capitalized interest of borrowings.

(4) Net borrowing represents the sum of total short-term debts and total long-term debts minus total cash and cash equivalents. Interests payable reclassified to debts accounts according to the accounting standard are excluded. Net borrowing/EBITDA is calculated by dividing net borrowing as at the end of the period by EBITDA for the corresponding period.

THE OFFERING

Terms and phrases used in this summary and not otherwise defined shall have the meanings given to them in "Terms and Conditions of the Bonds". This is a summary of the terms and conditions of the Bonds (the "Conditions" or the "Terms and Conditions of the Bonds"). Please refer to the section "Terms and Conditions of the Bonds" in this Offering Circular for a detailed description of the Terms and Conditions of the Bonds. The Terms and Conditions of the Bonds prevail to the extent of any inconsistency set forth in this summary.

Issuer	Shenzhen Expressway Company Limited (深圳高速公路股份有限公司).
Bonds Offered	US$300,000,000 aggregate principal amount of 1.750 per cent. Bonds due 2026.
Issue Price.	99.610 per cent. of the principal amount of the Bonds.
Form and Denomination.	The Bonds will be issued in registered form in the specified denomination of US$200,000 and integral multiples of US$1,000 in excess thereof.
Interest	The Bonds will bear interest from and including 8 July 2021 at the rate of 1.750 per cent. per annum, payable semi-annually in arrear on 8 January and 8 July in each year.
Issue Date	8 July 2021.
Maturity Date	8 July 2026.
Status of the Bonds	The Bonds will constitute direct, unsubordinated, unconditional and (subject to Condition 4(a) of the Terms and Conditions of the Bonds) unsecured obligations of the Company and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Company under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a) of the Terms and Conditions of the Bonds, at all times rank at least equally with all the Company's other present and future unsecured and unsubordinated obligations.
Negative Pledge, Financial Information Covenant, NDRC Post-issue Filing and SAFE Registration	The Bonds contain a negative pledge provision, a financial information covenant, an undertaking to file or cause to be filed with NDRC the requisite information and documents and an undertaking to register or cause to be registered with SAFE the Bonds and to use best endeavours to obtain a certificate of registration from SAFE, in each case, as further described in Condition 4 of the Terms and Conditions of the Bonds.
Events of Default	The Bonds contain certain events of default provisions as further described in Condition 9 of the Terms and Conditions of the Bonds.

Cross-Default.	The Bonds contain a cross-default provision as an event of default as further described in Condition 9(c) of the Terms and Conditions of the Bonds.
Taxation	All payments of principal, premium (if any) and interest by or on behalf of the Company in respect of the Bonds shall be made free and clear of, without set-off or counterclaim and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law. Where such withholding or deduction is made by the Company by or within the PRC at the rate up to and including the rate applicable on 24 June 2021 (the "Applicable Rate"), the Company will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required. If the Company is required to make a deduction or withholding by or within the PRC in excess of the Applicable Rate, the Company shall, subject to the limited exceptions specified in the Terms and Conditions of the Bonds, pay such additional amounts as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required.
Final Redemption.	Unless previously redeemed or purchased and cancelled, the Bonds will be redeemed at their principal amount on 8 July 2026.
Redemption for Tax Reasons . . .	The Bonds may be redeemed at the option of the Company in whole, but not in part, at any time, at their principal amount, together with interest accrued up to but excluding the date fixed for redemption, in the event of certain changes affecting taxes of the PRC or any political subdivision or authority therein or thereof having power to tax, as further described in Condition 6(b) of the Terms and Conditions of the Bonds.
Redemption for Relevant Event. .	Following the occurrence of a Relevant Event, the holder of any Bond will have the right, at such holder's option, to require the Company to redeem all but not some only of that holder's Bonds, at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together with accrued interest up to but excluding the Put Settlement Date, as further described in Condition 6(c) of the Terms and Conditions of the Bonds.

Redemption at the option of the Issuer	The Company may redeem the Bonds, in whole but not in part, (i) at the Make Whole Amount, at any time before 8 June 2026 (being the date that falls one month prior to the Maturity Date) or (ii) at their principal amount at any time on or after 8 June 2026 (being the date that falls one month prior to the Maturity Date), in each case, together with accrued and unpaid interest up to but excluding the Optional Redemption Date, as further described in Condition 6(d) of the Terms and Conditions of the Bonds.
Further Issues	The Company may from time to time without the consent of the Bondholders create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the issue price, the first payment of interest on them and the timing in relation to the SAFE Registration and the NDRC Post-issue Filing) so as to form a single series with the outstanding Bonds, as further described in Condition 14 of the Terms and Conditions of the Bonds.
Clearing Systems	The Bonds will initially be represented by beneficial interests in the Global Certificate, which will be registered in the name of a nominee for, and deposited on or about the Issue Date with, the common depositary for Euroclear and Clearstream. Beneficial interests in the Global Certificate will be shown on and transfers thereof will be effected only through records maintained by Euroclear and Clearstream. Except as described in the Global Certificate, certificates for the Bonds will not be issued in exchange for beneficial interests in the Global Certificate.
ISIN	XS2357032460.
Common Code	235703246.
Governing Law and Jurisdiction	The Bonds, the Trust Deed, the Agency Agreement and any non-contractual obligations arising out of or in connection with them will be governed by, and construed in accordance with, English law. Each party will submit to the exclusive jurisdiction of the Hong Kong courts.
Trustee	Citicorp International Limited.
Principal Paying Agent and Transfer Agent	Citibank, N.A., London Branch.
Registrar	Citibank, N.A., London Branch.
Listing	Application will be made to the SEHK for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only and such listing is expected to become effective on or about 9 July 2021.

Ratings	Moody's has assigned a corporate rating of "Baa2" to the Company with a stable outlook, S&P has assigned a corporate rating of "BBB" to the Company with a stable outlook and Fitch has assigned a corporate rating of "BBB" to the Company with a negative outlook. The Bonds are expected to be rated "Baa2" by Moody's and "BBB" by S&P. A rating is not a recommendation to buy, sell or hold the Bonds and may be subject to revision, suspension or withdrawal at any time by the assigning rating agency.
Selling Restrictions	For a description of certain restrictions on offers, sales and deliveries of the Bonds and on the distribution of offering materials in certain jurisdictions, including the United States, the United Kingdom, the EEA, Singapore, Japan, the PRC and Hong Kong, see "Subscription and Sale".
Use of Proceeds	See "Use of Proceeds".
Risk Factors	For a discussion of certain factors that should be considered in evaluating an investment in the Bonds, see "Risk Factors".

Investors should carefully consider, together with all other information contained in this Offering Circular, the risks and uncertainties described below. The business, financial condition or results of operations of the Company and the Group may be materially adversely affected by any of these risks. The risks described below are not the only ones relevant to the Company, the Group or the Bonds. Additional risks and uncertainties not presently known to the Company or the Group, or which the Company or the Group currently deems immaterial, may also have an adverse effect on an investment in the Bonds. The market price of the Bonds could decline due to any of these risks and investors may lose all or part of their investments.

This Offering Circular also contains forward-looking statements that involve risks and uncertainties. The actual results of the Group could differ materially from those anticipated in these forward-looking statements as a result of certain factors, including the considerations described below and elsewhere in this Offering Circular.

RISKS RELATING TO THE GROUP

Future growth prospects of the Group will be affected by its ability to secure and develop new projects successfully.

The future growth prospects of the Group will depend to some extent upon its ability to develop further projects. The development of future projects could be affected by many factors, including general political and economic conditions in the PRC, the increasing competition for high profile projects, the increase of cost for existing and new projects, as well as the various uncertainties in the daily operation of certain general environmental protection businesses. The Group's capability to secure and develop further projects will depend on its ability to obtain relevant government approvals, to reach agreement with potential joint venture partners and acquisition targets and on satisfactory commercial and technical terms and to enter into binding contracts with such parties, and to obtain external financing to fund the construction costs of projects. While the Group is experienced in conducting such negotiations, it cannot guarantee success with respect to any particular project. Each project will also require certain government consents and approvals as a part of the development process, the obtaining of which cannot be guaranteed. The Group may also faces various post-completion issues arising from its acquisitions or investments, such as integrating the acquired business into its operations and allocation of internal resources to successfully operate the acquired business. In addition, while during the course of acquisition and investment opportunities the Group conducts due diligence on the target companies, such due diligence may not reveal all relevant facts that are necessary or useful in evaluating such opportunity, which could subject the Group to unknown financial and legal risks and liabilities. There can be no assurance that the Group will be able to address these issues effectively. In addition, any major acquisition or investment may require significant management attention and financial resources from the Group or even result in significant indebtedness for the Group, depending on the relevant financing plan for the transaction. Any material decrease in its financial resources may limit the Group's ordinary operating activities and increase pressure on its liquidity, and in turn could adversely affect its business, financial condition and results of operations.

Pandemics (such as COVID-19), epidemics, or fear of spread of contagious diseases could disrupt the Group's industry and the Group's operations, which could materially and adversely affect the Group's business, financial condition, and results of operations.

Global pandemics, epidemics in China or elsewhere in the world, or fear of spread of contagious diseases, such as Ebola virus disease (EVD), coronavirus disease 2019 (COVID-19), Middle East respiratory syndrome (MERS), severe acute respiratory syndrome (SARS), H1N1 flu, H7N9 flu, and avian flu could disrupt the Group's industry and business operations in China and elsewhere in the world, reduce or restrict demand for the Group's products and services, or result in regional or global economic distress, which may materially and adversely affect the Group's business, financial condition, and results of operations. Any one or more of these events or recurrence may adversely affect the Group's sales results, or even for a prolonged period of time, which could materially and adversely affect the Group's business, financial condition, and results of operations.

The current COVID-19 pandemic has had a significant impact on the Group's business. 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 payments across the country. Being an enterprise engaging in expressway operations, the Group has been on the front line of epidemic prevention. In addition to properly carrying out work to prevent and control the epidemic, the Group has also promptly taken active steps to resume its production and operations in a full manner, while mitigating the negative impacts of the epidemic through 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 Spring Festival in 2021, as part of its epidemic prevention and control measures, the PRC governmental authorities encouraged people to stay at home. People who were returning from travels were subject to stringent preventive and control measures, leading to a decline of travelling needs nationwide during the period, and thus a decrease in the Group's toll revenue as compared with pre-pandemic years. In addition, the latest epidemic resurgence in Guangdong has caused the local government to step up measures and control efforts to fight the spread of the coronavirus. The toll roads operated and invested by the Group resumed their pre-pandemic operational performance during the first quarter in 2021. As of the date of this Offering Circular, the Group does not recognize any significant negative impact caused by the COVID-19 pandemic on the production and operation of the Group.

Vaccination is currently China's top COVID-19 prevention and control strategy. As of middle June 2021, there have been over 966.7 million vaccine doses administered in China, according to the National Health Commission of the PRC. However, there is no assurance that the COVID-19 pandemic can be eliminated or contained in the near future, or at all, or a similar outbreak will not occur again. Starting from the fourth quarter of 2020, another wave of COVID-19 infections emerged. If the COVID-19 pandemic and the resulting disruption to the Group's business were to extend over a prolonged period, it could materially and adversely affect the Group's business, financial condition, and results of operations.

The Group's business, financial condition and results of operations are heavily dependent on the level of economic activity in Shenzhen and Guangdong Province.

The Group's businesses and assets are highly concentrated in Shenzhen and other regions of Guangdong Province. Among the 15 toll roads which the Group operates or has investments in, eight are located in Shenzhen, three are located in other regions of Guangdong Province and four are located in other provinces of the PRC. Accordingly, the Group's business, financial condition and results of operations have been and will continue to be heavily dependent on the level of economic activity in Shenzhen and to a lesser extent, other regions in Guangdong Province. Shenzhen and Guangdong Province have undergone a prolonged period of rapid economic development and in particular, Shenzhen has been one of the fastest growing cities in the PRC in the last decade, with its GDP ranking 3rd in 2020 among all Chinese cities and its export volumes have consistently ranked as one of the highest among cities in the PRC. These developments have greatly benefited the Group and have allowed the Group to grow at a rapid pace during this time. However, the level of economic activity in Shenzhen and Guangdong Province may not continue to grow at the pace that it has achieved in the past, or at all, and in the event of any unfavourable developments, the Group's business, financial condition and results of operations may be adversely affected.

The Group is subject to project development risks and cost overruns, and delays may adversely affect the Group's results of operations.

There are a number of construction, financing, operating and other risks associated with project development in the PRC. Projects of the types undertaken by the Group typically require substantial capital expenditures during the construction phase and usually take several years before they become operational and generate revenue. The time taken and the costs involved in completing construction can be adversely affected by many factors, including shortage of materials, equipment and labour, adverse weather conditions, natural disasters, labour disputes, disputes with sub-contractors, accidents, changes in governmental priorities, approval times and other unforeseen circumstances. Any of these could give rise to delays in the completion of construction and/or cost overruns. In recent years, fluctuations in construction material prices, higher compensation standards of land acquisition and relocation, changes in planning or design and increased technical difficulties, the promulgation of new policies and technical specifications, and increasing national policy requirements for environmental protection in construction have made it more difficult for the Group to manage construction costs, schedules, quality, safety and environmental protection. In addition, construction delays can result in increased costs and delayed revenues. The failure to complete construction according to its specifications may result in liabilities, reduced efficiency and lower financial returns. While the Group's projects have been completed within time and cost budget, there can be no assurance that future infrastructure projects will be completed within time and cost budget, or at all, and generate satisfactory returns.

The Group's businesses may require substantial capital investment and external financing.

The Group will require additional financing to fund capital expenditures to support the future growth of its business and/or to refinance existing debt obligations. The Group's core businesses may require substantial capital investment, particularly for the acquisition, the development and expansion of toll road projects in the PRC.

In recent years, in addition to toll road projects, the Group has expanded business into recovery and solid waste management and clean energy segments, which has further increased capital expenditure needs. The Group has developed the Outer Ring Expressway Project (外環高速項目), the Second Phase of the Yanjiang Expressway Project (沿江高速二期項目), the Jihe Reconstruction and Expansion Project (機荷改擴建項目), and other environmental protection related projects. In addition to the Group's own funds, the sources of investment funds mainly rely on bank loans, corporate bonds and equity financing. The large-scale investment expenditures may increase the Group's financial burden and reduce the Group's ability to withstand risks.

The Group has historically required and expects that in the future it will continue to obtain external financing to fund its capital expenditures. The Group's ability to arrange external financing and the cost of such financing are dependent on numerous factors, including general economic and capital market conditions, interest rates, credit availability from banks or other lenders, investor confidence in the Group, success of the Group's businesses, and political and economic conditions in the PRC generally. There can be no guarantee that additional financing, either on a short-term or a long-term basis, will be made available or, if available, that such financing will be obtained on terms favourable to the Group.

In addition, the ownership and/or use rights in respect of certain assets of the Group are restricted pursuant to certain pledges and guarantee arrangements in favour of certain lenders of the Group. For details of such pledges and guarantee arrangements, see note V.62 of the audited consolidated financial statements of the Group as at and for the year ended 31 December 2020 included elsewhere in this Offering Circular. If there occurs any default under the relevant loans or guarantees, the lenders may choose to take action to enforce their rights under the pledge contracts or guarantee arrangements. In such circumstances, the Group may lose control over the relevant assets that are the subject of the enforcement action, which may adversely affect the business, financial condition and results of operations of the Group.

The Group recorded current liabilities of RMB14,035.5 million as of 31 December 2020, which was higher than the Group's current assets as of 31 December 2020. The Group also had net investing and/or financing cash outflows in the years ended 31 December 2019 and 2020.

On 31 December 2020, the Group's current liabilities was RMB14,035.5 million, exceeding the Group's current assets by RMB3,954.2 million, which was primarily due to the adjustment under Accounting Standards for Business Enterprises. Under the Accounting Standards for Business Enterprises, the offshore bonds issued by the Company in 2016 was accounted for current liabilities. The Group recorded negative net cash flows from investing activities and financing activities for the year ended 31 December 2019, and recorded negative net cash flows from investing activities for the year ended 31 December 2020.

There can be no assurance that the Group will not experience liquidity or negative cash flow issues in the future. If the Group fails to generate sufficient cash flow from its operations, or if the Group fails to maintain sufficient cash and financing, the Group's liquidity position may be adversely affected. If the Group does not have sufficient cash flows to fund the Group's business, operations and capital expenditure, the Group's business and financial position will be materially and adversely affected.

The Company is controlled by a significant shareholder.

As at the date of this Offering Circular, Shenzhen International indirectly owns 51.6% of the Company's equity interests. Shenzhen SASAC indirectly owns 43.3% interests in Shenzhen International and Shenzhen SASAC is regarded as the de facto controller of Shenzhen International. Shenzhen International and Shenzhen SASAC, indirectly, are able to control the Company's financial and operating policies. In the event that circumstances arise in which the interests of Shenzhen International, the Shenzhen municipal government or Shenzhen SASAC conflict with the interests of other shareholders of the Company, the other shareholders could be potentially disadvantaged.

Failure to hire and retain management executives and other qualified personnel could adversely affect the Group's businesses and prospects.

The growth of the Group's business is dependent upon the continued service of its senior management team. The industry experience, expertise and contributions of the Group's executives and other members of its senior management are essential to the Group's continued success. If the Group were to lose any of its key management members and were unable to recruit personnel with equivalent qualifications at any time, the management and growth of the Group's businesses could be adversely affected.

Competition for qualified personnel in general is intense in the PRC where the Group operates its businesses. The Group cannot guarantee that it will be able to maintain an adequate skilled labour force necessary for it to execute its projects or to perform other corporate activities, nor can the Group guarantee that staff costs will not increase as a result of a shortage in the supply of skilled personnel. If the Group fails to attract and retain personnel with suitable managerial or other expertise or maintain an adequate labour force on a continuous basis, its business operations, future growth and expansions could be adversely affected.

The Group's financial statements as at and for the year ended 31 December 2020 may not be comparable with the Group's consolidated financial statements for previous years.

Certain comparative information as at and for the year ended 31 December 2019 has been restated in the Group's audited consolidated financial statements as at and for the year ended 31 December 2020 to reflect the retrospective adjustments to the consolidated financial information due to the merger of Shenzhen International Financial Leasing Co., Ltd., China Logistics Financial Services Limited and Shenzhen Longda Expressway Company Limited under the common control of the Group into the Group's consolidation scope according to the relevant requirements of the Accounting Standards for Business Enterprises. As a result, the audited consolidated financial information as at and for the years ended 31 December 2019 and 2020 in the Group's consolidated financial statements for the year ended 31 December 2020 may not be comparable with financial statements for previous years. Please refer to Note VI to the Company's audited consolidated financial statements as at and for the year ended 31 December 2020 for more details. The historical results are not necessarily indicative of results to be expected in any future period. Investors should exercise caution when comparing the Group consolidated financial statements as at and for the year ended 31 December 2020 with that for previous years.

The Group may not be able to maintain, extend, or renew its operating qualifications or licenses upon expiry.

The Group's operation requires certain certificates, permits, and business licenses issued by relevant PRC authorities. Therefore, the Group's businesses may be materially and adversely affected if the Group fails to comply with the applicable regulations, in particular, if it fails to obtain or renew, or if there are material delays in obtaining or renewing, the requisite certificates, permits, and licenses.

Further, the PRC Government may revoke the Group's licenses or permits in certain circumstances, which may include:

- repeated failures to comply with the Group's obligations under the applicable laws or relevant administrative approvals and failure to remedy a significant violation within the time limit in accordance with specified procedures;
- total or partial interruption of service for reasons attributable to the Group;
- sale, assignment, transfer of the Group's essential assets, or the placing of encumbrances thereon without prior authorisation;
- bankruptcy, dissolution, or liquidation;
- failure to meet national standards or local standards, or failure to pass the inspections in respect of certain health, safety, and environmental protection regulations in the time frame stipulated; and
- ceasing and abandoning the provision of the licensed services, attempting to assign or unilaterally transfer the Group's licenses in full or in part without prior authorisation, or giving up its licenses, other than as permitted therein.

If any such licenses and permits were revoked, terminated, or not renewed for any reason, the Group may not be able to continue its business operations. In such event, there may be an adverse effect on the Group's business, results of operations, and financial condition.

The Group has limited insurance coverage and may be subject to certain uninsured risks.

The Group maintains insurance policies covering both its assets and employees in line with general business practices in Hong Kong and the PRC in the relevant industries, with policy specifications and insured limits which the Group believes are adequate and in line with industry practice. Risks insured against include fire, flooding, theft and public liability. There are, however, certain types of losses (such as from wars, acts of terrorism or acts of God) that generally are not insured because they are either uninsurable or not economically insurable. Should an uninsured loss or a loss in excess of insured limits occur, the Group could lose capital invested in the property, as well as anticipated future revenue and, in the case of debt that is with recourse to the Group, the Group may remain liable for financial obligations related to the relevant property. Any such loss could adversely affect the results of operations and financial condition of the Group.

The performance of the Group's business is dependent on future economic growth in the PRC and adverse economic conditions would negatively affect the Group's business.

The growth of the Group's business is dependent upon the continuation of economic development and growth in the PRC, which will increase demand for toll roads and related services. The PRC, including the Pearl River Delta and the Yangtze River Delta in which the Group's operations and investments are located, has experienced rapid economic development in recent years, but such growth may not continue at such rates either in the PRC generally, in the aforementioned areas or at all. A sustained period of slower growth in the PRC in general could have a material adverse effect on the financial condition and operating results of the Group, as well as on its prospects to identify, invest in and develop new projects and businesses.

COVID-19 has had a severe and negative impact on the Chinese and the global economy since 2020. Whether this will lead to a prolonged downturn in the economy is still unknown. Please see "*Risk Factors — Risks Relating to the Group — Pandemics (such as COVID-19), epidemics, or fear of spread of contagious diseases could disrupt the Group's industry and the Group's operations, which could materially and adversely affect the Group's business, financial condition, and results of operations*". Even before the outbreak of the COVID-19, the global macroeconomic environment was facing numerous challenges. The growth rate of the Chinese economy had already been slowing since 2010. According to the National Bureau of Statistics of China, the real GDP growth rate of the PRC decreased from 6.8% in 2016, 6.9% in 2017, 6.7% in 2018, 6.0% in 2019 and 2.3% in 2020. There is considerable uncertainty over the long-term effects of the expansionary monetary and fiscal policies which had been adopted by the central banks and financial authorities of some of the world's leading economies, including the United States and China, even before 2020. Unrest, terrorist threats, and the potential for war in the Middle East and elsewhere may increase market volatility across the globe. There have also been concerns about the relationship between China and other countries, including the surrounding Asian countries, which may potentially have economic effects. In particular, there is significant uncertainty about the future relationship between the United States and China with respect to trade policies, treaties, government regulations, and tariffs. The terms of the United Kingdom's exit from the European Union, commonly referred to as "Brexit," continues to result in market volatility and exchange rate fluctuations from time to time both globally and most specifically in the United Kingdom and rest of the Europe. Brexit has created significant uncertainty about the future relationship between the United Kingdom and the European Union. These developments, or the perception that any of them could occur, may adversely affect European and worldwide economic and market conditions. Economic conditions in China are sensitive to global economic conditions, as well as changes in domestic economic and political policies and the expected or perceived overall economic growth rate in China.

Any prolonged slowdown in China's economy might lead to tightened credit market, increased market volatility, sudden drops in business and consumer confidence and dramatic changes in business and consumer behaviors. In response to their perceived uncertainty in economic conditions, the Group's customers may also delay, reduce or cancel their travel activities. To the extent any fluctuations in the Chinese economy significantly affect the Group's customers' demand for the Group's services or change their spending habits, the Group's results of operations may be materially adversely affected.

The Group may be unsuccessful in managing or integrating investments and/or acquisitions.

The Group has been expanding its general environmental protection business and other business segments through investments and acquisitions. The ability of the Group's operations to grow through such investments and acquisitions is dependent upon, and may be limited by, the availability of attractive projects, its ability to agree to commercial, technical and financing terms to the satisfaction of the Group and obtaining required approvals from relevant regulatory authorities.

Such investments and/or acquisitions may expose the Group to potential difficulties that could prevent it from achieving its strategic objectives for the investments and/or acquisitions or the anticipated levels of profitability from the investments and/or acquisitions. These difficulties include:

- diversion of management's attention from the Group's existing businesses;
- increases in the Group's expenses and working capital requirements, which may reduce its return on invested capital;
- decreases in financial resources which may limit or reduce the Group's ordinary operating activities and increase pressure on its liquidity;
- increases in debt, which may increase the Group's financing costs as a result of higher interest payments;
- difficulties in expanding into different markets and challenges in operating or investing in markets and industries that the Group does not have substantial experience in;
- insufficient expertise to manage its additional risk exposure;
- exposure to new laws and regulations with which the Group is not familiar, or is currently not subject to and may lead to increased litigation and regulatory risk;
- exposure to unanticipated contingent liabilities for acquired businesses; and
- difficulties in integrating acquired investments or businesses into the Group's existing operations, which may prevent it from achieving, or may reduce, the anticipated synergies.

In addition, where the Group invests in joint ventures where it may not have management control over its investments, there can be no assurance that such joint ventures will operate smoothly or successfully, if at all. There can also be no assurance that joint venture partners will act in a way which is consistent with the interests of the Group and be able and willing to fulfil their obligations under the relevant joint venture or other agreements.

Also, the Group's portfolio companies operating in different segments may determine that it is in their shareholders' interests to pursue new business ventures. There can be no assurance that such business ventures will be successful or generate the synergies expected, if any. The successful completion of this type of transaction will depend on several factors, including satisfactory due diligence findings and the receipt of necessary regulatory approval, among others. If the Group fails to complete such business ventures or such ventures prove to be unsuccessful, the Group's operating segments involved may be adversely affected.

The Group may be involved in legal and other proceedings arising from its operations from time to time.

The Group may be involved from time to time in disputes with various parties involved in its businesses, such as contractors, sub-contractors, suppliers, construction companies, purchasers, partners, customers and others. These disputes may lead to legal and other proceedings, and may cause the Group to suffer costs and delays. Actions brought against the Group may result in settlements, injunctions, fines, penalties or other results adverse to the Group's reputation, financial condition, and results of operations. Even if the Group is successful in defending against these actions, the costs of such defence may be significant. In market downturns, the number of legal claims and amount of damages sought in litigations and regulatory proceedings may increase. A significant judgment, arbitration award or regulatory action against the Group, or a disruption in the Group's business arising from adverse adjudications in proceedings against the Group's directors, senior management or key employees, would materially and adversely affect the Group's liquidity, business, financial condition, results of operations and prospects.

In addition, the Group may have disagreements with regulatory bodies and governmental authorities in the course of its operations, which may subject it to administrative proceedings and unfavourable decrees that may result in financial losses and in delays in the construction or completion of its projects. If the Group is not successful in obtaining remedies under any contractual agreements for any such undisclosed losses or damages, the Group may be exposed to financial losses, which may have an adverse effect on its expected profitability and ability to realise synergies from acquisitions.

The Group may suffer substantial losses in the event of a natural or human induced disaster, such as an earthquake or other casualty event in the PRC.

Natural disasters, severe weather conditions and the outbreak of epidemics, all of which are beyond the Group's control, may adversely affect the economy and infrastructure of the PRC. The areas in which the Group operates are under the threat of flood, earthquake, sandstorm, snowstorm, fire, drought, or epidemics such as Ebola virus disease (EVD), coronavirus disease 2019 (COVID-19), Middle East respiratory syndrome (MERS), severe acute respiratory syndrome (SARS), H1N1 flu, H7N9 flu, and avian flu. Past occurrences of such phenomena, for instance the Sichuan Province earthquakes in May 2008 and April 2013, have caused varying degrees of harm to businesses and the national and local economies, and led to a significant decline in travel volumes and business activities which substantially affected businesses in Asia. The Group is unable to forecast the potential impact of another possible outbreak of any serious contagious disease or occurrence of natural disaster going forward. Another outbreak of any serious contagious disease may result in an economic downturn and, consequently, the Group's operations may be adversely affected.

Risks Relating to the Toll Road Business

A decline in traffic volume may adversely affect the revenue and earnings of the Group's toll road business.

Traffic volume is directly and indirectly affected by a number of factors, including the availability, quality, proximity and toll rate differentials of alternative roads, the existence of other means of transportation, including rail and waterway, fuel prices, taxation and environmental regulations and seasonality. Traffic volume on the Group's toll roads are also subject to seasonal fluctuations. For example, the Group generally sees increases in traffic volume in the third quarter of each year, because many people tend to travel during summer months of July and August.

The increase in transport capacity of railways in recent years has impacted the overall highway transportation industry. Widening and expansion works of nearby highways and local roads, as well as openings of new roads, further expansion and improvement of the highway network, parallel roads or substitutive routes, have hindered traffic growth on the highways of the Group and has resulted in negative impacts on the growth of toll revenue of the Group. Additionally, fluctuation in fuel prices may affect traffic volume on the Group's roads. To the extent that fuel shortages or increasing fuel prices reduce the volume of traffic, the Group's business, results of operations and financial condition may be materially and/or adversely affected.

Competing roads and bridges and alternative modes of transportation may also affect the Group's toll road operations. While the Group takes into account government planning when positioning its toll roads, new competing roads due to changes in government planning may become operational to divert traffic and other existing competing roads or modes of transportation may significantly improve their services, and consequently materially adversely affecting the results of operations and financial condition of the Group's toll road business.

The Group's business, financial condition and results of operations may be affected by the new toll collection system.

The official launch of the nationwide electronic toll collect (the "**ETC**") has brought new challenges to the Group's toll collection model and management model, 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. In addition, certain discounts have been offered for ETC toll collection, which may cause negative impact on the Group's toll revenue. There can be no assurance that the PRC government will not further adjust the toll collection system or cancel any existing tolls, which may have a material and adverse impact on the Group's business, financial condition, results of operations and prospects.

The profitability of the Group may be affected by certain investments in the toll road business in which it has non-controlling interest.

As at the date of this Offering Circular, the Group owns non-controlling interests in four toll roads in the PRC, with a total length of 36.4 kilometres on an equity ownership basis. The profitability of the Group may be affected by its equity investments in certain toll roads which it has no control over. For the financial years ended 31 December 2019 and 2020, the Group derived 8.7% and 6.4%, respectively, of its consolidated profit before tax from the results of such investments.

The Group signed a transfer agreement on 24 December 2020 to sell its 30% equity interests in Guangyun Company and 25% equity interests in Jiangzhong Company. As at the date of this Offering Circular, the transaction has not been closed. While the Group has no absolute control over these toll roads or their operations, the performance of each of these toll roads, a joint venture or an associate of the Group may have a significant impact on the profitability of the Group. The performance of these joint ventures or associates are subject to similar risks that the Group is subject to and are primarily dependent upon, amongst other things, general political and economic conditions, competition and seasonality. Accordingly, these joint ventures or associates may not be able to perform at their prior levels, and any decline in the earnings of any of these joint ventures or associates could have an adverse effect on the profitability of the Group.

The Group's income from toll road operations and investments is dependent upon the toll rates and concession periods set by local government authorities and other factors.

Toll rates charged by toll roads in the PRC are set by various local government authorities, although the Group's operating entities may propose toll rate charges for the toll roads they operate. Such tariff rates are determined by the local authorities internally. There can be no assurance that any future application for toll increases by the Group will be granted at all or in a timely manner or, if granted, will not be subject to certain conditions. In addition, the PRC government authorities may, depending on circumstances, lower tariffs for the PRC toll road sector in the future or waive toll charges for certain sections of the toll road network. If such tariffs are lowered or certain toll charges are waived, the Group's toll income may be adversely affected. In addition, the concession periods for the Group's toll roads are set by the local government authorities.

In recent years, policies such as the free policy of green channels, free release during holidays, and truck tolls discounts in certain areas have also affected the Group's revenue. In May 2019, the State Council announced to effectively abolish expressway toll stations at provincial boundaries by the end of 2019, and realize fast and non-stop toll collections; the Ministry of Transport also issued the "Notice on Vigorously Promoting the Development and Application of Expressway ETC" (《關於大力推動高速公路ETC發展應用工作的通知》Mingdian [2019] No. 45), which requires that from 1 July 2019, vehicle toll discounts for ETC shall not be less than 5%; and by the end of 2019, the ETC utilization rate on expressways shall be no less than 90%. The capital expenditures related to above-mentioned policies have been completed by the end of 2019, and there will be basically no new capital expenditures in the future. The government also subsidizes this portion of capital expenditures of the Group. However, the rapid increase in the number of ETC users who enjoy toll discounts will have a negative impact on the Group's revenue. In addition, affected by the outbreak of the COVID-19, the Ministry of Transport issued the "Operational Guidelines for Exempting Vehicle Tolls on Expressways during the Prevention and Control of the New Coronary Pneumonia Epidemic (《新冠肺炎疫情防控期間高速公路免收車輛通行費操作指南》)" and the Announcement of the Ministry of Transport on Resuming Toll Collection on Toll Roads (《交通運輸部關於恢復收費公路收費的公告》) on 15 February 2020 and 28 April 2020 respectively, stating that toll roads nationwide were exempted from tolls from 17 February 2020, to 6 May 2020. In addition, the Group has received relevant document from the Department of Transportation of Guangdong Province regarding the toll free policy during the COVID-19 epidemic, based on which and the Group's understanding and assessment on the relevant document, it expects an income for its wholly-owned and controlled expressway projects in Guangdong Province. There can be no assurance that the PRC government would continue to adjust or introduce similar policies in the future, which may have a material impact on the Group's business, financial condition, results of operations and prospects.

Pursuant to Regulation of the PRC on the Administration of Toll Roads (《中華人民共和國收費公路管理條例》), the time limit for toll collection from any toll road shall be subject to the examination and approval of the people's governments of the provinces, autonomous regions, and municipalities directly under the Central Government according to certain standards. Upon the expiry of the concession period, toll collection shall be terminated. The Group is principally engaged in investing in, developing and operating of expressways and the concession periods for the expressways operated by the Group range from 20 to 30 years. The competent communications department of the people's government of any province, autonomous region, or municipality directly under the Central Government shall make an appraisal and acceptance check of any toll road six months before the termination of toll collection from the toll road. After toll collection is terminated from a toll road, the business operator of the toll road shall dismantle the toll facilities within 15 days from the date of termination of toll collection. In addition, the concession agreement or concession authorization may be terminated before expiration under certain circumstances.

The Ministry of Transport of the PRC issued a revised draft of the Regulation of the PRC on the Administration of Toll Roads (《中華人民共和國收費公路管理條例》) for comment on 20 December 2018. According to the revised draft, the concession periods for for-profit roads shall usually not exceed 30 years. However, the concession periods for for-profit roads with large investments and long investment return periods could exceed 30 years. The draft amendment to the regulation had sought for public comments by 20 January 2019. However, as at the date of this Offering Circular, no amendment to the Regulation of the PRC on the Administration of Toll Roads has been put into effect.

The Group cannot assure that the concession agreements will not be terminated before or upon its expiration. If the concession agreements are terminated or revoked for any reason, or should the relevant government authorities require the Group to surrender the concession rights, the Group is not able to continue its operations on the relevant expressways. Any such event may materially and adversely affect the Group's business, financial position and results of operations.

Changes to the national and local policies on the transportation industry may adversely affect the Group's business, results of operations and financial condition.

The PRC is undergoing rapid economic development, and government regulations and policies are regularly promulgated to address such development. Changes in government policies on the transportation industries may adversely affect the Group's revenue and increase the Group's costs in operating and maintaining the toll roads. For example, the Shenzhen municipal government has implemented, in phases, restrictive policies on automobile purchases, restrictions on the use of non-local small passenger vehicles during certain times and substantial increases in road parking charges to control the rapid growth of car ownership and reduce the rate of vehicle use. This is expected to have a negative impact on the future traffic growth of regional road networks to a certain extent. In addition, according to the relevant regulations on road and traffic safety management of Shenzhen, there is a need to improve facilities such as lighting and monitoring systems on the relevant expressways of the Group. The above policies will increase the operating and maintenance costs of the Group and exert a greater pressure on management and coordination. Pursuant to the Implementation Plan of Guangdong Province for Improving Consumption Promotion System and Mechanism (《廣東省完善促進消費體制機制實施方案》), promulgated by the General Office of the CPC Guangdong Provincial Committee and the General Office of the People's Government of Guangdong Province on 28 May 2019, the restrictive policies on automobile purchases in Shenzhen will be relaxed gradually. However, there can be no assurance that there will not be any unfavourable changes in PRC government policies that affect transportation industries, which could in turn adversely affect the Group's results of operations or financial condition.

Competition in Guangdong from other forms of public and private transportation may adversely affect the Group.

As a developer and operator of expressways in Guangdong, the Group competes with other forms of public and private transportation available in the region, including subways, light rails and freeways. Traffic on expressways developed and operated by the Group could be impacted by:

- the expansion of the high speed train network, which may divert certain traffic from the expressways operated by the Group;
- the government's focus on the development of subway and inner-city light rail systems; and
- the opening of new freeways resulting in the diversion of traffic from the expressways operated by the Group.

Alternative forms of public transportation may provide travelers with alternate access or more comfortable and convenient transportation services. There is no assurance that the Group will be able to maintain its expressways or improve travel condition in order to compete with existing and new forms of transportation in respect of each of these factors, or at all. As a result, the Group expects increased competition from such public and private transportation providers, which may adversely affect the Group.

Environmental and safety protection measures and policies may affect the level of income and profitability of the Group.

Construction and operation of highways can cause damage to local vegetation, soil and water to varying degrees, producing waste gas, dust and noise pollution, damaging the ecological environment and causing safety hazards. Failure to comply with environmental and safety protection regulations may result in fines or suspension or revocation of the Group's licences or permits to conduct its business. Given the volume and complexity of these regulations, compliance may be difficult or involve significant financial and other resources to establish efficient compliance and monitoring systems. For example, the Group is required to obtain an approval of the environmental impact assessment report for a construction project before construction commences and to submit updated reports for re-approval if there are changes to construction plans. In addition, the relevant PRC laws and regulations on the environment, safety and health are constantly evolving. There can be no assurance that the PRC government will not impose additional or stricter laws or regulations, which may increase the compliance costs of the Group.

The Group's toll road operations may be subject to operational risks.

The operation of toll roads generally involves a low level of operational risk as long as an effective system of internal controls over the collection of toll fees is properly established and appropriate periodic maintenance is carried out. The toll road operations of the Group may nonetheless be materially and adversely affected or interrupted by a variety of events, such as insufficient management and internal control by the Group in the operation and maintenance of the highways, major traffic accidents, natural disasters, serious adverse weather and other unforeseen circumstances. If the toll road operations are interrupted in whole or in part as a result of such events, the traffic flow and, therefore, the results of operations and financial condition of the Group may be materially and adversely affected. In addition, aging or overhauled roads may affect the normal traffic of vehicles and cause the Group's maintenance expenses to increase, which may adversely affect the Group's overall operating performance.

The expansion of the national toll collection network called for a higher standard on the stability of the toll collection system, and the accuracy and timeliness of the data division and settlement system. Abnormality in the systems and management procedures may lead to inaccuracy in data division and delays in settlement, which may adversely affect the operation and reputation of the Group. In addition, with the expansion of the toll collection network, there has been an increase in toll evasion incidents such as gate crashing and fake toll passes, which may adversely affect the operations of the Group's toll roads.

The continuing repair and maintenance of toll roads may require significant expenditure and the Group's operations and financial position may be impacted by significant unforeseen capital expenditure requirements. For example, significant capital expenditure may be required as a result of catastrophic events such as serious adverse weather, natural disasters and major road accidents. To date, no material events of this nature have adversely affected the operation of any of the Group's roads. However, if the condition or operation of the Group's toll roads were seriously affected as a result of any such events, the revenue and earnings and financial position of the Group may be adversely affected.

Risks Relating to the General Environmental Protection Business

The Group's general environmental protection business is subject to operational and safety risks, including risks of environmental pollution and personal injuries.

Providing general environmental protection services, including recovery and solid waste management services and water supply and sewage treatment, involves risks such as truck accidents, equipment defects, malfunctions and failures, quality instability or waste slides, severe weather, and natural disasters, which could result in releases of hazardous materials and odours, injury of employees and others, or a need to shut down or reduce operations in the Group's facilities while remedial actions are undertaken. All of these risks expose the Group to potential liability for pollution and other environmental damage, personal injury, business interruption, and property damage or destruction.

While the Group seeks to minimize its exposure to such risks through comprehensive training and compliance programs, if the Group was to incur substantial liabilities in excess of any applicable insurance, its business, results of operations, and financial condition could be adversely affected. Any such incidents could also tarnish the Group's reputation and reduce the value of its brand.

The treatment and transportation of hazardous waste may expose the Group to potential liabilities.

The Group treats and disposes of waste collected in accordance with the environmental protection standards set forth by relevant authorities. However, the occurrence of any event beyond the control of the Group or human error in the Group's operations may lead to non-compliance with the relevant environmental laws, regulations or rules, personal injury and casualty, damage to property and equipment, and environmental pollution, and may result in the suspension of certificates, permits, or business licenses required for the Group's operations or imposition of administrative or criminal penalties. The Group could become subject to environmental claims or other civil or criminal litigations brought by government entities or third parties. Such legal or administrative proceedings would have a material adverse effect on the Group's business, financial conditions, and results of operations. In addition, if any such non-compliance is caused by the Group's failure to implement effective operational safety management systems, provide emergency facilities in case of accidents and/or carry out comprehensive emergency response drills, the occurrence of any foregoing accident could have a material adverse effect upon the Group's reputation, business, financial condition, and results of operations.

The Group's business operations may be adversely affected by present or future environmental protection and other regulations.

The Group incurs and continues to incur, substantial operating, maintenance, and remediation costs relating to compliance with increasingly complex laws and regulations for the protection of the environment, human health, and safety. The Group expects that future development of relevant laws and regulations will include, but will not be limited to, the introduction of new laws and regulations, changes in interpretation, amendments, enforcement of existing laws and regulations, or the replacement of local rules by national or international ones. However, there is no assurance that more stringent environmental protection requirements will not be imposed by relevant governmental authorities in the future. The Group may be required to pay penalties or fines or take remedial actions or suspend operations if it fails to comply with relevant environmental laws and regulations and causes damage to the environment or third parties. In addition, if the Group fails to meet public expectations in relation to environmental matters, its reputation may be damaged. Any of the above events could have a material adverse effect on the business, financial position and results of operations of the Group's general environmental protection business.

The Group faces increasing competition in the general environmental protection industries in which it operates, which may adversely affect the Group's profitability.

The Group faces competition from other companies (including other state-owned companies) in the general environmental protection industry in respect of operations, location, facilities, resources, services, pricing, and technology. In addition, the Group competes with its competitors in pursuing new business opportunities in the PRC.

Moreover, the State Council has encouraged development in waste disposal and recycling pursuant to the 14th Five-Year Plan for National Economic and Social Development and the Long-Range Objectives Through the Year 2035 (第十四個五年規劃和2035年遠景目標綱要) issued by the State Council on 11 March 2021, which would intensify competition in the Group's various businesses. No assurance can be given that the Group will be able to compete successfully against its existing or potential competitors or that increased competition with respect to its activities will not have a material adverse effect on its financial condition and results of operations. If the Group cannot respond to changes in market conditions or changes in the environmental sanitation and other relevant industries as effectively as its competitors, its business, financial condition, results of operations, and future development could also be materially and adversely affected.

The Group may not be able to catch up with rapid technological developments in the general environmental protection industry.

The Group has put, and will continue to put, its emphasis on the use of advanced technology in its various businesses and the importance of research and development, particularly in the development of recovery and solid waste management and clean energy technologies.

Prior to the commencement of a research and development project, the Group will consider various factors, including market conditions, technological viability, research and development cost, strengths of research and development partners, timing and commercial application. However, the Group's research and development efforts may not produce any results. In addition, due to rapid changes in market conditions and the uncertain future development of the environmental sanitation industry, there can be no assurance that the existing or future research and development projects will be completed in accordance with proposed timetables and/or budgets. The Group's business prospects and profitability may be negatively affected by the above uncertainties involved in research and development.

The Group's solid waste management and water supply and sewage treatment business require significant investments but may not generate expected returns.

A significant portion of the revenue from the Group's general environmental protection environment business is derived from the Group's solid waste management and water supply and sewage treatment business segment, which are subject to the risk of cost overruns during the project construction phase. Many of the factors causing cost overruns are beyond the control of the Group, such as increases in raw material prices or the failure of equipment vendors to perform their contractual obligations. If the actual costs are significantly higher than the Group's estimates and if the Group is not able to obtain sufficient compensation from its customers to offset the cost overruns, the Group's financial condition, results of operation and business prospects could be materially and adversely affected.

With respect to the construction of solid waste management and water supply and sewage treatment projects, the Group primarily uses the percentage of completion method to recognise and account for revenue from construction in progress and estimate the amount of construction costs for the entire construction phase based on its assessment of various factors, including the conditions and costs of project contractors and equipment and other relevant costs. Inaccuracies or flaws in the Group's measurements, the timing of completion or estimate for any given projects or in the estimation methodology as a whole, could have a material and adverse effect on the timing of the Group's recognition of revenue from its solid waste management and water supply and sewage treatment projects.

There cannot be any assurance that the revenue derived from the construction and operation of its solid waste management and water supply and sewage treatment projects will cover its initial investment and/or generate the expected profits. As a result, the Group may experience reduced profitability or losses with respect to such projects.

The viability and level of wind energy generation is dependent on wind patterns, which are not constant and vary over time and may be subject to increasing extreme weather conditions due to climate change.

The viability of the Group's wind energy projects is primarily dependent on the wind patterns at project sites conforming to the patterns were previously recorded or are expected or projected by owners to determine the suitability of these sites for wind energy projects. There can be no assurance that wind patterns at a particular site will remain constant or consistent with the Group's projections. A lack of appropriate sites with favorable wind conditions or changes in wind patterns at sites that have been previously identified as suitable for wind energy projects could impact the demand for wind turbines generally. Furthermore, wind turbine specifications must be suitable for the wind conditions expected at a particular site. Therefore, unavailability of suitable sites that the Group's wind energy projects can be located in would have a negative impact on its sales and thus materially adversely affect the Group's business, financial condition, cash flows and results of operations. For example, extraordinary wind conditions, such as severe storms, may increase due to climate change and may affect the viability and predictability of wind energy production. This uncertainty may make it less attractive for the Group's customers to invest in new projects.

Wind energy is generally not considered viable as a primary source of electricity.

Wind energy is generally not considered a viable base load source of electricity. This means that, while demand for wind energy is expected to increase, it appears unlikely in the foreseeable future that it will be considered a large-scale substitute for nuclear or fossil-fuel generated power or other more reliable renewable energy sources, such as hydropower. In addition, there have been several technological innovations within the renewable energy industry which could lead to other forms of renewable energy, such as solar or bio-diesels, emerging as more cost competitive, thereby taking market share away from wind technology, adversely affecting the future growth prospects of the wind energy industry in general and the Group's growth prospects in particular.

Furthermore, the cost of oil, coal and other fossil fuels is a key factor in determining the effectiveness of wind energy from an economic perspective. Cheaper and large supplies of fossil fuels favour non-wind energy generation, while more expensive and limited supplies of fossil fuels would favour wind energy generation. Discovery of new and significant oil, gas and coal deposits or a decline in the global prices of oil, gas and coal and other petroleum products, could result in lower demand for wind energy projects, which would have a material adverse effect on the Group's business, financial condition, cash flows and results of operations.

The construction of wind turbines and wind farms may incur delays.

The environments at wind power project construction sites differ in terms of topography, climate and region for every project the Group executes or participates in. A technical evaluation and commercial appraisal are conducted prior to project execution. Weather risks may cause deviations from predefined process chains, which could affect scheduled construction and commissioning deadlines. For this reason, it is not possible to rule out additional costs in areas such as crane services, construction services, transport or logistics. Other potential risks include a lack of component availability due to delays in deliveries from third party suppliers or capacity bottlenecks with third party supplier companies and internal resources. This risk may materialize whenever initial schedules must be adjusted.

In some cases, technical faults or quality defects in individual components only becomes apparent at the construction site, and may require additional or rectification work onsite and/or replacement of components. In addition to causing delays to the project, this may also entail refusal of or, after remedying defects, late acceptance of the delivery, and consequently payment from the customer being received later than budgeted. This involves a risk of subsequent compensation payments or purchase price reductions. Project and construction risk may result in unplanned additional costs, and a reduction in the calculated profit of the project. If any or all of these risks should materialize, this may have a material adverse impact on the Group's business activities, financial condition, cash flows and results of operations.

Risks Relating to the Entrusted Management Service Business

Revenue recognition and cash recovery from the entrusted construction and operation management projects may become uncertain due to the project size, project completion schedule and the entrusting party's ability to pay.

The Group's management service business, which consists of entrusted construction management and entrusted operation management, has become an important component of the Group's business. The Group has been entrusted by government agencies and enterprises to provide construction management and operation management services, and receives commissions, management fees and/or bonuses based on the calculation method agreed with the relevant entrusting party.

The entrusting party for a majority of the Group's management service projects are government agencies. In the event the approved budgets by the relevant government authorities for the entrusted construction or operation management projects fall below the Group's expectation or the relevant government agencies lack the ability to pay, the Group's earnings and profits will be negatively affected. The Group's revenue recognition from entrusted construction or operation management is also affected by the process of government accounts audit upon completion of the projects. Any delay in the government accounts audit process may cause delay in the Group's revenue recognition and cash recovery from the entrusted construction projects, which may adversely affect the Group's business and results of operations. In addition, because the construction period of the entrusted projects normally lasts for more than three years and the Group has a limited number of projects, the completion schedule of the projects may cause the Group's revenue from the entrusted construction projects to fluctuate significantly from period to period.

Currently, the Group's management service business include the Outer Ring Road Project in Shenzhen (深圳外環項目), freight organization adjustment project (貨運組織調整項目), Longli BT Project (龍里安置房項目), Shenzhen-Shantou Environmental Park Project (深汕環境園項目), Bimeng Project (貴州比孟安置房項目), Shenzhen-Shantou Nanmen River and Land Project (深汕南門河及地塊項目) and Dohana Project (朵花項目) in Guizhou. As the local governments are the owners of most projects, if the governments' financial position and performance ability change, the construction payment recovery would be exposed to certain risks.

RISKS RELATING TO INVESTING IN THE PRC

The PRC's economic, political and social conditions, as well as government policies, could adversely affect the Group's business.

The Group derives substantially all of its revenues from its operations in the PRC. The Group's financial condition, results of operations and prospects will, accordingly, be subject to economic, political and legal developments in the PRC, as well as in the economies of the surrounding region. The following conditions and developments in the PRC may materially adversely affect the Group's financial condition, results of operations and prospects:

- inflation, interest rates and general economic conditions;
- the introduction of economic policies to control inflation or stimulate growth, change the rate or method of taxation or impose additional restrictions on currency conversions and remittances abroad, where the government has periodically taken measures to slow economic growth to a more manageable level, in response to concerns about the PRC's historical high growth rate in industrial production, bank credit, fixed investment and money supply;
- the structure of the economy, where the economy has been transitioning from a planned economy to a market-oriented economy, but where the government still controls a substantial portion of productive assets, continues to play a significant role in regulating industries through industrial policies and exercises significant control over growth through allocating resources, controlling payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies;
- demographic factors in the PRC which still has a growing population trend requiring rapid economic growth to assure employment and stability;
- governmental policies, laws and regulations, including, without limitation, those relating to foreign investment or classification of industries, and changes to such policies, laws and regulations and their implementation and interpretation, which could prevent, delay, increase the cost of or otherwise adversely affect the Group's ability to invest in, acquire or divest, develop, operate or manage its facilities;
- potential changes in PRC tax law and proposed application and/or interpretation of these laws could increase the Group's PRC tax liability;
- the risk of nationalisation and expropriation of assets;
- currency controls and other regulations, which may affect the Group's ability to receive distributions or other dividends from the Group's subsidiaries or other entities in which it may have any interest, to borrow onshore or offshore where the facility or the relevant subsidiary or entity is located, or to carry out acquisition, divestment and capital expenditure plans; and
- political and other conditions.

Although the economy of the PRC experienced rapid growth in the past 40 years, there has been a slowdown in the growth of the PRC's GDP since the second half of 2013 and this has raised market concerns that the historic rapid growth of the economy of the PRC may not be sustainable. The PRC government has implemented various measures to encourage economic growth. Some of these measures benefit the overall PRC economy, but may also have a negative effect on the operations of the Group.

In recent years, the PRC government has implemented measures emphasising the utilisation of market forces for economic reform, the reduction of state ownership of productive assets and the establishment of sound corporate governance in business enterprises, but substantial portion of productive assets in the PRC is still owned by the PRC government. In addition, the PRC government continues to play a significant role in regulating the development of industries in the PRC by imposing top-down policies. It also exercises significant control over the PRC's economic growth through the allocation of resources, controlling the payment of foreign currency-denominated obligations, setting monetary policy and providing preferential treatment to particular industries or companies.

Uncertainties with respect to the PRC legal system could have a material adverse effect on the prospects, financial condition and results of operations of the Group.

Unlike common law systems, the PRC legal system is based on written statutes. Therefore, the value of the precedents is limited. The overall effect of comprehensive legislation over the past four decades has significantly increased the protections afforded to entities in China. The Group is subject to laws and regulations applicable to state-owned enterprises as well as various Chinese laws and regulations generally applicable to companies in China. However, since there will be amendments to these laws and regulations from time to time and the PRC legal system continues to rapidly evolve, the interpretations of many laws, regulations and rules are not always uniform and the enforcement of such laws, regulations and rules involves many uncertainties. These uncertainties may impede the Group's ability to enforce the contracts the Group has entered into with its investors, creditors, customers, suppliers and business partners. The Group cannot predict the effect of future developments in the PRC legal system or the integration of such developments under the legal systems of the jurisdictions, including the promulgation of new laws, changes to existing laws or the interpretation or enforcement thereof, the preemption of local regulations by national laws, or the overturn of local government's decisions by itself, provincial or national governments. These uncertainties may also limit legal protections available to or against the Group. In addition, any litigation in the PRC may be protracted and result in substantial costs and diversion of resources and management attention and have a material adverse effect on the Group's business, prospects, financial condition and results of operations.

The enforcement of the Labour Contract Law and other labour-related regulations in the PRC may materially adversely affect the Group's business and its results of operations.

On 29 June 2007, the PRC Government enacted the Labour Contract Law (《中華人民共和國勞動合同法》), which became effective on 1 January 2008 and was amended on 28 December 2012. The Labour Contract Law establishes additional restrictions and increases the cost to employers upon termination of employees, including specific provisions related to fixed-term employment contracts, temporary employment, probation, consultation with the labour union and employee general assembly, employment without a contract, dismissal of employees, compensation upon termination and overtime work, and collective bargaining. According to the Labour Contract Law, an employer is obligated to sign an unlimited term labour contract with an employee if the employer continues to employ the employee after two consecutive fixed term labour contracts and the employee does not fall under any of the categories stipulated in the law. The employer must also pay compensation to employees if the employer terminates an unlimited term labour contract in certain circumstances.

Unless an employee refuses to extend the labour contract with the employer under the same terms or better terms than those in the original contract, the employer shall pay the employee compensation if the employer terminates the fixed-term labour contract at its expiry. Further, under the Regulations on Paid Annual Leave for Employees (《職工帶薪年休假條例》) which became effective on 1 January 2008, employees who have served more than one year with an employer are entitled to a paid vacation ranging from five to 15 days, depending on their length of service. Employees who waive such vacation time at the request of employers shall be compensated at three times their normal salaries for each waived vacation day. As a result of these protective labour measures or any additional future measures, the Group's labour costs may increase. There can be no assurance that any disputes, work stoppages or strikes will not arise in the future.

The PRC economy is susceptible to the macroeconomic policies of the PRC government.

The PRC government has exercised and continues to exercise significant influence over the PRC's economy. From time to time, the PRC government adjusts its monetary and economic policies, which may affect the markets in which the Group operates. Any action by the PRC government concerning the economy could have a material adverse effect on the business, financial condition and results of operations of the Group.

The PRC government has in recent years taken a number of policy initiatives in the financial sector. The PRC government lowered the deposit-reserve ratio eleven times between April 2015 and January 2020. The reserve requirement refers to the amount of funds that banks must hold in reserve with the PBOC against deposits (including margin deposits such as acceptances, letters of credit and letters of guarantee) made by their customers.

Any future increases in the bank reserve requirement ratio may negatively impact the amount of funds available to lend to businesses, including to the Group, by commercial banks in Mainland China. The Group cannot assure investors that the PRC government will not introduce other initiatives which may limit the Group's access to capital resources. The foregoing and other initiatives introduced by the PRC government may limit the Group's flexibility and ability to use bank loans or other forms of financing and therefore may require the Group to maintain a relatively high level of internally sourced cash. As a result, the Group's business, financial condition and results of operations may be materially and adversely affected.

Government control of currency conversion and fluctuations in the value of Renminbi may adversely affect the Group's performance under the Bonds, its business and the value of distribution by its PRC subsidiaries.

Foreign exchange transactions under the capital account, including principal payments with respect to foreign currency-denominated obligations, are subject to the approval requirements of SAFE and other procedures. In addition, the Bonds are denominated in US dollars, while substantially all of the Group's revenue is generated by its PRC operating subsidiaries and is denominated in Renminbi. Under existing PRC foreign exchange regulations, payments of current account items, including profit distributions, interest payments and trade and service-related foreign exchange transactions, can be made in foreign currencies without prior approval from the PRC State Administration of Foreign Exchange, or SAFE, by complying with certain procedural requirements. Therefore, the Company's PRC subsidiaries are able to pay dividends in foreign currencies to it without prior approval from SAFE by complying with certain procedural requirements. However, approval from or registration with the appropriate government authorities is required where Renminbi are to be converted into foreign currencies and remitted out of China to pay capital expenses such as the repayment of loans denominated in foreign currencies. The PRC government may also at its discretion restrict access in the future to foreign currencies for current account transactions. In January 2017, the SAFE issued the Notice on Further Promoting the Reform of Foreign Exchange Administration and Improving the Examination of Authenticity and Compliance, which continues to implement and improve the policies for the administration of outward remittance of foreign exchange profits from direct investment. A bank that handles outward remittance of profits more than US$50,000 for a domestic institution shall review documents provided by the domestic institution and verify the authenticity of the underlying transactions. If the foreign exchange control system prevents the Group from obtaining sufficient foreign currencies to satisfy the Group's foreign currency demands, the Group may not be able to pay dividends in foreign currencies to the Group's shareholders and/or the holders of the Bonds.

Fluctuations in exchange rate may have a material adverse effect on the Group's results of operations.

The Bonds are denominated in US dollars, while substantially all of the Group's operating incomes are generated by the Company and its PRC operating subsidiaries and are denominated in Renminbi. The value of the Renminbi against other currencies may fluctuate and is affected by, among other things, changes in China's political and economic conditions. On July 21, 2005, the PRC government reformed its exchange rate regime by adopting a managed floating exchange rate regime based on market supply and demand. Under this regime, the Renminbi is no longer pegged to the US dollar but is permitted to fluctuate within a narrow and managed band with reference to a portfolio of currencies. On 11 August 2015, the PBOC adjusted the mechanism for market makers to form the central parity rate by requiring them to consider the closing exchange rate of the last trading date, the supply and demand of foreign exchange and the change of rate of the primary international currencies. For three consecutive days commencing 11 August 2015, PBOC devalued the Renminbi against the US dollar, leading to declines in the value of the Renminbi versus the US dollars of up to 2.8% in currency markets, which was also the largest single-day drop in the value of the Renminbi since 1994. On 11 December 2015, the China Foreign Exchange Trade System (the "**CFETS**"), a sub-institutional organization of PBOC, published the CFETS Renminbi exchange rate index for the first time which weighs the Renminbi based on 13 currencies, to guide the market in order to measure the Renminbi exchange rate from a new perspective. Throughout 2016, the Renminbi experienced further fluctuation in value against the US dollar. In the fourth quarter of 2016, the Renminbi depreciated significantly against the US dollar in the backdrop of persistent capital outflows of China. In 2017, the Renminbi appreciated approximately 6.3% against the US dollar. In 2018, however, the Renminbi depreciated approximately 5.7% against the US dollar. In 2019, the Renminbi depreciated approximately 4.07% against the U.S. dollar, and in 2020, the Renminbi appreciated approximately 6.6% against the US dollar. It remains unclear what fluctuations may occur in future in respect of the exchange rate between the Renminbi and the US dollar. The PRC government may adopt further reforms of its exchange rate system, including making the Renminbi freely convertible in the future. If such reforms were implemented and resulted in devaluation of the Renminbi against the US dollar, the Group's financial condition and results of operations could be adversely affected because of the Group's US dollar denominated indebtedness and other obligations. Such a devaluation could also adversely affect the value, translated or converted into US dollars or otherwise, of the Group's earnings and the Group's ability to satisfy the Group's obligations under the Bonds and other indebtedness denominated in foreign currencies. There are limited hedging instruments available in China to reduce the Group's exposure to exchange rate fluctuations between the Renminbi and other currencies.

It may be difficult to effect service of legal process, enforce foreign judgments or bring original actions in the PRC based on other foreign laws against the Company and most of its subsidiaries.

The Company and most of its subsidiaries are companies incorporated under the laws of the PRC, and a substantial portion of their assets and most of the Company's subsidiaries are located in the PRC. In addition, most of the Company's directors, supervisors and senior management reside within the PRC, and the assets of the Company's directors, supervisors and senior management may be located within the PRC. As a result, it may not be possible to effect service of legal process outside the PRC upon most of the Company's directors, supervisors and senior management.

However, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with many countries. On 14 July 2006, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgment in Civil and Commercial Matters by the Courts of the Mainland and of the Hong Kong Special Administrative Region Pursuant to Choice of Court Agreements Between Parties Concerned (關於內地與香港特別行政區法院相互認可和執行當事人協議管轄的民商事案件判決的安排) (the "**Reciprocal Recognition Arrangement**"), pursuant to which a party with a final court judgment rendered by a Hong Kong court requiring payment of money in a civil and commercial case according to a "choice of court" agreement in writing may apply for recognition and enforcement of the judgment in the PRC. Similarly, a party with a final court judgment rendered by a PRC court requiring payment of money in a civil and commercial case pursuant to a "choice of court" agreement in writing may apply for recognition and enforcement of such judgment in Hong Kong. A "choice of court" agreement in writing is defined as any agreement in writing entered into between parties after the effective date of the Reciprocal Recognition Arrangement in which a Hong Kong court or a PRC court is expressly designated as the court having sole jurisdiction for the dispute. Therefore, it is not possible to enforce a judgment rendered by a Hong Kong court in the PRC if the parties in dispute do not enter into a "choice of court" agreement in writing. As a result, it may be difficult or impossible for investors to effect service of process against the Company' assets or directors in the PRC in order to seek recognition and enforcement for foreign judgments in the PRC. On 18 January 2019, Hong Kong and the PRC entered into the Arrangement on Reciprocal Recognition and Enforcement of Judgments in Civil and Commercial Matters between the Courts of the Mainland and of the Hong Kong Special Administrative Region (關於內地與香港特別行政區法院相互認可和執行民商事案件判決的安排) (the "**2019 Arrangement**"), which seeks to establish a bilateral legal mechanism with greater clarity and certainty for recognition and enforcement of judgments in a wider range of civil and commercial matters between the courts of Hong Kong and the PRC. The 2019 Arrangement will be implemented by local legislation in Hong Kong and will take effect after both Hong Kong and the PRC have completed the necessary procedures to enable implementation and shall apply to judgments made by the courts of Hong Kong and the PRC on or after the date of the commencement of the 2019 Arrangement. Upon commencement of the 2019 Arrangement, the Reciprocal Recognition Arrangement shall be terminated, except for "choice of court" agreements in writing made between parties before the commencement of the 2019 Arrangement, in which case the Reciprocal Recognition Arrangement shall continue to apply. However, the recognition and enforcement of judgments rendered by a Hong Kong court in the PRC are subject to the provisions, limits, procedures and other terms and requirements of the 2019 Arrangement. There can be no assurance that investors can successfully effect service of process against the Company or the Company's directors or members of its senior management in the PRC and/or to seek recognition and enforcement for judgments rendered by a Hong Kong court in the PRC.

Moreover, the PRC does not have treaties providing for the reciprocal recognition and enforcement of judgments of courts with the United States, the United Kingdom, Japan and many other countries. Therefore, it may not be possible for investors to effect service of process upon those persons in the PRC or to enforce against them in the PRC any judgments obtained from non-PRC courts. In addition, Hong Kong has no arrangement for the reciprocal enforcement of judgments with the United States. As a result, recognition and enforcement in the PRC or Hong Kong of judgments of a court of any other jurisdiction in relation to any matter not subject to a binding arbitration provision may be difficult or even impossible.

Increases in the cost of labor may materially and adversely affect the Group's business, prospects, financial condition and results of operations.

With the rapid development of the Chinese economy, the cost of labor has increased and may continue to increase in the future. Furthermore, pursuant to Chinese labor laws, employers in China are subject to various requirements when signing labor contracts, paying remuneration, determining the term of employees' probation and unilaterally terminating labor contracts. The Group's results of operations will be materially and adversely affected if the labor costs of its third-party suppliers and manufacturers increase significantly. In addition, the Group and its manufacturers and suppliers may not be able to find a sufficient number of qualified workers due to the intensely competitive and fluid market for skilled labor in China.

RISKS RELATING TO THE BONDS

Any failure to complete the relevant filings under the NDRC Circular and the relevant registrations under SAFE within the prescribed time frame following the completion of the issue of the Bonds may have adverse consequences for the Issuer and/or the investors of the Bonds.

The NDRC issued the NDRC Circular on 14 September 2015, which came into effect on the same day. According to the NDRC Circular, domestic enterprises and their overseas controlled entities shall procure the registration of any debt securities denominated in Renminbi or a foreign currency, with a maturity term of one year and longer issued outside of the PRC with NDRC prior to the issue of the securities and notify the particulars of the relevant issues within 10 PRC working days after the completion of the issue of the securities. The NDRC Circular is silent on the legal consequences of non-compliance with the post-issue notification requirement. The Issuer has completed the registration of the issue of the Bonds with the NDRC and obtained the NDRC pre-issuance certificate dated 7 April 2021.

On 18 December 2015, NDRC issued the Guidelines on Overseas Corporate Bond Issuance (企業境外發行債券指引) (the "**Guideline**"), which further strengthened the compliance of registration requirements under the NDRC Circular, and provides that companies, underwriters, law firms and other intermediary institutions who fail to comply with registration requirements, commit to maliciously reporting foreign debt scale and providing fake information may be placed on a blacklist of dishonest persons and sanctioned by PRC government. However, the Guideline does not provide details as to how to implement such blacklist and measures of sanction that the PRC government will take.

In the worst case scenario, as non-compliance with the post-issue notification requirement under the NDRC Circular may result in it being unlawful for the Issuer to perform or comply with any of its obligations under the Bonds and the Bonds might be subject to enforcement as provided in Condition 9 (Events of Default) of the Terms and Conditions. Potential investors of the Bonds are advised to exercise due caution when making their investment decisions. The Issuer will undertake to file or caused to be filed with the NDRC the requisite information and documents within 10 PRC Business Days after the Issue Date.

