SHENZHEN EXPRESSWAY COMPANY LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 600548 (SSE) 00548 (HKEx))

2019 ANNUAL REPORT

深高速

Cautionary Statement in relation to Forward-looking Statement:

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

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

Member of Shenzhen International Holdings Limited

Contents

Definition and Cautionary Statement

I. Definition

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

Reporting Period, Period, Year	For the twelve months ended 31 December 2019.
Reporting Date	The date on which this Annual Report 2019 of the Company is approved by the Board, i.e. 18 March 2020.
YOY	Year-on-year change rate as compared to the same period of 2018.
The Company, Company, Shenzhen Expressway	Shenzhen Expressway Company Limited.
The Group, Group	The Company and its consolidated subsidiaries.
A Shares	Renminbi-denominated ordinary shares of the Company which were issued in the PRC and subscribed in RMB and are listed on SSE.
H Shares	Overseas-listed foreign shares of the Company which were issued in Hong Kong and subscribed in HK$ and are listed on HKEx.
CSRC	China Securities Regulatory Commission.
SFC	Securities and Futures Commission of Hong Kong.
SSE	The Shanghai Stock Exchange.
HKEx	The Stock Exchange of Hong Kong Limited.
Hong Kong	Hong Kong Special Administrative Region of the PRC.
Listing Rules	The Rules Governing the Listing of Securities on HKEx and/or the Rules Governing the Listing of Stocks on SSE (as the case may be).
CASBE	The Accounting Standards for Business Enterprises (2006) of the PRC and the specific accounting standards as well as relevant provisions issued later.
NDRC	中華人民共和國國家發展和改革委員會 (National Development and Reform Commission).
MOT	中華人民共和國交通運輸部 (Ministry of Transport of the People's Republic of China).

Shenzhen SASAC	深圳市人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People's Government).
Shenzhen Transport Bureau	深圳市交通運輸局 (Transport Bureau of Shenzhen Municipality), formerly known as 深圳市交通運輸委員會 (Transport Commission of Shenzhen Municipality).
SIHCL	深圳市投資控股有限公司 (Shenzhen Investment Holdings Company Limited).
Shenzhen International	深圳國際控股有限公司 (Shenzhen International Holdings Limited).
XTC Company	新通產實業開發(深圳)有限公司 (Xin Tong Chan Development (Shenzhen) Company Limited), formerly known as 深圳市高速公路開發公司 (Shenzhen Freeway Development Company Limited).
SGH Company	深圳市深廣惠公路開發有限公司 (Shenzhen Shen Guang Hui Highway Development Company Limited)，formerly known as 深圳市深廣惠公路開發總公司 (Shenzhen Shen Guang Hui Highway Development Company).
CMET	招商局公路網路科技控股股份有限公司 (China Merchants Expressway Network & Technology Holdings Co.,Ltd.), formerly known as 招商局華建公路投資有限公司 (China Merchants Hua Jian Highway Investment Co., Ltd.).
GDRB Company	廣東省路橋建設發展有限公司 (Guangdong Roads and Bridges Construction Development Company Limited).
Shenzhen International (Shenzhen)	深國際控股(深圳)有限公司 (Shenzhen International Holdings (SZ) Limited), formerly known as 怡萬實業發展(深圳)有限公司 (Yiwan Industry Development (Shenzhen) Company Limited).
Industrial Fund Management Company	深高速(廣州)產業投資基金管理有限公司 (Shenzhen Expressway (Guangzhou) Industrial Investment Fund Management Co., Ltd.).
Vanke	萬科企業股份有限公司 (China Vanke Co., Ltd.).
Bank of Guizhou	貴州銀行股份有限公司 (Guizhou Bank Corporation Limited).
Longda Company	深圳龍大高速公路有限公司 (Shenzhen Longda Expressway Company Limited).
Coastal Company	深圳市廣深沿江高速公路投資有限公司 (Shenzhen Guangshen Coastal Expressway Investment Company Limited).
Outer Ring Company	深圳市外環高速公路投資有限公司 (Shenzhen Outer Ring Expressway Investment Company Limited).

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Yichang Company	湖南益常高速公路開發有限公司 (Hunan Yichang Expressway Development Company Limited).
Magerk Company	湖北馬鄂高速公路經營有限公司 (Hubei Magerk Expressway Management Private Limited).
Qinglian Company	廣東清連公路發展有限公司 (Guangdong Qinglian Highway Development Company Limited).
Shenchang Company	湖南長沙市深長快速幹道有限公司 (Hunan Changsha Shenchang Expressway Company Limited).
Qinglong Company	深圳清龍高速公路有限公司 (Shenzhen Qinglong Expressway Company Limited).
Huayu Company	深圳市華昱高速公路投資有限公司 (Shenzhen Huayu Expressway Investment Company Limited).
Jiangzhong Company	廣東江中高速公路有限公司 (Guangdong Jiangzhong Expressway Company Limited).
Yangmao Company	廣東陽茂高速公路有限公司 (Guangdong Yangmao Expressway Company Limited).
GZ W2 Company	廣東西二環高速公路有限公司 (Guangzhou Western Second Ring Expressway Company Limited).
Guangyun Company	雲浮市廣雲高速公路有限公司 (Yunfgu Guangyun Expressway Company Limited).
Nanjing Third Bridge Company	南京長江第三大橋有限責任公司 (Nanjing Yangtze River Third Bridge Company Limited).
Guishen Company	貴州貴深投資發展有限公司 (Guizhou Guishen Investment Development Company Limited).
Property Management Company	深圳高速物業管理有限公司 (Shenzhen Expressway Property Management Company Limited).
Advertising Company	深圳市高速廣告有限公司 (Shenzhen Expressway Advertising Company Limited).
Consulting Company	深圳高速工程顧問有限公司 (Shenzhen Expressway Engineering Consulting Company Limited).
Operation Development Company	深圳高速運營發展有限公司 (Shenzhen Expressway Operation Development Company Limited).

Construction Company	深圳高速建設發展有限公司 (Shenzhen Expressway Construction Development Company Limited).
Industrial Fund Management Company	深圳高速(廣州)產業投資基金管理有限公司 (Shenzhen Expressway(Guangzhou) Industrial Investment Fund Management Co., Ltd).
Shenshan Company	深高速(深汕特別合作區)基建環保開發有限公司 (Shenzhen Expressway Infrastructure and Environmental Protection Development Co., Ltd).
Investment Company	深圳高速投資有限公司 (Shenzhen Expressway Investment Company Limited).
Environmental Company	深圳高速環境有限公司 (Shenzhen Expressway Environmental Company Limited).
JEL Company	捷德安派有限公司 (Jade Emperor Limited).
Maxprofit Company	Maxprofit Gain Limited.
Mei Wah Company	美華實業(香港)有限公司 (Mei Wah Industrial(Hong Kong) Limited).
Fameluxe Investment	豐立投資有限公司 (Fameluxe Investment Limited).
Meiguan Company	深圳市梅觀高速公路有限公司 (Shenzhen Meiguan Expressway Company Limited).
Jihe East Company	深圳機荷高速公路東段有限公司 (Shenzhen Jihe Expressway (Eastern Section) Company Limited).
Meiguan Expressway	The expressway from Meilin to Guanlan in Shenzhen City. The ***Toll Free Section of Meiguan Expressway*** refers to the section from Meilin to Guanlan with a mileage of approximately 13.8 km, which has become toll-free from 24:00 on 31 March 2014. The ***Toll Section of Meiguan Expressway*** refers to the section from Shenzhen-Dongguan border to Guanlan with a mileage of approximately 5.4 km which remains collection of toll.
Jihe Expressway	The expressway from Shenzhen International Airport to He'ao in Shenzhen City, comprising ***Jihe East*** (Qinghu to He'ao) and ***Jihe West*** (Airport to Qinghu).
Yanba Expressway	The expressway from Yantian to Bagang in Shenzhen City, with a total toll mileage of approximately 29.1km. From 0:00 on 7 February 2016, it has been operated by card access with the toll exempted, and has been transferred to Shenzhen Transport Bureau from 0:00 on 1 January 2019.
Yanpai Expressway	The expressway from Yantian to Paibang in Shenzhen City, also referred to as Yantian Subsidiary Road of Jihe Expressway, with a toll mileage of approximately 15.6km. From 0:00 on 7 February 2016, it has been operated by card access with the toll exempted, and has been transferred to Shenzhen Transport Bureau from 0:00 on 1 January 2019.

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Nanguang Expressway	The expressway from Xili to Gongming in Shenzhen City, with a toll mileage of approximately 31km. From 0:00 on 7 February 2016, it has been operated by card access with the toll exempted, and has been transferred to Shenzhen Transport Bureau from 0:00 on 1 January 2019.
Shuiguan Expressway	The expressway from Shuijingcun to Guanjintou in Shenzhen City.
Shuiguan Extension	An extension to Shuiguan Expressway, Phase I of ***Qingping Expressway*** (the expressway from Yulongkeng to Pinghu in Shenzhen City).
Outer Ring Project	The project of Shenzhen section of Outer Ring Expressway in Shenzhen City (**Outer Ring Expressway**), among which, the section from the north side of Shenzhen Waterlands Resort in Bao'an District (connecting with Coastal Expressway) to the interchange of Shenshan Expressway in Longgang District (excluding Dongguan section) referred to as **Section A of Outer Ring**.
Coastal Project	The section from Nanshan, Shenzhen to Dongbao River (the boundary between Dongguan and Shenzhen) (***Coastal Expressway (Shenzhen Section)***) of the coastal expressway from Guangzhou to Shenzhen (***Coastal Expressway***). Among which, the project of main line of Coastal Expressway (Shenzhen Section) and facilities referred to as ***Coastal Phase I***, and the project of the ramp bridge of airport interchange of Coastal Expressway (Shenzhen Section) and facilities referred to as ***Coastal Phase II***.
Longda Expressway	The expressway from Longhua, Shenzhen to Dalingshan, Dongguan. From 0:00 on 7 February 2016, the Shenzhen Section of Longda Expressway (namely, the 23.8km section from Longda Shenzhen to Nanguang ramp) has been operated by card access with the toll exempted, and has been transferred to Shenzhen Transport Bureau from 0:00 on 1 January 2019.
Qinglian Project	***Qinglian Expressway***, ***Qinglian Class 1 Highway***, ***Qinglian Class 2 Road*** (also referred to as National Highway 107 Qinglian Section) and/or the reconstruction into an expressway for Qinglian Class 1 Highway from Qingyuan to Lianzhou, as the case may be.
Yangmao Expressway	The expressway from Yangjiang to Maoming.
Guangwu Project	The section from Ma'an to Hekou of the expressway from Guangzhou, Guangdong to Wuzhou, Guangxi (***Guangwu Expressway***).
Jiangzhong Project	The expressway from Zhongshan to Jiangmen and the second phase of the expressway from Jiangmen to Heshan.
GZ W2 Expressway	The section from Xiaotang to Maoshan of Guangzhou Ring Expressway, also referred to as Guangzhou Western Second Ring Expressway.

Wuhuang Expressway	The expressway from Wuhan to Huangshi.
Changsha Ring Road	Changsha Ring Expressway (Northwestern Section).
Nanjing Third Bridge	Nanjing Yangtze River Third Bridge.
Yichang Project	The expressway from Yiyang to Changde in Hunan (***Yichang Expressway***) and Changde connection line.
Longda Project	The entrusted management of 89.93% equity interests in Longda Company by the Company, including the daily operation management of ***Longda Expressway***.
Three Projects	Nanguang Expressway, Yanpai Expressway and Yanba Expressway (the Three Projects). On 30 November 2015, the Company entered into the Three Expressways agreement with the Shenzhen Transport Bureau in relation to the toll adjustment of the Three Projects. The Three Projects have been transferred to Shenzhen Transport Bureau from 0:00 on 1 January 2019.
Four Expressways	Nanguang Expressway, Yanpai Expressway, Yanba Expressway and the Shenzhen section of Longda Expressway (the Four Expressways), all of which have been transferred to Shenzhen Transport Bureau from 0:00 on 1 January 2019.
Longda Municipal Section	The management of the construction project of the municipal facilities of Dalang Section of Longda Expressway undertaken by the Company.
Cargo Organisation Adjustment Project	The entrusted construction project of the highway toll stations and ancillary facilities undertook by the Company due to the implementation of the freight traffic organisation adjustment of Shenzhen.
Shenshan Environmental Park Project	The entrusted construction and management project for the whole process in relation to the infrastructure and ancillary projects for Shenshan Eco-Environmental Science and Technology Industrial Park undertaken by the Group.
Guilong Project	The construction project of phase I of Guilong Road in Longli, Guizhou by BT model and the primary development project of relevant land undertaken by the Group.
CCCC Second Highway	Guizhou Shenzhen Expressway Property Company Limited. 中交第二公路工程局有限公司 (CCCC Second Highway Engineering Co., Ltd.).
Duohua Bridge Project	A road construction project from Jichang Village to Duohua Village in Longli County undertaken by Guishen Company by BT model. The major work of the project is Duohua Bridge.

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Guilong Holdings	貴州貴龍實業(集團)有限公司 (Guizhou Guilong Holdings (Group) Company Limited).
Resettlement Project	The management of the construction project of Wangguan Comprehensive Resettlement Building of Guilong Economic Zone undertaken by the Group in Longli, Guizhou, comprising ***Resettlement phase I*** and ***Resettlement phase II***.
Bimeng Project	The Bimeng Garden community resettlement project in Longli, Guizhou undertaken by the Group with BT model.
Guizhou Property	貴州深高速置地有限公司 (Guizhou Shenzhen Expressway Property Company Limited).
Guizhou Hengtongli	貴州恒通利置業有限公司 (Guizhou Hengtongli Property Company Limited).
Guizhou Yuelong	貴州悦龍投資有限公司 (Guizhou Yuelong Investment Company Limited).
Guizhou Shengbo	貴州聖博置地有限公司 (Guizhou Shengbo Land Company Limited).
Guizhou Hengfengxin	貴州恒豐信置業有限公司 (Guizhou Hengfengxin Property Company Limited).
Guizhou Henghongda	貴州恒弘達置業有限公司 (Guizhou Henghongda Property Company Limited).
Guizhou Yehengda	貴州業恒達置業有限公司 (Guizhou Yehengda Property Company Limited).
Land of Longli Project	The peripheral land of Guilong Project and the Duohua Bridge Project were successfully bid by the Group. As at the end of the Reporting Period, the Group has cumulatively won the bids for the land of Longli Project with an area of approximately 3,005 mu, including 2,770 mu for Guilong Project and 235 mu for the Duohua Bridge Project.
Guilong Development Project	The proprietary secondary development project with an area of over 1,000 mu, conducted by the Group on Guilong Project, which has been approved by the Board.
Meilin Checkpoint Renewal Project	Shenzhen Longhua New Area Mingzhi Office Meilin Checkpoint Urban Renewal Project, the entity which carried out the project is United Land Company and area of the land is approximately 96,000 square meters.
Water Planning Company	深圳市水務規劃設計院有限公司 (Shenzhen Water Planning & Design Institute Company Limited), a limited liability company incorporated in the PRC.
Derun Environment	重慶德潤環境有限公司 (Chongqing Derun Environment Company Limited), a limited liability company incorporated in the PRC.

Water Asset	重慶市水務資產經營有限公司 (Chongqing Water Asset Management Company Limited), a limited liability company incorporated in the PRC.
Chongqing Water	重慶水務集團股份有限公司 (Chongqing Water Group Company Limited), a company listed on the SSE, stock code: 601158.
Sanfeng Environment	重慶三峰環境集團股份有限公司 (Chongqing San Feng Environmental Industrial Group Co., Ltd.)
Suez Group	法國蘇伊士集團 (Suez Group, France).
SITA Asia	升達亞洲有限公司 (SITA Asia Pacific Limited).
Nanjing Wind Power	南京風電科技有限公司 (Nanjing Wind Power Technology Co., Ltd.).
Baotou Nanfeng	包頭市南風風電科技有限公司 (Baotou Nanfeng Wind Power Technology Co., Ltd.)
Damao Ningyuan	達茂旗寧源風力發電有限公司 (Damao Ningyuan Wind Power Company Limited), a wholly-owned subsidiary of Baotou Nanfeng.
Damao Ningxiang	達茂旗寧翔風力發電有限公司 (Damao Ningxiang Wind Power Company Limited), a wholly-owned subsidiary of Baotou Nanfeng.
Damao Ningfeng	達茂旗寧風風力發電有限公司 (Damao Ningfeng Wind Power Company Limited), a wholly-owned subsidiary of Baotou Nanfeng.
Damao Nanchuan	達茂旗南傳風力發電有限公司 (Damao Nanchuan Wind Power Company Limited), a wholly-owned subsidiary of Baotou Nanfeng.
Lingxiang Company	包頭市陵翔新能源有限公司 (Baotou Lingxiang New Energy Company Limited), a wholly-owned subsidiary of Baotou Nanfeng.
Guangming Environmental Park Project	The Shenzhen Guangming Environmental Park PPP (Public-Private-Partnership) Project invested and constructed by the consortium composed of the Environment Company and the other companies under the BOT (Build-Operate-Transfer) model.
Lande Environmental	藍德環保科技集團股份有限公司 (Lande Environmental Technology Group Holdings Co., Ltd).
Guangdong UETC	廣東聯合電子服務股份有限公司 (Guangdong United Electronic Toll Collection Inc).

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United Land	深圳市深國際聯合置地有限公司 (Shenzhen International United Land Co., Ltd).
One Apartment	深圳市深高速壹家公寓管理有限公司 (Shenzhen Expressway One Apartment Management Co., Ltd).
PPP (model)	Public-Private-Partnership model, refer to a partnership on the basis of concession agreement for the construction of urban infrastructure projects or the provision of public goods and services between the government and private organisations. PPP model ultimately makes both parties of the cooperation get more favourable results than those who act alone expected, by signing the contract to define the rights and obligations of both parties, to ensure the smooth completion of cooperation.
BOT (model)	Build-Operate-Transfer model, refer to the infrastructure model of investment, construction and operation. On premised on an agreement between the government and the private sector, the government issues a franchise to the private sector to allow it to raise funds for a certain period of time to build an infrastructure,manage and operate the facility and its corresponding products and services.
EPC	Engineering Procurement Construction model means the Company is entrusted by the owner to carry out the whole process or several stages of contracting for the design, procurement, construction, and trial operation of a construction project in accordance with the contract. Usually, the company is responsible for the quality, safety, cost and schedule of the contracted project under the conditions of the total price contract.
BIM	Building Information Modeling, which is a model equipped with a complete and realistic construction database by building a virtual three-dimensional construction model and using digitisation technology. It is a digitised tool applied to engineering design, construction and management. Meanwhile, the model plays a key role in enhancing productivity, saving costs and shortening construction periods.
ETC	Electronic Toll Collection, a system used to electronically collect tolls on highways.
Coastal Freight Compensation Scheme	The scheme that all types of freight cars passing through the Coastal Project will be charged 50% of the normal toll fees standard from 1 March 2018 to 31 December 2020, and Shenzhen Transport Bureau compensates to Coastal Company for RMB302 million
Airport Economic Zone	Shenzhen Bao'an Airport and its surrounding areas. The area mainly includes the western coastal area of Shajing and Fuyong. It covers Shenzhen Airport, Bao'an West River area and Qianhai area, with a total area of approximately 95 square kilometres. It is located at the intersection of three urban circles, including Guangdong-Foshan-Zhaoqing, Shenzhen-Dongguan-Huizhou and Zhuhai-Zhongshan-Jiangmen, and the core of the Pearl River Estuary Bay area, with outstanding strategic location advantages.

Epidemic	The novel coronavirus pneumonia epidemic that occurred in Wuhan and subsequently spread across the PRC in early 2020.
Toll-free Policy during the Epidemic	On 15 February 2020, the Ministry of Transport issued a notice, which stated that as approved by the State Council, a toll-free policy will be implemented for all vehicles using toll highways in the PRC according to the laws, effective from 00:00 on 17 February 2020 and until the end of the prevention and control measures taken against the epidemic.
PRC	The People's Republic of China excluding, for the purpose of this report, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan.

Note:

1. For principal business and abbreviation of the investee companies of the Company, please refer to the Group Structure in "Introduction of the Company" of this report.

2. For information on the projects operated, invested and managed by the Company, please refer to the website of the Company at http://www.sz-expressway.com.

II. Cautionary Statement on Risk

Policy environment has a greater effect on the development of toll highway industry. Meanwhile, there would be attraction or diversion impact on the highways caused by the improvement of or change in the road network for certain period. Such uncertainty brings pressure and challenges to the company's operation and management. The Group will continue to adhere to the idea of sound operation, making great efforts to increase income and reduce expenditure, and adjusting the management strategy timely to adapt to the changes in operating environment and do our best to reduce the negative impact.

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

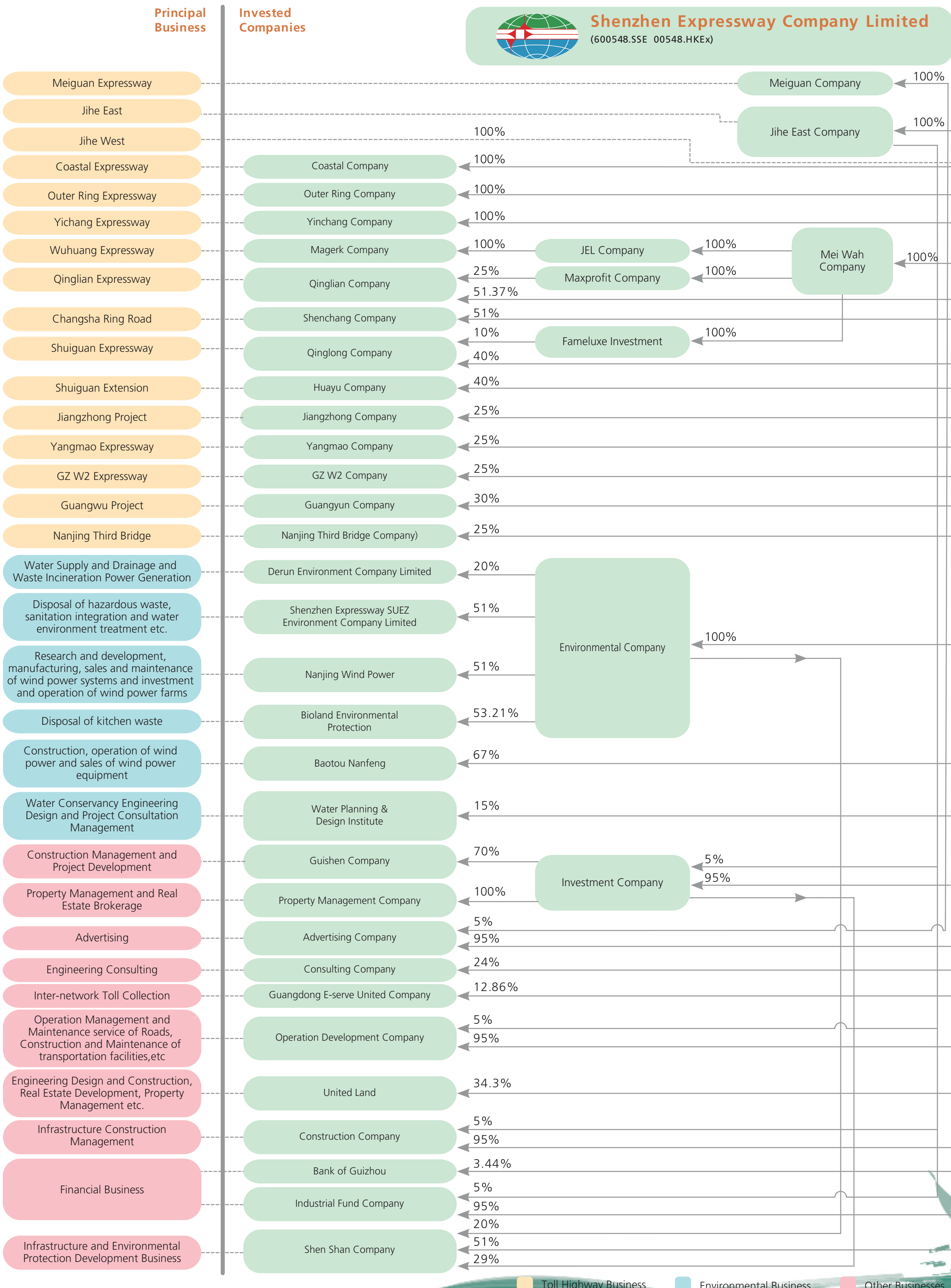
Introduction of the Company

The Company was incorporated in Shenzhen on 30 December 1996. It principally engages in the investment, construction, operation and management of toll highways and roads, as well as other urban and transport infrastructure. At present, other urban infrastructure mainly refers to the further environmental protection business areas including water environmental remediation and solid waste treatment. In addition, the Company provides outstanding construction management and highways operation management services for government and other enterprises. Building on relevant management experience and resources and relying on the core business of toll highways, the Company has launched in the related businesses such as project development and management, operation & maintenance, intelligent traffic system, construction consulting, advertising services, urban complex and industrial finance services.

As of the date of this report, the Company operated and invested in a total of 16 toll highway projects, and the mileage of the high-grade highways invested in or operated by the Company (on equity basis) is approximately 546km, of which 65.7km is still under construction. It has also actively participated in various regional urban infrastructure development projects, invested in over 10 environmental protection, clean energy and financial projects, and had 5 platform companies, namely the Investment Company, the Construction Development Company, the Operation Development Company, the Environmental Company and the Advertising Company.

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

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



Financial and Operational Highlights

I. Financial Data and Financial Indicators of the Year

Item (Unit: RMB)	2019	2018	Change as compared to last year (%)	2017	
				After adjustment	Before adjustment
Revenue	**6,185,825,111.97**	5,807,108,031.78	6.52	5,210,398,467.52	4,836,620,833.89
Net profit attributable to owners of the Company	**2,499,484,975.75**	3,440,050,607.33	-27.34	1,383,988,489.41	1,426,402,801.01
Net profit attributable to owners of the Company – excluding non-recurring items	**2,243,627,358.26**	1,537,875,136.33	45.89	1,472,409,216.13	1,468,896,951.98
Net cash flows from operating activities	**1,751,428,675.07**	3,222,228,582.62	-45.65	2,975,225,227.75	2,660,705,790.47

Item (Unit: RMB)	As at 31 Dec 2019	As at 31 Dec 2018	Change as compared to last year (%)	As at 31 Dec 2017	
				After adjustment	Before adjustment
Owners' equity attributable to owners of the Company	**18,374,542,643.63**	17,387,090,943.28	5.68	13,633,010,893.87	13,618,079,670.58
Total assets	**44,923,734,271.98**	41,100,850,328.23	9.30	44,014,984,643.90	37,473,826,542.60

Item	2019	2018	Change as compared to last year (%)	2017	
				After adjustment	Before adjustment
Earnings per share – basic (RMB/share)	**1.146**	1.577	-27.34	0.635	0.654
Earnings per share – diluted (RMB/share)	**1.146**	1.577	-27.34	0.635	0.654
Earnings per share excluding non-recurring items – basic (RMB/share)	**1.029**	0.705	45.89	0.675	0.674
Return on equity – weighted average (%)	**14.14**	22.85	Decrease 8.71 pct.pt	9.47	10.88
Return on equity excluding non-recurring items – weighted average (%)	**12.62**	10.91	Increase 1.71 pct.pt	10.04	11.19

Due to the change of accounting policy and the consolidation of Coastal Company into the Group as a jointly controlled entity since February 2018, the Company adjusted the data of consolidated financial statements prior to 2018 retrospectively pursuant to relevant requirements under the Accounting Standards for Business Enterprises. For details, please refer to the relevant content in Note III\34 and Note VI of 2018 Annual Report.

II. Major quarterly Financial Data for 2019

Item (Unit: RMB)	The first quarter (Jan-Mar)	The second quarter (Apr-Jun)	The third quarter (Jul-Sept)	The fourth quarter (Oct-Dec)
Revenue	1,330,593,040.84	1,368,599,660.97	1,486,215,187.60	2,000,417,222.56
Net profit attributable to owners of the Company	467,451,393.65	1,109,372,962.48	574,156,897.38	348,503,722.24
Net profit attributable to owners of the Company – excluding non-recurring items	483,467,386.16	930,813,160.44	512,344,695.42	317,002,116.24
Net cash flows from operating activities	561,270,459.34	225,190,964.60	499,085,103.83	465,882,147.30

III. Non-recurring items deducted and their amounts

Non-recurring item (Unit: RMB)	2019	Notes	2018	2017
The net income of entrusted management fee on entrusted operation	**8,214,015.10**	The net income from entrusted operation and management services provided to Longda Company were received.	16,858,867.93	16,858,867.93
Capital occupation fee received from non-financial corporation	**595,434.57**	The interest on capital reduction of United Land Company.	49,340,684.52	2,209,701.24
Equity transfer of a subsidiary	**262,207,206.28**	Equity transfer income recognised from transfer of equity and debt of 4 subsidiaries including Guizhou Shengbo (貴州聖博).	71,875,733.02	–
Gains arising from the purchase of wealth management products from banks	**1,441,847.76**		5,642,543.29	7,581,799.16
Gains from completion of foreign currency swaps	**26,860,000.00**		-49,740,000.00	-850,968.84
Income from 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 dollars, and related gains on change in fair value were recognised due to appreciation of US Dollar during the Reporting Period.	116,475,051.30	-146,363,175.07
Changes in fair value of other non-current financial assets	**37,500,260.00**	Fair value change proceeds of the Period from the equity interest in Water Planning Company and United Electronic Company.	17,928,820.00	–
Profit and loss from changes in fair value recognised from acquisition of subsidiary	**26,000,000.00**	Gains from adjustment of the contingent consideration of the acquisition of Shuiguan Expressway.	–	–
Finance income arising from the early repayment of finance leases	**22,492,284.97**	Finance income from early repayment of the financial lease by Baotou Nanfeng.	–	–
Gains on disposal of non-current assets	**386,045.39**	Gains from disposal of vehicles of the headquarter of the Group.	2,227,126,379.18	24,970,581.93
The amortisation of compensation provided by concession grantor	**–**		16,568,114.82	23,026,646.05
The net profit and loss of a subsidiary from the beginning of merger to the combined date under the same control	**–**		1,008,184.59	-28,365,254.98
Gain on fair value generated from original shares involving the business combination under common control realized	**–**		–	27,504,389.73
Reduction of compensation in relation to the toll adjustment of Meiguan Expressway and the reversal of interests on the compensation receivable	**–**		–	-46,577,801.82
Other non-operating income and expenditure excluding above items	**175,940.45**		12,592,247.52	7,205,738.40
Minority shareholder's interest effects	**-58,859,917.14**		-18,460,210.49	-731,183.13
Income tax effects	**-88,741,749.89**		-565,040,944.68	25,109,932.68
Total	**255,857,617.49**		1,902,175,471.00	-88,420,726.72

Financial and Operational Highlights

IV. Item Measured at Fair Value

Item (Unit: RMB)	Opening Balance	Ending Balance	Change during the Period	Effects on the total amount of Profit of the Reporting Period
Transactional financial assets	45,103,194.00	62,689,444.00	17,586,250.00	17,586,250.00
Other non-current financial assets	180,438,820.00	217,939,080.00	37,500,260.00	37,500,260.00
Total	225,542,014.00	280,628,524.00	55,086,510.00	55,086,510.00

V. Statistics Summary for Last Five Years

Average Daily Mixed Traffic Volume (Unit: number of vehicles)					
Project	**2019**	2018	2017	2016	2015
Meiguan Expressway[(1)]	**111,999**	100,341	92,078	83,211	74,956
Jihe East	**305,479**	288,506	270,742	249,608	219,169
Jihe West	**228,084**	222,106	215,315	202,458	175,533
Shuiguan Expressway	**229,198**	219,407	215,595	227,055	191,354
Shuiguan Extension	**81,561**	80,038	75,241	97,710	75,377
Coastal Project[(3)]	**99,819**	90,187	81,613	N/A	N/A
Qinglian Expressway	**48,455**	43,468	41,190	36,753	33,290
Yangmao Expressway	**46,139**	50,768	50,142	45,828	40,485
Guangwu Project	**36,614**	39,065	35,479	40,086	34,792
Jiangzhong Project	**159,041**	148,624	142,278	120,351	107,246
GZ W2 Expressway	**85,522**	74,100	71,316	58,638	50,007
Wuhuang Expressway	**58,358**	53,396	50,736	43,908	40,617
Changsha Ring Road	**44,039**	36,058	32,206	26,279	19,798
Nanjing Third Bridge	**35,729**	34,394	32,619	27,299	26,777
Yichang Project[(2)]	**50,328**	50,059	47,941	N/A	N/A

Average Daily Toll Revenue (Unit: RMB'000)					
Project	**2019**	2018	2017	2016	2015
Meiguan Expressway(1)	**382.9**	350.9	336.3	311.3	282.9
Jihe East	**2,104.8**	2,076.4	1,962.0	1,767.1	1,745.1
Jihe West	**1,829.5**	1,794.4	1,729.4	1,641.7	1,491.0
Shuiguan Expressway	**1,786.4**	1,738.1	1,762.8	1,692.9	1,537.3
Shuiguan Extension	**331.0**	328.6	314.3	299.5	253.7
Coastal Project(3)	**1,459.1**	1,273.5	1,093.1	N/A	N/A
Qinglian Expressway	**2,293.2**	2,084.1	2,016.5	1,834.9	1,745.7
Yangmao Expressway	**1,524.0**	1,770.5	1,819.5	1,800.3	1,694.7
Guangwu Project	**796.1**	868.6	832.1	1,024.8	893.9
Jiangzhong Project	**1,249.5**	1,312.9	1,249.3	1,132.6	1,066.6
GZ W2 Expressway	**1,597.1**	1,653.2	1,343.2	1,073.8	990.3
Wuhuang Expressway	**1,130.2**	1,055.5	1,004.9	939.0	908.5
Changsha Ring Road	**427.8**	394.6	373.4	311.9	222.8
Nanjing Third Bridge	**1,393.2**	1,341.4	1,269.7	1,097.8	1,040.5
Yichang Project(2)	**1,105.5**	1,119.1	1,157.3	N/A	N/A

Note:

(1) Toll-free for Meilin to Guanlan section of Meiguan Expressway with a mileage of approximately 13.8 km was implemented from 1 April 2014, and the toll for section from Shenzhen-Dongguan border to Guanlan with a mileage of approximately 5.4 km remained.

(2) As the Group completed the acquisition of 100% equity interests in Yichang Company in June 2017, Yichang Company has been consolidated into the consolidated financial statements of the Group since 15 June 2017.

(3) As the Company completed the acquisition of 100% equity interest in Coastal Company in February 2018, Coastal Company has been consolidated into the consolidated financial statements of the Group since 8 February 2018.

Financial and Operational Highlights

Financial Highlights (Unit: RMB million, unless otherwise stated)					
Item	**2019**	2018	2017 (restated)	2016 (restated)	2015 (restated)
Revenue	**6,186**	5,807	5,210	4,867	3,746
Of which: Toll revenue	**4,569**	5,066	4,684	4,064	3,338
Profit before interests and tax	**2,959**	5,463	2,816	2,360	2,275
Net profit	**2,499**	3,440	1,384	1,061	1,407
Net cash inflows from operating activities	**1,751**	3,222	2,975	2,379	2,034
Net cash inflows from operating activities and cash return on investments	**2,738**	5,195	3,340	2,663	2,205
Interest covered multiple (Times)	**4.56**	5.54	3.02	2.78	3.02
Earnings per share (RMB)	**1.146**	1.577	0.635	0.487	0.645
Cash dividends per share (RMB)	**0.52**	0.71	0.30	0.22	0.34

Item	**As at 31 Dec 2019**	As at 31 Dec 2018	As at 31 Dec 2017	As at 31 Dec 2016	As at 31 Dec 2015
Total assets	**44,924**	41,101	44,015	39,218	38,267
Total liabilities	**24,200**	21,561	28,225	22,977	21,668
Total equity	**20,723**	19,540	15,789	16,241	16,599
Debt-to-asset ratio (%)	**53.87%**	52.46%	64.13%	58.59%	56.62%
Gross liabilities-to-equity ratio (%)	**116.78%**	110.34%	178.76%	141.48%	130.54%
Net borrowings-to-equity ratio (%)	**67.02%**	58.04%	125.41%	81.32%	66.78%
Net assets per share (RMB)	**8.43**	7.97	6.25	6.51	6.42

- **Description of principal financial ratios**

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

Events of the Year

January

Won the first "New Fortune Best Listed Companies" award and ranked 14th in the Top 50 Companies List.

Won the "Best Innovation Award", "Best Leader Award" and "Best Director Award" in the "Second China Excellent IR Award 2018 " organised by Roadshow China.

March

Published 2018 annual results with an annual net profit of RMB3.44 billion and earnings per share of RMB1.577.

The "Profit Increment Based Incentive and Restraint Scheme" was passed in the general meeting.

Acquisition of 51% equity interests of Nanjing Wind Power.

Won the "2018 Excellence Management Award" by Shenzhen Performance Excellence Management Foundation.

Completion of the interchange of Shenzhen World Exhibition & Convention Centre of Coastal Phase II.

April

Published 2019 first quarterly results.

Completion of capital injection of Coastal Company.

Won the second "New Fortune Best IR of Hong Kong Listed Companies" award.

Won the "Top Ten Caring Enterprises" nomination award in the 16th Shenzhen Care Action.

Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited (深圳機荷高速公路東段有限公司) was awarded the "2018 Top 100 Service Enterprises of Longhua District" by the People's Government of Longhua District, Shenzhen.

May

Declared and distributed a final dividend of RMB0.71 per share for 2018.

Completed the land transfer of 810 mu of Guilong Project.

Won the "Listed Company Award for Outstanding Investor Returns" in the" 2019 Golden Intelligence Award" value selection organised by JRJ.com.

June

The Company won the "Best Investor Relations Award" and "Best Annual Report Design Award", and Hu Wei, the Chairman, won the "Best Corporate Leader Award"in the "2019 China Financial Market Award" organised by financial magazine China Financial Market.

July

Won the "2019 Shenzhen Top 10 Listed Companies Board Governance Award" and "2019 Shenzhen Top 10 Listed Companies Green Governance Award" by Shenzhen Research Association of Corporate Governance.

August

Published 2019 interim results with a revenue of RMB2.699 billion and a net profit of RMB1.577 billion in the first half of the year.

Won the bid for the Shenshan Environmental Park Project.

Won the title of "2019 One-star Honorary Enterprise" by Fair Wealth.

September

Acquisition of 67% equity interests of Baotou Nanfeng.

Meilin Checkpoint Renewal Project Phase II opened for sale.

Shenzhen Expressway 2019 Reverse Road-show for Guizhou Project.

October

Published 2019 third quarterly results.

Won the bid for the Project of Guangming Environmental Park.

November

The public issuance of corporate bonds with a nominal value of not more than RMB5 billion was approved.

