



越秀交通基建有限公司

YUEXIU TRANSPORT INFRASTRUCTURE LIMITED

(Stock Code: 01052)

ANNUAL REPORT
2020

CREATING

EXCELLENT VALUES

HENAN
HUNAN
HUBEI
TIANJIN
GUANGXI
GUANGDONG





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FIVE YEARS FINANCIAL SUMMARY

INCOME STATEMENT

Year ended 31 December

(RMB'000)	2020	2019	2018	2017	2016
Income from operations	2,919,838	3,023,221	2,847,073	2,702,844	2,519,003
Earnings before interests, tax, depreciation and amortisation ("EBITDA") ¹	2,452,006	2,956,565	2,855,785	2,722,179	2,356,181
Profit before income tax	682,421	1,900,445	1,891,655	1,638,417	1,520,564
Profit for the year	404,336	1,595,043	1,411,681	1,267,222	1,166,477
Profit attributable to:					
Shareholders of the Company	160,491	1,137,590	1,054,135	947,942	918,817
Non-controlling interests	243,845	457,453	357,546	319,280	247,660
Basic earnings per share for profit attributable to the shareholders of the Company	RMB0.0959	RMB0.6799	RMB0.6300	RMB0.5666	RMB0.5491
Dividend per share	RMB0.0584	RMB0.3500	RMB0.3375	RMB0.2970	RMB0.2885

BALANCE SHEET

As at 31 December

(RMB'000)	2020	2019	2018	2017	2016
Total Assets	36,367,600	36,797,875	22,739,750	23,918,489	22,568,556
Total Liabilities	22,713,855	23,169,125	10,332,171	12,101,085	11,264,254
Total Equity	13,653,745	13,628,750	12,407,579	11,817,404	11,304,302
Equity attributable to:					
Shareholders of the Company	10,424,891	10,571,655	10,071,871	9,544,848	9,081,958
Non-controlling interests	3,228,854	3,057,095	2,335,708	2,272,556	2,222,344
Net assets per share to shareholders of the Company	RMB6.23	RMB6.32	RMB6.02	RMB5.70	RMB5.43

FINANCIAL RATIOS

Year ended 31 December

	2020	2019	2018	2017	2016
Return on equity attributable to shareholders of the Company	1.54%	10.76%	10.47%	9.93%	10.12%
EBITDA Interest Coverage	3.1 times	7.6 times	8.2 times	8.4 times	5.8 times
Gearing ratio ²	54.3%	55.4%	29.6%	36.0%	40.0%
Total liabilities/Total assets ratio ³	62.5%	63.0%	45.4%	50.6%	49.9%

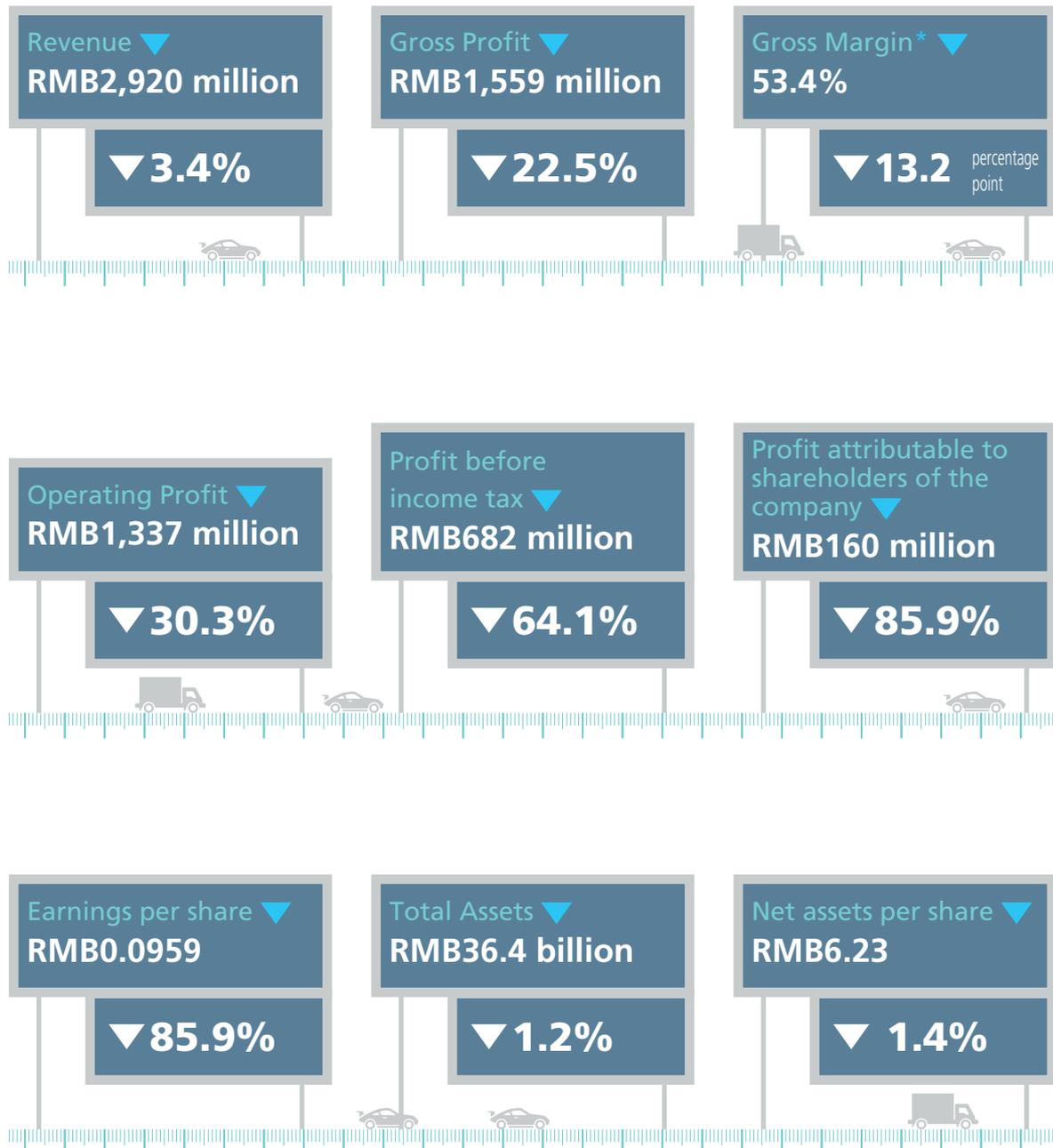
1: EBITDA includes profit from associates and joint venture, but excludes non-cash gains and losses.

2: net debts ÷ total capitalization

3: total liabilities ÷ total assets

FINANCIAL HIGHLIGHTS

RESULTS HIGHLIGHTS FOR 2020



* Gross Margin = Gross profit/Revenue

CORPORATE PROFILE

廣州越秀集團股份有限公司
GUANGZHOU YUE XIU HOLDINGS LIMITED
100%

YUE XIU ENTERPRISES (HOLDINGS) LIMITED **44.2%**
 PUBLIC **55.8%**

YUEXIU TRANSPORT INFRASTRUCTURE LIMITED

EXPRESSWAY / BRIDGE / PORT

■ GNSR Expressway	60%
■ Cangyu Expressway	100%
■ Jinxiong Expressway	60%*
■ Han-Xiao Expressway	100%
■ Changzhu Expressway	100%
■ Weixu Expressway	100%
■ Suiyuenan Expressway	70%
■ Hancai Expressway	67%
■ Han'e Expressway	100%
■ Daguangnan Expressway	90%
● Northern Ring Road	24.3%
● Humen Bridge	27.78%*
● Shantou Bay Bridge	30%
● GWSR Expressway	35%
● Qinglian Expressway	23.63%
● Pazhou Port	45%

* The Group's profit sharing ratio in Humen Bridge and Jinxiong Expressway could be referred to notes of 'Business Review' in page 22.

■ subsidiaries ● associates and joint venture

CORPORATE PROFILE

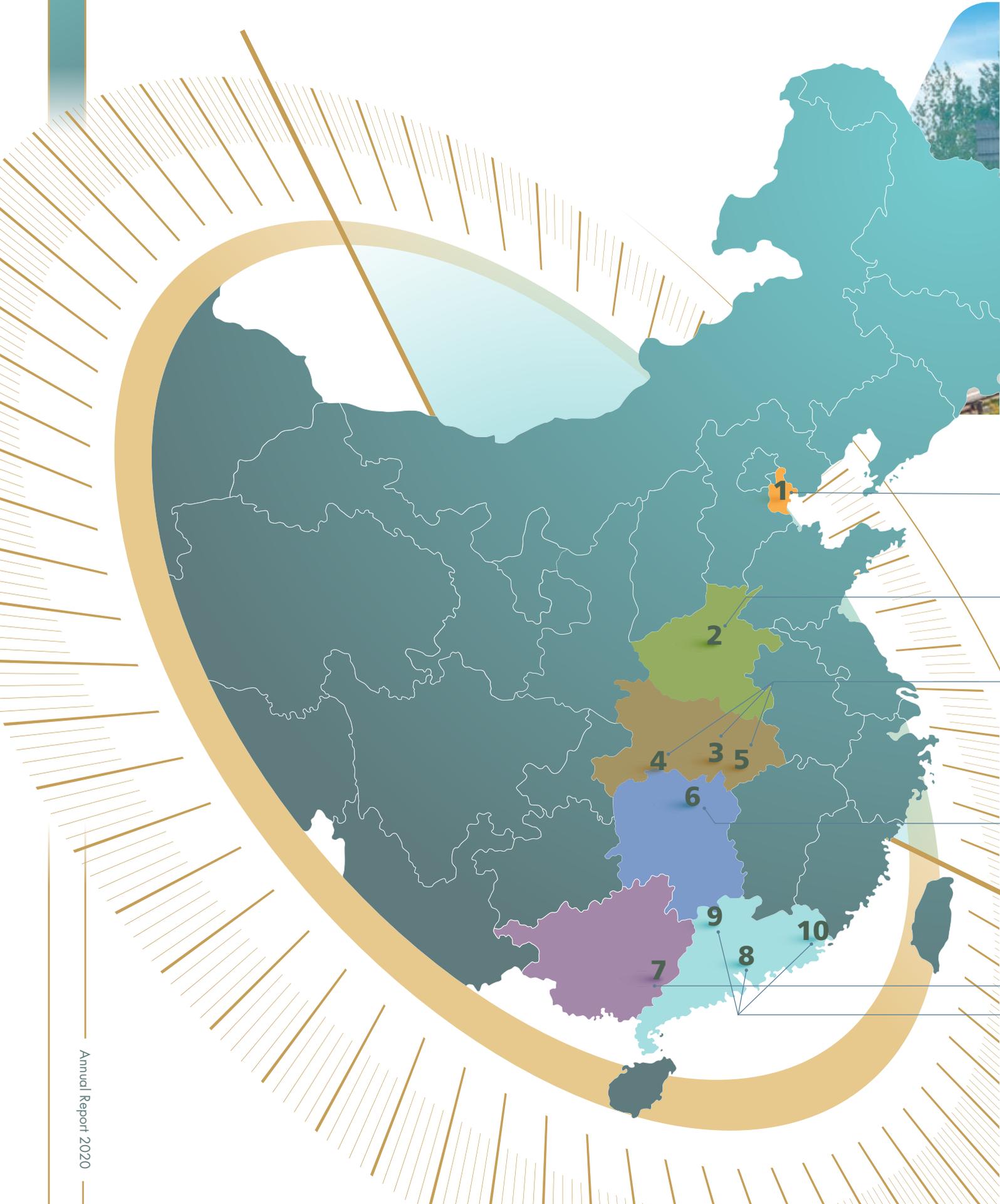


Yuexiu Transport Infrastructure Limited (“Company”) and its subsidiaries (collectively, “Group”) are principally engaged in investment, operation and management of toll expressways and bridges in Guangdong Province and other high growth provinces in the People’s Republic of China (“PRC”). The Company’s substantial shareholder, Guangzhou Yue Xiu Holdings Limited is a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission (“SASAC”) of the Guangzhou Municipal People’s Government.

As at 31 December 2020, the Group had a total of 15 investments in its operating expressways and bridge projects which included Guangzhou Northern Second Ring Expressway (“GNSR Expressway”), Guangzhou Western Second Ring Expressway (“GWSR Expressway”), Guangzhou Northern Ring Road (“Northern Ring Road”), Guangdong Humen Bridge (“Humen Bridge”), Shantou Bay Bridge and Guangdong Qinglian Expressway, all of which are located within Guangdong Province; Han-Xiao Expressway, Suiyuenan Expressway, Hancui Expressway, Han’e Expressway and Daguangnan Expressway in Hubei Province; Cangyu Expressway in Guangxi Zhuang Autonomous Region (“Cangyu Expressway”); Jinxiong Expressway in Tianjin Municipality; Changzhu Expressway in Hunan Province; and Weixu Expressway in Henan Province. As at 31 December 2020, the attributable toll length of the Group’s subsidiaries is approximately 455.1 km (total toll length is approximately 533.7 km), attributable toll length of the Group’s associates and joint venture is approximately 77.3 km, the total attributable toll length of expressways and bridges is approximately 532.4 km.



LOCATION MAPS OF PROJECTS





TIANJIN

1 **Tianjin City** Jinxiong Expressway



HENAN

2 **Xuchang City** Weixu Expressway



HUBEI

3 **Wuhan City** Han-Xiao Expressway
Hancai Expressway
Han'e Expressway

4 **Jingzhou City** Suiyuan Expressway

5 **Huanggang City** Daguangnan Expressway



HUNAN

6 **Changsha City** Changzhu Expressway



GUANGXI

7 **Wuzhou City** Cangyu Expressway



GUANGDONG

8 **Dongguan City** Humen Bridge

8 **Guangzhou City** GNSR Expressway
Northern Ring Road
GWSR Expressway
Pazhou Port

9 **Qingyuan City** Qinglian Expressway

10 **Shantou City** Shantou Bay Bridge

LOCATION MAPS OF PROJECTS

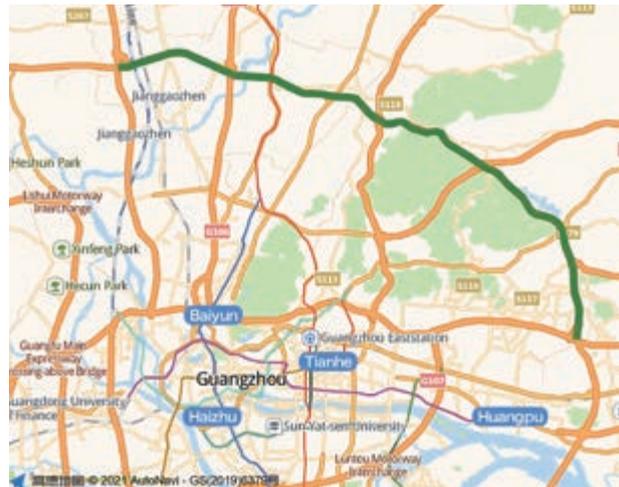
GUANGDONG

**HUMEN BRIDGE**

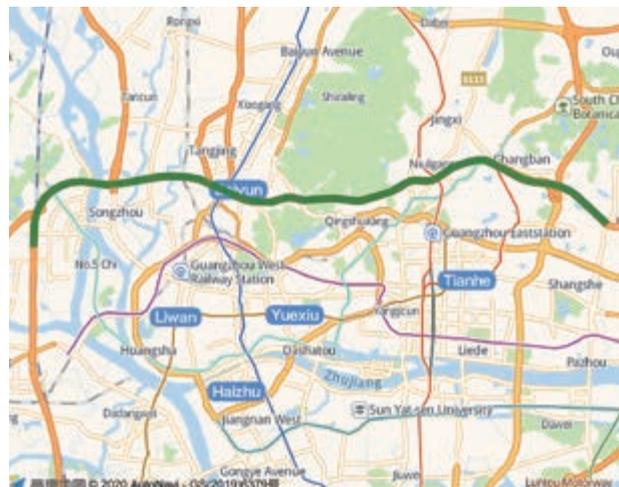
It is a six-lane suspension highway bridge with a toll length of approximately 15.8 km linking Nansha District of Guangzhou City and Humen District of Dongguan City. Its two ends are connected to the Guangzhou Macau Expressway, Guangshen Yanjiang Expressway and GS Superhighway.

**GNSR EXPRESSWAY**

It is a six-lane expressway of approximately 42.5 km for toll length, with 10 flyovers in total. GNSR Expressway also connects with GWSR Expressway, Guangqing Expressway, Airport Expressway, G4 Expressway, Huanan Expressway, Guanghe Expressway, Guanghui Expressway, GS Superhighway, GESR Expressway and Fenghuangshan Tunnel, National Highway 105, 106, 324 and Provincial Highway 114 and so on.

**NORTHERN RING ROAD**

It is located within Guangzhou City with a toll length of approximately 22.0 km with six lanes. It is a part of Guangzhou Ring Expressway, Guangzhou section of Shenhai Expressway and Fukun section of National Highway, linking with GS Superhighway and Guangzhou Foshan Expressway.



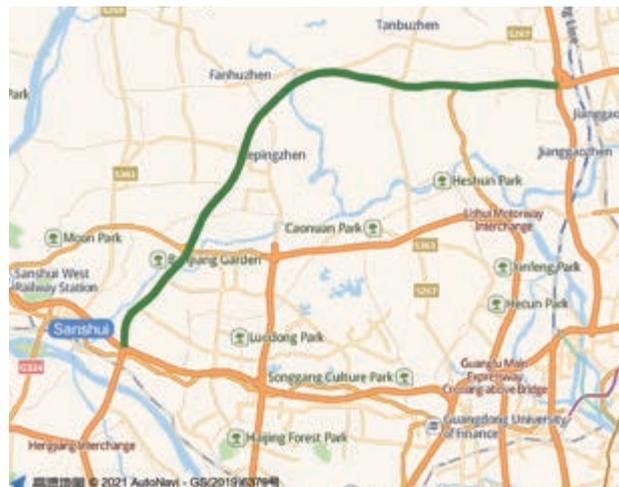
LOCATION MAPS OF PROJECTS



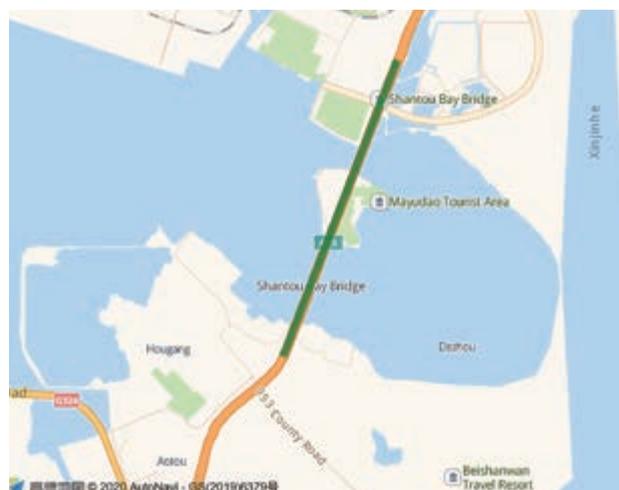
It is located in the northwestern part of Guangdong as a significant linkage between Guangdong and Hunan. The toll length is approximately 215.2 km with four lanes.



The toll length is approximately 42.1 km with six lanes which are connected to GNSR Expressway, Guangqing Expressway, southern part of GWSR Expressway and Guangsan Expressway.



It is located in the eastern entrance of Shantou Harbour which connects Shenshan Expressway in the south, stretches over Shantou Harbour Huangsha Bay Sea and connects with Shanfen Expressway. The project's toll length is approximately 6.5 km with six lanes.



LOCATION MAPS OF PROJECTS

GUANGXI



It is located in Longxu District, which was originally in Cangwu Country, of Wuzhou City in Guangxi Zhuang Autonomous Region, linking Longxu District of Guangxi with the Yunan Country of Guangdong Province. The toll length is approximately 22 km with four lanes, forming a part of Guangkun Expressway (G80).



TIANJIN



It is located in the west of Tianjin Municipality, and Hebei Province at the junction, and linking the Jinxiong Expressway (Hebei section), Jinghu Expressway and Tianjin Waihuan Lane etc. with a toll length of approximately 23.9 km with four lanes.