Pursuant to the applicable PRC laws on the administration of foreign debt, including without limitation, the Interim Provisions on the Management of Foreign Debts (外債管理暫行辦法) effective from 1 March 2003, the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) effective from 13 May 2013 and the Notice on Issues Relating to the Macro-prudential Management of Overall Cross-border Financing (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知), an issuer of foreign debt shall complete the foreign debt registration in respect of its issue of foreign debt with the local branch of SAFE in accordance with applicable laws and regulations. Based on its consultation with the Shenzhen branch of SAFE, the Issuer would be required to register the Bonds with the Shenzhen branch of SAFE prior to the date falling 3 PRC working days before the Closing Date. The Issuer will undertake to make the SAFE Registration and use its best endeavours to complete the SAFE Registration and obtain a certificate of registration from SAFE on or before the Registration Deadline (as defined in the Terms and Conditions of the Bonds).

Before such registration of the Bonds is completed, it is uncertain whether the Bonds are enforceable under the PRC laws. In the unlikely event of the Issuer failing to complete such registration after having exercised its best endeavours, the Issuer may have difficulty in remitting funds offshore to service payments in respect of the Bonds and investors may encounter difficulties in enforcing judgments obtained in the Hong Kong courts with respect to the Bonds and the Trust Deed in the PRC.

The PRC government (including the Shenzhen municipal government) has no payment or other obligations under the Bonds.

The PRC government (including the Shenzhen municipal government) is not an obligor and shall under no circumstances have any obligation arising out of or in connection with the Bonds, the Trust Deed or the Agency Agreement in lieu of the Company. This position has been reinforced by the Notice of the Ministry of Finance on Issues concerning Regulating the Investment and Financing Behaviours of Financial Enterprises for Local Governments and State-owned Enterprises (財政部關於規範金融企業對地方政府和國有企業投融資行為有關問題的通知) ("**Circular 23**") promulgated on 28 March 2018 which took effect on the same day, Circular of the National Development and Reform Commission and the Ministry of Finance on Improving the Market Restraint Mechanism and Taking Strict Precautions against Foreign Debt Risks and Local Debt Risks (國家發展改革委、財政部關於完善市場約束機制嚴格防範外債風險和地方債務風險的通知) ("**Circular 706**") promulgated on 11 May 2018 which took effect on the same day and the Notice on the Requirements relating to the Foreign Debt Issuance Filings and Registrations Application of local State- Owned Enterprises (關於對地方國有企業發行外債申請備案登記有關要求的通知) ("**Circular 666**") issued by the NDRC on 6 June 2019 which emphasised that local state-owned enterprises shall bear the responsibility for the repayment of foreign debt as independent legal persons, and local governments and their departments shall not pay the foreign debt of local state-owned enterprises directly or by committing to the payment of the foreign debt with financial funds, nor shall they provide guarantees for the issuance of foreign debt by local state-owned enterprises.

The PRC government, as the ultimate equity holder of the Company, only has limited liability in the form of its equity contribution in the Company. As such, the PRC government does not have any payment or other obligations under the Bonds, the Trust Deed or the Agency Agreement. The Bonds are solely to be repaid by the Company as an obligor under the relevant transaction documents and as an independent legal person.

Therefore, investors should base their investment decision only on the financial condition of the Company and the Group and base any perceived credit risk associated with an investment in the Bonds only on the Group's own financial information reflected in its financial statements.

The Bonds are unsecured obligations.

As the Bonds are unsecured obligations of the Issuer, the repayment of the Bonds may be compromised if:

- the Issuer enters into bankruptcy, liquidation, reorganisation or other winding-up proceedings;
- there is a default in payment under the Issuer's secured indebtedness or other unsecured indebtedness; or
- there is an acceleration of any of the Issuer's indebtedness.

If any of these events were to occur, the Issuer's assets and any amounts received from the sale of such assets may not be sufficient to pay amounts due on the Bonds.

The insolvency laws of the PRC may differ from those of another jurisdiction with which the Bondholders are familiar.

The Issuer was incorporated under the laws of the PRC. Any bankruptcy proceeding relating to the Issuer would likely involve PRC bankruptcy laws, the procedural and substantive provisions of which may differ from comparable provisions of the local insolvency laws of jurisdictions with which the Bondholders are familiar.

A change in English law which governs the Bonds may adversely affect the Bondholders.

The Terms and Conditions are governed by English law. No assurance can be given as to the impact of any possible judicial decision or change to English law or administrative practice after the date of issue of the Bonds.

Additional procedures may be required to be taken to bring English law governed matters or disputes to the Hong Kong courts and the Bondholders would need to be subject to the exclusive jurisdiction of the Hong Kong courts. There can also be no assurance that the PRC courts will recognise and enforce judgments of the Hong Kong courts in respect of English law governed matters or disputes.

The Terms and Conditions of the Bonds, the Trust Deed and the Agency Agreement are governed by English law, whereas parties to these documents have submitted to the exclusive jurisdiction of the Hong Kong courts. In order to hear English law governed matters or disputes, the Hong Kong courts may require certain additional procedures to be taken. Under the Reciprocal Recognition Arrangement, judgments of Hong Kong courts are likely to be recognised and enforced by the PRC courts where the contracting parties to the transactions pertaining to such judgments have agreed to submit to the exclusive jurisdiction of Hong Kong courts. However, recognition and enforcement of a Hong Kong court judgment could be refused if the PRC courts consider that the enforcement of such judgment is contrary to the social and public interest of the PRC or meets other circumstances specified by the Reciprocal Recognition Arrangement.

While it is expected that the PRC courts may recognise and enforce a judgment given by the Hong Kong courts in respect of a dispute governed by English law, there can be no assurance that the PRC courts will do so for all such judgments as there is no established practice in this area. Compared to other similar debt securities issuances in the international capital markets where the relevant holders of the debt securities would not typically be required to submit to an exclusive jurisdiction, the holders of the Bonds will be deemed to have submitted to the exclusive jurisdiction of the Hong Kong courts, and thus the holders' ability to initiate a claim outside of Hong Kong will be limited.

The Bonds will be structurally subordinated to the liabilities of the Company's subsidiaries.

None of the Company's subsidiaries will guarantee the Bonds or have any obligation to pay amounts due under the Bonds or to make funds available for that purpose. In addition, holders of indebtedness of, and trade creditors of, the Company's subsidiaries, including lenders under bank financing agreements, are generally entitled to payment of their claims from the assets of such subsidiaries before these assets are made available for distribution to the Company, as a direct or indirect shareholder.

Accordingly, in the event that any such subsidiary becomes insolvent, is liquidated, reorganised or dissolved or is otherwise wound up:

- creditors of the Company (including the holders of the Bonds) will have no right to proceed against the assets of such subsidiary; and

- creditors of such subsidiary, including trade creditors, will generally be entitled to payment in full from the sale or other disposal of the assets of such subsidiary before the Company, as a direct or indirect shareholder, will be entitled to receive any distributions from such subsidiary.

As a result, the Bonds will be structurally subordinated to the creditors (including trade creditors) of the subsidiaries of the Company.

The Bonds may not be a suitable investment for all investors

The Bonds are complex financial instruments and may be purchased as a way to reduce risk or enhance yield with a measured and appropriate addition of risk to the investor's overall portfolios. A potential investor should not invest in the Bonds unless they have the expertise (either alone or with the help of a financial adviser) to evaluate how the Bonds will perform under changing conditions, the resulting effects on the value of such Bonds and the impact this investment will have on the potential investor's overall investment portfolio.

Additionally, the investment activities of certain investors are subject to legal investment laws and regulations, or review or regulation by certain authorities. Each potential investor should consult its legal advisers to determine whether and to what extent (a) the Bonds are legal investments for it, (b) the Bonds can be used as collateral for various types of borrowing and (c) other restrictions apply to its purchase of any Bonds. Financial institution investors should consult their legal advisers or the appropriate regulators to determine the appropriate treatment of Bonds under any applicable risk-based capital or similar rules.

Each potential investor in the Bonds must determine the suitability of that investment in light of its own circumstances. In particular, each potential investor should:

- have sufficient knowledge and experience to make a meaningful evaluation of the Bonds, the merits and risks of investing in the Bonds and the information contained or incorporated by reference in this Offering Circular or any applicable supplement;

- have access to, and knowledge of, appropriate analytical tools to evaluate, in the context of its particular financial situation, an investment in the Bonds and the impact such investment will have on its overall investment portfolio;

- have sufficient financial resources and liquidity to bear all of the risks of an investment in the Bonds;

- understand thoroughly the terms of the Bonds and be familiar with the behaviour of any relevant indices and financial markets; and

- be able to evaluate (either alone or with the help of a financial adviser) possible economic scenarios, such as interest rate and other factors which may affect its investment and the ability to bear the applicable risks.

The liquidity and price of the Bonds following the offering may be volatile.

The price and trading volume of the Bonds may be highly volatile. Factors such as variations in the Group's revenue, earnings and cash flows, changes in the Group's business, such as proposed new investments, strategic alliances or acquisitions, changes in interest rates and fluctuations in the prices of bonds of comparable companies could cause large and sudden changes in the volume and price at which the Bonds will trade.

The Bonds constitute a new issue of securities for which there is no existing trading market.

There is currently no trading market for the Bonds and the Bonds offer limited liquidity. Although application will be made to the SEHK for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only, there can be no assurance that the eventual listing of the Bond will occur, or that a liquid trading market for the Bonds will develop or continue.

If such a market were to develop, the Bonds could trade at prices that are higher or lower than the initial issue price depending on many factors, including prevailing interest rates, the Group's results of operations and the market for similar securities. The Joint Lead Managers are not obliged to make a market in the Bonds and, even if the Joint Lead Managers commenced market making, they could discontinue such activities at any time.

The Trustee may request the Bondholders to provide an indemnity, security and/or pre-funding to its satisfaction before it takes actions on behalf of the Bondholders.

In certain circumstances (including without limitation the giving of notice to the Company pursuant to Condition 9 of the Terms and Conditions of the Bonds and the taking of actions and/or steps and/or the instituting of proceedings pursuant to Condition 13 of the Terms and Conditions of the Bonds), the Trustee may request the Bondholders to provide an indemnity, security or pre-funding to its satisfaction before it takes actions and/or steps and/or institutes proceedings on behalf of the Bondholders. The Trustee will not be obliged to take any such actions and/or steps and/or to institute any such proceedings if not indemnified, pre-funded and/or secured to its satisfaction. Negotiating and agreeing to an indemnity, security and/or pre-funding can be a lengthy process and may delay certain actions by the Trustee on behalf of the Bondholders. The Trustee may not be able to take actions and/or steps and/or to institute any proceedings, notwithstanding the provision of an indemnity, security or pre-funding to it, in breach of the terms of the Trust Deed (as defined in the Terms and Conditions of the Bonds) and in such circumstances, or where there is uncertainty or dispute as to the applicable laws or regulations, to the extent permitted by the agreements and the applicable laws and regulations, it will be for the Bondholders to take such actions and/or steps and/or to institute such proceedings directly.

The Company may issue additional Bonds in the future.

The Company may, from time to time, and, without prior consent of the Bondholders, issue additional bonds or otherwise raise additional capital (see "Terms and Conditions of the Bonds — Further Issues") through such means and in such manner as the Company may consider necessary. The Company's issuing additional bonds or otherwise raising capital may adversely affect the market price of the Bonds or the Company's ability to satisfy its obligations under the Bonds. In particular, there is no restriction on the amount of debt securities that the Company may issue that rank *pari passu* with the Bonds. The issue of any such additional bonds or the incurrence of other debt may reduce the amount recoverable by investors in the Bonds upon the Company's bankruptcy, winding-up or liquidation.

The rating on the Bonds may be changed at any time and may adversely affect the market price of the Bonds.

The Bonds are expected to be rated "Baa2" by Moody's and "BBB" by S&P. The ratings reflect the Group's ability to perform its obligations under the terms of the Bonds and credit risks in determining the likelihood that payments will be made when due under the Bonds. A rating is not a recommendation to purchase, hold or sell the Bonds.

There is no assurance that a rating will remain in effect for any given period of time. A rating agency may decide to lower or withdraw its rating. The Company has no obligation to inform holders of the Bonds of any downgrade or withdrawal of a rating. If a rating agency lowers or withdraws the rating initially assigned to the Bonds for any reason, no person or entity will be required to provide any additional credit enhancement with respect to the Bonds. A reduction or withdrawal of a rating may adversely affect the liquidity and market price of the Bonds.

Any downgrading of the Company's corporate ratings, or those of the Company's subsidiaries, by rating agencies could adversely affect the Group's business and liquidity.

Any adverse revision to the Company's corporate ratings, or those of the Company's subsidiaries, for domestic and international debt by rating agencies such as China Chengxin International Credit Rating Company Limited, China Lianhe Credit Rating Co., Ltd., Moody's, S&P and Fitch may adversely affect the Group's business and financial performance, its ability to obtain financing or access capital markets and the trading price of the Bonds.

The Company may not be able to meet its obligations to redeem the Bonds.

The Company will be required to redeem all of the Bonds at maturity at their principal amount. Upon a Relevant Event (as defined in the Terms and Conditions of the Bonds), the Company must offer to redeem the Bonds at a purchase price equal to 101 per cent. of the principal amount (in the case of a redemption for a Change of Control) or 100 per cent. of the principal amount (in the case of a redemption for a No Registration Event) plus, in each case, accrued and unpaid interest. The source of funds for any such redemption would be the Company's available cash or third-party financing. However, the Company may not have sufficient funds at the time of such redemption, and the Company may not be able to raise third-party financing sufficient to do so in time, or on acceptable terms, or at all.

The Company's ability to redeem the Bonds upon a Relevant Event may also be limited by the terms of other debt instruments entered into by the Company or its subsidiaries. Failure to repay, repurchase or redeem tendered Bonds by the Company would constitute an event of default under the Bonds, which may also constitute a default under the terms of the other indebtedness of the Company.

The Company will have the option to redeem the Bonds, in whole but not in part, at their principal amount upon certain changes in tax laws.

The Company may redeem the Bonds at its option, in whole but not in part, at a redemption price equal to their principal amount, together with interest accrued to the date fixed for redemption if, subject to certain conditions, as a result of a change in tax law, the Company has or will become obliged to pay Additional Tax Amounts. See "Terms and Conditions of the Bonds — Redemption and Repurchase — Redemption for Tax Reasons". If the Company redeems the Bonds prior to their maturity date, investors in the Bonds may not receive the same economic benefits they would have received had they held the Bonds to maturity, and they may not be able to reinvest the proceeds they receive in a redemption in similar securities. In addition, the Company's ability to redeem the Bonds may reduce the market price of the Bonds.

The Bonds may be redeemed by the Company prior to maturity.

The Bonds are subject to optional redemption by the Company at any time at the amount as specified in the Terms and Conditions of the Bonds. An optional redemption feature is likely to limit the market value of the Bonds. During any period when the Company may elect to redeem Bonds, the market value of the Bonds generally will not rise substantially above the price at which they can be redeemed. This also may be true prior to any redemption period. The Company may be expected to redeem Bonds when its cost of borrowing is lower than the interest rate on the Bonds. At those times, an investor generally would not be able to reinvest the redemption proceeds at an effective interest rate as high as the interest rate on the Bonds being redeemed and may only be able to do so at a significantly lower rate. Potential investors should consider reinvestment risk in light of other investments available at that time.

If the Company or any of its subsidiaries are unable to comply with the Terms and Conditions of the Bonds or their other debt agreements, a default could occur under those agreements, which could accelerate repayment of their debt.

If the Company or any of its subsidiaries are unable to comply with the Terms and Conditions of the Bonds or other current and future debt obligations and other agreements, a default could occur under those agreements. If that occurs, the holders of the debt could terminate their commitments to lend to the Company or any of its subsidiaries, accelerate repayment of the debt and declare all outstanding amounts due and payable or terminate the agreements.

Furthermore, some of the debt agreements of the Company or any of its subsidiaries, including the Terms and Conditions of the Bonds, may contain, and its future debt agreements are likely to contain, cross-acceleration or cross-default provisions. As a result, default by the Company or any of its subsidiaries under one debt agreement may cause the acceleration of repayment of not only such debt but also other obligations, including the Bonds, or result in a default under the other debt agreements of the Company or any of its subsidiaries, including the Terms and Conditions of the Bonds. If any of these events occurs, assets and cash flow of the Company or any of its subsidiaries might not be sufficient to repay in full all of its indebtedness and the Company or any of its subsidiaries might not be able to find alternative financing. Even if the Company or any of its subsidiaries could obtain alternative financing, it might not be on terms that are favourable or acceptable to the Company or its subsidiaries.

The Bonds will initially be held in book-entry form, and therefore Bondholders must rely on the procedures of the relevant clearing systems to exercise any rights and remedies.

The Bonds will initially only be issued in global certificated form and held through Euroclear and Clearstream. Interests in the Global Certificate representing the Bonds will trade in book-entry form only, and Bonds in definitive registered form will be issued in exchange for book-entry interests only in very limited circumstances. Owners of book-entry interests will not be considered owners or holders of the Bonds for purposes of the Trust Deed. A nominee for a common depositary for Euroclear and Clearstream will be the sole registered holder of the Global Certificate.

Accordingly, Bondholders must rely on the procedures of Euroclear or Clearstream, and if a Bondholder is not a participant in Euroclear or Clearstream, on the procedures of the participant through which the Bondholder owns its interest, to exercise any rights and obligations of a holder of the Bonds under the Trust Deed. Upon the occurrence of an event of default under the Trust Deed, unless and until definitive registered Bonds are issued in respect of all book-entry interests, if a Bondholder owns a book-entry interest, such Bondholder will be restricted to acting through Euroclear and Clearstream. The procedures implemented through Euroclear and Clearstream may not be adequate to ensure the timely exercise of rights under the Bonds. See "Summary of Provisions relating to the Bonds in Global Form".

Developments in other markets may adversely affect the market price of the Bonds.

The market price of the Bonds may be adversely affected by changes in international financial markets and world economic conditions. The market for the Bonds, to varying degrees, depends on economic and market conditions in other markets, especially those in Asia. Although economic conditions remain different in each country, investors' reactions to developments in one country can affect the securities markets and the securities of issuers in other countries, including China. Since the sub-prime mortgage crisis in 2008, the international financial markets have experienced significant volatility. If similar developments occur in the international financial markets in the future, the market price of the Bonds could be adversely affected.

Modifications and waivers may be made in respect of the Terms and Conditions of the Bonds, the Trust Deed and the Agency Agreement by the Trustee or less than all of the holders of the Bonds.

The Terms and Conditions of the Bonds contain provisions for calling meetings of the holders of the Bonds to consider matters affecting their interests generally. These provisions permit defined majorities to bind all holders of the Bonds, including those holders of the Bonds who do not attend and vote at the relevant meeting and those holders of the Bonds who vote in a manner contrary to the majority. Furthermore, there is a risk that the decision of the majority of the holders of the Bonds may be adverse to the interests of the individuals.

The Terms and Conditions of the Bonds also provide that the Trustee may, without the consent of holders of Bonds, agree to any modification of the Terms and Conditions of the Bonds, the Trust Deed or the Agency Agreement (other than in respect of certain reserved matters) which in the opinion of the Trustee will not be materially prejudicial to the interests of the holders of the Bonds and to any modification of the Terms and Conditions of the Bonds, the Trust Deed or the Agency Agreement which in its opinion is of a formal, minor or technical nature or is to correct a manifest error or is to comply with any mandatory provision of applicable law.

In addition, the Trustee may, without the consent of the holders of the Bonds, authorise or waive any proposed breach or breach of the Terms and Conditions of the Bonds, the Trust Deed or the Agency Agreement if, in the opinion of the Trustee, the interests of the holders of Bonds will not be materially prejudiced thereby.

Foreign exchange risk and exchange controls may cause Bondholders to receive less on the Bonds than expected.

The Company will pay principal, premium (if any) and interest on the Bonds in US dollars. This may give rise to certain risks relating to currency conversions if a Bondholder's activities are denominated principally in a currency or currency unit (the "investor's currency") other than US dollar. These include the risk that exchange rates may significantly change (including changes due to devaluation of the US dollar or revaluation of the investor's currency) and the risk that authorities with jurisdiction over the investor's currency may impose or modify exchange controls. An appreciation in the value of the investor's currency relative to the US dollar would decrease (i) the investor's currency equivalent yield on the Bonds; (ii) the investor's currency equivalent value of the principal payable on the Bonds; and (iii) the investor's currency equivalent market value of the Bonds.

Changes in market interest rates may adversely affect the value of the Bonds.

The Bonds will carry a fixed interest rate. The Bondholders may suffer unforeseen losses due to fluctuations in interest rates. Generally, a rise in interest rates may cause a fall in the prices of the Bonds, resulting in a capital loss for the Bondholders. However, the Bondholders may reinvest the interest payments at higher prevailing interest rates. Conversely, when interest rates fall, the prices of the Bonds may rise. The Bondholders may enjoy a capital gain but interest payments received may be reinvested at lower prevailing interest rates.

Gains on the interest payable by the Issuer to non-resident Bondholders may be subject to income tax and value-added tax under PRC tax laws.

Under the new Enterprise Income Tax Law of the PRC (《中華人民共和國企業所得稅法》) (the "**EIT Law**") and its implementation rules, any gains realised on the transfer of the Bonds by holders who are deemed under the EIT Law as non-resident enterprises may be subject to PRC enterprise income tax if such gains are regarded as incomes derived from sources within the PRC. Under the EIT Law, a "non-resident enterprise" means an enterprise established under the laws of a jurisdiction other than the PRC and whose actual administrative organisation is not in the PRC, which has established offices or premises in the PRC, or which has not established any offices or premises in the PRC but has obtained incomes derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such gains are subject to PRC income tax, the 10 per cent. enterprise income tax rate and 20 per cent. individual income tax rate will apply respectively unless there is an applicable tax treaty or arrangement that reduces or exempts such income tax. The taxable income will be the balance of the total income obtained from the transfer of the Bonds minus all costs and expenses that are permitted under PRC tax laws to be deducted from the income. According to an arrangement between mainland China and Hong Kong for avoidance of double taxation, Bondholders who are Hong Kong residents, including both enterprise holders and individual holders, are exempted from PRC income tax on capital gains derived from a sale or exchange of the Bonds if such capital gains are not connected with an office or establishment that the Bondholders have in the PRC and all the other relevant conditions are satisfied.

On 23 March 2016, the Ministry of Finance and the State Administration of Taxation issued the Circular of Full Implementation of Replacing Business Tax with Value-Added Tax Reform (關於全面推開營業稅改徵增值稅試點的通知) ("**Circular 36**"), which introduced a new value-added tax ("**VAT**") from 1 May 2016. VAT is applicable where entities or individuals provide services within the PRC. The Issuer will be obligated to withhold VAT of 6% and certain surcharges as described below on payments of interest and certain other amounts on the Bonds paid by the Issuer to Bondholders that are non-resident enterprises or individuals. Pursuant to the Interim Regulation of the PRC on City Maintenance and Construction Tax (中華人民共和國城市維護建設稅暫行條例(2011修訂)), the Interim Provisions on the Collection of Educational Surcharges (徵收教育附加費的規定(2011修訂)) and the Notice of the Ministry of Finance on the Relevant Matters regarding Unifying the Policies on Local Education Surcharges (財政部關於同意地方教育附加政策有關問題的通知), a city maintenance and construction tax of 7%, an educational surcharge of 3% and a local educational surcharge of 2% will be applicable when entities and individuals are obliged to pay VAT (for an aggregate of 12% surcharge on any VAT payable).

VAT is unlikely to be applicable to any transfer of Bonds between entities or individuals located outside of the PRC and therefore unlikely to be applicable to gains realized upon such transfers of Bonds, but there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC. The interpretation and enforcement of the Circular 36 together with other law and regulations pertaining to VAT involve uncertainties.

If a Bondholder, being a non-resident enterprise or non-resident individual, is required to pay any PRC income tax or VAT on gains on the transfer of the Bonds and the interests payable by the Issuer, the value of the relevant Bondholder's investment in the Bonds may be materially and adversely affected.

Bonds which have a denomination that is not an integral multiple of the minimum specified denomination may be illiquid and difficult to trade.

The denominations of the Bonds are US$200,000 and integral multiples of US$1,000 in excess thereof. Therefore, it is possible that the Bonds may be traded in amounts in excess of US$200,000 that are not integral multiples of US$200,000. In such a case, a Bondholder who, as a result of trading such amounts, holds a principal amount of less than US$200,000 will not receive a definitive certificate in respect of such holding of Bonds (should definitive certificates be printed) and would need to purchase a principal amount of Bonds such that it holds an amount equal to one or more denominations. If definitive certificates are issued, Bondholders should be aware that Bonds with aggregate principal amounts that are not an integral multiple of US$200,000 may be illiquid and difficult to trade.

USE OF PROCEEDS

The net proceeds from the offering of the Bonds are estimated to be approximately US$298,230,000 after deducting certain expenses (including, but not limited to, underwriting commissions and other estimated expenses payable in connection with this offering). The Company expects to use the net proceeds from the offering of the Bonds for repayment of debt.

EXCHANGE RATE INFORMATION

PRC

The PBOC sets and publishes daily a base exchange rate with reference primarily to the supply and demand of Renminbi with reference to a basket of currencies in the market during the prior day. The PBOC also takes into account other factors such as general conditions existing in the international foreign exchange markets. Since 1994, the conversion of Renminbi into foreign currencies, including Hong Kong dollars and US dollars, has been based on rates set by the PBOC, which are set daily based on the previous day's interbank foreign exchange market rates and current exchange rates in the world financial markets. From 1994 to July 2005, the official exchange rate for the conversion of Renminbi to US dollars was generally stable. Although PRC governmental policies were introduced in 1996 to reduce restrictions on the convertibility of Renminbi into foreign currency for current account items, conversion of Renminbi into foreign exchange for capital items, such as foreign direct investment, loans or securities, requires the approval of the SAFE and other relevant authorities.

On 21 July 2005, the PRC government introduced a managed floating exchange rate system to allow the value of the Renminbi to fluctuate within a regulated band based on market supply and demand and by reference to a basket of currencies. The PRC government has since made and in the future may make further adjustments to the exchange rate system. The PBOC authorised the China Foreign Exchange Trading Centre, effective since 4 January 2006, to announce the central parity exchange rate of certain foreign currencies against the Renminbi at 9:15 a.m. each business day. This rate is set as the central parity for the trading against the Renminbi in the inter-bank foreign exchange spot market and the over the counter exchange rate for that business day. On 18 May 2007, the PBOC enlarged the floating band for the trading prices in the inter-bank foreign exchange spot market of Renminbi against the US dollar from 0.3 per cent. to 0.5 per cent. around the central parity rate. This allows the Renminbi to fluctuate against the US dollar by up to 0.5 per cent. above or below the central parity rate published by the PBOC. On 20 June 2010, the PBOC announced that it intended to further reform the Renminbi exchange rate regime by allowing greater flexibility in the Renminbi exchange rate and on 16 April 2012, the band was expanded to 1.0 per cent. The PBOC announced on 15 March 2014 that since 17 March 2014, the floating band for the trading prices in the inter-bank foreign exchange spot market of Renminbi against the US dollar was further expanded from 1 per cent. to 2 per cent. On each business day, the spread between the Renminbi and US dollar buying and selling prices offered by the designated foreign exchange banks to their clients shall be within 3 per cent. of the published central parity of the US dollar on that day, instead of 2 per cent. In August 2015, the PBOC changed the way it calculates the mid-point price of Renminbi against the US dollar, requiring the market-makers who submit for the PBOC's reference rates to consider the previous day's closing spot rate, foreign-exchange demand and supply as well as changes in major currency rates. This change, and other changes such as widening the trading band that may be implemented, may increase volatility in the value of the Renminbi against foreign currencies.

The following table sets forth the noon buying rates for US dollars in New York City for cable transfers payable in Renminbi as certified by the Federal Reserve Bank of New York for customs purposes for the periods indicated as set forth in the H.10 statistical release of the Federal Reserve Board:

	Noon Buying Rate			
	Low	**Average[1]**	**High**	**Period End**
		(RMB per US$1.00)		
2016	6.4480	6.6549	6.9580	6.9430
2017	6.4773	6.7360	6.9575	6.5063
2018	6.2649	6.6292	6.9737	6.8755
2019	6.6822	6.9014	7.1786	6.9618
2020	6.5208	6.9042	7.1681	6.5250
December	6.5208	6.5393	6.5705	6.5250
2021				
January	6.4282	6.4672	6.4822	6.4282
February	6.4344	6.4601	6.4869	6.4730
March	6.4648	6.5109	6.5716	6.5518
April	6.4648	6.5186	6.5716	6.4749
May	6.3674	6.4321	6.4749	6.3674
June (through 22 June)	6.3805	6.4039	6.4525	6.4525

Note:

(1) Averages are calculated by using the average of the exchange rates on the last business day of each month during the relevant year. Monthly averages or the average for a period are calculated by using the average of the daily exchange rates during the relevant month or period.

On 31 December 2020, the noon buying rate for US dollars in New York City for cable transfers in Renminbi was US$1.00 to RMB6.5250 as set forth in the H.10 statistical release of the Federal Reserve Board.

CAPITALISATION AND INDEBTEDNESS

The following table sets forth the actual consolidated capitalisation and indebtedness of the Group as at 31 December 2020 and as adjusted to give effect to this offering before deducting certain expenses (including underwriting commissions and other estimated offering expenses in connection with this offering). This table should be read in conjunction with the Group's consolidated financial statements and the accompanying notes included elsewhere in this Offering Circular.

	As at 31 December 2020			
	Actual		Adjusted	
	(RMB)	*(US$)*	*(RMB)*	*(US$)*
	(In millions)			
Short-term debt				
Other current liabilities	2,018.1	309.3	2,018.1	309.3
Short-term borrowings	1,341.2	205.5	1,341.2	205.5
Non-current bonds due within one year	3,068.4	470.3	3,068.4	470.3
Non-current borrowings due within one year	365.1	56.0	365.1	56.0
Non-current payable due within one year	195.6	30.0	195.6	30.0
Total short-term debt	6,988.4	1,071.0	6,988.4	1,071.0
Long-term debt				
Long-term borrowings	6,511.3	997.9	6,511.3	997.9
Bonds payable	3,792.3	581.2	3,792.3	581.2
Long-term payables	2,234.3	342.4	2,234.3	342.4
Bonds offered hereby	—	—	1,957.5	300.0
Total long-term debt	12,537.9	1,921.5	14,495.4	2,221.5
Equity				
Share capital	2,180.8	334.2	2,180.8	334.2
Other equity instrument(2)	4,000.0	613.0	4,000.0	613.0
Capital surplus	6,003.5	920.1	6,003.5	920.1
Other comprehensive income	868.9	133.2	868.9	133.2
Surplus reserve	2,711.6	415.6	2,711.6	415.6
Undistributed profits	7,278.1	1,115.4	7,278.1	1,115.4
Minority interests	3,236.2	496.0	3,236.2	496.0
Total equity	26,279.1	4,027.4	26,279.1	4,027.4
Total Capitalisation(1)	38,817.0	5,949.0	40,774.5	6,248.9

(1) Total capitalisation represents the sum of total long-term debt and total equity.

(2) Refers to subordinated perpetual bond.

(3) All conversions from Renminbi to US dollars and from US dollars to Renminbi in this table were made at the rate of RMB6.5250 to US$1.00, being the noon buying rates certified by the Federal Reserve Bank of New York and set forth in the Federal Reserve Board on 31 December 2020.

Since 31 December 2020, the Company has incurred further borrowings in the ordinary course of business for general corporate purposes and capital expenses.

On 19 April 2020, the Company issued a total amount of RMB1.2 billion domestic phase 1 green corporate bonds with a maturity of five years and a coupon rate of 3.49%. The Company has the coupon rate adjustment right and the bondholders have the right to sell-back at the end of the third year.

Other than described above, there has been no material change to the capitalisation and indebtedness of the Group since 31 December 2020.

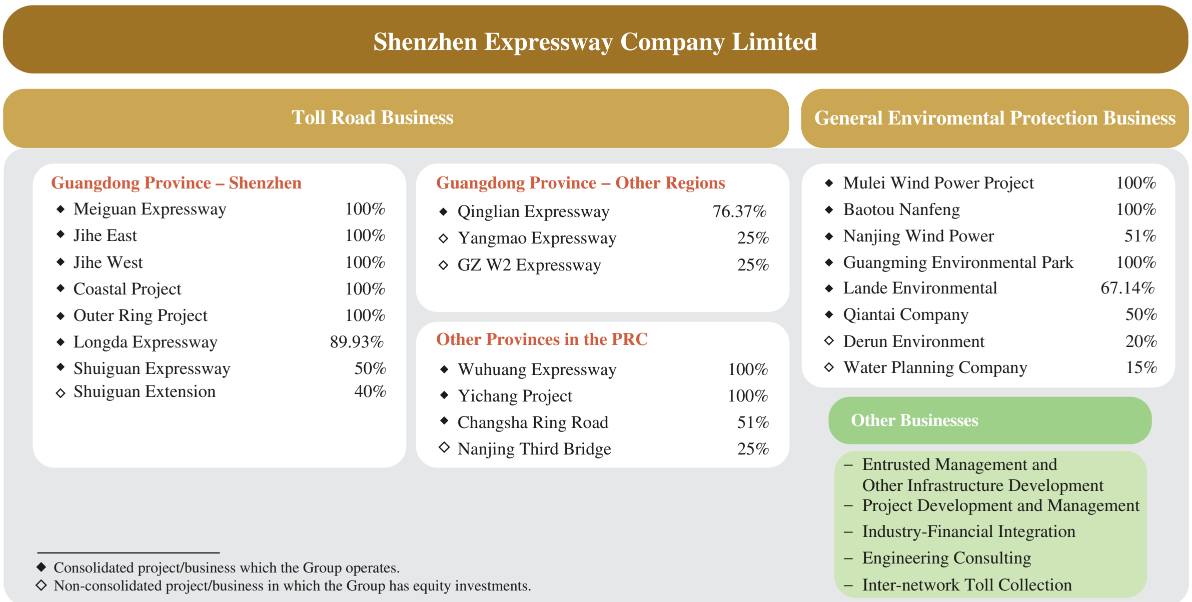
DESCRIPTION OF THE GROUP

OVERVIEW

The Group principally engages in the investment, construction, operation and management of toll roads, as well as the general environmental protection business. At present, the general environmental protection business includes recovery and solid waste management, clean energy business and other environmental protection business. In addition, the Group 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 roads, the Group has expanded into related businesses such as project development and management, operation & maintenance, intelligent traffic system, construction consulting, urban complex and industrial finance services.

The Group operates or invests in 15 toll roads in the PRC, with a total length of approximately 529 kilometres (on an equity ownership basis), among which approximately 360 kilometres or 67.8% are located in Guangdong Province as at the date of this Offering Circular. The Group's toll roads are strategically positioned and are important components of the national and Guangdong's provincial trunk road network. The Group's roads are important infrastructure for the comprehensive development of the Pan-Pearl River Delta Economic Zone, by linking not only the airport, customs, and major ports and industrial zones in Shenzhen, but also the expressways to Hong Kong and other important regions in the Pearl River Delta. In addition, the Group 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.

As of the date of this Offering Circular, the Group's principal businesses are set out as follows:



The toll road business segment is the largest contributor to the Group's revenue and profit, and has provided the Group with stable cash flow growth. As the PRC's road network has expanded and its condition has improved, the traffic volume on the Group's toll roads has generally increased which has in turn caused the Group's revenue from its toll road business to grow. For the years ended 31 December 2019 and 2020, the Group's revenue from its toll road business was RMB4,722.1 million and RMB4,386.7 million or 73.9% and 54.7% of the Group's total revenue, respectively, despite the toll-free policy during the COVID-19 epidemic, which lasts from 0:00 on 17 February 2020 to 0:00 on 6 May 2020.

The general environmental protection business is the second core business of the Group. The Group focuses on featured environmental protection sectors such as recovery and solid waste management, clean energy sector and other environmental protection business. For the years ended 31 December 2019 and 2020, the Group's revenue from its general environmental protection business was RMB599.0 million and RMB2,520.6 million, representing approximately 9.4% and 31.4% of the Group's total revenue, respectively.

The Group provides entrusted road construction and operation management services for governments and enterprises, which the Group refers to as its entrusted management service business. For the years ended 31 December 2019 and 2020, the Group's revenue from its entrusted management service business was RMB376.4 million and RMB510.7 million, representing approximately 5.9% and 6.4% of the Group's total revenue, respectively.

With relevant management experience and resources, the Group has prudently expanded into the real-estate development business, including comprehensive land development and urban renewal. For the years ending 31 December 2019 and 2020, the Group's revenue from its real-estate development business was RMB456.9 million and RMB351.1 million, representing approximately 7.2% and 4.4% of the Group's total revenue, respectively.

The Group's other businesses primarily consist of advertisement service, financial leasing business, etc. For the years ended 31 December 2019 and 2020, the Group's revenue from other businesses was RMB235.9 million and RMB257.6 million, respectively, representing approximately 3.7% and 3.2% of the Group's total revenue for the same periods, respectively.

For the years ended 31 December 2019 and 2020, the Group's revenue was RMB6,390.3 million and RMB8,026.7 million, respectively. For the years ended 31 December 2019 and 2020, the Group's net profit was RMB2,608.7 million and RMB2,235.6 million, respectively.

COMPETITIVE STRENGTHS

The Group believes that the following competitive strengths have contributed to its success and will continue to help maintain its leading market position and future prospects.

Steady Growth, Stable Earnings and Significant Development Potential in China's Expressway Industry

Since 1988 when China built its first expressway, the Hujia Expressway, expressway construction in China has gone through three periods: the initial development period from 1988 to 1992 during which the newly added expressway mileage was between 50 and 250 kilometres per year; the first rapid development period from 1993 to 1997 during which the expressway construction was significantly accelerated and newly constructed expressway mileage was between 450 and 1,400 kilometres per year; and the second rapid development period from 1998 to present during which, as a result of a proactive national fiscal policy, the total expressway mileage in the PRC grew from 8,733 kilometres at the end of 1998 to 149,571 kilometres at the end of 2020, representing a CAGR of 13.8%. In 2020, China's expressway mileage ranked first in the world.

Owing to the nature of the expressway industry, the Group's earnings have been relatively stable. Firstly, China's toll road regulations set the concession periods and toll rates for toll roads, which ensure the overall stability of the industry. Secondly, the concession periods for expressways are long, ranging from 25 to 30 years. Once an expressway is built, maintenance costs are relatively low and maintenance work has limited impacts on the functioning of the expressways. Thirdly, expressway operations generate multiple revenue streams including toll revenue, revenue from operating service areas (maintenance, fuel, water and food services) and revenue from roadside advertising. Fourthly, economic growth, improvement in living standards, increase in vehicle ownership and growing demand for passenger and freight transportation in the PRC have provided a stable market with growth opportunities for expressways, ensuring stable growth of toll revenues.

China's economic and social development has accelerated the construction of expressways. With the rapid economic growth and significant increase in freight and passenger transportation, there is a growing demand in China for expressways in order to increase transportation efficiency and lower transportation costs. The most active areas for expressway construction in China are in the economically developed Pearl River Delta, Yangtze River Delta and Beijing-Tianjin-Hebei Region. Expressway construction has in turn contributed to the economic development of these regions. It is expected that these regions will continue to have significant demand for expressways in the future.

Locations of the Group's Toll Roads in Economically Developed Regions in the PRC where Large Transportation Demand is Expected to Continue to Support the Growth of the Group's Toll Road Business

As at the date of this Offering Circular, approximately 360 kilometres (on an equity ownership basis) or 67.8% of the toll roads operated by or invested in by the Group are located in Guangdong Province, which is one of the most important cities in the Guangdong-Hong Kong-Macao Greater Bay Area, and one of the most economically developed provinces in the PRC. Rapid economic development in the Guangdong-Hong Kong-Macao Greater Bay Area has driven the demand for growing transportation infrastructure and increasing freight and passenger traffic in the region. The Group plans to seize the opportunities arising from the development of the Guangdong-Hong Kong-Macao Greater Bay Area by leveraging its geographic advantages and continuing to reinforce its core toll road business.

The Group operates or owns equity interests in eight toll roads in Shenzhen with a total length of 164 kilometres on an equity ownership basis. As the economic hub linking Hong Kong and the Pearl River Delta, Shenzhen is one of the largest land passenger ports in China and the world's third largest container port in terms of container throughput. According to the 2020 Shenzhen Economic and Social Development Statistics Bulletin published by the Shenzhen Bureau of Statistics, Shenzhen's GDP reached RMB2,767.0 billion in 2020, representing an increase of 3.1% from RMB2,693 billion in 2019. As an economically developed Special Economic Zone, Shenzhen's economy, investment in transportation infrastructure and transportation volume has grown steadily. As the leading company in Shenzhen's expressway industry, the Group believes it has substantial growth prospects.

The Group's toll roads outside of the Guangdong-Hong Kong-Macao Greater Bay Area are mostly located in the economically developed areas of Jiangsu, Hubei and Hunan provinces and link important transportation hubs as designated by the National Highway Network Plan, such as Nanjing, Wuhan and Changsha. The Group believes that these toll roads have good earnings visibility.

Significant Growth Potentials in the Group's Business under Favorable Policies

The toll road industry is supported by favourable policies. With the introduction of the "Double Hundred Actions" Work Plan of State-owned Enterprise Reform (August 2018), "(《國企改革"雙百行動"工作方案》) Outline of Development Planning for the Guangdong-HongKong-Macao Greater Bay Area" (February 2019) (《粵港澳大灣區發展規劃綱要》), and "State Council on Supporting Shenzhen to Build Socialism with Chinese Characteristics First Opinions of the Demonstration Area" (August 2019) (《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》), Shenzhen's "Five in One" layout will be fully optimized thanks to the historic opportunities. In addition, the National Road Network Plan proposes that the national expressway network is targeted to reach 118,000 km by 2030. Also, the total expressway mileage is targeted to reach 11,500 km by 2030, according to the Guangdong Province's highway network plan.

The Group's general environmental protection business is also highly consistent with the national environmental protection policies. The key goals and vision for environmental protection development in the 14th Five-Year Plan are to advance the energy revolution, build a clean, low-carbon, safe and efficient energy system, and vigorously increase the scale of wind power and photovoltaic power generation. The 14th Five-Year Guidelines on Comprehensive Utilization of Bulk Solid Waste (《關於"十四五"大宗固體廢棄物綜合利用的指導意見》) encourages to continue to implement preferential policies such as value-added tax, income tax and environmental protection tax, guide private capital to increase investment in the comprehensive utilization of bulk solid waste, and constantly explore ways and models to promote the comprehensive utilization of bulk solid waste by relying on market mechanisms.

Strong Support from the Shenzhen Municipal Government

As at the date of this Offering Circular, the Shenzhen SASAC, through SIHCL, its wholly-owned investment holding platform, owns a 43.3% interest in Shenzhen International, which in turn owns a 51.6% interest in the Company. Shenzhen International is committed to maintain the Group as the only platform for its integrated toll road businesses. The Group operates, has equity interests in and has been entrusted to provide construction management services for multiple major expressways and city trunk highways in Shenzhen. As at the date of this Offering Circular, the total length of the expressways and highways in Shenzhen that the Group operates, has equity interests in or has been entrusted with the construction and management of reached approximately 360 kilometres, of which 291 kilometres are expressways, which accounted for 80% of all expressways in Shenzhen. The Shenzhen municipal government has provided the Group with long-term support in project sourcing, including, granting the Group concessionary rights and rights of first refusal for certain toll roads and entrusting the Group with the construction and management of certain roads. In March 2016, the Group was entrusted by the Shenzhen municipal government to provide construction management services to the Outer Ring, the phase I of which was in put into operation on 29 December 2020. Outer Ring Phase I is the first PPP mode investment project in the highway industry in the PRC, and also the first expressway with full 5G network coverage in the PRC. During the Group's various stages of development, the Shenzhen municipal government has provided long-term support in terms of financial subsidies and tax.

The Shenzhen municipal government has supported the Group's entrusted management service business, which includes entrusted construction management and entrusted operation management. The Group has provided the Shenzhen municipal government with entrusted construction management services for a number of expressways and other road projects, including the Nanping Expressway, the Coastal Expressway (Shenzhen section), the Dezheng Road and Meiguan's new toll station. In addition, the Group provided construction management services as well as financing for the construction of the Duohua Bridge Project, the Bimeng Project and the development of an adjacent parcel of land in Guizhou Province through the "Build and Transfer" model. The Group's entrusted management service business not only promotes its overall performance but also enhances its market reputation while generating additional development opportunities. The support received from the Shenzhen municipal government discussed in this section only relates to the support with the Group's business operation and should not be read as any indication that the PRC government or the Shenzhen municipal government will provide any financial support to the Group with respect of its obligations under the Bonds. See *"Risks relating to the Bonds — The PRC government (including the Shenzhen municipal government) has no payment or other obligations under the Bonds."*

In addition, the Shenzhen municipal government has supported the Group's general environmental protection business. In the beginning of 2021, the Group secured the concession of Guangming Environmental Park Project again by way of tender. The Guangming Environmental Park Project is located in Guangming District, Shenzhen, which 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 will be developed under a BOT model. The proposed concession period of the project is 10 years and can be extended for 5 years upon being qualified by assessment and approval of the regional government. The fixed total investment of the project is estimated to be approximately RMB708 million. The Group believes that the Guangming Environmental Park Project will become a benchmark project of the Group in Shenzhen region. As of the date of this Offering Circular, the Group has begun the relevant preparatory work.

Through the long-standing cooperation with the Shenzhen municipal government on various projects, the Group has developed a highly efficient working relationship and direct communication channels with the relevant governmental authorities. The Group has led or participated in the innovation and formulation of various schemes, industrial standards and policy research efforts. The Group believes that it has developed a deep mutual trust with the various governmental authorities and has laid a solid foundation for its sustainable and healthy growth in the future.

Momentum to Business Development through Application of Innovative Technologies

In order to improve the Group's management capability and efficiency and facilitate the business operation, the Group has been actively engaged in research and development of innovative technologies in the recent years. By integrating its technical resources with that of the professional research institutes by way of strategic cooperation, the Group has strenuously developed and implemented certain innovative technologies during the process of traditional expressway construction, including but not limited to artificial intelligence and internet technology, thereby continuously exploring intelligent transportation and intelligent environmental protection.

The Group's exploration of intelligent transportation starts with Outer Ring Expressway construction project. In order to meet the industrial construction requirements and improve management efficiency throughout the process of traffic operation and road maintenance, the Company has invented an integrated and visualised information and management system, through which all matters at the construction site were managed in a centralized manner. The Company has received two innovation patents and one software copyright for this information and management platform. In 2020, the Company was awarded the second prize in the first Shenzhen Quality Technology and Innovation Award by the Shenzhen Municipal Bureau of Industry and Information Technology, Shenzhen Federation of Trade Unions, Shenzhen Science and Technology Association and Shenzhen Quality City Promotion Association for the development of the platform. The Group has recently commenced research and development on toll collection inspection and management using drones, which allows the Group to monitor traffic, attend to inspection and emergency rescue in a more timely manner. The Group also plans to apply similar information technology to its general environmental protection business, with an aim to offering momentum to business operation.

Diversified Business Portfolio and Synergies between Different Business Units

Having completed its initial project coverage of the general environmental protection business, the Group has consolidated its existing project resources to enable synergy across the industry supply chain and leverage complementary advantages among different projects. Leveraging its advantages in financing and project construction, the Group actively explores and cultivates new businesses such as comprehensive urban services and integration of industry and finance, striving to maximise the value of the industrial chain as well as creating synergies among different projects.

The Group has and plans to continue to expand into the general environmental protection industry and further pursue the integration of industry and finance and other related businesses. The Group expects that such efforts can maximize its profit resources and reduce its overall exposure to volatility, thus allowing it to capture business opportunities and develop long-term business relationships in the general environmental protection industry.

Experienced Management Team in Infrastructure Project Construction, Management and Operations

The Group has accumulated extensive experience in infrastructure project construction, management and operations and has also developed an investment decision-making system, a construction and operation management system and a risk control system. The Group has cultivated a professional and highly effective management team. Leveraging its management experience and capabilities, the Group has earned profits from its toll road business, general environmental protection business and through providing entrusted construction and operation management services to governments and enterprises. The Group has gained a good market reputation and government recognition for its reliable quality and its ability to control budget and timing.

The Group's management has developed a broad range of industry expertise and closely follows the latest developments in the toll road industry and general environmental protection industry. All of the executive directors of the Company have extensive experience working with the government and have the ability to steer the Group in its operations and development. The Group has achieved rapid expansion through strategic acquisitions and investments in new business areas under its current leadership.

The Group expects that, because of its ability to provide holistic solutions for the investment, financing, construction and operation of roads, it will increasingly enjoy a competitive advantage. At the same time, the Group believes that further urbanisation in the PRC will continue to create significant demand for infrastructure construction and maintenance, thereby generating market opportunities for the Group's entrusted management service business.

Stable and Healthy Cash Flow from the Group's Quality Road Assets

The Group is a major toll road operator in China and, as at the date of this Offering Circular, operates or holds equity interests in a total of 529 kilometres of toll roads (on an equity ownership basis) in China, among which, 360 kilometres or 67.8% are located in Guangdong Province, one of the most economically developed provinces in China. In addition, the Group has been able to obtain long concession periods ranging from 21 to 30 years for its toll roads operations, with expiries ranging from 2022 to 2045. There is a possibility that the Group can extend its concession periods after the completion of road expansion/renovation. Furthermore, there are a number of pipeline projects which will further support the long term development of the Group's toll road business. As at 31 December 2020, the Group ranked fourth in terms of net assets among all 21 toll road companies listed on PRC stock exchanges.

Most of the Group's toll roads are important regional trunk roads and have witnessed positive growth in traffic volume and toll revenue as a result of the regional economic growth and increasing vehicle ownership in recent years. In addition, the Group has been able to effectively control its operating costs through a standardised operation management system and internal control procedures.

Prudent Financial Policies, a High-Degree of Financial Flexibility and Broad Financing Channels

The Group has adopted prudent financial policies with regards to its operations to ensure that it has sufficient liquidity to meet working capital needs and continue to maintain a stable dividend policy. In addition, the Group maintains centralised treasury management to maintain financial flexibility and reduce cash expenses and liquidity risks. In conjunction with the Group's rapid expansion in the last decade, management has taken precautionary actions to strengthen its capital management and lower financial costs, whilst proactively guarding against liquidity risk. For example, every month the management team compiles a rolling capital forecast for the next 24 months, conducts cash flow and capital expenditure forecasts for the Group at the beginning of each year and updates its five-year capital expenditure plan and cash revenue and expenditure plan on an annual basis. It also produces treasury reports on a regular basis to assess the short-term and long-term operating conditions and capital needs of the Group, and makes precautionary arrangements to ensure the healthy operation of its businesses. These measures have subsequently been proven to be prudent and effective and ensured the Group's stable growth in the last decade.

The Group also maintains ample liquidity for its operations through diversified funding channels, including domestic and overseas equity capital markets, debt capital markets and short-term and long-term bank borrowings.

- *Financing from Domestic and Overseas Equity Capital Markets.* In 1997, the Company became the first company based in Shenzhen to list on the SEHK and raised a total of RMB1.685 billion. In 2001, the Company was listed on the SSE and raised a total of RMB604 million. The Company has completed the issuance of phase 1 green corporate bonds (epidemic prevention and control debt) of RMB1.4 billion with a term of five years on 20 March 2020, under which the bondholders have the right to sell-back at the end of the third year. The Company received the approval from China Securities Regulatory Commission on 7 July 2020 with respect to its proposed issuance of additional shares. In addition, the Company has completed the issuance of phase 1 of the 2020 green corporate bonds of RMB800 million on 22 October 2020.

- *Financing from Debt Capital Markets.* The Group has issued onshore debt instruments, including corporate bonds, convertible bonds, medium-term notes, short-term notes, ultra-short-term notes, directed bond financing, US dollar-denominated bonds, perpetual debt investment plans and insurance debt plan, with a total amount of RMB25.41 billion since its inception, out of which the Group has repaid RMB11.4 billion as at the date of this Offering Circular.

- *Bank Borrowings.* Leveraging its sound credit, the Group has been able to obtain substantial credit lines from banks, which allow the Group to access funds when needed to meet capital needs. The Group has been on time with all of its bank loan repayments and has received an AAA rating from Pengyuan Credit Rating Co., Ltd. since 2003 as an onshore loan receiver. As at 31 December 2020, the Company's undrawn bank facilities exceeded RMB16.4 billion, which the Group believes could ensure ample cash flow for the Group's operations.

As at 31 December 2019 and 2020, the Group's total liabilities to total assets ratio was 53.9% and 52.4%, respectively. In 2019 and 2020, the Group's net borrowings-to-EBITDA was 3.00 and 3.14, respectively. Furthermore, in 2019 and 2020, the Group's EBITDA to interest coverage ratio was 7.12 and 5.95, respectively.

STRATEGIES

By following market-oriented and innovation-driven strategies and seizing market opportunities arising from the rapid development of the Guangdong-Hong Kong-Macau Greater Bay Area, the Group plans to reinforce and further enhance its core toll road business, expand businesses in its core general environmental protection business, explore opportunities in new industries and improve its financing capabilities, for the purpose of achieving a more diversified business portfolio and a more sustainable long-term business development plan. The Group expects to focus on the following strategies:

- ***Continue to Enhance its Core Business.*** The Group will continue to actively promote and expand its toll road business and optimise its management system taking into under the new ETC model, for the purpose of improving operation efficiency and achieving higher profit margin. The Group also plans to further participate into its upstream and downstream industries including highway and municipal road maintenance and construction by improving its service quality in those sectors. In addition, the Group will further enhance the digitalization of its construction process by implementing the information platform and other cutting edge technologies, with a view to better navigate the whole process and improving its centralised dispatching, monitoring and management capabilities.

- ***Expand Opportunities in General Environmental Protection.*** With a focus on resource recovery of solid waste and clean energy sector, the Group will continue to actively promote existing environmental protection projects and seek new acquisition candidates, with a view to increase the Group's market competitiveness in the sub-sectors of organic waste treatment and solid waste treatment. The Group will actively seek new investment opportunities in relation to clean energy, while effectively enhancing the management and carrying out works in relation to resource integration to secure proper completion of production missions. Besides, the Group will continue to create synergy among its subsidiaries under the general environmental protection business as well as other businesses of the Group, in order to capture more business opportunities and achieve higher profit margin.

- ***Enhance Management Capabilities in Investments and Financing.*** 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 the adoption of the newly developed information platform, the Group will further strengthen its capital planning and management ability, improve budget forecast capability and optimise medium and long term debt structure. 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 Group's capital, at the same time maintaining sound fund management and financing to reduce financing costs and and ensure its leverage is at a healthy level. 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 Group and promote the healthy and sustainable development of the Group.

- ***Further Develop Organisational Capability and Human Resources.*** The Group will strive to build an organisational structure that promotes efficiency and is in line with the Group's new development strategies. The Group will strive to establish a human resources management system that motivates employees and maximises the overall interests of the Group. The Group will actively study and promote the formation and implementation of employee stock plans and option incentive plans in order to achieve mutual value growth for the enterprise, the employees and the shareholders.

RECENT DEVELOPMENTS

Impact of COVID-19 pandemic

During the Spring Festival in 2021, as part of its epidemic prevention and control measures, the PRC governmental authorities encouraged people to stay at home. People who were returning from travels were subject to stringent preventive and control measures, leading to a decline of travelling needs nationwide during the period, and thus a decrease in the Group's toll revenue as compared with pre-pandemic years. In general, however, the macro economy in China has shown steady recovery and growth. The toll roads operated and invested by the Group resumed their pre-pandemic operational performance during the first quarter in 2021.

The latest epidemic resurgence in Guangdong has caused the local government to step up measures and control efforts to fight the spread of the coronavirus. The local governments have ordered home quarantine for residents in some neighbourhoods, and asked people who return by air, rail or long distance road journeys for proof of a negative COVID-19 test within three days, which may affect the Group's toll road business and the Group's financial conditions. As of the date of this Offering Circular, the Group does not recognize any significant negative impact caused by the COVID-19 pandemic on the production and operation of the Group.

Financial performance of the Group for the three months ended 31 March 2021

In April 2021, the Group published the 2021 Q1 Report on the website of The Stock Exchange of Hong Kong Limited. The 2021 Q1 Report is not incorporated by reference herein and does not form part of this Offering Circular. For the three months ended 31 March 2021, the Group recorded increases in revenue and net profit, which was mainly attributable to the impact of the toll-free policy during the COVID-19 pandemic, resulting in a substantial decline of toll revenue from highways operated and invested by the Group in the corresponding period last year.

The financial statements as at and for the three months ended 31 March 2021 have not been audited or reviewed by any independent auditor and may be subject to further adjustments. Such information should not be relied upon by investors to provide the same quality of information associated with information that has been subject to an audit or a review. None of the Trustee, the Agents or any of their respective affiliates, directors, employees, agents, representatives, officers, advisers or any person who controls them makes any representation or warranty, express or implied, regarding the sufficiency of the Unaudited and Unreviewed Financials for an assessment of, and potential purchasers must exercise caution when using such data to evaluate, the Group's financial condition and results of operations. Such information should not be taken as an indication of the expected financial condition, results of operations and results of the Issuer or Group for these periods or the full financial year ending 31 December 2021.

Other material developments of the Group for the three months ended 31 March 2021

To further enhance the scale of the Group's environmental protection business, Guangdong New Energy Company, a wholly-owned subsidiary of the Group, invested a total amount of approximately RMB744 million to acquire 100% equity interests in Mulei County Qianzhi Energy Development Co., Ltd. and Mulei County Qianhui Energy Development Co., Ltd. by way of equity transfer and capital increase in January 2021. Guangdong New Energy Company also invested a total amount of approximately RMB270 million to acquire 100% equity interests in Mulei County Qianxin Energy Development Co., Ltd. by way of equity transfer and capital increase in March 2021.

The Shenzhen municipal government has supported the Group's general environmental protection business. In the beginning of 2021, the Group secured the concession for the Guangming Environmental Park Project again by way of tender. The Group incorporated a project company upon winning the bid for the project and entered into a concession agreement with the government. As of the date of this Offering Circular, the Group has begun the relevant preparatory work.

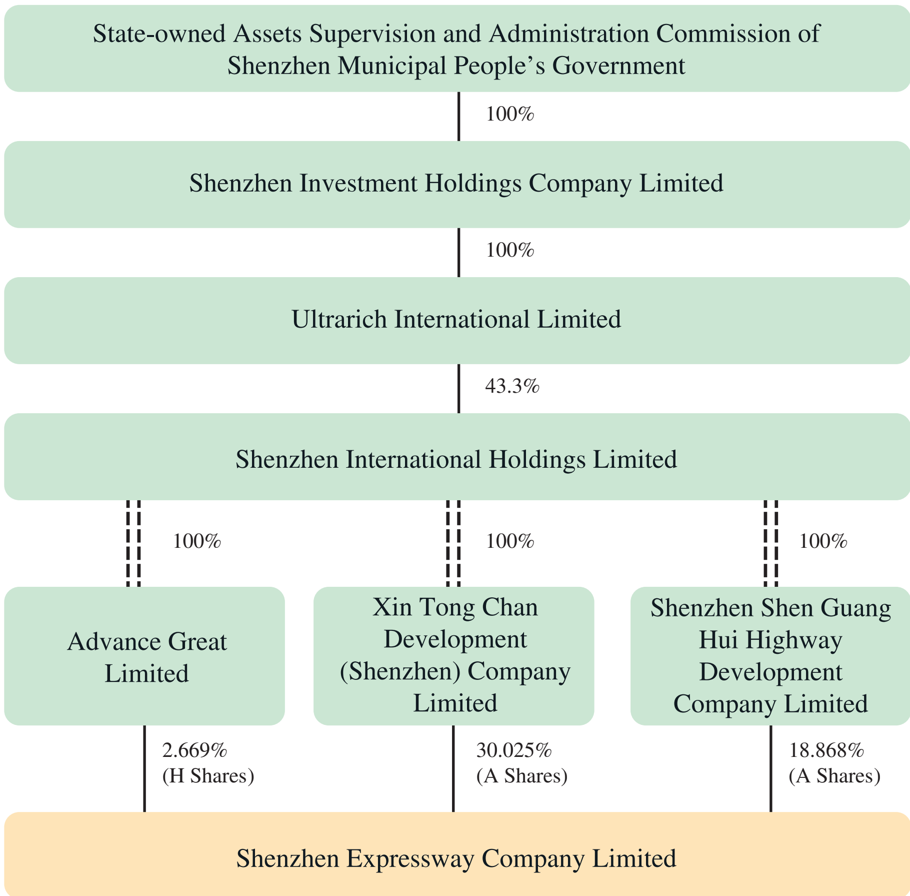
To expand the scale of the Group's toll road business and acquire high-quality toll roads assets, the Group entered into a memorandum of understanding with SIHCL on 15 March 2021 to acquire a 71.83% equity interest in Bay Area Development for an earnest money amount of HK$10 million. The main target assets of this proposed transaction are 45% equity interest in Guangshen Expressway and 50% equity interest in Guangzhu West Expressway.

On 19 April 2020, the Company issued a total amount of RMB1.2 billion domestic phase 1 green corporate bonds with a maturity of five years and a coupon rate of 3.49%. The Company has the coupon rate adjustment right and the bondholders have the right to sell-back at the end of the third year.

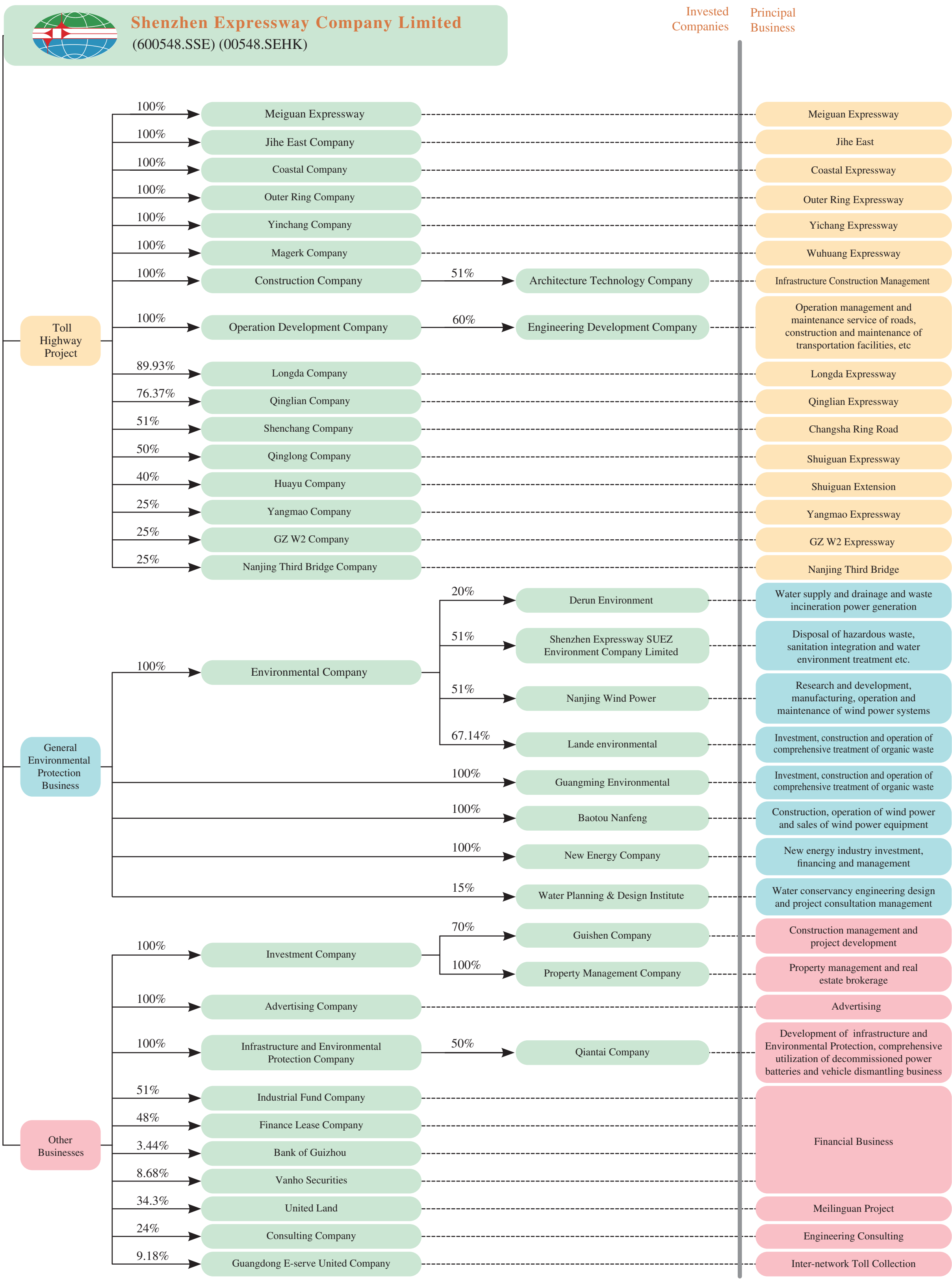
Upon conclusion of the AGM, Ernst & Young Hua Ming LLP retired as the independent auditor of the Company since it has continuously performed audit work for the Company for almost 5 years, being the time limit prescribed in the relevant regulations. It was approved at the AGM by the shareholders of the Company that Deloitte Touche Tohmatsu Certified Public Accountants LLP will be appointed as the auditors of the Company for 2021.

CORPORATE STRUCTURE OF THE GROUP

The chart below sets forth the shareholding structure of the Company as of 31 May 2021:



The chart below sets forth the corporate structure of the Group, as well as its associates and jointly controlled entities, as of 31 March 2021:



Note: On 13 August 2020, the Board of the Company resolved the "Resolution on the Absorption and Merger of Certain Wholly-owned Subsidiaries", pursuant to which the Company proposed to absorb and merge with its wholly-owned subsidiaries, Jihe East Company and Coastal Company. As of the date of this Offering Circular, the merger is still under process.

BUSINESS

The Group's businesses consist of its toll road business, general environmental protection business, entrusted management and the development of other infrastructure and other businesses. The table below sets forth, for the periods indicated, the revenue of each business:

	For the Year Ended 31 December			
	2019		2020	
	Revenue	Percentage of Total Revenue	Revenue	Percentage of Total Revenue
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*
Toll road business	4,722.1	73.9	4,386.7	54.7
General environmental protection business				
Clean energy	598.8	9.4	1,665.8	20.8
Recovery and solid waste management	—	—	843.1	10.5
Other environmental protection businesses	0.2	—	11.8	0.1
Entrusted Management and the Development of Other Infrastructure				
Entrusted management services	376.4	5.9	510.7	6.4
Real estate development	456.9	7.1	351.1	4.4
Other businesses	235.9	3.7	257.6	3.2
Total	6,390.3	100.0	8,026.7	100.0

The table below sets forth, for the periods indicated, the cost of services of each business:

	For the Year Ended 31 December			
	2019		2020	
	Cost of Services	Percentage of Total Cost of Services	Cost of Services	Percentage of Total Cost of Services
	(RMB in millions)	*(%)*	*(RMB in millions)*	*(%)*
Toll road business	2,345.5	65.4	2,422.2	46.5
General environmental protection business				
Clean energy	430.0	12.0	1,340.2	25.7
Recovery and solid waste management solid waste management	—	—	696.4	13.4
Other environmental protection businesses	—	—	3.0	0.1
Entrusted Management and the Development of Other Infrastructure				
Entrusted management services	356.8	10.0	406.5	7.8
Real estate development	255.2	7.1	171.4	3.3
Other businesses	198.1	5.5	174.9	3.4
Total	3,585.5	100.0	5,214.5	100.0

Toll Road Business

The Group's toll road operations span across Shenzhen, other regions in Guangdong Province and other provinces in China. As at the date of this Offering Circular, the Group holds controlling equity interests in and operates a total of eleven toll roads, with a total length of approximately 492.7 kilometres, among which, approximately 161.5 kilometres are in Shenzhen, 165.0 kilometres are in other regions of the Guangdong Province, 96.0 kilometres are in Hunan Province and 70.3 kilometres are in

Hubei Province. Approximately 82.7% of the Group's revenue from toll road business in 2020 was generated by toll roads it operated in Guangdong Province, which amounted to RMB3,629.9 million, while the Group's revenue from toll road operations in Hubei Province in 2020 was RMB304.1 million and in Hunan Province in 2020 was RMB452.7 million.