"Research on the Integrated Technological Supporting Platform for Traffic Volume Projection and Income Analysis of Expressways based on a Traffic Modelthat providesreal-time dynamic monitoring" won the "Second Prize of 2019 Science and Technology Award (Innovative Technology) by China Simulation Federation".

"Building up a Corruption-free Future"(《廉潔之路》), a short video on anti-corruption, won the Gold Prize for the "Best Company Image".

Shenzhen Expressway 2019 Reverse Road-show for Shenzhen Project.

December

ManagRanked 134th with a total profit of RMB4.545 billion in the "2019 Top 100 Chinese Listed Companies".

Managed equity interests of Longda Company under entrusted management.

Won the honorary title of the "2nd Shenzhen Top 10 Quality Enhancement of State-owned Enterprises" by Shenzhen SASAC.

2019 Media Exchange Activities.

Chairman's Statement

HU WEI
Chairman

To all shareholders,

On behalf of the Board, I am pleased to report to the shareholders that in 2019, the Group recorded revenue of RMB6,186 million, representing a YOY increase of 6.52%, and realised profit of RMB2,499 million with earnings per share of RMB1.146, representing a YOY decrease of 27.34% (excluding the effect of gains on disposal of the Three Projects in 2018, representing a YOY increase of 30.42%). The Group has always committed itself to creating higher corporate value and has actively implemented the profit distribution policy of cash dividend which balances the long term and short term interests of its investors, at the same time providing promising and sustainable returns to its shareholders. The Board recommended payment of a final dividend of RMB0.52 per share in cash for 2019, accounting for 45.37% of earnings per share. Such recommendation will be submitted to the 2019 Annual General Meeting of the Company and is subject to the shareholders' approval.

Business Review

In 2019, driven by the strong development momentum of the new economic growth factors, the overall national economy remained stable along with the measures for stabilising growth achieved prominent results. GDP per capita reached its historical high and exceeded USD10,000, which marked that the further improvement of the overall national strength, social productivity and quality of people's livelihood of the PRC. The continuous expansion of total economic output and steady increase of economic development quality have provided ample room for the long-term development of enterprises in the PRC. On the other hand, despite the lingering uncertainties in the international environment and the fact that further adjustment will be need on the in-depth structural contradictions of the operation of domestic economy in the mid-to-long term, China's economy is in the vital stage of transforming the development mode, optimizing the economic structure and transforming the growth momentum, which has brought about practical opportunities and challenges to the development of the Group.

In 2019, with the support of shareholders, the government and different sectors of the community, the Group has been adhering to its strategic goals and firmly implementing the various plans set out at the beginning of the year. The Group implemented its development strategy with the transport and urban infrastructure industry and general-environmental protection industry as its two major segments and has successfully achieved all targets for the year.

Chairman's Statement

In 2019, according to the unified deployment of Guangdong Province, the Group implemented the major national strategy regarding the abolition of provincial boundary highway toll stations. Transformation of toll stations and commissioning of toll collection system have been completed successfully with organisational works carried out in a scientific manner. The new non-stop express toll collection system successfully commenced operation on 1 January 2020 and the traffic efficiency was enhanced effectively, providing safer and faster transportation services for the society. In respect of project construction, the Group scaled up resources allocation against various unfavorable conditions such as difficulties in land acquisition and demolition and complex construction requirements. Furthermore, the Group strived to overcome difficulties and critical processes of each project under construction were completed on schedule. During the year, the Group invested approximately RMB4 billion in Outer Ring Project and Coastal Phase II, which laid a solid foundation for the construction and operation of such projects.

Jihe Expressway is one of the core assets of the Group. In 2019, the Group conducted an in-depth research on the reconstruction and expansion project as well as the investment and financing models of Jihe Expressway, striving to explore a win-win collaboration between the government and enterprises that is able to balance the public interest and commercial value. In respect of industrial chain expansion, the Group followed the market principles to participate in the bidding of the comprehensive maintenance project for the Four Expressways and successfully acquired the project, signifying a breakthrough in the area of comprehensive road maintenance services.

In 2019, the Group achieved remarkable breakthrough in the general environmental protection area. During the year, the consortium established by the Group won the bid for Guangming Environmental Park Project, which will have a kitchen waste processing capacity of 1,000 tons per day upon completion. This is the first kitchen waste processing project acquired by the Group through exploration and attempts. In January 2020, the Group entered into another contract for the shareholding in Lande Environmental. Lande Environmental owns 16 kitchen waste projects and will possess a processing capacity of more than 3,000 tons per day upon completion of all projects. Up till now, the Group has become an enterprise with presence in the whole industry chain of kitchen waste and ranked top in the industry in terms of business scale.

During the year, the Group also completed the acquisition of Nanjing Wind Power and Baotou Nanfeng, marking another breakthrough of the Group in the general environmental protection business area. Nanjing Wind Power is principally engaged in the research, production and maintenance of wind power generation system; while Baotou Nanfeng is a wind power generation project with a total installed capacity of 247.5MW. Through the above acquisitions and by consolidating the advantages of all parties, the Group has successfully tapped into the wind power generation equipment manufacturing and wind farm operation business. During the year in which the acquisitions took place, Nanjing Wind Power and Baotou Nanfeng realised a total of RMB599 million and RMB102 million to the income from principal operations and net profit of the Group, attaining the target as expected.

In March 2019, the general meeting of the Company approved the Profit Increment and Restraint Scheme, which filled in the gap in respect of long-term incentive of the Company over the years. During the year, the Group continued to carry out work in relation to the recruitment, nurturing and training of talents properly. Extra attention has been paid to the relative manpower shortage in the general environmental protection business and a combination of introduction of professional technology caliber from external institutions and internal training have been adopted, striving to provide sufficient manpower for the business development of the Group.

Capital advantage is one of the Group's major core competitiveness. In 2019, the Group further enhanced its capital and financing management to consolidate internal and external funding, thereby ensuring the safety of the Group's capital. On the other hand, against the backdrop of decreasing market interest rate, the Group adopted various methods to effectively lower its financial costs. During the year, the total cost of the new debts of the Group was 3.7%. In respect of special financing, after taking into account the changes in the external environment and the actual conditions of the Company, the Company decided to terminate the issuance of A Share Convertible Corporate Bonds at the end of 2019, and raised the proposal on the issuance of H shares at the beginning of 2020. The business of the Group is capital-intensive in nature, capital is therefore an important foundation for the sustainable development of the Group. The implementation of the equity financing plan is favourable to the optimisation of the capital structure of the Company, which will strengthen the Group's profitability and market competitiveness on a continuous basis, and hence conducive to the implementation of the new round of development strategy of the Group.

Five-year Strategic Overview

2019 is a year of harvest for the "2015–2019 development strategy" of the Company. Five years ago, in response to various challenges such as the repurchase of Shenzhen toll highway assets by the government and the diversion of traffic flow, the Company reinforced the overall strategy to consolidate and upgrade the core business of toll highway and actively explore and determine the new industry direction. Over the past five years, under the guidance of such strategy, the staff of Shenzhen Expressway mustered their strengths to overcome all challenges and achieved remarkable results.

During the strategic period, through investing in Outer Ring project, increasing in Shuiguan Expressway shares as well as acquiring Yichang Expressway and Coastal Expressway, the Group not only managed to fill in the gaps arising from the repurchase of Nanguang Expressway, Yanpai Expressway and Yanba Expressway by the government, but also increased the net attributable mileage by 130 kilometers. In addition, the reconstruction and expansion projects of Jihe Expressway and Yangmao Expressway operated and invested by the Group are also under planning or in the process of implementation. Upon completion of the construction of such projects, the traffic capacity of the existing projects will be effectively improved and the tolling period will be extended as appropriate. The acquisition of premium projects and the increase of number of existing projects have facilitated the achievement of the Group's strategic goal to consolidate and upgrade the core business of toll highway.

In terms of development of new industries, during the past few years, the Group established in-depth cooperation with top-notch enterprises in the industry through successive investment in Water Planning Company and Derun Environment. It also set up an investment platform with Suez Environment Group, a world-renowned giant in water industry, to capitalise on each other's advantage and ultimately formed an alliance among leaders of various sectors. The Group has successively acquired the controlling interests in Nanjing Wind Power, Baotou Nanfeng and Guangming Environmental Park Project in 2019, as well as Lande Environmental in early 2020, respectively, some of these projects in which the Group has controlling interests have already started to contribute revenue and profits. During the strategic period, the Group gradually shifted its focus to waste treatment, water environmental remediation and clean energy, thus forming the preliminary layout for the general-environmental protection industry.

In order to achieve the strategic goal of transformation and upgrade, the Group oriented towards marketisation, specialisation and industrialisation to adjust and consolidate its internal organisational structure and functions. It has completed the establishment of business platforms including investment, environmental protection, operation, construction and etc., which has effectively improve the performance of the Group's overall management organisation. In respect of corporate governance, based on the implementation of strategies and in compliance with various laws and regulations, the Company constantly adjusted and refined the responsibilities and authorities of the Board and the management, so as to align the governance structure with the practical requirements of the Group's business, thus providing a sound mechanism for the robust development of the Company.

Chairman's Statement

During the strategic period, the Group optimised the top-level design of innovative tasks, improved the innovative management mechanism and actively facilitated the execution of the information-based strategic plan. With regard to expressway construction, BIM, internet of logistics, big data and intelligent application technology of construction machinery were applied to promote the upgrade of expressway assets throughout their life cycles through digitalisation and intelligence, thus reducing the construction, management and maintenance costs while improving the quality of projects. During the course of operation management, the Group realised precise diversion of traffic via big data on logistic information platform and carried out unattended intelligent monitoring for tunnels via information technology, which improved the maintenance efficiency and reduced the number of personnel on duty. The Group also adopted new materials and technologies in road maintenance and repair, thereby effectively reducing the maintenance costs of roads.

In general, over the past five years, the staff of Shenzhen Expressway marched forward with the commitment to innovation and has achieved remarkable phased results in aspects such as consolidation and integration of toll highway, expansion of new business and establishment of long-term incentive mechanism, which laid a solid foundation for the development of the next strategic period.

Future Outlook

Since the beginning of 2020, there has been a relatively serious outbreak of novel coronavirus pneumonia epidemic in the PRC, which has significantly impacted the health and economic activities of the general public. As required by the notice issued by the MOT, during the outbreak of the epidemic, all toll highway projects operated and invested by the Group have implemented a toll-free policy with a view to contributing to the stabilisation of the economy and the society while the government will study and promulgate the relevant supporting and protective policies separately. It is expected that the implementation of this policy will cause a decrease in the revenue of the Group during the period of prevention and control of the epidemic, and the operating results of the Group will be negatively affected. The degree of impact on the Group's 2020 operating performance will depend on the length of implementation of the policy. In addition, during the period of prevention and control of the epidemic, various projects of the Group have been suspended as a result of the epidemic management measures implemented by the local governments, which posed challenges for meeting the target project schedule. Despite the fact that the outbreak of epidemic has brought difficulties for the production and operation of the Group in the short term, the Group's long-term expectation about the future remained unchanged. The Group will do its utmost to minimise the negative impact of the epidemic by continuing to increase efforts in market development, actively communicating on reasonable supporting and protective policies for the prevention and control of the epidemic, increasing production efficiency and reducing operating costs.

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

In terms of highway industry, China's expressway construction has entered into a stage of stable growth with new mileage increasing steadily. It is expected that quality operational highway projects will become rare resources in the future. On one hand, the Group will proactively seek quality project resources and continue to acquire quality assets; on the other hand, the Group will enhance collaboration with the government to continue exploring and innovating business models to improve business returns of the projects. The Group will also strengthen its service capacity of various segments of the highway industrial chain and study the feasibility of expanding into other businesses along the industrial chain. With the application of human-vehicle cooperative system and traffic big data, the Group will actively promote the intelligent upgrade of toll highways.

Currently, the Group has completed the preliminary layout of the general-environmental protection industry and basically distinguished the sub-sectors. However, team building, professional capability and operational experience need to be further enhanced, and core competitiveness is yet to be developed and improved. With a focus on the sub-sectors, the Group will consolidate its existing project resources to enable mutual support between upstream and downstream of the industrial chain and leverage the complementary advantages among different projects. Together with the Group's advantages in fundraising and project construction, synergy effect will be created and hence maximise the value of the project.

In addition, leveraging its two main businesses, the Group will actively explore and cultivate new businesses such as comprehensive urban services and integration of industry and finance, striving to maximise the value of the industrial chain.

The "2015–2019 Development Strategies" of the Company has been completed and the formulation of the new "2020–2024 Development Strategies" was basically completed. On the basis of its achievements from the transformation and development in the previous strategic period and continuing to maintain the overall principle in the previous strategic period, the Company will continue to focus on its main businesses of transportation, urban infrastructure and general-environmental protection industry, and pursue a market-oriented and innovation-driven strategy, so as to seise the opportunities of this era from the Guangdong-Hong Kong-Macao Greater Bay Area and the Building of a Pioneering Demonstration Zone for Socialism with Chinese Characteristics in Shenzhen to implement state-owned enterprise reform and facilitate the quality and sustainable development of the Group.

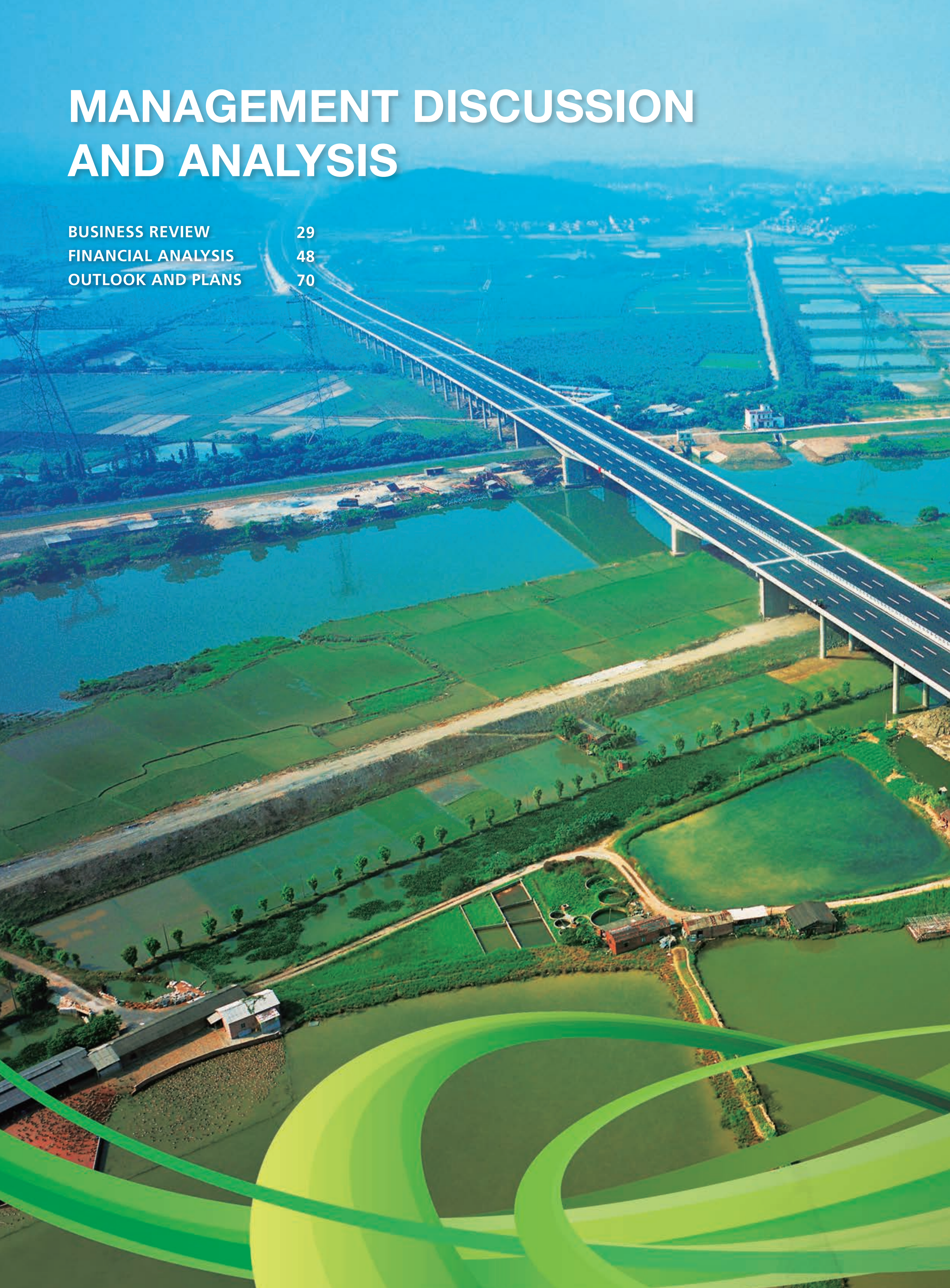
Acknowledgements

On behalf of the Company, I would like to take this opportunity to express my sincere gratitude to all our shareholders and friends of community for their support and trust for the Group. I would also like to express my heartfelt thanks to all members of the Board, Supervisory Committee and the management, and to all staff for their relentless efforts and selfless contribution. Faced with the new tasks and new challenges in 2020, all staff of Shenzhen Expressway will keep up their confidence and make persistent efforts to coordinate the work in relation to the prevention and control of the epidemic as well as its operation and development, making every effort to realise Shenzhen Expressway's established goals for operation and development as well as sustainable growth.

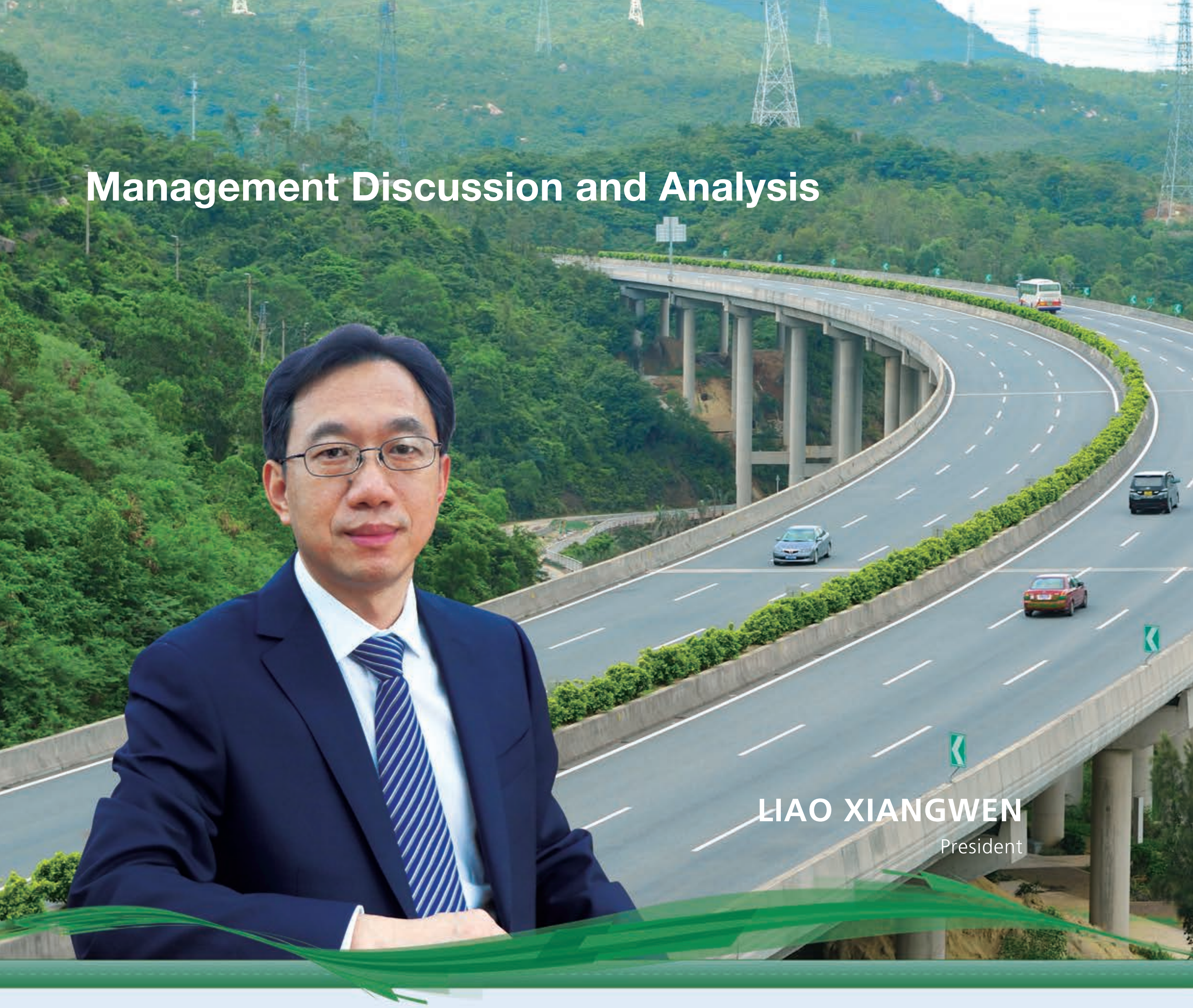
HU Wei
Chairman

Shenzhen, the PRC, 18 March 2020

MANAGEMENT DISCUSSION AND ANALYSIS



Management Discussion and Analysis

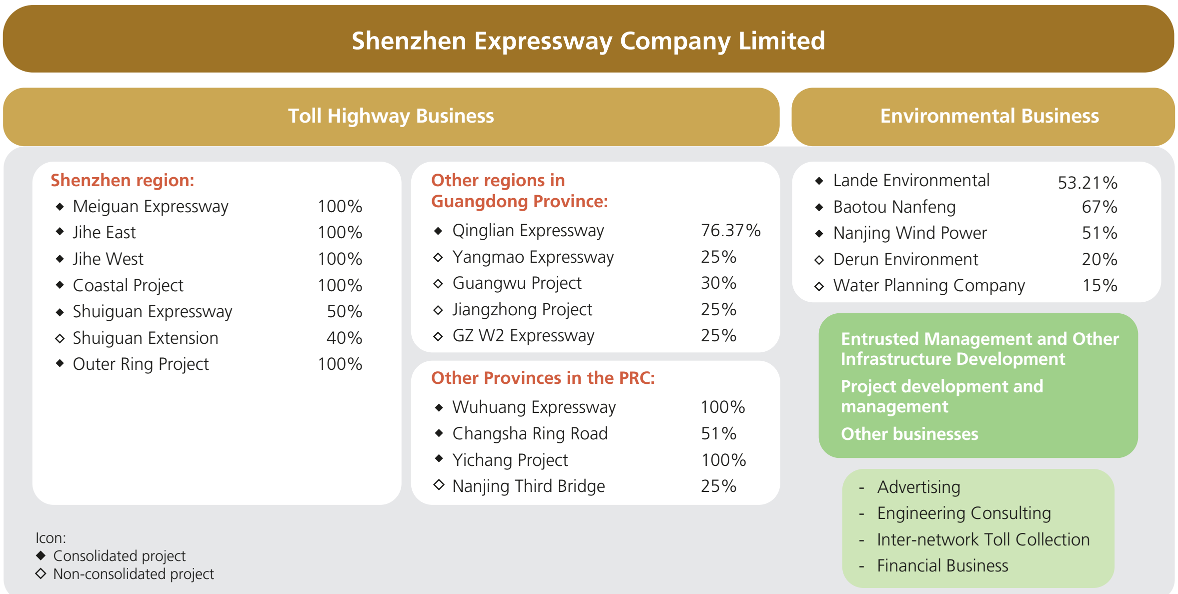


LIAO XIANGWEN
President

In order to achieve the Company's strategic goal of transformation and upgrading, in addition to upgrading and consolidating the core business of toll highway, the Group adheres to a market-oriented, specialised and industrialised approach to continuously adjust and integrate its internal organisational structure and functions. It has gradually established various business platforms for urban infrastructure, environmental protection, operation, construction and advertising, which include the Investment Company, a company principally engages in the business of expanding infrastructure construction market as well as joint comprehensive development of land; the Operation Development Company, a company principally engages in the provision of highway operation, maintenance management services and intelligent transportation businesses; the Environmental Company, a company principally engages in the expansion of businesses relating to the general-environmental protection industry; the Construction Development Company, a company principally engages in the provision of project construction management services; and the Advertising Company, a company principally engages in the advertising resources rental and development businesses. In addition, the Company has established the new energy department, a department principally engages in the expansion of new energy business, such as wind power. Through the aforesaid business platform, the Group will give full play to its own competitive advantages in infrastructure investment and finance, construction, operation and integrated management. The Group will also actively extend its business scope to the upstream and downstream of the industrial chain and develop other service-oriented businesses, such as operation maintenance, intelligent transportation system, engineering consulting, advertising service, urban comprehensive services and industrial finance. In addition, the Group prudently seeks opportunities for cooperation with major leading and branded enterprises in the general-environmental protection industry to enter the environmental protection and clean energy business sector from a high starting point, thereby gradually developing the Group's professional competitive strengths in various segments and striving for greater rooms for the development of the Group's operation.

I. Business Review

At the current stage, the Group's revenues and profits are mainly derived from toll highway operations and investments, and the profit contribution of environmental protection and new energy business is gradually emerging. In addition, the Group provides outstanding construction management and highway operation management services for the government and other enterprises. Building on the relevant management experiences and resources and relying on its core business, the Group has launched businesses such as project development and management, advertising, engineering consulting, inter-network toll collection and financial businesses, etc. As of the Reporting Date, the principal business of the Group is set out as follows:



In 2019, the Group earnestly managed the toll highway and the entrusted management business and steadily developed new types of business such as environmental protection business. During the Reporting Period, the Group recorded revenue of approximately RMB6,186 million, representing a YOY increase of 6.52%, of which toll revenue of approximately RMB4,570 million, entrusted management services revenue of approximately RMB376 million, real estate development revenue of approximately RMB457 million, clean energy revenue of approximately RMB599 million, advertising and other business revenue of approximately RMB184 million accounted for 73.87%, 6.08%, 7.39%, 9.68% and 2.98% of the total revenue of the Group, respectively.

Management Discussion and Analysis

(I) Toll Highway Business

1. *Analysis of Operating Environment*

(1) Economic environment

Under the complicated international situation and influenced by the intensified global trade conflicts and the escalation of geopolitical tensions, the growth of the global trade slowed down in 2019. The GDP of China recorded a YOY growth of 6.1% and the growth rate is down by 0.5 percentage points as compared with 2018. The overall economic operation was basically stable and remained within a reasonable range despite the downward pressure. In 2019, the regional GDP of Guangdong Province and Shenzhen recorded a YOY growth of 6.2% and 6.7% respectively, which were higher than the national average. The economic structure continued to be optimised. The economic growth remained stable, which was conducive to the general growth of the regional transportation and logistics demand via highway. Under the combined effect of various factors in the macro and regional economic environments, the Group's overall operational performance in toll highway projects remained stable during the Reporting Period. Source of data: Government statistics information website

(2) Policy environment

Toll highway industry: In recent years, in order to promote structural reform of the supply side and facilitate the reduction of costs and improvement of efficiency in the logistics industry, the State Council and the traffic management departments at all levels of the State have issued a series of policies and measures, such as selection of some expressways to participate in the pilot projects for differentiated charges in different time periods, and implementation of a preferential policy by offering a 15% discount on truck toll for 43 expressways in Guangdong Province. Since the highway projects under the Group have not been included in the above pilot scope, there has been no effect on toll revenue.

In May 2019, the State Council clearly proposed to strive for removal of provincial boundary highway toll stations by the end of 2019, achieving non-stop express toll collection. The MOT also issued the "Notice on Vigorous Promotion of Development and Application of ETC on Highways" (Jiaoban Gonglu Mingdian [2019] No. 45) (《關於大力推動高速公路ETC發展應用工作的通知》(交辦公路明電[2019]45號)) (the "Notice"). Pursuant to the Notice, the basic preferential policy that offer a discount of not less than 5% of the toll fees for ETC users would be strictly implemented from 1 July 2019. The ETC utilisation rate of vehicles passing through the highways reached over 90% by the end of 2019. The implementation of the above mentioned policy, on the one hand, involved a comprehensive upgrade and improvement of existing toll collection system, which will increase the capital expenditure of the project. The number of ETC users who can enjoy a discount of toll fees will increase sharply, which will negatively affect the toll revenue of the Company to a certain extent. However, on the other hand, it can enhance the traffic efficiency of the roads, providing more convenient and efficient service on highways for both drivers and passengers, which is positive to the reduction of labour cost and management fee of the Group in the long-term. In addition, the MOT issued the "Classification of Toll Fees for Vehicles on Toll Highways" (《收費公路車輛通行費車型分類》) (the "New Standard"), a revised standard for the transportation industry during the same period. The New Standard downgraded the original Type-2 passenger vehicles with 8 and 9 seats as Type-1 mini passenger vehicles. It also amended the classification standard for types of trucks and implemented toll-by-class instead of toll-by-weight policy for trucks. Furthermore, the traffic management department of Guangdong Province issued the relevant documents, requiring a cancellation of toll collection on mileage in relation to interchanges connecting ramp at transportation hubs and reapproval of the toll fees standard for section fees with the amount of toll fees for each section rounded to the nearest cents. The aforementioned policies has been effective since 1 January 2020 and the implementation of which will negatively affect the toll revenue of the Company to a certain extent. The New Standard optimised the classification system of vehicles on toll highways, which is conducive to the reduction of operational errors and disputes on classification, thereby enhancing the efficiency of toll collection. The changes in industrial policies will further improve the traffic efficiency and services and hence will be more favourable for the long-term industrial development, ensuring a controllable impact on the Group's toll revenue.

Furthermore, at the beginning of 2020, there is a relatively serious outbreak of novel coronavirus pneumonia epidemic in the PRC, which has brought about significant impact on the health and economic activities of the general public. As required by the MOT, commencing from 00:00 on 17 February 2020 and until the end of the prevention and control measures taken against the epidemic, a toll-free policy will be implemented for all vehicles using toll highways according to the laws, so as to ensure the transportation of materials for prevention and control of the coronavirus as well as for production and daily lives, thereby supporting the resumption of work and production of enterprises and hence providing strong support for economic and social stability as a whole. The termination date of this policy will be announced separately. Moreover, the government will study and promulgate the relevant supporting and protective policies separately to coordinate and protect the legitimate interests of the users, creditors, investors and operators of the toll highways. It is expected that the implementation of this policy will cause a decrease in the revenue of the Group during the period of prevention and control of the epidemic, and the operating results of the Group will be negatively affected. As of the date of this report, the relevant supporting and protective policies are yet to be promulgated. The Group will actively communicate with the transport departments to minimise the negative impacts brought by the epidemic.

Environmental protection industry: The "13th Five-Year Plan for Ecological & Environmental Protection" (《"十三五"生態環境保護規劃》) issued by the State Council in December 2016 further clarified the construction of ecological civilisation as a national strategy. Meanwhile, as mentioned in the "2019 Government Work Report" (《2019年政府工作報告》), the construction of ecological civilisation and ecological environmental protection will be the major task in 2019. In the first half of 2019, the State and the government departments at all levels have successively issued a series of environmental protection policies. Among which, 9 departments of the State including the Ministry of Housing and Urban-Rural Development have issued the "Notice on the Comprehensive Commencement of Classification of Household Waste in Cities at Prefecture Level and Above in China" (《關於在全國地級及以上城市全面開展生活垃圾分類工作的通知》) in June, requiring that the cities at prefecture level and above nationwide to basically establish a household waste classification and treatment system by 2025. Entering into an era with waste treatment and classification regulated by laws will bring new opportunities for the organic waste treatment segment.

The NDRC issued the "Notice of the National Development and Reform Commission on Improvement of Policy regarding On-grid Tariff of Wind Power" (Fagai Jiage [2019] No. 882) (《國家發展改革委關於完善風電上網電價政策的通知》(發改價格[2019]882號)) in May 2019 to replace the benchmark on-grid tariff of onshore wind power with government's guided price and the on-grid tariff of all newly approved centralised onshore wind power projects shall be determined through competitive process. For those onshore wind power projects approved in the previous years, there is a clear division of time limit for grid connection and tariff subsidies. Driven by such policy, it is expected that 2019 to 2020 will be the peak period for onshore wind power project construction. While successively withdrawing tariff subsidies, the government has increased efforts in the construction of ultra-high-voltage transmission lines and established a guaranteed purchase system for wind power quotas and power grids based on market mechanism with an aim of improving the problem of wind power curtailment. In light of the progress of the power grid construction and the effect of supportive policies, it is expected that wind power industry will grow rapidly and the investment value of wind power industry will increase with the problem of wind power curtailment continue to decrease and cease eventually.

Management Discussion and Analysis

2. *Business Performance and Analysis*

In 2019, the traffic volume and toll revenue of most of the highway projects in which the Group operated and invested continued to grow. Basic operational statistics of each project during the Reporting Period are as follows:

Toll highway	Average daily mixed traffic volume (number of vehicles in thousand)[1]			Average daily toll revenue (RMB'000)		
	2019	2018	YOY	**2019**	2018	YOY
Guangdong Province – Shenzhen Region:						
Meiguan Expressway	**112**	100	11.6%	**383**	351	9.1%
Jihe East	**305**	289	5.9%	**2,105**	2,076	1.4%
Jihe West	**228**	222	2.7%	**1,830**	1,794	2.0%
Coastal Expressway[2]	**100**	90	10.3%	**1,459**	1,273	14.6%
Shuiguan Expressway[3]	**229**	219	4.7%	**1,786**	1,738	2.8%
Shuiguan Extension[3]	**82**	80	1.9%	**331**	329	0.7%
Guangdong Province – Other Regions:						
Qinglian Expressway	**48**	43	11.5%	**2,293**	2,084	10.0%
Yangmao Expressway	**46**	51	-9.3%	**1,524**	1,771	-13.9%
Guangwu Project	**37**	39	-6.6%	**796**	869	-8.3%
Jiangzhong Project	**159**	149	6.4%	**1,250**	1,313	-4.8%
GZ W2 Expressway	**86**	74	15.4%	**1,597**	1,653	-3.4%
Other Provinces in the PRC:						
Wuhuang Expressway	**58**	53	9.3%	**1,130**	1,055	7.1%
Yichang Project	**50**	51	-2.2%	**1,106**	1,119	-1.2%
Changsha Ring Road	**44**	36	22.1%	**428**	395	8.4%
Nanjing Third Bridge	**36**	34	3.9%	**1,393**	1,341	3.9%

Notes:

(1) Traffic volume which is toll free during holidays is not included in the figures of average daily mixed traffic volume.

(2) Coastal Company has been included into the consolidated financial statements of the Group since 8 February 2018. In addition, according to the agreement of implementation of toll adjustment for Lorries by Coastal Project signed between Shenzhen Transport Bureau and Coastal Company, all types of trucks passing through the Coastal Project will be charged 50% of the normal toll fees standard from 1 March 2018 to 31 December 2020, and Shenzhen Transport Bureau compensates to Coastal Company for RMB302 million.

(3) In September 2018, Shuiguan Expressway and Shuiguan Extension made adjustment to the traffic volume statistics calibre after January 2017, which caused a significant change to the traffic volume data. The toll revenue statistics continue to use the original calibre. The adjustment has no effect on the actual traffic volume and toll revenue of the above two projects.

The effect of factors such as economic environment and policy changes on the Company's toll highway projects varied, and the operational performances varied among different projects due to differences in the functional positioning, operation date of respective projects and economic development along the highways. The operational performances of toll highway projects were also affected, positively or negatively, by factors such as changes in surrounding competitive or synergistic road networks, the construction or maintenance of the projects itself, repairs to connected or parallel roads and implementation of urban traffic organisation plans as well as other modes of transportation. In addition, during the Reporting Period, with the rapid increase of the number of ETC users entitled to enjoy a discount of toll fees, the toll revenue of each project has been negatively affected to a certain extent.

(1) Guangdong Province – Shenzhen Region

During the Reporting Period, the total toll revenue of toll highway projects of the Group in Shenzhen region recorded a YOY growth. With the continuous improvement of the transportation network in Shenzhen, coupled with the cancellation of toll collection of certain expressways and regional roads, the traffic distribution and composition of the road network in Shenzhen have also changed to a certain extent.

The commencement of operation of Congguan Expressway (Conghua – Dongguan) (Dongguan Section) in January 2019 has facilitated the growth of Meiguan Expressway's traffic volume. As the major express passage for interprovincial west-to-east traffic of Shenzhen, the traffic volume of Jihe Expressway is saturated. In addition, after implementation of the toll-free policy of the connected Three Projects and Phase II of Qingping Expressway, there was an induced-increase effect on its traffic volume, resulting in traffic congestion during peak hours and thus affected further enhancement of its operational performance. During the Reporting Period, separation measures have been implemented on the lanes for passenger vehicles and trucks so as to enhance its traffic capacity. Due to Shuiguan Expressway's implementation of slope maintenance works in the first half of the year, its full-year operational performances have been affected to a certain extent. The project was completed in July 2019, and so far the influencing factors have been eliminated.

As an important passage for diverting the port's traffic for Shenzhen West Port, the operational performance of Coastal Project (the "Coastal Expressway Shenzhen Section") entered a period of steady growth with increasing awareness of the project among drivers and passengers and the induced-increase effect on its traffic volume of lorries resulting from the implementation of the policy on toll adjustment of lorries. In 2019, the average daily traffic volume and toll revenue delivered a satisfactory YOY record of 10.3% and 14.6% respectively. The interchange of Shenzhen International Convention & Exhibition of Coastal Phase II commenced operation on 3 November 2019, enabling interconnection between the Shenzhen International Convention & Exhibition Center and Coastal Expressway. Coastal Expressway International Convention & Exhibition Center Station ("International Exhibition Center Station") has also commenced operation simultaneously, and will hence become a major transportation hub within the Airport Economic Zone that can fully demonstrate the function of modern logistics, trade and exhibitions to facilitate regional economic cooperation, at the same time developing industrial clusters and expanding into surrounding cities. The station, which is also the first tidal lane toll station in China, has set up 6 tidal lanes with auto-conversion functions, which can alleviate the traffic volume based on the characteristics of tidal traffic at the Exhibition Center by fully converting the existing toll lane functions, thereby significantly improving the traffic efficiency of toll stations. In addition, the airport interchange of Coastal Phase II and the connecting lane on the Shenzhen side of Shenzhen-Zhongshan Tunnel are under construction. It is believed that with the successive completion of the above construction projects, the surrounding road network will be continuously enhanced, and the operational performance of Coastal Project will further improve.