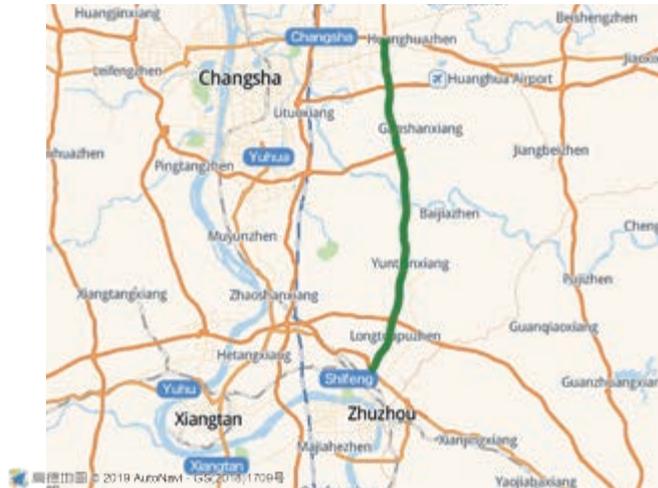


LOCATION MAPS OF PROJECTS

HUNAN



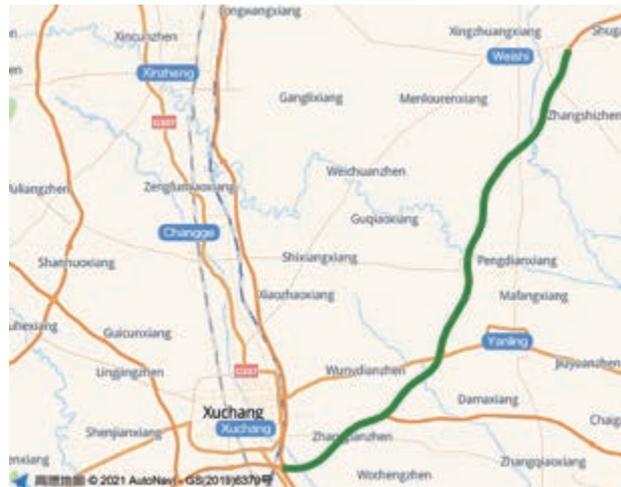
It starts from Huanghua Village in the Changsha County, Changsha City, while ending at northwest of Zhuzhou Electric Factory. Changzhu Expressway has a toll length of approximately 46.5 km with four lanes. It connects with Changsha City Ring Road, Chang-Liu Expressway, Airport Expressway and Hukun Expressway.



HENAN



Located in Henan Province, Weixu Expressway is an important part of Lan-nan Expressway as well as the significant linkage between G4 Expressway, Daguang Expressway (G45), Xuguang Expressway (G0421), Er'guang Expressway (G55), Ningluo Expressway (G36) and Lianhuo Expressway (G30). The toll length is approximately 64.3 km with four lanes.

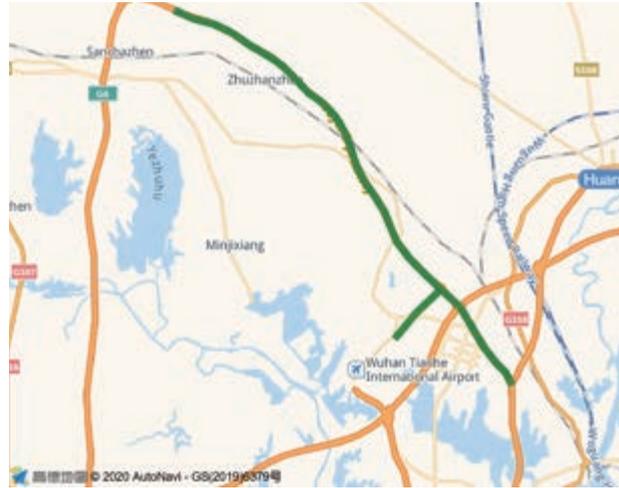


LOCATION MAPS OF PROJECTS

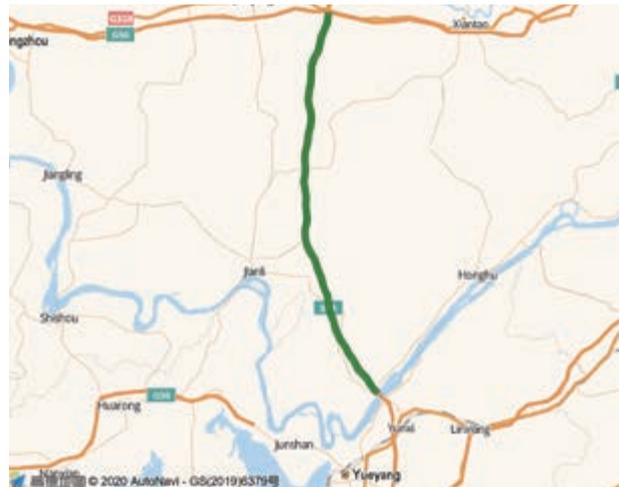
HUBEI



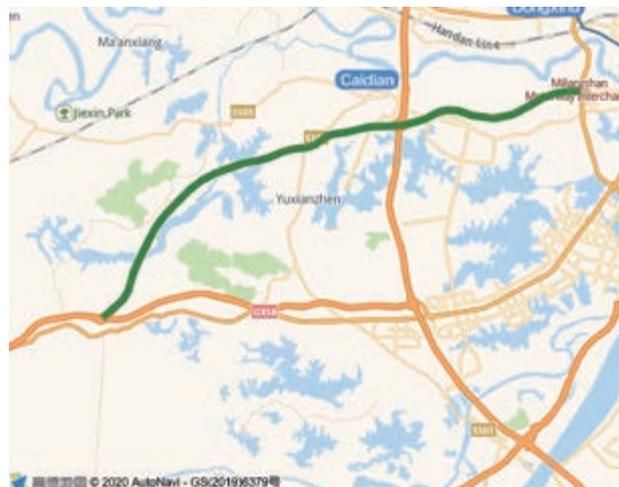
It starts from Huangpi District, Wuhan city and ended at Xiaonan District, Xiaogan City. The toll length is approximately 38.5 km with four lanes. Han-Xiao Expressway also connects with Wuhan Airport Expressway, G4 Expressway, Wuhan Ring Road, Daijiasan-Huangpi Expressway and Xiaoxiang Expressway.



It starts from Hanyi Expressway Zhuji Interchange and ended at north shore of Jinyue Yangtze River Highway Bridge. It is an important expressway in the central region of Hubei for connecting passenger and freight transportation among regions such as Henan and Hunan. The toll length is approximately 98.1 km with four lanes.



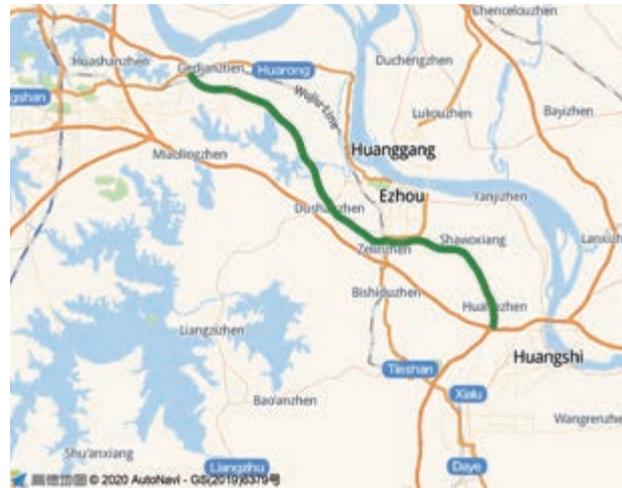
It has a toll length of approximately 36.0 km, 13 km of which is six-lane while 23 km is four-lane. Located in the urban area of Wuhan, it connects the Wuhan Third Ring Line and the Beijing-Hong Kong-Macau Expressway (route number G4) and extends to Huyu Expressway (route number G50), being an important west bound corridor for Wuhan.



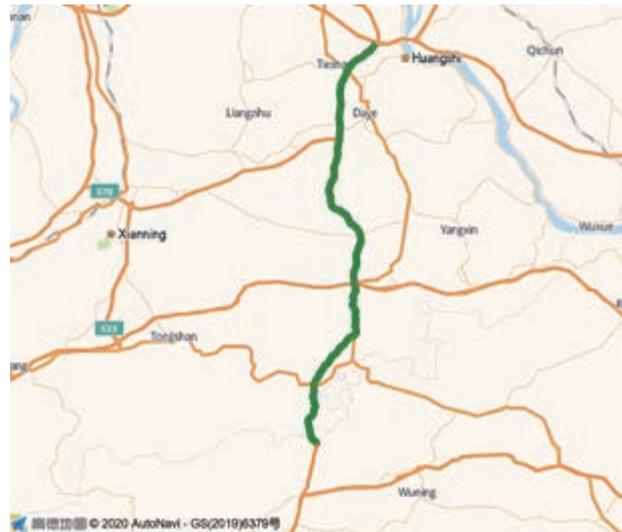
LOCATION MAPS OF PROJECTS



It is a four-lane expressway with approximately 54.8 km of toll length, starts from Xinqiao Village of Zuoling Town in Wuhan and ends at the Huahu interchange which is the southern route of the E'Dong Changjiang Bridge of the Daguang Expressway. This expressway is one of the seven fast urban exit roads in Wuhan's town planning.



It is a four-lane expressway with approximately 107.1 km of toll length. Located in the southern part of Hubei Province, it is an important passageway connecting Hubei and Jiangxi province.





梧州 33 km
WUZHOU

贺州 185 km
HEZHOU

桂林 314 km
GUILIN

96333
12122

The background features a composite image. The top left shows a cable-stayed bridge with a white and blue striped canopy. The middle section is an aerial view of a city with a complex highway interchange. The bottom right shows a teal area with silhouettes of a truck and a car. The text 'CHAIRMAN'S STATEMENT' is centered in white, with a white arc above it and a horizontal line below it. There are also several small white dots to the right of the text.

CHAIRMAN'S STATEMENT

WUZHOU GUANGXI

GUANGZHOU GUANGDONG

CHAIRMAN'S STATEMENT



LI FENG
CHAIRMAN

OPERATING RESULTS AND DIVIDEND

During the year ended 31 December 2020 (the "Reporting Year"), the Group recorded revenue of RMB2,920 million, representing a year-on-year decrease of 3.4%. Profit attributable to shareholders amounted to RMB160 million, representing a year-on-year decrease of 85.9%. The decrease in revenue and profit was mainly due to the COVID-19 pandemic ("COVID-19 pandemic") and the implementation of 79-day Toll Fee Exemption measures in response to the pandemic prevention and control.

The Board has recommended the payment of a final dividend for 2020 of HK\$0.07 per share, which is equivalent to RMB0.0584 per share, the annual dividend payout ratio of 2020 is 60.9%.

CHAIRMAN'S STATEMENT

ANNUAL REVIEW

Marco-Economy and Regulatory Environment of the Sector

According to the forecast by International Monetary Fund in January 2021, the global economic growth rate in 2020 was expected to be -3.5%. The outbreak of COVID-19 pandemic started at the beginning of 2020 and it has quickly spread around the world. Accordingly, various governments have taken pandemic prevention and control measures which have led to different degrees of restrictions on travel and business production activities and hence the global economy was adversely affected. Under the complicated and harsh external environment, the Chinese government has coordinated various tasks for the prevention and control of the pandemic as well as economic development, and promoted the resumption of work and production with implementation of efficient and strong prevention and control measures. China is a global leader in terms of both prevention and control effectiveness and economic performance.

During the Reporting Year, the transportation industry faced serious challenges due to the outbreak of the COVID-19 pandemic, and the industry, fortunately, could still achieve fruitful results of the prevention and control of the pandemic in different phases, which ensured safe trips of residents and promoted the high quality development of transportation steadily. In the Reporting Period, the fixed asset investment in transportation was expected to be RMB 3,475.2 billion, representing a year-on-year growth of 7.1%. The road cargo volume maintained positive growth for eight consecutive months from May to December, and returned to the same level as that of corresponding period of last year. Relevant statistics show that, since the cancellation of the provincial borders toll stations on January 1 2020, the linked transportation system has been running smoothly with ETC utilization rate exceeding 67% and the average vehicle speed increasing by 16%, leading to the reduction of the average daily traffic congestion and improvement of travel efficiency.

Business Development

During the Reporting Year, the Ministry of Transport of China extended the implementation of toll exemption for small passengers cars with seven seats or less during the spring festival holiday by 9 days apart from the original plan, and implemented a temporary measures of toll fee exemption for cars on toll roads across the country from 17 February to 5 May 2020 (79 toll-free days in total) (the "Temporary Toll Exemption Measures"), in response to the need for prevention and control of COVID-19 epidemic. As a result, the Group's operating results were affected. However, since the resumption of toll from 00:00 on 6 May 2020, most of the Group's projects have recorded growth, which partially offset the negative impact of the interim loss.

As announced in the official website of the Ministry of Transport, the PRC Government will, in accordance with the requirements of the relevant laws and regulations, study on the issue of related supporting and protective policies to safeguard the legitimate interest of the users, creditors, investors and operators of toll roads in a coordinated manner. Currently, Guangxi Zhuang Autonomous Region is the first region to extend the operation period of all toll road projects in the region by 79 days (which is the same duration as the toll fee exemption period). It is expected that other provinces will also introduce relevant compensation plans gradually in the future, and the Group will closely monitor the relevant development.

The Group has always pursued a prudent financial policy while developing its businesses, which laid a solid foundation. As a result, the Group can continue to maintain sufficient liquidity and stable financial situation and to withstand the impact of the COVID-19 pandemic and the Temporary Toll Exemption Policy, and domestic internal credit rating agencies also maintain the Group's existing investment grade credit rating. The Group can also consolidate and fully leverage its competitive advantage of low-cost debt financing, continue to optimize its debt structure through restructuring, and reduce its finance costs.

CHAIRMAN'S STATEMENT

FUTURE PROSPECT AND OUTLOOK

Macroeconomic Prospects and Outlook of the Industry

Since the development and widespread application of a new coronavirus vaccine takes time, the global outbreak prevention and control is still crucial. In China, although the pandemic is broadly under control, there are still scattered cases and outbreak of epidemic, which would continue to affect the mobilization of people, production and business engagement. As a result, recovery of global economy will be a long process.

Although the external environment facing by China's economy remains complex and volatile, full of challenges and uncertainty, the foundation for maintaining a long-term stable and positive development trend remains unchanged. It is expected that continued, stable and sustainable macro-economic strategies and active fiscal policy and healthy monetary policy will be implemented in China, in order to provide sufficient support to the resumption of a stable growth of real economy and promote high quality development of our economy and society.

Since the first expressway, Huija Expressway, completed and commenced operation in 1988, the PRC has made remarkable achievements in expressway construction in less than 50 years. The mileage of operating expressways is nearly 150,000 kilometers, ranking first in the world. The latest published "14th Five-Year Plan for National Economic and Social Development of the People's Republic of China" ("14th Five-Year Plan") and "Outline of the National Comprehensive Three-dimensional Transportation Network Plan" ("Outline") proposed a development goal of accelerating the construction of a strong transportation nation. The Outline also stated that the total mileage of the national expressway network will reach approximately 160,000 kilometers in 2035, which implied that the mileage from newly built expressways will continue to increase.

A well-developed national expressway network is an important cornerstone for healthy development of the national economy. Despite the various challenges, the fundamental characteristics of the expressway industry remain unchanged. There are favorable factors such as the rapid development of the PRC's logistics market (data shows that the compound annual growth rate of the total value of the PRC's social logistics reached 10.09% from 2010 to 2019), the dominant role of road transportation in social freight transportation mode (representing 73% in 2019) and the huge base and growth potential of car ownership. All these are the main driving forces for the steady growth of expressway assets. Moreover, as the expressway projects have entered into their mature stage, they can bring stable and sustainable cash flow, which can attract investors who pursue stable returns and better meet the needs of insurance and bank wealth management products under the current macroeconomic background, Hence, stable financial support will be provided for the development of the expressway industry.

Development Strategies and investment opportunities

During the 14th Five-Year Plan period, the Group will still focus on the development of its major business of toll expressways and strive to achieve a long-term, sustainable and quality development by continuously deepening its engagement in the Guangdong-Hong Kong-Macau Greater Bay Area and the central core regions (such as Henan, Hubei, Hunan and other provinces with large population and labor force) and pursuing mergers and acquisitions of high-quality projects. In the current macroeconomic environment, high-quality expressway projects with stable returns are attractive, and the competition for mergers and acquisitions is becoming fierce. Therefore, the Group will make full use of its parent company's resource platform in the process of business development to develop its major business of toll expressways through the mode of "Parent company incubation-acquisition of listed company" ("incubation-injection mode"). In 2019, the Group completed the acquisition of three projects, namely Hancui Expressway, Han'e Expressway and Daguangnan Expressway in Hubei, through the incubation-injection mode to achieve a breakthrough development. The experience accumulated will also help the Group acquire more quality resources through this mode in the future.

CHAIRMAN'S STATEMENT

On 19 December 2020, Guangzhou Yuexiu Holdings Limited (“Guangzhou Yuexiu Group” or “Parent Company”), through its wholly-owned subsidiary Henan Yuexiu Lanwei Expressway Company Limited (“Yuexiu Lanwei Company”), acquired the toll collection right of Henan Lanwei Expressway (“Lanwei Expressway”) in a judicial bidding at the consideration of RMB2.483 billion. Lanwei Expressway is a section of the Rizhao-Nanyang Expressway (“Rinan Expressway”), one of the 28 national planned core highways, and is also an important component of the “Five vertical roads, four horizontal roads and four corridors” expressway network planned by Henan Province.

Lanwei Expressway, which starts in Lankao County, Kaifeng City, Henan Province, passes through Tongxu County and ends at Weishi County, intersects with Lianhuo Expressway, Zhengmin Expressway and Daguang Expressway, and is directly connected to Henan Weixu Expressway, a project wholly-owned by the Group. Lanwei Expressway is an important corridor connecting Henan Province and Shandong Province. Lanwei Expressway has a total length of 61.03 kilometers. It was constructed in accordance with the construction standard of a two-way four-lane expressway with a designed speed of 120 kilometers per hour. According to the approval granted by the Henan Provincial Government, the operating period will expire on 1 July 2034, and the remaining operation term is about 13 years. In recent years, the Group has actively pursued mergers and acquisitions of high-quality projects in the central core area. Given the geographic location of Lanwei Expressway, it is in line with the Group’s regional development strategy and is expected to have a positive effect in strengthening the Group’s major business of toll expressways.

As of the date of the chairman statement, the Group has started to move forward the potential acquisition of the Lanwei Expressway (“Potential Acquisition”), including commencement of due diligence, traffic volume assessment and valuation, etc. However, the results of the due diligence, traffic volume assessment and valuation are not yet available, and no terms have been agreed for the Potential Acquisition. Also, the Group has not entered into any formal agreement with respect to the Potential Acquisition. The Board of Directors will issue further announcements in accordance with the Listing Rules and applicable laws when appropriate. Since Guangzhou Yuexiu Group is a connected person of the Group, based on currently available information, if the Potential Acquisition is materialized, it may constitute a notifiable and connected transaction of the Company under the Listing Rules.

In addition, on 7 August 2020, the CSRC released Guidelines for Publicly Offered Infrastructure Securities Investment Funds (for Trial Implementation) (the “Guideline”), which provided legal basis for the domestic pilot scheme of the infrastructure REITs. The Group will capture the opportunities brought by the introduction of the new policy and strive to become one of the pilot companies for the REITs. This would be our starting point for utilizing positive interaction of the two platforms, opening up the channel for capital circulation and implementing innovation of new business models, to promote the business to the high quality and sustainability stage, with premium toll expressways in developed regions or region with high growth potential as the core, and create continuous and stable returns to our shareholders.

APPRECIATION

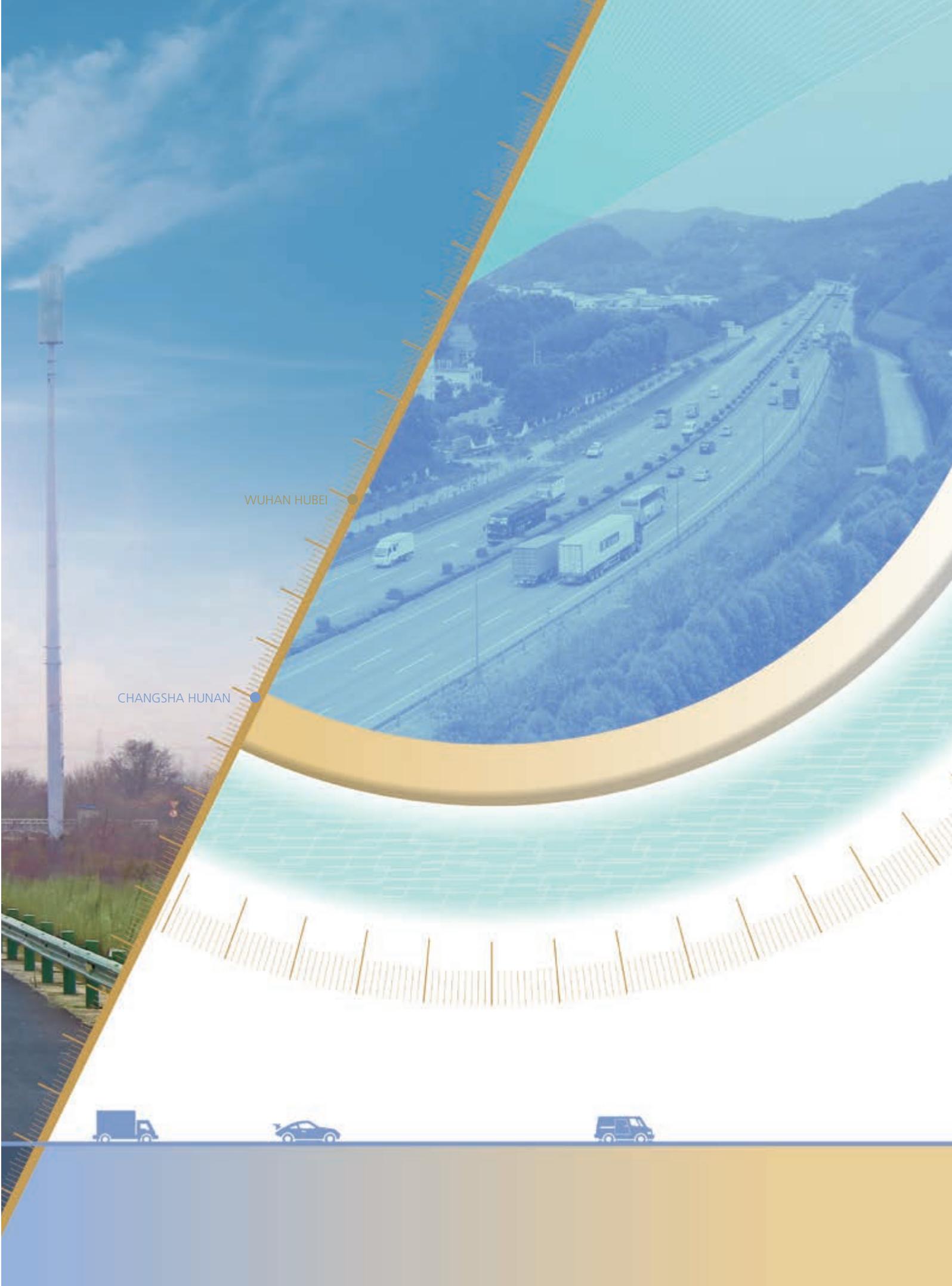
During the Reporting Year, our directors, senior management officers and all our staff continued to adhere to their pragmatic, diligent and resolute working attitude, in pursuit of excellent performance and quality work. On behalf of all members of our Group, I would like to express my gratitude and appreciation to all our shareholders, banks, business community and partners for their dedicated support over the years.