The table below sets forth the revenue, cost of services and gross profit margin of the Group's toll road business for the periods indicated:

	For the Year Ended 31 December					
	2019			2020		
	Revenue	Cost of services	Gross Profit Margin	Revenue	Cost of services	Gross Profit Margin
	(RMB in millions, except % for margins)					
Toll roads business	4,722.1	2,345.5	50.3	4,386.7	2,422.2	44.8

The table below sets forth the breakdown of the key financial indicators of the Group's toll road business by toll road projects the Group operated for the periods indicated:

	For the Year Ended 31 December					
	2019			2020		
	Revenue	Cost of services	Gross Profit Margin	Revenue	Cost of service	Gross Profit Margins
	(RMB in millions, except % for margins)					
Qinglian Expressway	837.0	485.5	42.0	832.5	507.9	39.0
Jihe East	768.2	333.4	56.6	736.4	338.7	54.0
Jihe West	667.7	136.2	79.6	615.0	162.3	73.6
Shuiguan Expressway	652.0	480.1	26.4	607.0	488.3	19.6
Coastal Expressway	532.6	285.7	46.4	548.4	282.0	48.6
Yichang Expressway	403.5	204.8	49.2	305.9	212.3	30.6
Wuhuang Expressway	412.5	210.9	48.9	304.1	187.6	38.3
Changsha Ring Road	156.1	54.6	65.0	146.8	65.7	55.3
Meiguan Expressway	139.7	79.5	43.1	143.7	78.1	45.6
Longda Expressway	152.6	74.6	51.1	142.9	94.6	33.8
Outer Ring Expressway	—	—	—	4.0	4.7	(18.2)
Total	4,722.1	2,345.5	50.3	4,386.7	2,422.2	44.8

The Group operates toll roads in Guangdong and other provinces. The table below sets forth the revenue breakdown for each major province for the periods indicated:

	For the Year Ended 31 December	
	2019	2020
	(RMB in millions)	
Guangdong Province	3,749.9	3,629.9
Hubei Province	412.5	304.1
Hunan Province	559.7	452.7

Through equity investments, the Group also owned non-controlling equity interests in, and received investment income from its investments in six[1] toll roads in 2019 and 2020, which span across Shenzhen, other regions of Guangdong Province and Jiangsu Province. For the years ended 31 December 2019 and 2020, the Group's investment income from its equity investments in the six toll roads was RMB219.9 million and RMB172.5 million, respectively.

As at the date of this Offering Circular, the Group operates or has investments in the following 15 toll roads across Guangdong, Hubei, Hunan and Jiangsu provinces:

Toll Roads	Locations	Length	Interest Held	No. of Lane(s)	Status
		(km)			
Meiguan Expressway	Shenzhen	5.4	100%	8	Under operation
Jihe East	Shenzhen	23.7	100%	6	Under operation
Jihe West	Shenzhen	21.8	100%	6	Under operation
Shuiguan Expressway	Shenzhen	20.0	50%	10	Under operation
Shuiguan Extension	Shenzhen	6.3	40%	6	Under operation
Coastal Project	Shenzhen	36.6	100%	8	Coastal Phase I: under operation Coastal Phase II: under operation operation
Outer Ring Project(2)	Shenzhen	60	100%	6	Coastal Phase I: under operation Coastal Phase II: under operation
Longda Expressway(1)	Shenzhen	4.426	89.93%	6	Under operation
Yangmao Expressway	Guangdong	79.8	25%	4	Under operation
GZ W2 Expressway	Guangdong	40.2	25%	6	Under operation
Qinglian Expressway	Guangdong	216.0	76.37%	4	Under operation
Wuhuang Expressway	Hubei	70.3	100%	4	Under operation
Yichang Project	Hunan	78.3	100%	4	Under operation
Changsha Ring Road	Hunan	34.7	51%	4	Under operation
Nanjing Third Bridge	Jiangsu	15.6	25%	6	Under operation

(1) On 1 December 2020, the Group completed the acquisition of 89.93% equity interest in Longda Expressway.

(2) The fee period of the Outer Ring Project is still under approval procedure.

[1] On 20 November 2020, 25% of the equity interests in Guangdong Jiangzhong Expressway Co., Ltd. and 30% of the equity interest in Yunfu Guangyun Expressway Co., Ltd. held by the Group 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 of the sale of the equity interests above. It is expected that the transfer of the equity interest shall be completed within one year. As a result, the subject matter related to the agreement is classified from long-term equity investment into assets held for sale.

The table below sets forth the average daily toll revenue for each toll road the Group operated or had investments in 2019 and 2020, respectively:

Location	Toll Roads	2019 Average Daily Toll Revenue	2020 Average Daily Toll Revenue
		(RMB in thousands)	
Shenzhen	Meiguan Expressway	382.9	392.6
Shenzhen	Jihe East	2,104.8	2,012.0
Shenzhen	Jihe West	1,829.5	1,680.4
Shenzhen	Shuiguan Expressway	1,786.4	1,658.5
Shenzhen	Shuiguan Extension	331.0	252.8
Shenzhen	Coastal Project	1,459.1	1,498.4
Guangdong.	Qinglian Expressway	2,293.2	2,274.5
Guangdong.	Yangmao Expressway	1,524.0	1,293.6
Guangdong.	Guangwu Project	796.1	786.9
Guangdong.	Jiangzhong Project	1,249.5	1,174.6
Guangdong.	GZ W2 Expressway	1,597.1	1,543.5
Hubei	Wuhuang Expressway	1,130.2	1,059.5
Hunan	Changsha Ring Road	427.8	511.5
Jiangsu	Nanjing Third Bridge	1,393.2	1,516.9
Hunan	Yichang Project	1,105.5	1,065.8

Note: 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 RMB525,000.

Given the planned reconstruction and expansion of the Jiangzhong Project and the 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. The Group 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 Offering Circular, the completion procedures of the equity transfer are still in progress. The exit of the Company from highway investment projects with minority interests can help to improve the existing asset structure of its highway business and reduce capital expenditure, thereby recovering a certain amount of capital to focus on the investment and development of quality projects where the Company holds controlling interests.

The operational performance of toll roads is affected by factors such as the macroeconomic environment, policy changes, competition or synergies between neighbouring road networks, construction of connecting or parallel roads, governments' traffic diversion measures and impacts from other transportation methods. In addition, construction or maintenance of the roads may also impact operational performance at the time of such activities.

Operation, Toll Collection and Maintenance

The Group's toll roads operation primarily involves operational management, toll collection and road maintenance.

Operation and Toll Collection

Vehicles passing through toll stations pay tolls at rates based on vehicle specifications. Two types of toll collection are utilised in the PRC, namely manual toll collection and electronic toll collection (the "**ETC**"). When vehicles pass through the manual toll collection lanes on a toll road, they stop at toll stations and pay toll collectors in cash or mobile payment. When the vehicles pass through the ETC lanes, they don't have to stop at the toll stations but pay tolls automatically through ETC cards.

The inter-network toll collection system is a unified toll collection system that implements both non-stop electronic toll collection and manual toll collection for a network of toll roads operated by different companies. Under the inter-network toll collection system, each toll road operating company receives toll payments based on the actual distance travelled on the toll roads operated by such company. When a vehicle drives through an inter-network toll entrance, it can choose to take an integrated ticket or use its pre-paid ETC card as the entry card to record entry information such as the vehicle type and location of the toll entrance. When the vehicle passes through identification points along the toll roads, the ticket or ETC card will receive and record the identification information. Upon arrival at the exit toll booth, the vehicle will need to return the integrated ticket or present the ETC card and the computer system will record the entry information and road identification information from the ticket or the ETC card and calculate and collect the toll payment based on distance travelled, vehicle classification and type of vehicle.

The Group currently employs the inter-network toll collection system on all toll roads it operates. The Group closely monitors the collection of tolls to minimise toll evasion. For each vehicle passing through a toll booth, the computerised toll lane collecting system controls the lifting of the toll gate after the toll is paid. The computerised toll lane collecting system will record every illegal lifting of the toll gate, which will then be investigated by the toll station. A toll collector must issue a receipt for each vehicle passing through his or her toll booth and place all cash received into a sealed box. At the end of his or her shift, the collector delivers the box and the ticket stubs to the station bookkeeper and the station bookkeeper will reconcile the cash received against the receipts issued. Any shortfall in cash receipts must be made up by the responsible toll collector. In addition to regular reconciliation, spot checks on each ticket collector are randomly carried out at any time of the day or night. Closed-circuit television cameras and computerised ticketing and monitoring systems have been installed to monitor traffic and toll collection at all toll stations. The screens are monitored 24 hours a day, seven days a week by supervisors who are required to note any unusual activities.

The Group employs the following internal control measures:

- closed-circuit televisions that are installed at toll booths and bookkeeping rooms to monitor the activities of each operator;

- automated gates that are installed at toll collection stations to ensure that each vehicle has paid prior to leaving the tolls station; and

- supervisors (managers, inspectors and monitoring personnel) stationed at toll stations to conduct random checks and audits of the tolls that have been collected.

Maintenance

The Group conducts routine maintenance and major repairs of its toll roads at its own cost throughout the operational period. Routine maintenance includes cleaning of carriage ways, minor carriage way repairs, replacement of traffic safety facilities damaged by accidents, cleaning of bridges, culverts, tunnels and drainage facilities, marking lanes, watering, fertilising, shaping and pest control of landscaped areas, building maintenance and maintenance of electrical fittings (including overhead lighting, toll equipment, telecommunication equipment and traffic control equipment), which are all carried out on a regular basis, as necessary. Major repairs include resurfacing of the carriage ways and hard shoulders and repairs to correct structural defects or operational failures such as drainage systems or embankments (which, under normal circumstances, usually takes place every nine years for class I highways and expressways). For the years ended 31 December 2019 and 2020, the Group incurred road maintenance expenses of RMB213.8 million and RMB182.3 million, respectively, accounting for 4.5% and 4.2%, respectively, of the Group's revenue generated from its toll road business in the same period.

Setting of Toll Rates

The toll rates are mainly determined by reference to the following factors: traffic flow, construction costs of the toll roads, prospective recovery periods of investment, repayment periods of any loans, inflation rate, management, operation and maintenance costs of the toll roads and local price levels and affordability for users.

Prior to commencing operations for new toll roads in Guangdong Province, the Group must submit an application to the Development and Reform Commission and Transportation Commission of the relevant municipal government for toll collection based on vehicle classification and distance travelled. The application should contain the bases for revenue forecasts. Having obtained preliminary approval from the Development and Reform Commission and Transportation Commission of the relevant municipal government, the application will then be submitted to the Development and Reform Commission, the Department of Transportation and the General Office of the Guangdong provincial government for approval. In Hubei Province, the Group's application needs to be approved by the Development and Reform Commission of Hubei, the Department of Transportation of the Hubei provincial government and the Department of Finance of Hubei Province. In Hunan Province, the Department of Transportation of Hunan Province, the Development and Reform Commission of Hunan, and the Department of Finance of Hunan refer toll rates setting to the People's Government of Hunan for further instructions. The Group may from time to time review its toll rates and apply for toll rate adjustments following the same procedures. The Group's applications for approval of its toll rates have so far been granted without undue delay and on occasion the toll rates approved by the government have been lower than the toll rates requested. There can be no assurance that the relevant government authorities will not at any time request a toll reduction.

The vehicle classification standard and toll rates effective since January 2020 in Guangdong Province are set forth below:

Vehicle Model and Specification

Class	Passenger Car (seat)	Lorry (axles)
1.	≤ 9	2 (vehicle length less than 6000mm and maximum allowable weight less than 4500kg)
2.	10–19	2 (vehicle length less than 6000mm and maximum allowable weight less than 4500kg)
3.	20–39	3
4.	≥ 40	4
5.	—	5
6.	—	6

Toll Rates (RMB/km)

		Expressways with Six Lanes and above	Expressways with Four Lanes
Class	Charging Coefficient	Meiguan Exp., Jihe Exp., Shuiguan Exp., Shuiguan Extension, GZ W2 Exp	Yangmao Exp., Qinglian Exp.
1.	1	0.60	0.45
2.	1.5	0.90	0.675
3.	2	1.20	0.90
4.	3	1.80	1.35

Toll Rates (RMB/km) for Lorries

Class	Charging Coefficient	Expressways with Six Lanes and above	Expressways with Four Lanes
1.	1	0.6	0.45
2.	2.1	1.26	0.945
3.	3.16	1.896	1.422
4.	3.75	2.25	1.6875
5.	3.86	2.316	1.737
6.	4.09	2.454	1.8405

The vehicle classification standard and toll rates effective since January 2020 outside Guangdong Province are set forth below:

Vehicle Model and Specification of Wuhuang Expressway

Class	Passenger Car (seat)	Fee Rate (RMB/km)
1.	≤ 7	0.44
2.	8–19	0.66
3.	20–39	0.88
4.	≥ 40	1.1
5.	—	1.32

Toll Rates (RMB/km) for Lorries of Wuhuang Expressway

Lorries with normal loading	Basic fee rate 1 Normal loading ≤ 20 tons 20 tons < Normal loading ≤ 40 tons Normal loading > 40 tons	RMB0.088/ton/km The part including and below 20 tons is charged according to the basic rate 1; the part between 20–40 tons (including 40 tons) is charged according to linearly decreasing to 50% of the basic rate 1; the part above 40 tons Billed at 50% of the basic rate 1.
Overloaded lorries	Basic fee rate 2 Overloading rate ≤ 30% 30% < Overloading rate ≤ 100% Overloading rate > 100%	RMB0.08/ton/km Normal loading part is charged the same as normal loaded vehicles; the parts exceeding the limit by 30% (including 30%) are charged at the basic rate 2; the parts exceeding the limit by 30%–100% (including 100%) are charged according to the 3–6 times linear increase of basic rate 2; other parts are billed at 6 times the basic rate 2.

Vehicle Model and Specification of Yichang Expressway

Class	Type	Fee Rate (RMB/km)
1.	Lorries less than 2 tons (including 2 tons) and vehicles less than 7 seats (including 7 seats)	0.40
2.	Lorries from 2 tons to 5 tons (including 5 tons) and vehicles with 8–19 seats	0.70
3.	Lorries from 5 tons to 10 tons (including 10 tons) and vehicles with 20–39 seats	1.00
4.	Lorries from 10 tons to 15 tons (including 15 tons), 20-foot container truck and vehicles with at least 40 seats	1.20
5.	Lorries more than 15 tons and 40-foot container truck	1.40

Toll Road Projects under Development

The Outer Ring Project is a toll road invested by the Group according to the PPP model, which includes Outer Ring Phase I and Outer Ring Phase II. 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. The Outer Ring Project is the longest expressway in the highway network plans 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. With a target to open Outer Ring Phase I to traffic by the end of 2020, the Group overcame the impact of engineering construction lagging behind due to the pandemic 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 2020, approximately 81.4% of the Outer Ring Project has been completed, among which the land resumption, demolition and relocation work have been basically completed. The engineering construction of the roadbed and bridges for Phase II is currently being carried out and Phase II is estimated to begin operation in 2022. In addition, with the approval of the Board, the Group has also been actively conducting preliminary work, such as inspection and design, of the first-stage section of Outer Ring Phase III.

The construction of Coastal Phase II commenced in December 2015, mainly including the International Convention and Exhibition Center interchange, the connecting lane on the Shenzhen side of the Shenzhen-Zhongshan Tunnel, the Shajing interchange and the remaining relevant construction. Of these, the International Convention and Exhibition Center interchange was completed and put into operation in 2019. To meet the construction requirements of the eastern artificial island of the Shenzhen-Zhongshan Tunnel, the engineering design and the construction plan of Coastal Phase II was adjusted during the year. As at the end of 2020, 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, by the end of 2020.

Upon several rounds of communication and coordination between the Company and various governmental authorities, the Jihe Expressway reconstruction and expansion project was granted approval by the Development and Reform Commission of Guangdong Province at the end of 2020 and the feasibility plan of the project was reviewed and approved by the Ministry of Transport of PRC. The Group has started the preliminary design review and has been actively tendering for construction partners for the first-stage section. The reconstruction and expansion project adopted integrated 3D reconstruction and expansion model for the first time in China, which has been included as one of the strategic demonstration projects as part of the "Pilot Construction Projects for Building China's Strength in Transport".

General Environmental Protection Business

The construction of an 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 developing the legal system of the ecological environment. In order to explore a broader scope for the Group's long-term development, the Group proactively explores investment prospects and opportunities in the general environmental protection industry, including principally recovery and solid waste management and clean energy, while consolidating and enhancing the Group's core business of toll roads.

Recovery and Solid Waste Management

The organic waste treatment industry has a relatively large room for development and is supported by national environmental protection policies. Organic waste treatment is a key industry segment for focused development by the Group in the general environmental protection area. The Group also proactively explores investment prospects and opportunities in the areas of recovery and solid waste management. For the years ended 31 December 2019 and 2020, the revenue generated from the Group's recovery and solid waste management business segment was nil and RMB843.1 million, respectively.

On 8 January 2020, Environmental Company, a wholly-owned subsidiary of the Group, 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 RMB809.6 million by way of share subscription and capital increase. Currently the Group holds 67.14% of Lande Environmental. As at the date of this Offering Circular, Lande Environmental has a total of 18 organic waste treatment projects under the BOT/PPP model, covering 14 cities in 10 provinces and regions across the country, with a designed kitchen waste treatment capacity of approximately 4,900 tons/day.

In August 2020, Infrastructure and Environmental Protection Company, a wholly-owned subsidiary of the Company, entered into an agreement to acquire 50% equity interests in Qiantai Company by way of capital increase and transfer. 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 markets of new energy vehicles scrapping, 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.

In the beginning of 2021, the Group secured the concession of Guangming Environmental Park Project again by way of tender. The Guangming Environmental Park Project is located in Guangming District, Shenzhen, which 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 (waste furniture) and 100 tons/day for greening waste. The proposed concession period of the project is 10 years and can be extended for 5 years upon being qualified by assessment and approval of the regional government. The fixed total investment of the project is estimated to be approximately RMB708 million. The Group believes that the Guangming Environmental Park Project will become a benchmark project of the Group in Shenzhen region. As of the date of this Offering Circular, the Group has begun the relevant preparatory work.

The Group will demonstrate the regional advantages and resources advantages of the Group. 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. The Group also proactively conducted site visits and negotiations in respect of research and investment projects regarding the treatment of industrial hazardous waste and sewage. In conjunction with the Group's regional expansion strategy, it will participate in comprehensive urban development and construction and seek opportunities in strategically expanding into construction and operation of environmental protection projects such as municipal sanitation integration and treatment of industrial solid waste.

Clean Energy

Clean energy, as an emerging sector in the general environmental protection industry, is 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 the wind power industry, wind power has become an important source of power supply. Issues in wind power curtailment have been improving rapidly, indicating a new stage of stable and sound development of the wind power industry in the long run. For the years ended 31 December 2019 and 2020, the revenue generated from the Group's clean energy business segment was RMB598.8 million and RMB1,665.8 million, respectively, representing approximately 9.4% and 20.8% of the Group's total revenue for the same periods, respectively.

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 which has improved complete machine manufacturing production capacity. Driven by related government policies, onshore wind power project construction has remained at peak levels in 2020. While Nanjing Wind Power had a full schedule for production, under the impact caused by factors including the delay in resumption of work during the epidemic, tight supply of key components and parts in supply chain, 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 2020. During the second half of 2020, 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. Nanjing Wind Power also made efforts in its long-term plans 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 2020, Baotou Nanfeng, which was acquired by the Group on 17 September 2019, continued to improve wind farm operation and management and its operating and production activities are broadly recovering to pre-pandemic levels. The total installed capacity of Baotou Nanfeng is 247.5MW. With effective epidemic prevention and control measures, the resumption of work and production in the Mengxi Region accelerated, creating increasing demand for power supply. Benefitted from a stable local wind power policy environment, the on-grid supply of wind power generated by Baotou Nanfeng was sound, recording an aggregate on-grid power supply of 644,131 MWh in 2020, representing an increase of 11.35% compared to the 2019. 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. Additionally, pursuant to the agreement entered into between the Company and the relevant parties in September 2019 in respect of the acquisition of 67% of the equity interest in Baotou Nanfeng, the Group entered into an agreement to acquire the remaining 33% of the equity interest in Baotou Nanfeng for a consideration of RMB0.33 on 1 March 2021. After the acquisition, the Group will hold 100% of the equity interest in Baotou Nanfeng. Baotou Nanfeng is a quality project with economies of scale, promising stable revenues and operations. Increasing the shareholding in the project will be beneficial to enhancing the core capabilities of investment, operation and management of the Group's wind power business and the interests of the Group as a whole.

With the increasing scale of the Group's 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, in order to enhance the business development and operational and management efficiency of the new energy segment. The subsidiary seeks to integrate internal and external resources in an effective way to establish a more scientific governance structure and an operation and management system, so as to align with the 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 segment, which the Group will develop with a focus on wind power, supplemented by the businesses of photovoltaic power and energy storage.

Guangdong New Energy Company, a wholly-owned subsidiary of New Energy Company, invested a total amount of approximately RMB744 million to acquire 100% equity interests in Mulei County Qianzhi Energy Development Co., Ltd. and Mulei County Qianhui Energy Development Co., Ltd. by way of equity transfer and capital increase in January 2021. Guangdong New Energy Company also invested a total amount of approximately RMB270 million to acquire 100% equity interests in Mulei County Qianxin Energy Development Co., Ltd. by way of equity transfer and capital increase in March 2021. The total installed capacity of Guangdong New Energy Company is 299 MW, of which 49.5MW has been included in the list of renewable energy power generation subsidies. These three companies have ample wind power resources and relatively stronger comparative advantages in the approved on-grid electricity price, which are transmitted to the East China power grid for consumption through Zhundong-Southern Anhui ultra high voltage DC transmission channel. 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.

Other Environmental Protection Business

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. Derun Environment's major business segments including water supply and sewage treatment, waste incineration power generation and environmental restoration, etc. Derun Environment focused on the layout of the environmental protection industry by developing the markets in Chongqing and surrounding areas, actively pushing forward the construction of projects, include the Ecological Restoration Project, Management and Maintenance of Landfills of Changsheng Bridge in Chongqing (EPC), the Changsheng River Water Environmental Remediation Project in Chongqing and the Wuhou District Water Environmental Remediation Project in Chengdu.

In October 2018, the Company established Shenzhen Expressway SUEZ Environment Company Limited with Suez Group, a shareholder of Derun Environment, and holds 51% of its equity interest. The Group principally engages in the treatment of industrial sewage and hazardous waste. Shenzhen Expressway SUEZ Environment Company Limited and Lande Environmental have begun cooperating in equipment and technical plans for kitchen waste recycling and harmless treatment and treatment of 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 business synergies. Currently, one of the subcontracted projects has completed its pilot test and is operational.

The Group also holds 15% of the equity interest in Water Planning Company, which had abundant orders. The accumulated value of newly signed contracts completed in 2020 was nearly RMB1.5 billion, representing an increase of approximately 14% as compared to the same period of the previous year as well as a continuous growth in market share. Water Planning Company has received approval for listing on the Growth Enterprise Market of the Shenzhen Stock Exchange in January 2021.

For the years ended 31 December 2019 and 2020, the revenue generated from the Group's other environmental protection business segment was RMB0.2 million and RMB11.8 million, respectively, representing approximately nil and 0.1% of the Group's total revenue for the same periods, respectively.

Entrusted Management and the Development of Other Infrastructure

Leveraging the experience and resources gained through its toll road business, the Group has been entrusted by governments and enterprises to provide road construction and operation management services. The Group receives commissions or management fees and/or bonuses for its services.

The Group's entrusted management service business generated revenue of RMB376.4 million and RMB510.7 million for the years ended 31 December 2019 and 2020. The management period of the Group's entrusted construction management projects typically lasts for more than three years. During the management period for a project, the revenue generated may be affected by various factors including the scale of the project, the progress of construction during a particular period, the contractual terms of the project, the audit results of relevant government departments and the settlement process.

Entrusted Construction Business

The Group has been entrusted by governments and enterprises to provide road construction management services, for which the Group receives commissions or management fees and/or bonuses for its services. In providing entrusted construction management services, the Group helps governments and enterprises control construction quality, time and cost in order to ensure construction plans are carried out properly and the objectives achieved within the anticipated timeframe and budget. The main purpose of the Group's entrusted construction business is to strengthen the safety and quality management of the projects under construction, coordinate and supervise revenue collection from each of the entrusted construction projects, push forward the completion and acceptance of the completed projects and proactively promote development and cooperation in new markets and new projects.

Since 2000, the Group has been entrusted to provide construction management services for a total of 27 construction projects, most of which were road construction projects, with a total length of 118 kilometres. The table below sets forth, as at the date of this Offering Circular, the major entrusted construction management projects the Group has undertaken since 2000:

Project name	Location	Length	Construction Period	Total Investment Size	Status
		(km)		*(in RMB million)*	
Coastal Expressway Phase I . .	Shenzhen	30.45	2009–2013	9,378.6	Complete
Coastal Expressway Phase II. .	Shenzhen	5.7	2015–now	6,190.2	Under operation
Nanping Project Phase A	Shenzhen	11.18	2008–2013	2,131.6	Complete
Nanping Project Phase I	Shenzhen	18.07	2003–2006	2,765.8	Complete
Freight Organization Adjustment Project.	Shenzhen	—	2016–now	1,389.5	Under operation
Duohua Project	Guizhou	2.2	2018–2022	992.0	Under operation
Bimeng Project	Guizhou	—	2020–2023	1,000.0	Under operation
Shenzhen-Shantou Environmental Garden	Guangdong	—	2020–2023	10,740.0	Under operation

Entrusted Management Business

On 30 December, 2019, the Group entered into a entrusted management agreement with Baotong Company, pursuant to which Baotong Company will entrust the Company to manage its 89.93% equity interest in Longda Company. The term of the entrusted management agreement commenced on 1 January 2020 and expired on 31 December 2020. The Group the entered into an agreement to acquire 89.93% equity interests in Longda Company. Given such, the entrusted management agreement entered into between the Group 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 Group will not charge the entrusted management fees for the period from 1 July 2020 to the day of equity delivery and the Group 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 Group and Operation Development Company successfully won the bid for the comprehensive maintenance project for the Four Expressways and undertook the maintenance work of the Four Expressways. The Group has gained the recognition of the Shenzhen Transportation Bureau by making efforts in improving the service quality of the comprehensive maintenance through the introduction of information-based and intelligent technologies. The Group successfully renewed the contract for the Four Expressways comprehensive maintenance project for a contractual term from 11 June 2020 to 10 June 2021. In addition, the further renewal of such contracts has been agreed and there should not be any issue.

For the years ended 31 December 2019 and 2020, the revenue generated from the Group's entrusted management business segment was RMB376.4 million and RMB510.7 million, respectively, representing approximately 5.9% and 6.4% of the Group's total revenue for the same periods, respectively.

Development and Management of Land Development Projects

With the relevant management experience and resources, the Group prudently explores new business types such as comprehensive land development and urban renewal, while paying close attention to and seizing opportunities for synergies between new business types and existing businesses for business development and expansion beyond the Group's core business, as well as a beneficial supplement to revenue. For the years ended 31 December 2019 and 2020, the revenue generated from the Group's real estate development business segment was RMB456.9 million and RMB351.1 million, respectively, representing approximately 7.2% and 4.4% of the Group's total revenue for the same periods, respectively.

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 exploring opportunities in the Guilong area and the development of an appropriate business model. 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 it has acquired, which has an area of 1,075 mu (approximately 717,000 square meters). By operating and implementing the preliminary work of Interlaken Town Project, Guishen Company has explored and accumulated experience in the management and operation of property development projects, enabling the creation of 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 land it holds and the Group's investment income as soon as possible, while at the same time effectively preventing contractual and market risks in relation to the land.

Pursuant to the relevant agreement, the Group, Shenzhen International and Vanke jointly invested in Shenzhen International United Land Company Limited ("**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 the Meilin Checkpoint Renewal Project. The Meilin Checkpoint Renewal Project occupies a land area of approximately 96,000 square meters and a capacity building area of not more than 486,400 square meters (including public facilities) in aggregate, which will be used for residential and commercial purposes. The Meilin Checkpoint Renewal Project will be developed in three phases. 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; and 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 and Phase II Heyaxuan have all been sold and payments have been received in 2020. The relevant approval for Phase III Hesongxuan of the project has been obtained and the construction commenced in 2020. As of 31 December 2020, the acquisition rate of 630 sets of houses reached 88%.

Industrial-Financial Integration

The Group subscribed for the additional shares issued by the Bank of Guizhou in 2015, 2016 and 2019 respectively. As of the date of this Offering Circular, the Group held 3.44% of the total shareholding of the Bank of Guizhou. As Bank of Guizhou has a sound cash dividend capability and huge rooms for development, the increase in investment in the Bank of Guizhou may be favorable for the Company to maintain its position as a key shareholder in strategic investors, obtaining stable investment returns and strengthening regional business synergies.

In terms of the industry-finance synergy, the Group has acquired a 48% interest in Shenzhen International Financial Leasing Co., Ltd. ("**Financial Leasing Company**") held by Shenzhen International through its wholly-owned subsidiaries at the consideration of RMB151.69 million (including debt obligations of RMB129 million). The acquisition of Financial Leasing Company is conducive for the Group to fully leverage its financing advantages, and helps to provide financial leasing services to satisfy the capital required in the core businesses of the Group and its upstream and downstream industry chain. 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. 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 roads and general environmental protection, with a view to explore opportunities in different industries and increasing its financing channels, thereby realising the coordinated development and integration of finance and industry.

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 Guangdong Shengchuang Investment Management Co., Ltd. ("**Shengchuang Investment**"), entered into a partnership agreement, pursuant to which, the parties agreed to jointly invest in and establish the Environmental Technology Industry M&A Fund. The Board also 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)), and the participation in the capital increase and share subscription project of Vanho Securities.

Other Business

The Group is engaged in the businesses of billboard leasing, advertising, design production and related services alongside toll roads and at toll stations. For the years ended 31 December 2019 and 2020, the Group's consolidated revenue from other businesses was RMB235.9 million and RMB257.6 million, respectively. Limited by its scale or investment model, the revenue and profit contribution of this business segment currently account for a small percentage of the Group.

Consulting Company, which the Group currently holds 24% of the equity interest, 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 throughout the investment and construction process of the engineering project.

Guangdong UETC completed the private placement in 2020. The Group currently holds 9.18% of its equity interest after placement. Guangdong UETC is principally engaged in the electronic clearing business for toll roads in Guangdong Province, including investment, management and provision of services of the electronic toll and clearing systems, and sales of related products.

GOVERNMENT REGULATIONS

The Group's operations are subject to various laws and regulations in the jurisdictions in which it operates. The Group's properties are subject to routine inspections by government officials with regard to various safety and environmental issues. The Company believes that the Group is in compliance in all material respects with government regulations currently in effect in the jurisdictions in which it operates. The Company is not aware of significant problems experienced by any member of the Group with respect to compliance with government regulations in relation to its operations which could materially adversely affect its properties or operations, nor is it aware of any pending government legislation that might have a material adverse effect on its properties or operations.

The construction and operation of expressways and general environmental projects in the PRC are governed by a regulatory regime specific to the expressway transportation and general environmental protection sectors.

PRC REGULATIONS

The construction, survey, design and operation of expressways in the PRC are subject to the supervision and administration of the relevant government authorities, primarily with respect to qualifications of the entities undertaking the construction, survey and design work, project tendering, quality, safety, checking for the completion of engineering works and environmental protection.

Expressway Regulatory Authorities

The NDRC is responsible for the overall investment plan of the major expressways as defined in the relevant regulations. The investment plan of other expressway projects must be reviewed and approved by the provincial branches of the NDRC.

The Ministry of Transport is responsible for the overall construction plan and administration on the construction of the major expressway projects as determined by the Ministry of Transport. At a local level, the relevant departments of communications are in charge of highway construction projects within their administrative areas. Responsibility for setting and regulating expressway toll rates, toll terms and toll stations rests with the provincial governments and/or other relevant provincial departments responsible for price, finance and communications.

Expressway and Toll Road Regulations

The PRC Expressway Law (《中華人民共和國公路法》) was adopted on 3 July 1997, and was subsequently amended in 1999, 2004, 2009, 2016 and 2017. Planning, construction, maintenance, management, use and administration of roads within the borders of the PRC, including expressway bridges, expressway tunnels and expressway crossings, shall comply with the requirements of the PRC Expressway Law.

In addition, the construction, management and operation of toll roads (including bridges and tunnels), the location of toll booths and the transfer of interests and benefits of toll roads are subject to the Regulation of the PRC on Toll Road Administration (《中華人民共和國收費公路管理條例》) adopted in 2004. A draft amendment to the regulation had sought for public comments by December 2018 and January 2019. As at the date of this Offering Circular, no amendment to the regulation has been put into effect.

Environmental Protection

The laws and regulations governing the environmental protection in China include the PRC Environmental Protection Law (中華人民共和國環境保護法), the PRC Prevention and Control of Noise Pollution Law (中華人民共和國環境噪聲污染防治法), the PRC Environmental Impact Assessment Law (中華人民共和國環境影響評價法) and the Administrative Regulations on Environmental Protection for Development Projects (建設項目環境保護管理條例). Pursuant to these laws and regulations, depending on the impact of the project on the environment, an environmental impact report, an environmental impact analysis table or an environmental impact registration form must be submitted by a developer before the relevant authorities will grant approval for the commencement of construction of the real estate development. In addition, upon completion of the real estate development, the relevant environmental regulatory authorities will also inspect the property project to ensure compliance with the applicable environmental protection standards and regulations before the property project may be delivered to the purchasers.

NDRC Rules Regarding Overseas Financing

According to the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (NDRC Waizi [2015] No. 2044)《國家發展改革委關於推進企業發行外債備案登記制管理改革的通知》(發改外資 [2015] 2044號)) (the "**NDRC Circular**"), which was issued by the NDRC on 14 September 2015 and came into effect on the sameday, if a PRC enterprise or an offshore enterprise controlled by a PRC enterprise wishes to issue bonds outside of the PRC with a maturity of more than one year, such enterprise must in advance of issuing such bonds, file certain prescribed documents with the NDRC and procure an enterprise foreign debt pre-issuance registration certificate (the "**NDRC Pre-Issuance Registration Certificate**") from the NDRC in respect of such issue. According to the NDRC Circular, the NDRC is expected to issue a decision on the submission within seven working days after it accepts the submission. The Company filed certain prescribed documents with the NDRC for the offering of the Bonds in an amount not to exceed US$300 million and the NDRC issued the NDRC Pre-Issuance Registration Certificate on 7 April 2021.

According to the NDRC Circular, such an enterprise is also required to report certain details of the Bonds to the NDRC within ten working days after the closing date of the offering (the "**NDRC Post-Issuance Reporting**"). The Company intends to complete the NDRC Post-Issuance Reporting as soon as practical and in any event within ten working days after the Issue Date.

PBOC Circular Regarding Cross-border Financing

On 11 January 2017, the PBOC issued the Notice of People's Bank of China on Matters Concerning Macro-prudential Management on All-round Cross-border Financing (《中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知》) (the "**2017 PBOC Circular**"). Under the 2017 PBOC Circular, enterprises are required to file with SAFE after a cross-border financing agreement is signed and at least three working days prior to the drawdown of the loan, and report the relevant capital settlement information after making such capital settlement. In addition, the enterprises are also required to update the information with respect to the cross-border financing every year. In the event that the audited net assets, or the creditor, loan terms, amount or interest rate of the cross-border financing agreement changes, the enterprises are required to complete the change of the filing in due course. The 2017 PBOC Circular is a new regulation and is subject to interpretation and application by relevant PRC authorities. As at the date of this Offering Circular, there is uncertainty as to how the 2017 PBOC Circular will be implemented by the local branch of SAFE.

INSURANCE

The Group is covered by insurance policies which mainly cover fire, flood, other material damage to property and public liability. The Group believes that its properties are covered with adequate insurance provided by reputable and independent insurance companies in the relevant jurisdiction and with commercially reasonable deductibles and limits on coverage, which are normal for the type and location of the properties to which they relate.

Notwithstanding such insurance coverage, damage to the buildings, facilities, equipment or other properties as a result of occurrences such as fire, flood, water damage, explosion, power loss, typhoons and other natural disasters or terrorism, or any decline in the Group's business as a result of any threat of war, outbreak of disease or epidemic, may potentially have a material adverse effect on the Group's financial condition and results of operations. See "*Risks relating to the Group — The Group has limited insurance coverage and may be subject to certain uninsured risks*."

EMPLOYEES

As at 31 December 2020, the Group had approximately 6,705 employees in total, consisting of 4,002 toll collection staff and 2,703 management and professional staff. Management and professional staff include personnel for operation, engineering, finance and other business lines.

Staff benefits include statutorily required social pension insurance, housing provident fund, work injury insurance, unemployment insurance and medical insurance coverage. Moreover, the Group has made regular enterprise annuity payments (supplemental pension insurance) for its management personnel and key technical staff members. The Company believes that the Group's employees are critical to its success and is committed to investing in the development of its employees through continuing education and training, as well as the creation of opportunities for career growth. The Group has not experienced any strikes or disruptions due to labour disputes. The Company considers the Group's relations with its employees to be good.

The Company values staff training and has established a 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 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 staff of all levels from toll collection staff to senior management.

ENVIRONMENTAL MATTERS

The Group's operations are subject to various environmental laws. Compliance with such laws has not had, and, to the Company's knowledge (after due and careful enquiry), is not expected to have, a material adverse effect upon the Group's capital expenditures, earnings or competitive position.

LEGAL PROCEEDINGS

On 16 December 2016, Guangxi Bioland Renewable Energy Co., Ltd. ("**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. On 19 October, 2020, Yonker Environmental applied to the court to change the litigation request of equipment capital occupation fee, civil engineering payment, civil engineering payment interest and liquidated damages to be paid by Guangxi Bioland to RMB51,757,867.29 in total. Other litigation requests remain unchanged.

On 28 October 2016, Nantong Fourth Construction Group Co., Ltd. ("**Nantong Sijian**") and Taizhou Bioland Environmental Protection Technology Co., Ltd. ("**Taizhou Bioland**") signed the Taizhou Kitchen Waste Treatment Project Construction Contract, and 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 30 December 2017, Nantong No.4 Construction completed the additional works within the scope of the contract and outside the contract. On 12 October 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 30 November 2020, requesting Nantong Sijian to compensate Taizhou Bioland for the loss of RMB1,408,072.96 and the interest of the overdue payment due to the quality problem of the foundation engineering of the marsh airbag foundation. As of 31 December 2020, the case has been in court but has not yet been judged.

As at the date of this Offering Circular, the litigations mentioned above are still in progress. Taking into account the nature of and the construction status of the upgrade project, the Group believes that the outcome of the litigation will not have any material adverse effect on its operating results.

Save as disclosed above, there are currently no governmental, arbitration or legal proceeding against the Group as at the date of this Offering Circular that could have a material adverse effect on its business, financial condition and results of operations.

RELATED PARTY TRANSACTIONS

A summary of the Group's related party transactions for the year ended 31 December 2020 is set out in note X.5 of the audited consolidated financial statements as at and for the year ended 31 December 2020, included elsewhere in this Offering Circular.

DIRECTORS, SUPERVISORS AND SENIOR MANAGEMENT

The following table sets forth information regarding the directors, supervisors and senior management of the Company as at the date of this Offering Circular.

Name	Position
HU Wei	Chairman of the Board
LIAO Xiang Wen	Executive director and president
WANG Zeng Jin	Executive director
WEN Liang	Executive director and financial controller
DAI Jing Ming	Non-executive director
LI Xiao Yan	Non-executive director
CHEN Hai Shan	Non-executive director
BAI Hua	Independent director
LI Fei Long	Independent director
MIAO Jun	Independent director
XU Huan Xiang	Independent director
LIN Ji Tong	Supervisor (shareholders' representative) and Chairman of the Supervisory Committee
WANG Chao	Supervisor
YE Hui Hui	Supervisor
GONG Tao Tao	Vice president, secretary of the board and joint company secretary
SUN Ce	Vice president
HUANG Bi Nan	Vice president
WEN Po Wei	Vice president
ZHAO Gui Ping	Chief Financial Officer
CHEN Shou Yi	Chief Engineer

Mr. HU Wei, born in 1962, is the chairman of the Board of the Company. Mr. Hu is also the chairman of the strategic committee and a member of the nomination committee of the Company. Mr. Hu was appointed as a director of the Company since January 2012 and as the chairman since January 2015. Mr. Hu has extensive experience in corporate operation, corporate management including investment, financing, capital operations, auditing and risk management, and experience in overseas enterprises. He worked at China Everbright Bank from October 2001 to August 2011. Mr. Hu has served as a vice president of Shenzhen International since August 2011. Mr. Hu holds directorship in some subsidiaries of the Company.

Mr. LIAO Xiang Wen, born in 1968, is the executive director and president of the Company. Mr. Liao is also a member of the strategic committee and a member of the risk management committee of the Company. Mr. Liao was appointed as a director since November 2016 and president since September 2018. Mr. Liao has extensive experience in toll road management, human resources and legal affairs management. Mr. Liao holds directorship in some subsidiaries and investment enterprises of the Company.

Mr. WANG Zeng Jin, born in 1970, is an executive director of the Company. Mr. Wang is also a member of the risk management committee of the Company. Mr. Wang was appointed as an executive director since June 2020. Mr. Wang has more than twenty years of experience in human resource management and corporate management. Mr. Wang joined Shenzhen International in October 2004 as secretary to the chairman and was the general manager of the human resource department of Shenzhen International from June 2005 to August 2015. Mr. Wang is currently also a director of certain subsidiaries of the Company.

Mr. WEN Liang, born in 1973, is the executive director and financial controller of the Company. Mr. Wen is also a member of the risk management committee of the Company. Mr. Wen was appointed as the financial controller since September 2018 and as a director since March 2019. Mr. Wen has concurrently served as supervisor of Shenzhen Yantian Port Group Holdings Limited since February 2017. Mr. Wen has extensive experience in finance and auditing management. Mr. Wen served successively as, among others, the head of budge control office and auditing department of Shenzhen Water (Group) Co., Ltd. from 1996 to 2018 and served as director and supervisor of some of its subsidiaries. Mr. Wen also serves as director of some investee companies of the Company.

Mr. DAI Jing Ming, born in 1964, is a non-executive director of the Company. Mr. Dai is also a member of the strategic committee of the Company. Mr. Dai was appointed as a director since January 2021. Mr. Dai has extensive experience in corporate finance, investment and management. Mr. Dai joined Shenzhen International as the chief financial officer in August 2017, and has served as an executive director of Shenzhen International since September 2020.

Ms. LI Xiao Yan, born in 1977, is a non-executive director of the Company. Ms. Li is also a member of the audit committee and remuneration committee of the Company. Ms. Li was appointed as a director of the Company since January 2021. 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, and 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. Since 2020, Ms. Li has served as the deputy chief financial officer of CMET.

Ms. CHEN Hai Shan, born in 1966, is a non-executive director of the Company. Ms. Chen is also a member of the risk management committee of the Company. Ms. Chen was appointed as a director of the Company since January 2021. 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. Ms. Chen has served as a member of the party committee and a deputy general manager of GDRB since March 2015.

Mr. BAI Hua, born in 1969, has served as an independent director of the Company since February 2018. Mr. Bai is also the chairman of the audit committee and member of the remuneration committee and nomination committee of the Company. Mr. Bai has extensive research and practical experience in auditing and internal control. Mr. Bai has worked in the Department of Accounting of Jinan University since October 2003, where he now serves as a professor and doctoral tutor. Mr. Bai had also served as an independent director of Guangdong Mingjia United Mobile Technology Co., Ltd., Guangzhou Yichang Technology Co., Ltd. and Yipinhong Pharmaceutical Co., Ltd. Mr. Bai is currently an executive of the Guangdong Audit Association and an independent director of Guangzhou Improve Medical Instruments Co., Ltd, Livzon Pharmaceutical Group Inc. and Guangdong Hongxing Industrial Co., Ltd.

Mr. LI Fei Long, born in 1964, has served as an independent director of the Company since January 2021. Mr. Li is also the chairman of the remuneration committee and nomination committee, and is a member of the strategic committee and audit committee of the Company. Mr. Li has extensive experience in financial management, capital operation, investment and financing management, as well as experience in the energy industry. Mr. Li served as an executive director, executive vice president and chief financial officer of China Oilfield Services Limited 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 also served as a director and the chairman of the audit and risk committee of Newage (African Global Energy) Ltd. since November 2019.

Mr. MIAO Jun, born in 1957, holds a professional title as a professor level senior engineer, obtained a bachelor degree in power system automation from Nanjing Institute of Technology (currently known as Southeast University). He has extensive experience in power and energy management. Mr. Miao had worked in the Ministry of Water Resources and Electric Power, the Ministry of Energy Planning Department, and China Longyuan Power Group Corporation Limited (a Hong Kong listed company). He had served as the chief economist, deputy general manager and member of the party group in GD Power Development Co., Ltd (a PRC listed company) from 2000 to 2017. Mr. Miao retired in July 2017.

Mr. XU Huan Xiang, born in 1976, holds the professional qualification of global certified financial analyst. He obtained a bachelor degree in English information management from Beijing Foreign Studies University, and a master degree in business administration from University of Illinois at Urbana-Champaign, USA. He has extensive experience in financial investment and financing management. Mr. Xu had worked in Shanghai Ruian Consulting Co., Ltd. During the period from June 2004 to June 2019, he had worked in Morgan Stanley Asia Co., Ltd. and served successively as vice president, executive director, and head of transportation research in the Asia-Pacific region. In July 2019, Mr. Xu has joined Ehang Holdings Limited (a company listed on NASDAQ, USA) as the chief strategy officer.

Mr. LIN Ji Tong, born in 1969, is the supervisor (shareholders' representative) and the chairman of the supervisory committee of the Company since June 2020. He has also served as the secretary of the disciplinary committee of the Company since May 2020. Mr. Lin has extensive working experience with the Chinese Communist Party and in disciplinary inspection and supervision. Mr. Lin is mainly responsible for the overall management of the Company's disciplinary supervision and integrity building. Mr. Lin previously worked as the head of the People's Court of Rongcheng District of Jieyang City and the Rongcheng District Committee of Jieyang City. He has also 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 also served as deputy general manager of a subsidiary of Shenzhen International, 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. WANG Chao, born in 1972, has served as the supervisor (shareholders' representative) of the Company since January 2021. Mr. Wang has extensive working experience in finance, auditing and risk management. He has served as a director and chief financial officer of Shenzhen Tagen Group Co., Ltd. since November 2020. He previously 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. Mr. Wang has also worked at Shenzhen Baoheng (Group) Co., Ltd. and COFCO Real Estate (Group) Co., Ltd.

Ms. YE Hui Hui, born in 1976, has served as the supervisor (staff representative) of the Company since January 2021. Ms. Ye has years of auditing experience. She also currently serves as the senior manager of the risk management and legal departments of the Company. Ms. Ye previously 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 has previously served as a senior manager of the standards management department, senior manager of the Board secretary department, and senior auditor of the audit department.

Ms. GONG Tao Tao, born in 1973, has served as a vice president of the Company since September 2018, and has concurrently served as the secretary to the board and a joint company secretary since August 2019. Ms. Gong has many years of experience in finance, accounting and risk management. Ms. Gong is mainly responsible for the 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 the capital operation of the Company. Ms. Gong joined the Company in 1999, and previously served as the financial controller of the Company from November 2002 to August 2018. Ms. Gong also serves as a chairperson and director of some subsidiaries of the Company.

Mr. SUN Ce, born in 1965, has served as a vice president of the Company since September 2015. Mr. Sun has extensive experience in engineering construction and project management. Mr. Sun is mainly responsible for the overall management of technical works and construction business. Mr. Sun joined the Company in 1997. Since July 2011, Mr. Sun has served as the general manager of the engineering department of the Company. Mr. Sun is also concurrently serving as a director of some subsidiaries of the Company.

Ms. HUANG Bi Nan, born in 1971, has served as a vice president of the Company since September 2015. Ms. Huang has many years of experience in management systems and development of corporate culture. Ms. Huang is mainly responsible for the overall management of the road operation business of the Company, business innovation, collaborative business, property right management and operation plan management of the enterprises invested by the Company and performance appraisal. Ms. Huang joined the Company in 1997. Since June 2008, Ms. Huang has been the office general manager of the Company. Ms. Huang is also serving as a chairperson, vice chairperson and director of some subsidiaries and joint companies of the Company.

Mr. WEN Po Wei, born in 1973, has served as a vice president of the Company since September 2015. Mr. Wen has many years of experience in highway operation management and project investment control. Mr. Wen is mainly responsible for the coordination and management of the Company's strategic affairs, investment business and property rights changes. Mr. Wen previously served as the general manager of the strategy and investment development department of Shenzhen International as well as the deputy general manager of a number of its subsidiaries from April 2008 to August 2015. Mr. Wen joined the Company in 2015. Mr. Wen is also concurrently serving as a chairman of some subsidiaries of the Company and as a director of some enterprises invested by the Company.

Ms. ZHAO Gui Ping, born in 1973, has served as the chief financial officer of the Company since September 2018. Ms. Zhao has extensive experience in finance, auditing and corporate management. Ms. Zhao is mainly responsible for the 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. Ms. Zhao joined the Company in 2000 and has previously served successively as, among others, assistant manager of finance department, deputy general manager of the finance department and financial controller of Shenzhen Expressway Investment Company Limited. Ms. Zhao was the general manager of the finance department of the Company from December 2016 to March 2020. Ms. Zhao is also concurrently serving as a director of some subsidiaries of the Company.

Mr. CHEN Shouyi, born in 1971, has served as the chief engineer of the Company since September 2018. Mr. Chen has extensive experience in construction management and project management. Mr. Chen is mainly responsible for the overall management of the Company's technology, safety production and information construction. Mr. Chen previously served as the general manager of Longda Company. Mr. Chen joined the Company in 2015 and has previously served, successively, as the general manager of the engineering department and the chairman of Shenzhen Express Construction Development Co., Ltd.

DISCLOSURE OF INTERESTS OF THE DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVES OF THE COMPANY

As at 31 December 2020, the interests or short positions of the directors, supervisors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered into the register maintained by the Company under section 352 of Part XV of the SFO (including deemed interests and short positions under such provisions of the SFO) or which were required to be notified to the Company and SEHK pursuant to the Model Code contained in the Listing Rules 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 12 months ended 31 December 2020	Approximate Percentage of Ordinary Shares in 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

Interests in Share Option of Shenzhen International:

Name	Options	Share Option Unexercised as at 31 December 2020(1)(2)	Change during the 12 months ended 31 December 2020				Nature of Interests	Capacity
			Adjustment	Granted	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	Beneficial owner
	Share option scheme 2	282,308	22,308	260,000	—	—	interests	
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	—	—	—	—	—		

(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 directors, supervisors or chief executives of the Company had interests or short positions in the shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) which were required to be entered into the register maintained by the Company under section 352 of Part XV of the SFO (including deemed interests and short positions under such provisions of the SFO) or which were required to be notified to the Company and SEHK pursuant to the Model Code contained in the Listing Rules.

DISCLOSURE OF INTERESTS OF SHAREHOLDERS OF THE COMPANY

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 the SFO, or in accordance with the notice received by the Group and the SEHK, were as follows:

A Shares

Name of Shareholder	Capacity	Number of A Shares of the Company Held	Percentage of Total Issued A Share Capital of the Company
Shenzhen International(2)	Interest of corporation(3) controlled	1,066,239,887(L)	74.39%(L)
SIHCL.	Interest of corporation(4) controlled	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 of the Company
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(3) controlled	52,612,000 (L)	7.03% (L)
SIHCL.	Interest of corporation(4) controlled	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% (L)

Note: (L) — long positions, (S) — short positions, (P) — lending pool; please refer to the SFO for relevant definitions.

(1) All the A shares of the Company are listed on the SSE and all the H shares of the Company are listed on the main board of SEHK.

(2) Shenzhen International is a company incorporated in Bermuda with limited liability, the shares of which are listed on the main

(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 43.73% interests in Shenzhen International. Pursuant to the SFO, the 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 XV of the SFO 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.

TERMS AND CONDITIONS OF THE BONDS

The following other than the words in italics and subject to modification is the text of the terms and conditions of the Bonds which will appear on the reverse of each of the definitive certificates evidencing the Bonds.

The issue of US$300,000,000 1.750 per cent. Bonds due 2026 (the "**Bonds**", which term shall include, unless the context requires otherwise, any additional bonds issued in accordance with Condition 14 and consolidated and forming a single series therewith) was authorised by a resolution of the board of Directors of Shenzhen Expressway Company Limited (深圳高速公路股份有限公司) (the "**Issuer**") passed on 18 March 2020, the resolutions of the 2019 general meeting of the Issuer on 23 June 2020 and the resolutions of the board of directors of the Issuer passed on 26 February 2021. The Bonds are constituted by a trust deed (as amended and/or supplemented from time to time, the "**Trust Deed**") dated on or about 8 July 2021 (the "**Issue Date**") between the Issuer and Citicorp International Limited (the "**Trustee**", which expression shall, where the context so permits, include all persons for the time being acting as the trustee or trustees under the Trust Deed) as trustee for the holders (as defined below) of the Bonds. These terms and conditions ("**these Conditions**") include summaries of, and are subject to, the detailed provisions of the Trust Deed, which includes the form of the Bonds.

Copies of the Trust Deed and of the agency agreement (as amended and/or supplemented from time to time, the "**Agency Agreement**") dated on or about the Issue Date relating to the Bonds between the Issuer, the Trustee, Citibank, N.A., London Branch, as registrar (the "**Registrar**", which expression includes any successor registrar appointed from time to time in connection with the Bonds), Citibank, N.A., London Branch, as initial principal paying agent (the "**Principal Paying Agent**", which expression includes any successor principal paying agent appointed from time to time in connection with the Bonds) and as transfer agent (the "**Transfer Agent**", which expression includes any successor or additional transfer agents appointed from time to time in connection with the Bonds), any other paying agents named in it (together with the Principal Paying Agent, the "**Paying Agents**") and any other agents named in it, are available for inspection at all reasonable times during usual business hours (being between 9:00 a.m. and 3:00 p.m. from Monday to Friday other than a public holiday) at the principal office of the Trustee (as at the Issue Date at 20/F, Citi Tower, One Bay East, 83 Hoi Bun Road, Kwun Tong, Kowloon, Hong Kong) and at the specified office of the Principal Paying Agent or, at the option of the Trustee or the Principal Paying Agent, as applicable, will be sent by electronic mail to any Bondholder, following receipt by the Trustee or the Principal Paying Agent (as applicable) of written request therefor and proof of holding and identity satisfactory to the Trustee, or as the case may be, the Principal Paying Agent. The "**Agents**" means the Paying Agents, the Registrar, the Transfer Agent and any other agent or agents appointed from time to time with respect to the Bonds. The Bondholders are entitled to the benefit of, are bound by, and are deemed to have notice of, all the provisions of the Trust Deed and are deemed to have notice of those provisions applicable to them in the Agency Agreement.

All capitalised terms that are not defined in these Conditions will have the meanings given to them in the Trust Deed.

1 FORM, SPECIFIED DENOMINATION AND TITLE

The Bonds are issued in registered form and in the specified denomination of US$200,000 and integral multiples of US$1,000 in excess thereof.

The Bonds are represented by registered certificates ("**Certificates**") and, save as provided in Condition 2(a), each Certificate shall represent the entire holding of Bonds by the same holder.

Title to the Bonds shall pass by registration in the register that the Issuer shall procure to be kept by the Registrar in accordance with the provisions of the Agency Agreement (the "**Register**"). Except as ordered by a court of competent jurisdiction or as required by law, the holder of any Bond shall be deemed to be and may be treated as its absolute owner for all purposes whether or not it is overdue and regardless of any notice of ownership, trust or an interest in it, any writing on the Certificate (other than the endorsed form of transfer) representing it or the theft or loss of such Certificate and no person shall be liable for so treating the holder.

In these Conditions, "**Bondholder**" and (in relation to a Bond) "**holder**" mean the person in whose name a Bond is registered in the Register (or in the case of a joint holding, the first named thereof).

*Upon issue, the Bonds will be represented by a global certificate (the "**Global Certificate**") registered in the name of a nominee of, and deposited with, the common depositary for, Euroclear Bank SA/NV ("**Euroclear**") and Clearstream Banking S.A. ("**Clearstream**"). These Conditions are modified by certain provisions contained in the Global Certificate. See "**Summary of Provisions relating to the Bonds in Global Form**".*

Except in the limited circumstances described in the Global Certificate, owners of interests in Bonds represented by the Global Certificate will not be entitled to receive definitive Certificates in respect of their individual holdings of Bonds. The Bonds are not issuable in bearer form.

2 TRANSFERS OF BONDS

(a) **Transfer:** A holding of Bonds may, subject to the Agency Agreement and Condition 2(d), be transferred in whole or in part upon the surrender (at the specified office of the Registrar or any Transfer Agent) of the Certificate(s) representing such Bonds to be transferred, together with the form of transfer endorsed on such Certificate(s) (or another form of transfer substantially in the same form and containing the same representations and certifications (if any), unless otherwise agreed by the Issuer), duly completed and executed and any other evidence as the Registrar or such Transfer Agent may require. In the case of a transfer of part only of a holding of Bonds represented by one Certificate, a new Certificate shall be issued to the transferee in respect of the part transferred and a further new Certificate in respect of the balance of the holding not transferred shall be issued to the transferor. In the case of a transfer of Bonds to a person who is already a holder of Bonds, a new Certificate representing the enlarged holding shall only be issued against surrender of the Certificate representing the existing holding. All transfers of Bonds and entries on the Register will be made in accordance with the detailed regulations concerning transfers and registrations of Bonds scheduled to the Agency Agreement. The regulations may be changed by the Issuer, with the prior written approval of the Registrar and the Trustee, or by the Registrar, with the prior written approval of the Trustee. A copy of the current regulations will be made available for inspection by any Bondholder at all reasonable times during normal business hours (being between 9:00 a.m. and 3:00 p.m. from Monday to Friday other than a public holiday) at the specified office of the Registrar upon written request and proof of holding and identity satisfactory to the Registrar.

Transfers of interests in the Bonds evidenced by the Global Certificate will be effected in accordance with the rules of the relevant clearing systems.

(b) **Delivery of New Certificates:** Each new Certificate to be issued pursuant to Condition 2(a) shall be available for delivery within seven business days of receipt of a duly completed form of transfer and surrender of the existing Certificate(s). Delivery of the new Certificate(s) shall be made at the specified office of any Transfer Agent or of the Registrar (as the case may be) to whom delivery or surrender of such form of transfer and Certificate shall have been made or, at the option of the holder making such delivery or surrender as aforesaid and as specified in the relevant form of transfer or otherwise in writing, be mailed by uninsured post at the risk of the holder entitled to the new Certificate to such address as may be so specified, unless such holder requests otherwise and pays in advance to the relevant Transfer Agent or the Registrar (as the case may be) the costs of such other method of delivery and/or such insurance as it may specify. In this Condition 2(b), "**business day**" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in the place of the specified office of the relevant Transfer Agent or the Registrar (as the case may be).

(c) **Transfer Free of Charge:** Certificates, on transfer, shall be issued and registered without charge by or on behalf of the Issuer, the Registrar or any Transfer Agent, but upon (i) payment by the relevant Bondholder of any tax or other governmental charges that may be imposed in relation to it (or the giving of such indemnity and/or security and/or prefunding as the Issuer, the Registrar or the relevant Transfer Agent may require); (ii) the Registrar or the relevant Transfer Agent being satisfied in its absolute discretion with the documents of title or identity of the person making the application; and (iii) the relevant Agent being satisfied that the regulations concerning transfer of the Bonds have been complied with.

(d) **Closed Periods:** No Bondholder may require the transfer of a Bond to be registered (i) during the period of 15 days ending on (and including) the due date for redemption of that Bond, (ii) after any such Bond has been put or called for redemption, or (iii) during the period of seven days ending on (and including) any Record Date (as defined in Condition 7(a)(ii)).

3 STATUS

The Bonds constitute direct, unsubordinated, unconditional and (subject to Condition 4(a)) unsecured obligations of the Issuer and shall at all times rank *pari passu* and without any preference among themselves. The payment obligations of the Issuer under the Bonds shall, save for such exceptions as may be provided by applicable legislation and subject to Condition 4(a), at all times rank at least equally with all the Issuer's other present and future unsecured and unsubordinated obligations.

4 COVENANTS

(a) **Negative Pledge:** So long as any Bond remains outstanding (as defined in the Trust Deed), the Issuer will not create or permit to subsist, and the Issuer will procure that none of its Subsidiaries (as defined below in Condition 4(e)), will create or permit to subsist, any mortgage, charge, pledge, lien or other form of encumbrance or security interest ("**Security**") upon the whole or any part of its undertaking, assets or revenues, present or future, to secure any Relevant Indebtedness (as defined below in Condition 4(e)) or to secure any guarantee of, or indemnity in respect of, any Relevant Indebtedness, without at the same time or prior thereto according to the Bonds (i) the same Security as is created or subsisting to secure any such Relevant Indebtedness, guarantee or indemnity or (ii) such other Security as shall be approved by an Extraordinary Resolution (as defined in the Trust Deed) of the Bondholders.

(b) **SAFE Registration:** The Issuer undertakes to register or cause to be registered with SAFE the Bonds within the prescribed timeframe in accordance with the applicable PRC laws on the administration of foreign debt, including without limitation, the Interim Provisions on the Management of Foreign Debts (外債管理暫行辦法) effective from 1 March 2003, the Administrative Measures for Foreign Debt Registration (外債登記管理辦法) effective from 13 May 2013 and the Notice on Issues Relating to the Macro-prudential Management of

Overall Cross-border Financing (中國人民銀行關於全口徑跨境融資宏觀審慎管理有關事宜的通知) (the "**SAFE Registration**"); and (ii) use its best endeavours to complete the SAFE Registration and obtain a certificate of registration from SAFE on or before the Registration Deadline and comply with all applicable PRC laws and regulations in respect of the remittance of funds or the SAFE Registration. The Issuer shall within five PRC Business Days after the completion of the SAFE Registration (i) provide the Trustee with a certificate in English substantially in the form set out in Schedule 5 to the Trust Deed signed by a Director of the Issuer who is also an Authorised Signatory of the Issuer and having attached to it a copy of the relevant SAFE registration certificate relating to the SAFE Registration (and/or any document(s) issued by SAFE evidencing the completion of the registration) (collectively, the "**Registration Documents**") and (ii) give notice to the Bondholders in accordance with Condition 15 of the same.

(c) **NDRC Post-issue Filing:** The Issuer undertakes to file or cause to be filed with the NDRC the requisite information and documents within 10 PRC Business Days after the Issue Date in accordance with the Circular on Promoting the Reform of the Administrative System on the Issuance by Enterprises of Foreign Debt Filings and Registrations (NDRC Waizi [2015] No. 2044) (國家發展改革委關於推進企業發行外債備案登記制管理改革的通知 (發改外資 [2015] 2044號)) issued by the NDRC and which came into effect on 14 September 2015 and any implementation rules as issued by the NDRC from time to time (the "**NDRC Post-issue Filing**") and shall comply with all applicable PRC laws and regulations in connection with the NDRC Post-issue Filing. The Issuer shall, within five PRC Business Days after the submission of the NDRC Post-issue Filing, (i) provide the Trustee with a certificate in English substantially in the form set out in Schedule 6 to the Trust Deed signed by a Director of the Issuer who is also an Authorised Signatory of the Issuer confirming the submission of the NDRC Post-issue Filing, together with any document(s) evidencing due filing with the NDRC (if any) and (ii) give notice to the Bondholders in accordance with Condition 15 of the same.

The Trustee may rely conclusively on the Registration Documents and shall have no obligation or duty to monitor or ensure the completion of the NDRC Post-issue Filing within the prescribed time period or the SAFE Registration on or before the Registration Deadline or to verify the accuracy, validity and/or genuineness of any documents in relation to or in connection with the NDRC Post-issue Filing and the SAFE Registration and/or the Registration Documents or to procure that any Registration Document or any other certificate, confirmation, information or other document not in English is translated into English or to verify the accuracy of any English translation of any certificate, confirmation or other document (if any), and shall not be liable to the Issuer, the Bondholders or any other person for not doing so.

(d) **Financial Information Covenant:** For so long as any Bond remains outstanding, the Issuer will furnish the Trustee with:

(A) within 120 days of the end of each Annual Relevant Period, (I) a Compliance Certificate of the Issuer (on which the Trustee may conclusively rely as to such compliance and shall not be liable to any Bondholder or any other person for such reliance) and (II) a copy of the Audited Financial Reports (audited by a nationally or internationally recognised firm of independent accountants) and if such statements shall be in the Chinese language, together with an English translation of the same (x) translated by a nationally or internationally recognised firm of accountants or (y) checked by a nationally or internationally recognised firm of accountants, together with a certificate signed by a Director of the Issuer who is also an Authorised Signatory of the Issuer certifying that such translation is complete and accurate; and

(B) a copy of the Unaudited Consolidated Accounts within 60 days of the end of each Semi-Annual Relevant Period and if such statements shall be in the Chinese language, together with an English translation of the same and (x) translated by a nationally or internationally recognised firm of accountants or (y) checked by a nationally or internationally recognised firm of accountants, together with a certificate signed by a Director of the Issuer who is also an Authorised Signatory of the Issuer certifying that such translation is complete and accurate.

(e) In these Conditions:

"**Annual Relevant Period**" means each period of twelve months ending on the last day of the Issuer's financial year (being 31 December of that financial year);

"**Audited Financial Reports**" means annual audited consolidated income statement, balance sheet and cashflow statement of the Issuer together with any statements, reports (including any Directors' and auditors' reports) and notes attached to or intended to be read with any of them, prepared in accordance with the Generally Accepted Accounting Principles in the PRC consistently applied;

"**Compliance Certificate**" means a certificate of the Issuer signed by any of its Directors, chief executive officer or chief financial officer who is also an Authorised Signatory of the Issuer that, having made all reasonable enquiries, to the best of the knowledge, information and belief of the Issuer as at a date (the "**Certification Date**") not more than five days before the date of the certificate:

(a) no Event of Default (as defined in Condition 9) or Potential Event of Default has occurred since the Certification Date of the last such certificate or (if none) the date of the Trust Deed or, if such an event had occurred, giving details of it; and

(b) the Issuer has complied with all of its covenants and obligations under the Trust Deed and the Bonds;

"**Hong Kong**" means the Hong Kong Special Administrative Region of the People's Republic of China;

"**NDRC**" means the National Development and Reform Commission of the PRC or its local counterpart;

"**person**" means any individual, corporation, partnership, joint venture, association, joint stock company, trust, unincorporated organisation, limited liability company or government or other entity;

"**Potential Event of Default**" means an event or circumstance which could with the giving of notice, lapse of time, issue of a certificate and/or fulfilment of any other requirement provided for in Condition 9 become an Event of Default;

"**PRC**" means the People's Republic of China which, for the purposes of these Conditions, shall not include Hong Kong, Macau and Taiwan;

"**PRC Business Day**" means a working day, other than a Saturday or Sunday or other public holiday in the PRC, on which commercial banks are generally open for business in Beijing;

"**Registration Deadline**" means the day falling 90 PRC Business Days after the Issue Date;

"**Relevant Indebtedness**" means any present or future indebtedness in the form of, or represented by, bonds, debentures, notes or other investment securities issued outside the PRC which are for the time being, or are intended to be or capable of being, quoted, listed, ordinarily dealt in or traded on any stock exchange or over-the-counter or other securities market;

"**SAFE**" means the State Administration of Foreign Exchange or its local branch;

"**Semi-Annual Relevant Period**" means each period of six months ending on the last day of the first six months of a financial year (being 30 June of that financial year);

a "**Subsidiary**" of any person means (a) any company or other business entity of which that person owns or controls (either directly or through one or more other Subsidiaries) more than 50 per cent. of the issued share capital or other ownership interest having ordinary voting power to elect directors, managers or trustees of such company or other business entity, or (b) any company or other business entity which at any time has its accounts consolidated with those of that person or which, under the laws, regulations or generally accepted accounting principles of the jurisdiction of incorporation of such person from time to time, should have its accounts consolidated with those of that person; and

"**Unaudited Consolidated Accounts**" means unaudited consolidated income statement, balance sheet and cashflow statement of the Issuer together with any statements, reports (including any Directors' and auditors' review reports, if any) and notes (if any) attached to or intended to be read with any of them prepared in accordance with the Generally Accepted Accounting Principles in the PRC consistently applied.