Management Discussion and Analysis

(2) Guangdong Province – Other Regions

In 2019, the average daily traffic volume and toll revenue of Yangmao Expressway recorded a YOY decrease, primarily due to the successive opening of neighboring sections, the reconstruction and expansion of certain sections of Yangmao Expressway and various levels of negative impact caused by the implementation of the policy governing over-limit and overloaded vehicles. Upon completion of reconstruction and opening of Foshan First Ring Expressway in January 2019, no toll was charged and the truck restrictions was cancelled, and consequently, the short-distance traffic volume on GZ W2 Expressway increased while the full-distance volume of transit trucks recorded a substantial YOY decrease, and the adjacent Guangfozhao Expressway is under reconstruction. Due to the combined effects of the above factors, the average daily traffic volume of GZ W2 Expressway recorded a YOY increase while the average daily toll revenue recorded a YOY decrease. Affected by the diversion of Phase II of Xinyang Section (Xinxing – Yangchun) of Yunzhan Expressway and Guangxi Wuzhou Ring Expressway, the average daily traffic volume and toll revenue of Guangwu Project recorded a YOY decrease. Due to the opening of Nansha Bridge, the full-distance traffic volume of the Jiangzhong Project recorded a YOY decrease. Coupled with the effect of policy factors of Humen Bridge such as the implementation of traffic control measures and the control of over-limit and overloaded vehicles, despite a YOY increase in the average daily traffic volume of the Jiangzhong Project, the toll revenue recorded a YOY decrease.

In 2019, the average daily traffic volume and toll revenue of Qinglian Expressway recorded a YOY growth of 11.5% and 10.0%, respectively. Xuguang Expressway commenced operation in September 2018, thereby highlighting the effect of Qinglian Expressway as a north-south traffic artery from Southern China to Central China. The improvement of transportation efficiency has facilitated the operational performance of Qinglian Expressway. The implementation of traffic control measures of Qingyuan Bridge and the opening of Longhuai Section (Longchuan – Huaiji) of Shankun Expressway at the end of 2018 have also brought positive impacts on the operational performance of Qinglian Expressway.

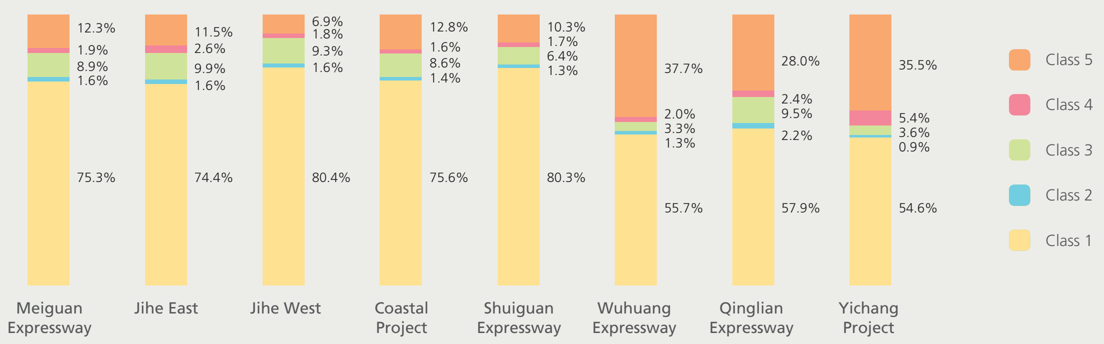
(3) Other Provinces

In 2019, due to the combined effects of factors such as growth of vehicle ownership in surrounding cities and continuous enhancement of surrounding road network, the operational performance of Wuhuang Expressway maintained a steady growth. Due to the diversion effect of newly opened Ma'an Expressway (Majitang – Anhua) and Dehan Road (Changde Municipal Road) in the surrounding areas, coupled with the continuous impacts of the implementation of policies on traffic control and those governing over-limit and overloaded vehicles, both the average daily traffic volume and toll revenue of Yichang Expressway recorded a YOY decrease. With the combined effect of various factors such as the implementation of the policy governing over-limit and overloaded vehicles, diversion due to implementing the policy of differentiated charges on neighboring sections, implementation of traffic control policies, continuous enhancement of surrounding road network and the functional changes in the business districts along the highway, the average daily traffic volume and toll revenue of Changsha Ring Road maintained a YOY increase. Due to the peripheral and regional economic development and the implementation of preferential policies for transportation within the province, both the average daily traffic volume and toll revenue of Nanjing Third Bridge recorded a YOY growth.

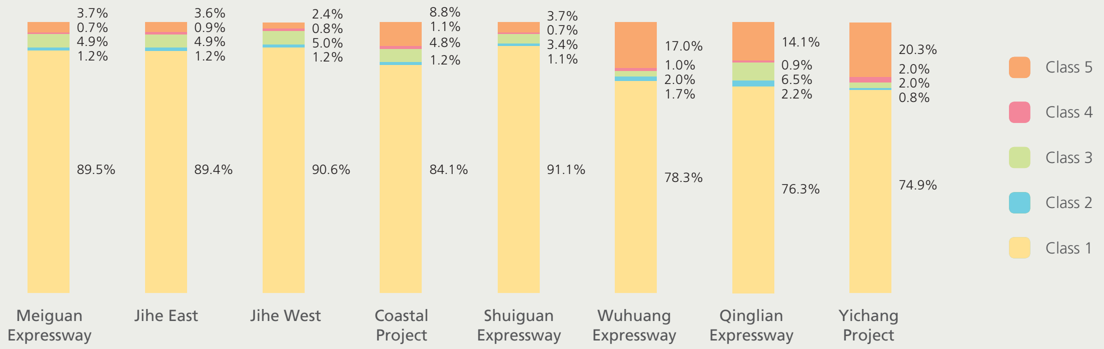
Reference Information

In 2019, there was no substantial change in the vehicle category for each major highway project of the Group as compared with last year. The following diagram shows the vehicle category of major toll highway project of the Group:

Vehicle Category of Major Highways — by Revenue



Vehicle Category of Major Highways — by Traffic Volume



Management Discussion and Analysis

3. Business Management and Upgrade

◆ *Carry out comprehensive quality management and enhance the quality of work*

During the Reporting Period, the Group carried out in-depth and comprehensive quality improvement with a view to further enhancing the quality of engineering construction and operation service and the standard of comprehensive management and control and service, as well as better facilitating the implementation of the Company's development strategy. In respect of the **construction segment**, focusing on optimising design concepts, management standards, technological innovation and service standards, the Group, based on the specific condition of the project, carried out in-depth research and application on subjects including the assembled construction process, the whole-process BIM technology and the intelligent operation in an effort to vigorously promote the standardisation of engineering construction and build quality projects. During the year, the engineering of pavements of the Outer Ring Project was appraised as the model site of Shenzhen Transport Engineering in 2019, and the contract phase of the Coastal Project was commended by the provincial traffic management departments in the comprehensive quality and safety inspection of provincial expressways. With respect to the **operation segment**, the Group upgraded the refinement and intelligence level of operation and maintenance management with the goal of realising "beautiful road environment, standardised road maintenance, quality service standard and efficient station organisation". During the year, the Company has made great efforts in promoting the construction of intelligent and beautiful Coastal Expressway, and has driven the refinement of operation and management of various sections with the demonstrative effect of "intelligent and beautiful" Coastal, thereby achieving satisfactory results. In terms of the **comprehensive management segment**, the Group raised its work standard by identifying the shortcomings in the Company's comprehensive management with reference to the mindset and approaches of ISO9001, as well as enhancing its work efficiency via management systemisation, standardisation, refinement and normalisation, thereby upgrading the quality of comprehensive management.

◆ *Promotion of the Group's information development to improve work efficiency*

In order to improve the Group's management capability and efficiency and facilitate the operation development via technological innovation, the Group moved forward to promote its information development during the Reporting Period. Integrating its technical resources with that of the professional research institutes and technical teams by way of strategic cooperation, the Group strenuously pushed forward the research and implementation of intelligence traffic by leveraging its advantages of infrastructure resources and operational management experience as well as the strengths of the professional technical teams in aspects such as big data, artificial intelligence and internet technology. Moreover, the Group will seise the opportunity of major expressway construction projects to jointly promote the intelligent development, management and services of transportation infrastructure.

In line with the construction concept of "the integration of construction, management, maintenance and operation", the Group's Outer Ring Project and other major projects were adopted as carriers to promote the pilot application of innovative technologies such as BIM technology, QR code technology, special equipment monitoring and smart construction site in engineering construction during the Reporting Period. Through adopting information technology, the elements of the construction site were managed in a unified manner to formulate an information-based, visualised and intelligent BIM-based engineering project management system, thereby improving the management efficiency and application value. Through the application of new technologies such as artificial intelligence and the Internet of Things, an integrated expressway monitoring platform was established to realise automatic monitoring, identification, pre-warning and business connection of road conditions, traffic incidents and vehicle flows, thereby improving the traffic efficiency and reducing overall costs. During the year, we developed and officially launched an integrated information platform for the management and control of the road condition of Outer Ring Project, which has effectively increased the efficiency of project management, saved management costs and significantly improved the quality of construction. We have obtained software copyright and two patents for this management platform. The housing construction project adopting Building Information Modeling (BIM) technology carried out by the Group have also been completed in 2019. The International Exhibition Center Station set up tidal lanes that can perform both the function of toll collection and card issuing, which is unprecedented in the country. The station can switch to "tidal lanes" by simply pressing the "road robot" button remotely and will be able to improve the efficiency and safety level of traffic significantly. In addition, the Group is actively studying various topics such as digitalisation of Jihe Expressway to offer momentum to the core business of the Company through application of innovative technologies, which will in turn improve its work quality and efficiency.

◆ *Proactively prepare for the renovation of the non-stop toll collection system*

In order to follow and implement the State Council's decision to "remove provincial boundary toll collection stations on expressway nationwide to realise non-stop convenient toll collection, reduce congestion and facilitate the public", the Group proactively prepared for relevant work pursuant to the requirements of the overall technical plan of the MOT and the documents of government departments at all levels during the Reporting Period. The relevant work includes the successive implementation of software and hardware renovation of various toll collection stations and lanes, construction of new ETC lanes, entrance weight lanes and ETC gantry systems, removal of provincial boundary toll collection facilities, and commencement of engineering design and construction. During the year, the operation management department overcame difficulties such as "tight schedule with heavy workload" and completed the above construction works on a timely basis. Joint testing and commissioning work of toll collection systems have also been commenced smoothly.

Management Discussion and Analysis

- *Strengthen the maintenance and management of road assets and improve road conditions*

  The Company conducted regular quality checks on highways and bridges, and frequent inspections on highway administration. It has also built up a joint-action mechanism between road assets and traffic operational information. The aforementioned arrangements enabled the Company to take timely measures to remove and rectify the unsafe factors on highways or take maintenance measures to better ensure the quality, safety and free traffic of highways. During the Reporting Period, the Group finalised various engineering projects, including the road surface treatment project for certain sections of Jihe Expressway, the resurfacing project for Qinglian Expressway, the slope reinforcement project for the relief of danger along Shuiguan Expressway and the road surface treatment project for the north-western section of Changsha Ring Expressway. In addition, according to the actual situation and needs, the Group has carried out various small special projects such as slope reinforcement and toll station expansion so as to ensure the safety and clear passage for highways. During the Reporting Period, the Group also used the high slope at Baguang Village of Yanba Expressway and Coastal Expressway as a pilot project for monitoring health conditions of bridges to commence the application of optical-fiber sensing technology in the monitoring of slopes on bridges, tunnels and slopes in construction projects, which has promoted the research and application of online monitoring and warning technology. The Company has established a regular assessment and dynamic adjustment mechanism for planning highway maintenance, which would help to continuously improve and optimise the technical maintenance plan, thereby ensuring the excellent technical conditions of highways and extending the service life of highways, thus effectively reducing the overall highway maintenance cost.

4. Business Development

Outer Ring Project is a toll highway project invested by the Group according to the PPP model, of which, the total length of Phase I of the Outer Ring Section A is about 50.74 kilometers and the total length of Phase II is about 9.35 kilometers. Outer Ring Project is the longest expressway in the highway network planning of Shenzhen to date. Upon completion, it will be connected to 10 expressways and 8 Class 1 highways in Shenzhen region. The project involves a large scale of engineering construction with numerous bridges and tunnels as well as complicated transportation networks, and hence has a high requirement on construction management. During the Reporting Period, with a target to open Phase I of Outer Ring Section A to traffic by the end of 2020, the Group optimised the construction arrangement plan and increased the allocation of resources, thereby exceeding its goal for engineering works in 2019. As at the end of the Reporting Period, approximately 67% of Outer Ring Project has been completed, among which the land resumption and demolition and relocation work have been basically completed. We are now carrying out the engineering of roadbed, bridge pile foundation, tunnels and pavements in full swing. For details of Outer Ring Project, please refer to the relevant contents of the Company's announcement dated 18 March 2016 and circular dated 25 April 2016.

The Company has acquired 100% equity interest in Coastal Project. As at the end of the Reporting Period, approximately 40% of Coastal Phase II has been completed, among which the land resumption work has been fully completed and approximately 97% of the housing demolition and relocation work have been completed. We are now carrying out the engineering construction in aspects such as pile foundation, pier column and bridges in full swing, among which, the engineering of roadbed, bridges and pavements have completed by approximately 49%, 53% and approximately 10%, respectively. In particular, the delivery and acceptance of the interchange of the International Convention and Exhibition Center have been completed on 27 March 2019 and the interchange has commenced operation on 3 November 2019.

To match the overall work plan and arrangement of the government's expressway construction and improve road safety and quality and the traffic environment, the Board of Directors has approved the preliminary work of the Group's preliminary design of the Jihe Expressway reconstruction and expansion project in January 2018. During the Reporting Period, the Company actively communicated and coordinated with various administrative authorities, and reached basic consensus on the overall construction plan. As at the end of the Reporting Period, the Company completed the revision and compilation of the engineering feasibility report on the Jihe Expressway reconstruction and expansion project according to the latest plan, and we are now forging ahead with the preliminary examination and selection of project sites and other special works such as environmental assessment, soil and water conservation as well as energy saving.

The Company holds 25% equity interests in Yangmao Company. The reconstruction and expansion of Yangmao Expressway commenced in mid-2018 and is scheduled to be completed in 2022. As at the end of the Reporting Period, the reconstruction and expansion of Yangmao Expressway are under steady progress. The delivery of land parcels for the main line of the project has been completed, while the construction of main structures including roadbed, girder prefabricated field construction, soft foundation treatment, bridge pile foundation and pavements are well underway.

(II) Environmental Protection Business

In the "2015–2019 Development Strategies", the Group has clearly stated that in order to explore a broader space for the Group's long-term development, the Group will proactively explore the investment prospects and opportunities of the general-environmental protection industry that takes water environment remediation and solid waste treatment as the main content while consolidating and enhancing the core business of toll highway. The Group has established Environmental Company as a market-oriented platform for expanding businesses in relation to the general-environmental protection industry.

The Group subscribed 15% of the equity interests in Water Planning Company in 2017. Water Planning Company is one of the first comprehensive survey and design organisation in the PRC to commence integrated water design. It possesses 7 A-grade qualifications in areas such as water conservancy industry, municipal water supply and drainage, comprehensive engineering survey and mapping etc. It is one of the top 500 PRC enterprises in the field of survey and design, and one of the top 50 PRC enterprises in the field of water conservancy survey and design. During the Reporting Period, Water Planning Company seised the development opportunity arising from the government's vigorous development of Guangdong-Hong Kong-Macau Greater Bay Area to optimise the market layout and extend the business chain on a continuous basis. In 2019, Water Planning Company's newly signed contracts increased by 50% YOY, and it has also won the bids of over 190 projects in aggregate, signifying sufficient business orders and increasing market share. During the year, the Group undertook five sewage treatment facilities projects in Guangdong-Hong Kong-Macau Greater Bay Area and various peripheral provinces and cities. By investing in Water Planning Company at a reasonable price, the Company would be able to achieve reasonable investment return, at the same time acquiring resources for the research and development of urban water business technology as well as expanding market channels of the environmental protection business.

Management Discussion and Analysis

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 majority owned subsidiaries including Chongqing Water and Sanfeng Environment, etc., and major business segments including water supply and sewage treatment, waste incineration power generation and environmental restoration, etc. Chongqing Water is mainly engaged in urban water supply and sewage treatment. Occupying a dominant position in the city's water supply and sewage treatment market, Chongqing Water has stable earnings and abundant cash flow. Sanfeng Environment is a large-scale environmental protection group integrating investment, construction, integrated equipment and operation management in domestic waste incineration power generation field. It is mainly engaged in the investment of waste incineration power generation projects, EPC (Engineering Procurement Construction), equipment manufacturing and operation management of the whole industry chain service, with a complete set of core technologies such as waste incineration and flue gas purification, and third-generation tube-type membrane treatment and other technologies. During the Reporting Period, Derun Environment focused on developing the markets in Chongqing and the peripheral areas and actively pushed forward the construction of projects, including the ecological restoration (EPC), management and maintenance project of landfills in Changshengqiao, Chongqing, water environment remediation project for Changsheng River in Chongqing and water environment remediation project in Wuhou District, Chengdu. By acquiring the equity interests of Derun Environment, the Group, on the one hand, would be able to expand the Company's environmental protection business and obtain a reasonable return on investment. On the other hand, it can carry out in-depth cooperation with domestic leading enterprises.

On 30 October 2019, the consortium formed by companies including the Environmental Company won the bid for the Guangming Environmental Park Project. For details, please refer to the announcement of the Company dated 30 October 2019. The Guangming Environmental Park Project is located in Guangming District, Shenzhen. The project will be developed into a treatment plant with a processing capacity of 1,000 tons/day for kitchen waste, large pieces waste (wasted furniture) and greening waste. The project shall be implemented under the BOT model, social capital partner who has won in the bidding shall incorporate a project company in Guangming District, and such project company shall be responsible for the investment, financing, design, construction, transformation, operation and maintenance, and handover work of the project. The proposed concession period of the project is 10 years. The static total investment of the project is estimated to be approximately RMB708 million. As at the end of the Reporting Period, the preliminary works of the project are proceeding in a steady and orderly manner, communications and negotiations regarding the relevant "concession agreement" and "PPP project contract" have been completed. The project company is currently under preparation, the equity interests of which will be hold as to 65% by the Company.

On 8 January 2020, Environmental Company entered into the "capital increase and equity transfer agreement in respect of acquiring not more than 68.1045% of shares in Lande Environmental Technology Group Holdings Co., Ltd." (the "Agreement") with relevant parties, pursuant to which Environmental Company will acquire not more than 160,000,000 shares of Lande Environmental at a consideration of no more than RMB809,600,000, the shareholding percentage will not exceed 68.1045%. For details, please refer to the announcement of the Company dated 8 January 2020. As of the date of this report, the Company holds approximately 53.2067% of the shares in Lande Environmental, and Lande Environmental has been included into the consolidated financial statements of the Group since 20 Jan 2020. Lande Environmental is currently an important enterprise in the field of organic waste comprehensive treatment, construction and operation in the PRC. It principally engages in provision of systematic comprehensive solutions and services for municipal organic waste treatment (such as kitchen waste and waste leachate) to its customers, including research and development of organic waste treatment technology with a focus on kitchen waste, manufacture of core equipment, investment in construction, and operation and maintenance. Lande Environmental currently has a total of 16 organic waste treatment projects under BOT/PPP model, most of which are located in cities with better economic development, have relatively long concession period, and able to generate relatively stable returns.

The organic waste treatment industry has a relatively large room for development as supported by the national environmental protection policies. Organic waste treatment is a key industry segment of development of the Group in the general-environmental protection area. Lande Environmental is relatively strong in scientific and technological innovation and research and development, and has more than 100 patented technologies. Its management team is relatively mature and possesses the capabilities of technology research and development, equipment manufacturing, integration and sales, investment and construction, operation and maintenance throughout the industry chain. By investing in the Guangming Environmental Park Project and Lande Environmental, the Group may quickly enter into and focus on the sub-industry of organic waste treatment, which will produce business synergy in the entire industrial chain of organic waste treatment, and help to promote the development in the Group's business scale in the organic waste treatment area, thereby establishing the Group's professional competitiveness in the market segment and hence creating long-term stable returns for the Group.

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

With the approval of the Board, the Group acquired 51% equity interests in Nanjing Wind Power by ways of equity transfer and capital increase at a consideration of RMB510 million. For details, please refer to the Company's announcement dated 15 March 2019. During the Reporting Period, the transaction has been completed. Nanjing Wind Power has been consolidated into the Group's financial statements since 8 April 2019. Nanjing Wind Power is a high-tech company specialising in wind power, a type of renewable new energy. The company is principally engaged in the research, integration, manufacture, installation, sales and maintenance of wind power generation system, as well as investment and operation of wind farms. As Nanjing Wind Power possesses the technological capacity to self-develop and produce large scale wind power generating units, as well as the experience and ability to develop, construct, operate and manage wind farms, the market prospect for business development of Nanjing Wind Power is promising. Clean energy, being an emerging sector in the general-environmental protection industry, will be a new industrial development direction that the Group has decided to place strong emphasis on in its development strategies. The policy environment and market demand-supply relationship for wind power at the current stage have presented valuable market opportunities for Nanjing Wind Power. However, the limited production capacity also exposed the company to pressure resulted from its limited supply capability. Upon completion of acquisition, on one hand, the Group conducted a comprehensive arrangement of internal organisation and personnel structure of Nanjing Wind Power and formulated a comprehensive management system and operation procedures so as to enhance the quality of internal management; on the other hand, the Group strengthened the management and establishment of the production team, aiming to optimise the design of the wind turbine process and comprehensively improve production capacity of the complete machine manufacturing. In the meantime, the Group also enhanced market development and construction of supply chain, contributing to the strengthened capital capacity and substantial improvement of operation and management of Nanjing Wind Power. By consolidating its internal strength for over half a year, Nanjing Wind Power has also taken a firm step forward to marketisation. During the year, the comprehensive strength such as technological research, development and production of Nanjing Wind Power has been recognised by a number of major domestic wind power enterprises and Nanjing Wind Power has successfully been incorporated into the suppliers' purchase lists of certain major wind power enterprises. By simultaneously taking multiple measures, various operational targets of Nanjing Wind Power have been fulfilled successfully in 2019.

Management Discussion and Analysis

With the approval of the Board, the Group acquired 67% equity interests in Baotou Nanfeng at a consideration of RMB0.67 and assumed shareholders' responsibility for the debt of Baotou Nanfeng of approximately RMB1,352 million, details of which are set out in the announcements of the Company dated 12 September 2019 and 16 September 2019, respectively. During the Reporting Period, the transaction was completed and Baotou Nanfeng has been consolidated into the financial statements of the Group since 17 September 2019. Baotou Nanfeng is principally engaged in the investment, operation and management of five wind power generation farms in Inner Mongolia Autonomous Region, among which four wind power generation farms are located in Damao Banner, Baotou City of the Inner Mongolia Autonomous Region, while the remaining one is located in Bayan Obo Mining District, Baotou City of the Inner Mongolia Autonomous Region. The said wind power generation farms have connected and commenced power generation since 2018. Baotou Nanfeng has 165 wind turbines with a total installed capacity of 247.5MW and an approved feed-in tariff of RMB0.49/kWh. Investing in Baotou Nanfeng can foster business synergy with Nanjing Wind Power. The Group can gain coordinated advantages along the entire production chain ranging from wind farm resources and the wind power equipment manufacturing to wind farm construction, investment and operation, which has laid a foundation for the Group to rapidly tap into the wind power industry and make further development. Upon the acquisition of Baotou Nanfeng, the Group's project management team immediately tapped into the operation of wind farms, seizing the prime opportunity during the fourth quarter when abundant wind resources are available and closely following the two major work approaches, namely "stable transition" and "production facilitation". By implementing various work measures to facilitate production and ensure safety, the utilisation hours of power generation in the wind farms increased significantly, hence better fulfilling Baotou Nanfeng's annual operation targets.

For details of the profits of Derun Environment, Nanjing Wind Power and Baotou Nanfeng during the Reporting Period, please refer to the relevant content in "Financial Analysis" below and note VI\1 and note VII\2 to the Financial Statements in this report.

(III) Entrusted Management and the Development of Other Infrastructure

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

1. Entrusted Construction Business

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

During the Reporting Period, all the work of the entrusted construction projects has been carried out in good order. In particular, for the relevant information on the progress of Outer Ring Project, please refer to the relevant content in above description of "Business Development" in this chapter. The 4 toll stations in the first batch of Cargo Organisation Adjustment Project have been completed and the second batch of preliminary works for Paibang and Xiufeng stations are being carried out; construction of Longhua Municipal Section Project commenced in September 2018, and as at the end of the Reporting Period, the progress of construction has exceeded 40%.

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

2. Entrusted Management Business

On 28 December 2018, the Company entered into an entrusted management agreement with Baotong Company, pursuant to which Baotong Company entrusted the Company to manage its 89.93% equity interest in Longda Company. The term of the entrusted management agreement commenced on 1 January 2019 and will expire on 31 December 2019. As such, starting from 1 January 2019, the section of highway that actually requires the management of Longda Company was the toll highway of approximately 4.4 km in the north of Songgang section of Longda Expressway. For details, please refer to the Company's announcement dated 28 December 2018. On 30 December 2019, the Company entered into a renewal agreement with Baotong Company in respect of the above matters regarding entrusted management. The term of the entrusted management agreement commenced on 1 January 2020 and will expire on 31 December 2020. For details, please refer to the Company's announcement dated 30 December 2019.

The Four Expressways have been transferred to the Shenzhen Transportation Bureau from 0:00 on 1 January 2019. During the transition period, the comprehensive maintenance work of the Four Expressways has been directly entrusted to the Company. During the Reporting Period, through the public tendering procedures, the consortium established by the Company and Operation Development Company has successfully won the bid for the comprehensive maintenance project for the Four Expressways and has undertaken the maintenance work of the Four Expressways for a contractual term from 11 June 2019 to 10 June 2020.

For details of the profits as well as incomes and expenses of various entrusted management businesses during the Reporting Period, please refer to the content in "Financial Analysis" below and the relevant content in Note V\45 to the Financial Statements in this report.

Management Discussion and Analysis

3. Development and Management of Other Infrastructure

With the approval of the Board, the Investment Company and CCCC Tianjin Dredging Co., Ltd. have jointly established a consortium to participate in the investment, construction and management of the Nanmen River Comprehensive Treatment Project in Shenzhen-Shanwei Special Cooperation Zone. Affected by factors such as changes in local land resumption policies, certain sections were not available for construction, resulting in changes in construction plan of the project. During the Reporting Period, the Company has been proactively communicating and negotiating with relevant management departments regarding solutions for the related matter. As at the end of the Reporting Period, the construction that met the operating conditions was basically completed, among which approximately 72% of the overall physical work has been completed. The scientific and comprehensive water treatment of those river channels will improve the surrounding environment and establish a comprehensive anti-flooding system along the streams of Nanmen River, thereby effectively protecting regions along the river channels.

Duohua Bridge Project is about 2.2 km long in total, and the major construction work of the project is the construction of Duohua Bridge. It is a municipal project invested by the government of Longli County, Guizhou through Guilong Holdings, its platform company. The construction period of the project is expected to be approximately 3 years. On 29 March 2018, Longli County Government, Guilong Holdings and Guishen Company signed an investment cooperation agreement for the project. According to the investment cooperation agreement, Guishen Company is responsible for raising construction funds, and Guilong Holdings will pay project fee to Guishen Company according to the contract. For details, please refer to the announcement of the Company dated 29 March 2018. As at the end of the Reporting Period, approximately 38% of the physical work of the project have been completed, the foundational construction work such as pile foundation, pile cap and subgrade earthwork have been basically completed. Located in a valley with high mountains, Duohua Bridge was requested by the local government to be constructed into a landscape bridge overseeing the scenes of the valley that could be accessed by both pedestrians and vehicles. The engineering design and construction is extremely demanding. During the Reporting Period, the project construction team conducted a series of scientific simulation tests based on the meteorological condition surrounding the bridge and the requirement of vibration control and wind resistant on the bridge, thus providing a reliable scientific basis for the design and construction of the bridge.

The Board of the Company has approved the Investment Company to invest in Fuyong and Songgang Long-term Rental Apartment Project and to establish a joint venture with Shenzhen One Apartment Management Co., Ltd. (深圳市壹家公寓管理有限公司) as the principal entity for the cooperation under the long-term rental apartment business. Shenzhen Expressway One Apartment Management Co., Ltd. (深高速壹家公寓管理有限公司) was incorporated in September 2018 in Shenzhen with a register capital of RMB10 million, which was held as to 60% by the Investment Company. As at the end of the Reporting Period, the occupancy rate of Songgang Project was 85% during the year; the occupancy rate of Fuyong Project was 65% during the year.

On 23 December 2019, the Board has approved the Investment Company to manage the investment and construction of Bimeng Project, provided that relevant condition precedent has been fulfilled. The Project is a residential Resettlement construction Project invested by the government of Longli County through Guilong Holdings. The total investment budget of the project is expected to be not more than RMB1,000 million. As of the Reporting Date, relevant negotiations are actively underway.

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

(IV) Project Development and Management

With the relevant management experience and resources and in accordance with the deployment of the 2015–2019 Development Strategies, the Group prudently explores new business types such as comprehensive development of land and urban renewal, while paying close attention to and seising the opportunities for the cooperation between the advantageous areas and the existing business-related areas as business development and expansion beyond its core business as well as a beneficial supplement to revenue.

1. Development and Management of Land Projects

(1) Guilong Development Project

With the improvement of Guilong Road and the infrastructure in peripheral regions and the development of the whole Guilong Economic Zone, it is expected that the peripheral land in the area of Longli Country will have great potential for appreciation. In order to effectively reduce the risk of fund recovery from Guilong Project and realise expected or even more incomes from the project, Guishen Company actively participated in the land tenders within the development area of Guilong Project. At the end of the Reporting Period, Guishen Company has successfully won the bid for the land of Longli Project with an area of approximately 3,005 mu (approximately 2,000,000 square meters) in aggregate, including approximately 2,770 mu of Guilong Project land with a transaction amount of approximately RMB961 million, and approximately 235 mu of Duohua Bridge Project land with a transaction amount of approximately RMB117.71 million. In respect of Guilong Project land, the interests in approximately 1,610 mu have been transferred, 1,045 mu is under secondary development and the remaining land will be used for secondary self-development or transfer as at the end of the Reporting Period. Guishen Company has set up certain wholly-owned subsidiaries to hold and manage the land use rights of the land parcels mentioned above.

Guishen Company is adopting a rolling development strategy by phases. Focusing on the Interlaken Town Project, it has conducted secondary self-development for certain land parcels acquired, which has an area of 1,045 mu (approximately 697,000 square meters). During the construction of the Interlaken Town Project, Guishen Company fully demonstrated the artisanal spirit of Shenzhen Expressway and diligently delivered high-end and quality works. As such, the Interlaken Town Project has established a favourable brand image in the local market with its unique architectural style, beautiful landscape and good living environment. As at the end of the Reporting Period, a total of 313 sets of houses launched for Interlaken Town Phase I (approximately 247 mu, equivalent to 164,000 square meters) have been sold out and basically delivered for use. A total of 238 sets of houses launched for Interlaken Town Phase II (approximately 389 mu, equivalent to 260,000 square meters) Stage I have been sold out and fully delivered for use, and payments have been received. The construction of the Phase II Stage II project, mainly for commercial supporting property, has been fully completed. 95 sets of commercial properties have been launched, of which 57 sets have been contracted for sale and delivered for use, and payments have been received. The Interlaken Town Phase III (approximately 229 mu, equivalent to 153,000 square meters) has been put into construction. The Phase III Stage I project, which is expected to be completed by the end of 2020, would provide 271 sets of houses, of which 217 sets have been contracted for sale and payments have been received. During the Reporting Period, the construction of the Phase III Stage II project, which is intended to be commercial supporting property, has commenced. Guishen Company is now conducting works in relation to the planning and design for the development of the remaining land.

Management Discussion and Analysis

In order to accelerate the return of funds and realise the market value of the land, in July 2018, the Board approved the Group's overall transfer of 100% equity interests and creditor's rights in Guizhou Shengbo, Guizhou Hengfengxin, Guizhou Henghongda and Guizhou Yehengda ("Four Companies") by public listing with the listing price being not less than the sum of the assets assessment results of the Four Companies, and also being not less than RMB550.80 million. The main assets of these Four Companies are holding of about 810 mu of Guilong land. During the Reporting Period, the transaction was completed and the Group has recovered the land assignment fees of approximately RMB567 million. In addition, at the end of 2018, the Board of the Company has approved Guishen Company to participate in the bidding of Guilong land of approximately 115 mu. During the Reporting Period, the bidding was completed with a transaction amount of approximately RMB63.49 million.

With continuous economic development in the region where Guilong Project is located, the value of the region continued to grow. By operating and implementing the preliminary work of Interlaken Town Project, Guishen Company has explored and accumulated some experience in the management and operation of property development projects, thereby developing a business development model suitable for the property industry in such region. In order to seise the opportunities in the market and effectively lower the risks in relation to the collection of receivables from Duohua Bridge Project, the Board has approved Guishen Company (or the project company it established for holding lands) to participate in the bidding of land of approximately 1,000 mu which was listed for sale and proposed to be sold in batches by the government of Longli County. In 2018, Guishen Company has completed the bidding of land of 235 mu (approximately 157,000 square meters), with a total transaction amount of approximately RMB117.71 million.

On the above basis, Guishen Company will, through means such as timely market transfer, cooperation or self-development based on the overall market conditions and development opportunities, realise the market value of the lands it holds and the Group's investment income as soon as possible, at the same time prevent the contractual and market risks in relation to the lands in an effective way.

(2) *Meilin Checkpoint Renewal Project*

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

The Meilin Checkpoint Renewal Project will be developed in three phases. Among which, Phase I of the project will comprise residential units with an estimated saleable area of approximately 75,000 square meters, pre-sold houses of more than 830 sets and affordable housing with an area of approximately 42,000 square meters; Phase II of the project will comprise residential units with an estimated saleable area of approximately 68,000 square meters; Phase III of the project will comprise residential units with an estimated saleable area of approximately 63,000 square meters and a complex building of office and business apartment with an area of approximately 190,000 square meters. In addition, the project has reserved approximately 34,500 square meters as commercial supporting property in its overall planning. As at the end of the Reporting Period, 832 sets of houses of the Phase I Hefengxuan have all been sold and payments have been received. The Phase II Heyaxuan has been launched to the market in the end of September of 2019, and a total of approximately 510 sets have been subscribed and contracted for as at the end of the Reporting Period, representing a contract signing rate of 75%. Phase III of the project is applying for relevant construction and the preliminary engineering work has commenced.

(V) Other Businesses

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

In order to effectively consolidate its resources, expand the fund-raising channels and establish a market-oriented talent management system, the Board approved the capital injection of Fund Management Company by way of public listing and competitive negotiation. Two strategic investors were introduced with a shareholding of 49% in aggregate. For details, please refer to the announcement of the Company dated 23 December 2019.

During the Reporting Period, 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. The total size of the fund was RMB1 billion and the amount invested by the Company was RMB450 million, to be injected in three instalments at a proportion of 30%, 30% and 40%, respectively. For details, please refer to the announcement of the Company dated 23 December 2019.

During the Reporting Period, as Shenzhen Lvyuan Energy Conservation and Environmental Protection Fund (Limited Partnership)* (深圳綠源節能環保基金(有限合夥)) (the "Lvyuan Fund") failed to obtain the internal approval from the other participating parties of the Fund and enter into the partnership agreement within the timeframe specified in the resolution of the Board of the Company (i.e. 31 December 2019), the original approval of the Board for the investment in Lvyuan Fund has expired. For details, please refer to the announcements of the Company dated 11 June 2019 and 2 January 2020, respectively.

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

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

Guangdong UETC, held as to 12.86% by the Company, is principally engaged in the electronic clearing business for the toll highways in Guangdong Province, including investment of management and provision of services of the electronic toll and clearing systems, and sales of related products.

Management Discussion and Analysis

During the Reporting Period, each of the above businesses proceeded smoothly and has met the Group's expectation in general. Due to the limitation on the scales or investment modes, the contributions from these businesses currently only account for a very small proportion of the Group's revenue and profit. For details of other businesses during the Reporting Period, please refer to the relevant content in note V\14 and note V\45 to the Financial Statement in this report.

II. Financial Analysis

In 2019, the Group recorded net profit attributable to owners of the Company ("net profit") of RMB2,499,485,000 (2018: RMB3,440,051,000), representing a YOY decrease of 27.34%. After excluding the effect of the net gains on disposal of assets of the Three Projects recognised during the corresponding period of last year, the net profit recorded a YOY increase of 30.42%, which was mainly due to the completion of capital injection for Coastal Company, the recognition of deferred income tax asset related to a portion of previously compensable loss and the impairment of highway assets, as well as the increase in the Group's investment income arising from real estate development income of Meilin Checkpoint Renewal Project phase I recognised by United Land Company for the current period and the transfer of the whole equity interests and creditor's rights in four subsidiaries (including Guizhou Shengbo) during the Reporting Period.

For descriptions in relation to Coastal Company on the recognition of deferred income tax asset related to a portion of previously compensable loss and the impairment of highway assets, and the investment income arising from the transfer of the whole equity interests and creditor's rights in four subsidiaries (including Guizhou Shengbo), please refer to Point (II) "Description on Material Changes in Profits from Non-main Business" below.

(I) Analysis of Main Business

Analysis of Changes in Related Items in the Financial Statements

Unit: '000 Currency: RMB

Item	**Amount for the current period**	Amount for the corresponding period of last year	Change (%)
Revenue	**6,185,825**	5,807,108	6.52
Cost of services	**3,499,538**	2,858,212	22.44
Selling expenses	**27,305**	19,417	40.62
General and administrative expenses	**350,732**	209,645	67.30
Research and development expenses	**18,475**	–	N/A
Financial expenses	**572,938**	1,055,006	-45.69
Investment income	**1,242,672**	555,594	123.67
Income tax expenses	**-92,249**	966,447	N/A
Net cash flows from operating activities	**1,751,429**	3,222,229	-45.65
Net cash flows from investing activities	**-253,489**	957,939	N/A
Net cash flows from financing activities	**-1,147,073**	-3,483,902	N/A

1. *Analysis of Revenue and Cost*

During the Reporting Period, the Group recorded revenue of RMB6,185,825,000, representing a YOY increase of 6.52%. Excluding the effect of the toll revenue from the Three Projects of RMB727,802,000 for the corresponding period of last year due to the government's repurchase in advance at the end of 2018, the comparable revenue increased by 21.78%, among which, the comparable toll revenue increased by 5.32% in aggregate. In addition, the Group's revenue has increased due to revenue from Guilong Development Project for the year increased as more housing units were delivered, the newly recognised revenue from entrusted management and maintenance service upon the government's repurchase of the Four Expressways, as well as Nanjing Wind Power and Baotou Nanfeng have been consolidated into the financial statements of the Group during the Reporting Period. The detailed analysis of revenue is as follows:

Unit: '000 Currency: RMB

Revenue item	2019	Proportion (%)	2018	Proportion (%)	Change (%)	Description
Revenue from main business – toll highways	**4,569,454**	73.87	5,066,387	87.24	-9.81	①
Revenue from other businesses – entrusted management services	**376,403**	6.08	246,261	4.24	52.85	②
Revenue from other businesses – real estate development	**456,902**	7.39	285,672	4.92	59.94	③
Revenue from other businesses –revenue from sales of wind power equipment	**511,126**	8.26	–	–	N/A	④
Revenue from other businesses – revenue from wind power generation	**87,667**	1.42	–	–	N/A	④
Revenue from other businesses – advertising and others	**184,273**	2.98	208,787	3.60	-11.74	⑤
Total revenue	**6,185,825**	100.00	5,807,108	100.00	6.52	

Description:

① During the Reporting Period, the Group recorded a YOY decrease of 9.81% in toll revenue. Excluding the effect of the toll revenue from the Three Projects of RMB727,802,000 for the corresponding period last year, the comparable toll revenue increased by 5.32% year-on-year. Except for the slight decrease in the toll revenue from Yichang Expressway, all the other ancillary toll highways, including Coastal Expressway, Qinglian Expressway and Wuhuang Expressway, recorded various increases. Detailed analysis of the operational performance of various projects during the Reporting Period is set out in the "Business Review" above. Breakdown of revenue by specific items is set out in Point (1) below.