LI FENG
Chairman

Hong Kong, 9 March 2021

MANAGEMENT DISCUSSION AND ANALYSIS





WUHAN HUBEI

CHANGSHA HUNAN



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Summary Information of Operating Toll Roads and Bridges

	Toll Mileage (km)	Width (lanes)	Toll Station(s)	Road Type	Attributable Interests (%)	Remaining Operating Term (year)
Subsidiaries						
GNSR Expressway	42.5	6	6	Expressway	60.00	12
Cangyu Expressway	22.0	4	0 ⁽¹⁾	Expressway	100.00	10
Jinxiong Expressway	23.9	4	2 ⁽¹⁾	Expressway	60.00 ⁽²⁾	10
Han-Xiao Expressway	38.5	4	2	Expressway	100.00	16
Changzhu Expressway	46.5	4	5	Expressway	100.00	20
Weixu Expressway	64.3	4	2	Expressway	100.00	15
Suiyuan Expressway	98.1	4	4	Expressway	70.00	20
Hancai Expressway	36.0	4/6 ⁽³⁾	2	Expressway	67.00	18
Han'e Expressway	54.8	4	5	Expressway	100.00	22
Daguangnan Expressway	107.1	4	6 ⁽¹⁾	Expressway	90.00	22
Associates and Joint Venture						
GWSR Expressway	42.1	6	2 ⁽⁴⁾	Expressway	35.00	10
Humen Bridge	15.8	6	4	Suspension Bridge	27.78 ⁽⁵⁾	9
Northern Ring Road	22.0	6	8	Expressway	24.30	3
Shantou Bay Bridge	6.5	6	3	Suspension Bridge	30.00	8
Qinglian Expressway	215.2	4	15 ⁽¹⁾	Expressway	23.63	14

Notes:

- (1) According to the "Notice of the General Office of the State Council on Publishing the Implementation Plan of the Promotion of the Toll Road System Reform and Cancellation of Expressway Provincial Border Toll Stations" (《國務院辦公廳關於印發深化收費公路制度改革取消高速公路省界收費站實施方案的通知》) and related technical plans, all provincial expressway toll stations across the country were cancelled since 1 January 2020. Existing toll stations at provincial borders of projects operated by the Group, namely, Cangyu Expressway, Jinxiong Expressway, Daguangnan Expressway and Qinglian Expressway, were removed as scheduled, as a result of which toll can be collected without requiring vehicles to stop and pay when they went across the relevant provinces.
- (2) The percentage of equity interest attributable to the Group was 60%; profit sharing ratio: 90% in 2012 and before, 40% from 2013 to 2015, 60% in 2016 and thereafter.
- (3) There are 6 lanes at the section from Miliang Shan to Wuhan Outer Ring Road, and 4 lanes on the remaining expressway.
- (4) From 1 January 2020, the toll station has been linked with Foshan First Ring Highway (Northern Extension Line), and the toll station at the linking point has been abolished; and the another toll station has been abolished from 10 October 2020.
- (5) The profit-sharing ratio was 18.446% from 2010 onwards.

MANAGEMENT DISCUSSION AND ANALYSIS

TOLL SUMMARY OF TOLL ROADS AND BRIDGES

For the twelve months ended 31 December 2020⁽¹⁾

	Average daily toll revenue				Average daily toll traffic volume	
	Full year of 2020 ⁽²⁾ (RMB/day)	Y-O-Y Change %	July to December in 2020 ⁽³⁾ (RMB/day)	Y-O-Y Change %	July to December in 2020 ⁽³⁾ (Vehicle/day)	Y-O-Y Change %
Subsidiaries						
GNSR Expressway	3,167,671	-5.0%	3,534,847	0.9%	297,280	6.6%
Cangyu Expressway	191,081	10.8%	217,004	35.8%	12,489	66.5%
Jinxiong Expressway	255,251	0.5%	287,394	11.1%	45,254	18.8%
Han-Xiao Expressway	531,433	6.6%	577,930	9.6%	32,675	11.9%
Changzhu Expressway	719,099	4.8%	811,420	11.6%	77,895	17.7%
Weixu Expressway	1,006,934	-11.5%	1,069,673	-8.3%	23,676	-6.2%
Suiyuanan Expressway	1,815,021	-3.7%	1,983,232	1.3%	33,252	32.9%
Hancai Expressway	624,042	-8.3%	685,278	1.4%	47,929	3.8%
Han'e Expressway	512,791	6.3%	586,097	21.7%	41,220	15.8%
Daguangnan Expressway	1,183,791	25.8%	1,293,057	32.2%	30,017	19.4%
Associates and Joint Venture						
GWSR Expressway	1,523,218	-4.6%	1,759,180	5.0%	110,815	19.7%
Humen Bridge	1,563,862	-45.0%	1,800,641	-12.4%	70,251	-4.4%
Northern Ring Road	1,870,943	-10.2%	2,029,494	-3.3%	382,534	1.9%
Shantou Bay Bridge	472,515	-15.5%	532,868	-7.7%	30,703	6.4%
Qinglian Expressway	2,301,103	0.3%	2,453,410	8.8%	53,893	9.3%

Notes:

- (1) Since the cancellation of the provincial borders toll stations on January 1, 2020, due to the COVID-19 outbreak and the instability of the new system at the initial stage of operation, the supervisory authorities of the provinces (municipalities) where the projects are located were unable to provide accurate data of toll traffic volume from January to June 2020, the Group will mainly disclose the full-year toll revenue and its year-on-year changes for 2020, the toll revenue and the year-on-year changes for July to December 2020 and the toll traffic volume and the year-on-year changes for July to December 2020.
- (2) National toll fees of small passengers vehicles on toll roads were waived from 0:00 on 24 January 2020 to 24:00 on February 8 (extended by 9 days on the original basis) during the 2020 Spring Festival Holiday according to the "Notice of the Work Related to Exempting Toll Fee for Small Passengers Vehicles During the 2020 Spring Festival Holiday" (關於做好二〇二〇年春節假期免收小型客車通行費有關工作的通知), the "Notice of Extension for the Free Toll Period of Small Passengers Vehicles During the 2020 Spring Festival Holiday" (關於延長二〇二〇年春節假期小型客車免費通行時段的通知) and the "Notice of Extension for the Period of Exempting Toll Fee of Small Passengers Vehicles on Toll Roads during the Spring Festival Holiday" (關於延長春節假期收費公路免收小型客車通行費時段的通知). According to the "Notice on Waiver of Tolls on Toll Roads During the Prevention and Control of Epidemic Caused by the Novel Coronavirus Pneumonia" (《關於新冠肺炎疫情防控期間免收收費公路車輛通行費的通知》), toll fee for all vehicles on toll roads nationwide was exempted from 0:00 on 17 February 2020 until the end of the disease prevention and control. According to the "Announcement on Resumption of Toll Collection for Toll Roads" (《關於恢復收費公路收費的公告》), toll collection for legally approved toll roads is resumed from 0:00 a.m. on 6 May 2020 (79 toll-free days in total). All projects of the Group have been resumed for normal toll collection. The average daily toll revenue of the Group throughout 2020 was calculated based on the number of calendar days of the whole year (366 days) less the number of the days exempting toll fees (79 days), which is equivalent to 287 days. However, the average daily toll revenue throughout 2019 was calculated based on the calendar days throughout the year (365 days).
- (3) The average daily toll revenue and the average daily traffic volume of the Group during July to December 2020 was calculated based on the number of calendar days during July to December (184 days), and the average daily toll revenue and the average daily traffic volume during July to December 2019 was also calculated based on 184 days.

MANAGEMENT DISCUSSION AND ANALYSIS

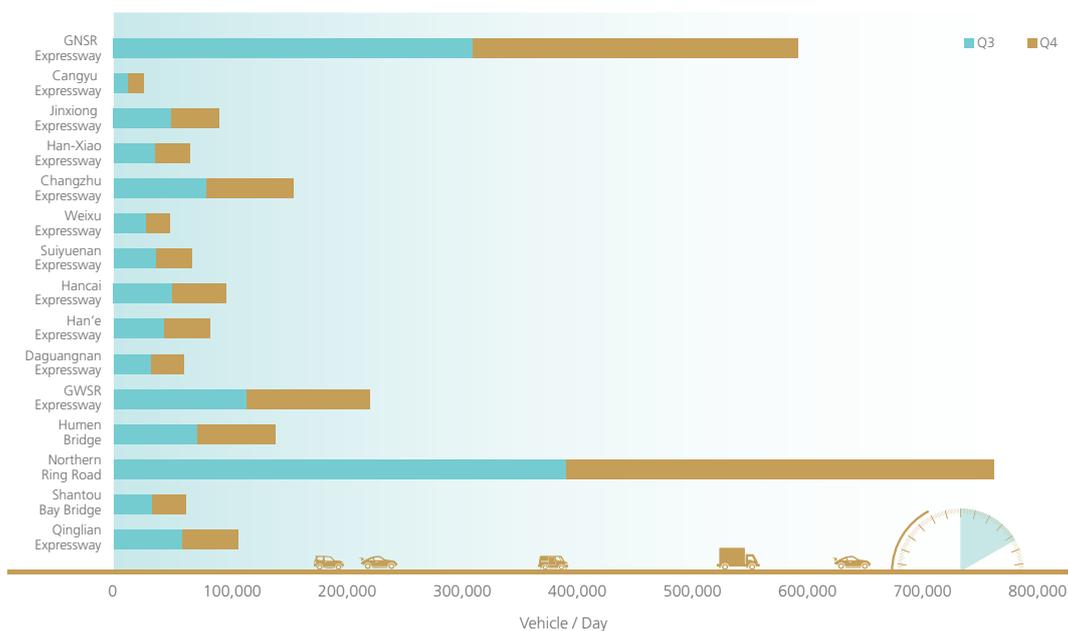
Toll Roads and Bridges

Quarterly analysis of average daily toll traffic volume for 2020

	Average daily toll traffic volume of the Third quarter in 2020 (vehicle/day)	Average daily toll traffic volume of the Fourth quarter in 2020 (vehicle/day)
Subsidiaries		
GNSR Expressway	310,968	283,592
Cangyu Expressway	11,049	13,929
Jinxiong Expressway	48,767	41,741
Han-Xiao Expressway	33,936	31,415
Changzhu Expressway	78,723	77,067
Weixu Expressway	26,257	21,094
Suiyuan Expressway	35,420	31,085
Hancai Expressway	49,390	46,468
Han'e Expressway	41,651	40,790
Daguangnan Expressway	31,046	28,988
Associates and Joint Venture		
GWSR Expressway	113,300	108,330
Humen Bridge	71,345	69,157
Northern Ring Road	392,392	372,676
Shantou Bay Bridge	31,987	29,418
Qinglian Expressway	57,881	49,905

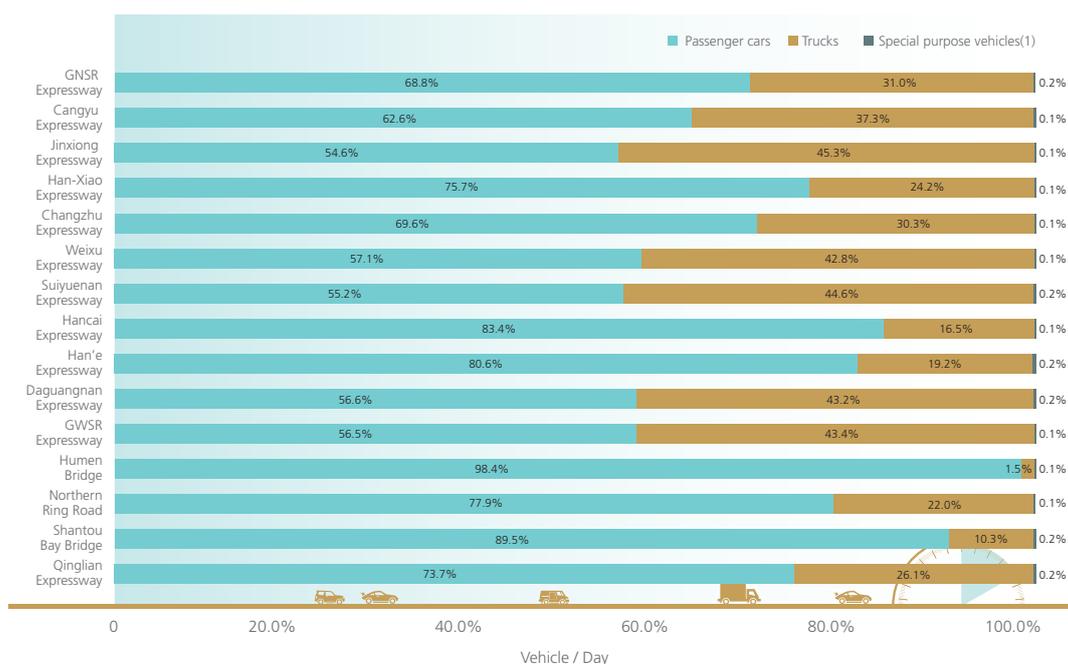
MANAGEMENT DISCUSSION AND ANALYSIS

Quarterly analysis of average daily toll traffic volume for 2020



Vehicle type analysis (by traffic volume)

During the Reporting Year, the Group's operating projects were primarily distributed in six provinces/municipalities including Guangdong, Guangxi, Hunan, Hubei, Henan and Tianjin. In accordance with the industry standard of "Vehicle Classification of the Toll Highway" implemented on January 1, 2020, in the regions where the Group's investment and operating projects are located, all vehicles are classified into three categories in a standardized way: passenger cars, trucks, and special purpose vehicles.



Note: (1) Special purpose vehicle refers to the cars with the installation of special equipment or apparatus, in the design and manufacture of vehicles used in engineering special projects, health care and other operations.

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF OPERATING PERFORMANCE

MACROECONOMIC ENVIRONMENT

During the Reporting Period, coronavirus battered China's economy. However, with the gradual resumption of work and production, China's economy has recovered steadily, showing a trend of going downward first and then upward. According to the information released by the National Bureau of Statistics, the gross domestic product (GDP) throughout 2020 amounted to RMB101,598.6 billion, representing a year-on-year increase of 2.3%. On a quarterly basis, there was a year-on-year GDP decrease of 6.8% for the first quarter, an increase of 3.2% for the second quarter, an increase of 4.9% for the third quarter and an increase of 6.5% for the fourth quarter.

As economic activities gradually returned to normal level, main index of the sector showed an improving trend. Investment on fixed assets of expressway construction amounted to RMB2,256.9 billion from January to November 2020, representing a year-on-year increase of 11.5%. In January to December 2020, Highway passenger and cargo turnover decreased by 47.6% and increased by 0.9% year-on-year, respectively.

During the Reporting Period, domestic car ownership maintained a steady growth momentum. As at 31 December 2020, domestic car ownership reached 281 million vehicles, representing a year-on-year increase of 8.1%.

The projects invested and operated by the Group are distributed throughout Guangdong, Tianjin, Guangxi, Hunan, Hubei and Henan. The GDP of these regions throughout 2020 increased by 2.3%, increased by 1.5%, increased by 3.7%, increased by 3.8%, decreased by 5.0% and increased by 1.3% year-on-year, respectively.

(Unit: RMB100 million)

	National	Guangdong Province	Tianjin Municipality	Guangxi Autonomous Region	Hunan Province	Hubei Province	Henan Province
GDP for the year 2020	1,015,986	110,761	14,084	22,157	41,781	43,443	54,997
GDP changes for the year 2020	2.3%	2.3%	1.5%	3.7%	3.8%	-5.0%	1.3%
GDP changes for the year 2019	6.1%	6.2%	4.8%	6.0%	7.6%	7.5%	7.0%

Source: National and Provincial Bureaus of Statistics, Ministry of Transport

MANAGEMENT DISCUSSION AND ANALYSIS

REGULATORY ENVIRONMENT OF THE SECTOR

During the Reporting Year, to cope with COVID-19, the Central Government of China has adopted a series of prevention and control measures, including: implementation of toll exemption for small passengers vehicles on toll roads from 0:00 on 24 January 2020 to 24:00 on February 8 (extended by 9 days apart from the original plan) during the 2020 Spring Festival Holiday according to the “Notice of the Work Related to Exempting Toll Fee for Small Passengers Vehicles During the 2020 Spring Festival Holiday” (《關於做好二〇二〇年春節假期免收小型客車通行費有關工作的通知》), the “Notice of Extension for the toll-free Period of Small Passengers Vehicles During the 2020 Spring Festival Holiday” (《關於延長二〇二〇年春節假期小型客車免費通行時段的通知》) and the “Notice of Extension for the toll-free Period of Small Passengers Vehicles on Toll Roads during the Spring Festival Holiday” (《關於延長春節假期收費公路免收小型客車通行費時段的通知》). According to the “Notice of Exempting Toll Fees on Toll Roads During the Period of Prevention and Control of Novel Coronavirus” (《關於新冠肺炎疫情防控期間免收收費公路車輛通行費的通知》), toll fee on the toll roads were exempted across the country from 0:00 on 17 February 2020 to the end of the disease prevention and control work. According to the “Announcement of the Resumption of the Collection of Toll Fee on Toll Roads” (《關於恢復收費公路收費的公告》), all projects of the Group have resumed to normal toll collection from 0:00 on 6 May 2020. In addition, in order to actively cooperate with the epidemic prevention and control work, all projects of the Group actively take various measures, such as disinfection of the office space and toll station area, establishment of prevention and control isolation areas and body temperature detection points, priority access for the emergency relief vehicles and maintaining close communication with local hygiene and health authorities.

During the Reporting Year, according to the “Notice of Exempting Toll Fees on Toll Roads During the Period of Prevention and Control of Novel Coronavirus” (《關於新冠肺炎疫情防控期間免收收費公路車輛通行費的通知》), supporting policies will be issued separately to protect the interests of all parties. The safeguard policies have been launched in Guangdong and Guangxi among the provinces (cities) where the Group’s projects operate, while those in other provinces were still under research and formulation. The Group continues to actively communicate with competent authorities of expressway industry and its counterparts to strive for favorable safeguard policies and ensure the benefits of the Company.

During the Reporting Year, the Group implemented policies of differentiating expressway toll collection in the provinces (cities) where its projects operate to further lower the truck fee collection standard, which will affect toll revenue of each project in short term.

During the Reporting Year, according to the “Notice of the General Office of the State Council on Publishing the Implementation Plan of the Promotion of the Toll Road System Reform and Cancellation of Expressway Provincial Border Toll Stations” (《國務院辦公廳關於印發深化收費公路制度改革取消高速公路省界收費站實施方案的通知》) and related technical plans, all provincial expressway toll stations across the country were closed since 1 January 2020 as scheduled. The Group actively responded to the request of cancellation of provincial toll stations from competent authorities of the industry and carried out the relevant measures, such as the construction of ETC gantry systems, the renovation of ETC lanes and the installation of non-stop weight inspection systems for projects operated by the Group. Existing toll stations at provincial borders of projects operated by the Group, namely, Cangyu Expressway, Jinxiong Expressway, Daguangnan Expressway and Qinglian Expressway, were removed as scheduled, and system switching and co-network operation were successfully achieved.

During the Reporting Year, in accordance with the industry standard of “Vehicle Classification of the Toll Highway” implemented on January 1, 2020, in the regions where the Group’s investment and operation projects are located, all vehicles are classified into three categories in a standardized way: passenger cars, trucks, and special purpose vehicles.

MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS IMPROVEMENTS AND INNOVATIONS

During the Reporting Year, the Group continued to enhance the capability on ensuring smooth traffic flow and operational management capability, and further enhanced its road traffic efficiency and service capacity. We actively conducted adjustment and optimization of toll collection facilities and equipment, and ensured stable operation of the toll collection equipment and systems for various projects. We continued to strengthen safety production and promoted the construction of safety production governance system and capability. We built up innovative systems, pushed for accreditation of high-tech enterprises and set up a high-level platform for innovation and development cooperation. We made great efforts to develop comprehensive maintenance and renovation as well as construction project management and control capabilities, and continued to carry out the application of new technologies, materials, processes and equipment. The road maintenance technology named “Long-life rehabilitation pavement construction and maintenance technology and long-term service performance verification and evaluation” was awarded the first prize of science and technology of China Highway And Transportation Society. We actively promote the adoption of information technologies, and effectively enhance the information synergy capabilities. Moreover, we shall continue to enhance our staff development system and provide a solid foundation for the Company’s long-term development.

PROGRESS OF INVESTMENT

During the Reporting Year, the Group continued to focus on high-quality expressway projects of large and medium sizes in order to strengthen its core business. With its base in Guangdong, Hong Kong and Macau Greater Bay Area, the Group actively looked for and acquired expressways which have a balanced operating cash flow from central and western provinces with developed economy so as to expand its business scale, and would also seek for development opportunities of infrastructure facility projects with stable cash flows. In addition, the Company is actively preparing the project of the REITs (immovable property investment trusts) and strives to become the pilot company.

During the Reporting Year, the Group also completed the capital injection of RMB76 million to Guangzhou Pazhou Port Company Limited, which constructs and operates the Guangzhou Pazhou Port Project and is 45% owned by the Group. The capital injected was mainly utilized in the first phase of construction of the Guangzhou Pazhou Port Project. The construction of the main body in the first phase of the Project will be completed by the end of the year.

POSSIBLE RISK EXPOSURE

During the Reporting Year, the Group further improved the comprehensive risk management system which covered all aspects of corporate strategies, operation and investment. The Group will continue to monitor the following risks and will adopt effective tackling measures proactively in the future.

Risk of Sectoral and Economic Policies

Risk analysis: The “Regulation on the Administration of Toll Roads” will further strengthen the reform of the toll road system. The downward pressure on the domestic macro economy has increased, and the adjustment of the transportation structure has continued, which may affect the transportation demand, particularly the freight demand. In line with the prevention and control of the COVID-19 pandemic, the toll roads were exempted for 79 days nationwide, with the corresponding compensation policy not yet released in the provinces (cities) where the Group’s projects operate (except for Guangdong and Guangxi). In order to further lower the costs of logistics, certain local governments had launched highway toll reduction measures, for example, some provinces had implemented the pilot program of differentiated highway toll collection at different times, while others had implemented concessionary toll reduction policy for freight vehicles on state-owned highways. Industry standardized management has been further strengthened, and the road access requirements and maintenance standards continue to improve. From short term perspective, those measures bring pressure on the operation and management, income and costs of the Company.

MANAGEMENT DISCUSSION AND ANALYSIS

Counter measures: Pay close attention to the conditions of provinces where the project companies operate, including transportation industry policies, regional economic policies and macroeconomic changes, collect and collate the relevant information regularly to establish a database for carrying out analysis and research to formulate tackling measures; strengthen interaction between peer entities and supervising authorities to understand the most recent direction of the industry, exchange management experience, establish good cooperation relationship and launch relevant compensation measures. Pay close attention to the changes in the toll road policies of various regions, conduct timely measurement and analysis, and formulate counter measures to maximize the Company's core interests.

Risk of Changes in the Planning of Road Networks

Risk analysis: The road network surrounding the Group's expressways continues to be upgraded. The number of parallel roads or alternative routes may increase, coupled with improvement in road condition of local highways and surrounding roads. As a result, the growth of toll revenue in the Group's projects may be affected.

Counter measures: Actively communicate with the competent authorities of the industry, utilize such information gathered through the Internet and on-site visits, and conduct timely assessments and analysis, so as to formulate the corresponding strategies in response.

PERFORMANCE OF EXPRESSWAYS AND BRIDGES

During the Reporting Year, due to COVID-19 and related prevention and control measures (e.g. Spring Festival holiday was extended for 9 days apart from the original plan, expressway tolls were exempted for 79 days nationwide, etc.), the toll revenue of projects of the Group were significantly affected, generally representing a year-on-year downward or slowdown in growth rate of the characteristics. For the period from July to December, the toll traffic volume and toll revenue of the Group's projects had demonstrated a promising trend of recovery.

Subsidiaries

GNSR Expressway

During the Reporting Year, the average daily toll revenue was RMB3,168,000, representing a decrease of 5% when compared with 2019. During July to December, the average toll revenue was RMB 3,535,000, representing an increase of 0.9% when compared with July to December 2019. The average daily traffic volume was 297,280 vehicles, representing an increase of 6.6% when compared with July to December 2019.

Cangyu Expressway

During the Reporting Year, the average daily toll revenue was RMB191,000, representing an increase of 10.8% when compared with 2019. During July to December, the average toll revenue was RMB 217,000, representing an increase of 35.8% when compared with July to December 2019. The average daily traffic volume was 12,489 vehicles, representing an increase of 66.5% when compared with July to December 2019.

The year-on-year increase of daily toll revenue in the Reporting Year was mainly attributable to the increase in traffic volume on this road section since September 2020 as a result of the implementation of traffic control for construction undertaken in closed section of Guangkun Expressway (for the section between Liujing and Xingye and from Nanning to Yulin, the traffic control has now ended; for the section from Yulin towards Nanning, the traffic control was implemented since 15 December).

MANAGEMENT DISCUSSION AND ANALYSIS

Jinxiong Expressway

During the Reporting Year, the average daily toll revenue was RMB255,000, representing an increase of 0.5% when compared with 2019. During July to December, the average toll revenue was RMB 287,000, representing an increase of 11.1% when compared with July to December 2019. The average daily traffic volume was 45,254 vehicles, representing an increase of 18.8% when compared with July to December 2019.

The year-on-year increase of daily toll revenue in the Reporting Year was mainly attributable to the increase in traffic volume of small vehicles since the resumption of toll collection.

Han-Xiao Expressway

During the Reporting Year, the average daily toll revenue was RMB531,000, representing an increase of 6.6% when compared with 2019. During July to December, the average toll revenue was RMB 578,000, representing an increase of 9.6% when compared with July to December 2019. The average daily traffic volume was 32,675 vehicles, representing an increase of 11.9% when compared with July to December 2019.

The year-on-year increase of daily toll revenue in the Reporting Year was mainly attributable to the increase in traffic volume of small vehicles since the resumption of toll collection.

Changzhu Expressway

During the Reporting Year, the average daily toll revenue was RMB719,000, representing an increase of 4.8% when compared with 2019. During July to December, the average toll revenue was RMB 811,000, representing an increase of 11.6% when compared with July to December 2019. The average daily traffic volume was 77,895 vehicles, representing an increase of 17.7% when compared with July to December 2019.

The year-on-year increase of daily toll revenue in the Reporting Year was mainly attributable to the traffic diversion to this road section as a result of the construction undertaken in roads in the surrounding area.

Weixu Expressway

During the Reporting Year, the average daily toll revenue was RMB1,007,000, representing a decrease of 11.5% when compared with 2019. During July to December, the average toll revenue was RMB 1,070,000, representing a decrease of 8.3% when compared with July to December 2019. The average daily traffic volume was 23,676 vehicles, representing a decrease of 6.2% when compared with July to December 2019.

The daily toll revenue recorded substantial year-on-year decrease during the Reporting Year, which was mainly due to the two-way traffic control on pile no. K97 at Yanling Section of Lan-Nan Expressway (S83) on 14 November 2020 (subsequently changed to one-way traffic control since 15 November/two-way traffic resumed on half section since 15 December) caused by traffic accidents on local roads.

Suiyuan Expressway

During the Reporting Year, the average daily toll revenue was RMB1,815,000, representing a decrease of 3.7% when compared with 2019. During July to December, the average toll revenue was RMB 1,983,000, representing an increase of 1.3% when compared with July to December 2019. The average daily traffic volume was 33,252 vehicles, representing an increase of 32.9% when compared with July to December 2019.

MANAGEMENT DISCUSSION AND ANALYSIS

Hancai Expressway

During the Reporting Year, the average daily toll revenue was RMB624,000, representing a decrease of 8.3% when compared with 2019. During July to December, the average toll revenue was RMB 685,000, representing an increase of 1.4% when compared with July to December 2019. The average daily traffic volume was 47,929 vehicles, representing an increase of 3.8% when compared with July to December 2019.

Han'e Expressway

During the Reporting Year, the average daily toll revenue was RMB513,000, representing an increase of 6.3% when compared with 2019. During July to December, the average toll revenue was RMB 586,000, representing an increase of 21.7% when compared with July to December 2019. The average daily traffic volume was 41,220 vehicles, representing an increase of 15.8% when compared with July to December 2019.

The year-on-year increase of daily toll revenue in the Reporting Year was mainly attributable to the traffic diversion to this road section resulting from the implementation of traffic control for the construction undertaken from the parallel Wuhuang Expressway (which was completed in the end of October 2020).

Daguangnan Expressway

During the Reporting Year, the average daily toll revenue was RMB1,184,000, representing an increase of 25.8% when compared with 2019. During July to December, the average toll revenue was RMB 1,293,000, representing an increase of 32.2% when compared with July to December 2019. The average daily traffic volume was 30,017 vehicles, representing an increase of 19.4% when compared with July to December 2019.

The year-on-year increase of daily toll revenue in the Reporting Year was mainly attributable to a lower income base in the corresponding period last year due to the maintenance works at Nanshibi Tunnel at the Wuning, Jiangxi to north Ji'an section of Daqing-Guangzhou Expressway (which was completed in August 2019).

Associates and Joint Venture

GWSR Expressway

During the Reporting Year, the average daily toll revenue was RMB1,523,000, representing a decrease of 4.6% when compared with 2019. During July to December, the average toll revenue was RMB 1,759,000, representing an increase of 5.0% when compared with July to December 2019. The average daily traffic volume was 110,815 vehicles, representing an increase of 19.7% when compared with July to December 2019.

Humen Bridge

During the Reporting Year, the average daily toll revenue was RMB1,564,000, representing a decrease of 45.0% when compared with 2019. During July to December, the average toll revenue was RMB1,801,000, representing a decrease of 12.4% when compared with July to December 2019. The average daily traffic volume was 70,251 vehicles, representing a decrease of 4.4% when compared with July to December 2019.

The daily toll revenue recorded substantial year-on-year decrease in the Reporting Year mainly due to diversion upon commencement of operation of Nansha Bridge since April 2019, truck and passenger vehicle with 40 seats or above restrictions on Humen Bridge since August 2019 and traffic control resulting from the vortex vibration phenomenon on Humen Bridge during 5 to 15 May 2020.

MANAGEMENT DISCUSSION AND ANALYSIS

Northern Ring Road

During the Reporting Year, the average daily toll revenue was RMB1,871,000, representing a decrease of 10.2% when compared with 2019. During July to December, the average toll revenue was RMB 2,029,000, representing a decrease of 3.3% when compared with July to December 2019. The average daily traffic volume was 382,534 vehicles, representing an increase of 1.9% when compared with July to December 2019.

The daily toll revenue recorded substantial year-on-year decrease in the Reporting Year mainly due to the continuous impact of the implementation of restrictions on certain heavy trucks on this road section.

Shantou Bay Bridge

During the Reporting Year, the average daily toll revenue was RMB473,000, representing a decrease of 15.5% when compared with 2019. During July to December, the average toll revenue was RMB 533,000, representing a decrease of 7.7% when compared with July to December 2019. The average daily traffic volume was 30,703 vehicles, representing an increase of 6.4% when compared with July to December 2019.

The daily toll revenue recorded substantial year-on-year decrease in the Reporting Year mainly due to the traffic diversion of certain trucks resulting from implementation of toll exemption of the Queshi Bridge (which is parallel to Shantou Bay Bridge) since 1 January 2020.

Qinglian Expressway

During the Reporting Year, the average daily toll revenue was RMB2,301,000, representing an increase of 0.3% when compared with 2019. During July to December, the average toll revenue was RMB2,453,000, representing an increase of 8.8% when compared with July to December 2019. The average daily traffic volume was 53,893 vehicles, representing an increase of 9.3% when compared with July to December 2019.

The daily toll revenue recorded year-on-year increase in the Reporting Year mainly due to the increase in the traffic volume of small vehicles upon the resumption of toll collection.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Key operating results figures

	Reporting Year RMB'000	2019 RMB'000	Change %
Revenue	2,919,838	3,023,221	-3.4
Gross profit	1,559,261	2,012,084	-22.5
Operating profit	1,337,464	1,919,639	-30.3
Earnings before interests, tax, depreciation and amortisation ("EBITDA") ⁽¹⁾	2,452,006	2,956,565	-17.1
Finance costs	(805,757)	(411,217)	95.9
Share of result of a joint venture	56,533	88,739	-36.3
Share of results of associates	67,822	262,484	-74.2
Profit attributable to shareholders of the Company	160,491	1,137,590	-85.9
Basic and diluted earnings per share	RMB0.0959	RMB0.6799	-85.9
Dividend	97,706	585,526	-83.3

⁽¹⁾ EBITDA includes share of results of associates and a joint venture and excludes non-cash gains and losses.

I. OVERVIEW OF OPERATING RESULTS

The Group's revenue decreased by 3.4 percent to RMB2,919.8 million and profit attributable to shareholders of the Company decreased by 85.9 percent to RMB160.5 million in 2020 ("Reporting Year").

The decrease in the Group's revenue was mainly attributed to implementation of temporary toll exemption measures which are free toll of small passengers vehicles during Spring Festival holiday was extended for 9 days on original basis and exempted tolls collection for 79 days nationwide from 17 February 2020 to 5 May 2020. The impact caused by the temporary toll exemption measures was partially offset by the full year consolidation of the revenue of three newly acquired Expressways in Hubei Province (consolidated to the Group since 8 November 2019).

In the Reporting Year, the profit attributable to shareholders of the Company decreased by RMB977.1 million mainly due to decrease in net profit from projects (including the controlled and non-controlled projects) of RMB727.3 million and increase in corporate finance costs of RMB245.4 million. Apart from the decrease in revenue, the decrease in net profit from projects resulted from increase in amortisation of intangible operating rights and finance costs at project level in light of full year consolidation of the three newly acquired Expressways in Hubei Province. During the period of temporary toll exemption measures, the amortisation of intangible operating rights is still required to be recorded. The increase in corporate finance costs mainly resulted from the acquisition of three expressways in Hubei Province in November 2019, with the increase in average external debt balance in the Reporting Year.

The Directors have recommended the payment of final dividend for 2020 of HK\$0.07 which is equivalent to approximately RMB0.0584 (2019: HK\$0.21 which was equivalent to approximately RMB0.1880) per share. No interim dividend was declared during the Reporting Year (2019: HK\$0.18 which was equivalent to approximately RMB0.1620) per share, the total dividend for the year ended 31 December 2020 amounts to HK\$0.07 which is equivalent to approximately RMB0.0584 (2019: HK\$0.39 which was equivalent to approximately RMB0.3500) per share, representing a dividend payout ratio of 60.9 percent (2019: 51.5 percent).

MANAGEMENT DISCUSSION AND ANALYSIS

II. ANALYSIS OF OPERATING RESULTS

Revenue

The Group recorded total revenue of RMB2,919.8 million in the Reporting Year, which comprised total toll revenue of RMB2,872.0 million and other revenue related to normal toll roads operation of RMB47.8 million.

Toll revenue

The Group recorded total toll revenue of RMB2,872.0 million in the Reporting Year, representing a decrease of 5.0 percent as compared with 2019. The decrease was mainly due to the impact of temporary toll exemption measures. Daguangnan Expressway, Hancai Expressway and Han'e Expressway were consolidated to the Group on 8 November 2019. Excluding the consolidation of toll revenue of the three newly acquired expressways in Hubei province in November 2019, the Group's toll revenue decreased by 24.1 percent to RMB2,206.0 million in the Reporting Year. The detailed review on the toll revenue of each expressways and bridges were shown in "Business Review – Performance of Expressways and Bridges".

Analysis of toll revenue by each controlled project

Controlled Projects	Reporting Year	Percentage of total toll revenue	2019		Change %
	RMB'000	%	RMB'000	Percentage of total toll revenue %	
GNSR Expressway	909,122	31.7	1,217,129	40.3	-25.3
Suiyuanan Expressway	520,911	18.1	687,671	22.7	-24.2
Daguangnan Expressway	339,748	11.8	57,292	1.9	493.0
Weixu Expressway	288,990	10.1	415,395	13.7	-30.4
Changzhu Expressway	206,381	7.2	250,345	8.3	-17.6
Hancai Expressway	179,100	6.2	31,631	1.0	466.2
Han-Xiao Expressway	152,521	5.3	181,990	6.0	-16.2
Han'e Expressway	147,171	5.1	26,151	0.9	462.8
Jinxiong Expressway	73,257	2.6	92,668	3.1	-20.9
Cangyu Expressway	54,840	1.9	62,949	2.1	-12.9
Total toll revenue	2,872,041	100.0	3,023,221	100.0	-5.0

Other revenue

In the Reporting Year, other revenue related to normal toll roads operation of RMB47.8 million mainly include the income from service area and gas station of RMB36.2 million (2019: RMB25.0 million) and handling income from toll fee collection of RMB1.8 million (2019: RMB1.0 million).

Other revenue related to normal toll roads operations is included as part of "Revenue" in the Reporting Year while it was presented in "Other income, gains and losses – net" in prior years. The said change can facilitate the review of the Group's revenue from and related to toll road operations. The comparative figures were not restated.

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of services

In the Reporting Year, the total cost of services of the Group amounted to RMB1,360.6 million (2019: RMB1,011.1 million), representing an increase of RMB349.5 million or 34.6 percent as compared with 2019. Cost ratio (cost of services/revenue) was 46.6 percent in the Reporting Year, and 13.2 percentage point higher than 2019. During the period of temporary toll exemption measures, even though no toll revenue was recognised, the amortisation of intangible operating rights was recorded in accordance with the unit-of-usage basis based on the traffic volume. The increase in cost of services was mainly due to consolidation impact of increase in RMB347.4 million cost of services during the Reporting Year from the three expressways newly acquired in Hubei Province in November 2019.

Analysis of cost of services by each controlled project

Controlled Projects	Reporting Year	Percentage of total	2019	Percentage of total	Change
	RMB'000	%	RMB'000	%	%
GNSR Expressway	340,095	25.0	342,502	33.9	-0.7
Suiyuan Expressway	181,097	13.3	158,666	15.7	14.1
Daguan Expressway	178,295	13.1	34,990	3.5	409.6
Weixu Expressway	140,056	10.3	136,311	13.5	2.7
Changzhu Expressway	114,822	8.4	121,054	12.0	-5.1
Hancai Expressway	136,808	10.1	21,656	2.1	531.7
Han-Xiao Expressway	78,928	5.8	79,494	7.9	-0.7
Han'e Expressway	101,369	7.4	12,441	1.2	714.8
Jinxiong Expressway	56,755	4.2	65,094	6.4	-12.8
Cangyu Expressway	32,352	2.4	38,929	3.8	-16.9
Total	1,360,577	100.0	1,011,137	100.0	34.6

Analysis of cost of services by nature

	Reporting Year	Percentage of total	2019	Percentage of total	Change
	RMB'000	%	RMB'000	%	%
Amortisation of intangible operating rights	949,918	69.8	640,588	63.3	48.3
Staff costs	145,690	10.7	143,660	14.2	1.4
Toll highways and bridges operating expenses	102,257	7.5	96,780	9.6	5.7
Toll highways and bridges maintenance expenses	139,151	10.3	104,177	10.3	33.6
Taxes and surcharges	15,074	1.1	14,949	1.5	0.8
Depreciation of other fixed assets	8,487	0.6	10,983	1.1	-22.7
Total	1,360,577	100.0	1,011,137	100.0	34.6

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit

Gross profit in the Reporting Year was RMB1,559.3 million, which was RMB452.8 million lower than 2019. Gross profit margin in the Reporting Year was 53.4 percent, which was 13.2 percentage point lower than 2019.