5 INTEREST

The Bonds bear interest on their outstanding principal amount from and including the Issue Date at the rate of 1.750 per cent. per annum, payable semi-annually in arrear in equal instalments of US$8.75 per Calculation Amount (as defined below) on 8 January and 8 July in each year (each an "**Interest Payment Date**").

Each Bond will cease to bear interest from the due date for redemption unless, upon surrender of the Certificate representing such Bond, payment of principal or premium (if any) is improperly withheld or refused. In such event it shall continue to bear interest at such rate (both before and after judgment) until whichever is the earlier of (a) the day on which all sums due in respect of such Bond up to that day are received by or on behalf of the relevant Bondholder, and (b) the day falling seven calendar days after the Trustee or the Principal Paying Agent has notified Bondholders of receipt of all sums due in respect of all the Bonds up to that seventh day (except to the extent that there is failure in the subsequent payment to the relevant Bondholders under these Conditions).

If interest is required to be calculated for a period of less than a complete Interest Period (as defined below), the relevant day-count fraction will be determined on the basis of a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the number of days elapsed.

In these Conditions, the period beginning on and including the Issue Date and ending on but excluding the first Interest Payment Date and each successive period beginning on and including an Interest Payment Date and ending on but excluding the next succeeding Interest Payment Date is called an "**Interest Period**".

Interest in respect of any Bond shall be calculated per US$1,000 in principal amount of the Bonds (the "**Calculation Amount**"). The amount of interest payable per Calculation Amount for any period shall, save as provided above in relation to equal instalments, be equal to the product of 1.750 per cent., the Calculation Amount and the day-count fraction (determined in the same manner as stated above in this Condition 5) for the relevant period, rounding the resulting figure to the nearest cent (half a cent being rounded upwards).

6 REDEMPTION AND PURCHASE

(a) **Final Redemption:** Unless previously redeemed or purchased and cancelled, the Bonds will be redeemed at their principal amount on 8 July 2026 (the "**Maturity Date**"). The Bonds may not be redeemed at the option of the Issuer other than in accordance with this Condition 6.

(b) **Redemption for Tax Reasons:** The Bonds may be redeemed at the option of the Issuer in whole, but not in part, at any time, on giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 15 (which notice shall be irrevocable) and in writing to the Trustee and the Principal Paying Agent, at their principal amount (together with interest accrued up to but excluding the date fixed for redemption), if the Issuer satisfies the Trustee immediately prior to the giving of such notice that (i) it has or will become obliged to pay Additional Tax Amounts as provided or referred to in Condition 8 as a result of any change in, or amendment to, the laws or regulations of the PRC or any political subdivision or any authority thereof or therein having power to tax, or any change in the application or official interpretation of such laws or regulations, which change or amendment becomes effective on or after 24 June 2021, and (ii) such obligation cannot be avoided by the Issuer taking reasonable measures available to it, provided that no such notice of redemption shall be given earlier than 90 days prior to the earliest date on which the Issuer would be obliged to pay such Additional Tax Amounts were a payment in respect of the Bonds then due. Prior to the giving of any notice of redemption pursuant to this Condition 6(b), the Issuer shall deliver to the Trustee (A) a certificate signed by a Director of the Issuer who is also an Authorised Signatory of the Issuer stating that the Issuer is entitled to effect such redemption and setting forth a statement of facts showing that the conditions precedent to the right of the Issuer so to redeem have occurred and (B) an opinion of independent legal advisers or tax advisers of recognised standing to the effect that the Issuer has or will become obliged to pay such Additional Tax Amounts as a result of such change or amendment, and the Trustee shall be entitled to accept and rely on such certificate and opinion as sufficient evidence of the satisfaction of the conditions precedent set out in (i) and (ii) above of this Condition 6(b) without further enquiry and without liability to any Bondholder, in which event the same shall be conclusive and binding on the Bondholders.

(c) **Redemption for Relevant Event:** Following the occurrence of a Relevant Event, the holder of any Bond will have the right, at such holder's option, to require the Issuer to redeem all but not some only of that holder's Bonds on the Put Settlement Date at 101 per cent. (in the case of a redemption for a Change of Control) or 100 per cent. (in the case of a redemption for a No Registration Event) of their principal amount, together with accrued interest up to but excluding such Put Settlement Date. To exercise such right, the holder of the relevant Bonds must deposit at the specified office of the Principal Paying Agent or any other Paying Agent a duly completed and signed notice of redemption, in the form for the time being current, obtainable from the specified office of any Paying Agent (a "**Put Exercise Notice**"), together with the Certificate evidencing the Bonds to be redeemed, by not later than 30 days following the occurrence of a Relevant Event or, if later, 30 days following the date upon which notice thereof is given to the Bondholders by the Issuer in accordance with Condition 15. The "Put Settlement Date" shall be the 10th Payment Business Day (in the case of a redemption for a Change of Control) or the fifth Payment Business Day (in the case of a redemption for a No Registration Event) after the expiry of such period of 30 days as referred to above.

A Put Exercise Notice, once delivered, shall be irrevocable and the Issuer shall redeem the Bonds subject to the Put Exercise Notices delivered as aforesaid on the Put Settlement Date.

The Issuer shall give written notice to Bondholders in accordance with Condition 15 and to the Trustee and the Principal Paying Agent by not later than 10 business days (in the case of a Change of Control) or five business days (in the case of a No Registration Event) following the first day on which it becomes aware of the occurrence of a Relevant Event, which notice shall specify the procedure for exercise by holders of their rights to require redemption of the Bonds pursuant to this Condition 6(c). In this Condition 6(c), "**business day**" means a day, other than a Saturday, Sunday or public holiday, on which commercial banks are generally open for business in the PRC.

The Trustee and the Agents shall not be required to take any steps to monitor or ascertain whether a Relevant Event or any event which could lead to the occurrence of a Relevant Event has occurred and shall not be responsible for or liable to the Bondholders, the Issuer or any other person for any loss arising from any failure to do so.

In this Condition 6(c):

a "**Change of Control**" occurs when:

(i) SASAC ceases to Control the Issuer; or

(ii) the Issuer consolidates with or merges into or sells or transfers all or substantially all of its assets to any other person or persons, acting together, except where such person or persons is/are Controlled, directly or indirectly, by SASAC,

a "**No Registration Event**" occurs when the Registration Condition has not been satisfied in full on or before the Registration Deadline;

"**Registration Condition**" means the receipt by the Trustee of all the Registration Documents;

a "**Relevant Event**" means a Change of Control or a No Registration Event;

SASAC is deemed to have "**Control**" if: (A) it remains the, direct or indirect, single largest holder of the voting rights of the issued share capital of the Issuer; or (B) it nominates, directly or indirectly, a majority of the members of the Issuer's board of Directors or other equivalent or successor governing body; or (C) it possesses, directly or indirectly, the ability or power to direct the management policies of the Issuer; and

"**SASAC**" means the Shenzhen Municipal State-owned Assets Supervision and Administration Commission or its successors.

References to "principal" in these Conditions shall, unless the context otherwise requires, include the premium referred to in this Condition 6(c).

(d) **Redemption at the option of the Issuer:** On giving not less than 30 nor more than 60 days' notice to the Bondholders in accordance with Condition 15 (which notice shall be irrevocable and shall specify the date fixed for redemption (the "**Optional Redemption Date**")) and in writing to the Trustee and the Principal Paying Agent, the Issuer may redeem the Bonds, in whole but not in part:

(A) at the Make Whole Amount, at any time before 8 June 2026 (being the date that falls one month prior to the Maturity Date); or

(B) at their principal amount, at any time on or after 8 June 2026 (being the date that falls one month prior to the Maturity Date),

in each case, together with accrued and unpaid interest up to but excluding the Optional Redemption Date.

In this Condition 6(d):

"**Independent Investment Bank**" means an independent investment bank of international repute (acting as an expert) selected by the Issuer for the purposes of performing any of the functions expressed to be performed by it under these Conditions;

"**Make Whole Amount**" means the greater of (x) 100 per cent. of the principal amount of the Bonds so redeemed and, (y) the present value of the principal amount of the Bonds so redeemed, assuming a scheduled repayment thereof on the Maturity Date, plus all required remaining scheduled interest payments due on such Bonds from the Optional Redemption Date to the Maturity Date (but excluding accrued and unpaid interest to the Optional Redemption Date), discounted to the Optional Redemption Date on a semi-annual basis (assuming a 360-day year consisting of 12 months of 30 days each and, in the case of an incomplete month, the actual number of days elapsed) at the Treasury Yield plus 0.50 per cent. The Make Whole Amount will be calculated by the Independent Investment Bank on the third New York Business Day before the Optional Redemption Date;

"**New York Business Day**" means a day on which commercial banks are open for business in New York City;

"**Redemption Rate**" is the average of the four quotations given by the Reference Dealers of the mid-market annual yield to maturity of the Reference Security on the third New York Business Day before the Optional Redemption Date at 5:00 p.m. (New York City time);

"**Reference Dealer**" means each of the four investment banks of recognised standing which are primary U.S. Government securities dealers in New York City, selected by the Issuer in good faith and notified in writing to the Trustee by the Issuer, and its successors, or market makers in pricing corporate bond issues;

"**Reference Security**" means an interest-bearing U.S. Treasury security selected by the Independent Investment Bank as having an actual or interpolated maturity comparable with the Remaining Maturity (as defined below), or if the Independent Investment Bank in its discretion considers that such similar security is not in issue, such other interest-bearing U.S. Treasury security as the Independent Investment Bank may determine to be appropriate for determining the Reference Rate; and

"**Treasury Yield**" means:

(i) the rate per annum equal to the yield that represents the average of the daily yields for the week immediately preceding the third New York Business Day prior to the Optional Redemption Date, derived from the most recently published statistical release designated "H.15" or any successor publication which is published by the Board of Governors of the Federal Reserve System, available on the world-wide-website of the Board of Governors Federal Reserve System at http://www.federalreserve.gov/releases/h15/, or any successor site, or, failing which, on Bloomberg pages PX1, PX2 and PX3 and which established a yield for actively traded United States Treasury securities adjusted to constant maturity under the caption "Treasury Constant Maturities", with a maturity comparable to the time period between the Optional Redemption Date and the Maturity Date (the "**Remaining Maturity**"), or, if no maturity falls within three months before or after such time period, yields for the two published maturities most closely corresponding to such time period shall be determined and the Treasury Yield shall be interpolated or extrapolated from such yields on a straight-line basis, rounding to the nearest month; or as such aforesaid yield is displayed on the Reuters screen FRBCMT page (or such other page which may replace that page on that service or a successor service), or

(ii) in the event that such yield referred to in paragraph (i) above does not appear in such statistical release or any successor publication, site, page servicer or any successor thereto during the week preceding the third New York Business Day before the Optional Redemption Date, the Redemption Rate.

(e) **Notice of Redemption:** All Bonds in respect of which any notice of redemption is given under this Condition 6 shall be redeemed on the date specified in such notice in accordance with this Condition 6. If there is more than one notice of redemption given in respect of any Bond (which shall include any notice given by the Issuer pursuant to Condition 6(b) or Condition 6(d) and any Put Exercise Notice given by a Bondholder pursuant to Condition 6(c)), the notice given first in time shall prevail and in the event of two notices being given on the same date, the first to be given shall prevail.

(f) **Purchase:** The Issuer and its Subsidiaries may at any time purchase Bonds in the open market or otherwise at any price. The Bonds so purchased, while held by or on behalf of the Issuer or any such Subsidiary, shall not entitle the holder to vote at any meetings of the Bondholders and shall not be deemed to be outstanding for the purposes, among other things, of calculating quorums at meetings of the Bondholders or for the purposes of Conditions 9, 12(a) or 13.

(g) **Cancellation:** All Certificates representing Bonds purchased by or on behalf of the Issuer or its Subsidiaries shall be surrendered for cancellation to the Registrar and, upon surrender thereof, all such Bonds shall be cancelled forthwith. Any Certificates so surrendered for cancellation may not be reissued or resold and the obligations of the Issuer in respect of any such Bonds shall be discharged.

7 PAYMENTS

(a) **Method of Payment:**

(i) Payments of principal and premium (if any) shall be made (subject to surrender of the relevant Certificates at the specified office of any Transfer Agent or of the Registrar if no further payment falls to be made in respect of the Bonds represented by such Certificates) in the manner provided in Condition 7(a)(ii) below.

(ii) Interest on each Bond shall be paid on the due date to the person shown on the Register at the close of business on the fifth Payment Business Day before the due date for payment thereof (the "**Record Date**"). Payments of interest on each Bond shall be made in US dollars by transfer to the registered account of the Bondholder.

(iii) For the purposes of this Condition 7(a), a Bondholder's "**registered account**" means the US dollar account maintained by or on behalf of it with a bank that processes payments in US dollars, details of which appear on the Register at the close of business on the Record Date.

(iv) If the amount of principal being paid upon surrender of the relevant Certificate is less than the outstanding principal amount of such Certificate, the Registrar will annotate the Register with the amount of principal so paid and will (if so requested in writing by the Issuer or a Bondholder) issue a new Certificate with a principal amount equal to the remaining unpaid outstanding principal amount. If the amount of premium (if any) or interest being paid is less than the amount then due, the Registrar will annotate the Register with the amount of premium (if any) or interest so paid.

*Notwithstanding the foregoing, so long as the Global Certificate is held on behalf of Euroclear, Clearstream or any other clearing system, each payment in respect of the Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business of the relevant clearing system on the record date which shall be the Clearing System Business Day immediately prior to the due date for such payment, where "**Clearing System Business Day**" means a weekday (Monday to Friday, inclusive) except 25 December and 1 January.*

(b) **Payments subject to Fiscal Laws:** All payments are subject in all cases to (i) any fiscal or other laws, regulations and directives applicable thereto in the place of payment, but without prejudice to the provisions of Condition 8 and (ii) any withholding or deduction required pursuant to an agreement described in Section 1471(b) of the U.S. Internal Revenue Code of 1986 (as amended, the "**Code**") or otherwise imposed pursuant to Sections 1471 through 1474 of the Code, any regulations or agreements thereunder, any official interpretations thereof, or (without prejudice to the provisions of Condition 8) any law implementing an intergovernmental approach thereto. No commission or expenses shall be charged to the Bondholders in respect of such payments.

(c) **Payment Initiation:** Payment instructions (for value on the due date or, if that is not a Payment Business Day, for value the first following day which is a Payment Business Day) will be initiated on the due date for payment (or, if that date is not a Payment Business Day, on the first following day which is a Payment Business Day), or, in the case of payments of principal and premium (if any) where the relevant Certificate has not been surrendered at the specified office of any Transfer Agent or of the Registrar, on a Payment Business Day on which the Principal Paying Agent is open for business and on which the relevant Certificate is surrendered.

(d) **Appointment of Agents:** The Principal Paying Agent, the Registrar and the Transfer Agent initially appointed by the Issuer and their respective specified offices are listed below. The Principal Paying Agent, the Registrar and the Transfer Agent act solely as agents of the Issuer and do not assume any obligation or relationship of agency or trust for or with any Bondholder. The Issuer reserves the right at any time with the prior written approval of the Trustee to vary or terminate the appointment of the Principal Paying Agent, the Registrar, any Transfer Agent or any of the other Agents and to appoint additional or other Agents, provided that the Issuer shall at all times maintain (i) a Principal Paying Agent, (ii) a Registrar, (iii) a Transfer Agent and (iv) such other agents as may be required by any other stock exchange on which the Bonds may be listed, in each case, as approved by the Trustee.

Notice of any such termination or appointment or any change of any specified office of an Agent shall promptly be given by the Issuer to the Bondholders.

(e) **Delay in Payment:** The Bondholders will not be entitled to any interest or other payment for any delay after the due date in receiving the amount due on a Bond if the due date is not a Payment Business Day or if the Bondholder is late in surrendering or cannot surrender its Certificate (if required to do so).

(f) **Payment Business Days:** If any date for payment in respect of any Bond is not a Payment Business Day, the holder shall not be entitled to payment until the next following Payment Business Day nor to any interest or other sum in respect of such postponed payment. In this Condition 7, "**Payment Business Day**" means a day (other than a Saturday, Sunday or public holiday) on which commercial banks and foreign exchange markets are generally open for business and settlement of US dollar payments in New York City, Beijing and the place in which the specified office of the Principal Paying Agent is located and (if surrender of the relevant Certificate is required) the relevant place of presentation.

8 TAXATION

All payments of principal, premium (if any) and interest by or on behalf of the Issuer in respect of the Bonds shall be made free and clear of, without set-off or counterclaim and without withholding or deduction for, or on account of, any present or future taxes, duties, assessments or governmental charges of whatever nature imposed, levied, collected, withheld or assessed by or within the PRC or any political subdivision or authority therein or thereof having power to tax, unless such withholding or deduction is required by law.

Where such withholding or deduction is made by the Issuer by or within the PRC at the rate up to and including the rate applicable on 24 June 2021 (the "**Applicable Rate**"), the Issuer will increase the amounts paid by it to the extent required, so that the net amount received by Bondholders equals the amounts which would otherwise have been receivable by them had no such withholding or deduction been required.

If the Issuer is required to make a deduction or withholding by or within the PRC in excess of the Applicable Rate, the Issuer shall pay such additional amounts ("**Additional Tax Amounts**") as will result in receipt by the Bondholders of such amounts as would have been received by them had no such withholding or deduction been required, except that no Additional Tax Amounts shall be payable in respect of any Bond:

(a) **Other connection:** to a holder (or to a third party on behalf of a holder) who is liable to such taxes, duties, assessments or governmental charges in respect of such Bond by reason of his having some connection with the PRC other than the mere holding of the Bond; or

(b) **Surrender more than 30 days after the Relevant Date:** in respect of which the Certificate representing it is presented for payment more than 30 days after the Relevant Date except to the extent that the holder of it would have been entitled to such Additional Tax Amounts on surrendering the Certificate representing such Bond for payment on the last day of such period of 30 days.

"**Relevant Date**" in respect of any Bond means the date on which payment in respect of it first becomes due or (if any amount of the money payable is improperly withheld or refused) the date on which payment in full of the amount outstanding is made or (if earlier) the date falling seven days after that on which notice is duly given to the Bondholders that, upon further surrender of the Certificate representing such Bond being made in accordance with these Conditions, such payment will be made, provided that payment is in fact made upon such surrender.

Any reference in these Conditions to principal, premium (if any) or interest shall be deemed to include any additional amounts in respect of principal, premium (if any) or interest (as the case may be) which may be payable under this Condition 8 or any undertaking or covenant given in addition to or in substitution of this Condition 8 pursuant to the Trust Deed.

If the Issuer becomes subject at any time to any taxing jurisdiction other than the PRC, references in these Conditions to the PRC shall be construed as references to the PRC and/or such other jurisdiction.

For the avoidance of doubt, the obligation of the Issuer to pay additional amounts in respect of taxes, duties, assessments and other governmental charges will not apply to (a) any estate, inheritance, gift, sales, transfer, personal property or any similar tax, duty, assessment or other governmental charge or (b) any tax, duty, assessment or other governmental charge which is payable otherwise than by deduction or withholding from payments of principal of, premium (if any) or interest on, the Bonds.

Neither the Trustee nor the Agents shall be responsible for paying any tax, duty, assessments, governmental charge, withholding or other payment referred to in this Condition 8 or for determining whether such amounts are payable or the amount thereof, and shall not be responsible or liable for any failure by the Issuer, the Bondholders or any other person to pay such tax, duty, assessments, governmental charge, withholding or other payment in any jurisdiction or to provide any notice or information to the Bondholders that would permit, enable or facilitate the payment of any principal, premium (if any), interest or other amount under or in respect of the Bonds without deduction or withholding for or on account of any tax, duty, assessments, governmental charge, withholding or other payment imposed by or in any jurisdiction.

9 EVENTS OF DEFAULT

If any of the following events (each an "**Event of Default**") occurs, the Trustee at its discretion may, and if so requested in writing by holders of at least 25 per cent. of the aggregate principal amount of the Bonds then outstanding or if so directed by an Extraordinary Resolution shall, (provided in any such case that the Trustee shall first have been indemnified and/or secured and/or pre-funded to its satisfaction), give written notice to the Issuer declaring that the Bonds are, and they shall immediately become, due and payable at their principal amount together (if applicable) with accrued interest:

(a) **Non-Payment:** there is a failure to pay the principal of or any premium or interest on any of the Bonds when due and in the case of interest such failure continues for a period of five days; or

(b) **Breach of Other Obligations:** the Issuer does not perform or comply with any one or more of its obligations under the Bonds or the Trust Deed (other than those referred to in Condition 9(a) and those the breach of which would give rise to a redemption pursuant to Condition 6(c)), which default is in the opinion of the Trustee incapable of remedy or, if in the opinion of the Trustee capable of remedy, is not remedied within 30 days after notice of such default shall have been given to the Issuer by the Trustee; or

(c) **Cross-Default:** (i) any other present or future indebtedness of the Issuer or any of its Subsidiaries for or in respect of moneys borrowed or raised becomes (or becomes capable of being declared) due and payable prior to its stated maturity by reason of any actual or potential default, event of default or the like (howsoever described), or (ii) any such indebtedness is not paid when due or, as the case may be, within any applicable grace period, or (iii) the Issuer or any of its Subsidiaries fails to pay when due or, as the case may be, within any originally applicable grace period, any amount payable by it under any present or future guarantee for, or indemnity in respect of, any moneys borrowed or raised, provided that the aggregate amount of the relevant indebtedness, guarantees and indemnities in respect of which one or more of the events mentioned above in this Condition 9(c) have occurred equals or exceeds US$25,000,000 or its equivalent (as reasonably determined on the basis of the middle spot rate for the relevant currency against the US dollar as quoted by any leading bank of international repute on the day on which such indebtedness becomes due and payable or is not paid or any such amount becomes due and payable or is not paid under any such guarantee or indemnity); or

(d) **Insolvency:** the Issuer or its Principal Subsidiaries is (or is, or could be, deemed by law or a court to be) insolvent or bankrupt or unable to pay its debts, stops, suspends or threatens to stop or suspend, payment of all or a material part of (or of a particular type of) its debts, proposes or makes any agreement for the deferral, rescheduling or other readjustment of all of (or all of a particular type of) its debts (or of any part which it will or might otherwise be unable to pay when due), proposes or makes a general assignment or an arrangement or composition with or for the benefit of the relevant creditors in respect of any of such debts or a moratorium is agreed or declared in respect of or affecting all or any part of (or of a particular type of) the debts of the Issuer or its Principal Subsidiaries; or

(e) **Enforcement Proceedings:** a distress, attachment, execution or other legal process is levied, enforced or sued out on or against a material part of the property, assets or revenues of the Issuer or its Principal Subsidiaries, which is material to the Issuer and its Subsidiaries as a whole and is not discharged or stayed within 30 days; or

(f) **Winding-up:** an order is made or an effective resolution passed for the winding-up or dissolution or administration of the Issuer or its Principal Subsidiaries, or the Issuer or any of the Principal Subsidiaries ceases or threatens to cease to carry on all or substantially all of its business or operations, except for (i) the purpose of and followed by a reconstruction, amalgamation, reorganisation, merger or consolidation (A) on terms approved by an Extraordinary Resolution of the Bondholders, or (B) in the case of a Principal Subsidiary, whereby the undertaking and assets of such Principal Subsidiary are transferred to or otherwise vested in the Issuer or its Subsidiaries; or

(g) **Encumbrances:** an encumbrancer takes possession or an administrative or other receiver or an administrator is appointed of the whole or any material part of the property, assets or revenues of the Issuer or its Principal Subsidiaries (as the case may be) and is not discharged within 30 days; or

(h) **Illegality:** it is or will become unlawful for the Issuer to perform or comply with any one or more of its obligations under any of the Bonds or the Trust Deed; or

(i) **Authorisation and Consents:** any action, condition or thing (including the obtaining or effecting of any necessary consent, approval, authorisation, exemption, filing, licence, order, recording or registration) at any time required to be taken, fulfilled or done in order (i) to enable the Issuer lawfully to enter into, exercise its rights and perform and comply with its obligations under the Bonds and the Trust Deed, (ii) to ensure that those obligations are legally binding and enforceable and (iii) to make the Bonds and the Trust Deed admissible in evidence in the courts of Hong Kong is not taken, fulfilled or done timely when due so as to enable, ensure or make such actions or events; or

(j) **Nationalisation:** any step is taken by any person acting under the authority of any national, regional or local government with a view to the seizure, compulsory acquisition, expropriation or nationalisation of all or a material part of the assets of the Issuer or its Principal Subsidiaries, which is material to the Issuer and its Subsidiaries as a whole; or

(k) **Analogous Events:** any event occurs which under the laws of any relevant jurisdiction has an analogous effect to any of the events referred to in any of Conditions 9(d) to 9(j) (both inclusive).

"**Principal Subsidiary**" means, at any time when the Bonds are outstanding, any Subsidiary of the Issuer:

(a) whose total revenue or (in the case of a Subsidiary which itself has subsidiaries) consolidated total revenue as shown by its latest audited income statements exceeds 5 per cent. of the consolidated total revenue as shown by the then latest published audited consolidated income statements of the Issuer;

(b) whose profit after taxation and non-controlling interest ("**after-tax profit**") or (in the case of a Subsidiary which itself has subsidiaries) consolidated after-tax profit as shown by its latest audited income statements exceeds 5 per cent. of the consolidated after-tax profit as shown by the then latest published audited consolidated income statements of the Issuer including, for the avoidance of doubt, the Issuer and its consolidated Subsidiaries' share of profits of Subsidiaries not consolidated and of associates (including jointly controlled entities);

(c) whose total assets or (in the case of a Subsidiary which itself has subsidiaries) consolidated total assets (as consolidated into the latest published audited consolidated balance sheet of the Issuer and its Subsidiaries) as shown by its latest audited balance sheet exceeds 5 per cent. of the consolidated total assets of the Issuer as shown by the then latest published audited consolidated balance sheet of the Issuer and its Subsidiaries;

provided that, in relation to paragraphs (a), (b) and (c) above of this definition:

(i) in the case of a corporation or other business entity becoming a Subsidiary after the end of the financial period to which the latest audited consolidated accounts of the Issuer relate, the reference to the then latest audited consolidated accounts of the Issuer for the purposes of the calculation above shall, until audited consolidated accounts of the Issuer for the financial period in which the relevant corporation or other business entity becomes a Subsidiary are published, be deemed to be a reference to the then latest audited consolidated accounts of the Issuer adjusted to consolidate the latest audited accounts (consolidated in the case of a Subsidiary which itself has subsidiaries) of such Subsidiary in such accounts;

(ii) if at any relevant time in relation to the Issuer or any Subsidiary which itself has subsidiaries no consolidated accounts are prepared and audited, total revenue, after-tax profit or total assets of the Issuer and/or any such Subsidiary shall be determined on the basis of pro forma consolidated accounts prepared for this purpose by the Issuer and reviewed by its auditors for the purposes of preparing a certificate thereon to the Trustee;

(iii) if at any relevant time in relation to any Subsidiary, no accounts are audited, its total revenue, after-tax profit or total assets (consolidated, if appropriate) shall be determined on the basis of pro forma accounts (consolidated, if appropriate) of the relevant Subsidiary prepared for this purpose by the Issuer and reviewed by its auditors for the purposes of preparing a certificate thereon to the Trustee; and

(iv) if the accounts of any Subsidiary are not consolidated with those of the Issuer, then the determination of whether or not such Subsidiary is a Principal Subsidiary shall be based on a pro forma consolidation of its accounts (consolidated, if appropriate) with the consolidated accounts (determined on the basis of the foregoing) of the Issuer; or

(d) to which is transferred the whole or substantially the whole of the assets and undertaking of a Subsidiary which immediately prior to such transfer is a Principal Subsidiary, provided that, in such a case, the Subsidiary so transferring its assets and undertaking shall thereupon cease to be a Principal Subsidiary and on or after the date on which the relevant audited consolidated accounts of the Issuer for the financial period current at the date of such transfer are published, whether such transferor Subsidiary or such transferee Subsidiary is or is not a Principal Subsidiary shall be determined pursuant to the provisions of sub-paragraphs (a) to (c) above of this definition.

A certificate by a Director of the Issuer who is also an Authorised Signatory of the Issuer that in his or her opinion, a Subsidiary is or is not or was or was not at any particular time a Principal Subsidiary shall, in the absence of manifest error, be conclusive and binding on the Bondholders and all other parties concerned. If there is a dispute as to whether any Subsidiary is or is not or was or was not at any particular time a Principal Subsidiary, the certificate shall be accompanied by a report by a nationally or internationally recognised firm of accountants addressed to the Directors of the Issuer as to proper extraction of the figures used by the Issuer in determining the Principal Subsidiary of the Issuer and mathematical accuracy of the calculations. References to "total revenue", "after-tax profit", "total assets", consolidated or non-consolidated, shall include references to equivalent items in the relevant accounts as extracted from the financial statements audited by a nationally or internationally recognised firm of accountants.

10 PRESCRIPTION

Claims against the Issuer for payment in respect of the Bonds shall be prescribed and become void unless made within 10 years (in the case of principal or premium) or five years (in the case of interest) from the appropriate Relevant Date in respect of them.

11 REPLACEMENT OF CERTIFICATES

If any Certificate is lost, stolen, mutilated, defaced or destroyed, it may be replaced, subject to applicable laws, regulations or other relevant regulatory authority regulations, at the specified office of the Registrar or any Transfer Agent as may from time to time be designated by the Issuer for that purpose and notice of whose designation is given to Bondholders, in each case on payment by the claimant of the fees and costs incurred in connection therewith and on such terms as to evidence, security, indemnity and otherwise as (a) the Issuer may require (provided that the requirement is reasonable in light of prevailing market practice) and (b) the Registrar or the relevant Transfer Agent may require. Mutilated or defaced Certificates must be surrendered before replacements will be issued.

12 MEETINGS OF BONDHOLDERS, MODIFICATION AND WAIVER

(a) **Meetings of Bondholders:** The Trust Deed contains provisions for convening meetings of Bondholders to consider matters affecting their interests, including the sanctioning by Extraordinary Resolution of a modification of any of these Conditions or any provisions of the Trust Deed or the Agency Agreement. Such a meeting may be convened by the Issuer or the Trustee and shall be convened by the Trustee if requested to do so in writing by Bondholders holding not less than 10 per cent. in aggregate principal amount of the Bonds for the time being outstanding and subject to the Trustee being indemnified and/or secured and/or pre-funded to its satisfaction against all costs and expenses. The quorum for any meeting convened to consider an Extraordinary Resolution will be two or more persons holding or representing more than 50 per cent. in aggregate principal amount of the Bonds for the time being outstanding, or at any adjourned meeting two or more persons being or representing Bondholders whatever the principal amount of the Bonds held or represented, unless the business of such meeting includes consideration of proposals, *inter alia*, (i) to modify the maturity of the Bonds or the dates on which interest is payable in respect of the Bonds, (ii) to reduce or cancel the principal amount of, any premium payable in respect of, or interest on, the Bonds, (iii) to change the currency of payment of the Bonds, or (iv) to modify the provisions concerning the quorum required at any meeting of Bondholders or the majority required to pass an Extraordinary Resolution, in which case the necessary quorum will be two or more persons holding or representing not less than 662/3 per cent., or at any adjourned meeting not less than 331/3 per cent., in aggregate principal amount of the Bonds for the time being outstanding. Any Extraordinary Resolution duly passed shall be binding on Bondholders (whether or not they were present at the meeting at which such resolution was passed).

The Trust Deed provides that a resolution in writing signed by or on behalf of the holders of not less than 90 per cent. in aggregate principal amount of the Bonds for the time being outstanding shall for all purposes be as valid and effective as an Extraordinary Resolution passed at a meeting of Bondholders duly convened and held. Such a resolution in writing may be contained in one document or several documents in the same form, each signed by or on behalf of one or more Bondholders.

(b) **Modification of Agreements and Deeds:** The Trustee may (but shall not be obliged to) agree, without the consent of the Bondholders, to (i) any modification of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement that in its opinion is of a formal, minor or technical nature or is made to correct a manifest error or is to comply with any mandatory provision of applicable law, and (ii) any other modification (except as mentioned in the Trust Deed), and any waiver or authorisation of any breach or proposed breach, of any of these Conditions or any of the provisions of the Trust Deed or the Agency Agreement that is in the opinion of the Trustee not materially prejudicial to the interests of the Bondholders. Any such modification, authorisation or waiver shall be binding on the Bondholders and, unless the Trustee otherwise agrees, such modification, authorisation or waiver shall be notified by the Issuer to the Bondholders as soon as practicable thereafter.

(c) **Entitlement of the Trustee:** In connection with the exercise of its functions, rights, powers and discretions (including but not limited to those referred to in this Condition 12), the Trustee shall have regard to the interests of the Bondholders as a class and shall not have regard to the consequences of such exercise for individual Bondholders, and the Trustee shall not be entitled to require on behalf of any Bondholders, nor shall any Bondholder be entitled to claim, from the Issuer or the Trustee any indemnification or payment in respect of any tax consequence of any such exercise upon individual Bondholders.

13 ENFORCEMENT

At any time after the Bonds become due and payable, the Trustee may, at its discretion and without further notice, take such actions and/or, steps and/or institute such proceedings against the Issuer as it may think fit to enforce the terms of the Trust Deed and the Bonds, but it need not take any such proceedings unless (a) it shall have been so directed by an Extraordinary Resolution or so requested in writing by Bondholders holding at least 25 per cent. in aggregate principal amount of the Bonds then outstanding, and (b) it shall first have been indemnified and/or secured and/or pre-funded to its satisfaction. No Bondholder may proceed directly against the Issuer unless the Trustee, having become bound so to proceed, fails to do so within a reasonable time and such failure is continuing.

14 FURTHER ISSUES

The Issuer may from time to time without the consent of the Bondholders create and issue further bonds having the same terms and conditions as the Bonds in all respects (or in all respects except for the issue date, the issue price, the first payment of interest on them and the timing in relation to the SAFE Registration and the NDRC Post-issue Filing) and so that such further issue shall be consolidated and form a single series with the outstanding Bonds. References in these Conditions to the Bonds include (unless the context requires otherwise) any such other bonds issued pursuant to this Condition 14 and forming a single series with the Bonds. Any further bonds consolidated and forming a single series with the outstanding Bonds constituted by the Trust Deed or any deed supplemental to it shall be constituted by a deed supplemental to the Trust Deed.

15 NOTICES

Notices required to be given to the holders of Bonds pursuant to these Conditions shall be mailed to them at their respective addresses in the Register and deemed to have been given on the fourth weekday (being a day other than a Saturday, Sunday or public holiday) after the date of mailing. The Issuer shall also ensure that notices are duly published in a manner that complies with the rules and regulations of any stock exchange or other relevant authority on which the Bonds are for the time being listed. Any such notice shall be deemed to have been given on the date of such publication or, if published more than once, on the first date on which publication is made.

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any other clearing system, notices to holders of the Bonds may be validly given by delivery of the relevant notice to Euroclear or Clearstream or such other clearing system, for communication by it to entitled accountholders in substitution for notification as required by the Conditions and shall be deemed to have been received by the Bondholders on the date of delivery of such notice to such clearing system.

16 INDEMNIFICATION OF THE TRUSTEE

The Trust Deed contains provisions for the indemnification of the Trustee and for its relief from responsibility, including provisions relieving it from taking proceedings to enforce payment unless first indemnified and/or secured and/or pre-funded to its satisfaction. The Trustee is entitled to enter into business transactions with the Issuer and/or any entity related (directly or indirectly) to the Issuer without accounting for any profit.

Neither the Trustee nor any of the Agents shall be responsible for the performance by Issuer and any other person appointed by the Issuer in relation to the Bonds of the duties and obligations on their part expressed in respect of the same and, unless it has express written notice from the Issuer to the contrary, the Trustee and each Agent shall assume that the same are being duly performed. Neither the Trustee nor any Agent shall be liable to any Bondholder or any other person for any action taken by the Trustee or such Agent in accordance with the instructions of the Bondholders. The Trustee shall be entitled to rely on any direction, request or resolution of Bondholders given by holders of the requisite principal amount of Bonds outstanding or passed at a meeting of Bondholders convened and held in accordance with the Trust Deed. Whenever the Trustee is required or entitled by the terms of the Trust Deed, the Agency Agreement or these Conditions to exercise any discretion or power, take any action, make any decision or give any direction, the Trustee is entitled, prior to its exercising any such discretion or power, taking any such action, making any such decision, or giving any such direction, to seek directions from the Bondholders by way of an Extraordinary Resolution, and the Trustee is not responsible for any loss or liability incurred by any person as a result of any delay in it exercising or the non-exercise of such discretion or power, taking such action, making such decision, or giving such direction where the Trustee is seeking such directions or in the event that no such directions are received. The Trustee shall not be under any obligation to monitor compliance with the provisions of the Trust Deed, the Agency Agreement or these Conditions.

The Trustee may rely without liability to Bondholders on any report, confirmation, certificate, opinion, advice or information of or from any legal advisers, accountants, financial advisers, financial institution or any other expert, whether or not addressed to it and whether their liability in relation thereto is limited (by its terms or by any engagement letter relating thereto entered into by the Trustee or any other person or in any other manner) by reference to a monetary cap, methodology or otherwise. The Trustee may accept and shall be entitled to rely on any such report, confirmation, certificate, opinion, advice or information and, in such event, such report, confirmation, certificate, opinion, advice or information shall be binding on the Issuer and the Bondholders.

17 CONTRACTS (RIGHTS OF THIRD PARTIES) ACT 1999

No person shall have any right to enforce any term or condition of the Bonds under the Contracts (Rights of Third Parties) Act 1999.

18 GOVERNING LAW AND JURISDICTION

(a) **Governing Law:** The Trust Deed, the Agency Agreement, the Bonds and any non-contractual obligations arising out of or in connection with them are governed by, and shall be construed in accordance with, the laws of England.

(b) **Jurisdiction:** The courts of Hong Kong are to have exclusive jurisdiction to settle any disputes that may arise out of or in connection with the Bonds, the Agency Agreement and the Trust Deed and accordingly any legal action or proceedings arising out of or in connection with the Bonds, the Agency Agreement or the Trust Deed ("**Proceedings**") may be brought in the courts of Hong Kong. Pursuant to the Trust Deed, each party has irrevocably submitted to the jurisdiction of such courts and waived any objection to Proceedings in such courts whether on the ground of venue or on the ground that the Proceedings have been brought in an inconvenient forum.

(c) **Service of Process:** The Issuer has irrevocably agreed to receive service of process in any Proceedings in Hong Kong at its principal place of business in Hong Kong (currently at Room 1603, 16/F, China Building, 29 Queen's Road Central, Hong Kong)). If for any reason the Issuer ceases to have such a principal place of business in Hong Kong, it shall forthwith appoint a new agent for service of process in Hong Kong and notify the Bondholders of such appointment within 30 days after such cessation. Nothing herein shall affect the right to serve process in any other manner permitted by law.

(d) **Waiver of Immunity:** Pursuant to the Trust Deed, the Issuer has waived any right to claim sovereign or other immunity from jurisdiction or execution and any similar defence, and has irrevocably consented to the giving of any relief or the issue of any process, including, without limitation, the making, enforcement or execution against any property whatsoever (irrespective of its use or intended use) of any order or judgment made or given in connection with any Proceedings.

INITIAL ISSUE OF CERTIFICATES

The Bonds will initially be represented by a Global Certificate which will be registered in the name of a nominee of, and deposited with, the common depositary for Euroclear and Clearstream and may be delivered on or prior to the Issue Date of the Bonds.

RELATIONSHIP OF ACCOUNTHOLDERS WITH CLEARING SYSTEMS

Each of the persons shown in the records of Euroclear, Clearstream or any other clearing system through which the Bonds may be held (an "**Alternative Clearing System**") as the holder of a Bond represented by a Global Certificate must look solely to Euroclear, Clearstream or any such Alternative Clearing System (as the case may be) for his share of each payment made by the Issuer to the holder of the Global Certificate and in relation to all other rights arising under the Global Certificate, subject to and in accordance with the respective rules and procedures of Euroclear, Clearstream, or such Alternative Clearing System (as the case may be). Such persons shall have no claim directly against the Issuer in respect of payments due on the Bonds for so long as the Bonds are represented by the Global Certificate and such obligations of the Issuer will be discharged by payment to the holder of the Global Certificate in respect of each amount so paid.

EXCHANGE

The Global Certificate is exchangeable in whole or in part for the definitive Certificates if the Global Certificate is held on behalf of Euroclear or Clearstream or the Alternative Clearing System and any such clearing system is closed for business for a continuous period of 14 days (other than by reason of holidays, statutory or otherwise) or announces an intention permanently to cease business or does in fact do so. Thereupon the holder of the Bonds represented by the Global Certificate may give notice to the Principal Paying Agent of its intention to require the exchange of a specified principal amount of the Global Certificate (which may be equal to or less than the outstanding principal amount of Bonds represented hereby) for definitive Certificates on or after the Exchange Date specified in the notice.

On or after any Exchange Date the holder of the Bonds represented by the Global Certificate may surrender the Global Certificate or, in the case of a partial exchange, present it for endorsement to or to the order of the Principal Paying Agent. In exchange for the Global Certificate, or on endorsement in respect of the part thereof to be exchanged, the Issuer shall deliver, or procure the delivery of, an equal aggregate principal amount of duly executed and authenticated definitive Certificates, and such definitive Certificates shall be registered in such names as such holder shall direct in writing.

Exchange Date means a day falling not less than 30 days after that on which the notice requiring exchange is given and on which banks are open for business in London or, if relevant, the city in which the Alternative Clearing System, is located.

The Global Certificate contains provisions which apply to the Bonds in respect of which the Global Certificate is issued, some of which modify the effect of the Terms and Conditions of the Bonds. Terms defined in the Terms and Conditions of the Bonds have the same meaning in the paragraphs below. The following is a summary of those provisions:

PAYMENT

All payments in respect of Bonds represented by a Global Certificate will be made to, or to the order of, the person whose name is entered on the Register at the close of business on the record date which shall be the Clearing System Business Day immediately prior to the date for payment, where "Clearing System Business Day" means Monday to Friday inclusive except 25 December and 1 January.

CALCULATION OF INTEREST

As long as the Bonds are represented by a Global Certificate and such Global Certificate is held on behalf of a clearing system, the Issuer has promised, *inter alia*, to pay interest in respect of such Bonds from the Issue Date in arrear at the rates, on the dates for payment, and in accordance with the method of calculation provided for in the Conditions, save that the calculation is made in respect of the total aggregate amount of the Bonds represented by such Global Certificate.

TRANSFERS

Transfers of the beneficial interests in the Bonds represented by the Global Certificate will be effected through the records of Euroclear or Clearstream or any Alternative Clearing System and their respective participants in accordance with the rules and operating procedures of Euroclear or Clearstream or any Alternative Clearing System and their respective participants.

CANCELLATION

Cancellation of any Bond represented by the Global Certificate which is required by the Conditions to be cancelled will be effected by reduction in the principal amount of the Bonds in the register of Bondholders and the Global Certificate on its presentation to or to the order of the Registrar for annotation (for information only) in the Global Certificate.

REDEMPTION AT THE OPTION OF BONDHOLDERS

The option of the Bondholders provided for in Condition 6(c) of the Terms and Conditions of the Bonds may be exercised by the holder of the Bonds represented by the Global Certificate giving notice to the Principal Paying Agent or any other Paying Agent within the time limits relating to the surrender of Certificate set out in that Condition and stating the principal amount of Bonds in respect of which the option is exercised and at the same time presenting the Global Certificate to or to the order of the Registrar for annotation (for information only) in the Global Certificate.

MEETINGS

For the purposes of any meeting of Bondholders, the holder of the Bonds represented by the Global Certificate shall (unless the Global Certificate represents only one Bond) be treated as two persons for the purposes of any quorum requirements of a meeting of the Bondholders and as being entitled to one vote in respect of each integral currency unit of the currency of the Bonds.

TRUSTEE'S POWERS

In considering the interests of Bondholders while the Global Certificate is registered in the name of a nominee for, a clearing system, the Trustee may, to the extent it considers it appropriate to do so in the circumstances, but without being obliged to do so, (a) have regard to any information as may have been made available to it by or on behalf of the relevant clearing system or its operator as to the identity of its accountholders (either individually or by way of category) with entitlements in respect of the Bonds and (b) consider such interests on the basis that such accountholders were the holders of the Bonds in respect of which the Global Certificate is issued.

NOTICES

So long as the Bonds are represented by the Global Certificate and the Global Certificate is held on behalf of Euroclear or Clearstream or any Alternative Clearing System, notices to holders of the Bonds may be given by delivery of the relevant notice to Euroclear or Clearstream or the Alternative Clearing System, for communication by it to entitled accountholders in substitution for notification as required by the Conditions. Any such notice shall be deemed to have been given on the date of such delivery.

RATINGS

Moody's has assigned a corporate rating of Baa2 to the Company with a stable outlook, S&P has assigned a corporate rating of BBB to the Company with a stable outlook and Fitch has assigned a corporate rating of BBB to the Company with a negative outlook. The Bonds are expected to be rated Baa2 by Moody's and BBB by S&P. The ratings reflect the rating agencies' assessment of the likelihood of timely payment of the principal of and interest on the Bonds. Such ratings of the Bonds do not constitute a recommendation to purchase, hold or sell the Bonds inasmuch as such ratings do not comment as to market price or suitability for a particular investor. There can be no assurance that the ratings will remain in effect for any period or that the ratings will not be suspended, upgraded, reduced or withdrawn by such rating agencies in the future if, in their respective judgment, circumstances so warrant. Each such rating should be evaluated independently of any other rating of the Bonds, on any other securities of the Company, or on the Company.

TAXATION

The following summary of certain consequences of the purchase, ownership and disposition of Bonds is based upon applicable laws, regulations, rulings and decisions in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect). This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. Persons considering the purchase of the Bonds should consult their own tax advisers concerning the tax consequences of the purchase, ownership and disposition of the Bonds, including any possible consequences under the laws of their country of citizenship, residence or domicile.

PRC

The following summary describes the principal PRC tax consequences of the purchase, ownership and disposition of the Bonds by beneficial owners who, or which, are not residents of mainland China for PRC tax purposes and these beneficial owners are referred to as non-PRC Bondholders in this section. This summary is based upon applicable laws, rules and regulations in effect as at the date of this Offering Circular, all of which are subject to change (possibly with retroactive effect), and reference is made to PRC taxes from the taxable year beginning on or after 1 January 2008. This discussion does not purport to be a comprehensive description of all the tax considerations that may be relevant to a decision to purchase, own or dispose of the Bonds and does not purport to deal with consequences applicable to all categories of investors, some of which may be subject to special rules. In considering whether to invest in the Bonds, investors should consult their individual tax advisers with regard to the application of PRC tax laws to their particular situations as well as any tax consequences arising under the laws of any other tax jurisdiction.

Pursuant to the EIT Law and the PRC Individual Income Tax Law as well as their respective implementation rules, an income tax is levied on the payment of interest in respect of debt securities, including notes issued by enterprises established within the territory of China which includes the Bonds to non-resident enterprises (including Hong Kong enterprises) and non-resident individuals (including Hong Kong resident individuals). The current rates of such income tax are 20% (for non-resident individuals) and 10% (for non-resident enterprises) of the gross amount of the interest. Such income tax shall be withheld by the Issuer that is acting as the obligatory withholder and such PRC enterprise shall withhold the tax amount from each payment due. However, the tax so charged on interest paid on the Bonds to non-PRC holders which, or who, are residents of Hong Kong (including enterprises and individuals) for purposes of the avoidance of double taxation arrangement between China and Hong Kong will be reduced to 7% of the gross amount of the interest pursuant to the arrangement between China and Hong Kong; and the tax so charged on interest paid on the Bonds to residents of other counties (including enterprises and individuals) should be subject to double taxation arrangement between China and such other countries (if any).

According to the EIT Law and its implementation rules, whether the capital gains of non-resident enterprises derived from a sale or exchange of the Bonds will be subject to PRC income tax depends on whether such capital gains would be regarded as incomes derived from sources within the PRC. In addition, there is uncertainty as to whether gains realised on the transfer of the Bonds by individual holders who are not PRC citizens or residents will be subject to PRC individual income tax. If such capital gains are determined as income sourced in China by PRC tax authorities, those non-resident enterprise holders and non-resident individual holders may be subject to enterprise income tax at a rate of 10% and individual income tax at a rate of 20% of the gross proceeds, respectively (unless other tax preferential treatments are provided by any special tax arrangements). According to the double taxation arrangement between China and Hong Kong, residents of Hong Kong will be exempted from PRC income tax on capital gains from a sale or exchange of the Bonds.

Value Added Tax (VAT)

On 23 March 2016, the Ministry of Finance of the PRC and the State Administration of Taxation issued the Circular of Full Implementation of Business Tax to VAT Reform（《關於全面推開營業稅改徵增值稅試點的通知》）(Caishui [2016] No. 36, Circular 36) which confirms that business tax was replaced by VAT from 1 May 2016. Since then, the income derived from the provision of financial services which attracted business tax will be entirely replaced by, and subject to, VAT.

According to Circular 36, the entities and individuals providing the services within China shall be subject to VAT. The services are treated as being provided within China where either the service provider or the service recipient is located in China. The services subject to VAT include the provision of financial services such as the provision of loans. It is further clarified under Circular 36 that the loans refers to the activity of lending capital for another's use and receiving the interest income thereon. Based on the definition of loans under Circular 36, the issuance of Bonds is likely to be treated as the holders of the Bonds providing loans to the Issuer, which thus shall be regarded as financial services subject to VAT. Further, given that the Issuer is located in the PRC, the holders of the Bonds would be regarded as providing the financial services within China and consequently, the holders of the Bonds shall be subject to VAT at the rate of 6% when receiving the interest payments under the Bonds. In addition, the holders of the Bonds shall be subject to the local levies at approximately 12% of the VAT payment and consequently, the combined rate of VAT and local levies would be around 6.72%. Given that the Issuer pays interest income to Bondholders who are located outside of the PRC, the Issuer, acting as the obligatory withholder in accordance with applicable law, shall withhold VAT and local levies from the payment of interest income to Bondholders who are located outside of the PRC.

Where a holder of the Bonds who is an entity or individual located outside of the PRC resells the Bonds to an entity or individual located outside of the PRC and derives any gain, since neither the service provider nor the service recipient is located in the PRC, theoretically Circular 36 does not apply and the Issuer does not have the obligation to withhold the VAT or the local levies. However, there is uncertainty as to the applicability of VAT if either the seller or buyer of Bonds is located inside the PRC.

Stamp Duty

No PRC stamp tax will be chargeable upon the issue or transfer of a Bond (for so long as the register of holders of the Bonds is maintained outside the PRC, as is expected to be the case).

HONG KONG

Withholding Tax

No withholding tax is payable in Hong Kong in respect of payments of principal or interest on the Bonds or in respect of any capital gains arising from the sale of the Bonds.

Profits Tax

Hong Kong profits tax is chargeable on every person carrying on a trade, profession or business in Hong Kong in respect of profits arising in or derived from Hong Kong from such trade, profession or business (excluding profits arising from the sale of capital assets).

Interest on the Bonds may be deemed to be profits arising in or derived from Hong Kong from a trade, profession or business carried on in Hong Kong in the following circumstances:

(i) interest on the Bonds is derived from Hong Kong and is received by or accrues to a corporation carrying on a trade, profession or business in Hong Kong;

(ii) interest on the Bonds is derived from Hong Kong and is received by or accrues to a person, other than a corporation, carrying on a trade, profession or business in Hong Kong and is in respect of the funds of that trade, profession or business;

(iii) interest on the Bonds is received by or accrues to a financial institution (as defined in the Inland Revenue Ordinance (Cap. 112) of Hong Kong (the "IRO")) and arises through or from the carrying on by the financial institution of its business in Hong Kong; or

(iv) interest on the Bonds is received by or accrues to a corporation, other than a financial institution, and arises through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO).

Sums received by or accrued to a financial institution by way of gains or profits arising through or from the carrying on by the financial institution of its business in Hong Kong from the sale, disposal and redemption of Bonds will be subject to Hong Kong profits tax. Sums received by or accrued to a corporation, other than a financial institution, by way of gains or profits arising through or from the carrying on in Hong Kong by the corporation of its intra-group financing business (within the meaning of section 16(3) of the IRO) from the sale, disposal or other redemption of Bonds will be subject to Hong Kong profits tax.

Sums derived from the sale, disposal or redemption of Bonds will be subject to Hong Kong profits tax where received by or accrued to a person, other than a financial institution, who carries on a trade, profession or business in Hong Kong and the sum has a Hong Kong source unless otherwise exempted. The source of such sums will generally be determined by having regard to the manner in which the Bonds are acquired and disposed of.

In certain circumstances, Hong Kong profits tax exemptions (such as concessionary tax rates) may be available. Investors are advised to consult their own tax advisors to ascertain the applicability of any exemptions to their individual position.

Stamp Duty

No Hong Kong stamp duty will be chargeable upon the issue or transfer of a Bond.

SUBSCRIPTION AND SALE

The Issuer has entered into a subscription agreement with BOCI Asia Limited, UBS AG Hong Kong Branch, Guotai Junan Securities (Hong Kong) Limited, China PA Securities (Hong Kong) Company Limited, ICBC International Securities Limited, Bank of China Limited, China International Capital Corporation Hong Kong Securities Limited, ABCI Capital Limited, China Everbright Bank Co., Ltd., Hong Kong Branch, CMB Wing Lung Bank Limited, China Minsheng Banking Corp., Ltd., Hong Kong Branch, China Merchants Securities (HK) Co., Limited, Industrial Bank Co., Ltd. Hong Kong Branch, Bank of Communications Co., Ltd. Hong Kong Branch, Hua Xia Bank Co., Limited Hong Kong Branch and CLSA Limited as Joint Lead Managers dated 24 June 2021 (the "**Subscription Agreement**") pursuant to which, and subject to certain conditions contained in the Subscription Agreement, the Issuer has agreed to sell to the Joint Lead Managers, and the Joint Lead Managers have agreed to severally, but not jointly, subscribe and pay for, or to procure subscribers to subscribe and pay for, the aggregate principal amount of the Bonds set forth opposite its name below:

Joint Lead Manager	Principal amount of the Bonds to be subscribed
BOCI Asia Limited	US$90,000,000
UBS AG Hong Kong Branch	US$36,000,000
Guotai Junan Securities (Hong Kong) Limited	US$36,000,000
China PA Securities (Hong Kong) Company Limited	US$36,000,000
ICBC International Securities Limited	US$36,000,000
Bank of China Limited	US$6,000,000
China International Capital Corporation Hong Kong Securities Limited	US$6,000,000
ABCI Capital Limited	US$6,000,000
China Everbright Bank Co., Ltd., Hong Kong Branch	US$6,000,000
CMB Wing Lung Bank Limited	US$6,000,000
China Minsheng Banking Corp., Ltd., Hong Kong Branch	US$6,000,000
China Merchants Securities (HK) Co., Limited	US$6,000,000
Industrial Bank Co., Ltd. Hong Kong Branch	US$6,000,000
Bank of Communications Co., Ltd. Hong Kong Branch	US$6,000,000
Hua Xia Bank Co., Limited Hong Kong Branch	US$6,000,000
CLSA Limited	US$6,000,000
Total	US$300,000,000

The Subscription Agreement provides that the Issuer will indemnify the Joint Lead Managers, against certain liabilities of the Joint Lead Managers, their respective subsidiaries, affiliates or any person who controls any of them and any of their respective directors, officers, employees and agents in connection with the offer and sale of the Bonds. The Subscription Agreement provides that the obligations of the Joint Lead Managers are subject to certain conditions precedent and entitles the Joint Lead Managers to terminate it in certain circumstances prior to payment being made to the Issuer.

The Joint Lead Managers and their respective affiliates are full service financial institutions engaged in various activities, which may include securities trading, commercial and investment banking, financial advisory, investment management, principal investment, hedging, financing and brokerage activities ("**Banking Services or Transactions**"). The Joint Lead Managers and their respective affiliates may have, from time to time, performed, and may in the future perform, various Banking Services or Transactions with the Issuer for which they have received, or will receive, fees and expenses.

In connection with the offering of the Bonds, the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer, may act as investors and place orders, receive allocations and trade the Bonds for their own account and such orders, allocations or trading of the Bonds may be material.

Such entities may hold or sell such Bonds or purchase further Bonds for their own account in the secondary market or deal in any other securities of the Issuer, and therefore, they may offer or sell the Bonds or other securities otherwise than in connection with the offering of the Bonds. Accordingly, references herein to the offering of the Bonds should be read as including any offering of the Bonds to the Joint Lead Managers and/or their respective affiliates, or affiliates of the Issuer as investors for their own account. Such entities are not expected to disclose such transactions or the extent of any such investment, otherwise than in accordance with any applicable legal or regulatory requirements. If such transactions occur, the trading price and liquidity of the Bonds may be impacted.

Furthermore, it is possible that a significant proportion of the Bonds may be initially allocated to, and subsequently held by, a limited number of investors. If this is the case, the trading price and liquidity of trading in the Bonds may be constrained. The Issuer and the Joint Lead Managers are under no obligation to disclose the extent of the distribution of the Bonds amongst individual investors, otherwise than in accordance with any applicable legal or regulatory requirements.

In the ordinary course of their various business activities, the Joint Lead Managers and their respective affiliates make or hold a broad array of investments and actively trade debt and equity securities (or related derivative securities) and financial instruments (including bank loans) for their own account and for the accounts of their customers, and may at any time hold long and short positions in such securities and instruments. Such investment and securities activities may involve securities and instruments of the Issuer, including the Bonds and could adversely affect the trading price and liquidity of the Bonds. The Joint Lead Managers and their affiliates may make investment recommendations and/or publish or express independent research views (positive or negative) in respect of the Bonds or other financial instruments of the Issuer, and may recommend to their clients that they acquire long and/or short positions in the Bonds or other financial instruments of the Issuer.

In connection with the issue of the Bonds, the Stabilisation Managers or any person acting on behalf of the Stabilisation Managers may, to the extent permitted by applicable laws and rules, over-allot the Bonds or effect transactions with a view to supporting the market price of the Bonds at a level higher than that which might otherwise prevail, but in so doing, the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager shall act as principal and not as agent of the Issuer. However, there is no assurance that the Stabilisation Manager or any person acting on behalf of the Stabilisation Manager will undertake stabilisation action. Any stabilisation action may begin on or after the date on which adequate public disclosure of the terms of the Bonds is made and, if begun, may be discontinued at any time and must be brought to an end after a limited period. Any stabilisation action or over-allotment must be conducted by the Stabilisation Manager (or any person acting on its behalf) in accordance with all applicable laws and rules. Any loss or profit sustained as a consequence of any such over-allotment or stabilisation shall be for the account of the Stabilisation Manager or, as the case may be, the Joint Lead Managers in the manner agreed by them.

GENERAL

The Bonds are a new issue of securities with no established trading market. No assurance can be given as to the liquidity of any trading market for the Bonds. The distribution of this Offering Circular or any offering material and the offering, sale or delivery of the Bonds is restricted by law in certain jurisdictions. Therefore, persons who may come into possession of this Offering Circular or any offering material are advised to consult with their own legal advisers as to what restrictions may be applicable to them and to observe such restrictions. This Offering Circular may not be used for the purpose of an offer or invitation in any circumstances in which such offer or invitation is not authorised. No action has been taken or will be taken in any jurisdiction that would permit a public offering of the Bonds, or possession or distribution of this Offering Circular or any amendment or supplement thereto or any other offering or publicity material relating to the Bonds, in any country or jurisdiction where action for that purpose is required.

UNITED STATES

The Bonds have not been and will not be registered under the Securities Act and, subject to certain exceptions, may not be offered or sold within the United States.

The Bonds are being offered and sold outside of the United States in reliance on Regulation S.

In addition, until 40 days after the commencement of the offering of the Bonds, an offer or sale of the Bonds within the United States by any dealer (whether or not participating in the offering) may violate the registration requirements of the Securities Act.

PROHIBITION OF SALES TO EEA RETAIL INVESTORS

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the European Economic Area. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client as defined in point (11) of Article 4(1) of MiFID II; or

(b) a customer within the meaning of the Insurance Distribution Directive, where that customer would not qualify as a professional client as defined in point (10) of Article 4(1) of MiFID II.

PROHIBITION OF SALES TO UK RETAIL INVESTORS

Each Joint Lead Manager has represented and agreed that it has not offered, sold or otherwise made available and will not offer, sell or otherwise make available any Bonds which are the subject of the offering contemplated by this Offering Circular in relation thereto to any retail investor in the United Kingdom. For the purposes of this provision, the expression "retail investor" means a person who is one (or more) of the following:

(a) a retail client, as defined in point (8) of Article 2 of Regulation (EU) No 2017/565 as it forms part of domestic law by virtue of the EUWA; or

(b) a customer within the meaning of the provisions of the FSMA and any rules or regulations made under the FSMA to implement Directive (EU) 2016/97, where that customer would not qualify as a professional client, as defined in point (8) of Article 2(1) of Regulation (EU) No 600/2014 as it forms part of domestic law by virtue of the EUWA.

UNITED KINGDOM

Each Joint Lead Manager has represented, warranted and agreed that:

(a) it has only communicated or caused to be communicated, and will only communicate or cause to be communicated any invitation or inducement to engage in investment activity (within the meaning of Section 21 of the FSMA received by it in connection with the issue or sale of any Bonds in circumstances in which Section 21 (1) of the FSMA does not apply to the Issuer; and

(b) it has complied and will comply with all applicable provisions of the FSMA with respect to anything done by it in relation to the Bonds in, from or otherwise involving the United Kingdom.

HONG KONG

Each Joint Lead Manager has represented and agreed that:

(a) it has not offered or sold and will not offer or sell in Hong Kong, by means of any document, any Bonds other than (a) to "professional investors" as defined in the SFO and any rules made under the SFO; or (b) in other circumstances which do not result in the document being a "prospectus" as defined in the Companies (Winding Up and Miscellaneous Provisions) Ordinance (Cap. 32) of Hong Kong (the "**C(WUMP)O**") or which do not constitute an offer to the public within the meaning of the C(WUMP)O; and

(b) it has not issued or had in its possession for the purposes of issue, and will not issue or have in its possession for the purposes of issue, whether in Hong Kong or elsewhere, any advertisement, invitation or document relating to the Bonds, which is directed at, or the contents of which are likely to be accessed or read by, the public of Hong Kong (except if permitted to do so under the securities laws of Hong Kong) other than with respect to Bonds which are or are intended to be disposed of only to persons outside Hong Kong or only to "professional investors" as defined in the SFO and any rules made under the SFO.

SINGAPORE

Each Joint Lead Manager has acknowledged that this Offering Circular has not been registered as a prospectus with the Monetary Authority of Singapore. Accordingly, each Joint Lead Manager has represented and agreed that it has not offered or sold any Bonds or caused the Bonds to be made the subject of an invitation for subscription or purchase and will not offer or sell any Bonds or cause the Bonds to be made the subject of an invitation for subscription or purchase, and has not circulated or distributed, nor will it circulate or distribute, this Offering Circular or any other document or material in connection with the offer or sale, or invitation for subscription or purchase, of the Bonds, whether directly or indirectly, to any person in Singapore other than (i) to an institutional investor (as defined in Section 4A of the Securities and Futures Act (Chapter 289) of Singapore, as modified or amended from time to time (the "SFA")) pursuant to Section 274 of the SFA, (ii) to a relevant person (as defined in Section 275(2) of the SFA) pursuant to Section 275(1) of the SFA, or any person pursuant to Section 275(1A) of the SFA, and in accordance with the conditions specified in Section 275 of the SFA, or (iii) otherwise pursuant to, and in accordance with the conditions of, any other applicable provision of the SFA.

Where the Bonds are subscribed or purchased under Section 275 of the SFA by a relevant person which is:

(a) a corporation (which is not an accredited investor (as defined in Section 4A of the SFA)) the sole business of which is to hold investments and the entire share capital of which is owned by one or more individuals, each of whom is an accredited investor; or

(b) a trust (where the trustee is not an accredited investor) whose sole purpose is to hold investments and each beneficiary of the trust is an individual who is an accredited investor,

securities or securities-based derivatives contracts (each term as defined in Section 2(1) of the SFA) of that corporation or the beneficiaries' rights and interest (howsoever described) in that trust shall not be transferred within six months after that corporation or that trust has acquired the Bonds pursuant to an offer made under Section 275 of the SFA except:

(i) to an institutional investor or to a relevant person, or to any person arising from an offer referred to in Section 275(1A) or Section 276(4)(i)(B) of the SFA;

(ii) where no consideration is or will be given for the transfer;

(iii) where the transfer is by operation of law;

(iv) as specified in Section 276(7) of the SFA; or

(v) as specified in Regulation 37A of the Securities and Futures (Offers of Investments) (Securities and Securities-based Derivatives Contracts) Regulations 2018.

Singapore SFA Product Classification: In connection with Section 309B of the SFA and the CMP Regulations 2018, the Issuer has determined, and hereby notifies all relevant persons (as defined in Section 309A(1) of the SFA), that the Bonds are 'prescribed capital markets products' (as defined in the CMP Regulations 2018) and Excluded Investment Products (as defined in MAS Notice SFA 04-N12: Notice on the Sale of Investment Products and MAS Notice FAA-N16: Notice on Recommendations on Investment Products).

JAPAN

The Bonds have not been and will not be registered under the Financial Instruments and Exchange Act of Japan (Act No. 25 of 1948, as amended, the "Financial Instruments and Exchange Act"). Accordingly, each Joint Lead Manager has represented and agreed that it has not, directly or indirectly, offered or sold and will not, directly or indirectly, offer or sell any Bonds in Japan or to, or for the benefit of, any resident of Japan (which term as used herein means any person resident in Japan, including any corporation or other entity organised under the laws of Japan) or to others for re-offering or re-sale, directly or indirectly, in Japan or to, or for the benefit of, any resident of Japan except pursuant to an exemption from the registration requirements of, and otherwise in compliance with, the Financial Instruments and Exchange Act and other relevant laws and regulations of Japan.

PRC

Each Joint Lead Manager has represented, warranted and agreed that the Bonds are not being offered or sold and may not be offered or sold, directly or indirectly, in the PRC (for such purposes, not including the Hong Kong and Macau Special Administrative Regions or Taiwan), except as permitted by the securities laws of the PRC.