② During the Reporting Period, revenue from entrusted management services recorded a YOY increase of 52.85%, mainly in line with the progress of the construction projects and newly-recognised revenue from entrusted management services and maintenance service for the Four Expressways after the government's repurchase in the Reporting Period.

③ During the Reporting Period, revenue from real estate development recorded a YOY increase of 59.94%, mainly due to the increase in delivered units in the current period of Guilong Development Project.

④ Nanjing Wind Power and Baotou Nanfeng were consolidated into the Group's financial statements on 8 April 2019 and 17 September 2019, contributing RMB511,126,000 and RMB87,667,000 to the revenue of the Group during the Reporting Period, respectively.

⑤ During the Reporting Period, revenue from advertising and others recorded a YOY decrease, mainly due to the decrease in revenue from advertisement distribution.

Management Discussion and Analysis

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

Unit: ’000 Currency: RMB

	Breakdown of main business by industry					
Industry	Revenue	Cost of services	Gross profit margin (%)	YOY change in revenue (%)	YOY change in cost of services (%)	YOY change in gross profit margin (%)
Toll highway	4,569,454	2,270,903	50.30	-9.81	-4.98	Decrease 2.52 pct. pt
	Breakdown of main business by product					
Product	Revenue	Cost of services	Gross profit margin (%)	YOY change in revenue (%)	YOY change in cost of services (%)	YOY change in gross profit margin (%)
Qinglian Expressway	837,016	485,484	42.00	10.03	12.44	Decrease 1.24 pct. pt
Jihe East	768,241	333,416	56.60	1.37	-0.02	Increase 0.60 pct. pt
Jihe West	667,663	136,243	79.59	1.94	14.15	Decrease 2.18 pct. pt
Shuiguan Expressway	652,022	480,124	26.36	2.78	2.80	Remain basically the same
Coastal Expressway	532,571	285,670	46.36	14.58	10.30	Increase 2.08 pct. pt
Yichang Expressway	403,518	204,845	49.24	-1.21	2.03	Decrease 1.61 pct. pt
Wuhuang Expressway	412,534	210,942	48.87	7.08	-7.74	Increase 8.22 pct. pt
Changsha Ring Road	156,146	54,633	65.01	8.41	7.44	Increase 0.32 pct. pt
Meiguan Expressway	139,744	79,548	43.08	9.10	0.76	Increase 4.71 pct. pt
Total[Note1]	**4,569,454**	**2,270,903**	**50.30**	**5.32**	**4.66**	**Increase 0.32 pct. pt**
	Breakdown of main business by region					
Region	Revenue	Cost of services	Gross profit margin (%)	YOY change in revenue (%)	YOY change in cost of services (%)	YOY change in gross profit margin (%)
Guangdong Province	3,597,256	1,800,484	49.95	-12.87	-5.72	Decrease 3.80 pct. pt
Hubei Province	412,534	210,942	48.87	7.08	-7.74	Increase 8.22 pct. pt
Hunan Province	559,664	259,477	53.64	1.30	3.12	Decrease 0.82 pct. pt
Total	**4,569,454**	**2,270,903**	**50.30**	**-9.81**	**-4.98**	**Decrease 2.52 pct. pt**

Note1: Excluding the relevant revenue and cost of services of the Three Projects for the corresponding period of last year.

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

During the Reporting Period, the overall gross profit margin of the Group’s ancillary toll highways was 50.30%, representing a YOY decrease of 2.52 percentage points. The change in gross profit margin was mainly attributable to the repurchase of the Three Projects as well as the changes in toll revenue, special maintenance expenses and depreciation and amortisation expenses of other highway projects.

(2) *Analysis of Cost of Services*

During the Reporting Period, the cost of services of the Group amounted to RMB3,499,538,000 (2018: RMB2,858,212,000), representing a YOY increase of 22.44%. Excluding the effect of the related cost of services of the Three Projects for the corresponding period of last year, the comparable cost of services recorded a YOY increase of 32.65%, which was mainly due to the increases in employee expenses, road maintenance expenses, and depreciation and amortisation expenses of other ancillary toll highways, the increase in real estate development costs carried forward by Guilong Development Project due to increased revenue, the increase in cost of entrusted management services and the increase in relevant costs of services resulting from the consolidation of Nanjing Wind Power and Baotou Nanfeng into the financial statements. The detailed analysis of cost of services is as follows:

Unit: '000 Currency: RMB

		Breakdown by industry					
Industry	Cost item	**Amount for the current period**	Amount for the current period as a percentage of total costs (%)	Amount for the corresponding period of last year	Amount for the corresponding period of last year as a percentage of total costs (%)	Change in amount for the current period as compared to the corresponding period of last year (%)	Description
Cost of main business – toll highway	Employee expenses	**362,482**	10.36	405,373	14.18	-10.58	①
	Road maintenance expenses	**208,335**	5.95	120,499	4.22	72.89	②
	Depreciation and amortisation	**1,461,617**	41.77	1,626,249	56.90	-10.12	③
	Other business costs	**238,469**	6.81	237,860	8.32	0.26	
	Subtotal	**2,270,903**	64.89	2,389,981	83.62	-4.98	④
Other business costs – entrusted management services		**356,797**	10.20	183,920	6.43	94.00	⑤
Other business costs – real estate development		**255,162**	7.29	173,577	6.07	47.00	⑥
Other business costs – sales of wind power equipment		**395,551**	11.30	–	–	N/A	⑦
Other business costs – wind power generation		**34,468**	0.98	–	–	N/A	⑦
Other business costs – advertising and others		**186,658**	5.33	110,734	3.87	68.56	⑧
Total cost of services		**3,499,538**	100.00	2,858,212	100.00	22.44	

Other Information of Cost Analysis:

① Mainly represents a YOY decrease in toll collection staff expense after the repurchase of the Three Projects by the government.

② Mainly represents the reversal of the balance of provision for road maintenance responsibility of Nanguang Expressway and Yanpai Expressway for the corresponding period last year.

③ Mainly due to a YOY decrease in depreciation and amortisation expenses of related assets after the repurchase of the Three Projects by the government.

④ Costs presented based on specific item are set out in Point (1) above.

Management Discussion and Analysis

⑤ Mainly represents an increase in related entrusted construction management cost in line with the progress of the entrusted construction projects and newly-recognised cost from entrusted management and maintenance service cost upon the government's repurchase of the Four Expressways.

⑥ Due to the YOY increase in delivered units, the development cost for commercial housing carried forward by Guilong Development Project recorded a YOY increase.

⑦ Represents the increase in relevant cost regarding the sales of wind power equipment and wind power generation resulting from the consolidation of Nanjing Wind Power and Baotou Nanfeng into the Group's financial statements during the Reporting Period.

⑧ Represents the addition of compensation cost for operation of the newly built toll stations of the Three Projects.

(3) Major Sales Customers and Major Suppliers

Given the nature of the Group's business, the target sales customers of toll highways are not specific. Apart from toll revenue, the total revenue from the top five customers of the Group amounted to RMB918,505,000, accounting for 15% of the overall revenue of the Group; of which none was sales from related parties.

The purchases from the Group's top five suppliers amounted to RMB609,485,000, accounting for 15% of total purchases of the Group for the year; of which none was purchase from related parties.

2. Expenses

The Group's selling expenses for the Reporting Period amounted to RMB27,305,000 (2018: RMB19,417,000), representing a YOY increase of 40.62%, which was mainly due to the increase in the Group's selling expenses resulting from the consolidation of Nanjing Wind Power into the financial statements.

The Group's general and administrative expenses for the Reporting Period amounted to RMB350,732,000 (2018: RMB209,645,000), representing a YOY increase of 67.30%. The increase was mainly due to the increase in staff expenses of the Group attributable to the increase in the number of managerial staff as the Company's business scale expanded during the Reporting Period, the increase in the withdrawal of profit increment based bonus for the year according to the Group's assessed net profit recorded in 2019 and the increase in the Group's general and administrative expenses resulting from the consolidation of Nanjing Wind Power into the financial statements.

The Group's research and development expenses amounted to RMB18,475,000 during the Reporting Period. The increase in the research and development expenses of the Group resulted from the consolidation of Nanjing Wind Power into the financial statements.

The Group's financial expenses for the Reporting Period amounted to RMB572,938,000 (2018: RMB1,055,006,000), representing a YOY decrease of 45.69%, which was mainly due to the assets and liabilities being carried forward simultaneously upon the repurchase of the Three Projects by the government at the end of 2018, the decrease in interest expenses as a result of the reduction in borrowing scale during the Reporting Period, and the YOY decrease in exchange losses as foreign liabilities were affected by fluctuation in RMB exchange rate. During the Reporting Period, the Company continued to lock the foreign exchange swap transactions on US dollar bond. Details of the foreign exchange swap transaction are set out in note V\2 to the Financial Statements in this report. After hedging the "Gain from changes in fair value – Income from changes in fair value of foreign currency swap instruments" and "Gains from investment – Gains from completion of foreign currency swaps", the Group's financial cost during the Reporting Period was RMB528,492,000 (2018: RMB988,271,000), representing a YOY decrease of 46.52%. In addition, during the Reporting Period, the comprehensive borrowing cost of Group was 4.39% (2018: 4.66%), representing a YOY decrease of 0.27 percentage points. For details of the changes in borrowing scale, please refer to "Analysis of Assets and Liabilities" below. The detailed analysis of financial expenses is as follows:

Unit: '000 Currency: RMB

Financial expenses item	2019	2018	Change (%)
Interest expenses	**734,526**	1,060,159	-30.72
Less: Interest capitalised	**133,609**	69,829	91.34
Interest income	**50,849**	81,318	-37.47
Add: Exchange loss	**33,399**	133,365	-74.96
Others	**-10,530**	12,629	-183.38
Total financial expenses	**572,938**	1,055,006	-45.69

During the Reporting Period, the Group's income tax expenses amounted to RMB-92,249,000 (2018: RMB966,447,000), representing a significant YOY decrease. The decrease was mainly due to the fact that, during the Reporting Period, the Coastal Company completed the capital injection of RMB4.1 billion and according to its future profitability, recognised related deferred income tax assets in respect of partially compensable losses and impairment of road assets incurred in previous periods, and recognition of the income tax relating to the gains on disposal of assets of the Three Projects in the corresponding period last year.

Management Discussion and Analysis

3. *Investment Income*

During the Reporting Period, the Group's investment income amounted to RMB1,242,672,000 (2018: RMB555,594,000), representing a YOY increase of 123.67%, which was mainly due to the increase in the Group's investment income arising from the recognition of the revenue of development of commercial housing of Meilin Checkpoint Renewal Project Phase I by United Land Company during the year and the transfer of 100% equity interests and creditor's rights in four subsidiaries including Guizhou Shengbo. Detailed analysis of investment income is as follows:

Unit: '000 Currency: RMB

Item	2019	2018	Change in amount
1. Investment income attributable to associates:			
Guangwu Project	**34,579**	37,193	-2,614
Yangmao Expressway	**44,343**	85,788	-41,445
Jiangzhong Project	**19,491**	24,659	-5,168
GZ W2 Expressway	**59,515**	57,397	2,118
Nanjing Third Bridge	**53,683**	50,342	3,342
United Land Company	**377,224**	-5,716	382,940
Derun Environment	**193,468**	162,112	31,356
Others[Note]	**139,735**	109,182	30,552
Subtotal	**922,038**	520,956	401,081
2. Investment income arising from transfer of subsidiaries	**262,207**	71,876	190,331
3. Investment income from other non-current financial assets	**30,125**	6,860	23,265
4. Gains from completion of foreign currency swaps	**26,860**	-49,740	76,600
5. Investment income from wealth management products	**1,442**	5,643	-4,201
Total	**1,242,672**	555,594	687,078

Note: Others are attributable to the investment income of Shuiguan Extension, Consulting Company and Bank of Guizhou.

4. *Investment in Research and Development*

The investment in research and development mainly represents the expenses arising from the research and development of wind power generation system conducted by Nanjing Wind Power. The increase in the investment in research and development was attributable to the consolidation of Nanjing Wind Power into the financial statements of the Group during the year.

Breakdown of investment in research and development:

Unit: '000 Currency: RMB

Expensed investment in research and development for the current period	18,475
Capitalised investment in research and development for the current period	–
Total investment in research and development	18,475
Percentage of total investment in research and development over revenue (%)	0.3
Number of research and development staff of the Company (person)	41
Number of research and development staff over the total number of staff of the Company (%)	0.8
Proportion of capitalised investment in research and development (%)	–

5. *Cash Flow*

Descriptions on the reasons for changes in net cash flows from operating activities: The toll revenue of the Group's principal toll highway operations is collected in cash, thereby providing the Group with a steady operating cash flow. During the Reporting Period, the Group's net cash inflows from operating activities amounted to RMB1,751,429,000 (2018: RMB3,222,229,000), representing a YOY decrease of 45.65%, which was mainly due to the YOY increase in the payment of related taxes and the additional procurement expenditure of Nanjing Wind Power during the Reporting Period, and the receipt of freight compensations from the government by Coastal Company for the corresponding period of last year. During the Reporting Period, the net cash flow from the operating activities of the Group was lower than the net profit mainly because the cash flow from the operating activities of the Group during 2019 was basically not affected by the deferred income tax assets of Coastal Company recognised during 2019, the investment income from United Land Company and the investment income from the transfer of the equity interests in the subsidiaries. In addition, the recurring cash return on investments from associates[Note] during the Reporting Period amounted to RMB398,391,000 (2018: RMB355,654,000), representing a YOY increase of RMB42,737,000.

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

Descriptions on the reasons for changes in net cash flows from investing activities: During the Reporting Period, the Group's net cash from investing activities recorded a YOY decrease of approximately RMB1.21 billion, which was mainly attributable to the increase in expenditure of Outer Ring Project, increase in equity investment expense, and receipt for capital reduction of United Land Company of RMB1.6 billion for the corresponding period of last year.

Descriptions on the reasons for changes in net cash flows from financing activities: During the Reporting Period, the Group's net cash from financing activities recorded a YOY increase of approximately RMB2.34 billion, which was mainly due to the receipt of the shareholder loan from United Land Company in the Reporting Period.

Management Discussion and Analysis

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

The Group's concession intangible assets are amortised based on the units-of-usage method. The amortised amount is calculated, based on usage amount per unit, by the percentage of the actual traffic volume in the respective periods to the total projected traffic volume during the toll operating period. The Group conducts regular review on the projected traffic volume and makes corresponding adjustments to ensure reasonableness of the amortised amount. Details of this accounting policy and accounting estimates are set out in note III\18(1) and 34(2) to the Financial Statements in this report.

During the preliminary stages of toll highways' operation, the amortised amount calculated by the units-of-usage method is generally lower than that calculated by the straight-line method. During the Reporting Period, the difference in amortisation attributable to the Company calculated by using two amortisation methods based on its share of interests was RMB273 million, the difference in amortisation remain basically the same, which was mainly due to the effect resulting from the adjustments of the unit amortisation amount of Meiguan, Jihe East, Jihe West and Jiangzhong Expressway, and the repurchase of the Three Projects. The adoption of different amortisation methods had no impact on the cash flow generated from various toll highway projects and thus had no impact on the valuation of various projects.

(II) Descriptions on Material Changes in Profits from Non-main Business

1. Coastal Company Recognised Deferred Income Tax Assets in respect of Partially Deductible Losses and Impairment of Road Assets, etc. Incurred in Previous Periods

In order to improve the financial position of Coastal Company, in the first half of 2019, the Company completed the capital injection of RMB4.1 billion into Coastal Company. According to the forecast on future profitability of Coastal Company, a deferred income tax asset of approximately RMB512 million was recognised in respect of partially deductible losses and impairment of road assets incurred in previous periods, and the Group's net profit increased by approximately RMB512 million accordingly. Having considered the possible adverse impact brought by the epidemic development at the end of 2019, the Company re-evaluated the future profitability of Coastal Company, and reduced the deferred income tax assets in respect of partially compensable losses recognized in previous years by RMB48 million, decreased the Group's net profit by approximately RMB48 million accordingly. This event as a whole increase in the Group's net profit by RMB464 million. Details are set out in note V\21 to the Financial Statements in this annual report.

2. Investment Income Arising from Transfer of 100% Equity Interests and Creditor's Rights in Four Subsidiaries Including Guizhou Shengbo

During the Reporting Period, the Group has completed the relevant procedures about transfer of 100% equity interests and creditor's rights in Guizhou Shengbo, Guizhou Hengfengxin, Guizhou Henghongda and Guizhou Yehengda. The Group recognised the equity transfer income of RMB262 million and recorded an increase of RMB138 million in the net profit after tax of the Group. Details are set out in note V\51 and note VI\3 to the Financial Statements in this annual report.

3. *Provision for Asset Impairment of the Concession Intangible Assets of Shuiguan Expressway*

Due to changes in objective conditions, the recoverable value of the concession intangible assets of Shuiguan Expressway owned by Qinglong Company, a 50% -owned subsidiary of the Company, was negatively affected with the appearing of signs of impairment. Impairment test is required and provisions for impairment are made accordingly as needed. According to the valuation results of professional valuation firm, the Company has made provision for asset impairment of RMB552 million for the concession intangible assets of Shuiguan Expressway at the end of 2019, and at the same time adjusted the reversal of the unsettled consideration of RMB26 million in relation to the further acquisition of equity interest in 2015. The above provision for asset impairment and consideration adjustments have reduced the Group's 2019 net profit by approximately RMB181 million.

Details of this asset impairment are set out in noteV\23 to the Financial Statements in this annual report. The above change in provision for the asset impairment has been reviewed and approved at the 25th meeting of the 8th session Board of Directors of the Company. For details, please refer to the Company's announcement of the Board's resolution dated 18 March 2020 and announcement of the provision for asset impairment.

(III) Analysis of Assets and Liabilities

1. *Assets and Liabilities*

The Group's assets mainly comprise concession intangible assets in high-grade toll highways and equity investments in associates, which accounts for 55.15% of its total assets, and cash at bank and on hand as well as other assets, which accounts for 10.54% and 34.31% of its total assets, respectively. As at 31 December 2019, the Group's total assets amounted to RMB44,923,734,000 (as at 31 December 2018: RMB41,100,850,000), representing an increase of 9.30% over the end of 2018, which was mainly due to the consolidation of Nanjing Wind Power and Baotou Nanfeng into the financial statements during the year 2019.

As at 31 December 2019, the total outstanding interest-bearing liabilities of the Group amounted to RMB16,821,439,000 (as at 31 December 2018: RMB13,922,655,000), representing an increase of 20.82% over the end of 2018, mainly contributed to the withdrawal of project loans for the Outer Ring Project due to an increase in the construction expenditures, receipt of the shareholder loan from United Land Company and the consolidation of Nanjing Wind Power and Baotou Nanfeng into the financial statements during the Reporting Period. In 2019, the Group's average borrowing scale was RMB14.8 billion (2018: RMB21.1 billion), representing a YOY decrease of 30%, which is principally attributed by the transfer-out of the corresponding interest-bearing liabilities under the repurchase of the Three Projects.

Management Discussion and Analysis

The detailed analysis of assets and liabilities is as follows:

Unit: '000 Currency: RMB

Name of item	**Amount as at the end of the current period**	Amount as at the end of the current period as a percentage of total assets (%)	Amount as at the end of the previous period	Amount as at the end of the previous period as a percentage of total assets (%)	Change in amount as at the end of the current period as compared to the end of the previous period (%)	Description
Transactional financial assets	**62,689**	0.14	45,103	0.11	38.99	(1)
Other receivables	**374,186**	0.83	1,580,256	3.84	-76.32	(2)
Contract assets	**450,893**	1.00	166,842	0.41	170.25	(3)
Assets held for sale	**–**	–	296,641	0.72	-100.00	(4)
Fixed assets	**2,832,371**	6.29	840,078	2.04	237.16	(5)
Construction in progress	**15,198**	0.03	31,264	0.08	-51.39	(6)
Long-term prepaid expenses	**32,405**	0.07	5,962	0.01	443.53	(7)
Deferred tax assets	**597,341**	1.33	172,392	0.42	246.50	(8)
Bills receivable	**9,895**	0.02	–	–	N/A	(9)
Long-term receivables	**339,110**	0.75	160,973	0.39	110.66	
Prepayments	**335,583**	0.75	166,448	0.40	101.61	(10)
Accounts receivable	**722,267**	1.60	174,639	0.42	313.58	
Goodwill	**156,040**	0.35	–	–	N/A	
Bills payable	**131,750**	0.29	–	–	N/A	
Provision	**10,285**	0.02	–	–	N/A	
Accounts payable	**970,759**	2.16	714,906	1.74	35.79	(11)
Right-of-use asset	**152,870**	0.34	–	–	N/A	(12)
Lease liabilities	**118,270**	0.26	–	–	N/A	
Short-term borrowings	**363,878**	0.81	117,425	0.29	209.88	(13)
Taxes payable	**256,919**	0.57	1,353,424	3.29	-81.02	(14)
Long-term employee benefits payable	**2,217,015**	4.93	–	–	N/A	(15)
Long-term payables	**105,824**	0.24	–	–	N/A	(16)
Other non-current liabilities	**–**	–	128,370	0.31	-100.00	(17)
Non-current liabilities due within one year	**505,102**	1.12	379,136	0.92	33.22	(18)

Descriptions of assets and liabilities:

(1) Foreign exchange swap instruments were under the influence of exchange rate fluctuation.

(2) Receipt of the remaining compensation from the government for the repurchase of the Three Projects and the remaining capital reduction of United Land Company and interests.

(3) Increase of the construction fee advanced for Duohua Project and Nanjing Wind Power was consolidated into the financial statements of the Group.

(4) Complete the transfer procedures of 100% equity interests and creditor's rights of four subsidiaries including Guizhou Shengbo.

(5) Baotou Nanfeng was consolidated into the financial statements of the Group and the investment in the renovation on the non-stop toll collection system was carried forward to fixed assets after completion.

(6) Carried forward of the construction-in-progress which have been completed.

(7) Payment of the decoration fee for long-term rental apartment project.

(8) Coastal Company recognised deferred income tax assets in respect of partially deductible losses and impairment of road assets incurred in previous periods.

(9) Items in related statements increase due to the consolidation of Baotou Nanfeng into the financial statement.

(10) Items in related statements increase due to the consolidation of Nanjing Wind Power into the financial statement.

(11) Consolidation of Nanjing Wind Power and Baotou Nanfeng into the financial statements of the Group.

(12) Please refer to Note III\35 to the Financial Statements for effect of changes in accounting policies.

(13) Increase short-term borrowings in light of the adequacy of funds in the marketplace.

(14) Payment of related taxes and expenses for the disposal of the assets of the Three Projects.

(15) Shareholder loan (long-term) from United Land Company was received and Baotou Nanfeng was consolidated into the financial statements of the Group.

(16) The deferred portion of the incremental profit bonus is classified as non-current liabilities

(17) Advanced compensations related to the freight subsidy of Coastal Expressway were classified as non-current liabilities due within one year.

(18) Bond interest payable was classified as non-current liabilities due within one year.

Management Discussion and Analysis

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

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

Assets	Type	Bank	Scope of security	Term
Toll collection rights of Qinglian Project[1]	Pledge	A consortium including China Development Bank, etc.	Principal and interests of bank loans in an aggregate amount of RMB5.9 billion	Until repayment of all liabilities under the loan agreement
100% equity interests in Meiguan Company	Pledge	China Construction Bank Shenzhen Branch	Counter-guarantee for the irrevocable guarantee with joint liability in respect of the redemption of the corporate bonds with an amount of RMB800 million upon maturity	Until repayment of corporate bonds (principal and interest)
Toll collection rights of Outer Ring Expressway and all proceeds from the project[2]	Pledge	A consortium including China Development Bank, etc.	Principal and interests of bank loans in an aggregate amount of RMB6.5 billion	Until repayment of all liabilities under the loan agreement
45% equity interests in JEL Company[3]	Pledge	The Hong Kong and Shanghai Banking Corporation Limited	Principal and interests of bank loans in an aggregate amount of HKD350 million	Until repayment of all liabilities under the loan agreement
Toll collection rights of Coastal Expressway[4]	Pledge	A consortium including China Development Bank, etc.	Principal and interests of bank loans in an aggregate amount of RMB5.4 billion	Until repayment of all liabilities under the loan agreement
Equity interests and dividends of four wind farms of Ningyuan, Ningxiang, Nanchuan and Ningfeng companies (all located in Damao Banner) held by Baotou Nanfeng, as well as the electricity bill collection rights of the 198MW project of wind farms and its corresponding income.	Pledge	Three Gorges Financial Leasing Co., Ltd.	Debts and financing handling charges from financing obligations by way of sale and leaseback of its own wind power equipment as leasehold for the 198MW project in wind farms	The date of repayment of all liabilities of finance leases regarding the 198MW wind power stations (sale and leaseback)
Land use rights and auxiliary ground structures and equipment in respect of the 198MW project in wind farms of Ningyuan, Ningxiang, Nanchuan and Ningfeng companies (all located in Damao Banner)[5]	Mortgage			

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

Type of restricted capital	Amount subject to restrictions
Fund in special deposit account for the entrusted construction and management project	RMB1,460 million
Payable guarantee for acceptance of bills	RMB132 million
Consideration for acquisition of equity interest under supervision	RMB210 million

Details of restriction of assets:

(1) Pledged by Qinglian Company, a subsidiary of the Company. As at the end of the Reporting Period, the balance of such consortium loans held by Qinglian Company was RMB1.634 billion.

(2) Outer Ring Company, a wholly-owned subsidiary of the Company, applied for bank loans by pledging the proceeds and credits receivable from the toll collection rights and the operating activities of Outer Ring Expressway. As at the end of the Reporting Period, the balance of such consortium loans withdrawn by Outer Ring Company was RMB3.511 billion.

(3) Pledged by Mei Wah Company, a wholly-owned subsidiary of the Company, for applying bank loans in HKD. As at the end of the Reporting Period, the balance of such loan was HKD50 million.

(4) Pledged by Coastal Company, a wholly-owned subsidiary of the Company, for applying bank loans from the consortium. As at the end of the Reporting Period, the balance of such consortium loans was RMB3.518 billion.

(5) Pledged and mortgaged by Baotou Nanfeng, a controlling subsidiary of the Company. As at the end of the Reporting Period, the balance of such finance lease liability was RMB660 million.

(6) Details of the restrictions on the Group's major assets at the end of the Reporting Period are set out in note V\60 to the Financial Statements in this report.

3. *Capital Structure and Debt Repayment Capability*

The Company is always committed to maintaining a rational capital structure and enhancing its profitability, in order to maintain its good credit ratings and solid financial position. As at the end of the Reporting Period, affected by the increase in total interest-bearing liabilities and the profit distribution for 2018, the debt-to-asset ratio of the Group slightly increased, while the net borrowings-to-equity ratio increased to a certain extent as compared with that at the beginning of the year. During the Reporting Period, the Group's businesses demonstrated steady development, recording an increase in revenue while further enhancing the effectiveness of cost management and steadily improving the debt repayment capability. Given the Group's stable and robust operating cash flows and its strong capability in financing and capital management, the Directors are of the view that the financial leverage ratios remained at a safe level at the end of the Reporting Period.

Key indicators	As at the end of 2019	As at the end of 2018
Debt-to-asset ratio (Total liabilities/Total assets)	**53.87%**	52.46%
Net borrowings-to-equity ratio ((Total borrowings – cash and cash equivalents)/Total equity)	**67.02%**	58.04%
Net borrowing/EBITDA ((Total borrowings – cash and cash equivalents)/Earnings before interests, tax, depreciation and amortisation)[note]	**3.09**	2.20

	2019	2018
Interest covered multiple ((Profit before tax + interest expenses)/Interest expenses)	**4.56**	5.54
EBITDA interest multiple (Earnings before interests, tax, depreciation and amortisation/Interest expenses)	**6.93**	7.21

Note: 2018 Net borrowing/EBITDA indicator does not include gains on disposal of the Three Projects.

4. *Liquidity and Cash Management*

During the Reporting Period, the short term loans of the Group and shareholder loan from United Land Company increased, leading to a decrease in the net current assets as at the end of the period as compared to the end of the previous year. Based on the financial status and capital needs, the Group will strengthen the overall fund arrangements for subsidiaries and key projects, continue to optimise the capital structure, maintain appropriate cash on hand, and sufficient bank credit lines to prevent liquidity risks.

Management Discussion and Analysis

During the Reporting Period, the Company used idle funds to purchase principal-guaranteed RMB wealth management products from cooperating banks on the condition that both safety and liquidity of capital reserve can be assured. As at the end of the Reporting Period, cash used in wealth management has been retrieved, and no deposit was placed in non-bank financial institutions or applied to investment in securities. Detailed information on wealth management products can be found in "Material Contracts and their Performance" below.

Unit: Million Currency: RMB

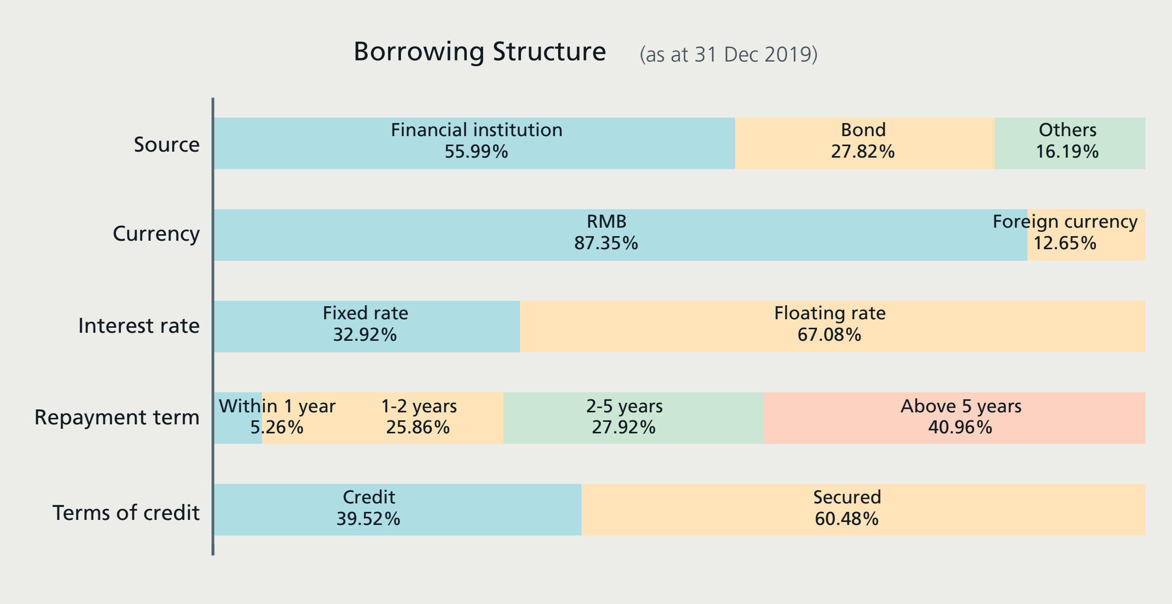
	31 December 2019	31 December 2018	Change in amount
Net current assets	**1,185**	1,487	-302
Cash and cash equivalents	**2,932**	2,581	351
Banking facilities available	**14,366**	13,084	1,282

5. *Financial Strategies and Financing Arrangements*

During the Reporting Period, the central bank continued to implement the stable and loose monetary policy and increased the base currency supply through the cutting of requirement reserve rate and the open market operations, thereby maintaining sufficient market liquidity in general, which has in turn led to a decrease in the price of funds. During the Reporting Period, the Group used its self-owned funds and some bank loans to meet the capital needs of debt repayment, investment expenditures and dividend distribution, etc. The Group negotiated with the financial institutions to cut the rates of some existing debts due to changes in the market profiles in order to further lower financial cost. Simultaneously, the debt structure was further optimised to lower financial cost and control financial risks. In addition, the Company was approved to issue corporate bond amounting to RMB5 billion during the year, which further expanded the financing channels for the Company.

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

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



During the Reporting Period, the Company continued to maintain the highest credit rating of AAA for domestic entities, and maintained the existing investment grade ratings for international entities where Fitch upgraded the rating of the Company to "BBB" from "BBB-". As for credit ratings of debt, corporate bonds and medium-term notes remained at the highest credit rating of AAA.

As of 31 December 2019, the Group had obtained a total of RMB28.7 billion of banking facilities, including RMB15.9 billion of credit facilities specifically for construction projects and RMB12.8 billion of general credit facilities. As at the end of the Reporting Period, un-utilised banking facilities amounted to approximately RMB14.4 billion.

6. *Contingencies*

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

(IV) Analysis of the Investment

1. *General Analysis of External Equity Investments*

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

(1) Material Equity Investments

During the Reporting Period, the total equity investment of the Group amounted to approximately RMB790 million (2018: RMB58 million), representing a YOY increase of RMB732 million, mainly due to the acquisition of equity interests and the increase of capital in Nanjing Wind Power during the Reporting Period, subscription for the additional shares issued by Bank of Guizhou and the increase in investment of the reconstruction and expansion of Yangmao Expressway. For details, please refer to the content in Business Review above. The details of material equity investments during the Reporting Period are as follows:

Unit: Yuan Currency: RMB

Name of Investee company	Major business	Shareholding	**Investment amount in 2019**	Description
Yangmao Company	Investment, construction and operation management of Yangjiang-Maoming Expressway and development of its supporting service projects	25%	**108,750,000.00**	The approved estimated budget for reconstruction and expansion of Yangmao Expressway is estimated to be RMB8.0 billion (35% are self-raised funds), and the Company should invest RMB700 million in proportion to the 25% shareholding ratio. During the Reporting Period, the Company paid RMB109 million according to shareholding ratio and project progress.
Nanjing Wind Power	Engaging in the research and development, integration, production, installation, sales and maintenance of wind power generation system, as well as investment and operation of wind farms	51%	**510,000,000.00**	During the Reporting Period, the Company's subsidiary, Environment Company, acquired 30% equity interests in Nanjing Wind Power at a consideration of RMB210 million and made an one-way contribution of RMB300 million. Upon completion of this acquisition and capital increase procedures, Environmental Company had held a total of 51% equity interest in Nanjing Wind Power.

Management Discussion and Analysis

Name of Investee company	Major business	Shareholding	**Investment amount in 2019**	Description
Baotou Nanfeng	Engaging in the investment, development and operation of wind power projects.	67%	**0.67**	During the Reporting Period, the Company acquired 67% equity interest in Baotou Nanfeng at a consideration of RMB0.67 and assumed their shareholders' responsibility for the debt of Baotou Nanfeng of approximately RMB1,352 million in proportion to their shareholdings.
Bank of Guizhou	Engaging in financial services.	3.44%	**171,044,470.10**	Bank of Guizhou has been listed on the HKEx since 30 December 2019, 76,207,000 shares of which were subscribed under IPO by the Group at a price of HK$2.48/share through Mei Wah Company, a wholly-owned subsidiary of the Group. As at the end of the Reporting Period, the Group held a total of around 502,000,000 shares in Bank of Guizhou.

(2) *Material Non-equity Investments*

During the Reporting Period, the Group's expenditures on material non-equity investments mainly comprised expenditures for the construction of Outer Ring Project and Coastal Phase II, renovation on the non-stop toll collection system of ancillary toll highways and the investment in road properties and mechanical and electrical facilities of the highway sections operated by subsidiaries, totalling approximately RMB1,772,114,000. The investments in major projects are as follows:

Unit: '000 Currency: RMB

Project name	Project amount	Project progress	**Amount invested during the Reporting Period**	Actual accumulated amount invested	Gains from the project
Outer Ring Project	6,500,000	67%	**1,351,014**	3,550,221	For details of the operational performance of projects (except for Outer Ring Project and Coastal Phase II, which is in the beginning stage of construction) during the Reporting Period, please refer to the Analysis of Main Business as set out above.
Coastal Phase II	1,000,000	40%	**19,299**	29,770	
Investment in the renovation on the non-stop toll collection system	438,000	100%	**164,007**	164,007	
Total	/	/	**1,534,320**	3,743,998	/

(3) Financial Assets at Fair Value

Unit: '000 Currency: RMB

Item name	Opening balance	Closing balance	Change during the period	Impact on total profit for the period
Transactional financial assets	45,103	**62,689**	17,586	17,586
Other non-current financial assets	180,439	**217,939**	37,500	37,500

(V) Sale of Material Assets and Equity

During the Reporting Period, the Group's material equity sale mainly involved the transfer of 100% equity and creditor's rights of four subsidiaries including Guizhou Shengbo. For details, please refer to point II "Description on Material Changes in Profits from Non-main Business" above. During the Reporting Period, no material assets were sold.