Analysis of gross profit by each controlled project

Controlled Projects	Reporting Year		2019	
	Gross Profit RMB'000	Gross Margin ⁽¹⁾	Gross Profit RMB'000	Gross Margin ⁽¹⁾
GNSR Expressway	575,644	62.9%	874,627	71.9%
Suiyuan Expressway	349,936	65.9%	529,005	76.9%
Daguangnan Expressway	172,674	49.2%	22,302	38.9%
Weixu Expressway	150,670	51.8%	279,084	67.2%
Changzhu Expressway	93,087	44.8%	129,291	51.6%
Hancai Expressway	44,809	24.7%	9,975	31.5%
Han-Xiao Expressway	79,048	50.0%	102,496	56.3%
Han'e Expressway	53,040	34.4%	13,710	52.4%
Jinxiong Expressway	17,750	23.8%	27,574	29.8%
Cangyu Expressway	22,603	41.1%	24,020	38.2%
Total	1,559,261	53.4%	2,012,084	66.6%

⁽¹⁾ Gross margin = Gross profit/revenue

General and administrative expenses

The Group's general and administrative expenses in the Reporting Year amounted to RMB246.9 million, representing a decrease of 9.2 percent from RMB271.8 million in 2019, mainly due to decrease in staff cost of RMB13.8 million and legal and professional fee of RMB9.7 million in the Reporting Year.

Other income, gains and losses – net

The Group's other income, gains and losses – net was RMB25.1 million in the Reporting Year (2019: RMB179.4 million), which was 86.0 percent lower than 2019. The decrease was mainly due to (i) decrease in one-off compensation received of RMB53.2 million; (ii) decrease in government subsidy of RMB21.6 million and (iii) no gain on liquidation of a subsidiary (2019: RMB37.7 million) during the Reporting Year. There was reclassification of other revenue related to normal toll roads operations from "Other income, gains and losses – net" to "Revenue" during the Reporting Year while the comparative figures of RMB31.3 million was not restated.

Finance income/Finance costs

The Group's finance income in the Reporting Year amounted to RMB26.4 million (2019: RMB40.8 million), which was 35.4 percent lower than 2019. The decrease was mainly due to the drop in interest income from bank and other non-current receivables during the Reporting Year.

The Group's finance costs in the Reporting Year increased by 95.9 percent to RMB805.8 million as compared with RMB411.2 million in 2019, mainly due to increase in interest expense resulting from the acquisition of the three expressways in Hubei Province in November 2019. The Group's overall weighted average interest rate in the Reporting Year was 4.15 percent (2019: 4.33 percent).

MANAGEMENT DISCUSSION AND ANALYSIS

Share of results of associates and a joint venture

The Group's share of results of associates and a joint venture decreased by 64.6 percent to RMB124.4 million in the Reporting Year (2019: RMB351.2 million) due to implementation of temporary toll exemption measures.

Share of post-tax profit of Northern Ring Road in the Reporting Year decreased by 59.4 percent to RMB43.9 million. Toll revenue at the project company level decreased by 24.5 percent to RMB574.2 million in the Reporting Year. In addition to the impact brought by temporary toll exemption measures, share of post-tax profit decreased because to no prior year tax concession was recorded during the Reporting Year (2019: RMB13.8 million).

Share of post-tax profit of Humen Bridge in the Reporting Year decreased by 78.5 percent to RMB20.9 million. Toll revenue at the project company level decreased by 54.9 percent to RMB468.1 million in the Reporting Year. In addition to the impact brought by temporary toll exemption measures, the decrease was attributed to traffic diversion resulting from the commencement of operation of Nansha Bridge since April 2019, the implementation of trucks and passenger vehicles with 40 seats or above on Humen Bridge since August 2019 and the traffic control effective from 5 May 2020 to 15 May 2020 due to the vortex vibration effect.

Share of post-tax profit of Shantou Bay Bridge in the Reporting Year decreased by 45.3 percent to RMB17.6 million. Toll revenue at the project company level decreased by 33.4 percent to RMB135.9 million in the Reporting Year. In addition to the impact brought by temporary toll exemption measures, the decrease was attributed to traffic diversion resulting from the cancellation of toll fee for Queshi Bridge, which is parallel to Shantou Bay Bridge, since 1 January 2020.

Share of post-tax loss of Qinglian Expressway in the Reporting Year amounted to RMB7.8 million (2019: share of post-tax profit of RMB24.7 million). Toll revenue at the project company level dropped by 20.6 percent to RMB664.7 million in the Reporting Year.

Share of post-tax loss of Pazhou Port in the Reporting Year was RMB6.8 million (2019: Nil). The first phase of construction of the Pazhou Port has commenced during the Reporting Year and there was no revenue recognized in the Reporting Year. The share of post-tax loss mainly represented the general and administrative expense recorded during the Reporting Year.

Share of post-tax profit of GWSR Expressway in the Reporting Year decreased by 36.3 percent to RMB56.5 million. Toll revenue at the project company level decreased by 24.1 percent to RMB442.4 million in the Reporting Year.

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of share of results of associates and a joint venture and the revenue of their respective entities

	Profit Sharing ratio %	Revenue		Share of results	
		Reporting Year RMB'000	YoY change %	Reporting Year RMB'000	YoY change %
Associates					
Northern Ring Road	24.3	574,217	-24.5	43,862	-59.4
Humen Bridge	18.446	468,141	-54.9	20,931	-78.5
Shantou Bay Bridge	30.0	135,918	-33.4	17,613	-45.3
Qinglian Expressway	23.63	664,674	-20.6	(7,809)	turned loss
Pazhou Port	45.0	—	—	(6,775)	N/A
Sub-total		1,842,950	-35.1	67,822	-74.2
Joint venture					
GWSR Expressway	35.0	442,428	-24.1	56,533	-36.3
Total		2,285,378	-33.2	124,355	-64.6

Income tax expense

Total income tax expense of the Group in the Reporting Year decreased by 8.9 percent to RMB278.1 million. It was because profit before tax decreased during the Reporting Year. There was no prior year tax concession recorded by GNSR Expressway (2019: RMB95.9 million) during the Reporting Year.

Profit attributable to shareholders of the Company

The Company reported profit attributable to its shareholders of RMB160.5 million in the Reporting Year, representing a decrease of 85.9 percent as compared with 2019. The decrease was mainly due to decrease in net profit from projects (including the controlled and non-controlled projects) of RMB727.3 million and increase in corporate finance costs of RMB245.4 million. Apart from the decrease in revenue, the decrease in net profit from projects resulted from increase in amortisation of intangible operating rights and finance costs at project level in light of full year consolidation of the three newly acquired Expressways in Hubei Province. During the period of temporary toll exemption measures, the amortisation of intangible operating rights is still required to be recorded. The increase in corporate finance costs mainly resulted from the acquisition of three expressways in Hubei Province in November 2019, with the increase in average external debt balance in the Reporting Year.

The management team continues to optimize the overall debt structure of the Group. During this process, inter-company loan interests were incurred at the controlled projects level and the holding companies level, and such interests would be eliminated ultimately at the consolidated level.

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of the profit attributable to shareholders of the Company after elimination of inter-company loan interests

	Reporting Year RMB'000	Percentage of total %	2019 RMB'000	Percentage of total %	Change %
Net profit from controlled projects	637,359	83.7	1,137,756	76.4	-44.0
Net profit from non-controlled projects ⁽¹⁾	124,355	16.3	351,223	23.6	-64.6
Net profit from projects	761,714	100.0	1,488,979	100.0	-48.8
Withholding tax on PRC dividend/income	(29,054)		(56,640)		-48.7
Corporate expenses	(177,127)		(199,826)		-11.4
Corporate income/gains, net	5,168		44,340		-88.3
Corporate finance income	10,747		26,322		-59.2
Corporate finance costs	(410,957)		(165,585)		148.2
Profit attributable to shareholders of the Company	160,491		1,137,590		-85.9

⁽¹⁾ Representing share of results of associates and a joint venture

Analysis of net profit by each controlled project after elimination of inter-company loan interests

Controlled Projects	Reporting Year RMB'000	Percentage of total %	2019 RMB'000	Percentage of total %	Change %
GNSR Expressway	304,245	39.9	537,830	36.1	-43.4
Suiyuanan Expressway	132,480	17.4	216,714	14.6	-38.9
Weixu Expressway	103,107	13.5	199,860	13.4	-48.4
Han-Xiao Expressway	35,105	4.6	52,666	3.5	-33.3
Daguangnan Expressway	30,255	4.0	(3,372)	-0.2	turned profit
Changzhu Expressway	32,370	4.3	55,378	3.7	-41.5
Cangyu Expressway	17,594	2.3	23,422	1.6	-24.9
Hancai Expressway	15,131	2.0	4,021	0.2	276.3
Jinxiong Expressway	5,678	0.8	10,146	0.7	-44.0
Han'e Expressway	(38,606)	-5.1	760	0.1	turned loss
Xian Expressway	—	—	40,331	2.7	-100.0
Total	637,359	83.7	1,137,756	76.4	-44.0

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of net profit by each controlled project before elimination of inter-company loan interests

Controlled Projects	Reporting Year	Percentage of total	2019		Change
	RMB'000	%	RMB'000	Percentage of total %	
GNSR Expressway	304,245	52.2	537,830	36.4	-43.4
Suiyuan Expressway	140,889	24.2	227,212	15.4	-38.0
Weixu Expressway	106,464	18.2	199,860	13.5	-46.7
Han-Xiao Expressway	44,385	7.6	60,842	4.1	-27.0
Daguan Expressway	(68,566)	-11.8	(15,287)	-1.0	348.5
Changzhu Expressway	8,614	1.5	45,126	3.1	-80.9
Cangyu Expressway	17,594	3.0	23,422	1.6	-24.9
Hancai Expressway	(24,562)	-4.2	(770)	-0.1	3,089.9
Jinxiong Expressway	6,020	1.0	10,146	0.7	-40.7
Han'e Expressway	(76,050)	-13.0	(2,505)	-0.2	2,935.9
Xian Expressway	—	—	40,331	2.7	-100.0
Total	459,033	78.7	1,126,207	76.2	-59.2

In the Reporting Year, net profit from non-controlled projects (analysis shown in the aforementioned table "Analysis of share of results of associates and a joint venture and the revenue of their respective entities") has decreased by 64.6 percent to RMB124.4 million as compared with 2019.

At the corporate level, the withholding tax on PRC dividend/income decreased by RMB27.6 million, mainly because the decrease in profit from PRC subsidiaries during the Reporting Year led to corresponding decrease in withholding tax provided. The corporate expense decreased by RMB22.7 million mainly due to decrease in staff cost and legal and professional fee during the Reporting Year. In addition, the corporate finance cost increased by RMB245.4 million mainly due to increase in average external debt balance in the Reporting Year as compared with that of 2019 due to the acquisition of three expressways in Hubei Province in November 2019. The corporate income/gain decreased by RMB39.2 million mainly due to decrease in government subsidy of RMB28.5 million granted for the additional investment in Guangdong Province during the Reporting Year. The corporate finance income decreased by RMB15.6 million mainly due to the drop in interest income from bank and other non-current receivables at corporate level during the Reporting Year.

Final dividend

The Directors have recommended the payment of final dividend for 2020 of HK\$0.07 which is equivalent to approximately RMB0.0584 (2019: HK\$0.21 which was equivalent to approximately RMB0.1880) per share payable to shareholders whose names appear on the register of members of the Company on 11 June 2021. Subject to the approval of shareholders at the Annual General Meeting to be held on 2 June 2021, the final dividend will be paid on or about 29 June 2021. No interim dividend was declared during the Reporting Year (2019: HK\$0.18 which was equivalent to approximately RMB0.1620) per share, the total dividend for the year ended 31 December 2020 amounts to HK\$0.07 which is equivalent to approximately RMB0.0584 (2019: HK\$0.39 which was equivalent to approximately RMB0.3500) per share, representing a dividend payout ratio of 60.9 percent (2019: 51.5 percent).

Dividend payable to shareholders will be paid in Hong Kong dollars ("HK\$"). The exchange rate adopted by the Company for its dividend payable is the average middle rate of HK\$ to RMB, as announced by the People's Bank of China, for the five business days preceding the date of declaration of dividend.

MANAGEMENT DISCUSSION AND ANALYSIS

III. ANALYSIS OF FINANCIAL POSITION

Key financial position figures

	Reporting Year RMB'000	2019 RMB'000	Change %
Total assets	36,367,600	36,797,875	-1.2
Total liabilities	22,713,855	23,169,125	-2.0
Cash and cash equivalents	1,516,004	1,435,062	5.6
Total debts	17,731,090	18,356,703	-3.4
Of which: bank borrowings	12,874,275	14,520,385	-11.3
Other borrowing	200,000	700,000	-71.4
Corporate bonds	1,909,152	1,907,554	0.1
Notes payable	2,492,974	996,522	150.2
Current ratio	0.4 times	0.7 times	
EBITDA interest coverage	3.1 times	7.6 times	
Equity attributable to the shareholders of the Company	10,424,891	10,571,655	-1.4

Assets, Liabilities and Equity

As at 31 December 2020, the Group's total assets amounted to RMB36.4 billion which was 1.2 percent lower than the balance as at 31 December 2019. The Group's total assets comprised mainly of intangible operating rights of RMB31.7 billion (31 December 2019: RMB32.4 billion); investments in a joint venture and associates of RMB2.0 billion (31 December 2019: RMB1.9 billion); and cash and cash equivalents of RMB1.5 billion (31 December 2019: RMB1.4 billion).

As at 31 December 2020, the Group's total liabilities amounted to RMB22.7 billion which was 2.0 percent lower than the balance as at 31 December 2019. The Group's total liabilities comprised mainly of bank borrowings of RMB12.9 billion (31 December 2019: RMB14.5 billion); other borrowing of RMB0.2 billion (31 December 2019: RMB0.7 billion); corporate bonds of RMB1.9 billion (31 December 2019: RMB1.9 billion); notes payable of RMB2.5 billion (31 December 2019: RMB1.0 billion); loans from non-controlling interests of RMB77.7 million (31 December 2019: RMB71.9 million); loan from a joint venture of RMB147.0 million (31 December 2019: RMB147.0 million); and deferred income tax liabilities of RMB3.3 billion (31 December 2019: RMB3.2 billion).

As at 31 December 2020, the Group's total equity increased by RMB25.0 million to RMB13.7 billion (31 December 2019: RMB13.6 billion), of which RMB10.4 billion was attributable to the shareholders of the Company (31 December 2019: RMB10.6 billion).

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of major assets, liabilities and equity items

Items	Reporting Year RMB'000	2019 RMB'000	Change %
Total assets	36,367,600	36,797,875	-1.2
Approximately 90.0 % of which:			
Intangible operating rights	31,712,956	32,369,121	-2.0
Investments in a joint venture and associates	2,023,718	1,870,676	8.2
Cash and cash equivalents	1,516,004	1,435,062	5.6
Total liabilities	22,713,855	23,169,125	-2.0
Approximately 90.0 % of which:			
Bank borrowings – due within 1 year	878,482	805,148	9.1
– long-term portion	11,995,793	13,715,237	-12.5
Other borrowing – due within 1 year	—	500,000	-100.0
– long-term portion	200,000	200,000	-
Corporate bonds – due within 1 year	1,909,152	—	N/A
– long-term portion	—	1,907,554	-100.0
Notes payable – long-term portion	2,492,974	996,522	150.2
Loans from non-controlling interests – due within 1 year	4,318	—	N/A
– long-term portion	73,350	71,914	2.0
Loan from a joint venture – due within 1 year	94,500	—	N/A
– long-term portion	52,500	147,000	-64.3
Deferred income tax liabilities	3,300,573	3,244,298	1.7
Total equity	13,653,745	13,628,750	0.2
Of which: Equity attributable to the shareholders of the Company	10,424,891	10,571,655	-1.4

Cash flows

It has been the primary objective of the Group to focus on preventing risk and improving liquidity. The Group has maintained an appropriate level of cash on hand so as to prevent liquidity risk. As at the end of the Reporting Year, the Group's cash and cash equivalents amounted to RMB1,516.0 million which was 5.6 percent higher than the level at 31 December 2019. The Group's cash was deposited in commercial banks, with no deposit in non-bank institutions.

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of cash flow movement

	Reporting Year RMB'000	2019 RMB'000
Net cash generated from operating activities	2,103,180	2,142,061
Net cash used in investing activities	(238,526)	(5,512,808)
Net cash (used in)/generated from financing activities	(1,782,840)	2,413,653
Increase/(decrease) in cash and cash equivalents	81,814	(957,094)
Cash and cash equivalents at 1 January	1,435,062	2,393,222
Effect of exchange rate changes on cash and cash equivalents	(872)	(1,066)
Cash and cash equivalents at 31 December	1,516,004	1,435,062

Net cash generated from operating activities during the Reporting Year amounted to RMB2,103.2 million (2019: RMB2,142.1 million), which was the sum of cash generated from operations of RMB2,320.8 million (2019: RMB2,429.2 million) and no refund of PRC enterprise income tax (2019: RMB95.9 million) less PRC enterprise income tax and withholding tax paid of RMB217.6 million (2019: RMB383.0 million).

Net cash used in investing activities during the Reporting Year amounted to RMB238.5 million (2019: RMB5,512.8 million). The outflow was mainly capital expenditures of RMB338.1 million (2019: RMB5,967.0 million). The inflow mainly consisted of dividend distributions from associates and a joint venture of RMB47.3 million (2019: RMB400.6 million); interest received in aggregate of RMB23.6 million (2019: RMB28.2 million); proceeds from compensation arrangement of RMB27.5 million (2019: RMB25.4 million) and proceeds from disposal of property, plant and equipment of RMB1.2 million (2019: Nil).

Net cash used in financing activities during the Reporting Year amounted to RMB1,782.8 million (2019: net cash generated of RMB2,413.7 million). The outflow mainly included repayment of bank borrowings of RMB2,389.7 million (2019: RMB1,833.1 million); repayment of other borrowings of RMB500.0 million (2019: Nil); payment of finance costs and related fees of RMB755.3 million (2019: RMB306.4 million); dividend paid to the shareholders of the Company of RMB314.5 million (2019: RMB617.3 million); dividend paid to non-controlling interests of RMB72.1 million (2019: RMB351.6 million); repayments of loans from non-controlling interest of subsidiaries of RMB4.6 million (2019: RMB28.1 million); payment for lease liabilities (including interest) of RMB11.4 million (2019: RMB11.8 million); nil repayment of loan from a fellow subsidiary (2019: RMB850.0 million) and nil repayment of corporate bonds (2019: RMB90.0 million) was made. The inflow mainly included the drawdown of bank borrowings of RMB771.0 million (2019: RMB5,453.0 million); net proceed from notes payable of RMB1,493.8 million (2019: RMB996.4 million) and nil addition of loan from a joint venture (2019: RMB52.5 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Current ratio

The current ratio (current assets over current liabilities) as at 31 December 2020 was 0.4 times (31 December 2019: 0.7 times). As at 31 December 2020, current assets balance was RMB1,878.0 million (31 December 2019: RMB1,798.1 million) and current liabilities balance was RMB4,232.9 million (31 December 2019: RMB2,535.0 million). Cash and cash equivalents were the major components of the Group's current assets and amounted to RMB1,516.0 million as at 31 December 2020 (31 December 2019: RMB1,435.1 million). The Group's current liabilities as at 31 December 2020 mainly included short-term external debts (i.e. maturities within one year) of RMB2,787.6 million (31 December 2019: RMB1,305.1 million), which consisted of bank borrowings of RMB878.4 million and corporate bonds of RMB1,909.2 million (31 December 2019: bank borrowings of RMB805.1 million and other borrowings of RMB500.0 million). Management will continue to take a prudent approach to effectively match capital and debt commitments with the existing cash, future operating cash flow and cash return from investments to manage liquidity risk.

EBITDA interest coverage and other financial ratios

EBITDA interest coverage for the year ended 31 December 2020 was 3.1 times (31 December 2019: 7.6 times) which was measured as the ratio of earnings before interests, tax, depreciation and amortisation ("EBITDA") to interest expenses (profit and loss impact).

EBITDA to total external debt ratio for the year ended 31 December 2020 was 14.0 percent (31 December 2019: 16.3 percent) which was measured as the ratio of EBITDA to the aggregate balance of bank borrowings, other borrowing, corporate bonds and notes payable ("total external debts").

Profit before interest and income tax interest coverage for the year ended 31 December 2020 was 1.9 times (31 December 2019: 5.9 times) which was measured as the ratio of profit before interest and tax to interest expenses (profit and loss impact).

Cash interest coverage for the year ended 31 December 2020 was 4.1 times (31 December 2019: 9.0 times) which was measured as the ratio of cash generated from operating activities and interest expense (cashflow impact) to interest expenses (cashflow impact).

Capital expenditures and investments

During the Reporting Year, total capital expenditures amounted to RMB338.1 million (2019: RMB5,967.0 million). Capital expenditures related to intangible operating rights and fixed assets included (1) payments of construction costs of toll highways and bridges upgrade services of RMB247.4 million (2019: RMB120.7 million) and (2) purchase of property, plant and equipment of RMB14.7 million (2019: RMB4.7 million). During the Reporting Year, there was a capital injection in an associate, Guangzhou Pazhou Port Company Limited, of RMB76.0 million (2019: Nil) and no payments for considerations to acquisition of subsidiaries, net of cash acquired (2019: RMB5,841.6 million) during the Reporting Year. Apart from the aforementioned, no material capital expenditure was incurred during the Reporting Year. Going forward, the management believes that the Group's steady operating cash flow and appropriate financing arrangements can satisfy its future capital expenditures and investments needs.

Capital structures

It is also one of the Group's financial policies to maintain a rational capital structure which aims to enhance profitability on one hand and to ensure financial leverage ratios to remain at safe levels on the other hand.