GENERAL INFORMATION

1. **Clearing Systems:** The Bonds have been accepted for clearance through Euroclear and Clearstream with Common Code of 235703246 and ISIN of XS2357032460.

2. **Listing of Bonds:** Application will be made to the SEHK for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only, and such listing is expected to become effective on or about 9 July 2021. The Issuer has received an eligibility letter from the SEHK for the listing of, and permission to deal in, the Bonds by way of debt issues to Professional Investors only. The Bonds will be traded on the SEHK subject to a minimum board lot size requirement of the equivalent of HK$500,000 for so long as the Bonds are listed on the SEHK.

3. **Authorisations:** The Issuer has obtained all necessary consents, approvals and authorisations in connection with the issue of and performance of its obligations under the Bonds, the Trust Deed and the Agency Agreement. The issuance of the Bonds was authorised by the resolutions passed on 18 March 2020, the resolutions of the 2019 general meeting of the Issuer on 23 June 2020 and the resolutions of the board of directors of the Issuer passed on 26 February 2021. The Issuer has registered the issuance of the Bonds with NDRC and obtained a certificate from NDRC dated 7 April 2021 evidencing such registration which, as at the date of this Offering Circular, remains valid and in full force and effect. The Issuer intends to complete the NDRC Post-issue Filing as soon as practicable and in any event within ten PRC Business Days after the Issue Date. In addition, the Issuer intends to make the SAFE Registration and use its best endeavours to complete the SAFE Registration and obtain a certificate of registration from SAFE on or before the Registration Deadline (as defined in the Terms and Conditions of the Bonds).

4. **No Material Adverse Change:** Save as disclosed in this Offering Circular, there has been no material adverse change in the financial or trading position of the Company and the Group since 31 December 2020.

5. **Litigation:** Save as disclosed in this Offering Circular, none of the Issuer or any of its subsidiaries is involved in any litigation or arbitration proceedings that the Issuer believes are material in the context of the Bonds, nor is the Issuer aware that any such proceedings are pending or threatened.

6. **Available Documents:** For so long as any of the Bonds are outstanding, copies of the Trust Deed and the Agency Agreement may be inspected at the principal office of the Trustee and at the specified office of the Principal Paying Agent free of charge at all reasonable times during usual business hours (being between 9:00 a.m. and 3:00 p.m. from Monday to Friday other than a public holiday) or, at the option of the Trustee or the Principal Paying Agent (as applicable) will be sent by electronic mail to any Bondholder, following receipt by the Trustee or the Principal Paying Agent (as applicable) of written request therefor and proof of holding and identity satisfactory to the Trustee, or as the case may be, the Principal Paying Agent. For so long as any of the Bonds are outstanding, copies of the audited financial statements of the Group for the past three fiscal years (subject to the Trustee or the Principal Paying Agent having received the same from the Company) may be inspected at the principal office of the Trustee and at the specified office of the Principal Paying Agent free of charge at all reasonable times during usual business hours (being between 9:00 a.m. and 3:00 p.m. from Monday to Friday other than a public holiday).

7. **Financial Statements:** The audited consolidated financial statements of the Group as at and for the years ended 31 December 2019 and 2020, which are included elsewhere in this Offering Circular, have been audited by Ernst & Young Hua Ming LLP, as stated in their reports appearing therein.

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS OF THE GROUP

The consolidated financial statements of the Group as at and for each of the years ended 31 December 2019 and 2020 set forth below are English translation of the Group's consolidated financial statements as at and for each of the years ended 31 December 2019 and 2020 prepared in Chinese included in the Group's annual reports published on the Shanghai 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
1. Long-term equity investment impairment consideration	
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.	In the course of our audit, we carried out the following work on this matter: 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.

(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. 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.	In the course of our audit, we carried out the following work on this matter: 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; 2) We reviewed the qualifications, professional competence and independence of the asset appraisers; 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;

(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. 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.	4) 5)	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; We evaluated the adequacy of the relevant acquisition disclosures in the financial statements.

(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.

(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:	*Chief financial officer:*	*Head of accounting department:*
Hu Wei	**Zhao Guiping**	**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:	*Chief financial officer:*	*Head of accounting department:*
Hu Wei	**Zhao Guiping**	**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:	*Chief financial officer:*	*Head of accounting department:*
Hu Wei	**Zhao Guiping**	**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:	*Chief financial officer:*	*Head of accounting department:*
Hu Wei	**Zhao Guiping**	**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:	*Chief financial officer:*	*Head of accounting department:*
Hu Wei	**Zhao Guiping**	**Li Xiaojun**

Consolidated Statement of Changes in Equity

2020
(RMB)

	2020								
	Attributable to owners of the Company								
Item	Share capital	Other equity instruments	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Subtotal	Minority interests	Total owners' equity
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							
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Subtotal	Minority interests	Total owners' equity
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						
	Share capital	Other equity instruments	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Total owners' equity
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					
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Total owners' equity
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:	*Chief financial officer:*	*Head of accounting department:*
Hu Wei	**Zhao Guiping**	**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, Jiangsu 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.

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.

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.

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.

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.

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 1one 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.

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.

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.

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

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). Pair 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.

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.

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.

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.

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).

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.

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.

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.

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.

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.

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.

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.

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.

Notes to Financial Statements

2020
(RMB)

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.

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

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 contains 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.

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.

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.

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.

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.

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.

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.

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.

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	7%, 5%
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%.

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.

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.

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:

	2020		2019	
Item	**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	–

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:

	2020			
	Ending balance		Provision for bad debts	
Category	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		
Aging	Estimated default book balance	Expected credit loss rate (%)	Expected credit loss over the duration
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		
Aging	Estimated default book balance	Expected credit loss rate (%)	Expected credit loss over the duration
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		
Aging	Estimated default book balance	Expected credit loss rate (%)	Expected credit loss over the duration
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**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

(2) Accounts receivable are analyzed by category as follows: (Continued)

	2019			
	Ending balance		Provision for bad debts	
Category	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		
Aging	Estimated default book balance	Expected credit loss rate (%)	Expected credit loss over the duration
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		
Aging	Estimated default book balance	Expected credit loss rate (%)	Expected credit loss over the duration
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 Amount	2020 % of total balance	2019 Amount	2019 % 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

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**

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 Book balance	2020 Allowance for impairment	2020 Book value	2019 Book balance	2019 Allowance for impairment	2019 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.

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 Book balance	2020 Provision for bad debt	2020 Book value	2019 Book balance	2019 Provision for bad debt	2019 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

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 Book balance	2020 Bad debt provision	2020 Book value	2019 Book balance	2019 Bad debt provision	2019 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

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

		Current year movements								
Investee	2019	Current year additions	Investment income/loss recognized under equity pick-up method	Cash dividend declared	Investment cost refunded	Disposals	Others	2020	Shareholding (%)	Impairment provided during the year
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	/	–

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Long-term equity investments (continued)

2019

		Current year movements								
Investee	2018	Current year additions	Reduction	Investment income/loss recognized under equity pick-up method	Cash dividend declared	Investment cost refunded	Others	2019	Shareholding (%)	Impairment provided during the year
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

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						
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).

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	/	/

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**

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	–	–	–	–

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							
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

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	Cost	31 December 2019	Business combinations not under common control	Current year additions	Current year reductions	Current year amortization	31 December 2020	Accumulated amortization	Impairment
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

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).

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:

	Wind turbines manufacturing asset group	
Item	**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.

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 Deductible temporary differences	2020 Deferred tax assets	2019 Deductible temporary differences	2019 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.

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 Taxable temporary differences	2020 Deferred tax liabilities	2019 Taxable temporary differences	2019 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 assts.

(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 31 December 2020	Net values of deferred tax assets/ liabilities as at 31 December 2020	Deferred tax assets and liabilities offset as at 31 December 2019	Net values of deferred tax assets/ liabilities as at 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

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

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

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

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.

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

Notes to Financial Statements

2020
(RMB)

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	8,028,920.70	/
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%.

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**

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.

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

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.

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)i)	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)ii)	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	/

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: New shares issued	Rights issue	Transfer from surplus	Others	Sub-total	31 December 2020
Total share capital	2,180,770,326.00	–	–	–	–	–	2,180,770,326.00

2019

Item	31 December 2018	Movement: New shares issued	Rights issue	Transfer from surplus	Others	Sub-total	31 December 2019
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.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. Capital surplus

2020

Item	31 December 2019	Business combination involving enterprise under common control	1 January 2020	Current yea r additions	Current year reductions	31 December 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	1 January 2020	Current year additions	Current year reductions	31 December 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 Pre-tax amount incurred during the year	Amount incurred in current period Post-tax amount attributable to owners of the Company	End of year balance
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 Pre-tax amount incurred during the year	Amount incurred in current year Post-tax amount attributable to owners of the Company	Ending balance
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

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

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

	2020		2019	
Item	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

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
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
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

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

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.

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

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

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

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

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

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

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	**1,353,533,583.44**	–	(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).

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

	2020			2019		
Item	**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

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**	**/**

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**	**/**

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:

	China Logistics Finance and Financial Leasing Company (i)	
Item	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:

	China Logistics Finance and Financial Leasing Company (a)	
Item	**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.

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:

	Longda Company	
Item	**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:

	Longda Company	
Item	**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 subidiary 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.

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	Equity interest (%) 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	Capitalmarket 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

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	Equity interest (%) 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	Equity interest (%) 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	–	67.14	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

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	Equity interest (%) 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

Name of subsidiaries	2019					
	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

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (continued)

(3) Significant partly-owned subsidiaries (continued)

	2020			
Name of subsidiaries	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**

	2019			
Name of subsidiaries	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 *(%)* Direct	Indirect	Accounting method
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.

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.

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		Measured at amortized cost	Total
	Required by standard	Designated		
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		Measured at amortized cost	Total
	Required by standard	Designated		
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

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

	Financial assets at fair value through profit or loss			
Item	Required by standard	Designated	Measured at amortized cost	Total
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.

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.

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

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**

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

	Fair value measurement using			
Item	Quoted price in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
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

	Fair value measurement using			
Item	Quoted price in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
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.

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 Shenguanghui Expressway Development Co., Ltd. ("Shenguanghui 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.

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, 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**

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 to1,000,000	**–**	–
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.

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

		31 December 2020		31 December 2019	
Item	Related parties	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.

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.

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.

Notes to Financial Statements

2020
(RMB)

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.

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.

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:

	2020			
	Ending balance		Provision for bad debts	
Item	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：

	2020		
Item	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**	–	–

1. Accounts receivable (Continued)

(2) Accounts receivable are analyzed by category as follows: (Continued)

	2019			
	Ending balance		Provision for bad debts	
Item	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:

	2019		
Item	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

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:

	The first stage Expected credit loss over the next 12 months	
Item	**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**	**–**

	The first stage Expected credit loss over the next 12 months	
Item	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

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

	2020			2019		
Item	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

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**	–	–
Infrastrurcture 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	

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

		Earnings per share	
Profit for the reporting period	**Weighted average return on net assets (%)**	**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

Auditor's Report

Ernst & Young Hua Ming (2020) Shen Zi No. 61278656_H01
Shenzhen Expressway Company Limited

To the shareholders of Shenzhen Expressway Company Limited:

(I). Opinion

We have audited the financial statements of Shenzhen Expressway Company Limited (the "Company") and its subsidiaries (the "Group"), which comprise the consolidated and company statements of financial position as at 31 December 2019, 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 2019, and their financial performance and cash flows for the year then ended in accordance with Accounting Standards for Business Enterprises ("ASBEs").

(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
Impairment of long-term equity investments	
As at 31 December 2019, the amount of long-term equity investments of the Company was RMB8,706,289,341.73 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 of the considerations on the impairment of the long-term equity investments are included in note III.19 Impairment of long-term assets, note III. 34(5) Impairment of the long-term equity investments and note V.14 long-term equity investments.	We performed the following procedures on the considerations on the impairment of the long-term equity investments during the audit: 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) We obtained the financial statements and appraisal report of invested enterprises at the end of the reporting period, reviewed the reasonableness of the method of impairment testing and key parameters adopted. We also compared the key parameters with the public data. 3) We evaluated the certificate, professional competence and objectivity of the asset appraiser. 4) We assessed the adequacy of disclosures of the considerations and on the impairment of long-term equity investments in the financial statements.

(III). KEY AUDIT MATTERS (CONTINUED)

Key audit matters	How our audit addressed the key audit matters
Impairment of Intangible assets	
As of December 31, 2019, the original value of intangible assets related to franchise rights in the consolidated financial statements of Shenzhen Expressway Co., Ltd. was RMB36,198,454,760.23, the cumulative amortization was RMB9,032,237,983.75, and the impairment provision was RMB3,810,235,294.61, and the net value It is RMB23,355,981,481.87, which accounts for a significant proportion of the total assets of Shenzhen Expressway Co., Ltd. For those intangible assets with a clear operating period, the management of Shenzhen Expressway Co., Ltd. first determines whether there are signs of impairment on the balance sheet date. For franchised intangible assets with signs of impairment, the management needs to perform an impairment test to calculate the present value of the estimated future cash flow of the asset or hire a professional evaluation agency to evaluate the value of the predicted traffic flow growth rate and highway toll standards to make judgments, estimates and assumptions on key assumptions including the duration of charges, maintenance costs, operating costs, etc., which involves the uncertainty of significant accounting estimates, we consider this matter to be a key audit matter. The above disclosures related to the impairment of intangible assets of franchise include in Note III. 19. Financial assets impairment, Note III. 34. (7) Impairment of franchise intangible assets, Note V. 19. 23. Provision for asset impairment.	We performed the following procedures in our audit for the assessment of impairment of franchise intangible assets: 1) Review the actual operation of each toll road (including comparison of actual traffic volume with predicted traffic volume, comparison of actual income with forecasted income), and discuss with management to evaluate management's assessment of these intangible assets on the balance sheet date. Whether there is any indication of impairment; 2) For intangible assets showing signs of impairment, EY internal evaluation experts are invited to assist, including reviewing the valuation method and the logic of the discounted cash flow calculation model, and reviewing the discount rate adopted by the appraisal agency and management. EY Internal assessment experts selected a series of comparable companies in the same industry for reference and data calculations to determine the reasonable range of discount rates; 3) Review the evaluation report and the discounted cash flow calculation model using the rationality of key assumptions (including forecast traffic flow growth rate, highway toll standards, toll years, maintenance costs, operating costs, etc.), communicate with management to obtain the future of the highway Compare traffic flow prediction and other technical reports; 4) Review the qualifications, professional competence and independence of the asset appraiser; 5) Evaluate the adequacy of the disclosure of impairment of intangible assets in the financial statements.

(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 2019 annual report before the audit report date, and the H-share 2019 annual report is expected to be provided to us after the audit 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. We make the conclusion 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 continuing 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.

(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 influence 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
18 March 2020

Chinese Certified Public Accountant: Liang Chang'e

Consolidated Statement of Financial Position

2019
(RMB)

Item	Notes	31 December 2019	31 December 2018
Current assets			
Cash at banks and on hand	V.1	**4,733,118,401.80**	4,226,691,084.07
Transactional financial assets	V.2	**62,689,444.00**	45,103,194.00
Bills receivable	V.3	**9,895,060.34**	–
Accounts receivable	V.4	**722,266,920.82**	174,639,116.34
Prepayments	V.5	**335,582,597.94**	166,448,063.98
Other receivables	V.6	**374,186,451.62**	1,580,256,204.51
Inventories	V.7	**723,283,163.42**	588,939,198.83
Held-for-sale assets		**–**	296,640,634.06
Contract assets	V.8	**450,892,553.87**	166,842,230.65
Current portion of non-current assets	V.9	**22,548,751.19**	22,548,751.19
Other current assets	V.10	**231,554,033.51**	264,155,141.70
Total current assets		**7,666,017,378.51**	7,532,263,619.33
Non-current assets			
Long-term prepayments	V.11	**360,050,431.14**	367,160,992.89
Long-term receivables	V 12	**339,110,117.99**	160,973,492.73
Other non-current financial assets	V.13	**217,939,080.00**	180,438,820.00
Long-term equity investments	V.14	**8,706,289,341.73**	7,859,108,497.62
Investment properties	V.15	**11,798,941.20**	12,374,883.60
Fixed assets	V.16	**2,832,370,579.89**	840,078,401.28
Construction in progress	V.17	**15,197,595.66**	31,264,050.74
Right-of-use assets	V.18	**152,870,380.46**	–
Intangible assets	V.19	**23,493,705,251.38**	23,596,233,488.95
Goodwill	V 20	**156,039,775.24**	–
Long-term prepaid expenses		**32,405,392.30**	5,962,359.05
Deferred tax assets	V.21	**597,340,506.48**	172,392,222.04
Other non-current assets	V.22	**342,599,500.00**	342,599,500.00
Total non-current assets		**37,257,716,893.47**	33,568,586,708.90
Total assets		**44,923,734,271.98**	41,100,850,328.23

Item	Notes	31 December 2019	31 December 2018
Current liabilities			
Short-term borrowings	V.24	**363,877,741.65**	117,424,819.20
Bills payable	V.25	**131,749,731.69**	–
Accounts payable	V.26	**970,759,025.09**	714,905,820.77
Contract liabilities	V.27	**953,225,966.42**	858,712,742.77
Employee benefits payable	V.28	**280,583,659.74**	221,882,422.16
Taxes payable	V.29	**256,919,349.87**	1,353,423,918.60
Other payables	V.30	**3,015,875,682.79**	2,396,828,896.75
Current portion of non-current liabilities	V.31	**505,101,989.80**	379,135,997.24
Deferred revenue	V.38	**2,601,126.90**	2,796,223.13
Total current liabilities		**6,480,694,273.95**	6,045,110,840.62
Non-current liabilities			
Long-term borrowings	V.32	**9,031,815,479.53**	8,892,735,993.43
Bonds payable	V.33	**4,676,256,207.56**	4,632,920,008.39
Long-term payables	V.34	**2,217,015,191.85**	–
Long-term employee benefits payable	V.35	**105,824,300.00**	–
Lease liabilities	V.36	**118,269,744.66**	–
Provision	V.37	**10,284,566.66**	–
Deferred revenue	V 38	**402,819,711.85**	439,287,093.37
Deferred tax liabilities	V.21	**1,157,482,536.08**	1,422,673,617.86
Other non-current liabilities	V.39	**–**	128,370,047.21
Total non-current liabilities		**17,719,767,738.19**	15,515,986,760.26
Total liabilities		**24,200,462,012.14**	21,561,097,600.88
Owners' equity			
Share capital	V.40	**2,180,770,326.00**	2,180,770,326.00
Capital surplus	V.41	**6,220,711,401.21**	6,219,027,132.41
Other comprehensive income	V.42	**916,005,374.46**	881,375,987.20
Surplus reserve	V.43	**2,617,808,817.01**	2,481,665,060.29
Undistributed profits	V 44	**6,439,246,724.95**	5,624,252,437.38
Total equity attributable to owners of the Company		**18,374,542,643.63**	17,387,090,943.28
Minority interests		**2,348,729,616.21**	2,152,661,784.07
Total owners' equity		**20,723,272,259.84**	19,539,752,727.35
Total liabilities and owners' equity		**44,923,734,271.98**	41,100,850,328.23

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

Legal representative:	*Chief financial officer:*	*Head of accounting department (Account officer):*
Hu Wei	**Zhao Guiping**	**Luo Chaoyun**

Company Statement of Financial Position

2019
(RMB)

Item	Notes	31 December 2019	31 December 2018
Current assets			
Cash at banks and on hand		**1,309,001,086.11**	1,222,994,093.07
Transactional financial assets		**62,689,444.00**	45,103,194.00
Accounts receivable	XIV.1	**16,170,543.00**	21,331,105.99
Prepayments		**15,546,278.08**	23,773,795.01
Other receivables	XIV.2	**1,005,795,909.83**	2,479,355,358.90
Inventories		**776,373.15**	1,843,919.52
Contract assets		**115,303,836.38**	118,201,711.53
Other current assets		**13,771,786.56**	–
Total current assets		**2,539,055,257.11**	3,912,603,178.02
Non-current assets			
Long-term prepayments		**80,469,002.23**	–
Long-term receivables		**4,503,665,771.45**	3,890,963,143.15
Long-term equity investments	XIV.3	**19,741,522,254.89**	14,667,348,245.71
Other non-current financial assets		**217,939,080.00**	180,438,820.00
Investment properties		**11,798,941.20**	12,374,883.60
Fixed assets		**159,982,306.36**	139,593,056.31
Construction in progress		**2,398,709.49**	877,667.43
Right-of-use assets		**32,330,237.50**	–
Intangible assets		**219,274,003.05**	254,160,514.28
Long-term prepaid expenses		**1,144,174.07**	973,111.15
Deferred tax assets		**62,996,204.64**	62,934,792.94
Total non-current assets		**25,033,520,684.88**	19,209,664,234.57
Total assets		**27,572,575,941.99**	23,122,267,412.59

Item	Notes	31 December 2019	31 December 2018
Current liabilities			
Accounts payable		**19,760,352.78**	20,223,942.78
Contracts liabilities		**2,411,761.00**	–
Employee benefits payable		**101,746,485.90**	88,250,867.34
Taxes payable		**14,883,928.57**	986,619,918.16
Other payables		**2,046,947,507.14**	1,485,329,854.15
Current portion of non-current liabilities		**155,386,860.13**	44,454,545.45
Total current liabilities		**2,341,136,895.52**	2,624,879,127.88
Non-current liabilities			
Long-term borrowings		**4,015,858,867.55**	823,000,000.00
Bonds payable		**4,676,256,207.56**	4,632,920,008.39
Long-term payables		**1,618,960,000.00**	–
Long-term employee benefits payable		**59,000,200.00**	–
Provisions		**28,620,243.26**	–
Deferred income		**291,504,931.35**	312,144,931.35
Total non-current liabilities		**10,690,200,449.72**	5,768,064,939.74
Total liabilities		**13,031,337,345.24**	8,392,944,067.62
Owners' equity			
Share capital	V.40	**2,180,770,326.00**	2,180,770,326.00
Capital surplus		**3,279,942,664.85**	3,279,942,664.85
Other comprehensive income		**770,798.03**	1,946,181.99
Surplus reserve	V.43	**2,617,808,817.01**	2,481,665,060.29
Undistributed profits		**6,461,945,990.86**	6,784,999,111.84
Total owners' equity		**14,541,238,596.75**	14,729,323,344.97
Total liabilities and owners' equity		**27,572,575,941.99**	23,122,267,412.59

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

Legal representative:	*Chief financial officer:*	*Head of accounting department (Account officer):*
Hu Wei	**Zhao Guiping**	**Luo Chaoyun**

Consolidated Income Statement

2019
(RMB)

Item	Notes	For the year ended 31 December 2019	For the year ended 31 December 2018
1. Total revenue		**6,185,825,111.97**	5,807,108,031.78
Including: Revenue from services	V.45	**6,185,825,111.97**	5,807,108,031.78
2. Total costs		**4,523,563,329.29**	4,192,022,326.88
Including: Cost of services	V.45	**3,499,538,158.68**	2,858,211,931.76
Taxes and surcharges	V.46	**54,575,075.54**	49,742,097.47
Selling expenses		**27,304,777.79**	19,417,328.93
General and administrative expenses	V.47	**350,732,443.82**	209,644,932.04
R & D expenses	V.48	**18,474,814.08**	–
Financial expenses	V.49	**572,938,059.38**	1,055,006,036.68
Including: Interest expense		**599,895,084.68**	985,524,012.93
Interest income		**49,826,103.21**	76,511,408.47
Add: Other income	V.50	**8,522,310.22**	139,095.35
Add: Investment income	V.51	**1,242,672,036.85**	555,594,384.15
Including: Share of profits of associates and joint ventures	V.14	**899,684,300.39**	520,956,388.49
Gain or loss from changes in fair value (loss shown with"-")	V.52	**81,086,510.00**	134,403,871.30
Impairment loss on credit (reverse shown with"-")		**-1,129,098.22**	-235,884.16
Impairment loss on assets	V.53	**552,000,000.00**	–
Gain or loss on disposal of assets (loss shown with"-")	V.54	**386,045.39**	2,227,126,379.18
3. Operating profits		**2,444,057,783.36**	4,532,585,319.04
Add: Non-operating income	V.55	**12,400,677.84**	17,432,390.89
Less: Non-operating expenses	V.56	**12,224,737.39**	4,840,143.38
4. Total profit		**2,444,233,723.81**	4,545,177,566.55
Less: Income tax expenses	V.58	**-92,249,497.96**	966,446,984.07
5. Net profit		**2,536,483,221.77**	3,578,730,582.48
(1) Classified by business continuity			
Net profit from continuing operations		**2,536,483,221.77**	3,578,730,582.48
(2) Classified by ownership			
Net profit attributable to owners of the Company		**2,499,484,975.75**	3,440,050,607.33
Minority interests		**36,998,246.02**	138,679,975.15

Item	Notes	For the year ended 31 December 2019	For the year ended 31 December 2018
6. Other comprehensive income after tax (loss shown with"-")		**34,629,387.26**	-6,248,183.30
Other comprehensive income after tax attributable to owners of the company		**34,629,387.26**	-6,248,183.30
Items that may be reclassified subsequently to profit or loss		**34,629,387.26**	-6,248,183.30
Including: Foreign exchange gain/loss	V.41	**1,407,655.27**	2,493,305.25
Share of other comprehensive income from investees accounted for the equity method to be reclassified to profit or loss in the subsequent year	V.42	**33,221,731.99**	-8,741,488.55
7. Total comprehensive income		**2,571,112,609.03**	3,572,482,399.18
Total comprehensive income attributable to owners of the company		**2,534,114,363.01**	3,433,802,424.03
Total comprehensive income attributable to minority interests		**36,998,246.02**	138,679,975.15
8. Earnings per share			
Basic earnings per share (RMB/share)	V.63(1)	**1.146**	1.577
Diluted earnings per share (RMB/share)	V.63(1)	**1.146**	1.577

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

Legal representative:	*Chief financial officer:*	*Head of accounting department (Account officer):*
Hu Wei	**Zhao Guiping**	**Luo Chaoyun**

Company Income Statement

2019
(RMB)

Item	Notes	2019	2018
1. Total revenue	XIV.4	**847,458,688.26**	1,554,640,393.63
Less: Cost of services	XIV.4	**304,766,868.20**	395,357,520.94
Tax and surcharges		**5,870,527.93**	9,343,049.45
General and administrative expenses		**253,094,815.03**	149,915,240.55
Financial expenses		**212,540,305.49**	447,763,608.09
Including: Interest expenses		**335,770,080.64**	408,013,267.33
Interest income		**169,176,987.11**	82,606,674.75
Other income		**1,411,793.31**	–
Add: Investment income	XIV.5	**1,274,784,245.06**	1,358,091,368.31
Including: Share of profits of associates and joint ventures		**705,905,909.94**	358,844,701.61
Add: Gain or loss from changes in fair value (loss shown with"-")		**55,086,510.00**	134,403,871.30
Gain or loss on disposal of assets		**401,073.56**	1,983,369,381.61
2. Operating profit		**1,402,869,793.54**	4,028,125,595.82
Add: Non-operating income		**334,300.41**	1,481,804.02
Less: Non-operating expenses		**883,418.11**	1,210,382.61
3. Total profit		**1,402,320,675.84**	4,028,397,017.23
Less: Income tax expenses		**40,883,108.64**	597,895,653.24
4. Net profit		**1,361,437,567.20**	3,430,501,363.99
Net profit from continuing operations		**1,361,437,567.20**	3,430,501,363.99
5. Other comprehensive income (loss shown with"-")		**-1,175,383.96**	8,375,513.47
Items that may be reclassified subsequently to profit or loss		**-1,175,383.96**	8,375,513.47
Share of other comprehensive income from investees accounted for the equity method to be reclassified to profit or loss in the subsequent year	V.14(1)	**-1,175,383.96**	8,375,513.47
6. Total comprehensive income		**1,360,262,183.24**	3,438,876,877.46

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

Legal representative:	*Chief financial officer:*	*Head of accounting department (Account officer):*
Hu Wei	**Zhao Guiping**	**Luo Chaoyun**

Consolidated Statement of Cash Flows

2019
(RMB)

Item	Notes	2019	2018
1. Cash flows from operating activities:			
Cash received from selling goods and rendering services		**5,416,250,186.24**	5,677,577,695.35
Refund of taxes		**10,311,510.97**	3,313,281.58
Cash received relating to other operating activities	V.59(1)	**138,154,871.27**	102,414,183.79
Sub-total of cash inflows		**5,564,716,568.48**	5,783,305,160.72
Cash paid for goods and services		**1,428,063,561.78**	575,402,355.62
Cash paid to and on behalf of employees		**674,374,616.82**	599,212,936.31
Payments of taxes and surcharges		**1,013,396,098.06**	679,914,315.81
Cash paid relating to other operating activities	V.59(2)	**697,453,616.75**	706,546,970.36
Sub-total of cash outflows		**3,813,287,893.41**	2,561,076,578.10
Net cash flows from operating activities	V.61(1)	**1,751,428,675.07**	3,222,228,582.62
2. Cash flows from investing activities:			
Cash received from recovery of investments		**588,000,000.00**	1,617,000,000.00
Cash received from returns on investments		**398,391,397.49**	355,654,290.54
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**932,731,534.97**	107,705,376.17
Net cash received from disposal of subsidiaries and other business units	V.59(3)	**567,000,000.00**	180,820,430.08
Cash received relating to other investing activities	V.59(4)	**409,788,403.86**	1,122,033,807.93
Sub-total of cash inflows		**2,895,911,336.32**	3,383,213,904.72
Cash paid to acquire fixed assets, intangible assets and other long-term assets		**1,609,773,814.33**	1,109,552,303.57
Payments for investing activities		**279,794,470.10**	57,500,000.00
Cash paid relating to other investing activities	V.59(5)	**1,259,832,118.97**	1,258,222,104.60
Sub-total of cash outflows		**3,149,400,403.40**	2,425,274,408.17
Net cash flows from investing activities		**-253,489,067.08**	957,939,496.55

Consolidated Statement of Cash Flows

2019
(RMB)

Item	Notes	2019	2018
3. Cash flows from financing activities:			
Cash received from investments		**2,205,000.00**	4,000,000.00
Cash received from borrowings		**4,857,576,249.18**	5,252,122,300.05
Cash received relating to other financing activities	V.59(6)	**2,569,790,000.00**	–
Sub-total of cash inflows		**7,429,571,249.18**	5,256,122,300.05
Cash repayments of borrowings		**4,567,023,779.19**	7,284,061,843.30
Cash payments for interest expenses and distribution of dividends or profits		**2,332,317,908.23**	1,374,475,173.61
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		**150,000,000.00**	84,721,229.30
Cash payments relating to other financing activities	V.59(7)	**1,677,302,187.93**	81,487,461.49
Sub-total of cash outflows		**8,576,643,875.35**	8,740,024,478.40
Net cash flows from financing activities		**-1,147,072,626.17**	-3,483,902,178.35
4. Effect of foreign exchange rate changes on cash and cash equivalents		**113,030.18**	7,206.26
5. Net increase/decrease in cash and cash equivalents	V.60(1).2	**350,980,012.00**	696,273,107.08
Add: Cash and cash equivalents at beginning of the year		**2,580,843,329.57**	1,884,570,222.49
6. Cash and cash equivalents at end of the year	V.60(1).2	**2,931,823,341.57**	2,580,843,329.57

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

Legal representative:	*Chief financial officer:*	*Head of accounting department (Account officer):*
Hu Wei	**Zhao Guiping**	**Luo Chaoyun**

Company Statement of Cash Flows

2019
(RMB)

Item	Notes	2019	2018
1. Cash flows from operating activities:			
Cash received from selling goods and rendering services		**798,453,954.44**	751,154,093.48
Cash received relating to other operating activities		**2,398,164,503.30**	1,050,958,559.32
Sub-total of cash inflows		**3,196,618,457.74**	1,802,112,652.80
Cash paid for goods and services		**88,113,186.77**	155,830,019.48
Cash paid to and on behalf of employees		**219,375,894.78**	203,426,577.06
Payments of taxes and surcharges		**129,354,240.36**	142,776,273.48
Cash paid relating to other operating activities		**2,783,675,175.29**	410,335,440.14
Sub-total of cash outflows		**3,220,518,497.20**	912,368,310.16
Net cash flows from operating activities		**-23,900,039.46**	889,744,342.64
2. Cash flows from investing activities:			
Cash received from recovery of investments		**622,570,553.84**	1,671,979,827.76
Cash received from returns on investments		**400,767,287.90**	321,022,394.58
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		**932,730,318.97**	87,481,821.35
Cash received relating to other investing activities		**1,342,203,863.53**	737,340,089.38
Sub-total of cash inflows		**3,298,272,024.24**	2,817,824,133.07
Cash paid to acquire fixed assets, intangible assets and other long-term assets		**102,597,953.29**	21,140,438.31
Payments for investing activities		**108,750,000.00**	57,500,000.00
Net cash paid to acquire subsidiaries and other business units		**4,650,200,000.67**	14,600,000.00
Cash paid relating to other investing activities		**2,286,832,118.97**	1,562,976,500.00
Sub-total of cash outflows		**7,148,380,072.93**	1,656,216,938.31
Net cash flows from investing activities		**-3,850,108,048.69**	1,161,607,194.76

Company Statement of Cash Flows

2019
(RMB)

Item	Notes	2019	2018
3. Cash flows from financing activities:			
Cash received from borrowings		**6,815,500,000.00**	3,350,589,196.51
Cash received relating to other financing activities		**1,896,790,000.00**	16,000,000.00
Sub-total of cash inflows		**8,712,290,000.00**	3,366,589,196.51
Cash repayments of borrowings		**2,869,954,545.45**	3,918,734,319.04
Cash payments for interest expenses and distribution of dividends or profits		**1,882,670,260.13**	892,498,706.42
Cash payments relating to other financing activities		**10,993,833.63**	35,990,292.59
Sub-total of cash outflows		**4,763,618,639.21**	4,847,223,318.05
Net cash flows from financing activities		**3,948,671,360.79**	-1,480,634,121.54
4. Effect of foreign exchange rate changes on cash and cash equivalents		**-80.34**	-2,968.51
5. Net increase/decrease in cash and cash equivalents		**74,663,192.30**	570,714,447.35
Add: Cash and cash equivalents at beginning of the year		**1,192,441,921.64**	621,727,474.29
6. Cash and cash equivalents at end of the year		**1,267,105,113.94**	1,192,441,921.64

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

Legal representative:	*Chief financial officer:*	*Head of accounting department (Account officer):*
Hu Wei	**Zhao Guiping**	**Luo Chaoyun**

Consolidated Statement of Changes in Equity

2019
(RMB)

Item	2019							
	Attributable to owners of the Company							
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Sub total	Minority interests	Total owners' equity
1. Beginning balance on 1 January 2019	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
2. Increases/decreases during the year ("-" for decreases)	–	1,684,268.80	34,629,387.26	136,143,756.72	814,994,287.57	987,451,700.35	196,067,832.14	1,183,519,532.49
(1) Total comprehensive income	–	–	34,629,387.26	–	2,499,484,975.75	2,534,114,363.01	36,998,246.02	2,571,112,609.03
Net profit	–	–	–	–	2,499,484,975.75	2,499,484,975.75	36,998,246.02	2,536,483,221.77
Other comprehensive income	–	–	34,629,387.26	–	–	34,629,387.26	–	34,629,387.26
(2) Withdrawal or transfer of investment by shareholders	–	–	–	–	–	–	309,069,586.12	309,069,586.12
Investment by stockholders	–	–	–	–	–	–	342,284,431.96	342,284,431.96
Withdrawal of investment by shareholders	–	–	–	–	–	–	-33,214,845.84	-33,214,845.84
(3) Profit distribution (Note V.44)	–	–	–	136,143,756.72	-1,684,490,688.18	-1,548,346,931.46	-150,000,000.00	-1,698,346,931.46
Appropriation to surplus reserves	–	–	–	136,143,756.72	-136,143,756.72	–	–	–
Profit distribution to equity owners	–	–	–	–	-1,548,346,931.46	-1,548,346,931.46	-150,000,000.00	-1,698,346,931.46
(4) Others	–	1,684,268.80	–	–	–	1,684,268.80	–	1,684,268.80
3. Ending balance on 31 December 2019	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

Item	2018							
	Attributable to owners of the Company							
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Sub total	Minority interests	Total owners' equity
1. Ending balance on 31 December 2017	2,180,770,326.00	2,154,994,921.43	887,624,170.50	2,138,614,923.89	6,256,075,328.76	13,618,079,670.58	2,156,486,969.40	15,774,566,639.98
Add: Business combination under common control	–	3,128,000,000.00	–	–	3,113,068,776.71	14,931,223.29	–	14,931,223.29
Sub-total	2,180,770,326.00	5,282,994,921.43	887,624,170.50	2,138,614,923.89	3,143,006,552.05	13,633,010,893.87	2,156,486,969.40	15,789,497,863.27
Add: Changes of accounting policy	–	–	–	–	38,476,512.20	38,476,512.20	-1,494,904.48	36,981,607.72
2. Beginning balance on 1 January 2018	2,180,770,326.00	5,282,994,921.43	887,624,170.50	2,138,614,923.89	3,181,483,064.25	13,671,487,406.07	2,154,992,064.92	15,826,479,470.99
3. Increases/decreases during the year ("-" for decreases)	–	936,032,210.98	-6,248,183.30	343,050,136.40	2,442,769,373.13	3,715,603,537.21	-2,330,280.85	3,713,273,256.36
(1) Total comprehensive income	–	–	-6,248,183.30	–	3,440,050,607.33	3,433,802,424.03	138,679,975.15	3,572,482,399.18
Net profit	–	–	–	–	3,440,050,607.33	3,440,050,607.33	138,679,975.15	3,578,730,582.48
Other comprehensive income	–	–	-6,248,183.30	–	–	-6,248,183.30	–	-6,248,183.30
(2) Withdrawal or transfer of investment by shareholders	–	–	–	–	–	–	-48,823,756.08	-48,823,756.08
Withdrawal of investment by shareholders	–	–	–	–	–	–	-48,823,756.08	-48,823,756.08
(3) Profit distribution (Note V.44)	–	–	–	343,050,136.40	-997,281,234.20	-654,231,097.80	-92,186,499.92	-746,417,597.72
Appropriation to surplus reserves	–	–	–	343,050,136.40	-343,050,136.40	–	–	–
Profit distribution to equity owners	–	–	–	–	-654,231,097.80	-654,231,097.80	-92,186,499.92	-746,417,597.72
(4) Others	–	936,032,210.98	–	–	–	936,032,210.98	–	936,032,210.98
4. 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

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

Legal representative: **Hu Wei** *Chief financial officer:* **Zhao Guiping** *Head of accounting department (Account officer):* **Luo Chaoyun**

Company Statement of Changes in Equity

2019
(RMB)

Item	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Total owner's equity
	2019					
1. Beginning balance on 1 January 2019	**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 period ("-" 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**
Net profit	**–**	**–**	**–**	**–**	**1,361,437,567.20**	**1,361,437,567.20**
Other comprehensive income	**–**	**–**	**-1,175,383.96**	**–**	**–**	**-1,175,383.96**
(2) Profit distribution (Note V.44)	**–**	**–**	**–**	**136,143,756.72**	**-1,684,490,688.18**	**-1,548,346,931.46**
Appropriation to surplus reserves	**–**	**–**	**–**	**136,143,756.72**	**-136,143,756.72**	**–**
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**

Item	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Total owner's equity
	2018					
1. Ending balance on 31 December 2017	2,180,770,326.00	2,329,774,011.94	-6,429,331.48	2,138,614,923.89	4,309,814,359.39	10,952,544,289.74
Add: Changes of accounting policy	–	–	–	–	41,964,622.66	41,964,622.66
2. Beginning balance on 1 January 2018	2,180,770,326.00	2,329,774,011.94	-6,429,331.48	2,138,614,923.89	4,351,778,982.05	10,994,508,912.40
3. Increases/decreases during the period ("-" for decreases)	–	950,168,652.91	8,375,513.47	343,050,136.40	2,433,220,129.79	3,734,814,432.57
(1) Total comprehensive income	–	–	8,375,513.47	–	3,430,501,363.99	3,438,876,877.46
Net profit	–	–	–	–	3,430,501,363.99	3,430,501,363.99
Other comprehensive income	–	–	8,375,513.47	–	–	8,375,513.47
(2) Profit distribution (Note V.44)	–	–	–	343,050,136.40	-997,281,234.20	-654,231,097.80
Appropriation to surplus reserves	–	–	–	343,050,136.40	-343,050,136.40	–
Profit distribution to equity owners	–	–	–	–	-654,231,097.80	-654,231,097.80
(3) Business combination under common control	–	15,939,407.88	–	–	–	15,939,407.88
(4) Others	–	934,229,245.03	–	–	–	934,229,245.03
4. 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

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

Legal representative:	*Chief financial officer:*	*Head of accounting department (Account officer):*
Hu Wei	**Zhao Guiping**	**Luo Chaoyun**

Notes to Financial Statements

2019
(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, Jiangsu 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 and investment of toll highways and expressways in China.

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 18 March 2020.

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

The financial statements have been prepared in accordance with the Basic Standards and the Specific Standards of the Accounting Standards for Business Enterprises ("ASBEs") issued by the Ministry of Finance, and Application Guidance for ASBEs, interpretations and other relevant regulations issued and revised thereafter (hereafter referred to as "CAS"). 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.

The financial statements have been prepared on a going concern basis.

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 determining 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.24) and recognition of deferred income tax assets (Note III.28), etc.

Key judgments and estimates applied for critical accounting policies by the Group are disclosed in Note III.34.

1. Statement of compliance with Accounting Standards for Business Enterprises

In compliance with the Chinese Accounting Standards, the financial statements truly and completely present the consolidated and the Company's financial position on 31 December 2019 and the operating results, cash flows and other information of the Group and the Company for the year ended 31 December 2019.

2. Accounting period

The accounting period started on 1 January 2019 and ended on 31 December 2019.

3. Normal operating cycle

Except for the real estate business and construction business, the operating cycle of the Group's business is relatively short. The classification standard of asset and liability's liquidity is 12 months. The operating cycle of the real estate business is generally longer than 12 months, starting from the commencement of property development to the collection of sales proceeds. The length of the specific operating cycle, which is used as the classification criterion of the liquidity of assets and liabilities in this business, depends on the development project. The operating cycle of the construction business is generally longer than 12 months, starting from the commencement of construction project to completion settlement. The length of the specific operating cycle, which is used as the classification criterion of the liquidity of assets and liabilities in this business, depends on the development project.

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 RMBunless there is any special circumstance.

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

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. In a business combination not involving enterprises under common control, the party which obtains control of other combining enterprise(s) on the combination date is the acquirer, the other combining enterprise(s) is(are) the acquiree(s). The combination date is the date on which the acquirer actually obtains control of the acquiree(s).

The acquiree's identifiable assets, liabilities and contingent liabilities acquired by the acquirer in a business combination not involving enterprises under common control that meet the recognition criteria shall be measured at fair value at the acquisition date.

Where the fair value of combination consideration (or the fair value of issued equity securities) 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 (or the fair value of issued equity securities) 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 firstly 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 (or the fair value of issued equity securities) and the fair value of the equity interest held in the acquiree prior to the acquisition date. If the fair value of combination consideration (or the fair value of issued equity securities) 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. Preparation of 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 structural 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.

In the case of package deals, in which the equity investment in the subsidiary is lost through step-by-step disposals and multiple transactions until it loses control, the transaction will be treated as a transaction disposing of the subsidiary and losing control. However, before the loss of control, the difference between the disposal price and the share of the net assets of the subsidiary should be recognized in the consolidated financial statements as other comprehensive income. When the control right is lost, it is transferred to profit or loss of the period of losing control. In the case of disposing of the equity investment in the subsidiary through multiple transactions until the loss of control right, which does not belong to the package deals, a corresponding accounting treatment shall be carried out on whether each transaction division loses the control right. In the case of losing control, the remaining equity shall be remeasured at the fair value on the date of the loss of control. The difference between the consideration obtained by disposing of the equity, adding the fair value of the remaining equity and the share of the net assets calculated on the basis of the original shareholding proportion at the purchase date, is recognized in profit or loss for the period of losing control. If there is goodwill for the subsidiary, the amount of the goodwill should be deducted when calculating the gain or loss on the disposal of the subsidiary. Other comprehensive income related to the equity investment of the original subsidiary is treated on the same basis as the subsidiary directly disposes of the relevant assets or liabilities when losing control. The shareholders' equity recognized in the change in other shareholders' equity, other than the net profit or loss, other comprehensive income, and profit distribution of the original subsidiary, should be transferred to profit or loss for the period of losing control.

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.

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 RMBusing 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 flow and cash flow 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.

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

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.

A financial asset (or part of a financial asset, or a portion of a group of similar financial assets) is derecognized and written off from its account and balance sheet, when the following conditions are met:

(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 and 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 at initial recognition, but accounts receivable or bills receivable due to sales of goods or provision of services do not contain significant financing components or do not consider financing components that do not exceed one year, the initial measurement is based on 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.

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.

Debt instruments at fair value through other comprehensive income

Financial assets fulfilling all of the following conditions are classified as financial assets at fair value through other comprehensive income: the objective of the Group's business management model in respect of such type of financial assets is both to generate contract cash flow and to sell such type of financial assets; the contract terms of such type of financial assets provide that cash flow generated on specific dates represents interest payment in relation to principal amounts based on outstanding principal amounts only. Interest income from this type of financial assets is recognised using the effective interest rate method. Other than interest income, impairment loss and exchange differences which shall be recognised as current profit or loss, other fair value changes shall be included in other comprehensive income. Upon derecognition of the financial assets, the cumulative gains or losses previously included in other comprehensive income shall be transferred from other comprehensive income to current 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.

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.13).

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

9. Financial instruments (continued)

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.

Subsequent measurement of financial liabilities depends on their classification:

Financial liabilities measured at fair value through profit or loss

Financial liabilities measured at fair value through profit or loss include financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated as at fair value through profit or loss.

If one of the following conditions is met, it is a transactional financial liability: the purpose of undertaking the relevant financial liability is mainly for the purpose of selling or repurchasing in the near future; it is a combination of identifiable financial instruments that are centrally managed. Partly, and there is objective evidence that the Company has recently adopted short-term profit-making methods; it is a derivative instrument, except for derivatives that are designated as effective hedging instruments and derivatives that qualify for financial guarantee contracts. Transactional financial liabilities (including derivatives that are financial liabilities) are subsequently measured at fair value. All changes in fair value of transactional financial liabilities are recorded in the profit or loss of the current period, except for hedge accounting.

If only 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.

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 receivables that do not contain significant financing components and contractual assets, the Group uses a simplified measurement method to measure loss provision based on the amount of expected credit losses equivalent to the entire duration of the life.

For lease receivables, receivables with significant financing components and contractual assets, the Group uses a simplified measurement method to measure loss provisions based on the amount of expected credit losses equivalent to the entire duration of the life.

In addition to the above-mentioned financial assets other than the simplified measurement method, the Group assesses whether its credit risk has increased significantly since the initial recognition on each statement date. If the credit risk has increased significantly since the initial recognition, the Group's amount of expected credit losses during the lifetime is measured for loss; if the credit risk has not increased significantly since the initial recognition, the Group measures the loss provision based on the amount of expected credit loss over the next 12 months, and interest revenue shall be calculated on the basis of the carrying balance and the actual interest rate; if the credit risk has increased significantly since the initial confirmation but no credit impairment has occurred, it is in the second stage. The Group shall measure the loss reserve according to the amount equivalent to the expected credit loss in the whole duration, and calculate the interest income according to the book balance and the actual interest rate. If credit impairment occurs after the initial recognition, it is in the third stage. The Group shall measure the loss reserve according to the amount equivalent to the expected credit loss in the whole duration, and calculate the interest income according to the amortized cost and the actual interest rate. For financial instruments with low credit risk at the date of statement of financial position, the Group assumes that their credit risk has not increased significantly since the 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 Receivables from government and related parties	Other appropriate methods
Group 2 Receivables from other third parties	Aging analysis
Group 3 Receivables from wind power client	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 currency forward 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 derecognised. If the Group retains substantially all the risks and rewards of ownership of a financial asset, the asset should not be derecognised.

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

10. Inventories

(1) Classification

Inventory includes 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.

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 inventory items include procurement costs, processing costs, and other costs.

(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 inventory 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.

10. Inventories (continued)

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

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

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. (The relevant regulations require the approval of the relevant authority of the enterprise or the regulatory department before the sale, which has already been approved). If the control of the subsidiary is lost due to the sale of the investment in the subsidiary, whether or not part of the equity investment is retained after the sale, and if the conditions for holding the sale for sale are met, the investment in the subsidiary is divided into Classes held for sale, all assets and liabilities of subsidiaries are classified as held for sale in the consolidated financial statements.

If the non-current assets or disposal group (except financial assets and deferred income tax assets) held for sale has a book value higher than the net value after deducting the selling expenses, the book value shall be reduced to the fair value minus The net amount after selling expenses, the amount of write-down is recognized as asset impairment loss, which is included in the current profit and loss, and at the same time provision for impairment of assets held for sale is made. Non-current assets held for sale or non-current assets in disposal groups are not depreciated or amortized.

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

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.

(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.

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

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 using 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.

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.

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

12. Long-term equity investments (continued)

(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

The book value of long-term equity investments in subsidiaries, joint ventures and associates should be reduced to the recoverable amount if the recoverable amount is below the book value (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.

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).

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

14. Fixed assets

(1) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, traffic 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.

(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				
– Office buildings	Straight-line	20-30 years	5%	3.17%-4.75%
– Temporary houses	Straight-line	5-10 years	5%	9.50%-19.00%
– Constructions	Straight-line	15 years	5%	6.33%
Traffic equipment	Straight-line	5-11 years	0%-5%	7.00%-20.00%
Mechanical equipment	Straight-line	5-20 years	4%-5%	4.00%-19.00%
Motor vehicles	Straight-line	5-6 years	5%	15.83%-24.00%
Office and other equipment	Straight-line	3-5 years	0%-5%	9.50%-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.

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

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).

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 (Applicable from 1 January 2019)

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

On the commencement date of the lease term, the Group recognises its right to use the leased asset over the lease term as the right-of-use asset, including: (1) the initial measurement amount of the lease liability; (2) the payment on or before the commencement date of the lease term The amount of the lease payment, if there is a lease incentive, deducting the relevant amount of the lease incentives already enjoyed; (3) the initial direct expenses incurred by the lessee; (4) the lessee is to dismantle and remove the leased assets, restoring the site where the leased asset is located, or restoring the leased asset to the state agreed in the lease terms. The Group's subsequent years of averaging method is used to depreciate the right-of-use assets. If it is reasonable to determine the ownership of the leased asset at the expiration of the lease term, the Group will depreciate the remaining useful life of the leased asset. If it is not reasonable to determine that the leasehold asset can be acquired at the expiration of the lease term, the Group depreciates during the shorter period between the lease term and the remaining useful life of the leased asset.

When the Group re-measures the lease liability based on the present value of the changed lease payments and adjusts the book value of the right-of-use asset accordingly. If the book value of the right-of-use asset has been reduced to zero, the lease liability still needs to be further reduced, the Group accounts for the remaining amount in the current profit or loss.

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

18. Intangible assets

Intangible assets include concession intangible assets, billboard use right, patent, land use right and software. Intangible assets are measured at cost.

(1) Concession intangible assets

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 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 and 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 owned by Shenzhen Meiguan Expressway Company Limited ("Meiguan Company"), a subsidiary, was 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.

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

18. Intangible assets (continued)

(1) Concession intangible assets (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 (Note 1)
Shenzhen Airport-Heao Expressway (Western Section)	May 1999 to March 2027	0.59 (Note 1)
Shenzhen Airport-Heao Expressway (Eastern Section)	October 1997 to March 2027	2.95 (Note 1)
Wuhuang Expressway	September 1997 to September 2022	5.82
Qinglian Expressway	July 2009 to July 2034	30.03
Shuiguan Expressway	March 2002 to February 2027	5.86
Yichang Expressway	January 2004 to December 2033	9.55
Changsha Ring Road (North-western Section) ("Changsha Ring Road")	November 1999 to October 2029	1.71
Coastal Expressway	December 2013 to December 2038	6.31

Note 1: As stated in Note III.35(a), the Company appointed an independent professional traffic consultant to reassess the traffic volume of Meiguan Expressway, Shenzhen Airport-Heao Expressway (Western Section), and Shenzhen Airport-Heao Expressway (Eastern Section) in the future operating period in June 2019. The unit usages of concession intangible assets of Meiguan Expressway, Shenzhen Airport-Heao Expressway (Western Section), and Shenzhen Airport-Heao Expressway (Eastern Section) have been adjusted from RMB0.84, RMB0.78, and RMB3.49 to RMB0.53, RMB0.59 and RMB2.95 separately from 1 April 2019.

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.

(2) Other intangible assets

The useful lives of other intangible assets are set out as follows:

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

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, review and adjustment on its useful life and amortization method are performed at each year-end.

18. Intangible assets (continued)

(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).

Internal research and development expenditures are classified as research expenditures and development expenditures. Research expenditure is recognized in profit or loss, when it is incurred.

Development expenditure can only be capitalized if the following conditions are all met, namely: It is technically feasible to complete the intangible asset that can be used or sold; It is intending to use or sell the completed intangible asset; The intangible asset produced can generate economic benefits, including the ability to prove that the product, produced by the intangible asset, or the intangible asset itself exists in the market, or that the intangible asset is useful for the internal use; the Group has sufficient technologies, financial resources, and other resources to support and complete the development, and has the ability to use or sell the intangible asset once it is made; and the development expenditure can be properly measured. If the development expenditure cannot meet the condition listed above, the development expenditure will be recognized in profit or loss when it is incurred.

19. Impairment of long-term assets

Fixed assets, construction in progress, Right-of-use assets, intangible assets with finite useful lives, investment properties measured using the cost model and long-term equity investments in subsidiaries, joint ventures, associates and right-of- use assets are tested for impairment if there is any indication that an asset may be impaired at the end of the reporting period; intangible asset that is not ready for its intended use should be tested at least annually, with or without evidence of impairment. If the result of the impairment test indicates that the recoverable amount of the asset is less than its book value, a provision for impairment and an impairment loss are recognized for the amount by which the asset's book value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognized on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

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 by the Group.

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

19. Impairment of long-term assets (continued)

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 at 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 the 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 above-mentioned asset is recognised, it shall not be reversed in any subsequent period.

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.

21. Employee benefits (continued)

(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 relevant national enterprise annuity system policies ("enterprise annuity plan"), in which the Group's employees can voluntarily participate. The Company shall prepare the annuities to a certain proportion of employees' total wages, the corresponding expenditures shall be recorded in current profit or loss. Except for the above-mentioned, the Company did not have any other significant social insurance commitments to its employees.

(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.

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

22. Lease liabilities (Applicable from 1 January 2019)

On the commencement date of the lease term, 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 recognises 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 recognised 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 re-measures the lease liability based on the present value of the changed lease payments.

23. Provisions

Except for contingent consideration and contingent liabilities arising from business combinations not involving enterprises under common control, contingent liabilities are recognized as provision when the Group has an obligation related to a contingency where all of the following conditions are met:

(1) It is a present obligation related to a contingency;

(2) It is probable that an outflow of economic benefits will be required to settle the obligation; and

(3) the amount of the obligation can be measured reliably.

The amount initially recognized as a contingent liability is the best estimate of the consideration required to settle the present obligation, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. The carrying amount of a contingent liability is reviewed at the end of the reporting period. Where there is objective evidence that the carrying amount does not reflect the best estimation of the contingency, the contingent liability would be adjusted according to the best estimated amount.

24. Revenue from contracts with customers

The Group has fulfilled its performance obligations of the contract that the revenue is recognized when the customers take control of the relevant goods or services. Taking control of the relevant goods or services means being able to dominate the use of the goods or the provision of the services and obtain almost all of the economic benefits from them.

(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.

24. Revenue from contracts with customers (continued)

(2) Service contracts between the Group and its customers usually include the obligation to perform construction management services. 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, the Group shall treat the services provided by the Group as the obligation to perform within a certain period of time and recognize revenue according to the progress of performance except for cases when the progress of performance cannot be reasonably determined. The Group determines the progress of service delivery according to the input method. If the cost incurred by the Group is expected to be compensated when the progress of performance cannot be reasonably determined, revenue shall be recognized according to the amount of cost incurred until the progress of performance can be reasonably determined. For construction management services, 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.

(3) For the Group's property sales revenue, after the completion and acceptance of the property, the Group and the client signed a sales contract, then obtains the proof of the buyer's payment and delivers the property to the buyer after the property is completed and passes the acceptance. When the buyer is informed of launch literally and does not have a proper reason to reject it, the related revenue is recognized after the time limit of the information is over. The Group's property sales contracts with customers generally include a performance obligation. In addition, the Group believes that the income from the sale of the property should be recognized when the asset control is transferred to the customer (usually after the delivery) based on the terms of the existing sales contract. The application of the new income standard has no effect on the timing of revenue recognition.

According to the new income standard, if the payment period of the customer is different from the period during which the promised goods or services are transferred according to the contract, the transaction price and the income from the sales need to be adjusted for the impact of the financing component (if significant). The Group believes that the consideration of the time difference between the customer's payment and the delivery of the property to the customer and the current market interest rate, the amount of the financing component is significant, the sales price must be discounted to calculate the significant financing component. The Group recognizes contractual liabilities for advances from customers that include significant financing components. The Group did not consider the significant financing components existing in the contract for the expectation that the customer's control over the acquisition of the goods and the payment of the customer's payment did not exceed one year. In addition, the outstanding balance of customer advances has been reclassified from advance receipts to contractual liabilities.

(4) Revenue from entrusted services is recognized on a straight-line basis over the contract period.

(5) For the service concession contracts entered into with the government departments, according 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.

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

24. Revenue from contracts with customers (continued)

(6) Advertising revenue is recognized on a straight-line basis over the contract period.

(7) 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.

(8) Income from an operating lease is recognized on a straight-line basis over the period of the lease.

(9) There are sales rebates in some of the Group's contracts with customers (early completion awards or other arrangements based on actual customer conditions) 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.

(10) 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.

(11) 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. 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.

(12) Contracts for the sale of goods between the Group and customers usually include performance obligations for the sale of electricity. The Group generally recognizes revenue at the point in time when the control of the commodity is transferred on the basis of comprehensive consideration of the following factors. Obtain the current collection rights of the goods, the transfer of main risks and rewards of the ownership of the goods, the transfer of legal ownership of the goods, the transfer of physical assets of the goods, and the customer's acceptance of the goods.

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

24. Revenue from contracts with customers (continued)

(13) For sales with a sales return clause, when the customer receives the ownership, the Group recognizes revenue based on the amount of consideration expected to be received, and recognizes the liability based on the amount expected to be refunded due to the return. Meanwhile, the cost of the sales equals to the book value at the time of transfer of the transferred good after deducting the net cost of the asset, which equals to the expected recognized book value of the returned goods at the time of transfer after deducting the estimated cost of recovering the goods (including the impairment of the returned goods' value). On each statement day, the Group re-estimates the future sales return and re-measures the assets described above and the liabilities.

(14) According to the contractual agreement, legal provisions and so on, 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, and so on.

(15) The construction contract between the Group and the customer usually includes the performance obligation of the construction project. As the customer can control the goods under construction during the performance of the Group, the Group regards it as a performance obligation performed within a certain period of time and recognizes the income according to the progress of the performance, except that the progress of the performance cannot be reasonably determined. The Group determines the progress of the performance of the services provided in accordance with the input method. If the performance of the Group is expected to be compensated if the performance of the performance cannot be reasonably determined, the revenue will be recognized according to the amount of costs incurred, until the performance of the performance can be reasonably determined.

(16) When the contract for the construction contract 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 accounting treatment;

(b) If the contract change does not fall within the above-mentioned situation (1), 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 accounting treatment;

(c) If the contract change does not fall within the above-mentioned situation (1), 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.

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

25. 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.

26. Assets relating to contract cost

The Group's assets relating to contract costs 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 recognised as an asset (unless the amortisation period of the asset is not more than 1 year).

Costs incurred by the Group for the performance of a contract are recognised 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 utilised in the Company's future performance of its contractual obligations;

(3) They are expected to be recoverable.

The Group amortises assets relating contract costs on the same basis as that for the recognition of revenue relating to such assets and recognises the amortised assets in current profit or loss.

26. Assets relating to contract cost (continued)

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 recognised 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.

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.

27. 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.

The total amount method is applied for the Group's 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.

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

28. 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.

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) In respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the 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) In respect of deductible temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

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.

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

28. Income tax (continued)

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.

29. Leases (Applicable from 1 January 2019)

Identification of leases

On the contract start date, the Group assesses whether the contract is a lease or includes a lease. If one of the parties transfers the right to control the use of one or more identified assets for a certain period of time in exchange for consideration, the contract is leased or included a lease. In order to determine whether the contract has transferred the right to control the use of the identified assets within a certain period of time, the Group assesses whether the customers in the contract are entitled to almost all of the economic benefits arising from the use of the identified assets during the period of use and have right to direct the use of the identified assets during that use period.

Identification of separate leases

Where the contract contains multiple separate leases, the Group will split the contract and separate the leases for accounting treatment. The right to use the identified asset constitutes a separate lease in the contract if the following conditions are met:

(1) The lessee can profit from using the asset alone or in conjunction with other resources that are readily available;

(2) The asset does not have a high degree of dependency or a high degree of association with other assets in the contract.

Assessment of lease period

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.

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

29. Leases (Applicable from 1 January 2019) (continued)

Lease changes

The lease changes include change of lease scope, lease consideration, and lease term change outside the original contract terms, including the increase or termination of the use rights of one or more leased assets, and the extension or shortening of the lease period stipulated in the contract.

If the lease changes and meets the following conditions, the Group will account for the lease change as a separate lease:

(1) The lease change expands the lease by increasing the right to use one or more leased assets;

(2) The increased consideration and the individual price of the enlarged portion of the lease are equivalent to the amount adjusted for the contract.

If the lease change is not accounted for as a separate lease, the Group re-determines the lease term on the effective date of the lease change and discounts the changed lease payments using the revised discount rate to re-measure the lease liability. When calculating the present value of the lease payment after the change, the Group adopts the lease interest rate of the remaining lease period as the discount rate; if the lease interest rate of the remaining lease period cannot be determined, the Group's incremental increase will be made on the effective date of the lease change.

Regarding the impact of the above adjustment of lease liabilities, the Group distinguishes between the following cases for accounting treatment

(1) If the lease change results in a narrower lease or a shorter lease term, the Group reduces the book value of the right-of-use asset to reflect the termination or complete termination of the lease. The Group recognizes the related gains or losses that partially terminate or completely terminate the leases in profit or loss for the current period.

(2) For other lease changes, the Group adjusts the book value of the right-of-use assets accordingly.

Short-term leases and lease of low value assets

The Group will be on the commencement date of the lease term, the lease term is not more than 12 months, and the lease that does not include the purchase option is recognized as a short-term lease; the lease with a value of not more than RMB50,000.00 when the single leased asset is a new asset is recognized as a lease of low-value asset If the Group subleases or expects to sublease the leased assets, the original lease is not recognized as a lease of low-value asset. The Group does not recognize the right-of-use assets and lease liabilities for short-term leases and low-value asset leases. During the period of the lease term, the related asset cost or current profit or loss is recognised using the straight-line method.

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

29. Leases (Applicable from 1 January 2019) (continued)

As a lessor

Leases that transfer substantially all of the risks and rewards associated with the ownership of the leased asset on the lease commencement date are finance leases, and all other leases are operating leases.

As lessor of an operating lease

Rental income from operating leases is recognized on a straight-line basis over the lease term in profit or loss and contingent rentals are recognised in profit or loss when incurred.

Leaseback transaction

Evaluate and determine whether the asset transfer in the leaseback transaction belongs to the sale in accordance with Note III.24.

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 notes III and 19.

30. Leases (Applicable before 1 January 2019)

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

As lessee of an operating lease

Lease payments under an operating lease are recognized by a lessee on a straight-line basis over the lease term and either included in the cost of the related asset or charged to profit or loss for the current period. Contingent rents are charged to profit or loss in the period in which they actually arise.

As lessor of an operating lease

Rental income under an operating lease is recognized by a lessor on a straight-line basis over the lease term through profit or loss. Contingent rents are charged to profit or loss in the period in which they actually arise.

31. Dividend distribution

Cash dividends of the Company are recognized as liabilities after being approved at the shareholders' meeting.

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 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 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.

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:

(1) Estimation of construction management services income and costs

As stated in Note III.24(2), 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 year, 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.

(2) Amortization of concession intangible assets

As stated in Note III.18(1), 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 2014, 2015, 2016, 2017, 2018 and 2019 and perform independent traffic volume studies respectively on Meiguan Expressway, Shenzhen Airport-Heao Expressway – Western Section, and Shenzhen Airport-Heao Expressway – Eastern Section in year 2019, and then prospectively adjusted the amortization unit according to the revised total projected traffic volume.

(3) 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.

(4) 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.

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.

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

34. Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

(5) Impairment of financial assets

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.

(6) Estimate of fair value of the identifiable net assets acquired

(a) During the year 2015, the Company's wholly-owned subsidiary, Mei Wah Industrial (Hong Kong) Limited ("Mei Wah Company"), purchased a 10% equity interest in Shenzhen Qinglong Expressway Co., Ltd. ("Qinglong Company") indirectly by purchasing a 100% equity interest in Fameluxe Investment at a cash consideration of RMB280 million. After the completion of the transaction, the Group directly and indirectly held an aggregate of 50% equity interests in Qinglong Company and obtained the control over Qinglong Company.

The purchase agreement includes the following conditions that would trigger an adjustment to the consideration:1) Qinglong Company and the local government authority entering into an agreement in relation to the traffic management arrangement and adjustment scheme of Shuiguan Expressway on or before 31 December 2016 with a comparable price lower than the preliminary consideration; 2) from the date of signing the share transfer agreement to 31 December 2016, the aforesaid adjustment agreement not yet being entered into and the relevant government authorities failing to grant the approval for the extension application of Shuiguan Expressway, or if the extension period of the concession granted under the approval being shorter than five years. Based on the available information and data, the Company made the best estimate that Qinglong Company was probable to obtain an approval of additional 4 tolling years before 31 December 2016, and the acquisition consideration of the 10% interests was estimated to be RMB266 million.

On 31 December 2016, due to the expectation that the negotiations between the Shenzhen Government and Qinglong Company on the adjustment of fees and charges were not completed before the original adjustment period (31 December 2016), Mei Wah Company, Hetai investment Company which was the former holder of Fameluxe Investment and Huayu Company and its actual controller, Mr. Chen Yangnan signed a Supplemental Agreement to extend the original contract period from 31 December 2016 to 31 December 2018. Due to the expectation that the negotiations between the Shenzhen Government and Qinglong Company on the adjustment of fees and charges were not completed before 31 December 2018. They signed a Supplemental Agreement on 30 December 2018. The conditions that would trigger an adjustment to the consideration were changed to: 1) Shenzhen Government entering into an adjustment fee agreement with Qinglong Company before 31 December 2020 with the comparable price calculated based on the arrangement and the purchase price from the share transfer agreement lower than the preliminary consideration; 2) On or before 31 December 2020, the aforesaid adjustment arrangement not yet being entered into and the relevant government authorities failing to grant the approval for the extension application of Shuiguan Expressway, or if the extension period of concession granted under the approval being shorter than 5 years.