(VI) Analysis of Major Controlling Companies and Participating Companies

Unit: '000 Currency: RMB

			31 December 2019		2019			
Company name	Percentage of interests held by the Group	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit/ (net loss)	Principal business
Meiguan Company	100%	332,400	814,439	522,177	153,073	58,340	44,203	Construction, operation and management of Meiguan Expressway
Jihe East Company	100%	440,000	1,748,066	1,271,796	770,966	434,040	325,229	Construction, operation and management of Jihe East
Mei Wah Company	100%	HKD795,381	1,981,082	1,277,312	412,534	294,232	239,907	Indirectly holding 25% interests in Qinglian Company, 10% interests in Qianlong Company and 100% interests in Magerk Company
Qinglian Company	76.37%	3,361,000	6,862,855	2,876,313	840,344	173,256	127,946	Construction, operation and management of Qinglian Expressway and related auxiliary facilities
JEL Company	100%	USD28,000	695,392	538,365	412,534	210,329	157,654	JEL Company: investment holding (holding interests in Magerk Company); Magerk Company: toll collection and management of Wuhuang Expressway
Qinglong Company	50%	324,000	2,734,798	1,592,712	658,485	-406,133	-302,492	Development, construction, toll collection and management of Shuiguan Expressway
Investment Company	100%	400,000	2,106,379	796,412	688,093	352,805	164,166	Investment in industries and project construction
Guishen Company	70%	500,000	2,012,007	1,146,763	680,655	409,192	214,769	Investment, construction and management of road and urban and rural infrastructure
Yichang Company	100%	345,000	2,914,089	1,513,033	403,518	152,824	118,616	Construction, operation and management of Yichang Expressway
Coastal Company	100%	4,600,000	8,410,383	6,130,025	534,068	145,835	583,302	Investment in the construction and operation of the Shenzhen section of the Guangzhou-Shenzhen Coastal Expressway

Management Discussion and Analysis

			31 December 2019		2019			
Company name	Percentage of interests held by the Group	Registered capital	Total assets	Net assets	Revenue	Operating profit	Net profit/ (net loss)	Principal business
United Land Company	34.3%	714,286	12,145,030	4,411,080	4,067,148	1,371,738	1,034,606	As the reporting entity and legal person for the Meilin Checkpoint Urban Renewal Project, it is responsible for acquiring the land, demolition and relocation and other works in respect of the Meilin Checkpoint Urban Renewal Project
Environment Company	100%	5,000,000	7,260,028	5,458,965	511,304	237,689	197,401	Investment and launching of projects of environmental protection industry as well as investment, construction, operation and management of municipal public works and environmental management engineering. The major asset is 20% equity interests held in Derun Environment
Derun Environment	20%	1,000,000	42,066,457	15,310,511	10,021,925	2,173,225	967,338	The principal business of Derun Environment is investment holding. The major assets are 50.04% and 56.62% equity interests held in Water Group and Sanfeng Environmental, respectively
Outer Ring Company	100%	100,000	4,317,995	100,000	–	–	–	Investment in the construction and operation of the Shenzhen section of Outer Ring Expressway
Nanjing Wind Power	51%	357,143	2,155,600	759,316	511,126	74,190	65,276	The research, integration, manufacture, installation, sales and maintenance of wind power generation system, as well as investment and operation of wind farms
Baotou Nanfeng	67%	6,000	2,123,799	37,012	87,667	36,902	37,012	The investment, development and operation of wind power projects

Note: the table above is consolidated. The income and the net profit of Nanjing Wind Power and Baotou Nanfeng for 2019 in the table above were the amounts realised upon the completion of acquisition of relevant equity interests.

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

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

1. Impact of Implementing New Accounting Standards

At the end of 2018, the Ministry of Finance of the PRC issued the revised Accounting Standards for Business Enterprises No. 21 – Lease (the "New Lease Standard"). In accordance with the requirements of the standard, as an A+H listed company, the Group began to adopt the New Lease Standard and change the relevant accounting policies from 1 January 2019. The changes in this accounting policy have been reviewed and approved at the 15th meeting of the 8th session Board of Directors of the Company. For details, please refer to the Company's announcement of the Board's resolution dated 22 March 2019.

The Group has applied the New Lease Standard since 1 January 2019. According to relevant requirements of the convergence rules in the New Lease Standard, it is optional to adjust the amount of the retained earnings and other relevant accounts in the financial statement at the beginning of the year when the New Lease Standard is initially implemented based on the cumulative impact of the initial implementation of the New Lease Standard without adjusting the information for the comparable period. During the Reporting Period, the Group has adopted the New Lease Standard, and discounted the remaining lease payment based on the lessee incremental borrowing rate as of the first implementation date of the New Lease Standard, recorded present value RMB124,331,000 as lease liability and recognised RMB132,917,000 as right-of-use asset. The difference of RMB8,586,000 between the lease liability and the right-of-use asset is the prepaid lease payment.

2. Impact of Changes in Accounting Estimates

According to the Company's requirements under relevant accounting policies and systems, and in view of the actual situation of each main toll roads, the Group changed relevant accounting estimates of unit amortisation amount of the concession intangible assets of Jihe East, Jihe West and Meiguan Expressway with effect from 1 April 2019. The above changes in accounting estimates have resulted in an increase of approximately RMB36,122,000 in equity attributable to owners of the Company as of 31 December 2019 and an increase of approximately RMB36,122,000 in the Group's net profit for the Reporting Period. The above changes in accounting estimates did not have significant impact on the financial position and operating results of the Group as a whole.

3. Impact of the Revision of the Report Format

Pursuant to the requirements of Notice on Format Revision of 2019 Annual General Financial Statements issued by the Ministry of Finance in April 2019 (Accounting [2019] No. 6), since the Company has implemented the above New Lease Standard, it should prepare its financial statement in accordance with Appendix 2 pursuant to the requirement of the said notice. Adoption of the new statement format mainly concerns the reclassification of certain assets, liabilities and profit and loss items in the financial statements of the Group, and there will be no impact on the net assets and net profit attributable to the shareholders of the Company.

The above changes in accounting policies and accounting estimates have been reviewed and approved at the 19th meeting of the 8th session Board of Directors of the Company. For details, please refer to note III\35 to the Financial Statements in this annual report and the relevant announcements of the Company dated 23 August 2019.

Management Discussion and Analysis

(VIII) Fulfillment of performance commitment and impact on goodwill impairment test

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

The audited revenue and net profit of Nanjing Wind Power for 2019 were RMB512 million and RMB58 million, respectively, both meeting the performance target for 2019. The Group's goodwill arising from the acquisition of equity interests in Nanjing Wind Power was RMB156 million. Pursuant to the evaluation report issued by Shenzhen Pengxin Asset, Land and Real Estate Appraisal Co., Ltd. on the asset position of Nanjing Wind Power as of 31 December 2019 (i.e. the evaluation benchmark date), the recoverable amount of the asset group (including goodwill) was RMB1,369,490,000, which is higher than the carrying amount, hence, no impairment loss on goodwill was recorded.

(IX) Proposed Profit Distribution

The Company's net profit in its 2019 audited consolidated statements based on CASBE and that of the parent company in its statements were RMB2,499,484,975.75 and RMB1,361,437,567.20 respectively. Pursuant to the relevant PRC regulations and the Articles of Association, the Company withdrew its statutory common reserve fund of RMB136,143,756.72 for the year of 2019. The Board recommended to distribute a final dividend of RMB0.52 per share (tax inclusive) in cash to all shareholders for the year ended 31 December 2019, based on the total share capital of 2,180,770,326 shares at the end of 2019, with an aggregate amount of RMB1,134,000,569.52, representing 45.37% of the net profit as shown in the 2019 consolidated statements. The residual balance upon distribution shall be carried forward to the next year. No capital reserve was converted into share capital during the year. The aforesaid recommendation will be proposed at the 2019 Annual General Meeting of the Company for approval.

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

The Company has always been pursuing to reward its shareholders and has been distributing cash dividends for 22 consecutive years since its listing.

Pursuant to the Articles of Association, the Company shall implement a proactive cash dividend policy in line with the principle of attaching great importance to reasonable returns to shareholders while satisfying the needs of sustainable operation and development. The Articles of Association has a clear standard of dividend distribution and the minimum proportion of annual dividends, and has formulated sound decision-making procedures and mechanisms. Any modification to the profit distribution policy or failure in formulating/implementing profit distribution proposals according to such policy by the Company shall be proposed at the general meeting by way of a special resolution for consideration. In addition, the Proposal on Shareholders' Return for the Next Three Years (2017–2019) of the Company ("Shareholders' Return Proposal") specifies that the Company will endeavor to increase its cash dividend ratio in the three years (2017 to 2019). In case of a sound financial and cash position and that there is no significant investment plans or cash expenditures, the Company intends to allocate the annual profits by cash amounting to not less than 45% of the distributable profits realised during the year.

The 2019 profit distribution proposal (including the cash dividend proposal) formulated by the Company was in compliance with the relevant requirements of the Articles of Association and the Shareholders' Return Proposal. In formulating and determining the proposal, the Independent Directors have issued an independent opinion after careful study and analysis of relevant factors, and the Company is also able to listen to the opinions of the Independent Directors and the shareholders through various channels, and give regard to the demands and legitimate interests of the minority investors.

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

Unit: RMB

Year of dividend distribution	Number of bonus shares for every 10 shares	Dividend (RMB) for every 10 shares (tax inclusive)	Number of share (share) for conversion of capital reserve into share capital for every 10 shares	Cash dividend (tax inclusive)	Net profit in consolidated statements for the year of distribution	Percentage (%) of dividend over the net profit in consolidated statements
2019 (Proposed)	0	5.20	0	1,134,000,569.52	2,499,484,975.75	45.37%
2018	0	7.10	0	1,548,346,931.46	3,440,050,607.33	45.01%
2017	0	3.00	0	654,231,097.80	1,426,402,801.01	45.9%

Note: The net profits attributable to ordinary shareholders of listed companies in the consolidated statements for 2017 in the above table are data before being restated.

Management Discussion and Analysis

III. Outlook and Plans

(I) Development Strategies of the Company

Based on the in-depth study of the changes in the development of both internal and external environment, the fourth meeting of the seventh session of the Board of the Company held in June 2015 approved the "2015–2019 Development Strategies" of the Company. The Company will "pursue a market-oriented and innovation-driven strategy, continue to seize the opportunities of this era to consolidate and strengthen the core business of toll highway and actively explore and determine the new industry direction so as to achieve the sustainable development of the Company". In view of the promising development prospect and immense business opportunities in domestic transport infrastructure, comprehensive urban exploration and the general-environmental protection industry, as well as the compatibility of the business model and core competitiveness, the Company has basically determined the development directions of placing emphasis on and implementing new projects for the above two industries. In this connection, the Company will actively explore and put into practice the transformation and development of its business to ensure the stable and sustainable development of its business operation.

The "2015–2019 Development Strategies" of the Company has been completed, and its implementation has been recapped and concluded under the section headed "Five-year Strategic Overview" in the "Chairman's Statement" of this annual report. The formulation of the new "2020–2024 Development Strategies" was basically completed. In general, the Company will, on the basis of its achievements from the transformation and development in the previous strategic phase, continue to pursue the development of its two core businesses, namely transport and urban infrastructure and general environmental protection. Leveraging its core businesses, the Company will also proactively explore and cultivate new businesses, such as comprehensive urban service and integration of industry and finance. The particulars of these strategies, such as specific strategic goals and implementation procedures are still in the process of research and deliberation.

(II) Operation Plans

The basic judgment of the Group on the business environment and its basic understanding of the industry development trend and competition layout were explained under the section headed "Future Outlook" in the "Chairman's Statement" in this annual report. In view of the actual situations of the Group, the working goals and focuses for the Group in 2020 are as follows:

- **Operating Targets:** According to the requirement of the MOT, all toll highway projects operated and invested by the Group will implement a toll-free policy during the outbreak of the epidemic from 00:00 on 17 February 2020. The Group's 2020 operating targets will be affected by the implementation of this policy. In view of the time period for the toll-free policy during the epidemic and the relevant supporting policies are still not yet determined, the Group's 2020 operating targets are also subject to considerable uncertainty. The Group will closely monitor relevant policy trends and actively adopt coping strategies, and it will determine and disclose its operating targets in a timely manner.

- **Toll Highway Business:** The Group will maintain sound communication with the transport departments on supporting and protective policies, so as to minimise the impact caused by the toll-free policy implemented during the period of prevention and control of the epidemic. During the period of prevention and control of the epidemic, the Group will further optimise its cost management and control system to align with the characteristics of operation and management at this stage in an effort to reduce cost on a continuous basis. In terms of project construction, the Group will strive to maintain the construction quality of Coastal Phase II and Section A of Outer Ring, and minimise the impact on construction progress due to the suspension of construction during the epidemic. The Group will further enhance the level of informatisation and intelligence in its construction and operation activities through intelligent collection and integration with a view to earnestly enhancing the level of centralised dispatching management and the comprehensive monitoring and management ability. The Group will also proactively explore opportunities for mergers and restructuring, invest in promising toll highway and bridge projects and continue to strengthen its core business of toll highway.

Management Discussion and Analysis

- **General Environmental Protection:** The Group will properly carry out the construction of Guangming Environmental Park Project, and ensure that it can be completed as scheduled. The handover of and coordination for Lande Environmental project will be completed, while the construction and operation of various BOT/PPP projects will progress as planned. Capitalising opportunities from the market, the Group will step up its effort in boosting the production capacity of Nanjing Wind Power. Systems of safe operation and cost control for wind farms in Baotou will be improved, so as to guarantee that the electricity production target can be met. The Group will continue to optimise the general environmental protection industry platform and the organisation structure, management system and financial structure of its subsidiaries, including Lande Environmental, Nanjing Wind Power and Baotou Nanfeng, with a view to accelerating the creation of synergy between such subsidiaries and other resources of the Group. The Group will pursue appropriate investment opportunities with a focus on segments such as waste treatment, hazardous industrial waste and clean energy. In addition to the continuous recruitment and cultivation of professional talents, and improvement of performance appraisal and salary incentive mechanism, the Group will also enhance its dedication to the research and development of environment technology, and strengthen cooperation with local and international higher education institutes and scientific research institutions in a bid to enhance its core competitiveness.

- **Strategic Research and Business Expansion:** In 2020, the Group will continue to properly carry out the preliminary work of the reconstruction and expansion of Jihe Expressway. On the one hand, the Group will specify the construction plan; on the other hand, the Group will maintain a close communication with the government so as to improve the investment and financing plans. The Group will continue to properly carry out the construction work of Duohua Bridge and Bimeng Project, the development and sales in relation to Meilin Checkpoint Renewal Project and the land development and cash realisation of Guilong Land, and will actively promote the preliminary work such as the feasibility study of infrastructure construction of roads in Shenzhen-Shanwei Special Cooperation Zone. In addition, upon completion of the formulation, approval and implementation of the "2020–2024 Development Strategies", the Group will research, reserve, select and examine projects on toll highway and environmental sub-sectors that are in line with the Company's development strategies and continue to pay attention to and control risks.

- **Financial Management and Corporate Governance:** The Group will strengthen its classification management and control and financial management on the invested companies, and establish a comprehensive authorisation management and control system based on the characteristics of newly acquired enterprises. Through adopting information technology, the Group will strengthen capital planning and management within the Group, implement budget and medium and long-term forecast management, and coordinate financial resources. The Group will actively promote the non-public offering of H shares to replenish the Company's capital, at the same time maintaining sound fund management and financing to reduce financing costs and ensure financial safety. The Group will also adhere to the principles of good corporate governance and further improve corporate governance and various operational rules, with the aim to effectively improve the transparency and independence of the Company's operations, optimise the multi-level incentive and restraint system and promote the healthy and stable development of the Company.

(III) Capital Expenditure Plan

As at the approval date of this report, the Group's capital expenditure plan approved by the Board mainly comprised construction expenditures of projects such as investment in Outer Ring Project, Coastal Phase II and reconstruction and extension of Jihe Expressway; investment in road properties and mechanical and electrical equipment in the auxiliary operation sections; equity investment in reconstruction and expansion of Yangmao Expressway and environmental protection projects of Lande Environmental. It is expected that the total amount will be approximately RMB7.65 billion by the end of 2022. The Group plans to satisfy such capital needs with its own funding and bank borrowings. According to the Directors' assessment, the Group's financial resources and financing capability are currently sufficient for satisfying the needs of various capital expenditures.

The capital expenditure plan of the Group from 2020 to 2022 is as follows:

Unit: '000 Currency: RMB

Project	2020	2021	2022	Total
I. Investment in intangible assets and fixed assets				
Outer Ring Project	1,179,163	1,770,616	–	2,949,779
Coastal Phase II	18,455	16,720	16,720	51,895
Settlement of completed projects such as Qinglian Expressway, Reconstruction and Expansion of Meiguan Expressway, etc.	39,484	–	–	39,484
Initial Expenditure for Reconstruction and Extension of Jihe Expressway	400,497	–	–	400,497
ETC renovation investment	189,643	–	–	189,643
Reinforcement of Changsha Ring Road Pavement Structure	272,688	73,600	11,400	357,688
Kitchen waste project of Lande Environmental	700,000	300,000	–	1,000,000
Guangming Environmental Park Project	358,000	350,000	–	708,000
Other investment (Investment in mechanical and electrical equipment, etc.)	264,087	239,090	239,090	742,267
II. Equity investment				
Reconstruction and expansion of Yangmao Expressway	103,750	196,580	196,590	496,920
Environmental protection projects of Lande Environmental [Note]	379,500	–	–	379,500
Environmental Technology Industry Merger and Acquisition Fund	135,000	–	–	135,000
Other projects	198,690	–	–	198,690
Total	**4,238,958**	**2,946,606**	**463,800**	**7,649,364**

Note: the total investment in Lande Environmental Project is not more than RMB809,600,000, among which approximately RMB379,500,000 was the consideration of the transfer and approximately RMB430,100,000 was the capital contribution. Upon consolidation of Lande Environmental into the financial statements of the Group, the capital increase was offset internally, and the investment amount is accounted for not more than RMB379,500,000 on a consolidated basis.

Management Discussion and Analysis

(IV) Risk Management

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

1. Operational Management Risks

Risk position/analysis:

In 2020, the official launch of the nation-wide ETC toll interconnection project has brought new challenges to the toll collection model and management model of the Group's operation. Optimisation of operation will be required in terms of toll collection model and management model of the Group, to meet new challenges generated therefrom, including new requirements on the function of toll collection systems and facilities as well as workload in relation to toll collection inspection and accounting. To a large extent, electronic toll collection has replaced manual toll collection, which on one hand resulted in the problem of staff allocation and job placement, and on the other hand, imposed higher requirements on contingency response capability during the operation of highways. In addition, certain discounts have been offered for ETC toll collection, which may cause certain negative impacts on toll revenue.

Management/response measures:

Upon satisfactory completion of the transformation of toll stations and commissioning of toll collection system in 2019, the Group has switched its toll collection system successfully on 1 January 2020. The new toll collection system and facilities operated reliably as a whole with strong support and the Group will strengthen the communication and coordination with government departments and system suppliers to finalise the specific details of adjustment and complete the running-in as soon as possible. Meanwhile, the Group will also further improve the operation procedures and institutional system, maintain close communication with the operation centre and other toll highway operators, and actively participate in the establishment of audit and credit system with an aim to manage the relevant risks. The Group will carry out internal transfer or job placement of toll collection personnel in accordance with the laws and reinforce the collection, summarisation and integration of data, hence increasing the level of centralised dispatching management and comprehensive monitoring and management capability as well as promoting the upgrade of toll highways with intelligent technology.

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

2. Financing Risk

Risk position/analysis:

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

The Group will have to raise additional funds for satisfying the construction costs of Outer Ring Project, Coastal Phase II, Guangming Environmental Park Project, Duohua Bridge and Bimeng Project, and the acquisition cost of Lande Environmental, hence it is expecting a surge in capital expenditures. In case of capital shortage or cost increase in the future market, the Group may be exposed to financing risks, which will in turn affect the Company's operating results.

Management/response measures:

The Group's excellent financing and capital management capability are its major core advantages. The Group will manage such risk in the following manners: (1) analyse changes of macro financial environment and internal financial position to formulate and, on a timely basis, adjust financing strategy, as well as study and implement specific financing scheme in fields supported by the policies; (2) actively promote the non-public issuance of H shares to replenish the Company's capital, enhance the Group's sustainable profitability and its ability to obtain additional financing; (3) timely analyse the changes in the bond market and policy environment to explore the appropriate timing and arrange the issuance of corporate bonds as appropriate; (4) maintain close cooperation and communication with banks, relevant government authorities and investment platforms to actively study financing products and methods including securitisation and Reits and further expand financing channels; (5) coordinate bank resources, maintain sufficient credit lines, strengthen the management of existing credit lines, maintain effective communication and information renewal with credit rating agencies and safeguard the Company's domestic and overseas credit rating.

3. Business Expansion Risks

Risk position/analysis:

Since the Group specified the general-environmental protection industry as its second core business, it has made breakthroughs in the general-environmental protection business with the successive acquisition of shares in Nanjing Wind Power, Baotou Nanfeng and Lande Environmental and co-investment in Guangming Environmental Park Project with other partners in 2019. The Group needs to cope with the issues of how to manage partnerships, how to consolidate its M&A projects and how to align its management model with the Group's strategies while retaining the existing management team and core talents.

Management Discussion and Analysis

With the preliminary works of the reconstruction and expansion of Jihe Expressway is in progress, the Group has encountered difficulties for the reconstruction and expansion of Jihe Expressway such as the increase in land acquisition and demolition costs as well as construction costs. Under normal circumstances, the tolling period can be extended as appropriate if the reconstruction and expansion are carried out for the purpose of improving the traffic capacity. However, the reconstruction and expansion of the existing projects are subject to material risk, that is, whether the enhancement of traffic capacity through reconstruction and expansion and the increase in revenue through the extension of tolling period will be able to cover the investment made for reconstruction and expansion and whether it will be able to bring reasonable investment return.

Management/response measures:

Aiming to realise standardised management and sustainable development of each acquisition and collaboration projects, the Group will establish and improve its various rules, regulations and systems as well as incentive measures, and assign staff to be responsible for the management of the project companies so as to achieve all-round control over respective risks in terms of investments, finance, management, operations and human resources. Leveraging its advantages in project construction and fund raising, the Group will push ahead with the construction of all acquisition and collaboration projects and optimise the financial structure of each project company to reduce the comprehensive finance costs. Regarding its management and organisational structure, the Group will standardise and refine its authorisation management system by benchmarking to the industrial leaders, at the same time establishing and optimising the rules, regulations and systems and working procedures in connection with party building and discipline inspection, project construction, financial management, investment management, safety management and administration and human resources, and improving its remuneration management and long-term incentive system, hence boosting the motivation of its staff and enhancing their sense of identity towards Shenzhen Expressway.

For the reconstruction and expansion of the existing projects, apart from devoting efforts in construction feasibility studies and drawing designs, the Group has also regarded project financing plans and business model design as the significant measures to manage the risks of expansion of toll highway projects. As for project financing, besides the evaluation of project value, reasonable financing and capital bridging solutions during the design and construction as well as operation period can also effectively reduce the financial risk of the project. With regard to business model design, the Group will give full play to the innovative capabilities of the business model, conduct sufficient evaluation and estimation on the project value, maintain adequate communication and cooperation with the government, specify rights and responsibilities through business contracts and control relevant risks, striving to achieve a win-win situation benefiting the government, society and enterprises.

4. *Construction and Management Risks*

Risk position/analysis:

The current construction cost, future operating cost, project profitability and company reputation are directly or indirectly dependent on whether the project construction met the expected objectives in terms of construction period, quality, cost, safety and environmental protection. Fluctuations of building materials price, change of planning or design, new policy and technical regulations promulgated by the government, administrative measures on public affairs introduced by the government and the adjustment of development plans made by the government may affect the realisation of the above construction and management goals.

In 2020, the Group's main construction projects include Section A of Outer Ring, Coastal Phase II, Guangming Environmental Park Project and Duohua Bridge, etc., with the total construction scale exceeding RMB5 billion in the next few years. Looking forward, the Group will commence the reconstruction and expansion of Jihe Expressway, which will bring more challenges to the Group in terms of construction technology, traffic organisation and closure measures.

Management/response measure:

Project construction management capability has become one of the Group's important core competencies after more than 20 years of development. The Group has maintained an effective management system and is capable of managing various types of risks in the course of project construction. For preliminary works, the Group will conduct full research, strengthen communication with design units, optimise design and construction plans, overcome technical difficulties, and economise project cost. As for contract and construction management, on the one hand, the Group will take full consideration of the adjustment of material spreads in the construction contract, which can effectively reduce or transfer building material price fluctuation risks through the terms of the contract. On the other hand, the Group will enhance internal control and reduce changes of design by strengthening its management of changes in construction projects. Changes in construction projects shall be reported hierarchically and strictly as required, and responsibilities shall be allocated on an equality basis in terms of duties, powers and interests. In terms of quality and safety management, the Company will re-classify the source of the material risk of projects in order to identify safety pitfalls in time, at the same time devoting efforts in safety management training and preparing various contingency plans. The Company will strictly implement the management procedures to strengthen the supervision of on-site materials, test management, standardisation of production operations and safety management. For the reconstruction and expansion projects, the Group needs to strengthen its communication and coordination with the government departments in duly arranging the construction and traffic organisation plans and thereby minimising the comprehensive negative impact of the reconstruction and expansion projects on the Company and road users.

Report of the Directors

The Board presents herewith the Report of the Directors and the audited financial statements for the year ended 31 December 2019. The financial statements were prepared in accordance with CASBE, and also in compliance with the disclosure requirements under the Hong Kong Companies Ordinance and the Listing Rules of HKEx.

Principal Activities and Business Review

The principal activities of the Group are the investment, construction and operation management of toll highways and roads as well as other urban and transport infrastructure in the PRC. During the Reporting Period, there is no substantial change in respect of the Group's businesses. Discussion and analysis of the Group's business as required by the relevant regulations and guidelines (including but not limited to the Hong Kong Companies Ordinance) can be found in "Management Discussion and Analysis" in this annual report, the Notes to Financial Statements and the Social Responsibility Report 2019 of the Company dated 18 March 2020.

Major Customers and Suppliers

Given the nature of the business of the Group, there are normally no major sales or purchase in relation to its ordinary course of business. During the Reporting Period, the revenue from the Group's top five customers and the amount of purchases from the Group's top five suppliers accounted approximately 15% of the Group's total revenue and total amount of purchases, respectively. For details, please refer to "Financial Analysis" of "Management Discussion and Analysis" in this annual report. No further disclosure in respect of its major customers and suppliers is to be made by the Group.

Results and Profit Distribution

The results of the Group for the year ended 31 December 2019 are set out in Consolidated Statement of Profit or Loss and Other Comprehensive Income in this annual report.

The Board recommended the payment of a final dividend of RMB0.52 (tax included) per share in cash for 2019, the details of which are set out in "Financial Analysis" of "Management Discussion and Analysis" in this annual report.

Financial Highlights of the Group

The financial positions of the Group and the Company as at 31 December 2019 are set out in Consolidated Statement of Financial Position and Company Statement of Financial Position in this annual report.

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

Share Capital

The share capital of the Company was RMB2,180,770,326. Details are set out in "Share Capital and Shareholders" and note V\40 to the Financial Statements in this annual report.

Purchase, Sale or Redemption of Securities

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

Pre-emptive Rights

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

Tax and Tax Relief

Shareholders of the Company are taxed in accordance with the following tax regulations and the amendments thereof from time to time. They shall enjoy possible tax relief according to the actual situation. The following cited laws, regulations and stipulations are all relevant provisions issued before 31 December 2019. Shareholders should, if necessary, consult professional tax and legal advisors for advices relating to specific tax payment or the impact therefrom:

Holders of A Shares:

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

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

Holders of H Shares:

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

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

Report of the Directors

Investors of Shanghai-Hong Kong Stock Connect Program:

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

Charity Donations

During the Reporting Period, the Group donated RMB920,000 for charity or public welfares.

Environmental Policies and Performance

As a corporation with the principally engaged in the investment, construction and operation management of toll highways and roads as well as other urban and transport infrastructure in the PRC, the Company adheres to the basic environment policy of "using resources rationally and protecting the environment, as well as promoting the practical application of environmentally-friendly technologies and materials in various aspects such as daily management, engineering design and construction". The Company integrates its business philosophy of environmentally-friendly, recycling and low carbon into each aspect and the entire process of the Company's operation. The Company also strictly complies with laws, regulations and industry provisions such as Environmental Protection Law, Air Pollution Prevention Law, Solid Waste Pollution Prevention Law, Water Pollution Prevention Law, Environmental Impact Assessment Law and Regulations on the Administration of Construction Project Regarding Environmental Protection. The Company also promotes green construction and low carbon operation, actively develops and introduces innovative technologies, innovative processes and environmentally-friendly materials so as to encourage energy saving and emission reduction, promote recycling of resources and endeavor to assume the social responsibility of protecting the environment.

For details of the Group's environmental policies and performance during the Reporting Period, please refer to the Company's Social Responsibility Report 2019.

Relationship with Stakeholders

Stakeholders of Shenzhen Expressway include shareholders, customers, employees, creditors, service providers, the community and the environment. Committed to good corporate citizenship, the Company has incorporated the concepts of sustainable development and social responsibility into its daily operation and corporate culture. While achieving its growth, the Company assumes its responsibilities towards its stakeholders, such as its shareholders, customers, employees, creditors, service providers, the community and the environment. The Company's responsibility statement is as follows:

Shareholders	Customers
■ Equal right of information ■ Truthful, accurate and complete information disclosure ■ Reasonable investment returns	■ Quality road products ■ Quality services ■ Enhance customers' satisfaction
Creditors	**Service Providers**
■ Honesty and credibility, timely repayment of loans	■ Fairness and equitability, co-development
Employees	**Environment and Community**
■ Stable and reasonable remuneration and benefit guarantee ■ Room for career development and platform for learning and growth ■ Safe working environment ■ Enhance employee compatibility	■ Rational utilization of resources, emphasis on environmental protection ■ Operation and tax payment in compliance with laws ■ Contribution to technological progress of the industry ■ Contribution to harmonious social development

In 2019, the Company continued to communicate and interact with various stakeholders through different channels to create a mutually beneficial and win-win relationship and promote the sustainable development of the Company. For details of the Company's fulfillment of social responsibility for stakeholders during the Reporting Period, please refer to the chapter headed "Investor Relations" in this annual report as well as the Company's Social Responsibility Report 2019.

Report of the Directors

Compliance with Laws and Regulations

During 2019, the Group has complied with the relevant laws and regulations that exert a significant impact on its businesses. Pursuant to the disclosure requirements under the "Environmental, Social and Governance Reporting Guidelines" contained in Appendix 27 of the Listing Rules of the HKEx, the relevant details are set out as follows:

Principal laws/regulations	Systems/procedures established by the Company	Compliance measures
Highway Law of the People's Republic of China (《中華人民共和國公路法》) Measures on the Administration of Highway Project Quality (《公路工程質量管理辦法》) Inspection and Evaluation Quality Standards for Highway Engineering (JTG F80/1–2004) (《公路工程質量檢驗評定標準(JTG F80/1–2004)》) Highway Performance Assessment Standards (JTG H20–2007) (《公路技術狀況評定標準(JTG H20–2007)》)	Procedures for Engineering Quality Management (《工程質量管理規程》) Procedures for Construction Safety Management (《施工安全管理規程》) Manual for Standardized Management of Engineering Construction (《工程施工標準化管理手冊》) Manual for the Prevention of Common Quality Issues (《質量通病防治手冊》) Engineering Construction Organization Design Scheme (《工程施工組織設計方案》) Specifications for Supervision of Highway Projects (《公路工程監理規範》)	The Company has strictly implemented its systems and procedures. During the project management process, the Company treats contract management as the core and implements refined control over construction quality through measures such as system management, access management, construction procedure management, and standardized management. It implements quality management systems such as access management for equipment, access system for raw materials, owners' independent random inspection system, first construction recognition system, and trial construction system, so as to ensure the quality of its construction projects.
Regulations on the Administration of Toll Highways (《收費公路管理條例》) Highway Maintenance Technical Specifications (JTGH10–2009) (《公路養護技術規範(JTGH10–2009)》)	Technical Specifications and Acceptance Criteria for Daily Maintenance Projects (《日常養護工程技術規範與驗收標準》) Manual for Project Management of Special Maintenance Work (《專項養護工程項目管理手冊》) Implementation Measures for Maintenance Work and Road Assets Management during the Defect Liability Period of Newly Constructed Highways (《新建公路缺陷責任期內養護、路產管理實施辦法》) Implementation Measures for Entrusted Management of Highway Maintenance Projects (《公路養護項目委托實施辦法》) Administrative Measures for Highway Maintenance Contracts (《公路養護合同管理辦法》)	The Company has been strictly adhering to the National Highway Maintenance Technical Specifications and Assessment Criteria, pursuant to which a mid-to-long term maintenance plan for each expressway mainly based on the five-year maintenance system has been formulated. Routine inspections, frequent inspections and regular inspections have been conducted to ensure the safety of structures such as bridges and tunnels. The Company has been closely monitoring the technical conditions of highways to identify and make corrections for highway damages as early as possible.
Tendering and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》) Implementation of the Tendering and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法實施條例》)	Administrative Measures for Tendering and Bidding of Highway Construction Projects (《公路工程建設項目招標投標管理辦法》) Administrative Measures for Outsourcing and Management of Highway Construction (《公路工程施工分包管理辦法》) Measures for Tendering and Bidding of Construction Projects (《工程建設項目施工招標投標辦法》) Management Measures for Tendering and Bidding of Supervision over Highway Construction (《公路工程施工監理招標投標管理辦法》) Procedures for Project Tendering Management (《工程招標管理規程》) Procedures for Special Construction Technologies (《專用施工技術規程》) Management Measures for Documents of Contractors Engaging in Highway Maintenance (《公路養護承包商檔案管理辦法》)	The Company has formulated and strictly adhered to the standards for special construction technologies in accordance with the regulatory requirements regarding qualification management and tendering and bidding management. The Company has reviewed the qualification of potential contractors, strengthened its control over the quality of tender documents, and conducted regular evaluation and established appraisal and assessment records for the constructors or contractors, with whom it cooperates, striving to select cooperation partners who can meet the requirements for qualification and project quality and establish long term cooperation relationship with creditworthy partners.

Report on Corporate Social Responsibility

In March 2020, the management of the Company has submitted to the Board the "Social Responsibility Report 2019", which focuses on the responsibility and practices of the Company in relation to environment, products, customers, employees, community and other aspects. Details of the performance of the Group in terms of corporate social responsibility in 2019 is set out in the "Social Responsibility Report 2019", which can be viewed and downloaded on the websites of SSE (http://www.sse.com.cn (in Chinese)), HKEx http://www.hkexnews.hk (in both Chinese and English)) and the Company (http://www.sz-expressway.com, under the column of "Social Responsibility" of "Company Overview". Through the report, investors can obtain more comprehensive and detailed information in relation to the performance of social responsibility of the Company.

Reserves

The amounts and details of material transfers to and from reserves of the Group and the Company during the Reporting Period are set out in notes V\41–44 to the Financial Statements in this annual report.

Fixed Assets and Intangible Assets

The movements in fixed assets and intangible assets of the Group during the Reporting Period are set out in V\16 and 19 to the Financial Statements in this annual report respectively.

Bank Loans and Other Borrowings

Details of bank loans and other borrowings of the Group and the Company as at the end of the Reporting Period are set out in V\24, 32 and 33 to the Financial Statements in this annual report.

Subsidiaries and Joint Ventures

Details of the Company's subsidiaries and joint ventures are set out in notes VII\1 and V\14 to the Financial Statements in this annual report respectively.

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

(1) Information of the Management and changes in the Management during the Reporting Period are set out in "Directors, Supervisors, Senior Management and Employees" in this annual report.

(2) Details of the remuneration received by the Management during the Reporting Period are set out in "Directors, Supervisors, Senior Management and Employees" and notes X\5 to the Financial Statements in this annual report.

(3) Service contracts:

Each of the Directors of the eighth session of the Board had entered into director's service contract with the Company. Contents of such contracts are the same in all material respects. The service contract of Independent Director BAI Hua was effective from 8 February 2018 to 31 December 2020. The service contract of Non-executive Director CHEN Kai was effective from 31 May 2018 to 31 December 2020. The service contract of Executive Director Wen Liang was effective from 4 March 2019 to 31 December 2020. The service contracts of other Directors were effective from 1 January 2018 to 31 December 2020. Save as the aforesaid, no service contracts that can be terminated within one year without compensation (other than general statutory compensation) have been or proposed to be entered into between the Company and the Directors or the Supervisors.

Report of the Directors

(4) Interests in contracts:

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

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

(5) Loans provided to senior management:

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

(6) Rights to subscribe for shares or debentures:

As at 31 December 2019, the interests or short positions of the Directors, the Supervisors or the Chief Executive in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part 15 of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) which were required to be entered into the register maintained by the Company under Section 352 of Securities and Futures Ordinance (including interests and short positions deemed or taken to have under such provisions of Securities and Futures Ordinance) or which were required to be notified to the Company and HKEx pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (collectively, "interests or short positions") were as follows:

Long positions in ordinary shares of Shenzhen International:

Name	Number of ordinary shares held as at 31 December 2019	Change during the Reporting Period	Approximate percentage of ordinary shares held in the issued share capital of Shenzhen International	Nature of interests	Capacity
Hu Wei	130,315	+9,599	0.006%	Personal	Beneficial owner
Liao Xiang Wen[3]	16,192	+1,192	0.00075%	Family interests	Beneficial owner
Chen Yan	5,500	-105,950	0.00025%	Personal	Beneficial owner
Fan Zhi Yong[3]	50,000	-50,000	0.002%	Family interests	Beneficial owner
Chen Kai	28,745	+28,745	0.001%	Personal	Beneficial owner

Interests in share option of Shenzhen International:

Name	Options	Number of share options unexercised as at 31 December 2019[(1)(2)]	Change during the Reporting Period				Nature of interests	Capacity
			Adjustment during the Reporting Period	Granted during the Reporting Period[(2)]	Exercised	Lapsed		
Hu Wei	share option scheme 1	–	–	–	–	-278	Personal	Beneficial owner
	share option scheme 2	1,080,722	72,962	–	–	–		
Liao Xiang Wen (3)	share option scheme 1	–	–	–	–	–	Family interests	Beneficial owner
	share option scheme 2	423,789	29,185	–	-8,500	–		
Chen Yan	share option scheme 1	–	–	–	–	–	Personal	Beneficial owner
	share option scheme 2	524,989	39,169	–	-55,188	–		
Fan Zhi Yong	share option scheme 1	–	–	–	-148,863	–	Personal	Beneficial owner
	share option scheme 2	648,433	43,777	–	–	–		
Chen Kai	share option scheme 1	–	–	–	-111,735	–	Personal	Beneficial owner
	share option scheme 2	580,177	39,169	–	–	–		
Wang Zeng Jin	share option scheme 1	–	–	–	–	-450	Personal	Beneficial owner

Note:

(1) The share option scheme 1 was granted on 29 January 2014 and could be exercised during the period from 29 January 2016 to 28 January 2019 pursuant to the grant provision. The share options were expired on 29 January 2019.

(2) The share option scheme 2 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 24 June 2019, Shenzhen International adjusted the exercise price and quantity of the outstanding options. The exercise price was adjusted from HK$11.904 per share to HK$11.000 per share.

(3) The interests are owned by the spouse of Liao Xiang Wen and Fan Zhi Yong respectively, both Directors.

Saved as disclosed above, as at 31 December 2019, none of the Management had interests or short positions defined above.

Progress of the Public Issuance of A Share Convertible Corporate Bonds

On 28 December 2017, the Company's First Extraordinary General Meeting 2017 and class meetings of shareholders considered and approved the proposal of public issuance of A Share convertible corporate bonds with validity period of one year, respectively. As the Company's application for issuance is still pending review by the CSRC, in order to ensure the smooth process of the issuance, the Company's extraordinary general meeting and class meetings of shareholders have approved the extension of the validity period of the resolution to 27 December 2019. On 23 December 2019, after taking into account the changes in the external environment and the actual conditions of the Company, the Board decided to terminate the issuance of convertible bonds and would not apply to the general meeting for extension of the validity period regarding the resolution on and authorization for the issuance of convertible bonds. Upon the expiry of the validity period of the existing resolution and authorization, the Board will apply to the CSRC to withdraw the application for the issuance of convertible bonds. For details, please refer to the announcements of the Company dated 28 December 2017, 28 December 2018, 4 March 2019 and 23 December 2019 respectively. The Company has applied for withdrawal of the application for the issuance of convertible bonds.