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of capital structures

	Reporting Year RMB'000	2019 RMB'000
Total external debts		
Bank borrowings	12,874,275	14,520,385
Other borrowing	200,000	700,000
Corporate bonds ⁽¹⁾	1,909,152	1,907,554
Notes payable ⁽²⁾	2,492,974	996,522
Loans from non-controlling interests	77,668	71,914
Loan from a joint venture	147,000	147,000
Amount due to a joint venture	—	2,490
Lease liabilities	30,021	10,838
Total debts	17,731,090	18,356,703
Less: cash and cash equivalents	(1,516,004)	(1,435,062)
Net debt	16,215,086	16,921,641
Total Equity	13,653,745	13,628,750
Of which: Equity attributable to the shareholders of the Company	10,424,891	10,571,655
Total capitalization (Net debt + Total equity)	29,868,831	30,550,391
Financial ratios		
Gearing ratio (net debt/total capitalization)	54.3%	55.4%
Debt to Equity ratio (net debt/total equity)	118.8%	124.2%
Total liabilities/Total assets ratio	62.5%	63.0%

⁽¹⁾ Basic summary information of corporate bonds:

	RMB300 million five-year corporate bonds (Phase 1)	RMB700 million seven-year corporate bonds (Phase 1)	RMB200 million five-year corporate bonds (Phase 2)	RMB800 million seven-year corporate bonds (Phase 2)
Drawdown date:	22 March 2016	22 March 2016	28 October 2016	28 October 2016
Principal:	RMB290 million	RMB700 million	RMB120 million	RMB800 million
Principal repayment date:	21 March 2021	21 March 2023	26 October 2021	26 October 2023
Coupon rate (per annum):	4.10%	3.38%	3.60%	3.18%
Upcoming interest payment date:	21 March 2021	21 March 2021	26 October 2021	26 October 2021
Stock Exchange:	The Shanghai Stock Exchange	The Shanghai Stock Exchange	The Shanghai Stock Exchange	The Shanghai Stock Exchange

⁽²⁾ Basic summary information of notes payable:

	RMB1,000 million three-year medium term notes (2019 Phase 1)	RMB1,000 million three-year medium term notes (2020 Phase 1)	RMB500 million three-year medium term notes (2020 Phase 2)
Drawdown date:	2 December 2019	10 January 2020	14 August 2020
Principal:	RMB1,000 million	RMB1,000 million	RMB500 million
Principal repayment date:	2 December 2022	10 January 2023	14 August 2023
Coupon rate (per annum):	3.58%	3.47%	3.54%
Upcoming interest payment date:	2 December 2021	10 January 2021	14 August 2021
Organization:	National Association of Financial Market Institutional Investors	National Association of Financial Market Institutional Investors	National Association of Financial Market Institutional Investors

MANAGEMENT DISCUSSION AND ANALYSIS

Financing structures

In a way to ensure that the Group is carrying out its financing activities at a safe leverage level, the Company is keeping a close watch on the Group's overall borrowing structure from time to time, so as to optimize its debt portfolio further. In order to effectively maintain a cost-efficient funding to its overall funding needs, the Group will, on one hand, continue to maintain close banking relationship with financial institutions both in Hong Kong and China to capitalize on the different levels of liquidity offered by, and to take advantage of the cost differentials, not only of these two markets but also of international markets; and on the other hand, strike a balance between lowering the interest rate and mitigating exchange risk exposure. As at the end of the Reporting Year, the Group's total debts comprised bank borrowings, other borrowing, corporate bonds, notes payable, loans from non-controlling interests, loan from a joint venture and lease liabilities. Debt with foreign exchange risk exposure as at 31 December 2020 was approximately RMB419.8 million (31 December 2019: approximately RMB445.5 million), where such exposure was managed with the forward contract dated 20 June 2019.

As at 31 December 2020, the Group's total external debts in aggregate were RMB17.5 billion (31 December 2019: RMB18.1 billion) which consisted of bank borrowings of RMB12.9 billion (31 December 2019: RMB14.5 billion), other borrowing of RMB0.2 billion (31 December 2019: RMB0.7 billion), corporate bonds of RMB1.9 billion (31 December 2019: RMB1.9 billion) and notes payable of RMB2.5 billion (31 December 2019: RMB1.0 billion). Onshore and offshore debts ratio was 92.7 percent and 7.3 percent (31 December 2019: 95.2 percent and 4.8 percent). Secured external debt ratio was 43.1 percent (31 December 2019: 50.6 percent). The effective interest rate of total external debt at 31 December 2020 was 4.00 percent (31 December 2019: 4.34 percent). Of the bank borrowings, RMB11.8 billion was at floating rates and RMB1,094.3 million was at fixed rates with the overall effective interest rate of 4.08 percent at 31 December 2020 (31 December 2019: 4.37 percent). Other borrowing was at fixed rate with the effective interest rate of 6.4 percent at 31 December 2020. Corporate bonds (in four forms) were at fixed rates with coupon rates of 4.10 percent, 3.38 percent, 3.60 percent and 3.18 percent respectively with overall effective interest rate at 3.55 percent as at 31 December 2020 (31 December 2019: 3.55 percent). Notes payable (in three tranches) was at fixed rates with coupon rate of 3.58 percent, 3.47 percent and 3.54 percent respectively with overall effective interest rate at 3.73 percent as at 31 December 2020 (31 December 2019: 3.78 percent).

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of total external debts (bank borrowings, other borrowing, corporate bonds and notes payable)

	Reporting Year Percentage of total	2019 Percentage of total
Source		
Onshore	92.7%	95.2%
Offshore	7.3%	4.8%
	100.0%	100.0%
Repayment term		
Within 1 year	16.0%	7.2%
1 to 2 year	16.6%	16.5%
More than 2 years and less than 5 years	39.4%	38.9%
Above 5 years	28.0%	37.4%
	100.0%	100.0%
Currency		
RMB	97.6%	97.5%
HKD	2.4%	2.5%
	100.0%	100.0%
Interest rate		
Fixed	32.6%	23.5%
Floating	67.4%	76.5%
	100.0%	100.0%
Terms of credit		
Secured	43.1%	50.6%
Unsecured	56.9%	49.4%
	100.0%	100.0%
Financing method		
Direct financing	25.2%	16.0%
Indirect financing	74.8%	84.0%
	100.0%	100.0%

Loans from non-controlling interests of certain subsidiaries were unsecured, interest-free and denominated in RMB. The carrying amounts of these loans approximated their fair values, calculated based on cash flows discounted at a rate of 4.35 percent (2019: 4.35 percent) per annum.

Loans from non-controlling interests of certain subsidiaries are repayable between one and two years, except for loan of RMB4.3 million which is due within one year.

MANAGEMENT DISCUSSION AND ANALYSIS

Loans from a joint venture was unsecured, interest bearing at an annual rate of People's Bank of China Benchmark Interest Rates minus 10%, denominated in RMB and repayable in 2021 and 2022.

Amount due to a joint venture was unsecured, interest-free, repayable on demand and denominated in RMB.

Foreign-currency denominated assets and liabilities

The Group's businesses are principally conducted in the PRC and its functional currency is RMB. Except that certain fund-raising exercises were conducted in Hong Kong, all of its revenue, operating expenses, capital expenditures and approximately 97.6 percent (2019: 97.5 percent) of its external debts are denominated in RMB. As at the end of the Reporting Year, the Group's foreign-currency denominated assets and liabilities mainly include external debt of HK\$498.8 million (equivalent to approximately RMB419.8 million). The Group had entered into forward contracts to hedge the foreign exchange risk. As the foreign exchange market is still volatile, the Group will continue to keep track of developments in the foreign exchange market, strike a balance between interest rate cost and foreign exchange risk, optimize its debt structure and control its foreign currency exposure.

IV. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2020, the Group had capital commitments related to intangible operating rights and property, plant and equipment, of which approximately RMB159.7 million was contracted but not provided for.

Except for the aforementioned, the Group had no material capital commitments as at 31 December 2020. There were no significant contingent liabilities as at 31 December 2020.

V. EMPLOYEES

As at 31 December 2020, the Group had approximately 2,009 employees of whom about 1,775 were directly engaged in the daily operation, management and supervision of toll projects. The Group remunerates its employees largely based on industry practice, including contributory provident funds and other staff benefits.

VI. CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF THE LISTING RULES

Certain facility agreements of the Company include a condition that imposes one or more of the following specific performance obligations on Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu"), the controlling shareholder of the Company:

- (i) Yue Xiu remains as the single largest shareholder of the Company;
- (ii) Yue Xiu maintains a direct or indirect shareholding interest of not less than 35% in the issued voting shares of the Company;
- (iii) Yue Xiu maintains an effective management control over the Company.

As at 31 December 2020, the loan balances subject to the above conditions were RMB870,000,000 and HK\$500,000,000. Such facility agreements will expire on 29 November 2022 and 29 March 2023 respectively.

Breach of the above specific performance obligations will constitute an event of default. Upon the occurrence of such event of default, the relevant bank may declare the relevant facility to be terminated and all the indebtedness under the relevant facility would become due and payable.

These obligations have been duly complied with for the year ended 31 December 2020.

INVESTOR RELATIONS REPORT

INVESTOR RELATIONS REPORT

INVESTOR RELATIONS AND COMMUNICATIONS

The Group is committed to maintaining a high level of corporate governance and continues to improve its communication mechanism with the capital market. In this regards, the Group maintains effective communication with its shareholders and an open dialogue with investors and industry researchers to ensure the provision and dissemination of transparent, timely and accurate information to the market, including monthly operational data for each project and strategic business developments, in compliance with the rules.

On the basis of strict compliance with requirements on information disclosure of the regulatory authorities, the Group, including executive directors and senior management, continued to proactively communicate with its investor relations team to meet and exchange views with shareholders, potential investors and industry researchers regularly, and was frequently invited by various investment banks to attend various domestic and overseas investment conferences. In response to the need to reduce social contacts for pandemic prevention and control, the Group held more than 100 investor meetings with institutional investors and industry analysts through virtual meetings and webinars during the Reporting Year to maintain good communication with the market, disseminate positive information and stabilize market confidence. In the process of communication, the Group extensively collected feedback from investors and used it as a reference for improving its governance and management standards.

During the Reporting Year, a number of well-known domestic and international investment banks, including HSBC, HTSC and DBS Bank, issued research coverage reports on the Group, giving positive comments and organizing capital market promotions for the Company, which have fully demonstrated the Group's popularity and influence in the capital market.

Month	Meeting	Organizer
March	2019 Annual results roadshow	HSBC
June	2019 Annual results roadshow	Mizuho Securities
June	UBS Asia Pacific Industrial Online Company Day	UBS Securities
June	2020 Summer Online Strategy Conference	HTSC
August	2020 Interim results roadshow	HTSC
August	2020 Interim results roadshow	HSBC
October	2020 Interim results roadshow	DBS Vickers Securities
October	JP Asia Credit Investment Forum	JP Morgan Chase

INVESTOR RELATIONS REPORT

During the Reporting Year, the Group participated the award ceremony of Quamnet.com at the beginning of the year and was awarded the following honours for listed companies by renowned media outlets such as Bloomberg Business Weekly and Economic Digest, which demonstrate the performance, corporate governance and investor relations efforts of the Company as well as market recognition:

Economic Digest:

Hong Kong Outstanding Enterprise 2020
Outstanding Enterprise Award 2020

Bloomberg Business Weekly:

Listed Enterprises of the Year 2020

ARA Australian Reporting Awards:

Australian Annual Report Awards: Bronze Award

CONSISTENT INVESTOR RETURN

While leveraging on the capital market for rapid development, the Group also understands that a positive return to shareholders should be regarded as an important mission and the operation philosophy for an enterprise. Since listing, the Group has distributed cash dividends for over 20 consecutive years, which served as stable return to our shareholders while we recorded consistent growth of our operating results.

	2014	2015	2016	2017	2018	2019	2020
Earnings per share (RMB)	0.3642	0.318	0.5491	0.5666	0.6300	0.6799	0.0959
Dividend per share (HKD)	0.28	0.28	0.33	0.36	0.39	0.39	0.07
Dividend payout ratio	61.0%	72.2%	52.5%	52.4%	53.6%	51.5%	60.9%

DIRECTORS' PROFILES

EXECUTIVE DIRECTORS

Mr Li Feng, aged 52, was appointed an executive director of the Company on 13 April 2018 and Chairman on 22 July 2019. He is the chief capital officer of Guangzhou Yue Xiu Holdings Limited ("Guangzhou Yue Xiu"), the ultimate holding company of the Company, and Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu"). He oversees the capital department, customer resource management and synergy department, and the information centre of Guangzhou Yue Xiu and Yue Xiu. He is mainly responsible for formulating and implementing major capital management plans, organizing and coordinating the investor relationship of the listed companies, optimizing and synergizing the customer resources, and enhancing the development of information technology system. Mr Li is an executive director of Yuexiu Property Company Limited ("Yuexiu Property") (Stock Code: 123), a director of Guangzhou City Construction & Development Co. Ltd. ("GCCD"), chairman and a non-executive director of Yuexiu Financial Holdings Limited ("YFHL"), a non-executive director of Yuexiu REIT Asset Management Limited (the manager of Yuexiu Real Estate Investment Trust (Stock Code: 405)), a non-executive director of Chong Hing Bank Limited ("Chong Hing Bank") (Stock Code: 1111), a director of Guangzhou Yuexiu Financial Holdings Group Co., Ltd. (廣州越秀金融控股集團股份有限公司), a company listed on the Shenzhen Stock Exchange (Shenzhen Stock Code: 987) and the chairman of the board of directors of Yue Xiu Securities Holdings Company Limited.

Mr Li graduated from the Faculty of Naval Architecture and Ocean Engineering of South China University of Technology majoring in naval architecture, and obtained a master of business administration degree from Jinan University. He holds the qualification of a Senior Engineer in China and the certificate in Major Administrative Decision-Making and Argumentation (廣州市重大行政決策論證專家) conferred by the Guangzhou Municipal Government, he is also president of Association of Guangzhou Belt and Road Investment Enterprises, member of Guangzhou Housing Provident Fund Management Committee, director of Guangzhou People's Association for Friendship with Foreign Countries and vice-president of The Listed Companies Council, Hong Kong Chinese Enterprises Association. Mr Li joined Yue Xiu in December 2001 and has successively held positions in Guangzhou Yue Xiu and Yue Xiu including the assistant to general manager, general manager of capital department, assistant manager of corporate management department, assistant to general manager of supervision and auditing department, and deputy general manager of Yue Xiu International Development Limited. Mr Li is familiar with business of listed companies and the operations of capital markets. Since 2008, he has participated in all of the major capital operation projects of Guangzhou Yue Xiu and Yue Xiu. Before that, he was also involved in the successful listing of Yuexiu Real Estate Investment Trust, and has extensive practical experience in capital operations.

DIRECTORS' PROFILES

Mr He Baiqing, aged 56, was appointed an executive director of the Company on 19 March 2014 and a Deputy Chairman on 31 July 2014. He has been General Manager of the Company since January 2013. He was appointed deputy general manager in 2009 and senior deputy general manager in 2011. Mr He graduated from Changsha Transport Institute in China with a bachelor of engineering degree in Highway and City Roads Engineering. Mr He had held position of the head of Guangzhou Highway Prospecting and Design Institute. He is a senior engineer of Highway and Bridge, and a chartered civil engineer in China. Mr He was in charge of the thirty-year plan of Guangzhou highway network between 1997 and 1998. He has participated in surveying and designing of Guangzhou Northern Second Ring Expressway, Guangzhou Western Second Ring Expressway and has extensive experience in the industry. He previously served as a director of the Company from April 2005 to April 2007.

Ms Chen Jing, aged 49, was appointed an executive director of the Company on 13 April 2018. Ms Chen is the chief financial officer and general manager of the finance department of Guangzhou Yue Xiu and Yue Xiu. She is an executive director and chief financial officer of Yuexiu Property, a director of GCCD and Guangzhou Yuexiu Fengxing Foods Group Co., Ltd.. She is also a non-executive director of YFHL and Chong Hing Bank. Ms Chen graduated from the Xi'an Jiaotong University in audit studies, and holds a master of business administration degree of the School of Management and Economics of the Beijing Institute of Technology and the qualification of auditor and certified internal auditor. Ms Chen joined Guangzhou Yue Xiu in July 2004 and was the deputy general manager of the supervisory (audit) office, the general manager of the audit department and the chairman of the board of directors of Yue Xiu Securities Holdings Company Limited. Ms Chen has participated in building systems to monitor the major risks and finance of Guangzhou Yue Xiu. Ms Chen is well versed in risk and internal control management, financial management of listed companies and has extensive experience in establishing a sound system for risk management and internal control, financial management for enterprises. Prior to joining Guangzhou Yue Xiu, Ms Chen worked in school of business of the Hubei University and Hisense Kelon Electrical Holdings Company Limited.

Mr Xie Yanhui, aged 43, was appointed an executive director of the Company on 28 February 2020. He graduated from Henan University majoring in marketing (advertising), Huazhong University of Science and Technology majoring in economic law and Sun Yat-sen University majoring in administration and management, and obtained a bachelor's degree in literature, a master's degree in law and a doctorate degree in management respectively. Mr Xie holds a legal professional qualification granted by the Ministry of Justice of the People's Republic of China. Mr Xie has assumed senior roles in the personnel and organization department of Guangzhou Municipal Government for years, mainly responsible for the work related to cadres management of the state-owned enterprises. He has extensive work experience in administrative management and human resource management.

DIRECTORS' PROFILES

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Fung Ka Pun, aged 75, has been an independent non-executive director of the Company since 20 November 1996. Mr Fung is the founder and chairman of the Goodwill International (Holdings) Limited. Mr Fung has over 30 years of experience in finance, stockbroking, securities trading and corporate finance. He is a member of the Institute of Chartered Secretaries and Administrators and a member of the Association of International Accountants. Mr Fung is also an independent non-executive director of Lee Hing Development Limited, the shares of which are listed on the Stock Exchange (Stock Code: 68).

Mr Lau Hon Chuen, GBS, JP, alias Ambrose Lau, aged 73, has been an independent non-executive director of the Company since 20 November 1996. He obtained a Bachelor of Laws degree from the University of London and is a Solicitor of the High Court of Hong Kong, a China-Appointed Attesting Officer and a Notary Public. Mr Lau is the Senior Partner of Messrs. Chu & Lau, Solicitors & Notaries. Mr Lau is currently an independent non-executive director of Glorious Sun Enterprises Limited (Stock Code: 393), Yuexiu Property and Joy City Property Limited (Stock Code: 207). The shares of the companies mentioned above are listed on the Stock Exchange. He is also a director of Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank, Limited, Sun Hon Investment & Finance Limited, Wydoff Limited, Wytex Limited, Trillions Profit Nominees & Secretarial Services Limited, Helicoil Limited, Wyman Investments Limited and Cinda Financial Holdings Co., Limited. Mr Lau served as the Chairman of the Central and Western District Board between 1988 and 1994, the President of the Law Society of Hong Kong in 1992-1993, a Member of the Bilingual Laws Advisory Committee between 1988 and 1997 and a Member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council). He has served as a Standing Committee Member of the 10th, 11th and 12th National Committee of the Chinese People's Political Consultative Conference.

Mr Cheung Doi Shu, aged 59, has been an independent non-executive director of the Company since 24 July 1997. He is a qualified solicitor in the Australian Capital Territory, Hong Kong, Singapore, England and Wales and received his Bachelor's and Master's degrees in law from the University of London. He is the senior partner of D.S. Cheung & Co., Solicitors.

CORPORATE GOVERNANCE REPORT

The Company recognises the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the conduct and growth of its business.

The Company's corporate governance practices are based on the principles and the code provisions ("Code Provisions") as set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of The Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange.

The Company has complied throughout the year ended 31 December 2020 with the Code Provisions save for those in respect of the appointment of non-executive directors for a specific term under Code Provision A.4.1, details of which will be explained below.

The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

The board of directors ("Board") of the Company plays a crucial role in sustaining high standards of corporate governance and transparency and accountability of Company operations.

The key corporate governance principles and practices of the Company are summarised below.

THE BOARD

Responsibilities

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs in the interests of the Company. The Board focuses its attention on matters affecting the Company's overall strategic policies and finances, including: the approval and monitoring of all policy matters, overall strategies and budgets, corporate governance, internal control and risk management systems, financial statements, dividend policy, major financial arrangements and major investments, treasury policies, appointment of directors and other significant financial and operational matters.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary or external legal advisors, where appropriate, with a view to ensuring compliance of all Board procedures and applicable rules and regulations.

Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

CORPORATE GOVERNANCE REPORT

Composition

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercise of independent judgment. As at 31 December 2020, the Board comprised four executive directors and three independent non-executive directors.

For a list of directors during the year ended 31 December 2020 and up to the date of this annual report, please refer to page 67 of the Report of the Directors. The updated list of directors is also available on the Company's website (www.yuexiutransportinfrastructure.com) and the Stock Exchange's website.

Selection of Board members is based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision is based on merit and contribution that the selected Board members could bring to the Board, with due regard for the benefits of diversity on the Board. The Board diversity policy is available on the website of the Company. The Board will review and monitor from time to time the implementation of the policy to ensure its effectiveness and application.