The Company made the best estimate based on the available information and data, and considered that Qinglong Company would sign the adjustment fee agreement before 31 December 2020 and the purchasing price under the agreement would be equal to RMB266 million and lower than the initial consideration as calculated based on the terms set by the share trading agreement, and accordingly, the purchase price of the 10% equity remained at RMB266 million.

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

34. Significant accounting estimates and judgments (continued)

Estimation uncertainty (continued)

(6) Estimate of fair value of the identifiable net assets acquired (continued)

(b) As shown in note VI.1, during the year, the Company's wholly-owned subsidiary, Shenzhen Expressway Environment Construction Management Co., LTD ("Environment Company"), completed the acquisition of 51% of the shares of Nanjing Wind Power Technology Co., LTD. ("Nanjing Wind Power"), thereby obtaining its control. According to the terms and conditions of the equity purchase agreement:

1) 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;

2) 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 year 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.

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, Nanjing Wind Power successfully achieved the 2019 performance indicators; 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.

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

34. Significant accounting estimates and judgments (continued)

Estimation uncertainty (continued)

(7) 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. 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 exam 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.

In the current year, due to the shortening of the expected charging period of Shuiguan Expressway, the key assumptions of future cash flow application have changed. Other assumptions based on the market conditions existing on the evaluation date are comprehensively considered, including the expected growth of vehicle flow, the economic development of the region, the impact of future road network planning on the traffic flow of the highway, the road condition and maintenance fee. The management re-evaluates and determines the recoverable amount of the franchise right of Shuiguan Expressway based on the applicable enterprise income tax rate of value-added tax and the discount rate equivalent to the operation risk of the highway. According to the relevant results, the Company made an impairment provision of 552 million yuan for intangible assets of Shuiguan Expressway franchise in the consolidated level this year. The recoverable amount is determined according to the present value of the expected future cash flow of the asset group or the fair value assessed by a professional evaluation institution. When determining the present value of the expected future cash flow of the asset group, the after tax discount rate is 8.86%, and the pre-tax discount rate is 16.07%.

(8) 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.

(9) method for determining the performance progress of a construction contract

The group determines the performance progress of the construction contract according to the input method. Specifically, the group determines the performance progress according to the proportion of the construction cost actually incurred to the expected total cost, which includes the direct cost and indirect cost incurred in the process of the group transferring goods to customers. The group believes that 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 service. The group shall determine the performance progress in accordance with the proportion of the accumulated construction cost to the estimated total cost and recognize 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 amount of revenue recognition accordingly.

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

34. Significant accounting estimates and judgments (continued)

Estimation uncertainty (continued)

(10) 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. For the current year, the Group assessed that there is no significant impact about expected credit losses on the amounts or disclosures shown in the consolidated financial statements for the year.

(11) 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 the 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. The management believes that the estimated fair value (as recorded in the financial statement) 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 as the end of the reporting period.

(12) Quality assurance

The Group will make a reasonable estimate of warranty rate for the contract Product improvements combination with similar characteristics based on 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.

(13) Sales containing significant financing elements

The newly added subsidiary of the group, Baotou Southern Wind Power Technology co., LTD. (" Baotou Southern Wind "), in recognizing the subsidy income for wind power generation, determined that there was a significant financing element in the sales transaction due to the time lag between the power grid access and the actual grant of subsidy funds by the government; Baotou Southern Wind considers the influence of time value and amortizes it according to the real interest rate method.

35. Changes in accounting policies and accounting estimates

Changes in accounting policies

The new lease standard

In 2018, the Ministry of Finance promulgated the revised "Accounting Standard for Business Enterprises No. 21 – Leases" (referred to as the "new lease standards"). The new lease standard adopts a single model like the current accounting treatment of financial leases, requiring the lessee to recognize depreciations and interest expenses for all leases other than leases and low-value asset leases. The Group began to make accounting treatment according to the newly revised lease standard on January, 2019. For the contract that existed before the first implementation date, the Group chose not to re-evaluate whether it is a lease or including a lease, and according to the connection rules, there is no adjustment to comparable period information, the first implementation of the difference between the new lease standard and the current lease criteria retrospective adjustment of retained earnings in early 2019:

(1) For operating leases prior to the first execution date, the Group measures the lease liability based on the present value of the residual lease payments at the incremental borrowing rates on the first execution date, and is based on the amount of each lease based on the lease liability. The rent is subject to the necessary adjustments to measure the right to use assets. It is assumed that the new lease standard is adopted from the start date of the lease term, and the incremental borrowing interest rate of the Group as the lessee on the first execution date is used as the book value of the discount rate.

(2) The Group shall conduct impairment tests on the assets of the right to use and carry out corresponding accounting treatment in accordance with the policy in note iii.19.

The Group's operating leases, which are classified as low-value assets before the first implementation date, or operating leases that will be completed within 12 months, are treated as a simple way, and the right-of-use assets and lease liabilities are not recognized. In addition, the Group has adopted the following simplifications for operating leases prior to the first implementation date:

(1) When measuring lease liabilities, leases with similar characteristics may use the same discount rate; the measurement of right-of-use assets may not include initial direct costs;

(2) Where there is a renewal option or the termination of the lease option, the Group determines the lease term based on the actual exercise of the option before the first execution date and other recent developments;

(3) As an alternative to the impairment test of the right-of-use asset, the Group assesses whether the contract including the lease is a loss contract before the first execution date according to Note III.18, and adjusts the right-of-use asset based on the loss provision amount included in the balance sheet before the first execution date; and

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

35. Changes in accounting policies and accounting estimates (continued)

Changes in accounting Policies (continued)

The new lease standard (continued)

(4) For the first implementation of the previous lease change, the Group performs accounting treatment based on the final arrangement of the lease change.

For the minimum lease payments that have not been paid for the significant operating leases disclosed in the 2018 financial statements, the Group discounted the present value of the incremental borrowing rate of the Group as the lessee on 1 January 2019. The process of adjusting the difference in the lease liability included in the balance sheet is as follows:

Minimum lease payments for major operating lease on 31 December 2018	167,147,546.49
Less: simplified minimum lease payments	5,389,706.88
Including: Short-term leases	4,987,487.60
Low-value asset lease with a remaining lease term of over 12 months	402,219.28
Minimum lease payments under the new lease standard on 1 January 2019	161,757,839.61
Weighted average of incremental borrowing rate on 1 January 2019	4.75%
Amount of lease liabilities on 1 January 2019	124,330,525.49

The impact of the implementation of the new lease criteria on the financial statement on 1 January 2019 is as follows:

Consolidated Statement of Financial Position:

	Amounts	Assuming the original criteria	Impact of the New Lease Standard
Prepayments	157,861,979.49	166,448,063.98	-8,586,084.49
Right-of-use assets	132,916,609.98	–	132,916,609.98
Lease liabilities	124,330,525.49	–	124,330,525.49

Company Statement of Financial Position

	Amounts	Assuming the original criteria	Impact of the New Lease Standard
Right-of-use assets	659,638.78	–	659,638.78
Lease liabilities	659,638.78	–	659,638.78

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

35. Changes in accounting policies and accounting estimates (continued)

Changes in accounting policies (continued)

The new lease standard (continued)

The impact of the implementation of the new lease standard on the financial statements for 2019 is as follows:

Consolidated Statement of Financial Position:

	Amounts	Assuming the original criteria	Impact of the New Lease Standard
Prepayments	335,582,597.94	345,819,322.06	-10,236,724.12
Right-of-use assets	152,870,380.46	–	152,870,380.46
Current portion of non-current liabilities	505,101,989.80	470,420,445.20	34,681,544.60
Other payables	3,015,875,682.79	3,020,400,079.03	-4,524,396.24
Lease liabilities	118,269,744.66	–	118,269,744.66
Undistributed profits	6,439,246,724.95	6,443,820,599.07	-4,573,874.12
Minority interests	2,348,729,616.21	2,349,948,978.77	-1,219,362.56

Consolidated Statement of Profit or Loss and Other Comprehensive Income:

	Amounts	Assuming the original criteria	Impact of the New Lease Standard
Operating cost	3,499,538,158.68	3,499,663,354.69	-125,196.01
General and administrative expenses	350,732,443.82	351,788,811.71	-1,056,367.89
Financial expenses	572,938,059.38	565,963,258.80	6,974,800.58

Company Statement of Financial Position:

	Amounts	Assuming the original criteria	Impact of the New Lease Standard
Right-of-use assets	32,330,237.50	–	32,330,237.50
Current portion of non-current liabilities	155,386,860.13	148,818,130.48	6,568,729.65
Other payables	2,046,947,507.14	2,049,307,152.86	-2,359,645.72
Lease liabilities	28,620,243.26	–	28,620,243.26
Undistributed profits	6,461,945,990.86	6,462,445,080.55	-499,089.69

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

35. Changes in accounting policies and accounting estimates (continued)

Changes in accounting policies (continued)

The new lease standard (continued)

Company Statement of Profit or Loss and Other Comprehensive Income:

	Amounts	Assuming the original criteria	Impact of the New Lease Standard
Operating cost	304,766,868.20	304,890,843.29	-123,975.09
Administrative expenses	253,094,815.03	253,507,144.27	-412,329.24
Financial expenses	212,540,305.49	211,504,911.47	1,035,394.02

In addition, the cash paid by the Group for repayment of the principal and interest of the lease liabilities is included in the cash flow statement as cash outflows from the financing activities, and the short-term lease payments and low-value asset lease payments that are simplified are made and variable lease payments that are not included in the measurement of lease liabilities are still included in cash outflows from operating activities.

Change in presentation of financial statements

According to the "Notice on Amending the 2019 Annual General Financial Statement Format of the General Enterprise" (Accounting [2019] No. 6) and the "Notice on Amending the Issuance of the Format of Consolidated Financial Statements" (2019 Edition) (Accounting [2019] No. 16), in the Balance Sheet, the "Receivable notes and Accounts receivable" item is split into "Notes Receivable" and "Accounts Receivable", "Accounts Payable and Accounts Payable" item is split into "Payable Bills" and "Accounts Payable"; the "interest receivable" in the "other receivables" item has been changed to reflect only the interest that the relevant financial instruments have matured and can be collected but have not yet received at the balance sheet date (Interest for financial instruments based on the actual interest rate method is included in the book balance of the corresponding financial instrument), The "interest payable" in the "other payables" item is changed to reflect only the interest that is due for the relevant financial instrument but has not been paid at the balance sheet date (Interest for financial instruments based on the actual interest rate method is included in the book balance of the corresponding financial instrument), The comparative data will not be adjusted retrospectively with reference to the convergence requirements of the new financial instrument standards. This change in accounting policy has no effect on the merger and the Company's net profit and owner's equity.

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 Meiguan Expressway,West section of Airport-Heao Expressway and East section of Airport-Heao Expressway	Approved by the Board of Directors of the Company on 23 August 2019.	1 April 2019	(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 Meiguan Expressway, West section of Airport-Heao Expressway and East section of Airport-Heao Expressway:

(a) Since the actual traffic volumes of Meiguan Expressway, the West section of Airport-Heao Expressway and East section of Airport-Heao Expressway significantly differed 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 furthermore the surrounding highway networks and traffic diversion impact became stable, the Company appointed an independent professional traffic consultant to reassess the traffic volume of Meiguan Expressway,the West section of Airport-Heao Expressway and the East section of Airport-Heao Expressway in the future operating period in June 2019. The Board of Directors of the Company approved the changes in accounting estimates according to the revised traffic volume projection, on 23 August 2019, and adjusted the unit amortization of the aforesaid expressways according to the revised total projected traffic volume from 1 April 2019 using prospective application. The unit amortization of Meiguan Expressway was adjusted from RMB0.84 to RMB0.53, the unit amortization of the West section of Airport-Heao Expressway was adjusted from RMB0.78 to RMB0.59, and the unit usage of the East section of Airport-Heao Expressway was adjusted from RMB3.49 to RMB2.95. Such changes in accounting estimates had impact on the financial statement items for the year of 2019 as follows:

	Impact amount		
	Meiguan Expressway	West section of Airport-Heao Expressway	East section of Airport-Heao Expressway
Increase in intangible assets	13,238,298.60	8,598,129.42	26,326,424.22
Increase in deferred tax liabilities	240,949.44	–	4,573,706.82
Decrease in deferred tax assets	3,068,625.21	2,149,532.35	2,007,899.23
Decrease in cost of services	13,238,298.60	8,598,129.42	26,326,424.22
Increase in income tax expenses	3,309,574.65	2,149,532.35	6,581,606.06
Increase in net profit	9,928,723.95	6,448,597.07	19,744,818.16
Increase in net profit attributable to owners of the Company	9,928,723.95	6,448,597.07	19,744,818.16

The above changes in accounting estimates would impact the magnitude of future amortization of the concession intangible assets of Meiguan Expressway, the West section of Airport-Heao Expressway and the East section of Airport-Heao Expressway to a certain extent.

Notes to Financial Statements

2019
(RMB)

IV. TAXATION

1. Main categories and rates of taxes:

Category	Tax base	Tax rate
Value added tax ("VAT")	Income form the sale of goods and rendering of services (from 1 May 2016 to 30 April 2018)	17%
	Income form the sale of goods and rendering of services (from 1 May 2018 to 31 March 2019)	16%
	Income form the sale of goods and rendering of services (from 1 April 2019)	13%
VAT	Real estate development income (from 1 May 2016 to 30 April 2018)	11%
	Real estate development income (from 1 May 2018 to 31 March 2019)	10%
	Real estate development income (from 1 April 2019)	9%
VAT	Taxable advertisement income	6%
VAT	Entrusted management income revenue from businesses other than expressway toll road (from 1 May 2016)	6%
VAT	Revenue from expressway toll road business (from 1 May 2016)	3%
VAT	Property operating lease income	5%(simply impose)
City maintenance and construction tax	Amount of commodity turnover tax paid	5%, 7%
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 nest 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 subsidiary are disclosed as follows:

The Company	Applicable tax rate
Fameluxe Company (1)	16.5%
Nanjing Wind Power Technology Co., Ltd. (Nanjing Wind Power) (2)	15%

(1) Fameluxe Company is incorporated in Hong Kong with an applicable income tax rate of 16.5%.

(2) Nanjing Wind Power obtained the High-tech Enterprise Certification (Certification Code: GR201632004558) in November 2016. The high-tech enterprise certification is valid for three years. In November 2019, Nanjing Wind Power was recognized as the second batch of high-tech enterprises in Jiangsu Province in 2019.According to the "Enterprise Income Tax Law of the People's Republic of China" and the "Regulations on Tax Matters" of the Nanjing Local Taxation Bureau of Jiangsu Province, Nanjing Wind Power enjoys the preferential corporate income tax policy, under which it a 15% corporate income tax rate for 2019.

IV. TAXATION (CONTINUED)

2. Tax preference

(1) Baotou Nanfeng Company is a wind power enterprise and has 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 July 1, 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

Caishui [2012] No.10 notice of the State Administration of Taxation on Issues Concerning Preferential Policies on Corporate Income Taxes for Public Infrastructure Projects and Environmental Protection, Energy Saving and Water Saving Projects: Enterprises engaged in compliance with the "Public Infrastructure Project Corporate Income Tax Preferential Catalogue", December 31, 2007 Income from investment and operation of public infrastructure projects that have been approved recently, and income from environmental protection, energy-saving and water-saving projects approved in accordance with the "Environmental Protection, Energy-Saving and Water-Saving Project Corporate Income Tax Preferential Catalogue" and approved before December 31, 2007, From the tax year in which the project 's first production and operation income is obtained, the "three exemptions, three halves, and half reductions" of corporate income tax calculated in accordance with the new tax law can enjoy the reduction and exemption of its remaining years from January 1, 2008 Corporate income tax benefits. "Public Infrastructure Project Corporate Income Tax Preference List" includes: new wind power projects, new wind power projects approved by the government investment authority.

Baotou Nanfeng Company started grid-connected power generation in 2018, and obtained its first production and operation income. The "three exemptions, three halvings" tax incentive period began in 2018 and ends in 2023.

(2) Nanjing Wind Power enjoys preferential corporate income tax for high-tech enterprise qualification, and a 15% corporate income tax rate applies.

Except for the above, there are no tax benefits that have a significant impact on the Group.

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 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.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash and cash equivalents

Item	2019	2018
Cash on hand	**10,439,104.00**	10,969,104.99
Bank deposits	**4,590,114,843.01**	4,215,721,979.08
Other money funds	**132,564,454.79**	–
Total	**4,733,118,401.80**	4,226,691,084.07
Including: restricted bank deposits	**1,801,295,060.23**	1,645,847,754.50

On 31 December 2019, the foreign currency funds of the Group amounted to RMB13,418,993.21 (31 December 2018: RMB17,281,573.35).

On 31 December 2019, the group's special account for project management was RMB1,459,545,328.54, the acceptance margin of notes payable was RMB131,749,731.69 and the regulated equity purchase fund was RMB210,000,000.00, with a total balance of RMB1,801,295,060.23 (31 December 2018: special account for project management was RMB1,645,847,754.50).The above deposits are 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.

2. Transactional financial assets

Item	2019	2018
Transactional financial assets	**62,689,444.00**	45,103,194.00
Including: Derivative financial liabilities (a)	**62,689,444.00**	45,103,194.00
Total	**62,689,444.00**	45,103,194.00

(a) Transactional financial assets are foreign exchange swaps and foreign exchange forward contracts that are measured at fair value through profit or loss. On 18 July 2016, the Company issued a 5-year long-term bonds whose face value was 300 million United States Dollar ("USD"). In order to hedge exchange rate risk, the Company signed foreign exchange swap/forward contracts with a number of banks in phases. The first contract period is from July 2016 to July 2017, with a total amount of USD295 million, all of which are ordinary foreign exchange swap/forward contracts. The second contract period is from July 2017 to July 2018, with a total amount of USD300 million, of which USD150 million is a capped swap/forward contract and USD150 million is a regular foreign exchange swap/forward contract. In July 2018, the original foreign exchange swap and foreign exchange forward contract expired, the Company confirmed a total investment loss of RMB49,740,000.00. The third contract period began in July 2018, of which the USD150 million contract will expire in July 2019, and the other USD150 million contract will expire in July 2021. In July 2019, after the third phase of the USD150 million contract expired, the Company confirmed the investment income of RMB26,860,000.00, and signed a USD150 million fourth ordinary foreign exchange swap/forward contract, which will expire in July 2020. During the year, the above-mentioned derivative financial instruments have a fair value gain of RMB17,586,250.00 (2018: a fair value gain of RMB116,475,051.30) (Note V.52).

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

3. Bills receivable

Item	2019	2018
Bank acceptance bills	**9,895,060.34**	–
Total	**9,895,060.34**	–

The bills receivable that have been endorsed or discounted but not yet matured at the balance sheet date are as follows:

	2019		2018	
Item	Derecognition	Non-termination confirmation	Derecognition	Non-termination confirmation
Bank acceptance bills	**106,751,000.00**	**–**	–	–
Total	**106,751,000.00**	**–**	–	–

4. Accounts receivable

Trade receivables are interest-free with a credit period of one to six months in general.

(1) The aging of accounts receivable according to the recognition date is analyzed below:

Item	2019	2018
Within 1 year	**692,053,011.03**	142,974,232.51
1 to 2 years	**3,684,818.95**	26,732,147.73
2 to 3 years	**22,404,325.16**	93,869.66
Over 3 years	**6,320,201.24**	5,038,866.44
Sub-total	**724,462,356.38**	174,839,116.34
Less: Provision for bad debts	**2,195,435.56**	200,000.00
Total	**722,266,920.82**	174,639,116.34

(2) The changes in the provision for bad debt are as follows:

Item	Beginning balance	Business combinations not under common control	Additions	Reversal	Cancellation after verification (a)	Ending balance
2019	**200,000.00**	**3,799,343.70**	**459,054.07**	**1,966,962.21**	**296,000.00**	**2,195,435.56**
2018	450,000.00	–	–	250,000.00	–	200,000.00

(a) Accounts receivable actually written off in 2019 were RMB296,000.00 (2018: Nil). The amount was due from Shenzhen High-speed Advertising Co., Ltd. ("Advertising Company"), which was due to Shenzhen Weikasi Technology Cultural Industry Co., Ltd., Shenzhen Jinfang Chuanggu Industrial Co., Ltd., and Hubei Zhenghong Advertising Co., Ltd. As approved by the general manager's office meeting, the irrecoverable amount written off this year was RMB296,000.00.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (continued)

(3) Accounts receivable are analyzed by category as follows:

	2019			
	Ending balance		Provision for bad debts	
Category	Amount	% of total balance	Amount	% of total balance
Receivables that are subject to provision by group with similar credit risk characteristics	**724,462,356.38**	**100.00**	**2,195,435.56**	**0.30**
Group 1	**56,345,778.13**	**7.78**	**–**	**–**
Group 2	**133,870,845.85**	**18.48**	**363,054.07**	**0.27**
Group 3	**534,245,732.40**	**73.74**	**1,832,381.49**	**0.34**
Total	**724,462,356.38**	**100.00**	**2,195,435.56**	**0.30**

The aging of group 2 and group 3 according to the recognition date is analyzed below:

Group 2	2019		
Aging	Estimated default book balance	Expected credit loss rate (%)	Expected credit loss over the duration
Within 1 year	**132,098,579.96**	**0.10**	**170,440.07**
1 to 2 years	**1,545,850.81**	**10.29**	**159,071.03**
2 to 3 years	**226,415.08**	**14.81**	**33,542.97**
Over 3 years	**–**	**/**	**–**
Total	**133,870,845.85**	**/**	**363,054.07**

Group 3	2019		
Aging	Estimated default book balance	Expected credit loss rate (%)	Expected credit loss over the duration
Within 1 year	**532,764,397.60**	**0.13**	**709,825.98**
1 to 2 years	**–**	**/**	**–**
2 to 3 years	**–**	**/**	**–**
Over 3 years	**1,481,334.80**	**75.78**	**1,122,555.51**
Total	**534,245,732.40**	**/**	**1,832,381.49**

4. Accounts receivable (continued)

(3) Accounts receivable are analyzed by category as follows (continued):

	2018			
	Ending balance		Provision for bad debts	
Category	Amount	% of total balance	Amount	% of total balance
Receivables that are subject to provision by group with similar credit risk characteristics	174,839,116.34	100.00	200,000.00	0.11
Group 1	59,555,198.06	34.06	–	–
Group 2	115,283,918.28	65.94	200,000.00	0.17
Total	174,839,116.34	100.00	200,000.00	/

The aging of group 2 according to the recognition date is analyzed below:

	2018		
	Estimated default book balance	Expected credit loss rate (%)	Expected credit loss over the duration
Within 1 year	114,757,633.54	–	–
1 to 2 years	232,415.08	–	–
2 to 3 years	93,869.66	–	–
Over 3 years	200,000.00	100	200,000.00
Total	115,283,918.28	/	200,000.00

(4) Accumulated accounts receivable from the five largest debtors:

	Balance	Provision for bad debts	% of total balance
Total accumulated accounts receivable from the five largest debtors at 31 December 2019	**670,859,175.71**	**688,980.50**	**92.60**
Total accumulated accounts receivable from the five largest debtors at 31 December 2018	141,502,579.74	–	80.93

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Advances to suppliers

(1) Advances to suppliers presented on the basis of their respective nature:

Item	2019	2018
Prepaid land-transferring fund	**136,912,559.45**	121,245,420.00
Prepaid material payment	**115,464,238.07**	–
Others	**83,205,800.42**	45,202,643.98
Total	**335,582,597.94**	166,448,063.98

As at 31 December 2019, the amount represents the prepayments for land-transferring fee,construction payment;prepaid material payment, prepaid fuel card, survey and design fee, prepaid advertising company billboard production cost, prepaid administrative cost, payment for goods, road production insurance and other costs.

(2) The aging analysis of advances to suppliers is as follows:

	2019		2018	
Aging	Amount	% of total balance	Amount	% of total balance
Within 1 year	**198,913,662.95**	**59.27**	160,443,756.49	96.40
1 to 2 years	**134,696,211.26**	**40.14**	4,310,402.64	2.59
2 to 3 years	**1,136,063.92**	**0.34**	973,564.98	0.58
Over 3 years	**836,659.81**	**0.25**	720,339.87	0.43
Total	**335,582,597.94**	**100.00**	166,448,063.98	100.00

As of December 31, 2019, prepayments with an age of more than one year were mainly prepaid land transfer payments. Since the terms of delivery agreed in the land transfer agreement have not been reached, that is, the government has not completed the demolition work, the funds have not been carried forward.

(3) Accumulated advances to the five largest suppliers

Total accumulated advances to the five largest suppliers	Amount	% of total balance
31 December 2019	**207,797,685.53**	**61.92**
31 December 2018	134,680,899.49	80.91

6. Other receivables

(1) Other receivables are classified as follows:

Item	2019	2018
Interest receivable	**6,517,105.90**	2,367,187.50
Other receivables	**367,669,345.72**	1,577,889,017.01
Total	**374,186,451.62**	1,580,256,204.51

(2) The aging of other receivables according to the recognition date is analyzed below:

Item	2019	2018
Within 1 year	**263,138,925.19**	1,575,487,005.82
1 to 2 years	**89,901,338.25**	676,601.04
2 to 3 years	**17,290,150.38**	668,709.88
Over 3 years	**3,856,037.80**	3,423,887.77
Total	**374,186,451.62**	1,580,256,204.51

(3) The changes in the ending balance and provision for bad debts are as follows:

2019

	The first stage Expected credit loss over the next 12 months		The third stage Financial assets for which credit impairment has occurred	
Item	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Beginning balance	**1,580,256,204.51**	–	–	–
Additions	**712,202,822.38**	–	–	–
Reduction	**1,918,272,575.27**	–	–	–
Ending balance	**374,186,451.62**	–	–	–

2018

	The first stage Expected credit loss over the next 12 months		The third stage Financial assets for which credit impairment has occurred	
Item	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Beginning balance	41,691,364.33	–	14,115.84	–
Additions	3,131,143,411.79	–	–	14,115.84
Reduction	1,592,578,571.61	–	14,115.84	14,115.84
Ending balance	1,580,256,204.51	–	–	–

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (continued)

(4) Classification of other receivables by nature:

Nature of payment	2019	2018
Advances receivable	**164,880,235.27**	6,778,921.63
Deposits and guarantees	**152,948,350.82**	9,257,016.93
Account receivable due to cancellation of toll stations in Yanpai and Yanba sections	**11,170,906.19**	–
Receivable from Nanjing Economic Development Commission	**10,000,000.00**	–
Interest receivable	**6,517,105.90**	2,367,187.50
Employee advance loan	**4,258,371.18**	1,791,768.65
Administrative reserve	**3,118,676.45**	3,897,417.77
Taxes receivable due to government compensation income due to the expansion and expansion of Meiguan Company	**2,441,247.40**	2,442,470.58
Taxes and receivables related to three items	**–**	932,672,618.97
Receivables reduced	**–**	606,662,489.40
Others	**18,851,558.41**	14,386,313.08
Total	**374,186,451.62**	1,580,256,204.51

(5) The five largest other receivables are analysed as follows:

2019

Company name	Nature	2019	Aging	% of total balance	Provision for bad debts
Nanjing Ningfeng Energy Technology Co., Ltd. ("Nanjing Ningfeng")	Advances receivable	**125,704,571.95**	Within 3 year	33.59	–
Henan Senyuan Group Co., Ltd.	Margin	**80,000,000.00**	Within 1 year	21.38	–
China Power Construction Corporation Jiangxi Electric Power Construction Co., Ltd.	Margin	**41,200,000.00**	Within 1 year	11.01	–
Ningxia Zhongwei Xintang New Energy Co., Ltd.	Margin and advances receivable	**25,200,000.00**	Within 1 year	6.73	–
Zhangshu Gaochuan New Energy Co., Ltd.	Advances receivable	**24,524,497.74**	Within 2 year	6.56	–
Total	/	**296,629,069.69**	/	79.27	–

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (continued)

(5) The five largest other receivables are analysed as follows: (continued)

2018

Company name	Nature	2018	Aging	% of total balance	Provision for bad debts
Shenzhen Transportation Bureau	The taxes for the Three Expressways borne by the government	932,672,618.97	Within 1 year	59.02	–
Shenzhen International Land Co., Ltd	Reduction of capital and other receivables	606,662,489.40	Within 1 year	38.39	–
Zhang Junyu, Pang Yanxi	Deposit	3,700,000.00	Within 1 year	0.23	–
China United Property Insurance Co. Ltd	Insurance company claims receivable	2,591,805.00	Within 1 year	0.16	–
Tax Authorities	The multi-junction tax of the government compensation	2,442,470.58	Within 2 year	0.15	–
Total	/	1,548,069,383.95	/	97.95	–

7. Inventories

(1) Inventory classification

Item	2018 Carrying amount	2018 Allowance for impairment	2018 Net book amount	2017 Carrying amount	2017 Allowance for impairment	2017 Net book amount
Properties held for development (a)	**167,000,061.05**	**–**	**167,000,061.05**	115,302,984.60	–	115,302,984.60
Properties under development (b)	**271,966,290.35**	**–**	**271,966,290.35**	191,304,337.32	–	191,304,337.32
Properties held for sale (c)	**63,146,328.73**	**–**	**63,146,328.73**	277,051,859.65	–	277,051,859.65
Raw materials	**205,092,765.90**	**–**	**205,092,765.90**	–	–	–
Work in progress	**1,246,570.01**	**–**	**1,246,570.01**	–	–	–
Stock items	**12,769,985.57**	**1,930,228.28**	**10,839,757.29**	–	–	–
Toll tickets	**2,856,506.53**	**–**	**2,856,506.53**	4,103,579.38	–	4,103,579.38
Maintenance and repair parts	**603,923.00**	**–**	**603,923.00**	637,258.00	–	637,258.00
Low value consumables	**530,960.56**	**–**	**530,960.56**	539,179.88	–	539,179.88
Total	**725,213,391.70**	**1,930,228.28**	**723,283,163.42**	588,939,198.83	--	588,939,198.83

(a) Properties held for development were the lands held by the Group located in Longli County to be developed, among which the lands held by Guizhou Shenzhen Expressway Land Co., Ltd. (Guizhou Land) were parts of the land planned to be developed under Phase IV to Phase V of "Interlaken Town Project".

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories (continued)

(1) Inventory classification (continued)

(b) Properties under development

Name of project	Start time	Estimated completion date	The amount of estimated investment	Ending balance on 31 December 2019	Opening balance on 1 January 2019
Phase II Stage II of "Interlaken Town Project"	May 2018	April 2019	120,000,000.00	–	22,778,722.61
Phase III Stage I of "Interlaken Town Project"	December 2018	October 2020	425,000,000.00	**111,198,261.43**	63,007,941.28
Public area	December 2015	/	/	**160,768,028.92**	105,517,673.43
Total	/	/	/	**271,966,290.35**	191,304,337.32

(c) The property held for sale is the first stage of Phase I and the first stage of Phase II of Interlaken Town Project. The first Stage of Phase I achieved a completed area of 37,195.49 square meters in 2016, 37,195.49 square meters of the completed area were delivered. During the 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 completion areas of 8,899.77 square meters during the current period. At the end of the current period, the sales were carried forward to 3,185.02 square meters, and the remaining completed saleable area was 5,714.75 square meters.

(2) The changes in the inventory depreciation reserve are as follows:

2019

Item	Initial balance	Increase in business combinations not under common control	Accrued this year	Switch back this year	Write-off this year	Ending balance
Stock items	–	1,930,228.28	–	–	–	1,930,228.28

(3) Explanation of inventories year-end balance containing capitalization of borrowing costs:

During the year, the additional capitalized interest expense in the Group's inventories was RMB1,672,862.02, and the capitalization rate used to confirm the amount of capitalization was 4.75% (2018: RMB6,796,607.96, used to confirm the amount of capitalization was 4.75%).

8. Contract assets

Item	2019			2018		
	Book balance	Provision for bad debt	Book value	Book balance	Provision for bad debt	Book value
Receivables from construction business	**407,966,983.87**	**–**	**407,966,983.87**	166,842,230.65	–	166,842,230.65
Receivable warranty (a)	**43,736,000.00**	**810,430.00**	**42,925,570.00**	–	–	–
Total	**451,702,983.87**	**810,430.00**	**450,892,553.87**	166,842,230.65	–	166,842,230.65

(a) During the year, the Group's warranty receivable amounted to RMB42,925,570.00, which is the warranty guarantee for wind turbine sales of Nanjing Wind Power.

The changes in the impairment of contract assets are as follows:

	Beginning balance	Business combinations not under common control additions	Additions	Reversal	Cancellation after verification	Ending balance
2019	**–**	**684,150.00**	**126,280.00**	**–**	**–**	**810,430.00**
2018	–	–	–	–	–	–

9. Current portion of non-current assets

Item	2019	2018
Receivables from Longli BT Project (Note V.12(b))	**22,548,751.19**	22,548,751.19
Total	**22,548,751.19**	22,548,751.19

10. Other current assets

Item	2019	2018
Prepaid tax	**13,771,786.56**	41,310,337.24
Pending deduction of input value-added tax	**217,782,246.95**	22,844,804.46
Financial products	**–**	200,000,000.00
Total	**231,554,033.51**	264,155,141.70

Financial product are the closed-end capital-saving and floating-income No. 2018573 products issued by the China Development Bank Shenzhen Branch purchased by Shenzhen Guangshen Coastal Expressway Investment Co., Ltd. ("Coastal Company") in 2018. The upper limit of the annualized rate of return is 3.9%, and the period is from 23 October 2018 to 7 January 2019. It has expired this year, and there are no financial products on the books as of 31 December 2019.

V. NOTES TO THE CONSOLIDATED FINAN (CONTINUED)

11. Long-term prepayments

Item	2019	2018
Construction prepayments from the Shenzhen Outer Ring Expressway Investment Company Limited (Outer Ring Company)	**272,936,643.91**	367,160,992.89
Prepayments for resettlement	**87,113,787.23**	–
Total	**360,050,431.14**	367,160,992.89

On 31 December 2019, the Outer Ring Company had prepaid the construction funds for Baoan District and Longgang District in Outer Ring Expressway amounting to RMB272,936,643.91. And the Group's head office prepaid the engineering fee of RMB87,113,787.23 for the renovation and expansion of the machine. The prepayments will be settled according to the progress of the construction.

12. Long-term receivables

(1) General information:

	2019			2018			
Item	Carrying amount	Bad debt provision	Net book amount	Carrying amount	Bad debt provision	Net book amount	Range of discount rate
Due from Shenzhen-Shanwei Special Cooperation Zone Development and Construction Co., Ltd.(a)	**159,360,103.10**	**–**	**159,360,103.10**	156,473,492.73	–	156,473,492.73	–
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	–
Electricity compensation income (c)	**180,731,074.84**	**981,059.95**	**179,750,014.89**	–	–	–	4.75%
Receivable on billboard quality deposits	**–**	**–**	**–**	4,500,000.00	–	4,500,000.00	–
Sub-total	**362,639,929.13**	**981,059.95**	**361,658,869.18**	183,522,243.92	–	183,522,243.92	–
Less: Current portion	**22,548,751.19**	**–**	**22,548,751.19**	22,548,751.19	–	22,548,751.19	–
Total	**340,091,177.94**	**981,059.95**	**339,110,117.99**	160,973,492.73	–	160,973,492.73	/

(a) The company's subsidiary, Shenzhen-expressway (Shenzhen-Shantou Special Cooperation Zone) infrastructure and environmental protection development co., LTD. ("Shenzhen-Shantou Company"), shall receive the advance payment from Shenzhen-Shantou Special Cooperation Zone development and construction co., LTD. As of 31 December, 2019, the receivable balance of the company's first phase project of comprehensive treatment of Nanmen River system was RMB109,534,176.62.The receivables balance of Houmen Project is 109,534,176.62 yuan. The receivable balance of Houmen Project, Land Leveling and related supporting engineering projects is RM 49,825,926.48.

(b) The Longli BT project entrusted to Guishen Company was completed at the end of 2014. As of 31 December 2019, accounts receivable due from the Longli BT project amounted to RMB22,548,751.19 (2018: RMB22,548,751.19)

(c) As of December 31 2019, the balance of subsidy income for electricity charges receivable of Baotou Southern Wind in this year is RMB179,750,014.89 yuan,with a discount rate of 4.75%.

V. NOTES TO THE CONSOLIDATED FINAN (CONTINUED)

12. Long-term receivables (continued)

(2) The changes in the ending balance and provision for bad debts are as follows:

2019

	The first stage Expected credit loss over the next 12 months	
Item	Ending balance	Provision for bad debt
Beginning balance	160,973,492.73	–
Additions	19,627,986.82	252,529.92
Additions of the business combinations not under common control	163,989,698.39	728,530.03
Reduction	4,500,000.00	–
Ending balance	340,091,177.94	981,059.95

2018

	The first stage Expected credit loss over the next 12 months	
Item	Ending balance	Provision for bad debt
Beginning balance	148,506,567.52	–
Additions	24,486,158.08	–
Reduction	12,019,232.87	–
Ending balance	160,973,492.73	–

13. Other non-current financial assets

Item	2019	2018
Financial assets at fair value through profit or loss		
Guangdong United Electronic Services Co., Ltd. ("United Electronics")	114,814,080.00	103,998,820.00
Shenzhen Water Planning and Design Institute Co., Ltd. ("Water Regulation Institute") equity	103,125,000.00	76,440,000.00
Total	217,939,080.00	180,438,820.00

During the year, gains from changes in fair value of those equity investments amounted to RMB37,500,260.00 (2018: gains of RMB17,928,820.00), please refer to Note V.52.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Long-term equity investments

2019

		Current year movements								
Investee	2018	Current year additions	Reduction	Investment income/loss recognized under equity pick-up method	Cash dividend declared	Investment cost refunded	Others	2019	Share- holding (%)	Impairment provided during the year
Associates										
Guangdong Jiangzhong Expressway Company Limited ("Jiangzhong Company")	315,321,289.79	–	–	19,491,390.53	-19,491,390.53	-3,539,309.29	–	311,781,980.50	25	–
Nanjing Yangtze River Third Bridge Company Limited ("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	–
Guangdong Yangmao Expressway Company Limited ("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	–
Guangzhou Western Second Ring Expressway Company Limited ("GZ W2 Company")	289,747,039.65	–	–	59,515,308.40	-52,349,212.60	–	–	296,913,135.45	25	–
Yunfu Guangyun Expressway Company Limited ("Guangyun Company")	68,925,398.16	–	–	34,578,929.22	-2,632,365.80	–	–	100,871,961.58	30	–
Shenzhen International United Land Company Limited ("United Land Company") (1)	1,014,607,875.06	–	–	354,869,950.44	–	–	22,091,980.80	1,391,569,806.30	34.30	–
Chongqing Derun Environment Co., Limited ("Derun Environment") (3)	4,411,573,102.56	–	–	193,467,531.92	-116,000,000.00	–	36,015,624.47	4,525,056,258.95	20	–
Others (2)	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	/	–

14. Long-term equity investments (continued)

2018

Investee	2017	Current year movements: Current year additions	Reduction	Investment income/loss recognized under equity pick-up method	Cash dividend declared	Investment cost refunded	Others	2018	Share- holding (%)	Impairment provided during the year
Associates										
Jiangzhong Company	307,302,158.66	–	–	24,658,956.25	-16,639,825.12	–	–	315,321,289.79	25	–
Nanjing Third Bridge Company	286,316,237.75	–	–	50,341,558.43	–	–	–	336,657,796.18	25	–
Yangmao Company	337,426,224.67	57,500,000.00	–	85,788,247.72	-85,788,247.72	-11,088,509.92	–	383,837,714.75	25	–
GZ W2 Company	254,647,119.35	–	–	57,397,107.70	-22,297,187.40	–	–	289,747,039.65	25	–
Guangyun Company	74,884,552.95	–	–	37,192,737.78	-37,192,737.78	-5,959,154.79	–	68,925,398.16	30	–
United Land Company(1)	2,445,154,415.03	–	-2,205,000,000.00	-5,716,308.49	–	–	780,169,768.52	1,014,607,875.05	34.30	–
Derun Environment (3)	4,410,925,451.75	–	–	162,111,686.88	-146,400,000.00	–	-15,064,036.07	4,411,573,102.56	20	–
Others (2)	947,596,120.75			109,182,402.22	-39,745,000.00		21,404,758.50	1,038,438,281.47	/	
Total	9,064,252,280.91	57,500,000.00	-2,205,000,000.00	520,956,388.49	-348,062,998.02	-17,047,664.71	786,510,490.95	7,859,108,497.62	/	–

(1) The Company holds a 34.3% equity interest in United Land, which has a significant impact 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 15.85%, the unrealized internal transaction gains and losses offset by previous years were reversed to RMB22,091,980.80. For details, please refer to Note V. 51 (a)

(2) Others include the Company's affiliated company 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 ").

(3) Due to the change of other comprehensive income of Derun environment in this year, the Group confirmed the increase of other comprehensive income of RMB34,331,355.67 according to the shareholding ratio, and confirmed the increase of RMB1,684,268.80 according to the shareholding ratio due to the change of derun environment's capital reserve.

(4) 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)

15. Investment properties

Subsequently measured at cost:

Item	2019	2018
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	**5,805,116.40**	5,229,275.00
Current period additions	**575,942.40**	575,841.40
– Addition	**575,942.40**	575,841.40
Balance 31 December	**6,381,058.80**	5,805,116.40
3. Carrying amount		
Balance at 1 January	**11,798,941.20**	12,374,883.60
Balance at 31 December	**12,374,883.60**	12,950,725.00

The investment property is a parking space in the parking lot of jiangsu building, the office building of the company, and the property company is entrusted to rent it to the relevant car owners.

* The Group's investment properties are all located in the mainland of China and held under medium term leases.

On 31 December 2019, the investment without the certificate of ownership is listed as follows:

	Carrying amount	Reason for not yet obtaining the certificate of ownership
The parking lot beneath the Jiangsu Building	11,798,941.20	All the certificates of ownership of the parking lots in Shenzhen are not available

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Fixed assets

(1) Fixed asset movements

2019

Item	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Mechanical equipment	Total
1. Cost						
31 December 2018	633,055,713.66	1,020,537,484.54	31,226,582.54	50,564,688.61	–	1,735,384,469.35
Current year additions	3,386,035.46	445,826,822.96	3,701,235.46	10,727,458.99	1,686,905,817.02	2,150,547,369.89
– Purchase	2,369,806.13	90,113,211.66	2,965,268.20	9,576,148.22	13,326,416.87	118,350,851.08
– Construction in progress	1,016,229.33	355,453,553.66	–	–	–	356,469,782.99
– 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	4,303,171.64	–	35,521,391.80
– Disposals	16,381,450.50	10,308,473.21	4,528,296.45	4,303,171.64	–	35,521,391.80
31 December 2019	620,060,298.62	1,456,055,834.29	30,399,521.55	56,988,975.96	1,686,905,817.02	3,850,410,447.44
2. Accumulated depreciation						
31 December 2018	202,159,528.15	642,541,768.63	22,899,553.18	27,705,218.11	–	895,306,068.07
Current year additions	30,360,958.55	83,948,530.79	4,338,013.85	6,913,062.09	25,841,191.50	151,401,756.78
– Addition	30,360,958.55	83,948,530.79	4,338,013.85	6,913,062.09	19,279,782.95	144,840,348.23
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	4,289,266.78	3,785,578.71	–	28,667,957.30
– Disposals	12,361,034.08	8,232,077.73	4,289,266.78	3,785,578.71	–	28,667,957.30
31 December 2019	220,159,452.62	718,258,221.69	22,948,300.25	30,832,701.49	25,841,191.50	1,018,039,867.55
3. Net book value						
31 December 2019	399,900,846.00	737,797,612.60	7,451,221.30	26,156,274.47	1,661,064,625.52	2,832,370,579.89
31 December 2018	430,896,185.51	377,995,715.91	8,327,029.36	22,859,470.50	–	840,078,401.28

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Fixed assets (continued)

(1) Fixed asset movements (continued)

2018

Item	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Total
1. Cost					
31 December 2017	882,607,957.15	1,513,595,621.98	31,281,453.96	57,899,811.93	2,485,384,845.02
Current year additions	3,283,091.21	84,819,791.68	4,149,975.80	6,509,600.49	98,762,459.18
– Purchase	3,073,657.24	54,069,843.16	4,149,975.80	6,131,903.49	67,425,379.69
– Construction in progress	209,433.97	30,749,948.52	–	377,697.00	31,337,079.49
Current year reductions	252,835,334.70	577,877,929.12	4,204,847.22	13,844,723.81	848,762,834.85
– Disposals	252,835,334.70	577,877,929.12	4,204,847.22	13,844,723.81	848,762,834.85
31 December 2018	633,055,713.66	1,020,537,484.54	31,226,582.54	50,564,688.61	1,735,384,469.35
2. Accumulated depreciation					
31 December 2017	283,145,800.71	987,437,691.77	23,844,912.29	33,821,171.48	1,328,249,576.25
Current year additions	38,078,448.28	110,613,183.80	3,038,610.19	6,606,298.52	158,336,540.79
– Addition	38,078,448.28	110,613,183.80	3,038,610.19	6,606,298.52	158,336,540.79
Current year reductions	119,064,720.84	455,509,106.94	3,983,969.30	12,722,251.89	591,280,048.97
– Disposals	119,064,720.84	455,509,106.94	3,983,969.30	12,722,251.89	591,280,048.97
8 31 December 2018	202,159,528.15	642,541,768.63	22,899,553.18	27,705,218.11	895,306,068.07
3. Net book value					
31 December 2018	430,896,185.51	377,995,715.91	8,327,029.36	22,859,470.50	840,078,401.28
31 December 2017	599,462,156.44	526,157,930.21	7,436,541.67	24,078,640.45	1,157,135,268.77

(2) Fixed assets without certificates of ownership

On 31 December 2019, the fixed assets without the certificates of ownership were listed as follows:

Item	Carrying amount	Reason for lacking certificates of ownership
Buildings	297,839,214.40	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.

During the year, depreciation expenses amounting to RMB138,876,434.52 were charged to cost of services (2018: RMB152,789,410.27), and depreciation expenses amounting to RMB5,963,913.71 were charged to general and administrative expenses (2018: RMB5,509,693.25).

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Construction in progress

(1) General information of construction in progress

Item	2019 Carrying amount	2019 Impairment	2019 Net book amount	2018 Carrying amount	2018 Impairment	2018 Net book amount
Increase ETC lane project	**6,466,074.25**	**–**	**6,466,074.25**	964,412.87	–	964,412.87
First-class weighting equipment project	**2,085,479.05**	**–**	**2,085,479.05**	5,383,423.19	–	5,383,423.19
Toll station expansion project	**1,142,383.00**	**–**	**1,142,383.00**	9,311,802.25	–	9,311,802.25
BTC system project	**734,080.00**	**–**	**734,080.00**	695,250.00	–	695,250.00
Video monitoring project	**–**	**–**	**–**	6,672,530.60	–	6,672,530.60
Fire control system updating project	**183,000.00**	**–**	**183,000.00**	2,254,576.14	–	2,254,576.14
Billboard and light box projects	**23,386.32**	**–**	**23,386.32**	463,594.09	–	463,594.09
Others	**4,563,193.04**		**4,563,193.04**	5,518,461.60	–	5,518,461.60
Total	**15,197,595.66**	**–**	**15,197,595.66**	31,264,050.74	–	31,264,050.74

(2) Movements of significant construction in progress during the year

2019

Item	Budget amount	2019	Current year additions	Transfer to fixed assets	Transfer to intangible assets	Other reductions in current year	2019	The proportion of the current year additions to total budget (%)	Progress of construction	Interest capitalized	Source of funds
Increase ETC lane project	59 million	964,412.87	5,680,457.38	178,796.00	–	–	6,466,074.25	9.63%	In progress	–	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%	In progress	–	Self-owned funds
Fee system software upgrade	15 million	2,254,576.14	1,278,327.68	3,349,903.82	–	–	183,000.00	8.52%	In progress	–	Self-owned funds
Toll station expansion project	25 million	9,311,802.25	1,211,227.20	388,844.20	8,177,668.25	814,134.00	1,142,383.00	4.84%	In progress	–	Self-owned funds
BTC system project	1.2 million	695,250.00	163,775.00	124,945.00	–	–	734,080.00	13.65%	In progress	–	Self-owned funds
Billboard and light box projects	10 million	463,594.09	23,386.32	463,594.09	–	–	23,386.32	0.23%	In progress	–	Self-owned funds
Cancellation of the provincial toll station	334 million	–	333,636,338.64	333,636,338.64	–	–	–	100%	Completed	–	Self-owned funds
Video monitoring project	6.67 million	6,672,530.60	–	6,672,530.60	–	–	–	100%	Completed	–	Self-owned funds
Others (a)	–	5,518,461.60	3,275,469.94	4,218,855.50	–	11,883.00	4,563,193.04	–	In progress	–	Self-owned funds
Total	/	31,264,050.74	349,407,013.16	356,469,782.99	8,177,668.25	826,017.00	15,197,595.66	/	/	/	

Notes to Financial Statements

2019
(RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Construction in progress (continued)

(2) Movements of significant construction in progress during the year (continued)

2018

Item	Budget amount	2017	Current year additions	Transfer to fixed assets	Transfer to intangible assets	Other reductions in current year	2018	The proportion of the current year additions to total budget (%)	Progress of construction	Interest capitalized	Source of funds
Nation-wide ETC toll interconnection project	59 million	266,000.00	4,517,838.29	3,819,425.42	–	–	964,412.87	7.64	In progress	–	Self-owned funds
Billboard and light box projects	10 million	670,830.18	2,197.88	104,716.98	–	104,716.99	463,594.09	0.02	In progress	–	Self-owned funds
Maintenance planning research and basic database construction project for the maintenance of the information platform construction project	2.56 million	1,743,754.46	–	–	–	1,743,754.46	–	–	Completed	–	Self-owned funds
Toll station expansion project	25 million	7,731,870.05	6,531,825.20	3,675,127.00	–	1,276,766.00	9,311,802.25	26.41	In progress	–	Self-owned funds
First-class weighting equipment project	9.58 million	4,921,937.80	3,524,052.55	3,062,567.16	–	–	5,383,423.19	36.77	In progress	–	Self-owned funds
Fire control system updating project	4.03 million	2,040,276.84	17,140.00	2,057,416.84	–	–	–	0.43	Completed	–	Self-owned funds
Toll station weighting equipment movement projects	2.1 million	1,705,350.22	–	1,634,845.22	–	70,505.00	–	–	Completed	–	Self-owned funds
Video monitoring project	17 million	7,695,323.28	10,716,226.33	11,739,019.01	–	–	6,672,530.60	61.32	In progress	–	Self-owned funds
Tailing engineering	73 million	3,869,546.31	5,635,490.63	–	9,505,036.94	–	–	7.75	Completed	–	Self-owned funds
Fee system software upgrade	15 million	–	2,254,576.14	–	–	–	2,254,576.14	14.99	In progress	–	Self-owned funds
BTC system project	1.2 million	–	695,250.00	–	–	–	695,250.00	57.94	In progress	–	Self-owned funds
Others (a)	–	5,178,306.64	7,063,326.28	5,243,961.86	1,459,213.49	19,995.97	5,518,461.60	–	In progress	–	Self-owned funds
Total	/	35,823,195.78	40,957,923.30	31,337,079.49	10,964,250.43	3,215,738.42	31,264,050.74	/	/	/	/

(a) The amounts of projects were not disclosed separately as they are not material.

18. Right-of-use assets

2019

Item	Buildings	Billboard	Wind field	Total
1. Cost				
31 December 2018	–	–	–	–
Changes in accounting policies	107,254,807.99	25,661,801.99	–	132,916,609.98
Initial balance	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
– Addition	54,268,277.46	–	–	54,268,277.46
– Combination 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 depreciation				
Current year additions	28,849,860.59	5,464,646.39	6,561,408.55	40,875,915.53
– Addition	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. Net 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)

19. Intangible assets

2019

Item	Concession intangible assets (a)	Software and others	Billboard land use rights	Land use right€	Patent(e)	Total
1. Cost						
31 December 2018	34,532,766,806.91	13,549,554.76	63,075,736.39	–		34,609,392,098.06
Current year additions	1,675,661,600.32	7,752,095.24	–	52,741,993.14	79,810,700.00	1,815,966,388.70
– Purchased	43,127,536.44	5,101,189.10	–	–	–	48,228,725.54
– From construction in progress	8,177,668.25	–	–	–	–	8,177,668.25
– Constructions	1,624,356,395.63	–	–	–	–	1,624,356,395.63
– Combination 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	36,198,454,760.23	21,301,650.00	63,075,736.39	52,741,993.14	79,810,700.00	36,415,384,839.76
2. Accumulated amortization						
31 December 2018	7,685,608,539.71	9,545,558.54	59,769,216.25	–	–	7,754,923,314.50
Current year additions	1,346,629,444.04	1,917,423.44	1,034,832.33	953,476.96	5,985,802.50	1,356,520,979.27
– Additions	1,346,629,444.04	1,917,423.44	1,034,832.33	953,476.96	5,985,802.50	1,356,520,979.27
31 December 2019	9,032,237,983.75	11,462,981.98	60,804,048.58	953,476.96	5,985,802.50	9,111,444,293.77
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	23,355,981,481.87	9,838,668.02	2,271,687.81	51,788,516.18	73,824,897.50	23,493,705,251.38
31 December 2018	23,588,922,972.59	4,003,996.22	3,306,520.14	–	–	23,596,233,488.95

19. Intangible assets (continued)

2018

Item	Concession intangible assets (a)	Software and others	Billboard land use rights	Total
1. Cost				
31 December 2017	38,462,465,396.52	16,308,069.85	62,311,555.28	38,541,085,021.65
Current year additions	1,047,584,230.03	1,969,017.09	764,181.11	1,050,317,428.23
– Purchased	–	1,969,017.09	–	1,969,017.09
– Constructions	1,031,457,349.37	–	764,181.11	1,032,221,530.48
– Other additions	16,126,880.66	–	–	16,126,880.66
Current year reductions	4,977,282,819.64	4,727,532.18	–	4,982,010,351.82
– Disposal	4,940,354,858.86	4,727,532.18	–	4,945,082,391.04
– Other reduction	36,927,960.78	–	–	36,927,960.78
31 December 2018	34,532,766,806.91	13,549,554.76	63,075,736.39	34,609,392,098.06
2. Accumulated amortization				
31 December 2017	7,754,009,955.65	11,173,014.08	53,684,488.40	7,818,867,458.13
Current year additions	1,474,838,768.83	2,584,489.97	6,084,727.85	1,483,507,986.65
– Additions	1,474,838,768.83	2,584,489.97	6,084,727.85	1,483,507,986.65
Current year reductions	1,543,240,184.77	4,211,945.51	–	1,547,452,130.28
– Disposal	1,543,240,184.77	4,211,945.51	–	1,547,452,130.28
31 December 2018	7,685,608,539.71	9,545,558.54	59,769,216.25	7,754,923,314.50
3. Impairment				
31 December 2017	3,258,235,294.61	–	–	3,258,235,294.61
31 December 2018	3,258,235,294.61	–	–	3,258,235,294.61
4. Net book value				
31 December 2018	23,588,922,972.59	4,003,996.22	3,306,520.14	23,596,233,488.95
31 December 2017	27,450,220,146.26	5,135,055.77	8,627,066.88	27,463,982,268.91

As of 31 December 2019, 19. Intangible assets without the certificates of ownership were listed as follows:

Item	Net book value	Reason for lacking certificates of ownership
Land use right of Baiyun wind power project	17,259,908.82	In progress
Land use right of Damaoqi wind power project	12,279,286.87	In progress
Total	29,539,195.69	

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Intangible assets (continued)

(a) The detailed information of concession intangible assets is analysed below:

2019

	Cost	31 December 2018	Current year additions	Current year reductions	Current year amortization	Current year amortization transfer out	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 (g)	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 (b)	3,409,706,840.88	1,947,057,863.50	1,462,648,977.38	–	–	–	3,409,706,840.88	–	–
Yichang Expressway (b)	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
Total	36,198,454,760.23	23,588,922,972.59	1,675,661,600.32	9,973,647.00	1,346,629,444.04	552,000,000.00	23,355,981,481.87	9,032,237,983.75	3,810,235,294.61

2018

	Cost	31 December 2017	Current year additions	Current year reductions	Current year amortization	Current year amortization transfer out	31 December 2018	Accumulated amortization	Impairment
Qinglian Expressway (b)	9,290,753,949.14	6,981,982,455.22	10,964,250.43	1,200,000.00	243,424,677.15	–	6,748,322,028.50	1,922,431,920.64	620,000,000.00
Nanguang Expressway (c)	–	2,246,769,553.45	–	2,807,909,473.41	78,036,897.46	639,176,817.42	–	–	–
Shenzhen Airport-Heao Expressway – Eastern Section	3,086,787,505.32	1,573,896,458.74	–	–	215,651,701.67	–	1,358,244,757.07	1,728,542,748.25	–
Shuiguan Expressway (b)	4,448,811,774.58	3,747,150,068.38	–	–	336,668,816.27	–	3,410,481,252.11	1,038,330,522.47	–
Yanba Expressway (c)	–	849,062,065.24	–	1,255,412,727.61	39,301,813.75	445,652,476.12	–	–	–
Wuhuang Expressway	1,523,192,561.64	468,045,326.57	–	–	120,337,424.69	–	347,707,901.88	1,175,484,659.76	–
Meiguan Expressway	604,588,701.64	295,900,042.29	–	–	39,047,830.23	–	256,852,212.06	347,736,489.58	–
Yanpai Expressway (c)	–	488,218,744.61	–	910,532,308.18	36,097,327.66	458,410,891.23	–	–	–
Shenzhen Airport-Heao Expressway – Western Section	843,517,682.25	296,195,206.74	–	–	44,458,696.70	–	251,736,510.04	591,781,172.21	–
Outer Ring Expressway (b)	1,947,057,863.50	926,564,764.56	1,020,493,098.94	–	–	–	1,947,057,863.50	–	–
Yichang Expressway (b)	3,123,065,164.24	3,040,424,917.48	–	2,228,310.44	148,644,219.78	–	2,889,552,387.26	233,512,776.98	–
Changsha Ring Road	241,830,372.93	225,143,413.87	–	–	19,553,797.37	–	205,589,616.50	36,240,756.43	–
Coastal Expressway (b)/(e)	9,423,161,231.67	6,310,867,129.11	16,126,880.66	–	153,615,566.10	–	6,173,378,443.67	611,547,493.39	2,638,235,294.61
Total	34,532,766,806.91	27,450,220,146.26	1,047,584,230.03	4,977,282,819.64	1,474,838,768.83	1,543,240,184.77	23,588,922,972.59	7,685,608,539.71	3,258,235,294.61

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Intangible assets (continued)

(b) The pledge information relating to the concession intangible assets of Qinglian Expressway, Outer Ring Expressway, Yichang Expressway and Coastal Expressway is set out in in Note V.32(1)(b) and Note V.60

(c) The Company transferred the second-stage rights of Nanguang Expressway, Yanba Expressway and Yanpai Expressway to Shenzhen Transportation Bureau at the end of 2018. For details, please refer to Note V.39(a).

(d) For the year ended 31 December 2019, the amount of amortization of intangible assets was RMB1,356,520,979.27 (2018: RMB1,483,507,986.65).

(e) During the year of 2019，there were two companies combined not under common control result in increasing of RMB52,741,993.14 land use right, RMB79,810,700.00 patent and RMB2,650,906.14 software and others. For details, please refer to Note VI.1

(f) During the year, the Group capitalized borrowing costs on intangible assets amounting to RMB131,935,775.82 (2018: RMB63,032,385.80).

(g) During the year of 2019, the Group the amount of impairment of Shuiguan Expressway recognized was RMB552,000,000.00.

* The land use rights of the Group are located in Mainland China, but the expressway is in the form of concession intangible assets.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Goodwill

	2018	Current year additions	Current year reductions	2019
Item		Business combinations not under common control		
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. Please refer to note VI. 1 for the calculation process.

Goodwill from the merger has been allocated to the following asset groups for impairment testing:

- Fan manufacturing asset group

The carrying amount of goodwill is allocated to the asset group as follows:

	Fan manufacturing asset group	
Item	**31 December,2019**	31 December,2018
Carrying amount	**156,039,775.24**	–

The recoverable amount is based on the present value of the projected future cash flow and the pre-tax discount rate used in the cash flow forecast is 13.97%, based on the cash flow forecast based on the five-year budget approved by management.

Key assumptions made by management in determining the cash flow forecast for the goodwill impairment test are described below:

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.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets without taking into consideration the offsetting of balances

Item	2019 Deductible temporary differences	2019 Deferred tax assets	2018 Deductible temporary differences	2018 Deferred tax assets
Impairment and amortization differences of intangible assets of Yanjiang Expressway (a)	**1,140,350,272.00**	**285,087,568.00**	–	–
Deductible losses of Yanjiang Expressway (a)	**571,400,876.52**	**142,850,219.13**	–	–
Operating compensation of a newly built toll station of Three Expressways (b)	**291,504,931.36**	**72,876,232.84**	312,144,931.35	78,036,232.84
Fair value adjustment of the merged Shenchang company (c)	**183,059,248.59**	**45,764,812.15**	201,289,764.53	50,322,441.13
Payroll accrued but not paid	**101,216,999.16**	**25,304,249.79**	32,879,467.40	8,219,866.85
Property compensation of Meiguan (d)	**98,885,805.48**	**24,721,451.37**	117,511,628.52	29,377,907.13
Operating compensation of newly built gates of Meiguan Expressway (e)	**94,832,847.16**	**23,708,211.79**	107,913,239.80	26,978,309.95
Amortization of franchise intangible assets (f)	**50,465,440.16**	**12,616,360.04**	–	–
Freight subsidies along Yanjiang Expressway (g)	**25,232,071.76**	**6,308,017.94**	–	–
The significant financing component of Guizhou Land's advance payment (h)	**24,133,322.64**	**6,033,330.66**	17,370,317.88	4,342,579.47
Interest receivable from United Land Company's capital reduction (i)	**20,052,445.24**	**5,013,111.31**	23,518,603.00	5,879,650.75
Guizhou Land's advance payment of prepaid income tax (j)	**10,993,400.64**	**2,748,350.16**	18,982,478.60	4,745,619.65
Nanjing Wind Power''s accrued maintenance service deposit	**13,783,960.66**	**2,067,594.10**	–	–
Compensation for demolition costs of an old toll station of Three Expressways (k)	**6,413,246.28**	**1,603,311.57**	18,209,415.88	4,552,353.97
Others	**6,462,338.09**	**1,158,280.53**	2,582,357.12	645,589.28
Total	**2,638,787,205.74**	**657,861,101.38**	852,402,204.08	213,100,551.02

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Deferred tax assets and deferred tax liabilities (continued)

(1) Deferred tax assets without taking into consideration the offsetting of balances (continued)

(a) In order to improve the financial status of Coastal Company, in April 2019, the Company completed a capital increase of RMB4,100,000,000.00 in Coastal Company. According to the future profitability of Coastal Company, the impairment of its intangible assets, the cumulative amortization tax difference and the previous year losses can be partially offset. Losses were recognized as deferred income tax assets of RMB308,514,392.46 and the impairment of its intangible assets and the cumulative amortization tax difference were recognized as deferred income tax assets of RMB142,850,219.13元. The deferred income tax assets of RMB23,426,824.46 were carried forward during the year.

(b) 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 recognized the differences between the tax base and book value as deferred tax assets.

(c) When the Company acquired Shenchang Company and confirmed the fair value of its identifiable assets and liabilities, it recognized the corresponding deferred tax assets for the temporary difference between the tax base and the book value.

(d) Meiguan, a subsidiary of the Company, recognized non-current assets and gains from asset disposal on future relocation properties compensated by United Land Company. Considering the impact of the unrealized profits of associates, the Group has confirmed the corresponding deferred income tax assets on the temporary difference between the tax base of the recognized asset disposal gains and the book value difference. This year, the deferred income tax asset corresponding to the realized profit portion was transferred back according to the proportion of properties sold by United Land Company..

(e) 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.

(f) The tax deduction for the amortization of highway assets after 2011 was changed to the straight-line method this year. Temporary differences are recognized as deferred income tax assets for temporary differences between the book value and the tax basis differences of the franchise intangible assets of the Jihedong section, Jihexi section and the Meiguan Expressway.

(g) On 28 February, 2018, Coastal Company and Shenzhen Communications Bureau signed an agreement on freight compensation for the Shenzhen section of the Guangzhou-Shenzhen Expressway along the Zhujiang River. The agreement stipulated that during the adjustment of freight charges for the Shenzhen section of the Yanjiang Expressway, 50% of the tolls will be charged for passing trucks. Tolls and freight charges will be adjusted from 00:00 on 1 March, 2018 to 24:00 on 31 December, 2020. The Group recognizes deferred income tax assets on temporary differences in the book value and tax base of freight subsidy income.

(h) According to "ASBE No.14 – Revenue", Guizhou Land recognized the impact of the financing component and accrued the interest expense on the contract between the customer's payment and the promised transfer of ownership of the property or service for more than one year, and the deferred income tax asset was recognized accordingly.

(i) During the year, United Land Company, an associated company of the Company capitalized the interest of the capital reduction of the headquarters. Considering the impact of the unrealized profits of the associates, the Company recognized the corresponding deferred income tax assets based on its shareholding ratio of 34.30% formed by the difference between the tax base and the book value.

(j) 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.

(k) The Company advanced demolition costs of all old toll station for the arrangement of compensation for the toll adjustment and asset transfer agreement of the Three Expressways, and recognized the differences between the tax base and book value as deferred tax assets. Due to the payment of RMB11,796,169.63 for the demolition of the old toll station this year, the corresponding deferred income tax assets of RMB2,949,042.40 were reversed accordingly.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Deferred tax assets and deferred tax liabilities (continued)

(2) Deferred tax liabilities without taking into consideration the offsetting of balances

Item	2019 Taxable temporary differences	2019 Deferred tax liabilities	2018 Taxable temporary differences	2018 Deferred tax liabilities
The amortisation of concession intangible assets (a)	**483,447,613.04**	**120,861,903.26**	512,270,677.60	128,067,669.40
Business combinations involving enterprises not under common control (b)				
– Qinglong Company	**1,540,183,175.01**	**385,045,793.76**	2,335,732,937.38	583,933,234.35
– Hunan Yichang Expressway Development Co., Ltd. (Yichang Company)	**1,001,457,170.10**	**250,364,292.53**	1,053,989,516.07	263,497,379.02
– Airport-Heao Eastern Company	**815,727,365.08**	**203,931,843.26**	952,142,717.36	238,035,681.33
– Guangdong Qinglian Highway Development Co., Ltd("Qinglian Company")	**598,774,512.44**	**146,388,821.20**	626,365,911.82	153,286,671.05
– JEL Company	**185,579,904.54**	**46,259,142.58**	256,178,269.87	63,908,733.92
– Nanjing Wind Power	**41,482,438.48**	**10,370,609.62**		
– Baotou Nanfeng	**35,822,266.12**	**8,955,566.53**		
– Meiguan Company	**17,310,641.43**	**2,307,319.68**	19,706,829.55	2,906,366.71
Financial assets' appreciation (c)	**85,144,510.22**	**21,286,127.56**	73,881,650.22	18,470,412.56
Foreign exchange swap (d)	**62,689,444.00**	**15,672,361.00**	45,103,194.00	11,275,798.50
Total	**4,867,619,040.46**	**1,211,443,780.98**	5,875,371,703.87	1,463,381,946.84

(a) The deferred tax liability was recognized based on the temporary difference between the tax base (straight-line basis) and accounting base (traffic volume basis) for the amortisation of toll road concession intangible assets.