Report of the Directors

Progress of the Non-public issuance of H Shares

On 10 January 2020, the Board of the Company considered and approved the resolution on the non-public issuance of H Shares and proposed to the general meeting and class meetings, as a special resolution, to consider and approve the Company to issue not more than 300 million H Shares by way of non-public issuance as proposed in the resolution. An extraordinary general meeting and A/H Shares class meetings will be held by the Company on 31 March 2020 to consider the resolution in relation to the non-public issuance of H Shares. For details, please refer to the announcements of the Company dated 10 January 2020 and 14 February 2020 and the circular for H Shareholders dated 27 February 2020.

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

On 18 August 2017, the Board of the Company considered and approved the "Proposal on Establishing a Traffic and Environmental Protection Investment M&A Fund". Pursuant to the approval of the Board, Shenzhen Expressway (Guangzhou) Industrial Investment Fund Management Company Limited (深高速(廣州)產業投資基金管理有限公司) has been established by the Company and the establishment of the fund manager has been completed. On 23 December 2019, the Board considered and approved the "Proposal on the Capital Injection and Introduction of Strategic Investors to Shenzhen Expressway (Guangzhou) Industrial Investment Fund Management Company Limited through Public Listing". The Fund Company intended to increase the capital contribution and introduce strategic investors. As at the end of the Reporting Period, the related work is still in progress. For details, please refer to the announcements of the Company dated 18 August 2017, 12 January 2018 and 23 December 2019, respectively.

On 11 June 2019, the Board of the Company considered and approved the "Proposal on the investment in Shenzhen Lvyuan Energy Conservation and Environmental Protection Fund* (深圳綠源節能環保基金)", based on the premise that the relevant conditions precedent have been satisfied. The investment amount to be made is RMB0.2 billion or 25% of the total size of fund. As Lvyuan Fund failed to obtain the internal approval from the other participating parties of the fund and enter into the partnership agreement within the timeframe specified in the resolution of the Board of the Company (i.e. 31 December 2019), the approval of the Board for the investment in Lvyuan Fund has expired. In the event that the Company intend to proceed with the investment in Lvyuan Fund, such investment should be considered and approved by the Board of the Company separately. For details, please refer to the announcements of the Company dated 11 June 2019 and 2 January 2020, respectively.

On 23 December 2019, the Board of the Company considered and approved the "Proposal on the joint establishment of and investment in Shengchuang-Shenzhen Expressway Environmental Protection Technology Industry M&A Fund (晟創–深高速環科產業併購投資基金)". It is proposed that the Company will promote the establishment of and participate in the investment in Shengchuang-Shenzhen Expressway Environmental Protection Technology Industry M&A Fund. The investment amount to be made is RMB450 million. As at the end of the Reporting Period, the related work is still in progress. For details, please refer to the announcement of the Company dated 23 December 2019.

Significant Transactions

On 15 March 2019, the Group entered into the Equity Acquisition Agreement in respect of Nanjing Wind Power Technology Co., Ltd. (《關於南京風電科技有限公司的股權併購協議》). Pursuant to the acquisition agreement, the Group acquired 51% controlling equity interests in Nanjing Wind Power by way of equity transfer and capital increase at a consideration of RMB510 million. Nanjing Wind Power has been consolidated into the consolidated financial statements of the Group since 8 April 2019. Nanjing Power is principally engaged in the research and development, integration, manufacturing, installation, sales and maintenance of wind power systems, and investment and operation of wind farms. For details, please refer to the announcement of the Company dated 15 March 2019.

On 12 September 2019, the Group entered into the Equity Transfer Agreement regarding Baotou Nanfeng Wind Power Technology Co., Ltd. (《關於包頭市南風風電科技有限公司之股權轉讓協議》). Pursuant to the agreement, the Company acquired 67% equity interests in Baotou Nanfeng at a consideration of RMB0.67 and agreed to assume the shareholders' responsibility for the debt of Baotou Nanfeng of approximately RMB1,352 million. Baotou Nanfeng has been consolidated into the consolidated financial statements of the Group since 17 September 2019. Baotou Nanfeng is principally engaged in the investment, operation and management of wind farms. For details, please refer to the announcements of the Company dated 12 September and 16 September 2019, respectively.

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

Through public tendering, Outer Ring Company entered into construction contracts of the second, third, fourth, sixth and ninth sections of Outer Ring Section A with China Railway 12th Bureau Group Co., Ltd., CCCC Second Highway Engineering Bureau Co., Ltd., CCCC Second Harbour Engineering Bureau Co., Ltd., China Railway 18th Bureau Group Co., Ltd. and CCCC Third Harbour Engineering Bureau Co., Ltd. on 24 March 2016 respectively. The total contract prices are approximately RMB1,167 million, RMB1,237 million, RMB956 million, RMB962 million and RMB929 million respectively. The total contract prices are determined based on the bid prices submitted by each of the construction contractors for the public tenders for the construction of the relevant sections of Outer Ring Section A conducted by Outer Ring Company. For details, please refer to the announcement of the Company dated 24 March 2016. As at the end of the Reporting Period, the contract amounts recognised in each construction section were RMB857 million, RMB771 million, RMB852 million, RMB729 million and RMB721 million, respectively.

Connected Transactions

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

On 28 December 2018, the Company entered into an entrusted operation management agreement with Shenzhen Baotong Highway Construction and Development Company Limited (深圳市寶通公路建設開發有限公司) ("Baotong Company"). Pursuant to such agreement, Baotong Company continued to entrust the Company to manage its 89.93% equity interests in Longda Company on its behalf for a term from 1 January 2019 to 31 December 2019. The entrusted management fees are RMB8.77 million per year. As Baotong Company, at the time of entering into the agreement, is a wholly-owned subsidiary of Shenzhen International, and Shenzhen International indirectly owns approximately 52% interests in the Company, the transaction constitutes a daily transaction with related parties/continuing connected transaction of the Company under the Listing Rules of SSE and the Listing Rules of HKEx. For details, please refer to the announcement of the Company dated 28 December 2018.

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

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

Report of the Directors

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

Save as the above-mentioned, the transactions with related parties set out in note X5 to the Financial Statements in this annual report are either connected transactions or continuing connected transactions exempt from reporting, announcement, independent shareholders' approval and/or annual review requirements under Rules 14A.76, 14A.95 and 14A.96 of the Listing Rules of HKEx or do not constitute a connected transaction or a continuing connected transaction as defined under Chapter 14A of the Listing Rules of HKEx. The Company does not have any other matters that need to be disclosed in accordance with Chapter 14A of the Listing Rules of HKEx.

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

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

Management Contract

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

In 2019, the entrusted assets and entrusted management fees recognized for Magerk Company amounted to RMB338,708,000 and RMB107,382,000 respectively. In 2019, Magerk Company achieved operating profit of RMB210,419,000, representing approximately 8.61% of the Group's operating profit, and recorded a net profit of RMB157,744,000 representing approximately 6.31% of the net profit attributable to owners of the Company. This aforesaid management contract has no material impact on the operating results and financial position of the Group.

External Guarantees

Unit: RMB million, unless otherwise stated

External guarantees of the Company (excluding guarantees for subsidiaries)										
Name of the guarantor	Name of the guaranteed	Amount of Guarantee	Date of occurrence (date of the agreement)	Commencement of guarantee	Expiry of guarantee	Type of guarantee	Completed or not	Overdue or not	Counter guarantee provided or not	Guarantee for related party or not
The Company	China Construction Bank Shenzhen Branch	800	2007-4-20	August 2007	Full repayment of principal and interest of the corporate bonds	Joint liability guarantee[1]	No	No	No	No
Guizhou Property	Customers of Shenzhen Expressway • Interlaken Town	650.92	2015-05 to 2019-12	Effective date of the mortgage loan contract	Effective date of the mortgage under the contract	Joint liability guarantee[3]	No	No	No	No
Total amount of guarantees occurred during the Reporting Period										-92.35
Total balance of guarantees as at the end of the Reporting Period (A)										1,450.92
Guarantees for subsidiaries of the Company										
Total amount of guarantees occurred for subsidiaries during the Reporting Period										0
Total balance of guarantees for subsidiaries as at the end of the Reporting Period (B)										0
Total amount of guarantees of the Company (including guarantees for subsidiaries)										
Total amount of guarantees (A+B)										1,450.92
Proportion of total amount of guarantees to the net assets of the Company (%)										7.90
Including:										
Amount of the guarantees for shareholders, de-facto controller and their related parties (C)										–
Amount of the debt guarantees directly or indirectly provided for those whose gearing ratio exceeded 70% (D)										800
Amount of the guarantees that exceed 50% of net assets in aggregate (E)										–
Total amount of the above three guarantees (C+D+E)										800
Description on unexpired guarantees may be confronted with joint liability										N/A

Description on guarantees:

(1) The external guarantees to China Construction Bank Shenzhen Branch have been approved by the 2006 annual general meeting of the Company. For details on the guarantee, please refer to the relevant content heading "Mortgage and Pledge of Assets" below.

(2) The provision of periodical joint liability guarantees by Guizhou Property, a subsidiary of the Company, to qualified mortgage customers of "Shenzhen Expressway • Interlaken Town" project in accordance with the business practices of the real estate industry have been considered and approved by the fourth meeting of the seventh session of the Board of the Company held on 30 June 2015, the 27th meeting of the seventh session of the Board held on 18 August 2017, and the 2017 annual general meeting held on 31 May 2018. It is expected the total amount of guarantees will not exceed RMB1.55 billion. During the Reporting Period, Guizhou Property provided periodic guarantees for 121 customers with an accumulated amount of RMB184,421,000 and the periodic guarantees of RMB276,775,000 provided in the prior periods had been released during the Reporting Period. As at the end of the Reporting Period, the actual amount of the guarantees provided by Guizhou Property is RMB650,916,000.

Report of the Directors

(3) The Company has not provided external guarantee in violation of the stipulated decision-making procedures.

(4) The Independent Directors of the Company have, in accordance with the relevant regulations of the CSRC, issued specific explanations and independent opinions in relation to the external guarantees of the Company.

Authorisation of Guarantee

The Company's 2017 annual general meeting held on 31 May 2018 considered and approved the proposal on the authorisation of the guarantees. The Board of the Company may provide guarantees for wholly-owned subsidiaries for not more than RMB2.5 billion in aggregate, and not more than RMB500 million in aggregate for non-wholly-owned subsidiaries, as necessary. The guarantee includes guarantee for financing and guarantee for bankers' letter of guarantee. The guarantee authorisation is effective until the date of the convening of the 2018 annual general meeting. Subsequently, the 2018 annual general meeting held on 22 May 2019 considered and approved the proposal on the authorisation of the guarantees. The Board of the Company may provide guarantees for wholly-owned subsidiaries of not more than RMB4.5 billion in aggregate, and not more than RMB500 million in aggregate for non-wholly-owned subsidiaries, as necessary. The guarantee includes guarantee for financing and guarantee for bankers' letter of guarantee. The guarantee authorisation is effective from the date of approval by the general meeting to the date of convening of the 2019 annual general meeting. As of the end of the Reporting Period, the relevant guarantees have not occurred.

Mortgage and Pledge of Assets

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

Assets	Type	Beneficiary of the security	Scope of security	Term
Toll collection rights of Qinglian Project (1)	Pledge	A consortium including China Development Bank, etc.	Principal and interests of bank loans in an aggregate amount of RMB5.9 billion	Until repayment of all liabilities under the loan agreement
100% equity interests in Meiguan Company	Pledge	China Construction Bank Shenzhen Branch	Counter-guarantee for the irrevocable guarantee with joint liability in respect of the redemption of the corporate bonds with an amount of RMB800 million upon maturity	Until full repayment of the principal and interests of corporate bonds
Toll collection rights of Outer Ring Expressway and all proceeds from the project (2)	Pledge	A consortium including China Development Bank, etc.	Bank loans in an aggregate amount of RMB6.5 billion	Until repayment of all liabilities under the loan agreement
45% equity interests in JEL Company (3)	Pledge	The Hong Kong and Shanghai Banking Corporation Limited	Bank loans in an aggregate amount of HKD350 million (including principal and interests)	Until repayment of all liabilities under the loan agreement
Toll collection rights of Coastal Expressway (4)	Pledge	A consortium including China Development Bank, etc.	Bank loans in an aggregate amount of RMB5.4 billion (including principal and interests)	Until repayment of all liabilities under the loan agreement

Assets	Type	Beneficiary of the security	Scope of security	Term
Equity interests in four wind farm companies (namely Ningyuan, Ningxiang, Nanchuan and Ningfeng in Damaoqi) held by Baotou Nanfeng and yields thereon, as well as the rights to electricity fees of the 198MW wind farm project and the corresponding revenue thereunder	Pledge	Three Gorges Financial Leasing Co., Ltd. (三峽融資租賃有限公司)	The debts assumed in respect of the financing obtained by way of sale and leaseback with self-owned wind power equipment of the 198MW wind farm project as leased asset, and the handling fees for such financing	Until repayment of all liabilities under finance lease (sale and leaseback) of the 198MW Wind Power Stations
Land use rights of Ningyuan, Ningxiang, Nanchuan and Ningfeng in Damaoqi in relation to the 198MW wind farm project and the buildings and facilities constructed on the ancillary land parcels thereto [5]	Mortgage			
Payable guarantee for acceptance of bills	Mortgage	Acceptance bank	RMB132 million funds	Until the maturity date of the bill

Details of restriction of assets:

(1) Pledged by Qinglian Company, a subsidiary of the Company. As at the end of the Reporting Period, the balance of such consortium loans withdrawn by Qinglian Company was RMB1,634 million.

(2) Outer Ring Company, a wholly-owned subsidiary of the Company, had filed an application to the consortium for a bank loan by pledging the toll collection rights as well as the revenue receivable and creditors generated from the operating activities of Outer Ring Expressway. As at the end of the Reporting Period, the balance of such consortium loans withdrawn by the Outer Ring Company was RMB3,511 million.

(3) Pledged by Mei Wah Company, a wholly-owned subsidiary of the Company, for application of a bank loan in HKD. As at the end of the Reporting Period, the balance of such loan was HKD50 million.

(4) Pledged by Coastal Company, a wholly-owned subsidiary of the Company. As at the end of the Reporting Period, the balance of such consortium loans was RMB3,518 million.

(5) Mortgaged and pledged by Baotou Nanfeng, a subsidiary of the Company. As at the end of the Reporting Period, the balance of liabilities under finance leases was RMB660 million.

(6) Details of the restrictions on the Group's major assets at the end of the Reporting Period are set out in note V/60 to the Financial Statements in this report.

Entrusted Wealth Management

Upon the approval of the Board of the Company, the Group has engaged in 2 transactions regarding principal guaranteed short-term RMB wealth management products with a total of RMB300 million in 2019 with cooperative banks on the condition that both safety and liquidity of capital reserve can be assured. The expected yield is between 3.2% and 3.9%, and the daily maximum balance relating to wealth management was RMB200 million with actual gain of RMB1,685,500 (tax included). As at the end of the Reporting Period, the balance of such wealth management products of the Group was RMB nil and there was no overdue principal and gain accrued outstanding.

Report of the Directors

Other Agreements and Matters

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

During the Reporting Period, the Company was not exposed to any material litigation, arbitration or matters which the media generally questioned, neither had it undergone bankruptcy and reorganisation. There was no such issue of prior periods subsisting during the Reporting Period.

Undertakings

<table>
<tr><th>Background of undertaking</th><th>Type of undertaking</th><th>Undertaking party</th><th>Undertaking details</th><th>Time of undertaking</th><th>Term of fulfilment or not</th><th>Whether fulfilled timely and strictly or not</th></tr>
<tr><td rowspan="5">Undertakings made in Acquisition Report or Report on the Changes in Equity Interests</td><td>Other</td><td>Shenzhen International/ Shenzhen International Holdings (SZ) Limited)</td><td>Undertook to avoid peer competition and regulate connected transactions. For details, please refer to Detailed Report on the Changes in Equity Interests (《詳式權益變動報告書》) published on 18 October 2007 in the securities market of the PRC by undertaking parties or relevant contents in the Annual Report 2007 of the Company.</td><td>October 2007</td><td>No</td><td>Yes</td></tr>
<tr><td rowspan="2">Other</td><td rowspan="2">Shenzhen International</td><td rowspan="4">Undertaken in respect of matters including the avoidance of peer competition and support for the Company's business development. Among which, the undertaking parties undertook to inject the expressway assets owned by them into the Company in around 5–8 years, subject to the satisfaction of certain conditions. For details, please refer to Acquisition Report (《收購報告書》) published by SIHCL on 4 January 2011 in the securities market of the PRC and the announcement of the Company dated 1 June 2011.</td><td>December 2010</td><td rowspan="2">Yes</td><td rowspan="2">Yes</td></tr>
<tr><td>June 2011</td></tr>
<tr><td rowspan="2">Other</td><td rowspan="2">SIHCL</td><td>December 2010</td><td rowspan="2">Yes</td><td rowspan="2">Yes</td></tr>
<tr><td>May 2011</td></tr>
<tr><td>Undertakings related to IPO</td><td>Avoidance of peer competition</td><td>XTC Company/SGH Company</td><td>The undertaking parties will not engage in any industry or business in any way which, directly or indirectly, competes with the Company in Shenzhen.</td><td>January 1997</td><td>No</td><td>Yes</td></tr>
<tr><td rowspan="2">Undertakings regarding refinancing</td><td>Other</td><td>Shenzhen International/XTC Company</td><td>Details of self-inspection on real estate business during the years of 2015–2017 have been truthfully disclosed in the Self-inspection Report on Real Estate Business regarding the Public Issuance of A Share Convertible Corporate Bonds of Shenzhen Expressway Company Limited (《深圳高速公路股份有限公司關於公開發行A股可轉換公司債券之房地產業務自查報告》). As the controlling shareholder of the Company, it undertakes that it shall be liable to compensate for any losses brought upon the Company and its investors arising from violation of laws and regulations form possession of undisclosed idled lands, land speculation, deliberate withholding of properties from sale and driving up of prices within the scope of the self-inspection for the purposes of real estate project(s) developed by the Company in compliance with the provisions of relevant laws and administrative regulations and the requirements set out by the CSRC.</td><td>20 June 2018</td><td>No</td><td>Yes</td></tr>
<tr><td>Other</td><td>the Directors, supervisors and senior management</td><td>Details of self-inspection on real estate business during the years of 2015–2017 have been truthfully disclosed in the Self-inspection Report on Real Estate Business regarding the Public Issuance of A Share Convertible Corporate Bonds of Shenzhen Expressway Company Limited (《深圳高速公路股份有限公司關於公開發行A股可轉換公司債券之房地產業務自查報告》). As the Directors, supervisors and senior management of the Company, they undertake that they shall be liable to compensate for any losses brought upon the Company and its investors arising from violation of laws and regulations from possession of undisclosed idled lands, land speculation, deliberate withholding of properties from sale and driving up of prices within the scope of the self-inspection for the purposes of real estate project(s) developed by the Company in compliance with the provisions of relevant laws and administrative regulations and the requirements set out by the CSRC.</td><td>20 June 2018</td><td>No</td><td>Yes</td></tr>
</table>

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

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

In view of the factors including that both Bay Area Development and the Company are listed companies, and Bay Area Development does not have control over its domestic expressway assets, SIHCL and the Company will further negotiate on the arrangement of the relevant businesses and settle such issues as and when appropriate. The Company will pay close attention to the progress of related matters and negotiate with SIHCL requesting it to fulfill its non-competition undertaking in a reasonable manner in order to safeguard the interests of the Company effectively.

Appointment of Auditor for the Year

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

Review of Results

The Audit Committee of the Company has reviewed and confirmed the financial statements and the annual report for the twelve months ended 31 December 2019. For details, please refer to "Corporate Governance Report" in this annual report.

Compliance with Laws and Regulations

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

Name of Directors

As at the date of this report, the members of the Board include Mr. Hu Wei (Executive Director and Chairman of the Board), Mr. Liao Xiang Wen (Executive Director and President), Mr. Wen Liang (Executive Director), Ms. Chen Yan (Non-executive Director), Mr. Fan Zhi Yong (Non-executive Director), Mr. Chen Yuan Jun (Non-executive Director), Mr. Chen Kai (Non-executive Director), Mr. Cai Shu Guang (Independent Director), Mr. Wan Siu Wah Wilson (Independent Director), Ms. Chen Xiao Lu (Independent Director) and Mr. Bai Hua (Independent Director).

By Order of the Board
HU Wei
Chairman

Shenzhen, the PRC, 18 March 2020

Share Capital and Shareholders

I. Profile of Movements of Share Capital

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

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

II. Issuing and Listing of the Securities

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

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

   As at the end of the Reporting Period, the circulating market capitalisation of the A Shares of the Company (circulating A Share capital × closing price of A Shares (RMB11.50)) was RMB16.483 billion and the circulating market capitalisation of H Shares (circulating H Share capital × closing price of H Shares (HK$11.18)) was HK$8.357 billion.

2. The Company issued overseas debenture of US$300 million at fixed interest rate with a maturity of 5 years in July 2016, the bond abbreviation is "SZEW B2107" and to bond code is "5684", and it has been listed on HKEx since 19 July 2016.

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

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

1. Total Number of Shareholders：

Total number of shareholders as at the end of the Reporting Period	17,933
Total number of shareholders as at the end of the last month prior to the Reporting Date	22,394

Note：

(1) The Company had 17,700 holders of A Shares and 233 holders of H Shares as at the end of the Reporting Period.

(2) The Company had 22,161 holders of A Shares and 233 holders of H Shares as at the end of the last month prior to the Reporting Date.

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

The top ten shareholders							
Name of shareholder	Changes during the Reporting Period	Number of shares held	Percentage	Number of restricted circulating shares held	Number of shares pledged or frozen		Nature of shareholders
					State of shares	Number	
HKSCC NOMINEES LIMITED [Note]	-216,000	729,925,099	33.47%	–	Unknown		Overseas legal person
Xin Tong Chan Development (Shenzhen) Company Limited	–	654,780,000	30.03%	–	None	0	State-owned legal person
Shenzhen Shen Guang Hui Highway Development Company	–	411,459,887	18.87%	–	None	0	State-owned legal person
China Merchants Expressway Network & Technology Holdings Company Limited	–	87,211,323	4.00%	–	None	0	State-owned legal person
Guangdong Roads and Bridges Construction Development Company Limited	–	61,948,790	2.84%	–	None	0	State-owned legal person
Hong Kong Central Clearing Company Limited	+26,724,104	44,657,051	2.05%	–	Unknown		Domestic non-state-owned legal person
PICC Property and Casualty Company Limited – Tradition-Return Portfolio	–	12,161,143	0.56%	–	Unknown		Domestic non-state-owned legal person
AU SIU KWOK	–	11,000,000	0.50%	–	Unknown		Overseas natural person
National Social Security Fund 105	+9,209,078	9,209,078	0.42 %	–	Unknown		Domestic non-state-owned legal person
China Merchants Bank-SSE Dividend Trading Open Index Securities Investment Fund	+5,672,397	5,672,397	0.26 %	–	Unknown		Domestic non-state-owned legal person

The top ten holders of non-restricted circulating shares		
Name of shareholder	Number of non-restricted circulating shares held	Type of shares
HKSCC NOMINEES LIMITED [Note]	729,925,099	H share
Xin Tong Chan Development (Shenzhen) Company Limited	654,780,000	A share
Shenzhen Shen Guang Hui Highway Development Company	411,459,887	A share
China Merchants Expressway Network & Technology Holdings Company Limited	87,211,323	A share
Guangdong Roads and Bridges Construction Development Company Limited	61,948,790	A share
Hong Kong Central Clearing Company Limited	44,657,051	A share
PICC Property and Casualty Company Limited – Tradition-Return Portfolio	12,161,143	A share
AU SIU KWOK	11,000,000	H share
National Social Security Fund 105	9,209,078	A share
China Merchants Bank-SSE Dividend Trading Open Index Securities Investment Fund	5,672,397	A share
Connected relationship or concerted action relationship among the abovementioned shareholders	XTC Company and SGH Company are connected persons under the same control of Shenzhen International. In addition to the above associations, there is no connected relationship among the state-owned shareholders in the above table. The Company did not notice any connected relationship among the other abovementioned shareholders or any connected relationship among the abovementioned state-owned shareholders and other shareholders.	

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

Share Capital and Shareholders

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

As at 31 December 2019, the interests or short positions of shareholders, other than a Director, Supervisor or senior management of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), or in accordance with the notice received by the Company and the HKEx, were as follows:

A Shares:

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

H Shares:

Name of shareholder	Capacity	Number of H Shares of the Company held	Percentage of total issued H Share capital
Shenzhen International[(2)]	Interest of corporation controlled[(3)]	52,612,000 (L)	7.03% (L)
SIHCL	Interest of corporation controlled[(4)]	52,612,000 (L)	7.03% (L)
JPMorgan Chase & Co.	Beneficial owner/Investment manager/Person having a security interest in shares/Approved lending agent	46,769,438(L) 4,092,000(S) 38,772,853(P)	6.25%(L) 0.54% (S) 5.18% (P)
BlackRock, Inc.	Interest of corporation controlled	46,840,788 (L) 78,000(S)	6.27% (L) 0.01% (S)
Pacific Asset Management Co., Ltd.	Investment manager	45,140,000(L)	6.04% (L)
Citigroup Inc.	Beneficial owner/Approved lending agent	40,620,669(L) 298,485(S) 40,283,303(P)	5.43% (L) 0.03% (S) 5.38% (P)

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

Notes:

(1) All the A Shares of the Company are listed on SSE, and all the H Shares of the Company are listed on the main board of HKEx.

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

(3) Long positions of 654,780,000 A Shares were directly held by XTC Company as beneficial owner, 411,459,887 A Shares were directly held by SGH Company as beneficial owner, and long position of 52,612,000H 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 2019, while 58,194,000 H Shares were indirectly held by Shenzhen International and SIHCL.

(4) SIHCL indirectly held 44.04% interests in Shenzhen International. Pursuant to the Securities and Futures Ordinance, SIHCL was deemed to be interested in shares of the Company owned by Shenzhen International.

Save as disclosed above, the register required to be kept under Section 336 of Part 15 of Securities and Futures Ordinance showed that the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company as at 31 December 2019.

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

1. Information of the Controlling Shareholder

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

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

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

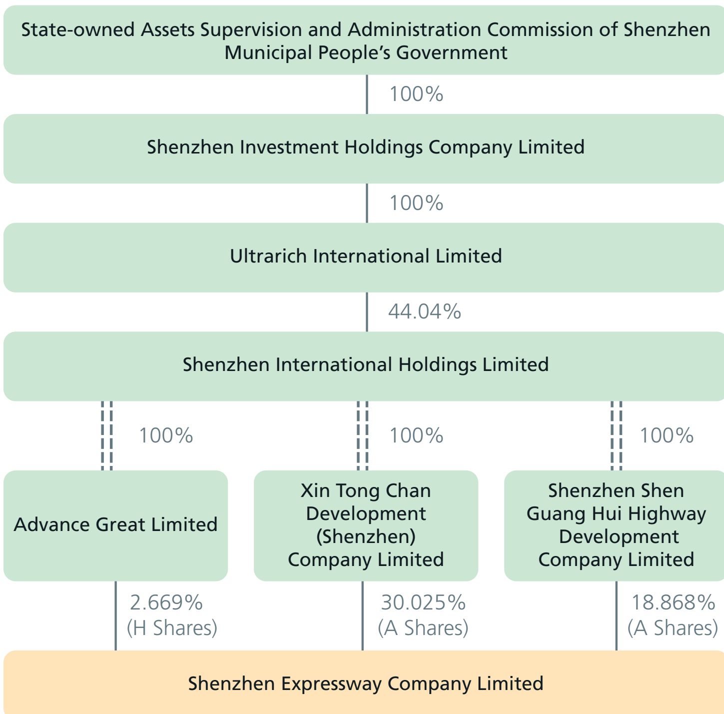
Name	Shenzhen International Holdings Limited
Person in charge or legal representative	Gao Lei (Chairman of the Board)
Date of establishment	22 November 1989
Registered capital	HK$2,161,841,575 (issued share capital)
Major operating management activities	Shenzhen International is principally engaged in investment holding. Shenzhen International and its subsidiaries are principally engaged in the investment, construction and operation of logistic infrastructure facilities, as well as providing various value-added logistic services to customers leveraging its infrastructure facilities and information services platform.
Other domestic and overseas listed company controlled or participated during the Reporting Period	It held approximately 1.26% A shares of CSG Holding Co., Ltd., a domestic listed company, as at the end of 2019.
Other information	Shenzhen International is listed on the main board of HKEx (Stock Code: 00152). For details and the latest information of Shenzhen International, please refer to the information disclosed on the websites of HKEx and Shenzhen International.

Share Capital and Shareholders

2. Information of the De-facto Controller

As at 31 December 2019, SIHCL held 44.04% shares of Shenzhen International through its wholly-owned subsidiary Ultrarich International Limited. Shenzhen SASAC holds 100% interests in SIHCL, and performs supervision and management on SIHCL.

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



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

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

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

Directors, Supervisors, Senior Management and Employees

I. General Information, Change in Shareholding and Remuneration

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

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

Name	Title (as at the end of the Reporting Period)	Sex	Age	Commencement of the term of office of this session [5]	End of the term of office of this session
Hu Wei	Chairman of the Board	Male	57	Jan 2015	Dec 2020
Liao Xiang Wen	Executive Director	Male	51	Nov 2016	Dec 2020
Liao Xiang Wen (concurrent position)	President	Male	51	Sep 2018	Sep 2021
Wen Liang	Executive Director	Male	46	Mar 2019	Dec 2020
Wen Liang (concurrent position)	Financial Controller	Male	46	Sep 2018	Sep 2021
Chen Yan	Non-executive Director	Female	47	Jan 2018	Dec 2020
Fan Zhi Yong	Non-executive Director	Male	46	Jan 2018	Dec 2020
Chen Yuan Jun	Non-executive Director	Male	58	Nov 2016	Dec 2020
Chen Kai	Non-executive Director	Male	53	May 2018	Dec 2020
Cai Shu Guang	Independent Director	Male	64	May 2017	Dec 2020
Wan Siu Wah Wilson	Independent Director	Male	58	Jan 2018	Dec 2020
Chen Xiao Lu	Independent Director	Female	44	Jan 2018	Dec 2020
Bai Hua	Independent Director	Male	50	Feb 2018	Dec 2020
Wang Zeng Jin	Supervisor	Male	49	Jan 2018	Dec 2020
Ye Jun	Tentative Convener of the Supervisory Committee	Female	45	Jan 2018	Dec 2020
Xin Jian	Supervisor	Male	51	Jan 2016	Dec 2020
Gong Tao Tao	Vice President	Female	46	Sep 2018	Sep 2021
Gong Tao Tao (concurrent position)	Secretary of the Board	Female	46	Aug 2019	Aug 2022
Sun Ce	Vice President	Male	54	Sep 2015	Sep 2021
Huang Bi Nan	Vice President	Female	48	Sep 2015	Sep 2021
Wen Po Wei	Vice President	Male	46	Sep 2015	Sep 2021
Zhao Gui Ping	Chief Financial Officer	Female	46	Sep 2018	Sep 2021
Chen Shou Yi	Chief Engineer	Male	48	Sep 2018	Sep 2021

Directors, Supervisors, Senior Management and Employees

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

Name	Title (before leaving office)	Sex	Age	Commencement of the term of office of this session [(5)]	The leaving date
Luo Kun	Secretary of the Board	Male	47	Jan 2016	Aug 2019

Note:

(1) At the General Meeting hold on 4 March 2019, Mr. Wen Liang, was appointed as Executive Director of the eighth session of the Board, the appointment has taken effect since 4 March 2019.

(2) During the Reporting Period, Mr. Luo Kun has resigned from the position, and the Board of Directors agreed to appoint Ms. Gong Tao Tao as the Secretary of the Board. The appointment has been effective on 23 August 2019.

(3) The commencement of the term of office refers to the commencement of the position listed on the chart, for details of other positions, please refer to point 3 below.

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

Unit: RMB ten thousand (before tax)

		Remuneration receivable from the Company during the Reporting Period				
Name	Whether hold or trade shares of the Company	Salary	Statutory benefits	Fee and/ or meeting subsidies	Total	Whether receive remuneration from related parties during the Period
Hu Wei	No	100.00	23.34	N/A	123.34	No
Liao Xiang Wen	No	131.40	23.29	N/A	154.69	No
Wen Liang	No	86.58	10.03	N/A	96.61	Yes
Chen Yan	No	N/A	N/A	N/A	0.00	Yes
Fan Zhi Yong	No	N/A	N/A	N/A	0.00	Yes
Chen Yuan Jun	No	N/A	N/A	N/A	0.00	Yes
Chen Kai	No	N/A	N/A	N/A	0.00	Yes
Cai Shu Guang	No	N/A	N/A	22.00	22.00	Yes
Wan Siu Wah Wilson	No	N/A	N/A	22.20	22.20	Yes
Chen Xiao Lu	No	N/A	N/A	22.10	22.10	Yes
Bai Hua	No	N/A	N/A	22.10	22.10	Yes
Wang Zeng Jin	No	128.04	23.10	N/A	151.14	No
Ye Jun	No	N/A	N/A	0.85	0.85	No
Xin Jian	No	42.52	13.74	0.80	57.06	No
Gong Tao Tao	No	125.57	23.55	N/A	149.12	No
Sun Ce	No	112.06	20.93	N/A	132.99	No
Huang Bi Nan	No	118.06	21.75	N/A	139.81	No
Wen Po Wei	No	119.06	23.23	N/A	142.29	No
Zhao Gui Ping	No	146.07	21.36	N/A	167.43	No
Chen Shou Yi	No	100.57	23.12	N/A	123.69	No
Luo Kun (Leave)	No	69.90	15.55	N/A	85.45	No
Total	/	/	/	/	1,612.87	/

Notes:

(1) Statutory benefits including the contributions to social retirement insurance, other kinds of social insurance, the supplemental retirement scheme, the housing allowances.

(2) Director Wen Liang get paid in related parties of the Company since July 2019, and no longer receives salary from the Company.

(3) During the Reporting Period, Mr. Luo Kun has resigned successively, such amounts represented the remuneration and meeting subsidies received during his period as Directors or Senior Management.

(4) Non-executive Director Mr. Chen Yuan Jun, Independent Directors Mr. Cai Shu Guang, Mr. Wan Siu Wah Wilson and Ms. Chen Xiao Lu get paid in related parties, and such related parties, has no relationship with the substantial shareholder of the Company.

(5) The above salary does not include: (1) Director Hu Wei and Supervisor Wang Zengjin should be awarded bonus of RMB160,100 and RMB370,200 in 2018; (2) the 2018 annual long-term incentive bonus that Director Liao Xiangwen and We Liang, and Senior Management Gong Taotao, Sun Ce, Huang Benan, Wen Powei, Zhao Guiping, Chen Shouyi and Luo Kun received in 2019, with pre-tax amount of RMB380,600, RMB117,700, RMB197,300, RMB343,500, RMB358,800, RMB358,800, RMB158,800, RMB113,200 and RMB358,800, respectively.

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

Directors, Supervisors, Senior Management and Employees

3. Biography of the Directors, Supervisors and Senior Management

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

The Board:

Name	Position in the Company	Resume
HU Wei 	*Executive Director/Chairman,* Chairman of Strategic Committee, Member of Nomination Committee. Director since Jan 2012, Chairman since Jan 2015.	Born in 1962. Mr. Hu has extensive experiences in corporate operation, corporate management including investment, financing, capital operations, auditing and risk management, and experience in overseas enterprises. Mr. Hu had worked in China Everbright Bank from October 2001 to August 2011, and has served successively as a Vice President and an Executive Director of Shenzhen International (Hong Kong listed company) since August 2011 until now. Mr. Hu joined the Company in January 2015. He has been the Chairman and Secretary of the Party Committee of the Company, concurrently, Mr. Hu holds directorship in some subsidiaries of the Company.
LIAO Xiang Wen 	*Executive Director, President,* Member of Strategic Committee, Member of Risk Management Committee. Director since Nov 2016, President since Sep 2018.	Born in 1968. Mr. Liao has extensive experience in toll highway management, human resources, and legal affairs management. Mr. Liao joined the Company in 2004. He has been a Vice President from September 2009 to August 2018, and has been President since September 2018. Mr. Liao holds directorship in some subsidiaries and investment enterprises of the Company.
WEN Liang 	*Executive Director, Financial Controller*, Member of Risk Management Committee. Director since Mar 2019, Financial Controller since Sep 2018.	Born in 1973, Mr. Wen has extensive experience in finance and auditing management. Mr. Wen is mainly responsible for coordination and management of financial monitoring, internal control and internal auditing affairs. Mr. Wen served successively as, among others, the head of budget control office and auditing department of Shenzhen Water (Group) Co., Ltd. from 1996 to September 2018 and was concurrently serving as directors and supervisors of some of their subsidiaries. Mr. Wen has also been concurrently serving as supervisor of Shenzhen Yantian Port Group Holdings Limited since February 2017. Mr. Wen joined the Company in September 2018 and served as the Financial Controller. Mr Wen served as a Director of the Company since March 2019 and is also concurrently serving as Directors of some investee companies of the Company.
CHEN Yan 	*Non-executive Director,* Member of Strategic Committee. Director since Jan 2018.	Born in 1972. Ms. Chen has extensive experiences in capital operation, investment and financing and corporate management. She had worked in Shenzhen Investment Fund Management Company and Shenzhen Shentou Technology Venture Investment Co., Ltd. Ms. Chen joined Shenzhen International in July 2002, had served as the General Manager of the strategic development department, etc. She has been the General Manager of corporate management department of Shenzhen International since February 2017.