None of the members of the Board is related to one another.

During the year ended 31 December 2020, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. The number of independent non-executive directors on the Board meets one-third requirement under the Listing Rules throughout the year.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considered all independent non-executive directors to be independent in accordance with the independence guidelines set out in Listing Rules.

Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive directors made valuable contributions to the effective direction of the Company.

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. None of the non-executive directors of the Company is appointed for a specific term. However, in accordance with the Company's Bye-Laws, all directors of the Company, including non-executive directors, are subject to retirement by rotation at least once every three years. All the non-executive directors of the Company had retired by rotation during the past three years, offered themselves for re-election, and had been re-elected.

Shareholders may propose a candidate for election as Director in accordance with the Bye-Laws of the Company. The procedures for such proposal are available on the websites of the Company and the Stock Exchange.

CORPORATE GOVERNANCE REPORT

Training for Directors

On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he is sufficiently aware of his responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, all Directors and senior executives are encouraged to participate in continuous professional development relating to the Listing Rules, companies ordinance/act and corporate governance practices to continuously update and further improve their relevant knowledge and skills. From time to time, Directors are provided with written training materials to develop and refresh their professional skills.

During the year, the Company arranged training programme and provided training materials to the Directors with an emphasis on investments as well as mergers and acquisitions, strategy of digital, human resources, corporate governance and ESG management. According to the records maintained by the Company, the Directors received trainings in the following areas:

Directors	Corporate Governance/ Updates on Laws, Rules & Regulations	
	Read Materials	Attended Seminars/ Briefings
<i>Executive Directors</i>		
Li Feng	✓	✓
He Baiqing	✓	✓
Chen Jing	✓	✓
Xie Yanhui (appointed on 28 February 2020)	✓	✓
<i>Independent Non-Executive Directors</i>		
Fung Ka Pun	✓	✓
Lau Hon Chuen Ambrose	✓	✓
Cheung Doi Shu	✓	✓

CORPORATE GOVERNANCE REPORT

Board Meetings

Number of Meetings and Directors' Attendance

In year 2020, the Board held 4 meetings. The attendance record of each member of the Board is set out below:

Directors	Attendance/Number of Meetings		
	Board meetings	Annual General Meeting	Special General Meeting
<i>Executive Directors</i>			
Li Feng	4/4	1/1	0/1
He Baiqing	4/4	1/1	1/1
Chen Jing	2/4	0/1	1/1
Xie Yanhui (appointed on 28 February 2020)	3/4	0/1	1/1
<i>Independent Non-Executive directors</i>			
Fung Ka Pun	4/4	1/1	1/1
Lau Hon Chuen Ambrose	4/4	1/1	1/1
Cheung Doi Shu	4/4	1/1	1/1

Practices and Conduct of Meetings

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least three days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management as and when they deemed appropriate.

Minutes of all Board meetings and committee meetings are kept by the Company Secretary. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Bye-Laws also contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

The Company has arranged directors and officer liability insurances for its directors and officers.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company fully supports the division of responsibility between the Chairman of the Board and General Manager to ensure a balance of power and authority.

The position of the Chairman is held by Mr Li Feng while the position of General Manager is held by Mr He Baiqing.

The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

The General Manager focuses on implementing objectives, policies and strategies approved and delegated by the Board.

BOARD COMMITTEES

The Board has established three committees, namely, the Audit Committee, the Remuneration Committee and the Nomination Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The full terms of reference of these committees are available on the Company's website (www.yuexiutransportinfrastructure.com) and the Stock Exchange's website.

Audit Committee

The Audit Committee comprises three independent non-executive directors (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise) and Mr Lau Hon Chuen Ambrose is the chairman of the committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee include the following:

- (a) To review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditor.
- (b) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditor before submission to the Board.
- (c) To review the adequacy and effectiveness of the Company's financial reporting system, risk management and internal control systems and associated procedures.

CORPORATE GOVERNANCE REPORT

The Audit Committee held two meetings during the year ended 31 December 2020 to review the financial results and reports, financial reporting and compliance procedures, internal control and risk management systems and the re-appointment of the external auditor. The composition of the Audit Committee and attendance record of each Audit Committee member are set out below:

Members	Meetings Attended
<i>Independent Non-Executive Directors</i>	
Fung Ka Pun	2/2
Lau Hon Chuen Ambrose	2/2
Cheung Doi Shu	2/2

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Remuneration Committee

During the year, the Remuneration Committee comprises one executive director, namely Mr Li Feng and three independent non-executive directors, namely Mr Fung Ka Pun, Mr Lau Hon Chuen Ambrose and Mr Cheung Doi Shu, and Mr Lau Hon Chuen Ambrose is the chairman of the committee.

The primary objectives of the Remuneration Committee include making recommendations on the remuneration policy and structure and remuneration packages of the executive directors and the senior management, including benefits in kind, pension rights and compensation payments such as compensation payable for loss or termination of their office or appointment. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The composition of the Remuneration Committee and attendance record of each Remuneration Committee member are set out below:

Members	Meeting Attended
<i>Executive Director</i>	
Li Feng	1/1
<i>Independent Non-Executive Directors</i>	
Fung Ka Pun	1/1
Lau Hon Chuen Ambrose	1/1
Cheung Doi Shu	1/1

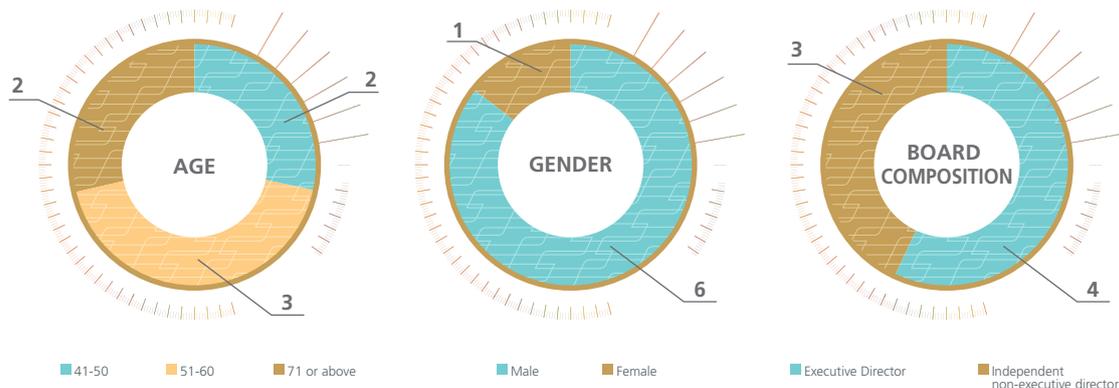
The Remuneration Committee met once during the year ended 31 December 2020 with 100% attendance to review and make recommendations on the remuneration policy and structure of the Company and remuneration packages of the executive directors for the year under review.

CORPORATE GOVERNANCE REPORT

Nomination Committee

The Nomination Committee comprises one executive director, namely Mr Li Feng and three independent non-executive directors, namely Mr Fung Ka Pun, Mr Lau Hon Chuen Ambrose and Mr Cheung Doi Shu. The committee is chaired by Mr Li Feng, the Chairman of the Board.

The role and function of the Nomination Committee includes reviewing the structure, size and composition of the Board, assessing the independence of the independent non-executive directors and making recommendations on the selection of individuals nominated for directorship, the appointment or re-appointment of directors and succession planning for directors. In assessing the Board composition and the candidate proposed to the Nomination Committee for consideration, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. Board members' appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Board is currently comprised of diversified members, including 7 directors, one of whom is female (2019: 1). Four directors are experienced in finance, toll road construction/operation, financial, capital operations, administrative management and human resource management and the other three directors, being the independent non-executive directors, contribute extensive experiences in the legal and compliance, acquisition and mergers as well as financial businesses to the Board. In order to ensure that the Board possesses experiences and skills relevant to its strategy and the ability and mindset to manage changes from time to time in new generation, the Nomination Committee formulates the following measurable objectives: gender, age, length of tenure, professional experience and knowledge (e.g. legal, accounting, establishment/ operation of highways, finance and capital management, etc.), reviews the diversity of the Board and makes proposal to the Board if necessary.



CORPORATE GOVERNANCE REPORT

Process of appointment of directors

In accordance with the strategic needs of the Board, suitable candidates are identified for consideration by the Nomination Committee. The Nomination Committee would consider such candidates based on various factors such as the gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service set out in the Board Diversity Policy. Recommendation will be made to the Board based on meritocracy and objective criteria, having due regard for the benefits of diversity on the Board. The Board will ultimately decide on the merits of the candidate and their potential contributions to the Board. New directors so appointed shall be re-elected at the Company's general meeting as required by the Articles of Association.

The composition of the Nomination Committee and the attendance record of each Nomination Committee member are set out below:

Members	Meeting Attended
<i>Executive Director</i>	
Li Feng	1/1
<i>Independent Non-Executive Directors</i>	
Fung Ka Pun	1/1
Lau Hon Chuen Ambrose	1/1
Cheung Doi Shu	1/1

The Nomination Committee met once during the year ended 31 December 2020 to review the structure, size and composition of the Board.

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers ("Model Code") as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2020.

Specific employees who are likely to be in possession of unpublished price sensitive information of the Group have been requested to comply with the provisions of the Model Code. No incident of non-compliance was noted by the Company.

CORPORATE GOVERNANCE REPORT

COMPANY SECRETARY

Mr Yu Tat Fung has been the company secretary of the Company since 2004. He is the Group General Counsel of Yue Xiu, and also the company secretary of Yue Xiu, Yuexiu Property and Yue Xiu REIT Asset Management Limited (the manager of Yuexiu Real Estate Investment Trust (Stock Code: 405)). Mr Yu obtained a bachelor's degree in Social Sciences from the University of Hong Kong in 1981. He attained the Solicitors Final Examination in England in 1983. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1986. He was also admitted to the Bar of the Province of British Columbia in Canada in 1995. Prior to joining the Company in 1997, he was engaged in private practice with an emphasis on corporate and commercial law. Mr Yu is responsible for advising the Board on governance matters. During 2020, Mr Yu has taken no less than 15 hours of relevant professional training.

ACCOUNTABILITY AND AUDIT

Responsibilities in Respect of the Financial Statements and Auditor's Remuneration

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2020.

The statement of the external auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the "Independent Auditor's Report".

During the year ended 31 December 2020, the remuneration paid or payable to PricewaterhouseCoopers (Certified Public Accountants and Registered Public Interest Entity Auditor), the external auditor of the Company in respect of audit related services amounted to approximately RMB3,300,000 and in respect of non-audit services fees amounted to RMB3,143,000.

RISK MANAGEMENT AND INTERNAL CONTROLS

Role of the Board

The Board has overall responsibility for evaluating and determining the nature and extent of the risks taken by the Group to achieve its strategic business objectives. The Board, through its Audit Committee, regularly reviews the effectiveness of the risk management and internal control systems and monitors the corporate governance practices and compliance procedures on an ongoing basis. To assist the Audit Committee to fulfill its responsibilities, the management has formed a task force, comprising representatives from major departments of the Company, to identify, update and report the key risk areas which covered all aspects of corporate strategies, operation and finance to the Board quarterly. The possible risk exposure of the Group is set out on pages 28 to 29 of this Annual Report.

The Board has reviewed the risk management and internal control systems of the Company and considered it to be effective and adequate and did not note any material deviation during the Reporting Year.

CORPORATE GOVERNANCE REPORT

Risk management structural framework

The Group's risk management structural framework comprises the following components:

Audit Committee of the Board

- Approve the Company's annual risk appetite policy and measures
- Consider the risk appetite report from the management and monitor the implementation continuously
- Assess the appropriateness of risk appetite with respect to business environment and development strategy and encourage the management for improvement

Management

- Review the risk appetite policy and measures and submit them for the Audit Committee's approval
- Approve the risk limit indicators with reference to the Company's annual risk appetite policy
- Review the implementation of risk appetite and report to the Audit Committee

Audit and risk management department

- Prepare and amend the risk appetite measures
- Initiate the risk management work plan regularly. With the support from various departments and subsidiaries, determine various risk appetite indicators and measurements and submit them for the management's approval
- Responsible for monitoring risk appetite indicators, collecting and summarising the implementation situation of the risk appetite. Arrange and coordinate relevant departments to provide solutions for abnormal indicator and make timely report to the management
- Gather comment and feedback from various departments and subsidiaries during the implementation process and provide recommendations to the management

Internal control system

The internal control system of the Company is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage risks and to safeguard the assets of the Company against loss or fraud. The main features of internal control system consist of five elements including, internal environment, risk assessment, monitoring activities, information and communication and internal monitoring. However, any internal control system can provide only reasonable but not absolute assurance of full protection against material errors, losses, fraud or failure to meet its business objectives.

CORPORATE GOVERNANCE REPORT

The Company's internal control system is operated through segregation of duties (e.g. between toll collecting staff and supervision staff), staff management, budget management, toll collection audit, financial accounting system controls, repairs and maintenance project management and so forth. Apart from periodic review by senior management including financial controllers designated by the Company to each major operation, internal audit department of the Company or audit groups of each major toll road operation were responsible for inspecting and assessing the performance of such operation. In financial accounting system control, the Company has adopted relevant procedures including strict compliance with approval procedures, proper safekeeping of fixed assets, verification and maintenance of accounting records, so as to ensure financial information, whether applied in operation or for public disclosure purposes, are reliable.

Internal audit

The Group's audit and risk management department plays an important role in reviewing and monitoring the overall internal compliance and governance system of the Group. The department directly reports to the Audit Committee and performs specific internal audit projects. The department has unrestricted access to review all the Group's business activities, departments and subsidiaries and identify the areas of concern. During the Year, the department has completed 12 internal audit projects covering performance auditing, economic responsibility auditing and special projects auditing.

Handling and dissemination of inside information

For the purpose of handling and disseminating inside information in accordance with the Listing Rules and the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong), the Group has taken various procedures and measures, including arousing the awareness to preserve confidentiality of inside information within the Group, sending blackout period and securities dealing restrictions notification to the relevant directors and employees regularly, disseminating information to specified persons on a need-to-know basis and regarding closely to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make informed investment decisions.

The general meetings of the Company provide a forum for communication between the shareholders and the Board. The Chairman of the Board as well as chairman of the board committees are available to answer questions at the shareholders' meetings. Separate resolutions are proposed at shareholders' meetings on each substantial issue.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner.

CORPORATE GOVERNANCE REPORT

To promote effective communication, the Company also maintains a website at www.yuexiutransportinfrastructure.com, where extensive information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are posted.

Resolutions put to vote at the general meetings of the Company (other than on procedural and administrative matters) are taken by poll. Procedures regarding the conduct of the poll are explained to the shareholders at the commencement of each general meeting, and questions from shareholders regarding the voting procedures are answered. The poll results are posted on the websites of the Stock Exchange and the Company respectively on the same day as the poll.

Shareholders are encouraged to attend all general meetings of the Company. Pursuant to the Company's Bye-Laws, shareholder(s) holding at the date of the deposit of requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company may, in accordance with the requirements and procedures set out in the Companies Act of Bermuda, require the directors of the Company to convene a special general meeting. The requisition must state the objects of the meeting, and must be signed by the shareholder(s) concerned and deposited at the registered office of the Company for the attention of the Company Secretary. The requisition may consist of several documents in like form, each signed by one or more shareholders concerned. If the directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a general meeting, the shareholder(s) concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a general meeting, but any meeting so convened shall not be held after the expiration of 3 months from the said date. Shareholders representing not less than one-twentieth of the total voting rights or not less than 100 shareholders, may put forward resolutions for consideration at a general meeting of the Company by depositing at the registered office a written request for such resolutions according to the Companies Act of Bermuda.

The Company is committed to maintaining a relatively stable and sustainable dividend policy. The dividend policy is based on the principle of balancing shareholders' expectations and maintaining the Company's sustainable development, with consideration of various factors, such as the current business position, future operations and income, and the financial position of the Company, current and future macroeconomic environment and development, capital needs and capital reserves, future major investment or acquisition plans, adjustments to industry policies and continuity of past dividend policies. Generally speaking, the total dividend of the Company for a year represents approximately 50% to 60% of the profit attributable to shareholder. During the period, the payout ratio was 60.9%. The Board will review and monitor the implementation of said policy from time to time to ensure its effectiveness and application.

CONSTITUTIONAL DOCUMENTS

The Company's Bye-Laws are available on the websites of the Company and the Stock Exchange. During 2020, there is no change in the Company's constitutional documents.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2020.

PRINCIPAL ACTIVITIES

The principal activities of the Group consist of investment in, operation and management of expressways and bridges in Guangdong Province and other high-growth provinces in the PRC.

RESULTS AND APPROPRIATIONS

The results for the year are set out in the consolidated income statement on page 78.

The Directors have declared and now recommend the following dividends in respect of the year ended 31 December 2020:

	RMB'000
Paid interim dividend, nil	—
Proposed final dividend of HK\$0.07 equivalent to approximately RMB0.06 per share	97,706
	97,706

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Friday, 28 May 2021 to Wednesday, 2 June 2021, both days inclusive, during which period no transfer of shares will be registered. For the purpose of ascertaining the shareholders' eligibility to participate in the forthcoming annual general meeting of the Company to be held on 2 June 2021, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Thursday, 27 May 2021.

In addition, the register of members of the Company will be closed from Wednesday, 9 June 2021 to Friday, 11 June 2021, both days inclusive, for the purpose of ascertaining the shareholders' entitlement to the final dividend. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Abacus Limited, no later than 4:30 p.m. on Tuesday, 8 June 2021.

DONATIONS

During the year, charitable donations made by the Group amounted to approximately RMB3,970,000.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2020 is set out in the section headed "Management Discussion And Analysis" on pages 20 to 48 of this Annual Report.

SHARE CAPITAL

Details of the movements in the issued share capital of the Company during the year are set out in note 24 to the consolidated financial statements.

REPORT OF THE DIRECTORS

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year, the Company has not redeemed any of its shares. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2020 are set out in note 39 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2020, the distributable reserves of the Company available for distribution amounted to RMB2,355,850,000 (2019: RMB2,480,781,000).

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Executive directors

Mr Li Feng

Mr He Baiqing

Ms Chen Jing

Mr Xie Yanhui (appointed on 28 February 2020)

Independent Non-executive directors

Mr Fung Ka Pun

Mr Lau Hon Chuen Ambrose

Mr Cheung Doi Shu

The Directors' Profiles are set out on pages 51 to 53.

ROTATION AND RE-ELECTION OF DIRECTORS

Mr Li Feng, Mr He Baiqing and Ms Chen Jing retire by rotation in accordance with Bye-Law 99 of the Company's Bye-Laws at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Board recommended the re-appointment of the directors standing for re-election at the forthcoming annual general meeting of the Company.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' SERVICE CONTRACTS

None of the Directors of the Company has a service contract with the Company which is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

REPORT OF THE DIRECTORS

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

No transactions, arrangements and contracts of significance in relation to the Group's business to which the Company's subsidiaries, its holding companies or its fellow subsidiaries was a party and in which any Director of the Company and the director's connected party had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year.

CONNECTED TRANSACTIONS**Framework Lease Agreement**

On 6 January 2015, the Company entered into the framework lease agreement ("2015 Framework Lease Agreement") with Guangzhou Yue Xiu City Construction International Finance Center Co., Ltd. ("YX IFC"), which is a connected person of the Company by virtue of its being an indirect associate of Guangzhou Yue Xiu Holdings Limited, ultimate holding company of the Company, in respect of the lease of certain lettable premises of The Guangzhou International Finance Center, Guangzhou, PRC. The rent payable under the 2015 Framework Lease Agreement are subject to the annual caps of RMB13,200,000, RMB15,000,000 and RMB15,100,000 for the years ended 31 December 2015, 2016 and 2017 respectively.

On 28 December 2017, the Company entered into another framework lease agreement ("2017 Framework Lease Agreement") with YX IFC to renew the term of the 2015 Framework Lease Agreement, and pursuant to which the rent payable under the 2017 Framework Lease Agreement are subject to the annual caps of RMB17,000,000 for each of the years ending 31 December 2018, 2019 and 2020 respectively. During the year, approximately RMB11,561,000 has been paid by the group to YX IFC pursuant to the specified lease agreements.

On 31 December 2020, the Company entered into seven lease agreements with YX IFC in respect of the lease of certain lettable premises located in Guangzhou IFC, Guangzhou, the PRC. Each lease agreement has the following common terms:

- a) the lease term is three years commencing on 1 January 2021 (except for one lease agreement the term of which is one year commencing on 1 January 2021);
- b) the monthly rent is RMB262 per square metre (except for the two lease agreements under which the monthly rent is RMB231 per square metre and RMB202 per square metre respectively);
- c) the rental is payable on a quarterly basis; and
- d) subject to the tenant having complied with the terms of the relevant lease agreements, the rents for each of the first month and the thirteenth month will be waived (except for one lease agreement which does not provide for waiver of rents).

Further details in relation to the lease agreements are set out in the announcement of the Company dated 31 December 2020.