(b) When the Company acquired equity interests of Qinglian Company, Airport-Heao Eastern Company, Qinglong Company, JEL Company, Meiguan Company and Yichang Company, Nanjing Wind Power Company, Baotou Nanfeng Company, deferred tax liabilities were recognized on temporary differences between the fair values and book values of the respective identifiable assets and liabilities acquired.

(c) According to "ASBE No. 22-Identification and Measurement of Financial Instruments", the Company recognized the deferred tax liabilities based on the temporary difference by the added value after evaluation of stock right of United Electronic Company and Shenzhen Water Planning & Design Institute Co., Ltd held by the Company.

(d) The foreign exchange swap contract and foreign exchange cap swap contract signed by the Company and the bank resulted in a fair value change was recognized as deferred income tax liability.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Deferred tax assets and deferred tax liabilities (continued)

(3) Offsetting of balances of deferred tax assets and liabilities

Item	Deferred tax assets and liabilities offset as at 31 December 2019	Net values of deferred tax assets/ liabilities as at 31 December 2019	Deferred tax assets and liabilities offset as at 31 December 2018	Net values of deferred tax assets/ liabilities as at 31 December 2018
Deferred tax assets	**-60,520,594.90**	**597,340,506.48**	-40,708,328.98	172,392,222.04
Deferred tax liabilities	**60,520,594.90**	**1,157,482,536.08**	40,708,328.98	1,422,673,617.86

(4) Deductible tax losses that were not recognized as deferred tax assets are analysed as follows:

Item	2019	2018
Deductible tax losses	**754,671,547.22**	1,682,080,362.81
Deductible temporary difference	**31,574,764.62**	1,333,793,699.39
Total	**786,246,311.84**	3,015,874,062.20

(5) The aforesaid unrecognized deductible tax losses will be due in the following years:

Year	2019	2018
Year 2019	–	442,150,072.39
Year 2020	**276,182,194.76**	406,315,244.29
Year 2021	**201,922,965.70**	380,503,712.89
Year 2022	**117,539,725.50**	350,004,673.74
Year 2023	**84,781,898.41**	103,106,659.50
Year 2024	**74,244,762.85**	–
Total	**754,671,547.22**	1,682,080,362.81

22. Other non-current assets

Item	2019	2018
Meiguan Company-relocation property compensation(a)	**342,599,500.00**	342,599,500.00
Total	**342,599,500.00**	342,599,500.00

(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 the 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", stipulating that the 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 2-3 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 2019.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Provision for impairment of assets

2019

Item	2018	Additions Business combinations not under common control	Additions	Reductions Reversal	Cancellation after verification	2019
Provision for impairment of concession intangible assets (a)	3,258,235,294.61	–	552,000,000.00	–	–	3,810,235,294.61
Provision for falling stock prices		1,930,228.28	–	–	–	1,930,228.28
Provision for impairment of accounts receivable	200,000.00	3,799,343.70	459,054.07	1,966,962.21	296,000.00	2,195,435.56
Provision for impairment of contract assets	–	684,150.00	126,280.00	–	–	810,430.00
Provision for impairment of long-term receivables	–	728,530.03	252,529.92	–	–	981,059.95
Total	3,258,435,294.61	7,142,252.01	552,837,863.99	1,966,962.21	296,000.00	3,816,152,448.40

2018

Item	2017	Additions	Reductions Reversal	Cancellation after verification	2018
Provision for impairment of concession intangible assets (a)	3,258,235,294.61	–	–	–	3,258,235,294.61
Provision for impairment of accounts receivable	450,000.00	–	250,000.00	–	200,000.00
Provision for impairment of other receivables	–	14,115.84	–	14,115.84	–
Total	3,258,685,294.61	14,115.84	250,000.00	14,115.84	3,258,435,294.61

(a) As mentioned in Note 3, 34 (6), because Shuiguan Expressway is expected to charge years of extension and the government repurchase probability is low, this year the Group has confirmed the impairment provision of RMB552,000,000.00 for the year.The recoverable amount is based on the present value of the estimated future cash flow of the asset group, the pre-tax discount rate is 16.07%.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

24. Short-term borrowings

Item	2019	2018
Pledged (1)	**44,905,614.03**	117,424,819.20
Credit (2)	**318,972,127.62**	–
Total	**363,877,741.65**	117,424,819.20

(1) As at 4 April 2019, the remaining loan of RMB117,424,819.20 carried interest at 0.8% plus HIBOR, with the pledge of 45% shares in Jade Emperor Ltd, has repaid by Mei Wah. The term of the loan is from 4 April 2018 to 4 April 2019. On 31 December 2019, the above short-term borrowings of RMB44,905,614.03 were bank loans of Mei Wah, and interest was charged at Hong Kong Interbank Offered Rate (HIBOR) + 0.8% p.a., together with the share pledged of Jade Emperor Ltd (45% of stake). The borrowing period is from 3 December 2019 to 2 December 2020.

(2) On 31 December 2019, RMB200,737,272.18 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 0.3% and 1% on a quarterly basis according to the actual overdraft amount. The borrowing period is from 26 December 2019 to 25 June 2020. Of the above short-term loans RMB118,234,855.44 was a bank loan of Nanjing Wind Power, and the borrowing rate was a 5% increase in the benchmark interest rate of the People's Bank of China during the same period. The borrowing period is from 27 September 2019 to 3 December 2020.

(3) As at 31 December 2019, the Company had no overdue loans.

25. Bills payable

Item	2019	2018
Bank acceptance bills	**131,749,731.69**	–
Total	**131,749,731.69**	–

As at 31 December 2019, the Company had no notes payable due (31 December 2018: Nil).

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 settled after settlement.

(1) Analysis of accounts payable

Item	2019	2018
Payables for construction projects and quality deposits	**728,788,697.10**	675,770,466.91
Payables for goods	**192,518,335.20**	–
Others	**49,451,992.79**	39,135,353.86
Total	**970,759,025.09**	714,905,820.77

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Accounts payable (continued)

(2) The significant accounts payable aged over 1 year:

Item	2019	Reason for unsettlement
China Railway 18 Bureau Group Co., Ltd.	**26,589,844.07**	The project payment is not settled
CCCC Second Highway Engineering Co., Ltd.	**23,521,302.82**	The project payment is not settled
Shenzhen He Wang Electric Co., Ltd.	**20,180,316.83**	The payment for goods is not paid
CCCC Second Harbour Engineering Co., Ltd.	**12,048,999.47**	The project payment is not settled
China Railway 12 Bureau Group Co., Ltd.	**11,198,572.13**	The project payment is not settled
Total	**93,539,035.32**	/

(3) *The aging of accounts payable according to the recognition date is analysed below:

Item	2019	2018
Within 1 month	**86,605,396.23**	187,599,514.67
1 to 2 months	**15,811,871.78**	9,784,229.98
2 to 3 months	**17,772,323.36**	5,957,578.85
3 months to 1 year	**203,213,637.74**	138,259,093.75
Over 1 year	**647,355,795.98**	373,305,403.52
Total	**970,759,025.09**	714,905,820.77

27. Contract liabilities

(1) General information of advances from customers

Item	2019	2018
Advances from sales of real estates(a)	**601,994,692.65**	841,962,908.84
Advances from sales of wind turbine set(b)	**338,728,000.00**	
Advances from advertising customers	**4,750,118.33**	14,872,110.48
Advances from operation and maintenance service charge	**3,499,394.00**	–
Others	**4,253,761.44**	1,877,723.45
Total	**953,225,966.42**	858,712,742.77

(a) As of December 31, 2019, the balance of advance sales of development properties in Phase II, Phase II and Phase III, Phase I of Interlaken Town was RMB217,441.00 and RMB601,777,251.65. (As of December 31, 2018: The balance of advance sales of development properties in Phase I, Phase II, Phase II and Phase III Phase I of Interlaken Town was RMB421,901,935.18, RMB42,991,971.00, and RMB377,069,002.66, respectively.)

(b) Advances from sales of wind turbine set is the pre-received wind turbines for Datong Wind Power Project and equipment for Zhongwei Gantang 49.5MW Wind Farm Project. As of 31 December, 2019, the balance of contractual liabilities was RMB38,728,000.00 and RMB300,000,000.00, respectively.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Employee benefits payable

(1) Analysis of employee benefits payable

2019

Item	**31 December 2018**	**Current year additions**	**Current year reductions**	**31 December 2019**
I. Short-term wages	**220,939,842.22**	**654,640,401.57**	**596,687,070.67**	**278,893,173.12**
II. Pension benefits – defined contribution plans	**942,579.94**	**49,726,681.23**	**48,978,774.55**	**1,690,486.62**
Total	**221,882,422.16**	**704,367,082.80**	**645,665,845.22**	**280,583,659.74**

2018

Item	31 December 2017	Current year additions	Current year reductions	31 December 2018
I. Short-term wages	167,642,617.23	604,732,206.40	551,434,981.41	220,939,842.22
II. Pension benefits – defined contribution plans	1,179,415.02	48,737,047.46	48,973,882.54	942,579.94
Total	168,822,032.25	653,469,253.86	600,408,863.95	221,882,422.16

28. Employee benefits payable (continued)

(2) Analysis of short-term wages

2019

Item	31 December 2018	Current year additions	Current year reductions	31 December 2019
I. Wages and salaries, bonuses, allowances and subsidies	**212,282,445.71**	**538,595,769.69**	**481,064,799.65**	**269,813,415.75**
II. Staff welfare	**958,617.42**	**49,368,863.23**	**49,537,216.54**	**790,264.11**
III. Social security contributions	**258,998.08**	**19,013,910.38**	**19,095,942.78**	**176,965.68**
Including: Medical insurance	**217,559.11**	**15,971,737.67**	**16,040,645.11**	**148,651.67**
Work injury insurance	**13,559.28**	**995,432.05**	**999,726.69**	**9,264.64**
Maternity insurance	**27,879.69**	**2,046,740.66**	**2,055,570.98**	**19,049.37**
IV. Housing funds	**683,037.28**	**29,827,351.25**	**30,183,484.69**	**326,903.84**
V. Labor union funds and employee education funds	**6,725,493.73**	**13,868,798.50**	**12,942,818.49**	**7,651,473.74**
VI. Others	**31,250.00**	**3,965,708.52**	**3,862,808.52**	**134,150.00**
Total	**220,939,842.22**	**654,640,401.57**	**596,687,070.67**	**278,893,173.12**

2018

Item	31 December 2017	Current year additions	Current year reductions	31 December 2018
I. Wages and salaries, bonuses, allowances and subsidies	159,652,011.10	496,330,666.30	443,700,231.69	212,282,445.71
II. Staff welfare	683,247.79	46,879,772.64	46,604,403.01	958,617.42
III. Social security contributions	371,523.98	19,017,404.54	19,129,930.44	258,998.08
Including: Medical insurance	312,081.18	15,974,672.77	16,069,194.84	217,559.11
Work injury insurance	19,450.33	995,614.99	1,001,506.04	13,559.28
Maternity insurance	39,992.47	2,047,116.78	2,059,229.56	27,879.69
IV. Housing funds	339,519.95	26,702,477.44	26,358,960.11	683,037.28
V. Labor union funds and employee education funds	5,939,362.19	12,064,542.98	11,278,411.44	6,725,493.73
VI. Others	656,952.22	3,737,342.50	4,363,044.72	31,250.00
Total	167,642,617.23	604,732,206.40	551,434,981.41	220,939,842.22

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Employee benefits payable (continued)

(3) Analysis of defined contribution plans

2019

Item	31 December 2018	Current year additions	Current year reductions	31 December 2019
I. Basic pensions	**472,206.04**	**34,666,216.14**	**34,815,777.85**	**322,644.33**
II. Unemployment insurance	**9,791.90**	**718,855.87**	**721,957.26**	**6,690.51**
III. Enterprise annuities	**460,582.00**	**14,341,609.22**	**13,441,039.44**	**1,361,151.78**
Total	**942,579.94**	**49,726,681.23**	**48,978,774.55**	**1,690,486.62**

2018

Item	31 December 2017	Current year additions	Current year reductions	31 December 2018
I. Basic pensions	677,363.59	34,672,586.69	34,877,744.24	472,206.04
II. Unemployment insurance	14,046.14	718,987.98	723,242.22	9,791.90
III. Enterprise annuities	488,005.29	13,345,472.79	13,372,896.08	460,582.00
Total	1,179,415.02	48,737,047.46	48,973,882.54	942,579.94

29. Taxes payable

Item	2019	2018
Corporate income tax payable (a)	**207,377,482.79**	898,414,800.80
VAT payable (a)	**33,794,034.07**	393,466,058.79
Land appreciation tax payable	**2,119,422.41**	9,605,497.19
City maintenance and construction tax payable (a)	**1,505,986.25**	28,479,600.84
Educational surcharge payable (a)	**10,115,954.44**	20,711,960.35
Others	**2,006,469.91**	2,746,000.63
Total	**256,919,349.87**	1,353,423,918.60

(a) The decrease in taxes payable was mainly due to the related taxes recognized in the payment of three project adjustment fee compensations and the arrangements for asset transfer agreements this year.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Other payables

(1) Analysis of other payables by nature

Item	2019	2018
Project funds retained for construction management contracts (a)	**1,478,561,695.23**	1,674,316,405.94
Payables due to associates	**284,859,099.00**	22,649,344.39
Payables for the cost of provincial toll station cancellation project	**219,206,085.74**	–
Payables for Nanjing Wind Power's equity acquisition	**210,046,233.40**	–
Payable related to maintenance for roads	**196,771,126.66**	170,954,316.82
Payable related to costs of construction projects independently	**139,530,736.25**	139,615,305.62
Payables for the construction cost of the Shenzhen World Exhibition & Convention Center toll station	**139,855,284.60**	–
Accrued project expenditure and administrative special expenses	**58,902,262.01**	37,964,492.97
Mechanical and electrical costs payable	**56,384,831.38**	36,771,928.46
Payable for tender and performance deposits and warranty	**55,673,378.50**	73,210,634.09
Country road construction fee and management service fee of Hunan Province	**37,968,950.48**	33,980,129.28
Temporary receipt due to equity transfer liquidated damages of Guizhou Xinhe Lifu Real Estate Development Co., Ltd.	**20,412,000.00**	–
Payable for agent-construction fee of Coastal Project Phase II	**19,378,599.38**	19,378,599.38
Payable for demolition fee of an old stations	**6,413,246.26**	18,209,415.89
Subscription funds and down deposits received for real estate sales	**1,610,000.00**	1,970,000.00
Compensation settlement for Meiguan reconstruction and expansion	**–**	33,249,357.80
Payables for estimated equity acquisition	**–**	26,000,000.00
Interest payable	**–**	89,973,729.42
Dividend payable (b)	**54,447,000.00**	–
Others	**35,855,153.90**	18,585,236.69
Total	**3,015,875,682.79**	2,396,828,896.75

(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 entrusted contract to pay for the construction. According to the entrusted contract, the Company was required to set up a special deposit account to settle the payment. The account was classified as a deposit in the special account of entrusted construction management and disclosed as restricted bank deposits in the statement of cash and cash equivalents.

(b) Dividend payable

Dividend payable is the dividend declared by Nanjing Wind Power in December 2018, a subsidiary of the Company, distributed to the original shareholders. As at 31 December 2019, the outstanding balance of dividends payable was RMB54,447,000.00.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

30. Other payables (continued)

(2) Significant other payables aged over 1 year

Item	2019	Reason for unsettlement
Hunan Expressway Group Co., Ltd.	**34,083,530.48**	The terms of payment have not been met.
Guangdong Changda Highway Engineering Co., Ltd.	**9,200,000.00**	Contract settlement has not been completed.
Zhonglu Gawker Traffic Inspection and Certification Co., Ltd.	**6,664,837.60**	Contract settlement has not been completed.
CCCC Tunnel Engineering Bureau Co., Ltd.	**6,179,986.50**	Contract settlement has not been completed.
Shenzhen Expressway Engineering Testing Co., Ltd.	**6,097,020.00**	Contract settlement has not been completed.
Total	**62,225,374.58**	/

31. Current portion of non-current liabilities

Item	2019	2018
Compensations related to adjustment of fees and the freight subsidy of Coastal Expressway due within one year (Note V.39(b))	**128,370,047.21**	99,561,965.67
Current portion of long-term payables (Note V.34(1))	**73,121,418.41**	–
Current portion of lease liabilities (Note V.36)	**34,681,544.60**	–
Current portion of non-current borrowings (Note V.32(1))	**191,133,945.38**	279,574,031.57
Including: Pledged loan	**134,826,577.78**	235,119,486.12
Credit loan	**56,307,367.60**	44,454,545.45
Current portion of bonds payable (Note V.33(1))	**77,795,034.20**	–
Total	**505,101,989.80**	379,135,997.24

32. Long-term borrowings

(1) Analysis of long-term borrowings

Item	2019	2018
Pledged	**8,668,942,057.31**	8,304,855,479.55
Credit	**554,007,367.60**	867,454,545.45
Less: Current portion(Note V. 31)	**191,133,945.38**	279,574,031.57
Total	**9,031,815,479.53**	8,892,735,993.43

(a) As at 31 December 2019, the Group's borrowings were repayable as follows:

Item	2019	2018
Within 1 year	**191,133,945.38**	279,574,031.57
1 to 2 years	**656,800,000.00**	491,231,349.07
2 to 5 years	**1,475,276,341.23**	2,746,479,185.62
Over 5 years	**6,899,739,138.30**	5,655,025,458.74
Total	**9,222,949,424.91**	9,172,310,025.00

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

32. Long-term borrowings (continued)

(1) Analysis of long-term borrowings (continued)

(b) As at 31 December 2019, details of the long-term borrowings are set out as follows:

Item	Interest rate in current year	Currency	Amount in RMB	Guarantee details
Syndicated borrowings of Qinglian(i)	4.41%	RMB	1,634,224,000.00	Operating rights of Qinglian Expressway
Syndicated borrowings of Outer Ring(ii)	4.41%-4.90%	RMB	3,510,872,611.98	Operating rights of Outer Ring Expressway
Syndicated borrowings of Shenzhen Expressway (iii)	4.41%	RMB	3,518,158,867.55	Operating rights of Coastal Expressway
Bank borrowings of Shenzhen Expressway(iv)	4.275%	RMB	388,000,000.00	Credit (Floating Loan/Mergers & Acquisitions Loan)
Entrusted borrowings of Shenzhen Expressway (v)	3.915%-4.275%	RMB	165,000,000.00	Credit (Entrusted)
Plus: Interest accrued		RMB	6,693,945.38	
Less: Current portion		RMB	191,133,945.38	Pledged toll of Qinglian Expressway
Total	/	/	9,031,815,479.53	/

(i) On 31 December 2019, the interest rate on the loan was 10% below the benchmark interest rate for loans over five years on the actual withdrawal date.

(ii) On 31 December 2019, the interest rate on the loan of RMB2,185,416,705.99 was 10% below the benchmark interest rate for loans over five years; the interest rate on the remaining loan of RMB1,325,455,905.99 was the benchmark interest rate for loans over five years.

(iii) On 31 December 2019, the interest rate on the loan was 10% below the benchmark interest rate for loans over five years on the actual withdrawal date. From 21 June 2019, the borrower changed from coastal Company to Shenzhen Expressway.

(iv) On 31 December 2019, the benchmark interest rate of these loans is 10% lower than the benchmark interest rate of the People's Bank of China for one to five years (inclusive).

(v) On 31 December 2019, the benchmark interest rate of RMB105,000,000.00 was 10% below the benchmark interest rate of the corresponding grade loan announced by the People's Bank of China on the date of withdrawal. For the remaining part amounting to RMB60,000,000.00, the annual interest rate was 10% below the benchmark interest rate for loans with maturity of one year announced by the People's Bank of China on the actual withdrawal date.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

33. Bonds payable

(1) Bonds payable

Item	2019	2018
Corporate bonds	**2,912,420,937.41**	2,838,547,774.79
Medium-term notes	**1,841,630,304.35**	1,794,372,233.60
Less: Current portion(Note V. 31)	**77,795,034.20**	–
Total	**4,676,256,207.56**	4,632,920,008.39

(2) Movements of bonds payable

Name	Par value	Date of issuance	Maturity	Issued amount	31 December 2018	Current year- issued	Accrual of interest by par value	Discount and issue fee amortization	Exchange gains – net	Current year-repaid	31 December 2019
Corporate bonds (a)	800,000,000.00	31 July 2007	15 years	800,000,000.00	797,605,782.59	–	44,000,000.00	668,153.64	–	–	**798,273,936.23**
Corporate bonds (a)	1,995,330,000.00	18 July 2016	5 years	1,984,555,218.00	2,040,941,992.20	–	60,201,285.33	7,086,824.13	33,900,000.00	–	**2,081,928,816.33**
Medium-term notes (b)	1,000,000,000.00	30 July 2018	3 years	1,000,000,000.00	997,556,093.96	–	55,912,636.28	906,226.07	–	–	**998,462,320.03**
Medium-term notes (b)	800,000,000.00	15 August 2018	5 years	800,000,000.00	796,816,139.64	–	50,889,066.25	774,995.33	–	–	**797,591,134.97**
Total	4,595,330,000.00	/	/	4,584,555,218.00	4,632,920,008.39	–	211,002,987.86	9,436,199.17	33,900,000.00	–	**4,676,256,207.56**

(a) Corporate bonds

The Company issued long-term corporate bonds with a principal amount of RMB800,000,000.00, bearing interest at a rate of 5.5% per annum on 31 July 2007 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 Corporation, and are in turn secured by the Company's 100% equity interest in Meiguan.

The Company held a shareholders' meeting on 19 May 2016 to consider and approve the issuance of debt financing instruments, and endowed the Board of Directors with the general license for issuance. On 18 July 2016, the Company issued a long-term bond with a principal value of USD300 million. 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 17 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.

(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.

34. Long-term payables

Item	2019	2018
Long-term payables	**2,217,015,191.85**	–
Total	**2,217,015,191.85**	–

(1) The details of long-term payables

Item	2019	2018
Financial liabilities arising from sale and leaseback transactions (a)	**660,027,912.26**	–
Borrowings from associates (b)	**1,618,960,000.00**	–
Sub-total	**2,278,987,912.26**	–
Less: Current portion (a) (Note V. 31)	**61,972,720.41**	–
Total	**2,217,015,191.85**	–

(a) The long-term payable principal of the Group's subsidiary Baotou Nanfeng Fan Equipment after the sale and leaseback is RMB673,000,000.00, and the financial cost of amortization of unrecognized financing costs for the year is RMB13,050,811.01, and the payment of the financing lease fee of RMB4,038,000.00 will be repaid Gold amounted to RMB15,000,000.00 and interest payment amounted to RMB6,984,898.75; as of 31 December, 2019, the balance of this amount was RMB660,027,912.26.

(b) The borrowings of the Headquarters is from the United Land Company for a term of three years in July 2019. The loan agreement was signed on 25 July 2019 at an annual interest rate of 3.65%. As of 31 December, 2019, the long-term payable balance of the Headquarters is RMB1,618,960,000.00. The confirmed interest expense on financial expenses was RMB11,148,698.00. Refer to Note X.5(6)(f) for details.

(2) The analysis of long-term payables due date is as follows:

Item	2019	2018
Within 1 year	**73,121,418.41**	
1 to 2 years	**598,055,191.85**	–
2 to 5 years	**1,618,960,000.00**	–
Total	**2,290,136,610.26**	–

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Long-term employee benefits payable

Item	2019	2018
Other long-term employee benefits(a)	**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 2021 to 2023.

36. Lease liabilities (Applicable from 1 January 2019)

Item	2019
Lease contract	**152,951,289.26**
Less: Current portion (Note V. 31)	**34,681,544.60**
Total	**118,269,744.66**

37. Estimated liabilities

Item	2019	2018
Product warranty (a)	**10,284,566.66**	–
Total	**10,284,566.66**	–

The estimated liability for this year is the product quality deposit accrued from the sales of "Nanjing Wind Power" wind turbines.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Deferred income

2019

Item	31 December 2018	Current year additions	Current year reductions	31 December 2019	Explanation
Non-current liabilities					
Compensation to operating costs for Toll Free Section of Meiguan Expressway	107,913,239.80	–	13,080,392.64	94,832,847.16	Shenzhen Government compensation to the accrued operating costs for Toll Free Section of Meiguan Expressway in the future
Government compensation for demolition	19,228,922.22	–	2,746,988.88	16,481,933.34	Government compensation for demolition of Qinglong Company
Compensation to 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 to the accrued operating costs for Nanguang and Yanpai new station
Sub-total	439,287,093.37	–	36,467,381.52	402,819,711.85	/
Current liabilities					
Government financial grants	2,796,223.13	–	195,096.23	2,601,126.90	Return of government financial grants provided from Guizhou Longli County Government of Guishen Company
Total	442,083,316.50	–	36,662,477.75	405,420,838.75	/

(a) As a result of the adjustment of the fee compensation and asset transfer agreements for the three expressways this year, other business income was recognized at RMB43,920,000.00 and amortization of unrecognized financing costs was RMB23,280,000.00, resulting in a decrease in net deferred income of RMB20,640,000.00. For details, please refer to Note V. 39 (a).

2018

Item	31 December 2018	Current year additions	Current year reductions	31 December 2019	Explanation
Non-current liabilities					
Compensation to operating costs for Toll Free Section of Meiguan Expressway	120,993,632.44	–	13,080,392.64	107,913,239.80	Shenzhen Government compensation to the accrued operating costs for Toll Free Section of Meiguan Expressway in the future
Government compensation for demolition	21,975,911.10	–	2,746,988.88	19,228,922.22	Government compensation for demolition of Qinglong Company
Compensation to the accrued operating costs for Nanguang and Yanpai new station (a)	–	330,104,931.35	17,960,000.00	312,144,931.35	Shenzhen Government compensation to the accrued operating costs for Nanguang and Yanpai new station
Sub-total	142,969,543.54	330,104,931.35	33,787,381.52	439,287,093.37	/
Current liabilities					
Government financial grants	2,688,148.48	247,170.00	139,095.35	2,796,223.13	Return of government financial grants provided from Guizhou Longli County Government to Guishen Company
Total	145,657,692.02	330,352,101.35	33,926,476.87	442,083,316.50	/

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Deferred income (continued)

Items of government grants:

2019

Item	31 December 2018	Additional grants in current year	Recognized in non-operating income in current year	Other changes	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	/

2018

Item	31 December 2017	Additional grants in current year	Recognized in non-operating income in current year	Other changes	31 December 2018	Related to assets/revenue
Government financial grants	2,688,148.48	247,170.00	139,095.35	–	2,796,223.13	Related to assets
Compensation for demolition	21,975,911.10	–	2,746,988.88	–	19,228,922.22	Related to assets
Total	24,664,059.58	247,170.00	2,886,084.23	–	22,025,145.35	/

39. Other non-current liabilities

Item	2019	2018
Compensations related to the toll adjustment of Three Expressways		
Acquisition of compensations related to the toll adjustment of Three Expressways (a)	–	6,588,000,000.00
Add: Cumulative recognition of financial expense	–	904,210,000.00
Less: Cumulative deduction of toll income containing tax	–	2,130,330,000.02
Less: Carry forward of compensations related to the toll adjustment of Three Expressways (a)	–	5,361,879,999.98
Balances of compensations related to the toll adjustment of Three Expressways	–	–
Sub-total	–	–
Compensations related to the freight subsidy of Coastal Expressway		
Acquisition of compensations related to the freight subsidy of Coastal Expressway (b)	**302,000,000.00**	302,000,000.00
Add: Cumulative recognition of financial expense	**37,188,757.06**	20,311,356.88
Less: Tax	**9,775,736.90**	9,775,736.90
Less: Cumulative deduction of toll income containing tax	**201,042,972.95**	84,603,607.10
Balances of compensations related to the freight subsidy of Coastal Expressway	**128,370,047.21**	227,932,012.88
Less: Current portion of compensations related to the freight subsidy of Coastal Expressway	**128,370,047.21**	99,561,965.67
Sub-total	–	128,370,047.21
Total	**–**	**128,370,047.21**

(a) On 30 November 2015, the Company and Shenzhen Transportation Bureau signed an agreement on compensation for compensation for three projects and asset transfer. The Company has received the first cash compensation amount of RMB6,588,000,000.00 on 29 December 2015, which is included in the bank deposit as the present value of future income, and the final value of future income is included in other non-current liabilities. Accordingly, starting at 00:00 on 7 February 2016, the three projects will be implemented free of charge in two phases. The first phase began on 7 February 2016 and ended on 31 December 2018. During this period, while retaining the rights and interests of the relevant sections of the toll road and continuing to assume management and maintenance responsibilities, the Shenzhen Transportation Bureau purchased the toll services of these sections from the Company and provided corresponding cash compensation for the toll revenue that was waived.

In the fourth quarter of 2018, the Shenzhen Transportation Bureau issued the "Notice of the Municipal Transport and Transport Commission on Printing and Distributing the Toll Adjustment Method for the Second Stage of Nanguang, Yanpai, and Yanba Three Expressways", clarifying the second stage toll selection method, namely The Shenzhen Transportation Bureau withdraws the remaining toll road rights and interests in the adjustment sections. The Company will no longer own the toll road rights and interests in such sections and will no longer bear the corresponding management and maintenance responsibilities. As of 31 December 2018, the Company has transferred three projects, and the corresponding assets and liabilities have been carried forward.

The second phase started from 1 January 1 2019 and expire on the toll road equity period of the three projects. In the case of using the second method in the second phase, the compensation for the operation of the newly-built station involves the commissioned operation of the Shenzhen toll committee to build a new toll station: Nanguang Expressway, Nanguang/Jihe Interchange Ramp Toll Station, and Yanpai Expressway's Yanpai/Toll station on the south side of Jihe Interchange. In 2018, the company recorded the deferred income of RMB488,866,666.67 based on the future operating compensation income and the final value of taxes and fees formed in 2018-2027. The difference was included in the unrecognized financing expenses of RMB158,761,735.32, which increased the net deferred income by RMB330,104,931.35 yuan. Carry forward other operating income based on operating service income for each year and amortize unrecognized financing expenses. This year, other business income was recognized at RMB43,920,000.00, and amortized unrecognized financing expenses were RMB23,280,000.00. For details, see Note V. 38 (a).

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

39. Other non-current liabilities (continued)

(b) On 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, 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. On 31 March 2018, Coastal Company received the above compensation amount of RMB302 million, the compensation management to the above received as the present value of future income credited to bank deposits, and adjust the freight charges during transportation income compensation of RMB346 million after deducting relevant taxes 10 million yuan as a future income final value write down other non-current liabilities, income is expected to end value and the actual received the gap between the present value of the RMB44 million recorded into the unrecognized financing charges, the financial expenses were not recognized in this amount. Financial expenses recognized during the year were RMB16,877,400.18.

40. Share capital

2019	31 December 2018	Movement: New shares issued	Rights issue	Transfer from surplus	Others	Sub-total	31 December 2019
Total share capital	**2,180,770,326.00**	–	–	–	–	–	**2,180,770,326.00**

2018	31 December 2017	Movement: New shares issued	Rights issue	Transfer from surplus	Others	Sub-total	31 December 2018
Total share capital	2,180,770,326.00	–	–	–	–	–	2,180,770,326.00

The twenty-third meeting of the eighth Board of Directors of the company. held on 10 January, 2020 reviewed and approved the proposal on the non-public issuance of H shares, and the non-public issue of no more than 300 million H shares. The par value of each share is RMB1.00 yuan. After obtaining the approval from the China Securities Regulatory Commission and other relevant agencies and the listing and approval of the issuance on the Hong Kong Stock Exchange, the Company will choose to implement it at an appropriate time within the valid period of approval. As of the disclosure date of this statement, the above-mentioned H shares have not yet been issued.

41. Capital surplus

2019

Item	31 December 2018	Current year additions	Current year reductions	31 December 2019
Share premium	**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**	**–**	**–**	**3,128,000,000.00**
Other capital reserve- Acquisition of minority interests	**-120,924,166.49**	**–**	**–**	**-120,924,166.49**
Capital injection in the invested entity	**921,200,000.00**	**–**	**–**	**921,200,000.00**
Other capital reserve-others	**16,399,775.48**	**1,684,268.80**	**–**	**18,084,044.28**
Total	**6,219,027,132.41**	**1,684,268.80**	**–**	**6,220,711,401.21**

2018

Item	31 December 2017	Current year additions	Current year reductions	31 December 2018
Share premium	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	–	–	3,128,000,000.00
Other capital reserve- Acquisition of minority interests	-120,924,166.49	–	–	-120,924,166.49
Capital injection in the invested entity(a)	–	921,200,000.00	–	921,200,000.00
Other capital reserve-Others	1,567,564.50	15,082,210.98	250,000.00	16,399,775.48
Total	5,282,994,921.43	936,282,210.98	250,000.00	6,219,027,132.41

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

42. Other comprehensive income

2019	31 December 2018	Amount incurred in current year: Pre-tax amount incurred during the year	Amount incurred in current year: Post-tax amount attributable to owners of the Company	31 December 2019
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 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 the subsequent year	-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 other comprehensive income	881,375,987.20	**34,629,387.26**	**34,629,387.26**	**916,005,374.46**

2018	31 December 2017	Amount incurred in current year: Pre-tax amount incurred during the year	Amount incurred in current year: Post-tax amount attributable to owners of the Company	31 December 2018
Items that may be reclassified subsequently to profit or loss:	887,624,170.50	-6,248,183.30	-6,248,183.30	881,375,987.20
– 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 the subsequent year	-4,825,335.80	-8,741,488.55	-8,741,488.55	-13,566,824.35
– Foreign currency financial statement translation difference	-1,088,892.44	2,493,305.25	2,493,305.25	1,404,412.81
Total other comprehensive income	887,624,170.50	-6,248,183.30	-6,248,183.30	881,375,987.20

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. Surplus reserve

2019	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**

2018	31 December 2017	Current year additions	Current year reductions	31 December 2018
Statutory surplus reserve	1,685,223,593.83	343,050,136.40	–	2,028,273,730.23
Discretionary surplus reserve	453,391,330.06	–	–	453,391,330.06
Total	2,138,614,923.89	343,050,136.40	–	2,481,665,060.29

In accordance with the Company Law of the People's Republic of China, the Company's Articles of Association and the resolution of the Board of Directors, companies should appropriate 10% of the net profit for the year to the statutory surplus reserve, where the appropriation can cease when the statutory surplus reserve reaches 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase capital after approval from the appropriate authorities. The company's statutory surplus reserve fund for 2019 is RMB136,143,756.72. (2018: RMB343,050,136.40).

The Company appropriates the discretionary surplus reserve after the shareholders' meeting approves the proposal from the Board of Directors. The discretionary surplus reserve can be used to make up for the loss or increase capital after approval from the appropriate authorities. The Company did not appropriate any discretionary surplus reserve for ended 31 December 2019 (2018: Nil).

44. Undistributed profits

Item	2019	2018
Unadjusted balance of undistributed profit at the end of the last financial year	**5,624,252,437.38**	6,256,075,328.76
Adjusted: Business combination involving enterprises under common control	**–**	-3,113,068,776.71
Sub-total	**5,624,252,437.38**	3,143,006,552.05
Adjusted: Changes in accounting policies	**–**	38,476,512.20
Adjusted opening balance of undistributed profits	**5,624,252,437.38**	3,181,483,064.25
Add: Net profit attributable to equity holders of the Company in current period/year	**2,499,484,975.75**	3,440,050,607.33
Less: Appropriation for statutory surplus reserve	**136,143,756.72**	343,050,136.40
Dividends	**1,548,346,931.46**	654,231,097.80
Undistributed profits at the end of the year	**6,439,246,724.95**	5,624,252,437.38

According to the resolution of the annual meeting of shareholders on May 22, 2019, the Company distributed 2018 cash dividends to all shareholders at RMB0.71 per share. Based on the 2,180,770,326 shares issued, cash dividends totaling RMB1,548,346,931.46 were distributed amounting to 45% of 2018 net profit. As of 31 December, 2019, the above dividends have been fully distributed.

Notes to Financial Statements

2019
(RMB)

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45. Revenue and cost of services

	2019		2018	
Item	Revenue	Cost	Revenue	Cost
Main business – toll road	**4,569,454,414.90**	**2,270,903,104.28**	5,066,387,436.63	2,389,981,090.59
Other services –				
Environmental revenue	**598,968,458.64**	**430,021,848.73**	–	–
– Revenue related to wind turbine equipment	**511,125,563.54**	**395,550,875.16**	–	–
– Wind power revenue	**87,666,895.10**	**34,467,853.57**	–	–
– Others	**176,000.00**	**3,120.00**	–	–
Real estate development revenue	**456,902,470.68**	**255,161,517.06**	285,672,407.32	173,577,128.71
Management services revenue	**376,403,186.50**	**356,797,256.75**	246,261,295.37	183,919,594.25
Advertising services revenue	**55,875,222.93**	**51,518,188.66**	93,674,087.27	74,852,195.80
Others	**128,221,358.32**	**135,136,243.20**	115,112,805.19	35,881,922.41
Sub-total of other businesses	**1,616,370,697.07**	**1,228,635,054.40**	740,720,595.15	468,230,841.17
Total	**6,185,825,111.97**	**3,499,538,158.68**	5,807,108,031.78	2,858,211,931.76

The revenue is analyzed as follows:

2019

Reportable segments	Toll road	Environmental	Real estate development	Management service	Advertising s ervice	Others	Total
Main operating areas							
Guangdong Province	3,597,256,460.71	176,000.00	–	152,572,764.83	55,875,222.93	114,017,985.76	3,919,898,434.23
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
Inner Mongolia Autonomous Region	–	87,666,895.10	–	–	–	–	87,666,895.10
Total	4,569,454,414.90	598,968,458.64	456,902,470.68	376,403,186.50	55,875,222.93	128,221,358.32	6,185,825,111.97
Main service categories							
Toll road	4,569,454,414.90	–	–	–	–	–	4,569,454,414.90
Environmental	–	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
Others	–	–	–	–	–	128,221,358.32	128,221,358.32
Total	4,569,454,414.90	598,968,458.64	456,902,470.68	376,403,186.50	55,875,222.93	128,221,358.32	6,185,825,111.97
Timing for revenue recognition							
Revenue recognized at a certain point in time	4,569,454,414.90	597,427,112.64	456,902,470.68	–	7,303,827.29	27,171,390.33	5,658,259,215.84
Revenue recognized over a period of time	–	1,541,346.00	–	376,403,186.50	48,571,395.64	101,049,967.99	527,565,896.13
Total	4,569,454,414.90	598,968,458.64	456,902,470.68	376,403,186.50	55,875,222.93	128,221,358.32	6,185,825,111.97

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45. Revenue and cost of services (continued)

The revenue is analyzed as follows: (continued)

2018

Reportable segments	Toll road	Real estate development	Management service	Advertising service	Others	Total
Main operating areas						
Guangdong Province	4,128,639,932.45	–	110,471,348.13	93,674,087.27	114,124,092.70	4,446,909,460.55
Hunan Province	552,506,455.85	–	–	–	988,712.49	553,495,168.34
Guizhou Province	–	285,672,407.32	135,789,947.24	–	–	421,462,354.56
Hubei Province	385,241,048.33	–	–	–	–	385,241,048.33
Total	5,066,387,436.63	285,672,407.32	246,261,295.37	93,674,087.27	115,112,805.19	5,807,108,031.78
Main service categories						
Toll road	5,066,387,436.63	–	–	–	–	5,066,387,436.63
Real estate development	–	285,672,407.32	–	–	–	285,672,407.32
Management service	–	–	246,261,295.37	–	–	246,261,295.37
Advertising service	–	–	–	93,674,087.27	–	93,674,087.27
Others	–	–	–	–	115,112,805.19	115,112,805.19
Total	5,066,387,436.63	285,672,407.32	246,261,295.37	93,674,087.27	115,112,805.19	5,807,108,031.78
Timing for revenue recognition						
Recognize revenue at a certain point in time	5,066,387,436.63	285,672,407.32	–	1,556,275.13	9,032,426.22	5,362,648,545.30
Revenue recognized at some point (during some period)	–	–	246,261,295.37	92,117,812.14	106,080,378.97	444,459,486.48
Total	5,066,387,436.63	285,672,407.32	246,261,295.37	93,674,087.27	115,112,805.19	5,807,108,031.78

The income recognized in the current year and included in the beginning book value of contract liabilities is as follows:

Item	2019	2018
Advances from sales of real estates	**417,435,394.79**	112,953,842.00
Advances from advertising customers	**6,814,256.43**	7,118,628.72
Others	**1,500,689.35**	1,023,009.81
Total	**425,750,340.57**	121,095,480.53

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45. Revenue and cost of services (continued)

The Group's information related to performance obligations is as follows:

Road toll

The performance obligation is recognized in accordance with the amount received and receivable when the vehicle is in traffic.

Sales of goods

The contract for the sale of goods between the Group and its customers includes a performance obligation that is fulfilled when control is transferred.

Wind power

This performance obligation is usually recognized at the time of power transmission and is measured based on the amount of wind power transmitted and the applicable fixed tariff.

Quality assurance services

Revenue from quality assurance services is recognised when the service is provided over a period of time.

46. Tax and surcharges

Item	2019	2018
City maintenance and construction tax	**25,270,279.55**	15,803,609.33
Educational surcharge	**10,797,855.85**	14,015,379.63
Land appreciation tax	**8,058,394.83**	10,605,159.56
Property tax	**5,355,936.05**	6,120,521.17
Stamp tax	**891,679.13**	1,162,461.45
Construction fee for culture development	**3,114,010.09**	1,586,478.86
Others	**1,086,920.04**	448,487.47
Total	**54,575,075.54**	49,742,097.47

47. General and administrative expenses

Item	2019	2018
Salaries and wages	**256,099,232.40**	149,597,177.02
Depreciation and amortization	**29,079,076.77**	6,971,340.56
Legal and advisory fees	**23,174,146.43**	8,083,618.48
Audit fees	**8,061,628.86**	5,837,606.92
Stock exchange fees	**5,340,561.51**	4,708,838.53
Business hospitality fees	**4,486,615.57**	4,087,837.93
Travel fees	**3,872,724.70**	4,670,996.77
Office building management fees	**3,621,029.54**	4,191,569.43
Office and communication charges	**3,166,515.26**	2,516,692.86
Vehicle fees	**1,797,141.55**	1,416,768.50
Rental fees	**1,323,303.48**	10,854,061.53
Others	**10,710,467.75**	6,708,423.51
Total	**350,732,443.82**	209,644,932.04

* The remuneration of the statutory auditor of the Group was RMB6,676,000.00 in 2019 (tax included) (2018: RMB5,850,000.00).

48. Research and development expenses

Item	2019	2018
Direct consumables	**6,035,604.83**	–
Labor cost	**9,194,257.65**	–
Depreciation and amortization	**269,979.33**	–
Others	**2,974,972.27**	–
Total	**18,474,814.08**	–

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

49. Financial expenses

Item	2019	2018
Interest expenses	**734,526,133.16**	1,060,159,474.79
Including: Interest expenses on lease liabilities(Note XIII.2(2))	**14,227,011.48**	–
Interest expenses on borrowings	**434,561,336.96**	548,088,478.72
Interest expenses on bonds payable	**190,798,550.73**	164,406,792.95
Large transportation financing expense	**–**	273,369,600.00
Unrecognized financing expense for allocation of the subsidy of the new toll of Three Expressways (Note V.38)	**23,280,000.00**	24,680,000.00
Unrecognized financing expense for allocation of the freight subsidy of Coastal Expressway (Note V.39(b))	**16,877,400.18**	20,311,356.88
Interest expense for advance payment	**30,582,324.80**	29,303,246.24
Interest expenses on long-term payables (Note V.34)	**24,199,509.01**	–
Less: Interest income	**50,848,513.85**	81,317,876.57
Less: Interest capitalized	**133,608,637.84**	69,828,993.76
Including: interest expense capitalized	**134,631,048.48**	74,635,461.86
Interest income capitalized	**1,022,410.64**	4,806,468.10
Less: Financial benefit for pre-repayment of finance lease (Note XV.1)	**22,492,284.97**	–
Exchange gains or losses	**33,399,084.64**	133,364,616.16
Others	**11,962,278.24**	12,628,816.06
Total	**572,938,059.38**	1,055,006,036.68

During the 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.19(f) for the relevant information.

The details of the interest income are listed as follows:

Item	2019	2018
Cash and cash equivalents	**48,472,236.51**	30,182,226.56
Long-term receivables	**1,731,571.08**	1,794,965.49
Other receivables	**644,706.26**	49,340,684.52
Less: interest income capitalized	**1,022,410.64**	4,806,468.10
Total	**49,826,103.21**	76,511,408.47

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50. Other income

Government grants related to daily activities are as follows:

Item	2019	2018	Asset/profit related
Government grants related to deferred income (Note V.38)	**195,096.23**	139,095.35	Asset related
Talent support funds	**6,240,000.00**	–	Profit related
Others	**2,087,213.99**	–	Profit related
Total	**8,522,310.22**	139,095.35	

51. Investment income

Item	2019	2018
Investment income from long-term equity investments in associates under the equity method (Note V.14)	**899,684,300.39**	520,956,388.49
Investment income from financial products	**1,441,847.76**	5,642,543.29
Investment income from non-current financial assets	**30,125,114.78**	6,859,719.35
Investment gain/(loss) from foreign exchange swap (Note V.2)	**26,860,000.00**	-49,740,000.00
Investment income from disposal of subsidiaries (Note VI.3)	**262,207,206.28**	71,875,733.02
Realized income from downstream trading (a) (Note V.14(1))	**22,091,980.80**	–
Unrealized income from downstream trading	**261,586.84**	–
Total	**1,242,672,036.85**	555,594,384.15

(a) The Group's consolidated level offsets the asset disposal income of the shareholding part from compensation for office building property of Meiguan company by United Land in 2018, during the year, the income from United Land Company construction project was realized, and the Group’s realized profit of RMB22,091,980.80 according to the proportion of the sold properties of United Land Company.

52. Gains or losses from changes in fair value

Item	2019	2018
Financial assets measured at fair value through profit or loss	**55,086,510.00**	134,403,871.30
Including: Derivative financial instruments (Note V.2)	**17,586,250.00**	116,475,051.30
Including: Financial assets designated to be measured at fair value through profit or loss (Note V.13)	**37,500,260.00**	17,928,820.00
Gains from adjustment of Shuiguan Expressway’s acquisition contingent consideration (Note III.34(6))	**26,000,000.00**	–
Total	**81,086,510.00**	134,403,871.30

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. Asset impairment loss

Item	2019	2018
Impairment of Shuiguan Expressway (Note V.23(a))	**552,000,000.00**	–
Total	**552,000,000.00**	–

54. Gains or losses on disposal of assets

Item	2019	2018
Compensation for toll adjustment of Yanba, Yanpai and Nanguang ("Three Expressways") (Note V.39)	**–**	1,961,413,854.90
Compensation for land expropriation loss on Meiguan Expressway	**–**	225,087,871.50
Compensation for Yanba Road housing demolition	**–**	22,295,210.06
Gain and loss on disposal of the property of Hubei Magerk Expressway Management Co., LTD	**–**	11,558,170.10
Disposal of the right of using the land of Meiguan	**–**	7,620,000.00
Others	**386,045.39**	-848,727.38
Total	**386,045.39**	2,227,126,379.18

55. Non-operating income

Item	2019	2018	Amount recorded as non-recurring profit or loss for the year ended 31 December 2019
Government grants not related to daily activities (a)	**3,246,706.07**	8,116,655.45	3,246,706.07
Others	**9,153,971.77**	9,315,735.44	9,153,971.77
Total	**12,400,677.84**	17,432,390.89	12,400,677.84

(a) Government grants not related to daily activities are as follows:

Item	2019	2018	Asset/profit related
Government incentives (i)	**499,717.19**	5,369,666.57	Profit related
Government grants related to deferred income (ii)	**2,746,988.88**	2,746,988.88	Asset related
Total	**3,246,706.07**	8,116,655.45	/

(i) The government incentive fund is mainly a preferential incentive fund of RMB400,000.00 received by Nanjing wind power Company and the stable post subsidies by each subsidiary.

(ii) In 2010, 2011 and 2014, Qinglong Company received the compensation for land expropriation from Longgang District of Shenzhen, and the deferred amortization income of RMB2,746,988.88 was included in the non-operating income for the year. Refer to Note V.38 for details.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

56. Non-operating expenses

Item	2019	2018	Amount recognized in non-recurring profit or loss for the year ended 31 December 2019
The loss on damage or scrap of non-current assets	**8,576,427.18**	2,787,962.43	8,576,427.18
Donation	**1,016,000.00**	1,041,400.00	1,016,000.00
Others	**2,632,310.21**	1,010,780.95	2,632,310.21
Total	**12,224,737.39**	4,840,143.38	12,224,737.39

57. Expenses by nature

Costs of services, selling expenses, general and administrative expenses, research and development expenses in income statement are analyzed by nature as follows:

Item	2019	2018
Depreciation and amortization	**1,547,151,172.63**	1,644,408,248.39
Salaries and wages	**798,906,022.57**	646,830,799.86
Fan material costs	**395,550,875.16**	–
Real estate development costs	**255,161,517.06**	173,577,128.71
Costs of construction management services	**233,952,570.62**	147,034,046.65
Road maintenance expenses	**233,292,013.93**	74,761,877.13
Entrusted management expenses for Wuhuang Expressway	**107,382,395.19**	100,278,107.75
Material, water and electrical costs	**52,852,530.40**	53,093,044.18
Mechanical and electrical costs	**40,405,344.58**	45,737,150.56
Costs of agencies	**36,957,500.53**	18,300,340.05
Integrated tolls settlement service expenses	**24,567,690.68**	17,460,709.44
Promotion and marketing expenses	**7,742,026.05**	8,603,499.74
Other expenses	**162,128,534.97**	157,189,240.27
Total	**3,896,050,194.37**	3,087,274,192.73

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

58. Income tax expense

(1) Classification of income tax expense

Item	2019	2018
Income tax expense	**617,801,743.24**	1,129,749,372.17
Deferred income tax	**-710,051,241.20**	-163,302,388.10
Total	**-92,249,497.96**	966,446,984.07

(2) Income tax expense reconciled from profit before tax

Item	2019	2018
Profit before tax	**2,444,233,723.81**	4,545,177,566.55
Income tax expense calculated at the applicable tax rate	**611,058,430.95**	1,137,255,514.54
Impact of applying different tax rates to subsidiaries	**-16,274,150.81**	–
Effect of withholding tax on distributable profits of the Group's PRC subsidiaries	**1,650,136.16**	3,361,116.38
Income not subject to tax	**-238,040,745.70**	-187,693,956.92
Unrecognized tax losses during the year	**17,749,348.38**	24,815,541.97
Use of unrecognized tax losses in previous years	**-3,200,554.91**	-11,363,307.35
Coastal Company reconfirmed the effects of unrecognized deductible losses and deductible temporary differences in previous years	**-473,765,943.45**	–
Adjustment of income tax in the prior year	**6,657,216.86**	-1,478,423.34
Expenses not deductible for tax purposes	**1,916,764.56**	1,550,498.79
Income tax expense calculated based on the effective tax rate of the Group	**-92,249,497.96**	966,446,984.07

59. Notes to the consolidated statement of cash flows

(1) Cash received relating to other operating activities

Item	2019	2018
Received operating management fees	**41,339,763.77**	–
Received highway engineering and maintenance related payments	**23,865,794.00**	–
Received the engineering and management costs of the expressway comprehensive maintenance project	**3,864,516.75**	–
Collected the rent of the site of Shenzhen Branch of China Tower Corporation	**2,555,018.52**	–
Received Talent Fund from 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**	–
Compensation for delayed opening of new stations for three highways	**–**	31,973,506.85
Received information service fees	**–**	8,120,407.21
Received deposit of Expressway Quality Improvement Program	**–**	7,200,000.00
Received compensation refund for toll adjustment of Meiguan Expressway	**–**	7,112,414.02
Received rent expenses of service zones from China National Petroleum Gas Corporation	**–**	2,935,500.00
Received deposit returned for 2017 A share interest distribution	**–**	2,000,000.00
Received bidding deposit for Landslide Reinforcement Program	**–**	2,000,000.00
Others	**60,915,397.50**	41,072,355.71
Total	**138,154,871.27**	102,414,183.79

(2) Cash paid relating to other operating activities

Item	2019	2018
Payment of advances for commissioned construction projects	**278,250,815.20**	120,647,391.60
Paid deposit	**153,244,093.77**	–
Construction management expenses	**72,661,999.42**	153,444,440.55
Payment for acquisition of land use right	**63,490,930.00**	117,714,000.00
Refund of compensation for Meiguan Expressway toll adjustment project	**33,227,515.27**	–
Intermediary service fees paid	**30,841,700.27**	18,783,570.14
Payment for further development of land	**–**	232,320,968.32
Other operating expenses paid	**65,736,562.82**	63,636,599.75
Total	**697,453,616.75**	706,546,970.36

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

59. Notes to the consolidated statement of cash flows (continued)

(3) Cash received from disposal of subsidiaries and other business units

Item	2019	2018
Received the transfer of equity and debts from Hengfengxin, Henghongda, Yehengda, and Shengbo (Notes VI 3)	**567,000,000.00**	–
Cash received for the equity transfer of Guizhou Yuelong Investment Co. LTD (Yuelong Company)	**–**	180,800,000.00
Shareholder advance returned by Yuelong Company	**–**	20,430.08
Total	**567,000,000.00**	180,820,430.08

(4) Cash received relating to other investment activities

Item	2019	2018
Maturity redemption of financial products	**300,000,000.00**	1,000,000,000.00
Received interest income of bank deposits	**39,002,229.97**	20,670,801.52
Received money of disposal of financial assets(Note.V.2)	**26,860,000.00**	–
Received liquidated damages from Guizhou Xinhelifu Real Estate Development Co., Ltd.	**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**	–
Received shareholder loan interest income from United Land	**20,742,909.45**	52,899,158.22
Received interest of Three Expressways compensation	**–**	20,452,109.59
Received fund for equity bid intention	**–**	20,000,000.00
Returned foreign exchange swap deposit	**–**	8,011,738.60
Total	**409,788,403.86**	1,122,033,807.93

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

59. Notes to the consolidated statement of cash flows (continued)

(5) Cash paid relating to other investment activities

Item	2019	2018
Paid taxes and fees related to the three highways	**929,832,118.97**	–
Nanjing Wind Power equity purchase	**210,000,000.00**	–
Purchased financial products	**100,000,000.00**	1,200,000,000.00
Refund of 810 Mu Land Rights Transfer Deposit from Guizhou Xinhe Lifu Real Estate Development Co., Ltd.	**20,000,000.00**	–
Losses from settlement of the dollar bonds	**–**	49,740,000.00
Deposit paid for foreign exchange swap	**–**	8,000,000.00
Others	**–**	482,104.60
Total	**1,259,832,118.97**	1,258,222,104.60

(6) Cash received relating to other financing activities

Item	2019	2018
Received loans from United Land shareholders	**1,896,790,000.00**	–
Sale and leaseback financing received (Note V. 34 (a))	**673,000,000.00**	–
Total	**2,569,790,000.00**	–

(7) Cash paid relating to other financing activities

Item	2019	2018
Repayment of equipment for a finance lease company	**1,424,271,632.23**	–
Repayment of the minority shareholder Jiangsu Jinzhi loan	**172,000,000.00**	–
Paid advances to the minority shareholder of a subsidiary	**33,214,845.87**	52,823,756.08
Pay the principal and interest of the sale and leaseback financing (Notes XIII.2)	**26,022,898.75**	–
Repayment of principal and interest on lease liabilities	**20,561,750.92**	–
Commission fee for issuing shares and bonds	**400,000.00**	767,040.00
Swap settlement differences of dollar loans	**–**	22,392,000.00
Others	**831,060.16**	5,504,665.41
Total	**1,677,302,187.93**	81,487,461.49

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

60. Assets with ownership or use right restricted

Item	2019	2018	Reason for restriction
Operating right of Qinglian Expressway	**6,449,325,178.71**	6,748,322,028.50	Note 1
Operating right of Yichang Expressway	**–**	2,889,552,387.26	Note 2
Operating right of Outer Ring Expressway	**3,409,706,840.88**	1,947,057,863.50	Note 3
Operating right of Coastal Expressway	**6,154,511,908.42**	6,173,378,443.67	Note 4
The equity interest in Meiguan Company	**522,176,501.47**	523,973,642.55	Note 5
45% shares in JEL	**242,264,078.87**	275,862,743.30	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	**1,801,295,060.23**	1,645,847,754.50	Note 8
Total	**19,957,481,337.30**	20,203,994,863.28	/

Note 1: On 31 December 2019, the operating right of Qinglian Expressway with a net carrying amount of RMB6,449,325,178.71 (31 December 2018: RMB6,748,322,028.50) was pledged to secure long-term bank loans granted to the Group. The pledged term will end on 17 July 2024. The loans balance was RMB1,634,224,000.00 on 31 December 2019.

Note 2: The operation right of Yichang Expressway was pledged by the wholly-owned subsidiary Yichang Company to secure bank loans and the proportion of the operation right pledged was estimated according to the loan quota granted by each bank. On 31 December 2018, the balance of loans amounted to RMB4,400,000.00 and the proportion of the operation right pledged was 10%. The loan was paid off on 18 January 2019 and the pledge was relieved.

Note 3: On 31 December 2019, the operating right of Outer Ring Expressway with a net carrying amount of RMB3,409,706,840.88 (31 December 2018: RMB1,947,057,863.50) was pledged to secure long-term bank loans granted to the Group. The pledged term will end on 14 March 2042. The loans balance was RMB3,510,872,611.98 on 31 December 2019.

Note 4: On 31 December 2019, the operating right of Coastal Expressway with a net carrying amount of RMB6,154,511,908.42 (31 December 2018: RMB6,173,378,443.67) was pledged to secure long-term bank loans granted to the Group. The pledged term will end on 9 November 2033. The loans balance was RMB3,518,158,867.55 on 31 December 2019.

Note 5: On 31 December 2019, the 100% equity of Meiguan Company with a net carrying amount of RMB522,176,501.47 (31 December 2018: RMB523,973,642.55) was pledged to secure long-term bonds granted to the Group. The pledged term will end on 31 July 2022.

Note 6: On 31 December 2019, the 45% equity of JEL Company with a net carrying amount of RMB242,264,078.87 (31 December 2018: RMB275,862,743.30) was pledged to secure short-term bank loan granted to the Group. The pledged term will end on 2 December 2020. The balance was HKD50,000,000.00 on 31 December 2019.

Note 7: On 31 December 2019, Baotou Nanfeng Damaoqi Wind Power equipment with a net carrying amount of RMB1,359,289,012.09, Baotou Nanfeng Damaoqi 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 from Three Gorges Financial Leasing Co., Ltd to the Group. The pledged term will end on 23 October 2021. The balance was RMB660,027,912.26 on 31 December 2019

Note 8: On 31 December 2019, cash and cash equivalents with a net carrying amount of RMB1,801,295,060.23 (31 December 2018: RMB1,645,847,754.50) were restricted project funds retained for construction management. Please refer to Note V.1.

61. Supplementary information to the consolidated statement of cash flows

(1) Supplementary information to the consolidated statement of cash flows

Supplementary information	2019	2018
1. Reconciliation from net profit to cash flows from operating activities:		
Net profit	**2,536,483,221.77**	3,578,730,582.48
Depreciation of fixed assets	**144,840,348.23**	158,299,103.52
Right-of-use asset depreciation	**40,875,915.53**	–
Amortization of investment properties	**575,942.40**	575,841.40
Amortization of intangible assets	**1,356,520,979.27**	1,483,507,986.65
Amortization of long-term prepaid expenses	**4,337,987.20**	2,025,316.82
Losses from disposal of fixed, intangible and other long-term assets (profit is shown with“-”)	**-386,045.39**	-2,227,126,379.18
Losses from damage and scrap of non-current assets	**8,576,427.18**	2,787,962.43
Losses from change in fair value (profit is shown with“-”)	**-81,086,510.00**	-134,403,871.30
Financial expenses	**572,938,059.38**	1,055,006,036.68
Investment income	**-1,242,672,036.85**	-555,594,384.15
Asset impairment loss	**552,000,000.00**	–
Credit losses (reversal is shown with“-”)	**-1,129,098.22**	-235,884.16
Decrease in deferred income tax assets (increase is shown with“-”)	**-426,800,493.44**	-34,373,291.63
Increase in deferred income tax liabilities (decrease is shown with“-”)	**-283,250,747.76**	-128,929,096.47
Decrease in inventories (increase is shown with“-”)	**-134,343,964.59**	10,579,274.57
Decrease in operating receivables (increase is shown with“-”)	**-807,413,283.50**	-864,974,421.15
Increase in operating payables (decrease is shown with“-”)	**-488,638,026.14**	876,353,806.11
Net cash flows from operating activities	**1,751,428,675.07**	3,222,228,582.62

Supplementary information	2019	2018
2. Net change in cash and cash equivalents		
Cash at the end of the year	**2,931,823,341.57**	2,580,843,329.57
Less: Cash at the beginning of the year	**2,580,843,329.57**	1,884,570,222.49
Net increase in cash and cash equivalents	**350,980,012.00**	696,273,107.08

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

61. Supplementary information to the consolidated statement of cash flows (continued)

(2) Cash and cash equivalents

Item	2019	2018
Cash		
Including: Cash on hand	**10,439,104.00**	10,969,104.99
Cash at banks	**2,921,384,237.57**	2,569,874,224.58
Cash and cash equivalents at the end of the year	**2,931,823,341.57**	2,580,843,329.57
Including: Restricted cash held by subsidiaries of the Company and the Group (Note V.1)	**1,801,295,060.23**	1,645,847,754.50
Total cash at banks and on hand	**4,733,118,401.80**	4,226,691,084.07

62. Monetary items denominated in foreign currency

(1) Monetary items denominated in foreign currency

	2019			2018		
Item	Original amount	Exchange rate	Equivalent to RMB	Original amount	Exchange rate	Equivalent to RMB
Monetary capital						
HKD	**6,919,466.36**	**0.8958**	**6,198,457.97**	3,862,558.29	0.8762	3,384,373.58
USD	**2,242.72**	**6.9762**	**15,645.66**	2,241.68	6.8632	15,385.09
EUR	**12.00**	**7.8155**	**93.79**	1.53	7.8473	12.00
FRF	**11.70**	**7.2028**	**84.27**	11.70	6.9494	81.31
ESP	**445.96**	**0.0468**	**20.88**	445.96	0.0468	20.88
JPY	**380.00**	**0.0641**	**24.35**	380.05	0.0619	23.52
Other receivables						
HKD	**1,239,013.80**	**0.8958**	**1,109,908.56**	1,239,014.15	0.8762	1,085,624.20
Short-term borrowings						
HKD	**50,129,062.32**	**0.8958**	**44,905,614.03**	134,016,000.00	0.8762	117,424,819.20
Employee benefits payable						
HKD	**414,400.00**	**0.8958**	**371,219.52**	545,196.50	0.8762	477,701.17
Other payables						
HKD	**54,855.00**	**0.8958**	**49,139.11**	402,486.34	0.8762	352,658.53
USD	**–**	**6.9762**	**–**	3,905,208.33	6.8632	26,802,225.81
Bond payable						
USD	**298,433,074.79**	**6.9762**	**2,081,928,816.33**	297,374,692.88	6.8632	2,040,941,992.20
Current portion of non-current liabilities						
USD	**3,905,208.33**	**6.9762**	**27,243,514.35**	–	6.8632	–
Lease liabilities						
HKD	**6,344,321.19**	**0.8958**	**5,683,242.92**	–	0.8762	–

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

63. 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	2019	2018
Consolidated net profit attributable to ordinary shareholders of the Company	**2,499,484,975.75**	3,440,050,607.33
Weighted average number of ordinary shares outstanding	**2,180,770,326.00**	2,180,770,326.00
Basic earnings per share	**1.146**	1.577
Including: Basic earnings per share from continuing operations	**1.146**	1.577

(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 in the year ended 31 December 2019, diluted earnings per share was equal to basic earnings per share.

VI. CHANGE IN CONSOLIDATION

1. Business combination not under common control

(1) Business combination not under common control in the period

Purchased company	Share acquisition date	Cost of acquisition	Shareholding percentage (%)	Obtaining method	Obtaining date	Obtaining date determination
Nanjing Wind Power and its subsidiaries	8 April 2019	510,000,000.00	51%	(a)	8 April 2019	Equity transfer procedures completed
Baotou Nanfeng and its subsidiaries	17 September 2019	0.67	67%	(b)	17 September 2019	Equity transfer procedures completed

(a) On 15 March 2019, Environmental Company (a subsidiary of the Company), and Nanjing Abexin Investment Management Co., Ltd., Jiangyin Construction Engineering Group Co., Ltd., Pan Aihua, Wang Anzheng and the others (original shareholder of Nanjing Wind Power), entered into an Acquisition Agreement to acquire a 30% equity interest in Nanjing Wind Power at a consideration of RMB210,000,000.00, and make a one-way contribution of RMB300,000,000.00 into Nanjing Wind Power after completion of the acquisition. Upon completion of acquisition and capital increase procedures, Environmental Company shall hold a 51% equity interest in Nanjing Wind Power. The equity acquisition was completed on 8 April 2019.

(b) On 12 September 2019, the Company and Jiangsu Jin Zhi Group Co., LTD. (" Jiangsu Jin Zhi ") entered into an Acquisition Agreement to acquire a 100% equity interest in Baotou Nanfeng Wind Power at a consideration of RMB1.00, with Nanjing Ning Wind Energy Technology Co., LTD., which was the original shareholder of Baotou Nanfeng. The Company and Jiangsu Jin Zhi paid RMB0.67 and RMB0.33, respectively. After the completion of the transaction under the equity merger and acquisition agreement, the Company shall hold a 67% equity interest in Baotou Nanfeng. The equity acquisition was completed on 17 September 2019.