Name	**Position in the Company**	**Resume**
FAN Zhi Yong 	*Non-executive Director,* Member of Risk Management Committee. Director since Jan 2018.	Born in 1973. Mr. Fan has more than 20 years of extensive experiences in engineering management and corporate management. Mr. Fan had worked in Shenzhen Nanyou (Holdings) Co., Ltd. He joined Shenzhen International in May 2003, and served successively in Shenzhen International West Logistics Co., Ltd., Shenzhen International Qianhai Industrial (Shenzhen) Co., Ltd. Mr. Fan has been the Chairman of Shenzhen International Qianhai Investment Management (Shenzhen) Co., Ltd. since September 2018. He now is also the Chairman of some unlisted subsidiaries of Shenzhen International.
CHEN Yuan Jun 	*Non-executive Director,* Member of Audit Committee, Member of Remuneration Committee. Director since Nov 2016.	Born in 1961. Mr. Chen has extensive experiences in investment and management and administrative management in expressway. Mr. Chen joined CMET in 2004, and served as Deputy General Manager and Chief Operating Officer of China Merchants Holdings (Pacific) Limited (a Singapore listed company), he has been a Deputy General Manager and member of the Party Committee of CMET since February 2013. Mr. Chen has been a Director of Huabei Expressway Company Limited (a PRC listed company) and a Deputy General Manager, General Manager, Director and/or Deputy Chairman of a number of other investee companies of CMET. He is also a Director of "Year Book of China Transportation and Communications" and a Director of the Operation and Management Association of Chinese Expressway.
CHEN Kai 	*Non-executive Director* Director since May 2018.	Born in 1966. Mr. Chen has extensive experiences in many industries, including domestic and Hong Kong, and in electric power, real estate, finance, etc., and has extensive experience in business management. Mr. Chen joined Shenzhen International in September 2013, he had served as the General Manager of the administrative department, etc. He has been the General Manager of the human resources department of Shenzhen International since August 2015. He now is also the Supervisor of some unlisted subsidiaries of Shenzhen International.
CAI Shu Guang 	*Independent Director,* Member of Strategic Committee, Chairman of Remuneration Committee, Chairman of Nomination Committee. Independent Director since May 2017.	Born in 1955. Mr. Cai has extensive experience and knowledge in project planning and corporate management. Mr. Cai had worked in Yangzi Petrochemical Company, Shanghai Synthetic Detergent Factory and Guangdong Holding Group. He joined China Everbright International Limited (a Hong Kong listed company) in February 2004. Mr. Cai he has served as the special assistant to the president of China Everbright International since January 2019, and now is the chairman of Everbright Environmental (China) Co., etc.

Directors, Supervisors, Senior Management and Employees

Name	Position in the Company	Resume
WAN Siu Wah Wilson 	*Independent Director,* Member of Audit Committee, Member of Remuneration Committee, Member of Nomination Committee, Chairman of Risk Management Committee. Independent Director since Jan 2018.	Born in 1961. He has over 30 years of experiences in commercial banking and investment banking. Mr. Wan had worked in Bank of Credit and Commerce International, Australia & New Zealand Banking Group Limited, Industrial and Commercial Bank of China (Asia) Limited. From May 2007 to July 2015, he successively served as Managing Director of BOC International Holdings Limited, the Chief Executive Officer of China Merchants Securities (HK) Co., Limited. Mr. Wan has been the Chief Executive Officer of Cleverage Capital Limited since September 2015. He has served as an independent director of Shougang Sifang (Group) Co., Ltd. (a listed company in Hong Kong) in March 2018, and he is also a Visiting Professor and Consultant of The Chinese University of Hong Kong.
CHEN Xiao Lu 	*Independent Director,* Member of Audit Committee, Member of Nomination Committee. Independent Director since Jan 2018.	Born in 1975. Ms. Chen has 20 years of experiences in consulting and investment banking. Ms. Chen had joined BOC International Holdings Limited since May 1999 and successively served as Vice Chairman and Joint Supervisor of investment banking department of BOCI Asia Limited, etc. She has been an Executive Director of investment banking department of BOC Asia Limited since February 2015, and she is currently also a Director of Bohai Industrial Investment Fund.
BAI Hua 	*Independent Director,* Chairman of Audit Committee, Member of Remuneration Committee. Independent Director since Feb 2018.	Born in 1969. Mr. Bai has extensive research and practical experiences in auditing and internal control. Mr. Bai has worked in the Department of Accounting of Jinan University since July 2003 and now serves as professor and doctoral tutor of the Department of Accounting of Jinan University. Mr. Bai is also an Executive of Guangdong Audit Association and an Independent Director of Guangdong Hongxing Co., Ltd.

The Supervisory Committee:

Name	Position in the Company	Resume
WANG Zeng Jin 	*(Shareholders' representative) Supervisor,* Director from Jan 2015 to Dec 2017, Supervisor since Jan 2018.	Born in 1970. Mr. Wang has more than 20 years' experiences in human resource management and corporate management. Mr. Wang is mainly responsible for coordination and management of general administrative affairs, public relations, Party building, development of corporate culture, development of Trade Union Organisation, human resources affairs and quality management system of the Company, as well as the routine management of the Company's operation organizations based in Hong Kong. Mr. Wang joined Shenzhen International in October 2004 as Secretary to the Chairman and had been the General Manager of human resource department of Shenzhen International form June 2005 to August 2015. Mr. Wang joined the Company in January 2015 as a Director (from January 2015 to December 2017), Deputy Secretary of the Party Committee, and Secretary of the Commission for Inspecting Discipline of the Company. Mr. Wang holds directorship in a subsidiary of the Company.
YE Jun 	*(Shareholders' representative)* Supervisor since Jan 2018.	Born in 1974. Ms. Ye has extensive experiences in financial management and auditing. Ms. Ye joined GDRB in March 2001 and has been a Deputy Manager of financial management department of that company since March 2010.
XIN Jian 	*(Staff representative)* Supervisor since Jan 2016.	Born in 1968. Mr. Xin has experiences in financial and capital for many years. Mr. Xin joined the Company in 1996, and had been capital manager of finance department, etc. Currently, Mr. Xin is the senior headquarter financial manager of finance department of the Company.

Directors, Supervisors, Senior Management and Employees

Non-director Senior Management and Joint Company Secretaries:

Name | **Position in the Company** | **Resume**

GONG Tao Tao

Vice President,
Secretary of the Board,
Joint Company Secretary.

Details are set out in the resume in the right column.

Born in 1973. Ms. Gong has many years' experiences in finance, accounting and risk management. Ms. Gong is mainly responsible for coordination and management of investment planning and implementation and business operation of new energy industry projects, information disclosure, corporate governance and investor relations as well as playing a leading role in capital operation of the Company.

Ms. Gong joined the Company in 1999, and served as the Financial Controller from November 2002 to August 2018. Ms. Gong has been the Vice President of the Company since September 2018, the Secretary to the Board of the Company and a Joint Company Secretary since August 2019. Ms. Gong has served as Executive Director of the Company from January 2018 to September 2018 and is also concurrently serving as Directors of some subsidiaries of the Company.

SUN Ce

Vice President.

Details are set out in the resume in the right column.

Born in 1965. Mr. Sun has extensive experience in engineering construction and project management. Mr. Sun is mainly responsible for overall management of technical works, construction business.

Mr. Sun joined the Company in 1997, and has been the General Manager of engineering department of the Company since July 2011, and has been a Vice President since September 2015, concurrently he serving as Director of some subsidiaries of the Company.

HUANG Bi Nan

Vice President.

Details are set out in the resume in the right column.

Born in 1971. Ms. Huang has many years' experience in administrative management and development of corporate culture. Ms. Huang is mainly responsible for operation of roads of the Company, property right management, operation plan management of the enterprises invested by the Company and the coordination of performance appraisal.

Ms. Huang joined the Company in 1997 and has been the Office Administrator of the Company since June 2008 and a Vice President since September 2015, concurrently Ms. Huang serving as Director/Chairman of some subsidiaries of the Company.

WEN Po Wei

Vice President.

Details are set out in the resume in the right column.

Born in 1973. Mr. Wen has many years experience in highway operation management and project investment management. Mr. Wen is mainly responsible for coordination and management of the Company's strategic and investment work, as well as assisting in coordination and management of investment planning and implementation and business operation of new energy industry projects.

Mr. Wen has been the General Manager of the strategy and investment development department of Shenzhen International as well as the Deputy General Manager of a number of subsidiaries from April 2008 to August 2015. Mr. Wen joined the Company in 2015. He has been a Vice President since September 2015, concurrently Mr. Wen serving as Chairman of some subsidiaries of the Company and Director of some enterprises invested by the Company.

Name	Position in the Company	Resume
ZHAO Gui Ping 	*Chief Financial Officer.* Details are set out in the resume in the right column.	Born in 1973, Ms. Zhao has extensive experience in finance, auditing and corporate management. Ms. Zhao is mainly responsible for coordination of financing and funding of the Company, including but not limited to, financial budgets, financial reporting and information, financial incomes and expenses, tax and equity and debt financing as well as capital management. Ms. Zhao joined the Company in 2000 and served successively as, among others, assistant manager of finance department, Deputy General Manager of finance department and Financial Controller of Shenzhen Expressway Investment Company Limited. Ms. Zhao has been the General Manager of finance department of the Company from December 2016 to March 2020. Ms. Zhao has been the Chief Financial Officer of the Company since September 2018. Ms. Zhao is also concurrently serving as Directors of some subsidiaries of the Company.
CHEN Shou Yi 	*Chief Engineer.* Details are set out in the resume in the right column.	Born in 1971, Mr. Chen has extensive experience in project construction and management. Mr. Chen is mainly responsible for coordination of technology, safety production and information development of the Company. Mr. Chen served as the General Manager of Shenzhen Longda Expressway Company Limited from 2008 to 2015. Mr. Chen joined the Company in 2015 and served successively as, among others, General Manager of Engineer Department and Chairman of Shenzhen Expressway Construction Development Company Limited. Mr. Chen has been the Chief Engineer of the Company since September 2018.
LAM Yuen Ling Eva 	*Joint Company Secretary.* Details are set out in the resume in the right column.	Born in 1966. Ms. Lam has over 20 years of experience in company secretarial services and commercial solutions. Ms. Lam is a fellow of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators. Ms. Lam is currently a director of BMI Listed Corporate Services Limited and is responsible for supervising the company secretarial teams to provide full range of listed and private company secretarial services to clients, and she has been the Joint Company Secretary from January 2016 to January 2019 and since August 2019.

Directors, Supervisors, Senior Management and Employees

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

1. Positions in Shareholders' Entities

Name	Name of shareholder entity	Position	Term
Hu Wei	XTC Company	Director	Oct 2012 – Now
	Shenzhen International	Extensive Director	May 2017 – Now
Chen Yan	Shenzhen International	General Manager of corporate management department	Feb 2017 – Now
Fan Zhi Yong	Shenzhen International Commercial Management (Shenzhen) Co., Ltd.	Chairman	Jul 2018 – Now
	United Land	Chairman	May 2018 – Now
	Shenzhen International Qianhai Investment Management (Shenzhen) Co., Ltd.	Chairman	Sep 2018 – Now
Chen Yuan Jun	CMET	Deputy General Manager	Feb 2013 – Now
Chen Kai	Shenzhen International	General Manager of human resources department	Aug 2015 – Now
Ye Jun	GDRB Company	Deputy Minister of financial management	Mar 2010 – Now
The description of position in shareholder entities	In addition to abovementioned main positions in shareholders entities, Director Hu Wei, Fan Zhi Yong, Chen Yuan Jun, Chen Kai and Supervisor Ye Jun are also concurrently serving as a Chairman/Director or Supervisor in some subsidiaries or investee companies of the relevant shareholders entities.		

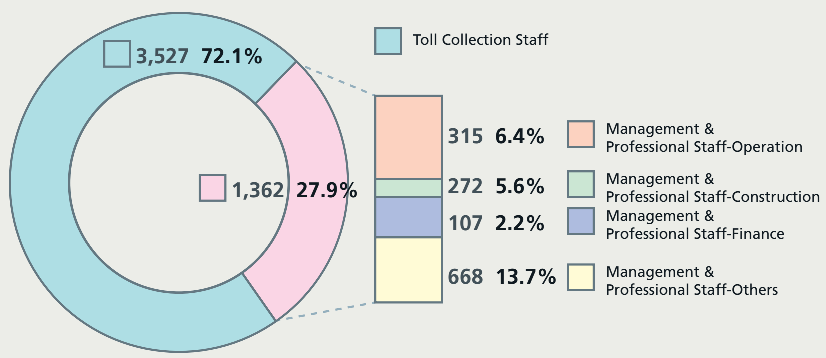
III. Basic Information of Employees and Human Resource Management

1. Basic Information of Employees:

Amount of employees in the parent company	176
Amount of employees in main subsidiaries	4,713
The total amount of employees	4,889
Amount of retired employee for whom the parent company and main subsidiaries shall bear retirement costs	0

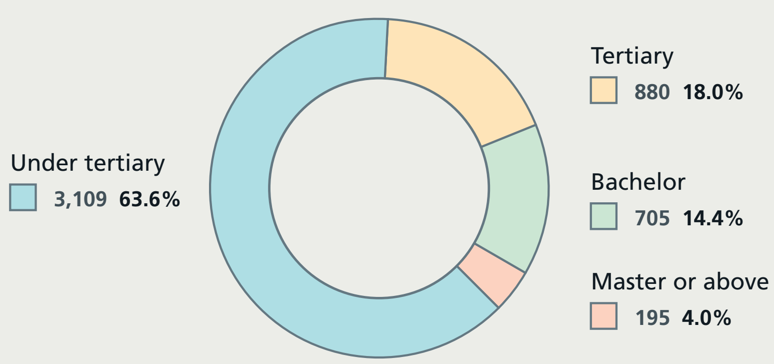
At the end of the Reporting Period, among the employees of the Group (including the Company and its consolidated subsidiaries) 3,527 were toll collection staff, representing 72% of total number, while 1,362 were management and professional staff, including staff of operation, engineering, finance and other series, representing 28% of the total number. The structure of profession of the Group's staff is as follows:

The Structure of Profession of the Group's Staff



Among the employees of the Group, 36% held tertiary or above qualifications, of which 85% of the management and professional staff held tertiary or above qualifications. The educational level of the Group's staff is as follows:

The Educational Level of the Group's Staff



Directors, Supervisors, Senior Management and Employees

2. Remuneration Policies

Remuneration Policies of the Directors/Supervisors:

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

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

Remuneration and Benefits Policies:

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

Pursuant to statutory requirements, the Group has participated in an employee retirement scheme organised by the local government authorities (social pension insurance) and the housing provident fund plan, and has adopted various protection plans such as medical insurance, work injury insurance, unemployment insurance, and maternity insurance for its employees. According to the relevant regulations, the Group is required to pay contributions equivalent to a certain percentage of the employee's aggregate salary (subject to the required maximum cap) to the labour and social security authorities management centre as social insurance contributions for items such as pension and medical insurance expenses. Moreover, the Company has made regular enterprise annuity payments (supplemental pension insurance) for its management personnel and key technical staff members. As at 31 December 2019, the Group has a total of 68 retired staff. The registration procedures in relation to their retirement have been completed through Shenzhen or local social security authorities, concurrently the company provides a free physical examination and important festivals sympathy to retirees every year. For details of the remuneration and benefits for employees during the Reporting Period, please refer to note V\28 to the Financial Statements in this annual report.

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

Performance Evaluation and Incentive System:

The Board determines the Company's annual operating performance targets at each year and sets out clear and concrete rating criteria as the basis for year-end appraisals on the overall performance of the Executive Directors and the management of the Company. During 2019, the Company determined its key performance targets in four aspects, namely finance, customers, internal process and learning and maturity, and included ten key goals, namely the return on shareholders' equity, net profit, operating revenue, profit to cost ratio, customers' satisfaction, project construction and project investment, key work promotion, safety production and material risk control, Party building and discipline inspection and employees' satisfaction.

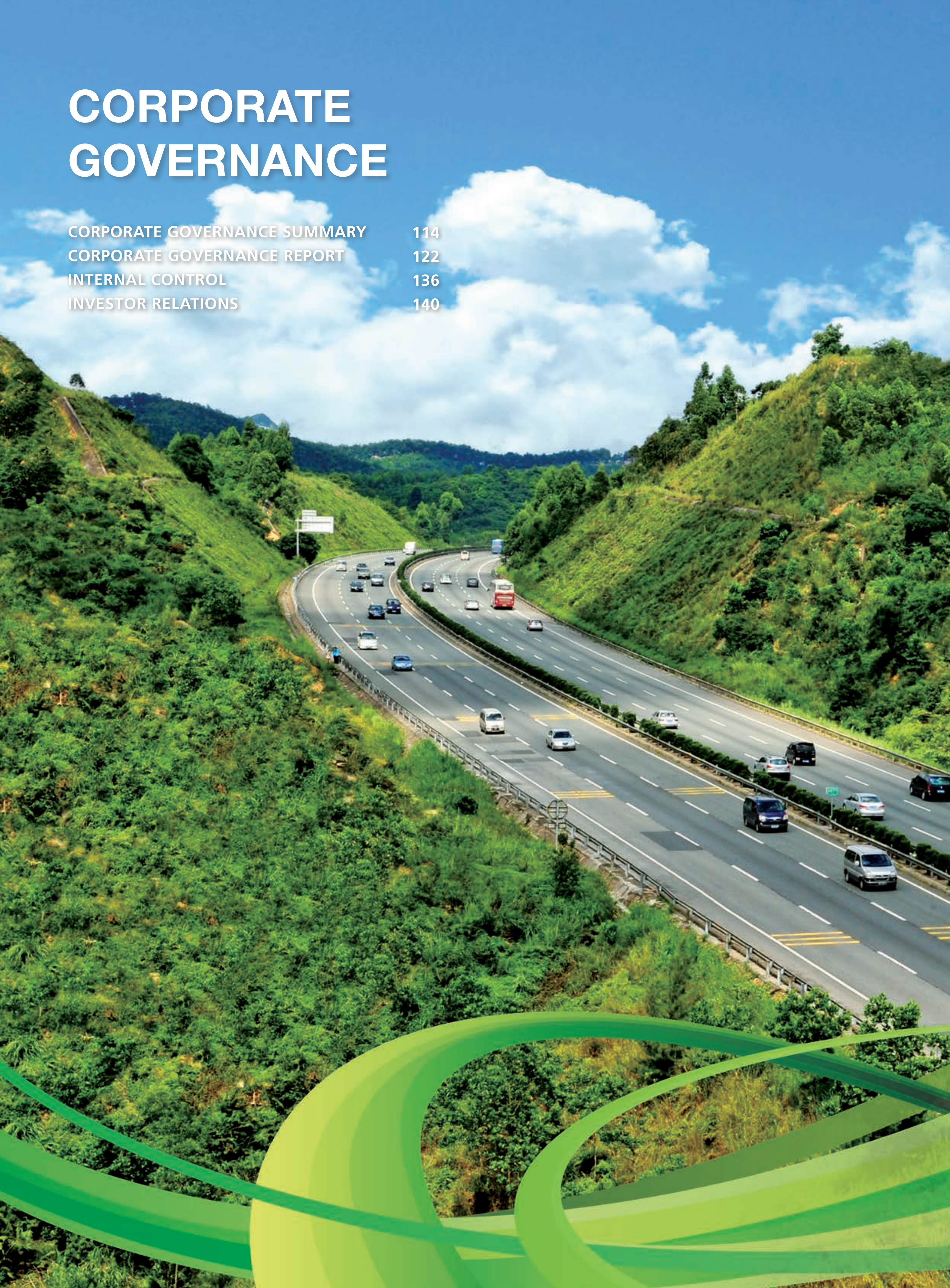
Based on the operating performance targets approved by the Board, the Company is required to determine the annual tasks and targets for staff members of all ranks, segregate and delegate the Company's objectives to the relevant departments and staff. Meanwhile, senior management members are also required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

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

3. Staff Training

The Company values staff training and has established the training system based on job competency. At the beginning of each year, according to the actual needs of the businesses and staff, the Company formulates the training plan to guide the training work of the year, with summary and review conducted at the end of the year. In 2019, the Company and its departments have organised 32 training sessions, which covered all business segments of the Company, including general management, operating management and professional skills. The training hours totalled 3,200 hours, with 400 person-times participation and covering staff of all levels from toll collection staff to senior management.

CORPORATE GOVERNANCE



Corporate Governance Summary

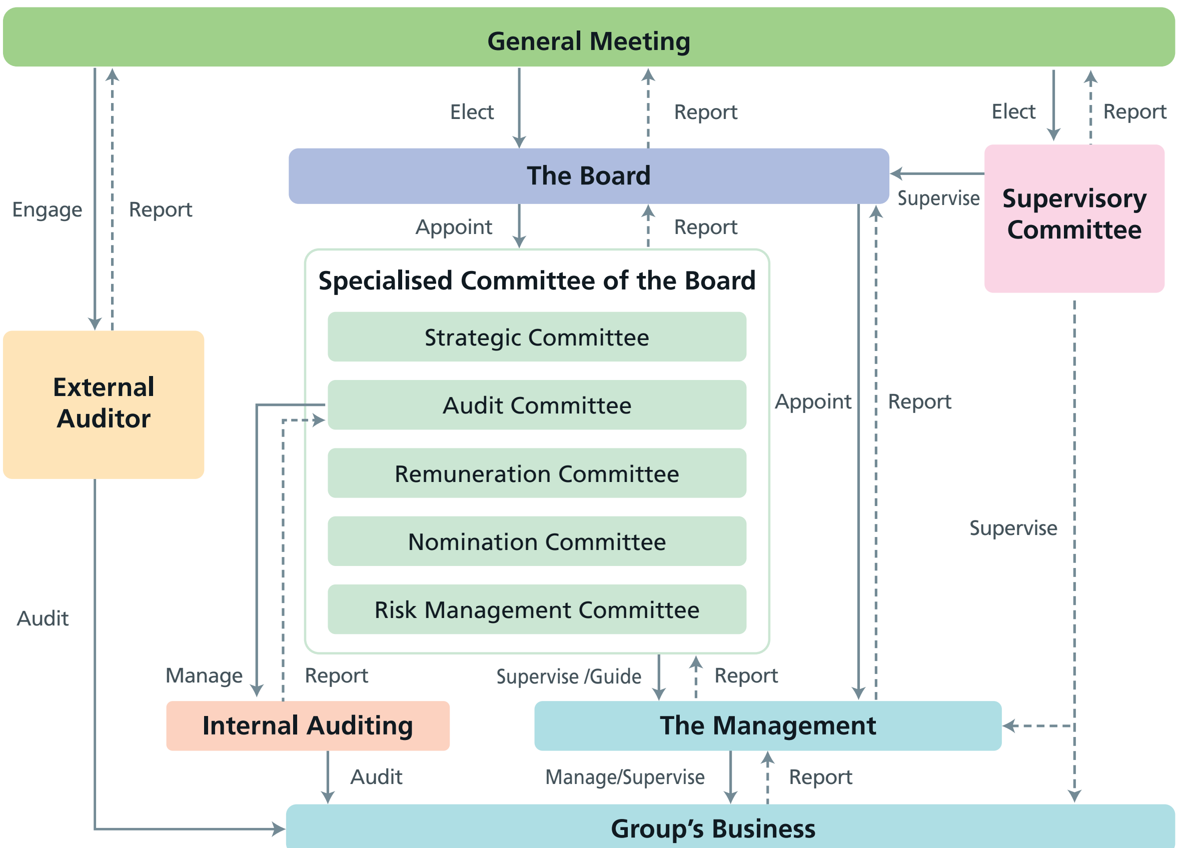
I. Description of the Overall Corporate Governance

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

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

II. Corporate Governance Structure and Rules

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



Governance Structure of Shenzhen Expressway

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

The implementation of the management system of insiders:

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

III. Information on General Meetings

During 2019, 2 general meetings, 2 A Share class meetings and 2 H Share class meetings were held by the Company at the conference room of the Company. Details of the meetings are as follows:

No.	Name of the meeting	Convening date	Disclosing date
1	The First Extraordinary General Meeting 2019	4 March 2019	4 March 2019
	The First Class Meeting 2019 of holders of A Shares		
	The First Class Meeting 2019 of holders of H Shares		
2	The 2018 Annual General Meeting	22 May 2019	22 May 2019
	The Second Class Meeting 2019 of holders of A Shares		
	The Second Class Meeting 2019 of holders of H Shares		

Note: The resolutions of the above general meetings and class meetings are available on the website of SSE at http://www.sse.com.cn, the website of HKEx at http://www.hkexnews.hk and the websites of the Company at http://www.sz-expressway.com.

Corporate Governance Summary

IV. Performance of Duties by Directors

(I) Attendance of Directors at the Board Meetings and the General Meetings in 2019

		Attendance at the Board Meetings					Attendance at the General Meetings (Attendance in person/Total number of meetings)
Directors in service as at the end of the Reporting Period	Position	Total number of meetings	Attendance in person	Attendance by proxy	Absence	Attendance rate in person	
Hu Wei	Executive Director	9	7	2	0	78%	2/2
Liao Xiang Wen	Executive Director	9	9	0	0	100%	2/2
Wen Liang[Note 1]	Executive Director	8	8	0	0	100%	1/1
Chen Yan	Non-executive Director	9	8	1	0	89%	2/2
Fan Zhi Yong	Non-executive Director	9	6	3	0	67%	2/2
Chen Yuan Jun	Non-executive Director	9	6	3	0	67%	2/2
Chen Kai	Non-executive Director	9	8	1	0	89%	2/2
Cai Shu Guang	Independent Director	9	7	2	0	78%	2/2
Wan Siu Wah Wilson	Independent Director	9	9	0	0	100%	2/2
Chen Xiao Lu	Independent Director	9	8	1	0	89%	2/2
Bai Hua	Independent Director	9	9	0	0	100%	2/2

Note 1. Wen Liang has acted as a Director since 4 March 2019.

(II) Attendance of Directors at the Meetings of the Specialised Committees in 2019

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

Note:

1. Observed at the meeting.

2. Absent from the meetings:

   Director Chen Yuan Jun was unable to attend the First Audit Committee Meeting 2019 and the Fourth Audit Committee Meeting 2019 due to business engagements, and have appointed Directors Bai Hua and Wan Siu Wah Wilson to attend on his behalf, respectively.

3. Mr. Wen Liang, a Director, has acted as a member of the Risk Management Committee since 4 March 2019.

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

Corporate Governance Summary

(III) Performance of Duties by Independent Directors

During the Reporting Period, when considering a proposal on the investment in Shenzhen Lvyuan Energy Conservation and Environmental Protection Fund, Independent Director Wan Siu Wah Wilson, who believed that it would be difficult to make judgments based on the existing written information, indicated his objection to such proposal and proposed more detailed due diligence to be conducted by the management on the fund team. Apart from that, the Independent Directors gave no dissent to the resolutions/matters discussed by the Board or specialised committees of the Company. In 2019, no Independent Director of the Company proposed to convene any Board meeting or general meeting. During the year, four Independent Directors of the Company have provided independent advice on matters including the Company's external guarantees, profit distribution plan, changes in accounting policies, investment and financing plans, employment of senior management, connected transactions and annual review on continuing connected transactions pursuant to regulatory requirements and guidelines, and provided constructive opinion on the business development and strategic plans of the Company, with a view to protecting the overall interests of the Company and shareholders by duly performing its monitoring and balancing role. For details of performance of duties by the Independent Directors during the year, please refer to the "2019 Duty Report of Independent Directors (2019年度獨立董事述職報告)" (Chinese version) published by the Company on the websites of the exchanges on the Reporting Date.

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

The Board of the Company establishes five specialised committees, namely Strategic Committee, Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee. Members of the specialized committees are appointed by the Board for a term of three years, consistent with the term of the Board. Each specialised committee has its terms of reference which explicitly explains and defines its duties and powers, which have been approved by the Board. In 2019, the specialised committees of the Board convened 15 meetings in total. For the composition of each specialised committee and the attendance at the committee meetings during the year, please refer to "Performance of Duties by Directors" above.

(I) Strategic Committee

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

In 2019, the Strategic Committee held one meeting, during which the committee considered the "Strategic Planning of Shenzhen Expressway 2020–2024 (深高速2020–2024年發展戰略規劃)" submitted by the management of the Company and was informed by the management of the Company in relation to the achievement of key financial indexes for the last five-year strategy, comparison and analysis of the companies in the same industry and the review and conclusion of the implementation and progress of new industry project, and had received the report on the strategic plans for the year of 2020–2024, the preliminary outcome from the discussion, research and the concrete planning. The committee has submitted relevant business proposals and opinions, with a view to promoting the fulfillment of the next five-year strategic development target of the Company by reasonable resource utilisation and allocation and effective measures.

(II) Audit Committee

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

In 2019, the Audit Committee held five meetings in total, and actively conducted work and performed duties focusing on the goal set at the beginning of the year, reviewed the periodic reports, internal control reports and specific audit reports of the Group, and provided the Company with professional opinions and suggestions on various aspects including financial reporting, relevant accounting policies and estimates, audit work, corporate governance, risk management and internal control.

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

- review of the Group's periodical financial statements, including the annual financial statements for 2018 and the unaudited financial statements for the first quarter, interim and the third quarter of 2019, and making recommendation to the Board for approval;
- assisting the Board in making independent evaluations on the effectiveness of the Group's internal control;
- supervision and guidance for the internal audit work;
- supervision on control and routine management work of connected transactions;
- supervision and guidance for the Group's anti-fraudulent work;
- coordination and evaluation of the work of auditor and recommendations for appointments.

The related work of and opinions on the Group's financial reporting, review on financial statements, internal control and auditors are set out in "Corporate Governance Report" and "Internal Control" in this annual report. For details of the annual performance of duties by the Audit Committee, please refer to the "2019 Duty Report of the Audit Committee (審核委員會2019年度履職情況報告)" (Chinese version) published by the Company on the websites of the exchanges on the Reporting Date.

Corporate Governance Summary

(III) Remuneration Committee

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

In 2019, the Remuneration Committee held four meetings in total, and its major tasks during the year included:

- evaluating the operating performance of the management and the Executive Directors for 2018, reviewing the relevant incentive proposal of the management and the Executive Directors, and submitting the appraisal results and review opinions to the Board;
- reviewing the remuneration disclosure proposal of Directors and senior management for 2018;
- considering the incentive and restraint scheme for employee and the provision for and distribution of the profit increment based incentive reward;
- reviewing the risk liability and incentive proposal for Nanjing Wind Power;
- reviewing the formulation of the operating performance target of the Company for 2019 and submitting review opinions;

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

(IV) Nomination Committee

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

In 2019, the Nomination Committee held two meetings in total, and its major tasks during the year included:

- reviewing the structure, number of members and composition of the Board;
- completing the qualification review for renewal and appointment of secretary of the Board, and submitting recommendations for appointment to the Board.

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

(V) Risk Management Committee

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

In 2019, the Risk Management Committee held three meetings in total, and actively conducted work and performed duties focusing on the goals set at the beginning of the year, reviewed the Group's risk management review and plan, and provided the Company with professional advice and recommendations on various aspects including risk warning indicators and risk assessment for investment projects. Its major tasks during the year included:

- reviewing the annual risk review report and risk management plans of the Group, understanding the changes of risk exposed to the Company and the implementation of risk responsive measures, and discussing the major risks exposed to the Company in the future and responsive measures with the management;
- reviewing the updates of the financial warning indicator system and monitoring the material changes of the warning indicators;
- Reviewing industry fund projects invested by the Company and providing opinions and recommendations to the Board from the aspect of risk control.

VI. Work of the Supervisory Committee

In 2019, the Supervisory Committee held seven meetings in total, and the Supervisors also attended all the general meetings and Board meetings. They considered or reviewed matters including the regular reports, financial accounts and budget reports, proposed profit distribution, changes in accounting policies, changes in accounting estimates, connected transactions, the incentive and restraint proposal for employee and the termination of the public issuance of A Share Convertible Corporate Bonds, and supervised the compliance of the decision-making procedures of general meetings and Board meetings, the implementation of the resolutions in the general meetings, the implementation of the Company's profit distribution policy, the disclosure of regular reports and other information, the performance of duties by the Directors and senior management and the implementation of relevant securities regulatory requirements. During the Reporting Period, there was no occurrence about which the Supervisors disputed with the Directors or sued the Directors on behalf of the Company. The Supervisory Committee has no objection to the matters under their supervision during the Reporting Period.

Corporate Governance Report

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

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

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

A. Directors

A.1 The Board

The code provisions that we complied with	A.1.1~A.1.8

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

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

In 2019, the Board convened 9 plenary meetings, 10 executive Directors' meetings and signed 2 written resolutions of the Board. It has discussed and made decisions on issues covering the Group's operating and financial performance, planning and supervision, business development and challenges, investment and financing plans, changes in accounting policies and estimates, connected transactions, and re-appointment of members of the senior management. During the year, when considering relevant proposals, the Directors who had material interest in the same had complied with the avoidance principle and abstained from voting. For example, when considering the transaction with related parties/connected transaction in relation to the entrusted management of equity interest in Longda Company, the Directors holding office in Shenzhen International Group (excluding the Group) and other Directors holding interests have declared their interests to the Board and abstained from voting.

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

According to the consideration and decision making needs, the Company may engage the professional institutions including the accountants firms, lawyers and assessment institutions based on the actual situation to issue written report for Directors' review. In addition, in accordance with the Rules of Procedures for the Board of Directors and the relevant requirements, the Directors and the specialised committees may engage professional institutions or professionals through established procedures to obtain professional advice, and the fees so incurred shall be borne by the Company. To ensure the independence of the professional institutions, the specific selection and employment work is conducted by the Independent Directors or independent Board committee for the engagement of independent financial advisor for the connected transactions. The selection and employment shall be determined by a majority of votes of the members and the members with connected relationship or conflict of interest shall avoid from voting and shall not constitute a quorum. In 2019, there was no circumstance which required the independent Board committee to engage independent financial advisers to issue advice.

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

Corporate Governance Report

A.2 Chairman and Chief Executive Officer

The code provisions that we complied with	A.2.1~A.2.9

The Company clearly defines the duties between the Chairman and the President, so that the functions of the Board and management are separated to ensure the balance of power and authority. In 2019, the Chairman of the Company is Mr. Hu Wei, and the President of the Company is Mr. Liao Xiang Wen. There is no affiliation or interest relationship between the Chairman and the President, including financial, business, family or any other related relationships. The Chairman is responsible for taking charge and coordinating the operation of the Board, providing leadership in the Board to set the Group's overall development strategies and directions and to achieve the Group's goals, ensuring effective operation of the Board and assuring good corporate governance practices and procedures for the Company. The President, with the support and assistance of the Board and other senior management of the Company, is responsible for coordinating and managing the Group's business and operation, implementing the strategies laid down by the Board and making day-to-day operating decisions.

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

The Board encourages the Directors to maintain a prudent and doubtful attitude as expected, to create an open-minded discussion atmosphere to encourage any dissenting Directors to fully express their point of views, and to motivate the Directors, especially Non-executive Directors to have effective contributions to the Board. During 2019, the Company solicited the opinions of all the Non-executive Directors. The Non-executive Directors considered that there was no matter required to be discussed by the Chairman and Non-executive Directors. In addition, 1 special meeting was convened by the Company for the Chairman and the Independent Directors. The Company has set up a well-established governance structure and formulated multi-tier governance rules. Please refer to "Corporate Governance Summary" and D.3 below in this annual report for details.

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

A.3 The composition of the Board

The code provisions that we complied with	A.3.1~A.3.2

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

The term of office of the eighth session of the Board of the Company is from 1 January 2018 to 31 December 2020. As at 31 December 2019, the Board comprises Hu Wei, Liao Xiang Wen and Wen Liang as Executive Directors, Chen Yan, Fan Zhi Yong, Chen Yuan Jun and Chen Kai as Non-executive Directors, and Cai Shu Guang, Wan Siu Wah Wilson, Chen Xiao Lu and Bai Hua as Independent Directors. The Board members come from various industry backgrounds with professional expertise in highway industry, environmental protection industry, financial, accounting and auditing, finance and securities, law, property development and administration and human resources, and one of them (being Independent Director) possesses professional financial and accounting qualifications. The members of the Board have various industry backgrounds and maintain diversity in terms of various aspects including experience, skills and judgment, allowing the Board to analyse and discuss issues from different perspectives and make decisions in a more cautious and careful manner.

The Board of the Company comprises 4 Independent Directors, representing no less than one-third of the number of members of the Board, which complies with the relevant requirements. The Board has obtained written confirmations from all Independent Directors concerning their independence in accordance with the requirements under Rule 3.13 of the Listing Rules of HKEx. The Company believes that all Independent Directors have complied with the relevant guidelines as stipulated in such rule and are regarded as independent parties during 2019.

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

A.4 Appointment, re-election and removal

The code provisions that we complied with	A.4.1~A.4.3

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

A.5 Nomination Committee

The code provisions that we complied with	A.5.1~A.5.6

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

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

Corporate Governance Report

A.6 The responsibilities of Directors

The code provisions that we complied with	A.6.1~A.6.8

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

Attendance of Directors (including attendance by appointing other Directors as proxies) at the Board meetings in 2019 was 100%, while attendance in person was 87%. Attendance of members in person at the meetings of the specialised committees of the Board (including the meetings of the Independent Directors) was 89%. Attendance of members in person at the general meetings was 100%. Please refer to "Corporate Governance Summary" in this annual report for the details of the attendance of Directors and the overview of the performance of duties of the Independent Directors during the year.

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

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

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

In 2019, Hu Wei, a Director, attended the "training for directors and supervisors of listed companies" organised by Shenzhen Securities Regulatory Bureau; Wen Liang, a Director, attended the subsequent trainings for financial controller of listed companies held by the China Capital Market Institute and the SSE; and Cai Shu Guang, Wan Siu Wah Wilson and Chen Xiao Lu, all being Independent Directors, attended the subsequent trainings for independent director qualification held by the SSE. They systematically studied the relevant laws and regulations concerning the operation of listed companies. During the year, the Company prepared 4 issues of "Reference Document Summaries for the Board", which systematically summarised and delivered the relevant regulatory documents concerning Directors' performance of duties and responsibilities, and sent approximately 22 regulatory documents relating to various laws and regulations of listed company and the industry. It also provided explanations, advice and interpretations on the key points of the relevant rules and the matters to be brought to the attention of the Directors/Supervisors through document guidance and explanation on the meetings. The above measures allow the Board and the Supervisory Committee to continuously and effectively learn the relevant laws and regulations promulgated or updated by regulatory authorities, and provided practical guarantee for the continuous updating of the knowledge and information required for the performance of their duties and the fulfillment of duties of the Directors/Supervisors.

A.7 Provision and use of information

The code provisions that we complied with	A.7.1~A.7.3

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

Non-executive Directors (including Independent Directors) and Supervisors are able to understand the Company's operation activities, business development trend and the duties as the Company's Directors/Supervisors through several channels to ensure their proper performance of such duties. In 2019, the Company supported the performance of duties of the Directors/Supervisors through the following approaches:

◆ arranged the management to report the progress of the material matters of the Group on the meetings of the Board;

◆ arranged the presentation of the works for the year to provide a detailed report on the completion of the Group's works in 2018 and the work plan in 2019, as well as the progress of the major works and projects including operating condition, project construction, environmental protection project investments and new industry expansion;

◆ organised on-site inspections to understand the development and operation of the project in Longli, Guizhou and the related business, and helped the Directors and Supervisors to better understand the operating environment and performance of the Company and the specific projects;

◆ dispatched "Operation Information Monthly" every month, which regularly reports information such as the operation performances of highway projects, progress of construction projects and major works, updates on investee companies, monitoring of the early warning indicators of financial risks and work progress during adjournments of Board meetings;

◆ published 4 issues of "Quarterly Analysis Report on Investor Relations", assisting the Directors/Supervisors to understand in time the news, regulatory trends and developments, market assessments and share price performance regarding the Company and other listed companies in the same industry;

◆ arranged the Directors and Supervisors to participate in the trainings held by securities regulatory authorities, and provided consultation of laws and regulations for the Directors/Supervisors in need, allowing them to understand the operation of the Company and the domestic and international rules and principles relating to governance in a comprehensive and systematic manner.

Corporate Governance Report

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

B.1 Standard and composition of remuneration and its disclosure

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

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

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

C. Accountability and Audit

C.1 Financial reporting

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

In the regular financial reporting over the years, the Board made efforts to comply with the requirements of the relevant laws and the Listing Rules and prepared documents and disclosed information under the principle of more and stricter as possible so as to fit the regulatory requirements of both Shanghai and Hong Kong markets. On this basis, the Company took the initiative to understand what the investors focused on, carried out more targeted voluntary information disclosures, striving to make comprehensive, objective, fair and clear statements on status and prospects of the operation and management of the Group. Apart from an in-depth analysis on the operational and financial positions and the major factors affecting the business performance, the Company also provided the information in relation to the risks that our business faced in operating activities, responsive measures, development strategies and plans, etc. in annual reports to enhance investors' understanding on the Company's business, management and development trends. The Company has also prepared and published reports on quarterly results within 30 days upon the conclusion of the first quarter and the third quarter each year in compliance with the requirements of the CSRC and the SSE. The Board shall be able to assess the Company's performance and make decisions on the basis of fully understanding the required information. Please refer to A.6 and A.7 above for the details of the provision and support of the information.

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

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

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

Under the authorisation granted by the Board, the Audit Committee is responsible for reviewing and monitoring the quality and procedures of the Group's financial reporting. During 2019, the committee reviewed the periodic financial statements and made recommendation to the Board for approval. The specific works of the committee included the following:

- The committee reviewed the interim and the quarterly financial statements of the Group, received the report on the review from the auditor and discussed the handling methods of significant financial and accounting matters with the management and the auditor.

- Before the annual audit began, the committee held meetings with the auditor and discussed the composition of its audit team members, risks of the year, scope of audit, method of audit, focus of audit and the schedule for the annual audit in order to understand the overall work arrangement of the financial statement of the Company for the year, conducted preliminary reviews and issued opinions in writing for the statements.

- During the annual audit process, the committee maintained an ongoing communication with the management and the auditor, and discussed and confirmed over the handling methods of significant financial and accounting matters of the Group, the appropriateness of the accounting policies adopted and the reasonableness of the accounting estimates.

- The committee supervised the completion of the annual audit by the auditor as scheduled and reviewed the Group's annual financial statements and issued its written opinions. The Audit Committee held two meetings in early 2020 (up to the Reporting Date) to review the 2019 annual financial statements and annual report of the Group. Based on the results of relevant work and with reference to the audit opinions of the auditor, the committee is of the view that the Group's 2019 financial statements truthfully and reasonably reflected the operating results and financial position of the Group for the year, and thus recommend the Board to approve the same.

Corporate Governance Report

C.2 Internal control

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

Having an improved and practical internal control system is the basis of good corporate governance. The Board is responsible for developing and maintaining the internal control system of the Company for the review of the effectiveness of all important control procedures in finance, operations, compliance and risk management, thereby safeguarding shareholders' interests and the Group's assets. During 2019, the Board carried out reviews on the soundness and effectiveness of the internal control system of the Group and issued a self-assessment report on internal control, the assessment of which has included but not limited to the aspects required by C.2.1~C.2.4 of the code provisions. In addition, the Company has engaged an auditor to audit the effectiveness of internal control relating to the financial reporting of the Company in order to provide independent and objective assessment and recommendation in the form of audit report. Please refer to "Internal Control" in this annual report for the details of the establishment of the internal control and risk management system of the Company, the Statement of the Responsibilities of the Board, the self-assessment, key deficiencies (if any) and the audit.

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

C.3 Audit Committee

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

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

The Board established the Anti-fraudulent Work Regulation and specified the key areas of anti-fraudulent work and the matters including the division of roles, fraud prevention and control, procedures for accusing, investigating, handling and reporting on fraud cases. The Audit Committee and the Audit Department have set up independent hotlines and email boxes for reporting any suspected cases which are posted on the internal and external websites of the Company as channels for staff at all levels and stakeholders of the Company to reflect and report the violation of the ethical issues or suspected fraud cases in connection to the Company or its staff. During the year, the Audit Committee communicated with the auditor of the Company in relation to the fraudulent risk and control measures in order to understand the recommendation of internal control proposed by the auditor and the Audit Department and the feedback and the rectification and improvement of the management, investigate the reports/complaints against the Company or the management from the perspective of internal control and provide continual guideline and supervision on the anti-fraudulent work of the Company.

The report of the auditor:

Upon the approval of general meeting, the Company appointed Ernst & Young as the Company's auditor for the year of 2019 to carry out a comprehensive audit for the annual financial statements and the internal control and assume the due duties of an international auditor as provided for by the Listing Rules of the HKEx. Ernst & Young has been appointed by the Company as its statutory auditor since 2016. It has been providing audit services to the Group for 4 consecutive years.

The remunerations of the Company's auditor for the year 2019 are set out as follows:

(Unit: RMB'000)	**2019**	2018
Financial statements audit/review fees	**3,998**	4,000
Internal control audit fees	**600**	600
Others (non-audit service)	**2,078**	1,250

Note:

1. The auditor has submitted to the Company a written confirmation in respect of the total amount of the aforementioned remunerations.

2. In 2019, other services provided by Ernst & Young mainly included special audit fees during the acquisition, and fees of comfort letter issued during the application of the issuance of A-share convertible corporate bonds, etc.

Corporate Governance Report

Save as the above-mentioned, the Advertising Company, Qinglian Company, Qinglong Company, a total of 18 wholly owned or majority owned subsidiaries of the Company, engaged Pan-China Certified Public Accountants LLP, Changsha Lewei C.P.A. Office Ltd and Lau, Cheung, Fung & Chan Certified Public Accountants to provide audit services and etc. The audit fees for the year 2019 amounted to RMB525,000, RMB14,000, RMB8,100.

The Audit Committee is responsible for conducting an assessment on the completion of the annual audit and the quality of professional services of the auditor, and makes recommendations to the Board in respect of the appointment or replacement of the auditor. The appointment or replacement of the auditor as well as the determination of audit fees are proposed by the Board at the general meeting for the approval or authorisation. According to the stipulated procedures of the Company, the Audit Committee already assessed and summarised the 2019 audit work of Ernst & Young. The committee is of the view that Ernst & Young performed well in terms of independence and objectivity, professional skills, quality and efficiency of audit for financial information disclosure and the communication with the Company.

D. Delegation of Authority of the Board

D.1 The management function

The code provisions that we complied with	D.1.1~D.1.4

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

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

Without material prejudice to or impairment of the overall capability to perform duties and authorities of the Board, the Board has granted Executive Directors certain authorities, so as to enhance the overall quality and efficiency of decision-making of the Company. The Board has also formulated the Rules of Procedures for the Executive Directors Meeting to strengthen the monitoring and management on the authorised matters by establishing a mechanism on procedural management, filing and regular reviews. During the year, the general authorized matters of the Executive Directors were re-organised by the Company with suitable adjustment on the scope of authorization. The Rules of Procedures for the Board of Directors was also revised accordingly to further enhance the efficiency of decision-making of the Company. Specific information and management procedures relating to the authorisation have been clearly set out in the Articles of Association of the Company and Rules of Procedures for the Board of Directors. In 2019, the Executive Directors held ten meetings in total, during which they discussed and made decisions on matters regarding organisational structure adjustment, project investment and disposal, financing management and donation within their authorisation. Resolutions for such matters have been reported to the Board and Supervisory Committee in time.

D.2 The committees under the Board

The code provisions that we complied with	D.2.1~D.2.2

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

As at the end of the Reporting Period, the composition of each specialised committee of the Board of the Company is set out as follows:

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

Each specialised committee has appointed a designated member of the management to be the secretary of the committee and clearly defined the meeting and reporting procedures with reference to the procedures for the Board. The meeting minutes of the committees contain the details of the matters discussed in the meetings and are maintained properly according to the file management system of the Company upon the confirmation of all members. The chairman of each committee reports the work progress to the Board regularly and submits the relevant minutes for record. In 2019, the five specialized committees of the Company convened 15 meetings. For details, please refer to the "Corporate Governance Summary" in this annual report.

Corporate Governance Report

D.3 Corporate governance function

The code provisions that we complied with	D.3.1~D.3.2

The Board is responsible for the performance of its duty on corporate governance. During 2019, the Board regularly received reports on the reviews of the rules on governance, the compliant operation of the Company, the Directors' compliant performance of duties and the training and growth of the management personnel, and constantly monitored the overall states and level of corporate governance. Moreover, the Audit Committee also regularly reviewed the relevant review checklists submitted by the Audit Department, examined the compliance of corporate governance practices and the disclosure of the corporate governance report of the Company to ensure the related regulations and issues are implemented and disclosed appropriately.

E. Communication with Shareholders

E.1 Effective communication

The code provisions that we complied with	E.1.1~E.1.4

The Company encourages all shareholders to attend the general meetings. In 2019, a total of 2 general meetings were held by the Company, as well as 2 A Share class meetings and 2 H Share class meetings. For details, please refer to the "Corporate Governance Summary" in this annual report.

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

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

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

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

E.2 Voting by poll

The code provisions that we complied with	E.2.1

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

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

F. Company Secretary

The code provisions that we complied with	F.1.1~F.1.4

The Secretary to the Board of the Company, who is appointed by the Board and reports to the Chairman of the Board for daily routines, is a senior management member of the Company. The Secretary to the Board is responsible for the communication and coordination among the Company, Directors and the shareholders, giving advice to the Board and the management on corporate governance, information disclosure and investor relationship management and the arrangement of specific matters. During the Reporting Period, from 1 January 2019 to 28 January 2019, the Secretary to the Board of the Company was Mr. Luo Kun and the Joint Company Secretaries were Mr. Luo Kun and Ms. Lam Yuen Ling, Eva; from 29 January 2019 to 22 August 2019, the Secretary to the Board of the Company and the company Secretary was Mr. Luo Kun; from 23 August 2019, the Secretary to the Board of the Company is Ms. Gong Tao Tao and the Joint Company Secretaries are Ms. Gong Tao Tao and Ms. Lam Yuen Ling, Eva. During 2019, both Ms. Gong Tao Tao and Ms. Lam Yuen Ling, Eva have completed a total of not less than 15 hours of related training sessions so as to keep their professional knowledge and skills up-to-date and better support the operation of the Board.

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

Internal Control

I. Statement of Responsibilities towards Internal Control

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

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

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

II. Establishment of the Internal Control System

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

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

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

Control environment	To determine the tone of the organisation to influence people's attitude towards internal control. It includes the structure of the Board of Directors, the management's business ethics and integrity, management philosophy and operating style, the mode of distribution of rights and responsibilities, human resource policies and the competence of personnel etc.
Risk assessments	To assess the risks associated with achieving the goals as the foundation of establishing the internal control system for the risk management.
Control activities	To help the management ensure that policies and procedures are implemented in the instructions and intentions. It includes a series of activities, such as approval, authorisation, confirmation, adjustment, check, regular inventory, the division of responsibilities, asset security and so on.
Information and communication	Information should be identified, acquired and transferred in an appropriate manner. Must maintain a broad and smooth transfer within the Company as well as establish the effective communication with external parties, such as customers, suppliers, government and shareholders.
Supervision	It includes continuous supervision, independent assessment, or combination of the two way. Internal control deficiency should be reported to the one who has the ability to solve the problem, including the management and the Board of Directors.

Control objectives

- ✓ Legal compliance management
- ✓ Security of asset
- ✓ True and complete financial reports and related information
- ✓ Improvement of operational efficiency and effectiveness
- ✓ Promoting the realisation of the development strategy

Internal Control

III. Risk Management

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

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

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

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

According to the relevant requirements of the Corporate Internal Control Standard System which is based on the Basic Standard for Enterprise Internal Control together with the Company's internal control system and method of evaluation, the Board had assessed the effectiveness of the Company's internal control as at 31 December 2019 (the base date of the Assessment Report) and issued 2019 Assessment Report on Internal Control based on its routine monitoring and project-based supervision. The scope of evaluation included Shenzhen Expressway Company Limited, Shenzhen Jihe Expressway (Eastern Section) Company Limited, Guangdong Qinglian Highway Development Company Limited, Hunan Yichang Expressway Development Company Limited, Shenzhen Guangshen Coastal Expressway Investment Company Limited, Hubei Magerk Expressway Management Private Limited, Shenzhen Qinglong Expressway Company Limited, Shenzhen Expressway Investment Company Limited and its subsidiaries, Shenzhen Expressway Environment Company Limited and its subsidiaries, Shenzhen Outer Ring Expressway Investment Company Limited, Shenzhen Meiguan Expressway Company Limited, Shenzhen Expressway Advertising Company Limited, Mei Wah Industrial (Hong Kong) Limited, Jade Emperor Limited (JEL Company), Maxprofit Gain Limited (Maxprofit Company), Hunan Changsha Shenchang Expressway Company Limited, Shenzhen Expressway Operation Development Company Limited and Shenzhen Expressway Construction Development Company Limited, and also covered the main businesses and matters of these companies in terms of corporate governance, business procedures and high-risk areas. The assets of the abovementioned assessed companies accounted for 97.02% of the Group's total assets as per the consolidated financial statements and their aggregated revenues accounted for 98.63% of the Group's total revenues.

Assessment Report for Internal Control 2019 of the Company (Chinese version) was disclosed on the website of SSE (http://www.sse.com.cn), the website of HKEx (http://www.hkexnews.hk) and the website of the Company (http://www.sz-expressway.com) in separate reports. According to the identified key deficiencies in the internal control on the Company's financial reporting, there was no key deficiency in the internal control on the Company's financial reporting as at the basis date of the assessment report. The Board of Directors are of the opinion that the Company has maintained an effective internal control on financial reporting in all material aspects according to the Corporate Internal Control Standard System and the relevant regulatory requirements. According to the identified key deficiencies in the internal control on the Company's non-financial reporting, no key deficiency in the internal control on the Company's non-financial reporting was aware of as at the basis date of the assessment report. During the period from the basis date of the assessment report to the issue date of Assessment Report for Internal Control 2019, no factors that affect the conclusions on effectiveness of internal control evaluation occurred.

V. Description on Internal Control Audit

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

Investor Relations

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

I. Information Disclosure

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

In 2019, the Company timely completed the preparation and disclosure of its annual, interim and quarterly reports and approximately 170 announcements and other shareholders' documents and information, disclosing in detail the following information of the Company: operations of the Board, the Supervisory Committee and general meetings, dividend distributions, exchange with investors, corporate governance, operating conditions, investment and financing arrangements and so forth. The Company acted, on its own accord, to disclose its monthly operational statistics by way of announcements. The Company also maintained to provide in-depth analyses on its operating and financial positions as well as the major factors affecting its business performance in its annual reports with a view to strengthening investors' understanding about the operation, management and development trends of the Company.

II. Ongoing Communication

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

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

◆ Making the public known the investor hotline and investor relations e-mail, establishing the Investors' Message section on the Company's website, and promptly responding to investors' inquiries. In 2019, the Company replied approximately 70 investors' inquiries through website, telephone or via e-mail.

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

- Properly arranging request of visits and researches from the investors. During 2019, the Company received in aggregate of over 30 investors' on-site visits, with an open-minded attitude communicated with the investors, and has built up a direct communication mechanism between investors and the Company.

- Conducting various forms of presentation activities, including organising result presentations and press conferences, online investor meetings, road-shows and reverse road-shows as well as participating in different types of investor forums.

  The Company interacted and communicated with over 800 investors and media reporters through the above events during the year. Details of major presentation activities during 2019 are as follows:

January	◆	Participated in "UBS Industrials and Infrastructure Day 2019" in Hong Kong
February	◆	Participated in "The Next Chapter – TF Securities 2019 Annual Conference of Investment Strategies" in Shenzhen
	◆	Participated in "Sinolink Securities Telephone Conference"
March	◆	Held 2018 annual result presentations and press conferences in Shenzhen and Hong Kong
	◆	Road-shows and analyst conferences in Hong Kong in relation to the announcement of the annual results
	◆	Analyst conferences in Shenzhen in relation to the announcement of the annual results
	◆	Participated in "Pacific Securities Telephone Conference"
	◆	Participated in "Sinolink Securities Telephone Conference"
April	◆	Held first quarter result presentations online investor meeting
	◆	Non-deal road-shows in Australia & New Zealand
	◆	Participated in "Cathay Securities Telephone Conference"
May	◆	Participated in "Founder Securities Capital Market Forum" in Shenzhen
	◆	Non-deal road-shows in London & Paris
	◆	Participated in "Huatai Securities Mid-term Strategy Conference 2019" in Shanghai
	◆	Participated in "Sinolink Securities Mid-term Strategy Conference 2019" in Shanghai
	◆	Participated in "KGI Securities Telephone Conference"
June	◆	Participated in "Industrial Securities 2019 Semi-annual Investment Strategy Summit" in Shanghai
	◆	Participated in "Changjiang Securities Cycle & Technology Innovation Summit" in Shanghai
	◆	Participated in "2H19 CICC Investment Strategy Conference – China: A New Era of Development and Openness" in Shanghai
	◆	Participated in "J.P. Morgan's Asia Infrastructure, Industrials & Transportation" in Hong Kong
August	◆	Held 2019 interim result presentations and press conferences in Shenzhen and Hong Kong
	◆	Road-shows and analyst conferences in Hong Kong in relation to the announcement of the interim results
	◆	Analyst conferences in Shenzhen in relation to the announcement of the interim results

Investor Relations

September	◆	Participated in "Leading Future – Northeast Securities 2019 Autumn (Shenzhen) Listed Companies Communication Meeting" in Shenzhen
	◆	Participated in "Industrial Securities 2019 Autumn Strategy Conference" in Beijing
	◆	Participated in "Connectivity and Common Prosperity – 2019 Hong Kong-Listed Company Investment Summit & Investor Collective Reception Day" in Shenzhen
	◆	Participated in "Roadshow China IRO Face-to-Face Investor Communication Meeting" in Shenzhen
	◆	Organized a reverse road-show for Guizhou projects
	◆	Participated in "CICC Investment Telephone Conference"
October	◆	Held third quarter result presentations online investor meeting
	◆	Participated in "J.P. Morgan Telephone Conference"
November	◆	Participated in "CICC Investment Forum (Beijing) 2019" in Beijing
	◆	Participated in "14th Citi China Investor Conference 2019" in Macau
	◆	Participated in "HuaChuang Securities Capital Market Annual Conference 2020" in Shenzhen
	◆	Non-deal road-shows in Dubai & Norway
	◆	Participated in "Morgan Stanley 18th Annual Asia Pacific Summit" in Singapore
	◆	Organised a reverse road-show for Shenzhen projects
December	◆	Participated in "HUATAI 2020 Investor Conference" in Beijing
	◆	Participated in "Sinolink Securities Investment Strategy Conference 2020" in Shanghai
	◆	Held "Media Communication Activity 2019"

◆ Regularly dispatching information and materials on the operations and development of the Group. The Company prepared and issued a total of 3 issues of E-news and 12 result and progress presentation materials in 2019, providing information to investors on the operating performance and environment of the Company, and giving responses to issues which concern investors. Apart from the manner of e-mails, E-news is also uploaded to the Company's website for more investors' access at any time.

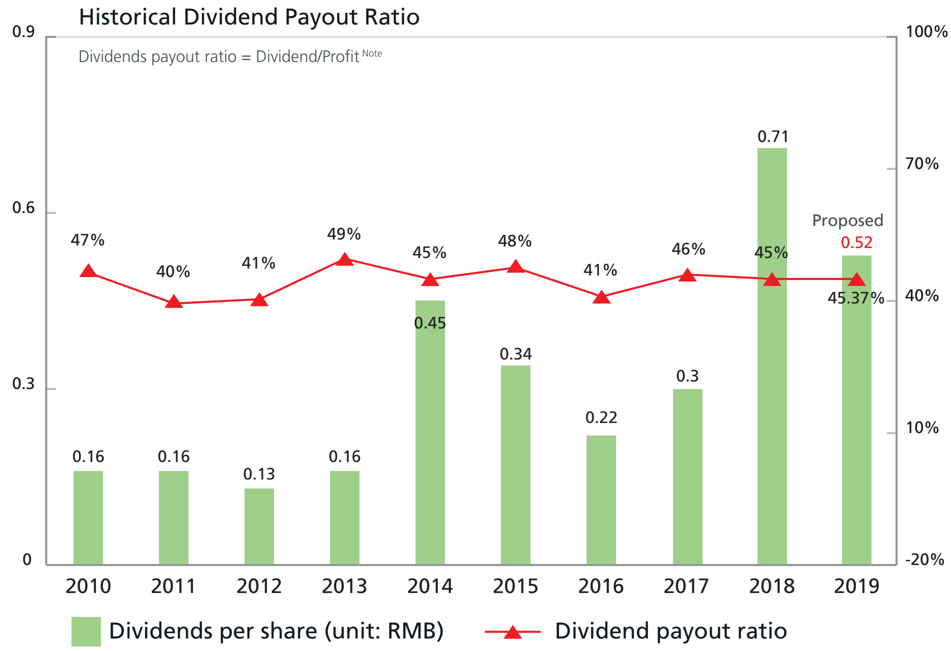
◆ Investors and the public may check out information such as the Group's basic information, rules for the Company's corporate governance, information disclosure documents, profiles of directors, supervisors and the senior management and the Group's monthly operating performance of toll highway projects at any time on the Company's website.

◆ The Company also timely handled and replied investors' messages, and uploaded investors' interaction records monthly through the "e-interaction" platform developed by the SSE for listed companies and investors.

III. Shareholder Return

The Company has insisted on rewarding its shareholders with high returns ever since its listing, which is underpinned by the payment of cash dividends for 22 consecutive years with an aggregate cash dividend payment of approximately RMB8.8 billion.

The Board of the Company recommended the payment of a cash dividend of RMB0.52 (tax included) per share for the year 2019. Such proposal is to be submitted to the 2019 Annual General Meeting of the Company for approval. For details of the dividend, policy and payment of cash dividends of the Company, please refer to "Financial Analysis" in "Management Discussion and Analysis" of this annual report.



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

AUDITOR'S REPORT AND 2019 FINANCIAL STATEMENTS

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

Auditor's Report

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.

Auditor's Report

(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.

Auditor's Report

(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
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
Other income		**1,411,793.31**	–
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)		
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: **Hu Wei**

Chief financial officer: **Zhao Guiping**

Head of accounting department (Account officer): **Luo Chaoyun**

Consolidated Statement of Changes in Equity

2019
(RMB)

	2019							
	Attributable to owners of the Company							
Item	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

	2018							
	Attributable to owners of the Company							
Item	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:	*Chief financial officer:*	*Head of accounting department (Account officer):*
Hu Wei	**Zhao Guiping**	**Luo Chaoyun**

Company Statement of Changes in Equity

2019
(RMB)

Item	2019					
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Total owner's equity
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	2018					
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Total owner's equity
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

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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.

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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.

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

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.

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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.

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

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.

Notes to Financial Statements

2019
(RMB)

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.

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.

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).

Notes to Financial Statements

2019
(RMB)

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.

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 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.

Notes to Financial Statements

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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.

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

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.

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(RMB)

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.

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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.

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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.

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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.

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

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.

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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.

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

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.

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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.

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

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.

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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.

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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.

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

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.

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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.

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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.

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

32. Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement of the related assets and liabilities at fair value is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market is accessible by the Group as at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly; Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization at the end of each reporting period.

33. Other significant accounting policies and accounting estimates

Segment information

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

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

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

34. Significant accounting judgments and estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the presentation and disclosure of income, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of 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.

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

34. Significant accounting judgments and estimates(continued)

Estimation uncertainty

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

(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.

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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.

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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.

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

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

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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

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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.

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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.

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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:

Item	2019		2018	
	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.

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (continued)

(3) Accounts receivable are analyzed by category as follows:

Category	2019			
	Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance
Receivables that are subject to provision by group with similar credit risk characteristics	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 Aging	2019		
	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 Aging	2019		
	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**

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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	–	–	–

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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			2017		
	Carrying amount	Allowance for impairment	Net book amount	Carrying amount	Allowance for impairment	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".

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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%).

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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.

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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:

Item	2019			2018			
	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	–	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	–	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

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

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

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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	/	–

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Long-term equity investments (continued)

2018

Investee	2017	Current year movements: Current year additions	Current year movements: Reduction	Current year movements: Investment income/loss recognized under equity pick-up method	Current year movements: Cash dividend declared	Current year movements: Investment cost refunded	Current year movements: 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.

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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

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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	1,020,537,484.55	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
31 December 2018	202,159,528.15	642,541,768.64	22,899,553.18	27,705,218.11	895,306,068.08
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	/	/	/	

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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.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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	–	–	–	–

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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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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	

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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.

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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

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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.

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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	Reductions: 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	Reductions: 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%.

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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.

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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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

Notes to Financial Statements

2019
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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.

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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.

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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.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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**	1,630,108,698.00
Sub-total	**2,278,987,912.26**	2,290,136,610.26
Less: Current portion (a) (Note V. 31)	**61,972,720.41**	73,121,418.41
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**	–

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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	/

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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	/

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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).

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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.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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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.

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V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45. Revenue and cost of services

Item	2019 Revenue	2019 Cost	2018 Revenue	2018 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

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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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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**	–

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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

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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

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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

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

Notes to Financial Statements

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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

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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.

V. NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

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

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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.

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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.

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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 (%) Direct	Indirect	Acquired through
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

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (continued)

(1) Particulars of the Company's subsidiaries are as follows: (continued)

Name of subsidiaries	Place of main business	Place of registration	Nature of business and principal activities	Share capital	Equity interest (%) Direct	Indirect	Acquired through
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

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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.

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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	–

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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).

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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			
	Required by standard	Appointed	Measured at amortized cost	Total
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

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

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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.

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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.

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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.

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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.

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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.

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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

Notes to Financial Statements

2019
(RMB)

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*	210,000.00	–	–	210,000.00
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	–	249,364.00	175,775.00	425,139.00
Xin Jian*	–	249,364.00	175,775.00	425,139.00

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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.

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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

Item	Related parties	31 December 2019		31 December 2018	
		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**	–

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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.

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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.

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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.

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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.

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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**	**–**	**–**

XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

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

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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

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

Notes to Financial Statements

2019
(RMB)

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	–

XIV. NOTES TO THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

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

Notes to Financial Statements

2019
(RMB)

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

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

Company Information

I. Company Profile

Registered name	深圳高速公路股份有限公司
Chinese abbreviation	深高速
English name	Shenzhen Expressway Company Limited
English abbreviation	SZEW
Legal representative	HU Wei

II. Contact Information

	Secretary of the Board	Joint company secretary	Securities officer
Name	GONG Tao Tao	GONG Tao Tao, LAM Yuen Ling Eva	GONG Xin, XIAO Wei
Contact address	Podium Levels 2–4, Jiangsu Building, Yitian Road, Futian District, Shenzhen		
Telephone	(86) 755-8285 3331; (86) 755-8285 3338		
Fax	(86) 755-8285 3400		
E-mail	secretary@sz-expressway.com		
Investor hotline	(86) 755-8285 3330		

III. General Information

Registered address	Fumin Toll Station, Fucheng Street, Longhua District, Shenzhen (Postal Code:518110)
Place of business	Podium Levels 2–4, Jiangsu Building, Yitian Road, Futian District, Shenzhen (Postal Code:518026)
Website	http://www.sz-expressway.com
E-mail	ir@sz-expressway.com
Principal place of business in Hong Kong	Room 1603, 16/F, China Building, 29 Queen's Road Central, Hong Kong Tel: (852) 2543 0633 Fax: (852) 2543 9996

IV. Information Disclosure and Site for Inspection

Designated publication newspaper	Shanghai Securities News, Securities Times, China Securities Journal, Securities Daily (for A Shares only)
Designated publication website	http://www.sse.com.cn http://www.hkexnews.hk http://www.sz-expressway.com
Annual report available at	PRC: Podium Levels 2–4, Jiangsu Building, Yitian Road, Futian District, Shenzhen Hong Kong: Room 1603, 16/F, China Building, 29 Queen's Road Central, Hong Kong

V. Security Profile

Type of securities	Listing exchange	Abbreviation	Security code
A Share	The Shanghai Stock Exchange	Shenzhen Expressway	600548
H Share	The Stock Exchange of Hong Kong Limited	Shenzhen Expressway	00548
Bond	The Stock Exchange of Hong Kong Limited	SZEW B2107	5684

VI. Other Information

Auditor	Ernst & Young Hua Ming LLP Level 16, Ernst & Young Tower Oriental Plaza No. 1 East Chang An Avenue Dong Cheng District Beijing, China Signing auditor: XIE Feng Eric, Liang Change
PRC legal adviser	Guangdong Junyan Law Firm Room C, 10th Floor, Block5 Dachong International Centre, Huarun, Shennan Street, Nanshan District, Shenzhen, China
Hong Kong legal adviser	Loong & Yeung, Solicitors Room 1603, 16/F, China Building, 29 Queen's Road Central, Hong Kong
Domestic share registrar and transfer office	China Securities Depository and Clearing Corporation Limited, Shanghai Branch 36/F, China Insurance Building, 166 Lujiazui Road East, Pudong New District, Shanghai
Share registrar and transfer office in Hong Kong	Hong Kong Registrars Limited 46/F, Hopewell Centre, 183 Queen's Road East, Hong Kong
Investor relations consultant of A Shares	Everbloom Investment Consultant Company Limited Room 3801–3803, Rongchao Trade Centre, 4028 Jintian Road, Futian District, Shenzhen
Investor relations consultant of H Shares	Wonderful Sky Financial Group 6/F, Nexxus Building, No. 41 Connaught Road Central, Hong Kong
Principal banks	China Development Bank Industrial and Commercial Bank of China China Merchants Bank

Company Information

VII. Project Information (as at March 2020)

Toll highway	Interest held by the Company	Location	Toll mileage (km)	No. of lanes	Status	The expiry date of toll concession period
Meiguan Expressway	100%	Shenzhen	5.4	8	Under operation	Mar. 2027
Jihe East	100%	Shenzhen	23.7	6	Under operation	Mar. 2027
Jihe West	100%	Shenzhen	21.8	6	Under operation	Mar. 2027
Shuiguan Expressway	50%	Shenzhen	20.0	10	Under operation	Feb. 2027
Shuiguan Extension	40%	Shenzhen	6.3	6	Under operation	Feb. 2027
Coastal Project[2]	100%	Shenzhen	36.6	8	Coastal Phase I: under operation Coastal Phase II: under construction	Dec. 2038
Outer Ring Project	100%	Shenzhen	60	6	Under construction	–
Yangmao Expressway	25%	Guangdong	79.8	4	Under operation	Jul. 2027
Guangwu Project	30%	Guangdong	37.9	4	Under operation	Nov. 2027
Jiangzhong Project	25%	Guangdong	39.6	4	Under operation	Aug. 2027
GZ W2 Expressway	25%	Guangdong	40.2	6	Under operation	Dec. 2030
Qinglian Expressway	76.37%	Guangdong	216.0	4	Under operation	Jul. 2034
Wuhuang Expressway	100%	Hubei	70.3	4	Under operation	Sep. 2022
Yichang Project	100%	Hunan	78.3	4	Under operation	Dec. 2033
Changsha Ring Road	51%	Hunan	34.7	4	Under operation	Oct. 2029
Nanjing Third Bridge	25%	Jiangsu	15.6	6	Under operation	Oct. 2030

Note:

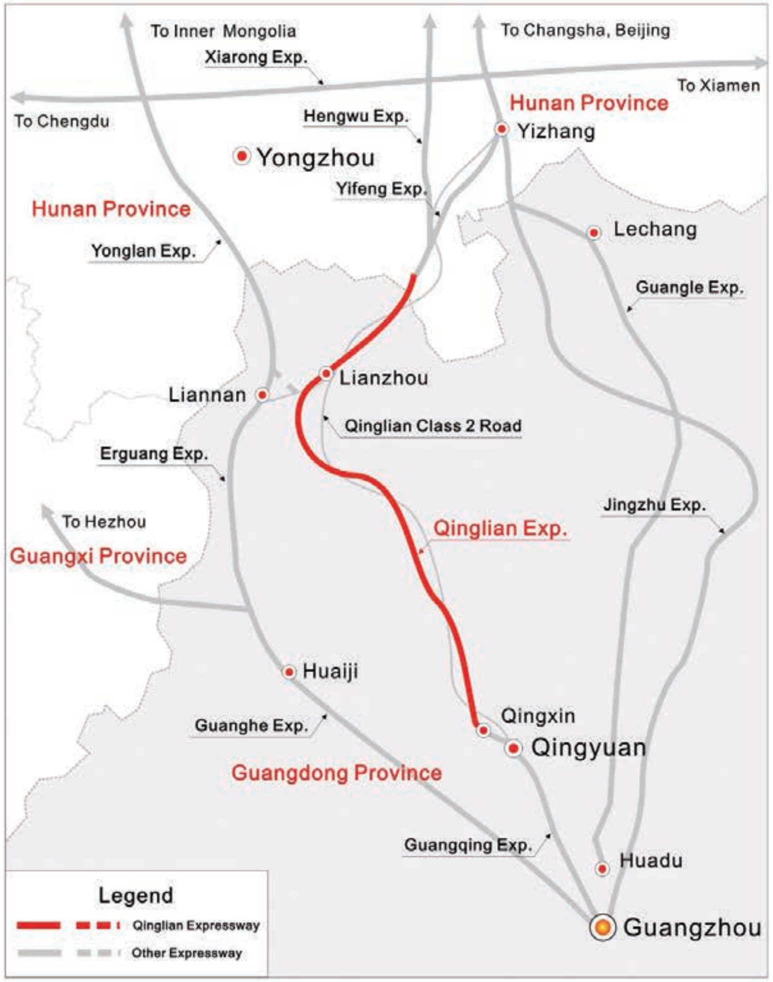
(1) For detailed information, toll fees, historical operational data of above projects, and road network of peripheral area of the above projects, please refer to the column "Toll Roads & Bridges" under "Company Business", "Operational Statistics" under "Investor Relations" and "IR Materials" under "Investor Relations" in the website of the Company at http://www.sz-expressway.com.

Road Network of Shenzhen

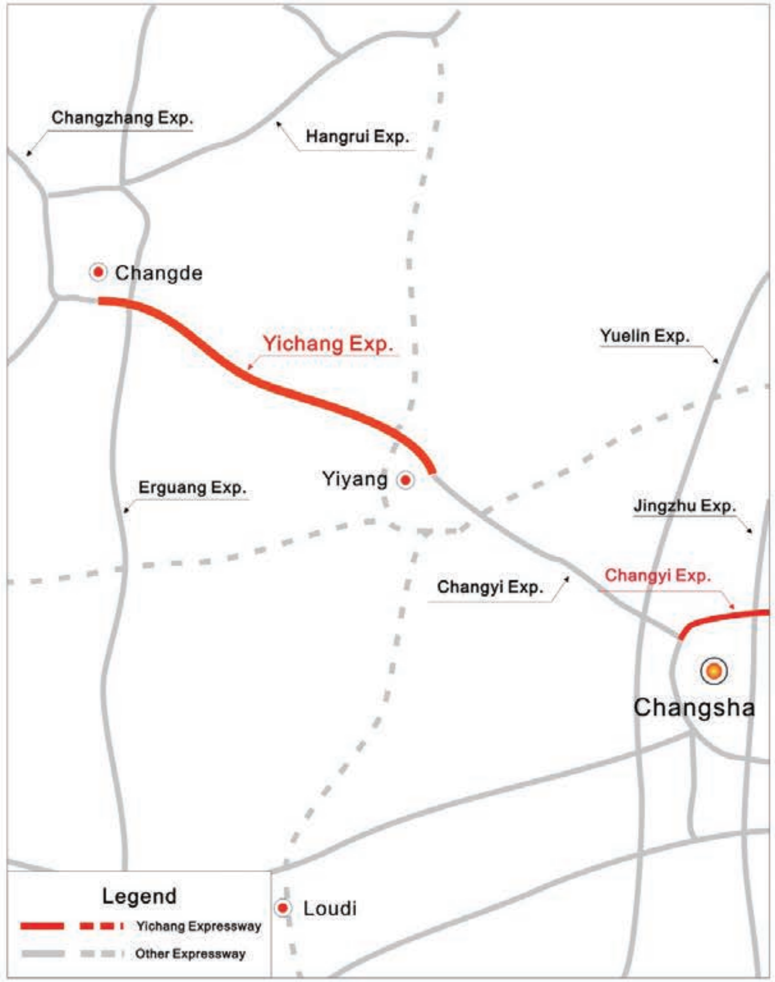
Company Information

Road Network of Pearl River Delta

Road Network of Qinglian Expressway



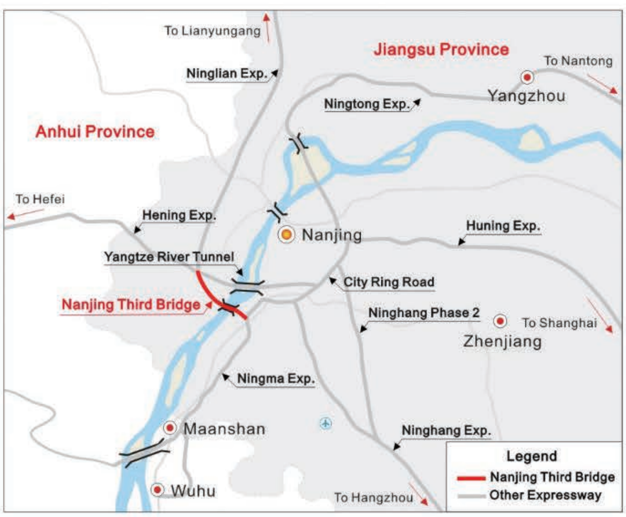
Road Network of Yichang Expressway



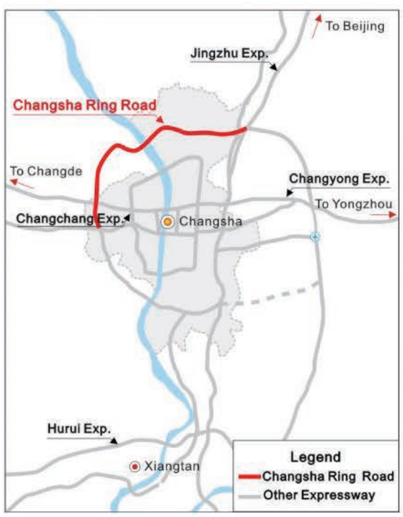
Company Information

Road Network of Wuhuang Expressway

Road Network of Nanjing Third Bridge



Road Network of Changsha Ring Road



- *Unless otherwise stated, the amounts stated in this report are in RMB.*
- *The total of breakdown and the total may not equal in mantissa due to rounding.*

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