VI. CHANGE IN CONSOLIDATION(CONTINUED)

1. Business combination not under common control (continued)

(1) Business combination not under common control in the period (continued)

Identifiable assets and liabilities of the acquirees acquired on the obtaining date are listed below:

	Nanjing Wind Power		Baotou Nanfeng	
Item	8 April 2019 Fair value	8 April 2019 Book value	17 September 2019 Fair value	17 September 2019 Book value
Assets:	1,019,299,950.96	946,989,250.96	1,963,525,855.89	1,927,264,775.98
Cash at banks and on hand	302,368,672.22	302,368,672.22	402,592.89	402,592.89
Bills receivable	700,000.00	700,000.00	3,093,200.00	3,093,200.00
Accounts receivable	114,412,278.84	114,412,278.84	8,539,341.81	8,539,341.81
Advances	14,331,951.66	14,331,951.66	356,787.14	356,787.14
Other receivable	307,911,179.45	307,911,179.45	235,930.57	235,930.57
Inventories	44,876,144.85	44,876,144.85	–	–
Contract assets	134,665,850.00	134,665,850.00	–	–
Other current assets	13,396,234.65	13,396,234.65	62,801,404.81	62,801,404.81
Long-term receivables	–	–	163,261,168.36	163,261,168.36
Fixed assets	3,633,298.65	3,633,298.65	344,240,376.05	334,101,181.97
Intangible assets	82,461,606.14	10,150,906.14	52,741,993.14	48,218,209.94
Right-of-use assets	–	–	1,327,853,061.12	1,306,254,958.49
Long-term prepaid expenses	542,734.50	542,734.50	–	–
Liabilities:	325,260,294.57	314,413,689.57	1,963,525,854.89	1,954,460,584.91
Short-term borrowings	–	–	172,000,000.00	172,000,000.00
Bills payable	12,164,846.53	12,164,846.53	–	–
Accounts payable	173,134,220.03	173,134,220.03	306,508,362.12	306,508,362.12
Contract liabilities	3,278,940.00	3,278,940.00	–	–
Employee benefits payable	282,252.37	282,252.37	27,302.68	27,302.68
Taxes payable	–	–	247,604.50	247,604.50
Other payables	117,383,921.56	117,383,921.56	147,824,254.49	147,824,254.49
Provision	8,169,509.08	8,169,509.08	–	–
Deferred tax liabilities	10,846,605.00	–	9,065,269.98	–
Current portion of non-current liabilities	–	–	409,698,448.01	409,698,448.01
Lease liabilities	–	–	918,154,613.11	918,154,613.11
Net assets	694,039,656.39	632,575,561.39	1.00	-27,195,808.93
Less: Minority interests	340,079,431.63		0.33	
Acquired net assets	353,960,224.76		0.67	
Goodwill on acquisition	156,039,775.24	/	–	/
Considerations	510,000,000.00	/	0.67	/

VI. CHANGE IN CONSOLIDATION (CONTINUED)

1. Business combination not under common control (continued)

(1) Business combination not under common control in the period (continued)

Reasons for the large amounts of goodwill:

Established in Nanjing, Jiangsu Province in 2011, Nanjing Wind Power is a high-tech enterprise specializing in renewable, new energy wind power generation. The company's main business is the development, integration, manufacturing, installation, sale and maintenance of wind power systems. And Investment operations of wind farms. Nanjing Wind Power has independent research and development capabilities. It has the experience and capability of wind farm development, construction and operation management. The company's business development has a good market prospect. Clean energy is an emerging field in the environmental protection industry and it is the development direction of new industries identified in the Group's development strategy. After obtaining the controlling interest of Nanjing Wind Power, the Group can take advantage of Nanjing Wind Power itself to quickly enter the new energy sector, optimize the Group's industrial structure and enhance the Group's sustainable development market competitiveness.

Operating results and cash flows of the acquirees from the date of acquisition to the end of the period are listed below:

Item	Nanjing Wind Power From 8 April to 31 December 2019	Baotou Nanfeng Wind Power From 17 September to 30 December 2019
Revenue	**511,125,563.54**	**87,666,895.10**
Net loss	**65,276,483.45**	**37,011,849.84**
Net cash flow	**355,824,923.41**	**16,962,523.93**

2. Establishment of new company

Harbin Lingfeng New Energy Co., Ltd. was established on 28 November, 2019 in Harbin, Heilongjiang Province, with registered capital of RMB5,000,000. A subsidiary of the Group, Nanjing Wind Power, holds 100% of its equity. The company's business scope includes power-related technology development, consulting, power engineering design, and construction activities. The newly established subsidiary was included in the scope of consolidation this year.

Qing'an County Nanfeng New Energy Technology Co., Ltd. was established on 29 November, 2019 in Qing'an County, Heilongjiang Province with registered capital of RMB5,000,000.00. Nanjing Wind Power, a subsidiary of the Group, holds 100% of its equity. The company's business scope is wind power, photovoltaic power generation, new energy technology development, etc; the newly established subsidiary was included in the scope of consolidation this year.

Wulian County Nanfeng New Energy Co., Ltd. was established on 31 July, 2019 in Wulian County, Shandong Province, with registered capital of RMB5,000,000.00. Nanjing Wind Power, a subsidiary of the Group, holds 100% equity for the period. The company's business scope includes new energy technology development and technical consulting. The newly established subsidiary was included in the scope of consolidation this year.

VI. CHANGE IN CONSOLIDATION (CONTINUED)

2. Establishment of new company (continued)

Wulian County Pengguang New Energy Co., Ltd. was established on 21 August, 2019 in Wulian County, Shandong Province, with registered capital of RMB2,000,000.00. A subsidiary of the Group, Nanjing Wind Power, holds 100% of its equity for the period. The company's business scope includes new energy technology development and technical consulting. The newly established subsidiary was included in the scope of consolidation this year.

Wulian County Ningxu New Energy Co., Ltd. was established on 21 August, 2019 in Wulian County, Shandong Province, with a registered capital of RMB2,000,000.00. A subsidiary of the Group, Nanjing Wind Power, holds 100% of its equity for the period. The company's business scope includes new energy technology development and technical consulting. The newly established subsidiary was included in the scope of consolidation this year.

3. Disposal of subsidiaries

Name of subsidiaries	Place of registration	Nature of business and principal activities	Proportion of equity attributable to the Group	Proportion of voting right attributable to the Group	Reason for deconsolidation
Guizhou Shengbo Land Company (“Guizhou Shengbo”)	Longli County, Guizhou Province, PRC	Infrastructure construction	70%	70%	Note (a)
Hengfengxin Property Company Limited (“Guizhou Hengfengxin”)	Longli County, Guizhou Province, PRC	Infrastructure construction	70%	70%	Note (a)
Henghongda Property Company Limited (“Guizhou Henghongda”)	Longli County, Guizhou Province, PRC	Infrastructure construction	70%	70%	Note (a)
Guizhou Yehengda Company (“Guizhou Yehengda”)	Longli County, Guizhou Province, PRC	Infrastructure construction	70%	70%	Note (a)

Note (a): On 23 January 2019, Guizhou Guishen Investment Development Company Limited (“Guishen Company”) and Guizhou Shenzhen Expressway Land Company Limited ("Guizhou Land Company") signed an equity and obligation transfer agreement with Guizhou Xinhe Lifu Real Estate Development Company Limited ("Xinhe Lifu Company") to sell 100% equity and obligation of Guizhou Shengbo, Guizhou Hengfengxin, Guizhou Henghongda and Guizhou Yeheng with a consideration of RMB567,000,000.00. The transaction has been completed on 20 May 2019. Guishen Company and Guizhou Land Company paid the property transaction service fee including tax of RMB614,622.64. Therefore, since 20 May 2019, the Group has no longer included these Companies in the scope of consolidation. The relevant financial information of these companies is consolidated as follows:

Item	20 May 2019 Book value	31 December 2018 Book value
Cash and cash equivalents	–	4,868,719.65
Inventories	**304,178,171.08**	296,640,634.06
Other payables	**295,269,119.56**	297,571,327.26
Net assets	**8,909,051.52**	3,938,026.45
Non-controlling interests (30%)	**2,672,715.46**	1,181,407.94
Net assets attributable to the Group	**6,236,336.06**	2,756,618.51
Losses on disposal	**262,207,206.28**	/
Attributable to the Group	**183,545,044.40**	/
Attributable to minority shareholders	**78,662,161.88**	/
Disposal consideration	**566,385,377.36**	/
Assignment of creditor's rights	**295,269,119.56**	/
Assignment of equity interest	**271,116,257.80**	/

Item	From 1 January to 20 May 2019
Revenue	–
costs	–
Net losses	**2,640.01**

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 (%)		Acquired through
					Direct	Indirect	
Outer Ring Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB100,000,000.00	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
Shenzhen Expressway Property Management Company ("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 involving enterprises under common control
Hubei Magerk Expressway Management Co., LTD. ("Magerk Company")	Hubei Province, PRC	Hubei Province, PRC	Toll road operation	USD28,000,000.00	–	100%	Business combinations involving enterprises under common control
Qinglian Company(b)	Qingyuan City, Guangdong Province, PRC	Qingyuan City, Guangdong Province, PRC	Toll road operation	RMB3,361,000,000.00	51.37%	25%	Business combinations involving enterprises not under common control
Shenzhen Expressway Advertising Company ("Advertising Company")	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Advertising agency	RMB30,000,000.00	95%	5%	Business combinations involving enterprises 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 involving enterprises not under common control
Mei Wah Company	Hubei Province and Guangdong Province, PRC	Hong Kong	Investment holding	RMB823,012,897.00	100%	–	Business combinations involving enterprises not under common control
Maxprofit Company	Guangdong Province, PRC	British Virgin Islands	Investment holding	USD85,360,000.00	–	100%	Business combinations involving enterprises 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 involving enterprises not under common control
Fameluxe Company	Hong Kong	Hong Kong	Investment holding	HKD10,000.00	–	100%	Business combinations involving enterprises not under common control
Shenzhen Expressway Operation Development Co., LTD. ("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 involving enterprises not under common control
Shenchang Company	Changsha City, Hunan Province, PRC	Changsha City, Hunan Province, PRC	Toll road operation	RMB200,000,000.00	51%	–	Business combinations involving enterprises 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 involving enterprises not under common control
Shenzhen Expressway Construction Development Company Limited ("Construction and Development Company")	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Infrastructure construction	RMB30,000,000.00	95%	5%	Incorporation

Notes to Financial Statements

2019
(RMB)

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
Shenshan 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("Fund Management Company")	Guangzhou City, Guangdong Province, PRC	Guangzhou City, Guangdong Province, PRC	Capital market services	RMB10,000,000.00	95%	5%	Incorporation
Coastal Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB4,600,000,000.00	100%	–	Business combination under the same control common control
Guizhou Shenzhen Expressway Investment Land Company ("Guishen Expressway Investment")	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 Expressway Yijia")	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 ("Yefengrui Land")	Longli County, Guizhou Province, China	Longli County, Guizhou Province, China	Land development	RMB1,000,000.00	–	70%	Incorporation
Shenzhen Expressway SUEZ Environment Limited Company ("SUEZ Environment")	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
Wulatehouqi Chifeng Ningfeng Wind Power Technology	Wulatehouqi City, Inner Mongolia Province, PRC	Wulatehouqi City, Inner Mongolia Province, PRC	Manufacturing	RMB1,000,000.00	–	51%	Business combinations not under common control
Chifeng NanjingNingfeng Technology	Ongniud Bannar, Chifeng City, Inner Mongolia Province, PRC	Ongniud Bannar, Chifeng City, Inner Mongolia Province, PRC	Manufacturing	RMB2,000,000.00	–	51%	Business combinations not under common control
Baotou Jinling Wind Power Technology	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	Xuanwei City, Yunnan Province, PRC	Xuanwei City, Yunnan Province, PRC	Manufacturing	RMB3,000,000.00	–	51%	Incorporation
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
Wulian County Pengguang New Energy Co., Ltd.	Rizhao City,Shandong Province, PRC	Rizhao City,Shandong Province, PRC	Manufacturing	RMB2,000,000.00	–	51%	Incorporation
Wulian Ningxu New Energy Co., Ltd.	Rizhao City,Shandong Province, PRC	Rizhao City,Shandong Province, PRC	Manufacturing	RMB2,000,000.00	–	51%	Incorporation
Baotou Nanfeng(a)	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(a)	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 Wind Power Co. LTD(a)	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 Wind Power Co. LTD(a)	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 Wind Power Co. LTD(a)	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 Wind Power Co. LTD(a)	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

(a) New consolidated subsidiary in 2019, see Note VI.1 for details

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (continued)

(2) Significant partly-owned subsidiaries

31 December 2019

Name of subsidiaries	Equity interest held by minority interests	Net profit attributable to minority shareholders for the year	Dividend declared by subsidiaries to the minority shareholders for the year	Shareholder investment withdrawn	New business combination	Minority interests as at 31 December 2019
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
Shenchang Company	49.00%	40,918,233.03	–	-33,214,845.87	–	158,424,582.87
Nanjing Wind Power	49.00%	31,985,476.89	–	–	340,079,431.63	372,064,908.52
Total	/	43,935,456.86	-150,000,000.00	-33,214,845.87	340,079,431.63	2,351,270,622.88

31 December 2018

Name of subsidiaries	Equity interest held by minority interests	Net profit attributable to minority shareholders for the year	Dividend declared by subsidiaries to the minority shareholders for the year	Shareholder investment withdrawn	New business combination	Minority interests as at 31 December 2018
Qinglian Company	23.63%	26,482,934.01	–	–	–	650,162,563.04
Guishen Company	30.00%	29,388,054.16	-1,494,904.48	–	–	251,984,835.15
Qinglong Company	50.00%	49,890,350.36	–	-92,186,499.92	–	1,097,601,986.36
Shenchang Company	49.00%	34,727,432.81	–	–	-52,823,756.08	150,721,195.71
Total	/	140,488,771.34	-1,494,904.48	-92,186,499.92	-52,823,756.08	2,150,470,580.26

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (continued)

(3) Main financial information of significant partly-owned subsidiaries

	31 December 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
Shenchang Company	71,149,442.64	356,756,480.26	427,905,922.90	104,640,225.29	127,161.18	104,767,386.47
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

	31 December 2018					
Name of subsidiaries	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	93,322,579.79	6,978,215,443.47	7,071,538,023.26	258,053,857.66	4,065,116,453.64	4,323,170,311.30
Guishen Company	1,874,469,325.70	53,138,767.22	1,927,608,092.92	1,087,658,642.52	–	1,087,658,642.52
Qinglong Company	117,154,434.51	3,527,256,810.02	3,644,411,244.53	266,045,115.23	1,183,162,156.57	1,449,207,271.80
Shenchang Company	43,631,081.10	300,557,640.04	344,188,721.14	36,771,383.02	–	36,771,383.02

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (continued)

(3) Main financial information of significant partly-owned subsidiaries (continued)

	For the year ended 31 December 2019			
Name of subsidiaries	**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**
Shenchang Company	**165,556,111.94**	**83,506,598.03**	**83,506,598.03**	**116,565,862.20**
Nanjing Wind Power (a)	**511,125,563.54**	**65,276,483.45**	**65,276,483.45**	**-329,781,805.07**

	For the year ended 31 December 2018			
Name of subsidiaries	Revenue	Net (loss)/profit	Total comprehensive income	Net cash flows from operating activities
Qinglian Company	764,016,571.34	112,073,355.95	112,073,355.95	591,354,427.23
Guishen Company	411,902,608.75	97,959,760.00	97,959,760.00	254,086,763.35
Qinglong Company	641,636,907.04	99,780,700.72	99,780,700.72	462,116,780.65
Shenchang Company	145,021,623.54	70,872,311.86	70,872,311.86	95,248,934.51

(a) As Nanjing Wind Power became the Company's subsidiary on 8 April 2019, the financial information only includes the data from 8 April 2019 to 31 December 2019.

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (continued)

(4) Substantial restriction to the usage of assets or the settlement of liabilities of the Group

As at 31 December 2019, there was no substantial restriction which prohibited the usage of assets or the settlement of liabilities of the Group (31 December 2018: Nil).

2. Interests in associates

Particulars of the Company's associates are as follows:

	Place of incorporation	Place of registration	Principal activities	Issued capital (RMB)	Percentage of shares held by the Company (%) Direct	Indirect	Accounting method
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
Jiangzhong Company	Guangdong Province, China	Guangzhou City, Guangdong Province, China	Toll road operation	1,110,000,000.00	25	–	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	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
Guangyun Company	Guangdong Province, China	Yunfu City, Guangdong Province, China	Toll road operation	10,000,000.00	30	–	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

(a) The Group appoints a director to the board of directors of the Bank of Guizhou, which has a significant impact on its operating and financial decisions.

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in associates (continued)

(1) Financial information of a material associate

The Group's important associates include Derun Environment and United Land Company, which are accounted for using the equity method. The following table lists the financial information of the above important associates. These financial information adjusted all accounting policy differences and adjusted to the carrying amount of this financial statement:

2019

Item	Derun Environment (Notes 1)	United Land (Note 2)
Current assets	8,774,191,466.35	12,144,640,551.27
Of which: 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
Total assets	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
Non-controlling interest	9,972,920,906.84	–
Equity attributable to owners of the parent	11,590,790,612.17	4,411,080,251.43
Net assets shared by proportion of equity holding	2,318,158,122.43	1,513,000,526.25
Adjustment items	2,206,898,136.52	-121,430,719.95
Goodwill	1,462,953,999.22	–
Premium of appraisal on non-current assets	743,944,137.30	–
Unrealized profits from internal transactions	–	-121,430,719.95
Book value of the equity investment	4,525,056,258.95	1,391,569,806.30
Revenue	10,021,925,093.24	4,067,148,180.06
Income tax expense	216,356,467.47	337,026,750.48
Net profit/(loss)	2,248,369,209.90	1,034,606,269.51
Net profit/(loss) attributable to owners of the parent (Note 1)	1,157,182,155.33	1,034,606,269.51
Other comprehensive income	304,234,732.73	–
Post-tax other comprehensive income attributable to owners of the parent	152,231,454.39	–
Total comprehensive income	2,552,603,942.63	1,034,606,269.51
Dividend received	116,000,000.00	–

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in associates (continued)

(1) Financial information of a material associate (continued)

2018

Item	Derun Environment	United Land
Current assets	9,242,290,347.80	7,803,774,943.70
Non-current assets	23,770,923,185.35	30,219,515.40
Total assets	33,013,213,533.15	7,833,994,459.10
Current liabilities	6,615,202,263.71	3,057,520,477.18
Non-current liabilities	6,691,348,460.44	1,400,000,000.00
Total liabilities	13,306,550,724.15	4,457,520,477.18
Non-controlling interest	9,081,990,816.99	–
Equity attributable to owners of the parent	10,624,671,992.01	3,376,473,981.92
Net assets shared by proportion of equity holding	2,124,934,398.40	1,158,130,575.80
Adjustment items	2,286,638,704.16	-143,522,700.75
Goodwill	1,462,953,999.22	–
Premium of appraisal on non-current assets	840,014,704.94	–
Differences on accounting policies	-16,330,000.00	–
Unrealized profits from internal transactions	–	-143,522,700.75
Book value of the equity investment	4,411,573,102.56	1,014,607,875.05
Revenue	8,616,218,232.10	–
Income tax expense	212,974,859.70	–
Net profit/(loss)	1,943,814,517.84	-13,637,069.17
Net profit/(loss) attributable to owners of the parent (Note 1)	1,020,708,167.89	-13,637,069.17
Other comprehensive income	-7,864,122.06	–
Post-tax other comprehensive income attributable to owners of the parent	-3,935,010.08	–
Total comprehensive income	1,936,425,095.43	-13,637,069.17
Dividend received	146,400,000.00	–

Note 1: The Group shares the net profit attributable to shareholders of the parent company of Derun Environment in the proportion of 20%, and after deducting the premium of RMB41,796,243.24 for amortization of premiums for the year, the Group recognizes the investment income of RMB193,467,531.92 for Derun Environment. The Group shared the net after-tax of RMB34,331,355.67 of other comprehensive income attributable to the shareholders of the parent company of Derun Environment in accordance with the 20% shareholding, and confirmed that the capital reserve of Derun Environment was RMB1,684,268.80. See details in Note V.14.

Note 2: The Group shares the net profit attributable to the shareholders of United Land in accordance with the 34.3% shareholding ratio. This year, it recognized the investment income of United Land for RMB354,869,950.44, and at the same time transferred back the realized profit portion of RMB22,091,980.80 in accordance with the proportion of properties sold by United Land. For details, please refer to Note V.14.

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in joint ventures or associates (continued)

(2) Main financial information of associates that are not material

Item	2019	2018
Associates:		
Total book value of investment	**2,789,663,276.48**	2,432,927,520.00
Sub-total amount of the following items calculated in the Group's equity proportion in associates:		
– Net profit	**351,346,818.03**	364,561,010.10
– Other comprehensive income	**-1,175,383.96**	8,375,513.47
– Total comprehensive income	**350,171,434.07**	372,936,523.57
– Movement of capital reserve	**–**	15,082,210.98

Except for the important associates listed in (1), during the current year, the directors of the Company considered that the Group has no material joint ventures or associates (2018: the same) as the investment income/(loss) from associates did not exceed 10% of the Group's total profit for the respective period and, the net book value of long-term equity investments from joint ventures and associates did not exceed 5% of the total net assets of the Group.

(3) Explanation to substantial restriction on transferring funds between the Group and associates

As at 31 December 2019, there was no substantial restriction on transferring funds between the Group and associates (31 December 2018: Nil).

VIII. FINANCIAL INSTRUMENTS AND RISKS

1. Financial instruments by category

The Carrying amounts of each Category of financial instruments as at the date of financial position are as follows:

2019

Financial assets

Item	Financial assets at fair value through profit or loss		Measured at amortized cost	Total
	Required by standard	Appointed		
Cash	–	–	4,733,118,401.80	4,733,118,401.80
Transactional financial liabilities	62,689,444.00	–	–	62,689,444.00
Notes receivable	–	–	9,895,060.34	9,895,060.34
Accounts receivable	–	–	722,266,920.82	722,266,920.82
Contract assets	–	–	450,892,553.87	450,892,553.87
Other receivables	–	–	374,186,451.62	374,186,451.62
Current portion of non-current assets	–	–	22,548,751.19	22,548,751.19
Long-term receivables	–	–	339,110,117.99	339,110,117.99
Other non-current financial assets	–	217,939,080.00	–	217,939,080.00

Financial liabilities

Item	Measured at amortized cost	Total
Short-term borrowings	361,456,200.24	361,456,200.24
Notes payable	131,749,731.69	131,749,731.69
Accounts payable	970,759,025.09	970,759,025.09
Other payables	3,015,875,682.79	3,015,875,682.79
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

VIII. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

1. Financial Instruments by category (continued)

The Carrying amounts of each Category of financial instruments as at the date of financial position are as follows: (continued)

2018

Financial assets

Item	Financial assets at fair value through profit or loss		Measured at amortized cost	Total
	Required by standard	Appointed		
Cash	–	–	4,226,691,084.07	4,226,691,084.07
Transactional financial liabilities	45,103,194.00	–	–	45,103,194.00
Accounts receivable	–	–	174,639,116.34	174,639,116.34
Contract assets	–	–	166,842,230.65	166,842,230.65
Other receivables	–	–	1,580,256,204.51	1,580,256,204.51
Current portion of non-current assets	–	–	22,548,751.19	22,548,751.19
Other current assets	–	–	200,000,000.00	200,000,000.00
Long-term receivables	–	–	160,973,492.73	160,973,492.73
Other non-current financial assets	–	180,438,820.00	–	180,438,820.00

Financial liabilities

Item	Measured at amortized cost	Total
Short-term borrowings	117,424,819.20	117,424,819.20
Accounts payable	714,905,820.77	714,905,820.77
Other payables	2,396,828,896.75	2,396,828,896.75
Current portion of non-current liabilities	279,574,031.57	279,574,031.57
Long-term borrowings	8,892,735,993.43	8,892,735,993.43
Bonds payable	4,632,920,008.39	4,632,920,008.39

VIII. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

2. Transfer of financial assets

Transferred financial assets that have been derecognised as a whole but continue to be involved

On 31 December 2019, the book value of bank acceptance bills discounted by Nanjing Wind Power was RMB100,000,000.00. 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 receivable are derecognized at the discount date based on their book values. If the bill of exchange is due to be rejected by the acceptor, the discounter has the right to recourse from the Group ("continue to participate"). The maximum losses and undiscounted cash flows that continue to be involved in and repurchase are equal to their book values. The Group believes that continuing involvement in fair value is not significant.

On 31 December 2019, Nanjing Wind Power endorsed the supplier's bank acceptance bills for settlement of accounts payable with a carrying value of RMB6,200,000.00, and Baotou Nanfeng endorsed the supplier's bank acceptance bill for settlement of accounts payable. The book value was RMB551,000.00. As of December 31 2019, its maturity date is 1 to 12 months. According to the relevant provisions of the Bills Act, if the accepting bank refuses to pay, its holders have the right to recourse from the Group ("continue to participate in "). The Group believes that the Group has transferred almost all of its risks and rewards, and therefore derecognised the book value of it and the related payable accounts. The maximum losses and undiscounted cash flows that continue to be involved in and repurchase are equal to their book values. The Group believes that continuing involvement in fair value is not significant.

In 2019, the Group has not recognized gains or losses on its transfer date. The Group has no reason to continue to be involved in the current year of the financial assets that have been derecognized and the accumulatively recognized gains or expenses.

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 year, 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.

VIII. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

3. Risks of financial instruments (continued)

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.

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)

Credit risk increases judgment criteria 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 risks 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.

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.

VIII. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

3. Risks of financial instruments (continued)

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.

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 statement of financial position, 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:

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	970,759,025.09	–	–	–	970,759,025.09
Other accounts payable	3,019,015,161.98	–	–	–	3,019,015,161.98
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	5,566,593,112.09	5,039,975,746.33	5,921,446,384.31	9,309,607,330.94	25,837,622,573.67

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)

2018

Item	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Financial liabilities					
Short-term loans	117,985,914.13	–	–	–	117,985,914.13
Account payable	714,905,820.77	–	–	–	714,905,820.77
Other accounts payable	2,396,828,896.75	–	–	–	2,396,828,896.75
Non-current liabilities due within one year (Note 1)	287,789,992.30	–	–	–	287,789,992.30
Long-term loans	321,210,763.45	805,857,090.07	3,441,526,794.37	7,858,874,086.76	12,427,468,734.65
Bonds payable	180,517,300.00	180,517,300.00	4,955,319,500.00	–	5,316,354,100.00
Total	4,019,238,687.40	986,374,390.07	8,396,846,294.37	7,858,874,086.76	21,261,333,458.60

Note 1: Including long-term loans maturing within one year, long-term payables 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.

VIII. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

3. Risks of financial instruments (continued)

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.

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.

2019

Item	Increase/(decrease) in basis points	Increase/(decrease) in net profit	Total increase/(decrease) in equity
RMB	**100/(100)**	**(67,073,117.61)/ 67,073,117.61**	**(67,073,117.61)/ 67,073,117.61**

2018

Item	Increase/(decrease) in basis points	Increase/(decrease) in net profit	Total increase/(decrease) in equity
RMB	100/(100)	(66,600,950.65)/ 66,600,950.65	(66,600,950.65)/ 66,600,950.65

VIII. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

3. Risks of financial instruments (continued)

Market risk (continued)

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 on the date of statement of financial position remain constant.

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 RMBagainst USD	**10%**	**-3,350,265.13**	**-3,350,265.13**
Appreciation of RMBagainst USD	**-10%**	**3,350,265.13**	**3,350,265.13**
Depreciation of RMBagainst HKD	**10%**	**-3,277,600.19**	**-3,277,600.19**
Appreciation of RMBagainst HKD	**-10%**	**3,277,600.19**	**-3,277,600.19**

2018

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 RMBagainst USD	10%	-1,889,388.05	-1,889,388.05
Appreciation of RMBagainst USD	-10%	1,889,388.05	1,889,388.05
Depreciation of RMBagainst HKD	10%	8,533,888.58	8,533,888.58
Appreciation of RMBagainst HKD	-10%	-8,533,888.58	-8,533,888.58

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 the bank. For details, please refer to Note V.2.

VIII. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

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 during the year ended 31 December 2019 and the year ended 31 December 2018.

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 2019	31 December 2018
Total assets	**44,923,734,271.98**	41,100,850,328.23
Total liabilities	**24,200,462,012.14**	21,561,097,600.88
Debt-to-asset ratio	**53.87%**	52.46%

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.

IX. FAIR VALUE DISCLOSURE (CONTINUED)

1. Financial assets and liabilities measured at fair value

2019

Item	Fair value measurement using Quoted price in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
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**

2018

Item	Fair value measurement using Quoted price in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	Total
Consecutive fair value measurement				
Transactional financial assets	45,103,194.00	–	–	45,103,194.00
Other non-current financial assets	–	–	180,438,820.00	180,438,820.00
Total	45,103,194.00	–	180,438,820.00	225,542,014.00

The fair value of the Group's non-listed equity 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 2019.

The Group 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 2019.

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.

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

1. General information of the parent company:

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 parent company of the Company is Shenzhen Investment Holding Company, which is the controlling shareholder of 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
Nanjing Third Bridge Company	Associate
GZ W2 Company	Associate
Jiangzhong Company	Associate
Yangmao Company	Associate
United Land Company	Associate

4. Information about other related parties

Item	Relationship with the Group
Shenzhen Baotong Highway Construction and Development Limited ("Baotong Company")	Parent company's wholly-owned subsidiary
Shenzhen International Logistics Development Co., Ltd. ("Shenzhen International Logistics Company")	Parent company's wholly-owned subsidiary
Shenzhen International South-China Logistics Co., Ltd. ("SC Logistics Company")	Parent company's wholly-owned subsidiary
Guizhou Pengbo Investment Co., Ltd. ("Guizhou Pengbo")	Parent company's wholly-owned subsidiary
Shenzhen Shen International Modern City Logistics Port Co., Ltd.	Parent company's wholly-owned subsidiary
Shenzhen Longda Expressway Company Limited ("Longda Company")	Parent company's wholly-owned subsidiary
Xin Tong Chan Company	Shareholder of the Company
Union Electronics	Others
Huayu Investment Group	Others
Changsha Ring Road Construction and Development Co., Ltd. ("Changsha Ring Road Company")	Others

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	2019	2018
United Electronic Company (a)	Receiving integrated toll system settlement services	**20,315,992.51**	17,460,709.44
Consulting Company (b)	Accepted project management services	**18,839,298.70**	64,662,557.21
Others (c)	Receiving power supply services and others	**320,289.30**	350,693.52

(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 Meiguan Expressway, Jihe Expressway, Qinglian Expressway, Yanjiang 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.

(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, Longda 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	2019	2018
Others (a)	Supply water and electricity for office and others	**1,682,612.26**	1,316,451.50

(a) The Group provides hydropower resource services and other services to Xintongchan Company, Huayu Investment Group, Huayu Company, United Electronics, Consulting Company, Shenzhen International and Longda 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.

(2) Transfer of assets to a related party

Name of related party	Nature of transaction	2019	2018
Shenzhen Shen International Modern City Logistics Port Co., Ltd.	Land expropriation compensation	–	7,620,000.00

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (continued)

(3) 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 year
Baotong Company(a)	The Company	Equity trusteeship	1 January 2019	31 December 2019	Negotiated price	8,273,584.90

The Company was entrusted by Baotong Company to operate and manage Longda Expressway based on an agreement of equity trusteeship. Renewed the entrusted management contract, the contract stipulates that the entrustment period is from January 1, 2019 to 31 December 2019. Pursuant to the agreement, the management service fee is RMB8,770,000.00 per year including tax. In the current period, the Company recognized revenue related to the transaction amounting to RMB8,273,584.90 (2018: RMB16,981,132.08).

(4) Related Leases

(a) As a lessor:

Item	Assets leased	2019	2018
Consulting and United Electronic Company Company	Office building	**440,838.12**	656,122.21

(b) As a lessee:

Item	Assets leased	2019	2018
Longda, Xintongchan, South China Logistics and Huayu	Billboard land use rights	**823,154.84**	3,150,451.59

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)

(5) Remuneration of key management personnel

Item	2019	2018
Remuneration of key management personnel	**16,128,606.19**	17,828,837.00

Key management personnel include directors, supervisors and senior management personnel. The Company had a total of 21 members of key management personnel (2018: 24) during the year.

Note: The above table does not include: (a) Director Hu Wei and supervisor Wang Zengjin received bonuses of RMB161,800 and RMB370,200 in 2018; (b) Directors Liao Xiangwen, Wen Liang and senior managers Gong Taotao and Sun Ce, Huang Binan, Wen Powei, Zhao Guiping, Chen Shouyi, and Luo Yan received the long-term incentive bonuses that should be issued in 2018 and received in 2019.The pre-tax amounts were 386,600 yuan, 117,700 yuan, 197,300 yuan, and 343,500 yuan., 358,800 yuan, 358,800 yuan, 158,800 yuan, 113,200 yuan and 358,800 yuan.

(a) Remuneration of directors and supervisors

The remuneration of each director and supervisor in 2019 is as follows:

Name	Remuneration	Wages	Bonuses	Total
Hu Wei*	**–**	**708,000.00**	**292,000.00**	**1,000,000.00**
Liao Xiangwen*	**–**	**741,000.00**	**573,000.00**	**1,314,000.00**
Wen Liang*	**–**	**292,860.00**	**572,875.00**	**865,735.00**
Wang Zengjin*	**–**	**761,000.00**	**519,351.00**	**1,280,351.00**
Cai Shuguang	**210,000.00**	**–**	**–**	**210,000.00**
Wen zhaohua	**210,000.00**	**–**	**–**	**210,000.00**
Chen Xiaolu	**210,000.00**	**–**	**–**	**210,000.00**
Bai hua	**210,000.00**	**–**	**–**	**210,000.00**
Xin Jian*	**–**	**249,364.00**	**175,775.00**	**425,139.00**

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (continued)

(5) Remuneration of key management personnel (continued)

(a) Remuneration of directors and supervisors (continued)

The remuneration of each director and supervisor in 2018 is as follows:

Name	Remuneration	Wages	Bonuses	Total
Hu Wei*	–	708,000.00	782,000.00	1,490,000.00
Liao Xiangwen*	–	585,500.00	855,200.00	1,440,700.00
Wu Yade (resigned)*	–	660,800.00	735,100.00	1,395,900.00
Wang Zengjin*	–	623,000.00	803,000.00	1,426,000.00
Cai Shuguang	210,000.00	–	–	210,000.00
Wen zhaohua	210,000.00	–	–	210,000.00
Chen Xiaolu	210,000.00	–	–	210,000.00
Bai hua	188,137.00	–	–	188,137.00
Xin Jian*	–	193,500.00	258,900.00	452,400.00

* Remuneration of directors and supervisors has been reflected in the remuneration of key management personnel.

During the year, the meeting allowance (before tax) for Chairman Hu Wei, Executive Director and President Liao Xiangwen(Executive Director since March 2019), Executive Director and Chief Financial Officer Wen Liang, Directors Chen Yan, Chen Yuanjun, Fan Zhiyong, Chen Kai, Cai Shuguang, Wen Zhaohua, Chen Xiaolu, Bai Hua, and Supervisors Wang Zengjin and Xin Jian was RMB8,000.00, RMB12,000.00, RMB9,500.00, RMB9,000.00, RMB8,000.00, RMB9,000.00, RMB9,000.00, RMB10,000.00, RMB12,000.00, RMB11,000.00, RMB11,000.00, RMB8,000.00, RMB8,000.00, respectively. Among them, Chairman Hu Wei, Executive Director and President Liao Xiangwen, Executive Director and Chief Financial Officer Wen Liang, Directors Chen Yan, Chen Yuanjun, Fan Zhiyong, Chen Kai and Supervisor Wang Znegjin waived the meeting allowance receivable for the year.

During the year, Chairman Hu Wei, Executive Director and President Liao Xiangwen, Executive Director and Chief Financial Officer Wen Liang(Executive Director since March 2019), Supervisor Wang Zengjin and Xin Jian were entitled to the pension scheme contributions of RMB123,349.00 (2018: RMB156,415.56), RMB122,761.00 (2018: RMB145,220.56), RMB45,023.00 (2018: RMB0), RMB120,195.00 (2018: RMB143,629.56) and RMB37,648.00 (2018: RMB58,824.12), respectively.

In addition, Chairman Hu Wei, Executive Director and President Liao Xiangwen, Executive Director and Chief Financial Officer Wen Liang(Executive Director since March 2019), Supervisor Wang Zengjin and Xin Jian also obtained other benefits and allowances, including medical care contribution and others, with amounts of RMB110,097.06 (2018: RMB79,184.44), RMB110,097.06 (2018: RMB79,179.44), RMB55,275.52 (2018: RMB0), RMB110,847.06 (2018:RMB79,970.44) and RMB99,727.43 (2018: RMB64,975.88), respectively.

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (continued)

(5) 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 director and supervisor (2018: 2 directors), whose remuneration was reflected in the above table. The total amount of remuneration of the remaining 3 highest paid members (2018: 3) is as follows:

Item	2019	2018
Basic salary, bonus, housing subsidy and other subsidies	**4,239,307.18**	4,942,082.32
Pension	**349,128.00**	427,117.68
Total	**4,588,435.18**	5,369,200.00

	2019	2018
Salary range:		
HKD0 to1,000,000	**–**	–
HKD1,000,001 to 1,500,000	**–**	–
HKD1,500,001 to 2,000,000	**3**	1
HKD2,000,001 and above	**–**	2

(6) Borrowings from/to related parties

Borrowings from related parties:

Related party		Amount of borrowings	Annual interest rate	Inception date	Due date
GZ W2 Company (a)	Note V.32(v)	67,500,000.00	4.275%	2018/9/30	2021/9/20
GZ W2 Company (b)	Note V.32(v)	37,500,000.00	4.275%	2019/12/26	2022/11/28
Jiangzhong Company (c)	Note V.32(v)	60,000,000.00	3.915%	2018/11/27	2023/11/27
Xin Tong Chan Company(d)	/	2,000,000,000.00	4.35%	2019/4/26	2019/4/30
United Land Company(e)	/	277,830,000.00	3.65%	2019/4/23	2020/4/22
United Land Company(f)	Note V.34(b)	514,500,000.00	3.65%	2019/8/1	2022/7/24
United Land Company(f)	Note V.34(b)	328,800,000.00	3.65%	2019/10/29	2022/7/24
United Land Company(f)	Note V.34(b)	220,000,000.00	3.65%	2019/11/27	2022/7/24
United Land Company(f)	Note V.34(b)	555,660,000.00	3.65%	2019/12/24	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 Miaoqian Straight Street Sub-branch. Guangzhou West Second Ring Company entrusted the Industrial and Commercial Bank of China Guangzhou Miaoqian Straight Street Sub-branch 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 10% lower than the benchmark interest rate for the corresponding term of the loans announced by the People's Bank of China on the withdrawal date. During the year, the Company confirmed the relevant interest expense of RMB2,925,702.93.

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (continued)

(6) Borrowings from/to related parties (continued)

(b) In December 2019, the company signed an entrusted loan contract with Guangzhou West Second Ring Company and Industrial and Commercial Bank of China Guangzhou Miaoqian Zhijie Sub-branch. The Guangzhou West Second Ring Company entrusted the Industrial and Commercial Bank of China, Guangzhou Miaoqian Zhijie Sub-branch 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 10% lower than the benchmark loan interest rate of the corresponding term announced by the People's Bank of China on the date of withdrawal. During the year, the company confirmed interest expenses of RMB26,718.95 for this loan.

(c) In November 2018, the Company signed an entrusted loan contract with Jiangzhong Company and Industrial and Commercial Bank of China Co., Ltd. Guangzhou Ring City Sub-branch. Jiangzhong Company entrusted the Industrial and Commercial Bank of China Guangzhou Ring City Sub-branch to issue 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 10% lower than the benchmark one-year term loan interest rate announced by the People's Bank of China on the date of withdrawal. During the year, the Company confirmed interest expense of RMB2,381,625.00 for this loan.

(d) In April 2019, the Company signed a loan contract with Xin Tong Chan Company, and the contract stipulated that Xin Tong Chan Company would lend RMB2,000,000,000.00 to the Company. The amount will be used to inject capital into Coastal Company, and the loan term is not more than one month. The annual interest rate of the loan is the one-year loan benchmark interest rate announced by the People's Bank of China. In the current period, the Company confirmed the relevant interest expense of RMB710,301.37.

(e) 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 the current period, the Company acknowledged the relevant interest expense of RMB7,029,099.00.

(f) 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 year and the annual interest rate of the loan is 3.65%. In the current period, the Company acknowledged the relevant interest expense of RMB11,148,698.00.

(7) Other related party transactions

Name of related party	Nature of transaction	2019	2018
Shenzhen International United Land Company	Reduced capital	**644,706.26**	45,048,752.66
Shenzhen International United Land Company	Interest on reduced capital	–	2,205,000,000.00
Shenzhen International United Land Company	Property compensation of Meiguan	–	225,087,871.50
Shenzhen International Logistics Company	Logistics land compensation	–	2,134,260.50

* The related transactions mentioned above in items (2), (3), (4.(b)) and (7) also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules.

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Receivables due from and payables due to related parties

(1) Receivable items

		31 December 2019		31 December 2018	
Item	Related parties	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Accounts receivable	Baotong Company	**2,295,854.23**	**–**	2,295,854.23	–
Accounts receivable	Longda Company	**–**	**–**	1,298.18	–
Other receivables	Longda Company	**110,000.00**	**–**	110,000.00	–
Other receivables	Changsha Ring Road Company	**88,556.58**	**–**	88,556.58	–
Other receivables	Consulting Company	**84,050.00**	**–**	84,050.00	–
Other receivables	Huayu Company	**20,000.00**	**–**	20,000.00	–
Other receivables	United Land Company	**–**	**–**	606,662,489.40	–
Advances	Consulting Company	**1,248,751.13**	**–**	4,693,984.06	–
Advances	United Electronic Company	**60,526.80**	**–**	–	–
Other non-current assets	United Land Company	**342,599,500.00**	**–**	342,599,500.00	–

(2) Payable items

Item	Related parties	31 December 2019	31 December 2018
Accounts payable	Consulting Company	**3,983,139.38**	2,441,328.80
Accounts payable	United Electronic Company	**136,082.90**	–
Accounts payable	Xin Tong Chan Company	**80,279.25**	–
Accounts payable	Longda company	**40,916.69**	27,900.00
Accounts payable	Huayu Company	**13,500.00**	210,357.15
Accounts payable	SC Logistics Company	**2,107.80**	1,607.80
Other payables	United Land Company	**296,007,797.00**	–
Other payables	Consulting Company	**19,907,626.54**	15,021,943.16
Other payables	United Electronic Company	**591,084.13**	579,209.79
Other payables	Guizhou Pengbo	**515,680.55**	610,216.91
Other payables	Longda Company	**458,985.21**	–
Other payables	West 2 Company	**114,890.63**	18,540,984.48
Other payables	Jianzhong Company	**71,775.00**	71,775.00
Other payables	Xin Tong Chan Company	**5,000.00**	5,000.00
Other payables	Nanjing Third Bridge Company	**–**	4,196,531.79
Long-term payables	United Land Company	**1,618,960,000.00**	–

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

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	31 December 2019	31 December 2018
Consulting Company	**22,106,438.74**	37,948,165.44

(2) Investment commitment

On 31 December 2019, the Group's investment commitment to a related party were RMB537,085,914.05 (2018: RMB698,500,000.00). The investment commitment is the Company's commitment to increase capital for Yangmao's renovation and expansion project.

(3) Equity acquisition commitments

As at 31 December 2019, the Group had no equity acquisition commitments.

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 2019	31 December 2018
Expressway construction projects	**2,424,579,036.04**	2,516,026,680.10

(b) Capital commitments contracted by management but not provided for at the end of the reporting period:

Item	31 December 2019	31 December 2018
Real estate & highway development projects	**2,593,259,206.36**	3,496,089,939.74
Purchase payment	**529,703,309.52**	–
Total	**3,122,962,515.88**	3,496,089,939.74

XI. COMMITMENTS AND CONTINGENCIES (CONTINUED)

1. Significant commitments (continued)

(2) Investment commitments

On 31 December 2019, in addition to the related party commitments disclosed in Note X.7, the Group had no investment commitments.

2. Contingencies

(1) Significant contingencies at the end of the reporting period:

(a) The Company was entrusted by the Shenzhen Committee of the Exchange to manage Nanping Project Phase II. According to the contractual construction entrusted management contract, the Company has provided the Shenzhen Committee of the Exchange with an irrevocable performance bank guarantee of RMB15,000,000.00.

(b) The Company was entrusted by the Longhua District Construction and Engineering Bureau of Shenzhen to carry out a "dual upgrade" comprehensive road improvement project – Da Fu Road (Gui Yue Road – Gui Xiang Road project) and Jianshe Road (Bu Long Road – East Second Ring Road) and the Longhua District Golf Boulevard (Guanlan Avenue – Huanguan nan Road) renovation project. According to the terms of the entrustment management contract, the Company has provided a non-cancellable performance bank guarantee letter of RMB50,170,000.00 to the Longhua District Construction and Engineering Bureau of Shenzhen.

(c) The Company was entrusted by the Shenzhen Transportation Utilities Management Office to manage four Highways (Nanguang, Yanba, Yanpai and Longda expressway) in 2019. According to the contractual construction entrusted management contract, the Company has provided the Shenzhen Transportation Utilities Management Office with an irrevocable performance bank guarantee of RMB9,710,000.00

(d) The Company was entrusted by the Shenzhen Ecological Environment Bureau to manage the Ecological Science and Technology Industrial Park Infrastructure and Supporting Projects of Shenzhen-Shantou special cooperation zone. According to the contractual construction entrusted management contract, the Company has provided the Shenzhen Ecological Environment Bureau with an irrevocable performance bank guarantee of RMB22,660,000.00

(e) As at 31 December 2019, the Group provided a stage-and-combined liability guarantee of RMB650,916,623.18 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.

Notes to Financial Statements

2019
(RMB)

XII. EVENTS AFTER THE END OF THE REPORTING PERIOD

1. On 8 January 2020, Environmental Company(a subsidiary of the Company) and Bioland Environmental Technologies Corp.,Ltd. ("Bioland Environmental") and its original shareholders Zhengzhou Cida Environmental Protection Technology Co., LTD., Beijing Shuiqi Lande Technology Co., Ltd, ShiJunYing, ShiJunHua, jointly signed on the "Acquisition of Bioland Environmental Technologies Corp.,ltd. No more than 68.1045% shares of the Capital Increase and Share Transfer Agreement". According to the agreement, the transaction will take place in two stages. In the first phase, Environmental Company will acquire a total of 12.5 million shares (53.2067% of the total share capital of the Company after the issuance of additional shares) by acquiring 40 million shares held by the seller and subscribing to the newly issued 85 million shares. In the second phase, the original shareholder shall transfer not more than 35 million shares of Bioland Environmental to the Environmental Company (subject to the number of shares transferred) no later than April 25, 2020 according to their actual situation. The above share transfer and issue price is RMB5.06 per share. Upon completion of the transaction, the company will eventually receive up to 16 million shares of Bioland Environmental, with a total consideration of up to RMB80.96 million and a shareholding of up to 68.1045%. On 20 January 2020, Environmental Company has acquired 12.5 million shares of Bioland Environmental, holding 53.2067%. Bioland Environmental has become the holding subsidiary of the Company.

2. On January 10, 2020, the board of directors reviewed and approved the proposal for the non-public issuance of no more than 300 million H shares with a par value of 1.00 yuan each. The issue object is proposed for Shenzhen International Holding Limited (the controlling shareholder of the Company) and/or its designated subsidiaries other than the company and the company's holding subsidiaries, and other qualified investors of non-affiliated persons The aforesaid proposals need to be submitted to the shareholders' general meeting, the A-share class shareholders' meeting, and the H-share class shareholders' meeting for deliberation.

3. Since the outbreak of the Coronavirus Disease 2019 ("COVID-19"), the prevention and control of the COVID-19 has been going on throughout the country. On 15 February 2020, the Ministry of Transport issued the "Notice on exemption of Toll Road During COVID-19 Prevention and Control Period." The period of toll fees exemption is from 0:00 on 17 February 2020 to the end of the epidemic prevention and control work. The Group's highway revenue in 2020 is expected to be adversely affected by the toll-free policy. At the same time, the Ministry of Transport stated that relevant supporting policies will be issued to protect the legitimate rights and interests of toll road users, creditors, investors and operators. As at the date of this report, the relevant supporting policies have not been issued. Due to the inability to determine the end time of the epidemic and related supporting safeguard policies, it is temporarily impossible to estimate the amount of impact of this event on the Group.

4. Pursuant to the general mandate for the issuance of bond financing instruments granted to the Board by the Company's 2018 Shareholders' General Meeting, the Company has applied to the China Interbank Market Dealers Association for the registration and issuance of RMB2 billion ultra-short-term financing bonds and has been approved. According to the "Notification of Acceptance of Registration" (Zhongshi Xie Note [2020] SCP31) issued by the Association of Dealers, the registered amount of the company's ultra-short-term financing bonds was RMB2 billion, and the registration amount was from the date of the "Acceptance of Registration" Valid for 2 years. The company issued the first ultra short-term financing bonds of 2020 from March 16 to March 17, 2020, with a scale of RMB1 billion and a maturity of 180 days. Its main purpose is to repay interest-bearing debt and supplement working capital.

XII. EVENTS AFTER THE END OF THE REPORTING PERIOD (CONTINUED)

5. On 12 November 2019, the China Securities Regulatory Commission issued the "Review of Approval for the Public Issuance of Corporate Bonds by Shenzhen Expressway Co., Ltd. to Qualified Investors" (CSRC License [2019] No. 2262) approving the issuance of no more than RMB5 billion Corporate bonds. The company has announced on 17 March 2020 that it will publicly issue Shenzhen Expressway Co., Ltd.'s 2020 corporate bonds (Phase 1) (Epidemic prevention and control bonds). The issue size in this period is no more than RMB2 billion. The price is RMB100 each and the bond has a maturity of 5 years, with the issuer's option to adjust the coupon rate and the investor's option to sell back are attached at the end of the third year,.

6. On 17 March 2020, Meihua Company, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement A with Shenzhen International Co., Ltd. ("Shenzhen International Hong Kong"). On the same day, the company signed an equity transfer agreement B with Shenzhen International Logistics and Shenzhen International Hong Kong. According to the above two equity transfer agreements, the Group will transfer 48% of the equity of Shenzhen International Financial Leasing Co., Ltd. ("Financial Leasing Company") at a price of RMB151.69 million. After the transaction is completed, the Group may appoint three of the five directors in accordance with the articles of association of the financial leasing company. Therefore, the financial leasing company will become the company's holding subsidiary, and its financial statements will be included in the scope of the company's consolidated financial statements. As of the disclosure date of this statement, the equity merger has not been completed.

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 only one reportable segment, i.e. toll road segment, which takes charge of operation and management of toll roads in Mainland China.

Other businesses principally comprise the provision of construction management services, advertising services, property development, wind power generation, wind power generator assembling and sales and other services. The Group has no inter-segment transfers. These businesses cannot be separated into reportable segments.

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

1. Segment information (continued)

(2) Segment information

2019	Toll road	Others	Unallocated	Total
Revenue from external customers	**4,569,454,414.90**	**1,616,370,697.07**	**–**	**6,185,825,111.97**
Cost of service	**2,270,903,104.28**	**1,228,635,054.40**	**–**	**3,499,538,158.68**
Interest income	**10,828,844.85**	**11,681,061.21**	**27,316,197.15**	**49,826,103.21**
Interest expenses	**546,211,740.91**	**53,683,343.77**	**–**	**599,895,084.68**
Share of profits of associates	**219,855,987.47**	**679,828,312.92**	**–**	**899,684,300.39**
Gains on disposal of assets	**386,045.39**	**–**	**–**	**386,045.39**
Asset impairment loss	**552,000,000.00**	**–**	**–**	**552,000,000.00**
Credit impairment loss	**–**	**-1,129,098.22**	**–**	**-1,129,098.22**
Depreciation and amortization	**1,466,254,785.96**	**66,639,498.40**	**14,256,888.27**	**1,547,151,172.63**
Total profit	**1,510,059,314.19**	**1,119,214,546.02**	**-185,040,136.40**	**2,444,233,723.81**
Income tax expense	**-146,249,560.18**	**117,273,765.98**	**-63,273,703.76**	**-92,249,497.96**
Net profit	**1,656,308,874.38**	**1,001,940,780.04**	**-121,766,432.65**	**2,536,483,221.77**
31 December 2019				
Total assets	**31,632,196,803.97**	**13,106,226,365.97**	**185,311,102.04**	**44,923,734,271.98**
Total liabilities	**18,961,176,468.90**	**3,152,003,093.01**	**2,087,282,450.23**	**24,200,462,012.14**
2019				
Long-term equity investments in associates	**1,508,731,533.68**	**7,197,557,808.05**	**–**	**8,706,289,341.73**
Increase in original value of non-current assets other than financial assets, long-term equity investments and deferred income tax assets	**2,160,792,538.28**	**1,845,638,308.36**	**6,580,238.04**	**4,013,011,084.68**

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

1. Segment information (continued)

(2) Segment information (continued)

2018	Toll road	Others	Unallocated	Total
Revenue from external customers	5,066,387,436.63	740,720,595.15	–	5,807,108,031.78
Cost of service	2,389,981,090.59	468,230,841.17	–	2,858,211,931.76
Interest income	14,314,487.69	9,353,245.23	52,843,675.55	76,511,408.47
Interest expenses	963,017,374.65	22,506,638.28	–	985,524,012.93
Share of profits of associates	276,491,290.75	244,465,097.74	–	520,956,388.49
Gains on disposal of assets	2,227,050,978.93	–	75,400.25	2,227,126,379.18
Credit impairment loss	14,115.84	-250,000.00	–	-235,884.16
Depreciation and amortization	1,627,480,036.46	10,547,584.38	6,380,627.55	1,644,408,248.39
Total profit	4,195,074,964.42	474,014,746.95	-123,912,144.82	4,545,177,566.55
Income tax expense	906,389,918.52	60,057,065.55	–	966,446,984.07
Net profit	3,288,685,045.90	413,957,681.40	-123,912,144.82	3,578,730,582.48
31 December 2018				
Total assets	32,289,918,074.55	8,677,531,402.72	133,400,850.96	41,100,850,328.23
Total liabilities	20,159,143,807.87	1,217,714,915.76	184,238,877.25	21,561,097,600.88
2018				
Long-term equity investments in associates and joint ventures	1,451,780,693.90	6,407,327,803.72	–	7,859,108,497.62
Addition of non-current assets other than financial assets, long-term equity investments and deferred tax assets	1,522,896,729.07	9,742,695.22	2,637,159.47	1,535,276,583.76

(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.

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

2. Leases

(1) As lessor

The Group leases out some parking spaces, and the lease period is not a regular period, forming an operating lease. According to the lease contract, the rent needs to be adjusted every year according to the market rent situation. In 2019, the Group's income from rental of houses and buildings was RMB2,735,601.28. Leased houses and buildings are listed in investment real estate, see Note V.15.

The Group also leases highway billboards and service areas, with leases ranging from 1 to 10 years, forming operating leases.

Operating lease

Item	2019
Rental income	**22,315,960.50**

According to the lease contract with the lessee, the minimum lease payments for non-revoking leases are as follows:

Item	2019
Within 1 year (including 1 year)	**14,059,747.56**
1 to 2 years (including 2 years)	**8,395,822.86**
2 to 3 years (including 3 years)	**4,531,476.19**
3 to 4 years (including 4 years)	**3,453,380.95**
4 to 5 years (including 4 years)	**3,207,036.19**
Over 5 years	**951,200.00**
Total	**34,598,663.75**

(2) As lessee

Item	2019
Interest expenses on lease liabilities (Note V. 49)	**14,227,011.48**
Short-term lease expenses that are accounted for in the current period using simplified processing	**2,293,594.19**
Low-value asset lease expenses (other than short-term leases) that are accounted for in the current period	**546,755.76**
Income from sublease of right-of-use assets	**2,287,794.17**
Total lease-related cash outflows (Note V. 59 (7))	**1,444,833,383.14**
Related profit or loss from repayment of lease liabilities in advance (Note V. 49)	**22,492,284.97**

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

2. Leases (continued)

(2) As lessee (continued)

The leased assets leased by the Group include the houses and buildings, transportation equipment and other equipment used in the operating process. The lease periods of houses and buildings and machinery and equipment are usually 1 to 22 years. Transportation equipment and other equipment are usually leased for one to three years. A few lease contracts contain options for renewal and termination.

Significant operating lease (only applicable in 2018)

According to the lease contract with the lessor, the minimum lease payments for non-revoking leases are as follows:

Item	2018
Within 1 year (including 1 year)	33,304,089.10
1 to 2 years (including 2 years)	33,095,227.29
2 to 3 years (including 3 years)	21,898,763.22
Over 3 years	78,849,466.88
Total	167,147,546.49

Sale and leaseback transaction

In order to meet the capital requirements, the Group will use the sale and leaseback form of financing for the Damaoqi project wind farm for a lease period of 24 months.

Item	**2019**
Cash inflows from sale and leaseback transactions	673,000,000.00
Cash out of sale and leaseback transactions	26,022,898.75

Other lease information

For right-of-use assets, see Note V.18; for simplified treatment of short-term leases and leases of low-value assets, see Note III.29; for lease liabilities, see Note V.36.

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	2019	2018
Within 1 year	**11,331,676.56**	16,492,239.55
1 to 2 years	**–**	–
2 to 3 years	**–**	–
Over 3 years	**4,838,866.44**	4,838,866.44
Total	**16,170,543.00**	21,331,105.99

(2) Accounts receivable are analyzed by category as follows:

	2019			
	Ending balance		Provision for bad debts	
Item	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:

	2019		
Item	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**	**–**	**–**

1. Accounts receivable (continued)

(2) Accounts receivable are analyzed by category as follows (continued):

	2018			
	Ending balance		Provision for bad debts	
Item	Amount	% of total balance	Amount	% of total balance
Receivables that are subject to provision by group with similar credit risk characteristics	21,331,105.99	100.00	–	–
Group 1	5,663,466.45	26.55	–	–
Group 2	15,667,639.54	73.45	–	–
Total	21,331,105.99	100.00	–	–

The aging of group 2 according to the recognition date is analyzed below:

	2018		
Item	Estimated default book balance	Expected credit loss rate (%)	Expected credit loss over the duration
Within 1 year	15,667,639.54	–	–
Total	15,667,639.54	–	–

(3) Accumulated accounts receivable from the five largest debtors:

	Balance	**Provision for bad debts**	**% of total balance**
Total accumulated accounts receivable from the five largest debtors at 31 December 2019	16,163,313.05	–	99.96
Total accumulated accounts receivable from the five largest debtors at 31 December 2018	20,339,859.04	–	95.35

XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables

(1) Other receivables are classified as follows:

Item	2019	2018
Interest receivable	**6,449,336.44**	2,367,187.50
Dividends receivable	**450,000,000.00**	450,000,000.00
Other receivables	**549,346,573.39**	2,026,988,171.40
Total	**1,005,795,909.83**	2,479,355,358.90

(2) The aging of other receivables according to the recognition date is analyzed below:

Item	2019	2018
Within 1 year	**483,144,327.89**	2,433,147,267.78
1 to 2 years	**476,608,031.77**	197,499.95
2 to 3 years	**181,085.27**	4,361,802.69
Over 3 years	**45,862,464.90**	41,648,788.48
Total	**1,005,795,909.83**	2,479,355,358.90

(3) The changes in the ending balance and provision for bad debts are as follows:

2019

	The first stage Expected credit loss over the next 12 months	
Item	Ending balance	Provision for bad debts
Beginning balance	**2,479,355,358.90**	–
Additions	**133,587,973.25**	–
Reduction	**1,607,147,422.32**	–
Ending balance	**1,005,795,909.83**	–

XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (continued)

(3) The changes in the ending balance and provision for bad debts are as follows: (continued)

2018

	The first stage Expected credit loss over the next 12 months	
Item	Ending balance	Provision for bad debts
Beginning balance	369,260,529.15	–
Additions	4,021,088,901.02	–
Reduction	1,910,994,071.27	–
Ending balance	2,479,355,358.90	–

(4) Other receivables by nature are analyzed as follows:

Nature	2019	2018
Dividends receivable	**450,000,000.00**	450,000,000.00
Loans receivable	**378,789,412.68**	414,881,251.66
Advances receivable	**155,992,169.78**	70,152,987.30
Receivable due to cancellation of toll stations in Yanpai and Yanba sections	**11,170,906.19**	–
Three Expressways-old station operation compensation receivable	**–**	932,672,618.97
Shenzhen International United Land Company	**–**	606,662,489.40
Interest receivable	**6,449,336.44**	2,367,187.50
Others	**3,394,084.74**	2,618,824.07
Total	**1,005,795,909.83**	2,479,355,358.90

XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (continued)

(5) As at 31 December 2019, the five largest other receivables are analyzed as follows:

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	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	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	–

2018

Categories	Nature	31 December 2018	Aging	% of total balance	Balance of provision for bad debts
Shenzhen Transportation Bureau	The taxes for Three Expressways borne by the government	932,672,618.97	Within 1 year	37.62	–
Shenzhen International United Land Company	Reduction of other receivables	606,662,489.40	Within 1 year	24.47	–
Mei Wah Company	Dividends receivable	450,000,000.00	Within 1 year	18.15	–
Yichang Company	Loans	260,000,000.00	Within 1 year	10.49	–
Qinglong Company	Loans	130,000,000.00	Within 1 year	5.24	–
Total	/	2,379,335,108.37	/	95.97	–

3. Long-term equity investments

Item	2019 Carrying amount	2019 Impairment provided in current year	2019 Net book amount	2018 Carrying amount	2018 Impairment provided in current year	2018 Net book amount
Subsidiaries	**16,452,364,720.93**	**678,765,149.21**	**15,773,599,571.72**	11,940,843,929.37	678,765,149.21	11,262,078,780.16
Joint ventures and associates	**3,967,922,683.17**	**–**	**3,967,922,683.17**	3,405,269,465.55	–	3,405,269,465.55
Total	**20,420,287,404.10**	**678,765,149.21**	**19,741,522,254.89**	15,346,113,394.92	678,765,149.21	14,667,348,245.71

(1) Investments in subsidiaries

Investee	31 December 2018	Additional injection	Reduction of the year	31 December 2019	Cash dividend declared	Impairment provided on 31 December 2019
Airport-Heao Eastern Company	579,610,371.65	–	102,311,514.19	**477,298,857.46**	325,229,065.61	–
Meiguan Company	523,057,283.42	–	1,797,141.08	**521,260,142.34**	44,203,419.33	–
Qinglong Company	101,477,197.16	–	–	**101,477,197.16**	120,000,000.00	–
Advertising Company	3,325,000.01	–	–	**3,325,000.01**	–	–
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	–	–	**100,000,000.00**	–	–
Expressway Investment Company	380,000,000.00	–	–	**380,000,000.00**	–	–
Environment Company	4,460,000,000.00	540,000,000.00	–	**5,000,000,000.00**	–	–
Operation Development Company	28,500,000.00	–	–	**28,500,000.00**	–	–
Shenchang Company	67,851,316.78	–	34,570,553.84	**33,280,762.94**	–	–
Yichang Company	1,270,000,000.00	–	–	**1,270,000,000.00**	–	–
Construction and Development Company	28,500,000.00	–	–	**28,500,000.00**	–	–
Shenshan Company	5,100,000.00	10,200,000.00	–	**15,300,000.00**	–	–
Coastal Company	1,487,939,407.88	4,100,000,000.00	–	**5,587,939,407.88**	–	–
Fund Management Company	9,500,000.00	–	–	**9,500,000.00**	–	–
Baotou Nanfeng	–	0.67	–	**0.67**	–	–
Total	11,262,078,780.16	4,650,200,000.67	138,679,209.11	**15,773,599,571.72**	489,432,484.94	678,765,149.21

XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments (continued)

(2) Investments in joint ventures and associates

The detailed information about joint ventures and associates is set out in Note V.14. The company directly holds 2.92% of Guizhou Bank, except for the investments in associates namely Guizhou Hengtongli Property Company and Derun Environment, the investments in associates are held by the Company.

4. Revenue and costs of services:

	2019		2018	
Item	Revenue	Cost	Revenue	Cost
Main businesses	**667,662,764.59**	**136,187,766.16**	1,382,757,210.57	265,101,918.95
Other businesses	**179,795,923.67**	**168,579,102.04**	171,883,183.06	130,255,601.99
Total	**847,458,688.26**	**304,766,868.20**	1,554,640,393.63	395,357,520.94

5. Investment income:

Item	2019	2018
Investment income from long-term equity investments in associates under the equity method	**705,905,909.94**	217,814,470.12
Investment income from long-term equity investments in associates under the cost method	**489,432,484.94**	1,183,157,178.84
Investment income from non-current financial assets	**30,125,114.76**	6,859,719.35
Investment income from financial products	**57,896.09**	–
Investment gain/loss from foreign exchange swap	**26,860,000.00**	-49,740,000.00
Realized income from downstream trading (a)	**22,402,839.33**	–
Total	**1,274,784,245.06**	1,358,091,368.31

(a) The group's consolidated level offsets the asset disposal income of the shareholding part from compensation for office building property of Meiguan company by United Land Company in 2018, during the year, the income from United Land Company construction project was realized, and the Group's realized profit of RMB22,091,980.80 according to the proportion of the sold properties of United Land Company and interest RMB310,858.53.

XV. SUPPLEMENTARY INFORMATION

1. Detailed list of non-recurring profit or loss items

Item	Amount	Note
Income from entrusted management services	8,214,015.10	Income from entrusted management services provided to Longda Company in the current year.
Investment income from financial products	1,441,847.76	
Liquidating income in foreign currency swaps	26,860,000.00	
Interest income accrued from loan to a non-financial entity	595,434.57	Interest income accrued from loan reduction to United Land Company
Changes in fair value of foreign currency swaps	17,586,250.00	To mitigate the exchange rate risk, the Group entered into foreign exchange swap arrangements for the bond with a principal value of USD300 million, and related gains on change in fair value were recognized during the current year.
Changes in fair value of other non-current financial assets	37,500,260.00	This year's fair value change proceeds from shares of Water Planning & Design Institute Company and United Electronic Company.
Gains on disposal of non-current assets	386,045.39	Gains on disposal of cars from the headquarters
Changes in fair value from merging the subsidiaries under common control	26,000,000.00	Income from adjustment of Shuiguan Expressway's acquisition contingent consideration
Equity transfer of a subsidiary	262,207,206.28	The 100% equity and debts of four subsidiaries including Guizhou Shengbo were transferred, and the equity transfer income was recognized.
Financial income from paid capital lease in advance	22,492,284.97	Financial income from paid capital lease once in advance of Baotou Nanfeng
Income and expenditure other than those mentioned above	175,940.45	
Impact of minority interests	-58,859,917.14	
Impact of income tax	-88,741,749.89	
Total	255,857,617.49	

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 that are relevant to ordinary business, but are so extraordinary that would have an influence on users of the financial statements making proper judgments on the performance and profitability of an enterprise.

2. Return on net assets and earnings per share

		Earnings per share	
Profit for the reporting period	**Weighted average return on net assets (%)**	**Basic earnings per share**	**Diluted earnings per share**
Net profit attributable to ordinary owners of the Company	14.14%	1.146	1.146
Net profit after deducting non-recurring profit or loss attributable to ordinary owners of the Company	12.62%	1.029	1.029

THE ISSUER

Shenzhen Expressway Company Limited
Podium Levels 2–4
Jiangsu Building, Yitian Road
Futian District, Shenzhen
518026 China

TRUSTEE

Citicorp International Limited
20/F, Citi Tower, One Bay East
83 Hoi Bun Road, Kwun Tong
Kowloon, Hong Kong

PRINCIPAL PAYING AGENT AND TRANSFER AGENT

Citibank, N.A., London Branch
c/o Citibank, N.A., Dublin Branch
1 North Wall Quay
Dublin 1
Ireland

REGISTRAR

Citibank, N.A., London Branch
Citigroup Centre
Canada Square
Canary Wharf
London E14 5LB
United Kingdom

LEGAL ADVISERS TO THE ISSUER

As to English and Hong Kong law

Latham & Watkins LLP
18th Floor, One Exchange Square
8 Connaught Place
Central, Hong Kong

As to PRC law

King & Wood Mallesons
25th Floor, Guangzhou CTF Finance
Centre No.6 Zhujiang East Road
Zhujiang New Town, Tianhe District, Guangzhou
China

LEGAL ADVISERS TO THE JOINT LEAD MANAGERS

As to English and Hong Kong law

Linklaters
11th Floor, Alexandra House
Chater Road
Hong Kong

As to PRC law

Jingtian & Gongcheng
34th Floor, Tower 3
China Central Place
77 Jianguo Road
Chaoyang District, Beijing
China

LEGAL ADVISERS TO THE TRUSTEE

As to English and Hong Kong law

Linklaters
11th Floor, Alexandra House
Chater Road
Hong Kong

AUDITOR OF THE ISSUER FOR 2019 AND 2020

Ernst & Young Hua Ming LLP
Level 16, Ernst & Young Tower
Oriental Plaza, 1 East Chang An Avenue
Dongcheng District
Beijing, China