REPORT OF THE DIRECTORS

Bank Deposits Agreement

In the ordinary and usual course of business, the Company and its subsidiaries place and maintain bank deposits with Chong Hing Bank Limited (“Chong Hing Bank”) on normal commercial terms. On 29 October 2014, the Company entered into a bank deposits agreement with Chong Hing Bank setting out that the aggregate maximum balance of the bank deposits maintained by the Group with Chong Hing Bank would not exceed HK\$200 million on any given day for the period ended 31 December 2014 and the two years ended 31 December 2015 and 31 December 2016, respectively. Chong Hing Bank is a subsidiary of Yue Xiu Enterprises (Holdings) Limited, which is a controlling shareholder of the Company, and therefore is a connected person of the Company.

The Company entered into another bank deposits agreement with Chong Hing Bank on 28 December 2016 (“2016 Bank Deposits Agreement”) to renew the term of the bank deposits agreement expiring on 31 December 2016, and pursuant to which the aggregate maximum balance of the bank deposits maintained by the Group with Chong Hing Bank would not exceed RMB260 million on any given day during the period from 1 January 2017 to 31 December 2019. The Company entered into a new bank deposits master agreement with Chong Hing Bank on 2 May 2018 (“2018 Bank Deposits Agreement”) to increase the annual caps in relation to the bank deposits, and pursuant to which the aggregate maximum balance of the bank deposits maintained by the Group with Chong Hing Bank on any given day would not exceed RMB800 million, RMB1.2 billion and RMB1.5 billion for the years ending 31 December 2018, 2019 and 2020, respectively. The 2018 Bank Deposits Agreement has replaced the 2016 Bank Deposits Agreement with effect from 30 May 2018. The Company entered into a new bank deposits agreement with Chong Hing Bank on 23 November 2020 (“2021 Bank Deposits Agreement”) to renew the 2018 Bank Deposits Agreement, and pursuant to which the aggregate maximum balance of the bank deposits maintained by the Group with Chong Hing Bank on any given day would not exceed RMB1.5 billion for the years ending 31 December 2021, 2022 and 2023. As at 31 December 2020, the aggregate Bank balances deposited by the Group with Chong Hing Bank amounted to approximately RMB649,933,000. The maximum daily aggregate amount of outstanding deposits maintained by the Group with Chong Hing Bank for the year ended 31 December 2020 amounted to approximately RMB1,211,843,000. This transaction had also been disclosed as a related party transaction in note 36(c)(i) to the consolidated financial statements.

The aforesaid continuing connected transactions have been reviewed by independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or better; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

The Company has engaged the auditor of the Company to report on the aforesaid continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the aforesaid continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules and nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions: (i) have not been approved by the Board of the Company; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and (iv) have exceeded the maximum aggregate annual caps in respect of each of the disclosed Continuing Connected Transactions.

REPORT OF THE DIRECTORS

Other related party transactions disclosed in note 36(b)(i), (ii), (iii), (xii) and (xiii) to the consolidated financial statements also constitute connected transactions entered into or continued by the Group during the Reporting Year and are regarded as “exempted transaction” or “de minimis transaction”, pursuant to the Listing Rules.

On 20 June 2019, the Company entered into the two foreign exchange forward contracts with Yue Xiu to purchase HKD in the amount of HK\$200 million and HK\$300 million, respectively, with RMB on the terms stated therein, with a view to managing the Group’s foreign exchange exposure in relation to the two principal repayments of (i) HK\$200 million on 29 March 2021 and (ii) HK\$300 million on 29 March 2022, respectively. As Yue Xiu is the controlling shareholder of the Company, it is a connected person of the Company.

BANK LOANS AND OTHER BORROWINGS

Analysis of bank loans and other borrowings of the Group as at 31 December 2020 is set out in note 26 to the consolidated financial statements.

INTERESTS OF DIRECTORS

As at 31 December 2020, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or notified to the Company and the Stock Exchange were as follows:

The Company

Long positions in shares of the Company:

Name	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr He Baiqing	Personal	52,000	0.003
Mr Lau Hon Chuen Ambrose	Personal	195,720	0.012
Mr Cheung Doi Shu	Personal	500,000	0.030

Yuexiu Property Company Limited

Long positions in shares of Yuexiu Property Company Limited:

Name	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr Li Feng	Personal	172,900	0.001
Mr Lau Hon Chuen Ambrose	Personal	4,841,200	0.031

REPORT OF THE DIRECTORS

Save as disclosed herein, as at 31 December 2020, none of the Directors or chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Save as disclosed herein, at no time during the year was the Company, its holding company, its subsidiaries, or its fellow subsidiaries a party to any arrangement to enable the Directors of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

DISCLOSEABLE INTERESTS OF SHAREHOLDERS UNDER THE SECURITIES AND FUTURES ORDINANCE

As at 31 December 2020, the following persons had an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the shares of the Company

Name	Capacity in holding interest	Number of shares held	Approximate % of shareholding in shares
廣州越秀集團股份有限公司 (Guangzhou Yue Xiu Holdings Limited) (Note 1)	Interest of controlled corporations	739,526,200	44.2
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") (Notes 1 & 2)	Beneficial owner and interest of controlled corporations	739,526,200	44.2
Grace Lord Group Limited (Note 2)	Beneficial owner	303,159,087	18.12
Housemaster Holdings Limited (Note 2)	Beneficial owner	367,500,000	21.96
Matthews International Capital Management, LLC	Investment manager	116,934,000	6.98

Notes:

- (1) The entire issued shares of Yue Xiu is owned by 廣州越秀集團股份有限公司 (Guangzhou Yue Xiu Holdings Limited). By virtue of the SFO, 廣州越秀集團股份有限公司 (Guangzhou Yue Xiu Holdings Limited) was deemed to be interested in the interest of Yue Xiu in the shares of the Company as described in note(2) below.
- (2) Yue Xiu was interested in an aggregate of 739,526,200 shares of the Company (long position) of which 8,653 shares were held by it as beneficial owner. By virtue of the SFO, Yue Xiu is also deemed to be interested in the balance of 739,517,547 shares (long position) through its wholly-owned subsidiaries, namely, Housemaster Holdings Limited, Grace Lord Group Limited, Greenwood Pacific Limited, Yue Xiu Finance Company Limited and Dragon Year Industries Limited.

REPORT OF THE DIRECTORS

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws and there are no restrictions against such rights under the laws of Bermuda.

PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this report and within the knowledge of the Directors, there was a sufficiency of public float of the Company's securities as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

No disclosure with regard to the Group's major customers and suppliers are made since the aggregate percentages of sales and purchases attributable to the Group's five largest customers and suppliers are less than 30% of the Group's total sales and purchases during the current and previous years.

AUDITOR

The consolidated financial statements have been audited by PricewaterhouseCoopers ("PwC"), Certified Public Accountants and Registered Public Interest Entity Auditor.

PwC has been the auditor of the Company for more than 20 years. The Board considers the rotation of auditor after an appropriate period of time is a good governance practice. On 9 March 2021, the Board has resolved, with the recommendation of the audit committee of the Company, to propose the appointment of Ernst & Young as the new auditor of the Company following the retirement of PwC, subject to the approval of shareholders of the Company at the AGM.

The Company has received a confirmation letter from PwC confirming that there are no circumstances connected with their retirement that need to be brought to the attention of the Company's members or creditors. The Board has confirmed that there is no disagreement between PwC and the Company, and there are no matters in respect of the proposed change of auditor that need to be brought to the attention of holders of securities of the Company.

On behalf of the Board

Li Feng
Chairman

Hong Kong, 9 March 2021

INDEPENDENT AUDITOR'S REPORT



羅兵咸永道

TO THE SHAREHOLDERS OF YUEXIU TRANSPORT INFRASTRUCTURE LIMITED

(incorporated in Bermuda with limited liability)

OPINION

What we have audited

The consolidated financial statements of Yuexiu Transport Infrastructure Limited (the "Company") and its subsidiaries (the "Group") set out on pages 78 to 175, which comprise:

- the consolidated balance sheet as at 31 December 2020;
- the consolidated income statement for the year then ended;
- the consolidated statement of comprehensive income for the year then ended;
- the consolidated statement of changes in equity for the year then ended;
- the consolidated statement of cash flows for the year then ended; and
- the notes to the consolidated financial statements, which include a summary of significant accounting policies.

Our opinion

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2020, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSA") issued by the HKICPA. Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report.

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

Independence

We are independent of the Group in accordance with the HKICPA's Code of Ethics for Professional Accountants ("the Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS

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

The key audit matter identified in our audit is summarised as follows:

- Amortisation of intangible operating rights and impairment assessment of intangible operating rights and goodwill

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>Amortisation of intangible operating rights and impairment assessment of intangible operating rights and goodwill</p> <p><i>Refer to notes 4(a), 4(b), 13 and 14 in the consolidated financial statements.</i></p> <p>The Group has intangible operating rights of RMB31,713 million (note 13), goodwill of RMB633 million (note 14) and deferred tax liabilities of RMB2,570 million (note 28) relating to business acquisitions in obtaining those intangible operating rights in previous years.</p> <p>Amortisation of intangible operating rights is calculated to write off their costs on a unit-of-usage basis based on the traffic volume for a particular period over the projected total traffic volume throughout the operating period of the intangible operating rights (the "IOR amortisation calculations").</p>	<p>We obtained an understanding of the management's internal control and assessment process of the projected total traffic volume and impairment assessments and assessed the inherent risk of material misstatement by considering the degree of estimation uncertainty and level of other inherent risk factors such as complexity, subjectivity, changes and susceptibility to management bias or fraud. Our procedures in relation to management's estimation of projected total traffic volume and impairment assessments included:</p> <ul style="list-style-type: none"> – Understanding the procedures taken by management in estimating the projected total traffic volume of the intangible operating rights and challenging the reasonableness of such estimation; – Where traffic studies prepared by traffic consultant has been used and referenced by management, performing evaluation of the independent external traffic consultants' qualifications, competence, capabilities and objectivity; – Assessing how management identified indicators of impairment; – Evaluating the process by which the management's future cash flow forecasts and impairment assessments were prepared; – Challenging the methodologies used, the appropriateness of the key assumptions based on our knowledge of the industry and using our in-house valuation experts;

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key Audit Matter	How our audit addressed the Key Audit Matter
<p>This projected total traffic volume estimation takes into account the historical operating information, the expected development of the toll road and its adjacent traffic network and where applicable, independent professional traffic studies prepared by traffic consultants which require significant management judgement and estimates.</p> <p>Management has assessed the recoverable amount of the goodwill and intangible operating rights by preparing impairment assessments based on value in use and fair value less costs of disposal calculation. The calculations require the Group to estimate the future cash flows expected to arise from the cash-generating units to which the goodwill and intangible operating rights belong and the use of suitable discount rates in order to calculate the present value.</p> <p>We focused on the amortisation of intangible operating rights and impairment assessment of intangible operating rights and goodwill due to significant management judgements required to determine the key assumptions used in the projected total traffic volume estimation and impairment assessments including estimated traffic volume, revenue growth, capital expenditure and discount rates.</p>	<ul style="list-style-type: none"> – Checking input data to supporting evidence, such as historical financial information, approved budgets and reconsidering the reasonableness of these budgets; – Checking the mathematical accuracy of the management's IOR amortisation calculations, the value in use and fair value less costs of disposal calculations in the management's impairment assessments; and – Considering the results of sensitivity analysis on reasonably possible downside changes in key assumptions adopted including discount rate and the growth in revenue generated from future traffic. <p>We found the assumptions made by management in relation to the aforesaid IOR amortisation calculations, value in use and fair value less costs of disposal calculations to be supportable based on available evidence.</p>

OTHER INFORMATION

The directors of the Company are responsible for the other information. The other information comprises all of the information included in the annual report other than the consolidated financial statements and our auditor's report thereon.

Our opinion on the consolidated 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 consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated 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.

INDEPENDENT AUDITOR'S REPORT

RESPONSIBILITIES OF DIRECTORS AND THOSE CHARGED WITH GOVERNANCE FOR THE CONSOLIDATED FINANCIAL STATEMENTS

The directors of the Company are responsible for the preparation of the consolidated financial statements that give a true and fair view in accordance with HKFRSs issued by the HKICPA and the disclosure requirements of the Hong Kong Companies Ordinance, and for such internal control as the directors determine is necessary to enable the preparation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the consolidated financial statements, the directors are responsible for assessing the Group'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 the directors either intend to liquidate the Group or to cease operations, or have no realistic alternative but to do so.

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

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated 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. We report our opinion solely to you, as a body, in accordance with Section 90 of the Companies Act 1981 of Bermuda and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are 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 consolidated financial statements.

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

- Identify and assess the risks of material misstatement of the consolidated 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.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

INDEPENDENT AUDITOR'S REPORT

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

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group'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 consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. 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 Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated 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, among other matters, the planned scope and timing of the audit and significant audit findings, including any significant deficiencies in internal control that we identify during our audit.

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the consolidated 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.

The engagement partner on the audit resulting in this independent auditor's report is Yeung, Sheung Yuen.

PricewaterhouseCoopers

Certified Public Accountants

Hong Kong, 9 March 2021

PricewaterhouseCoopers, 22/F Prince's Building, Central, Hong Kong
T: +852 2289 8888, F: +852 2810 9888, www.pwchk.com

CONSOLIDATED INCOME STATEMENT

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RMB'000	2019 RMB'000
Revenue	5	2,919,838	3,023,221
Cost of services	7,8	(1,360,577)	(1,011,137)
Construction income under service concession upgrade services	33	307,235	298,276
Construction costs under service concession upgrade services	33	(307,235)	(298,276)
Other income, gains and losses - net	6	25,145	179,374
General and administrative expenses	7,8	(246,942)	(271,819)
Operating profit		1,337,464	1,919,639
Finance income	9	26,359	40,800
Finance costs	9	(805,757)	(411,217)
Share of result of a joint venture	18	56,533	88,739
Share of results of associates	19	67,822	262,484
Profit before income tax		682,421	1,900,445
Income tax expense	10	(278,085)	(305,402)
Profit for the year		404,336	1,595,043
Attributable to:			
Shareholders of the Company		160,491	1,137,590
Non-controlling interests		243,845	457,453
		404,336	1,595,043
Earnings per share for profit attributable to the shareholders of the Company		RMB	RMB
Basic and diluted earnings per share	11	0.0959	0.6799

The notes on pages 85 to 175 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

FOR THE YEAR ENDED 31 DECEMBER 2020

	2020 RMB'000	2019 RMB'000
Profit for the year	404,336	1,595,043
Other comprehensive income		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	592	(164)
Release of currency translation differences upon liquidation of a subsidiary	—	(18,000)
Cash flow hedges – movement in hedging reserve	6,637	(2,377)
Other comprehensive income/(loss) for the year	7,229	(20,541)
Total comprehensive income for the year	411,565	1,574,502
Total comprehensive income attributable to:		
Shareholders of the Company	167,720	1,117,049
Non-controlling interests	243,845	457,453
	411,565	1,574,502

The notes on pages 85 to 175 are an integral part of these consolidated financial statements.

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2020

	Note	31 December 2020 RMB'000	31 December 2019 RMB'000
ASSETS			
Non-current assets			
Intangible operating rights	13	31,712,956	32,369,121
Goodwill	14	632,619	632,619
Property, plant and equipment	15(a)	53,099	52,321
Investment properties	16	37,144	39,923
Right-of-use assets	15(b)	30,021	10,528
Investment in a joint venture	18	487,605	471,055
Investments in associates	19	1,536,113	1,399,621
Derivative financial instruments	20	—	1,697
Other non-current receivables	21	—	22,916
		34,489,557	34,999,801
Current assets			
Trade receivables	22	204,361	175,028
Other receivables, deposits and prepayments	22	157,678	160,255
Amount due from an associate	36	—	27,729
Cash and cash equivalents	23	1,516,004	1,435,062
		1,878,043	1,798,074
Total assets		36,367,600	36,797,875
EQUITY			
Equity attributable to the shareholders of the Company			
Share capital	24	147,322	147,322
Reserves	25	10,277,569	10,424,333
		10,424,891	10,571,655
Non-controlling interests		3,228,854	3,057,095
Total equity		13,653,745	13,628,750

CONSOLIDATED BALANCE SHEET

AS AT 31 DECEMBER 2020

	Note	31 December 2020 RMB'000	31 December 2019 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	26	12,321,643	14,134,151
Notes payable	29	2,492,974	996,522
Corporate bonds	30	—	1,907,554
Contract liabilities and deferred revenue	27	332,860	351,213
Deferred income tax liabilities	28	3,300,573	3,244,298
Lease liabilities	15(b)	19,510	350
Derivative financial instruments	20	13,365	—
		18,480,925	20,634,088
Current liabilities			
Borrowings	26	977,300	1,305,148
Corporate bonds	30	1,909,152	—
Amount due to a non-controlling interest of a subsidiary	36	1,611	1,611
Amounts due to holding companies	36	153	331
Amount due to a joint venture	36	—	2,490
Trade and other payables and accrued charges	31	1,219,362	1,115,038
Contract liabilities and deferred revenue	27	22,309	22,309
Lease liabilities	15(b)	10,511	10,488
Derivative financial instruments	20	10,677	—
Current income tax liabilities		81,855	77,622
		4,232,930	2,535,037
Total liabilities		22,713,855	23,169,125
Total equity and liabilities		36,367,600	36,797,875

The financial statements on pages 78 to 175 were approved by the Board of Directors on 9 March 2021 and were signed on its behalf

Li Feng
Director

He Baiqing
Director

The notes on pages 85 to 175 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

FOR THE YEAR ENDED 31 DECEMBER 2020

	Note	2020 RMB'000	2019 RMB'000
Cash flows from operating activities			
Cash generated from operations	32(a)	2,320,758	2,429,237
PRC enterprise income tax and withholding tax paid		(217,578)	(383,092)
Refund of PRC enterprise income tax	10(b)	—	95,916
Net cash generated from operating activities		2,103,180	2,142,061
Cash flows from investing activities			
Payments for acquisition of subsidiaries, net of cash acquired	35	—	(5,841,584)
Payments of construction costs under service concession upgrade services		(247,410)	(120,740)
Investment in an associate		(75,960)	—
Proceeds from compensation arrangements		27,510	25,420
Proceeds from disposal of property, plant and equipment		1,151	86
Purchase of property, plant and equipment		(14,717)	(4,729)
Dividends received from associates		7,290	328,616
Dividend received from a joint venture		39,983	71,956
Interest received		23,627	28,167
Net cash used in investing activities		(238,526)	(5,512,808)
Cash flows from financing activities			
Proceeds from bank borrowings	32(b)	771,000	5,453,000
Proceeds from issuance of Notes	29	1,493,828	996,430
Proceeds from loan from a joint venture		—	52,500
Repayment of bank borrowings		(2,389,665)	(1,833,061)
Repayment of other borrowing		(500,000)	—
Payment of bank facility fees		(1,968)	(4,420)
Repayment of corporate bonds		—	(90,000)
Repayment of loan from a fellow subsidiary		—	(850,000)
Repayment of loans from non-controlling interests of subsidiaries		(4,586)	(28,119)
Dividends paid to the shareholders of the Company		(314,484)	(617,265)
Dividends paid to non-controlling interests		(72,086)	(351,586)
Interest paid		(753,407)	(302,019)
Payment for lease liabilities (including interest)		(11,472)	(11,807)
Net cash (used in)/generated from financing activities		(1,782,840)	2,413,653
Net increase/(decrease) in cash and cash equivalents			
Cash and cash equivalents at 1 January		1,435,062	2,393,222
Effects of exchange rate changes on cash and cash equivalents		(872)	(1,066)
Cash and cash equivalents at 31 December	23	1,516,004	1,435,062

The notes on pages 85 to 175 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2020

	Attributable to shareholders of the Company			Total RMB'000
	Share capital RMB'000	Reserves RMB'000	Non- controlling interests RMB'000	
Balance at 1 January 2020	147,322	10,424,333	3,057,095	13,628,750
Comprehensive income				
Profit for the year	—	160,491	243,845	404,336
Other comprehensive income				
Currency translation differences	—	592	—	592
Cash flow hedges – movement in hedging reserve	—	6,637	—	6,637
Total other comprehensive income	—	7,229	—	7,229
Total comprehensive income	—	167,720	243,845	411,565
Transactions with owners				
Dividends to the shareholders of the Company	—	(314,484)	—	(314,484)
Dividends to non-controlling interests	—	—	(72,086)	(72,086)
Total transactions with owners	—	(314,484)	(72,086)	(386,570)
Balance at 31 December 2020	147,322	10,277,569	3,228,854	13,653,745

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

FOR THE YEAR ENDED 31 DECEMBER 2019

	Attributable to shareholders of the Company			Non- controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Reserves RMB'000			
Balance at 1 January 2019	147,322	9,924,549	2,335,708	12,407,579	
Comprehensive income					
Profit for the year	—	1,137,590	457,453	1,595,043	
Other comprehensive income					
Currency translation differences	—	(164)	—	(164)	
Cash flow hedges – movement in hedging reserve	—	(2,377)	—	(2,377)	
Release of currency translation differences upon liquidation of a subsidiary	—	(18,000)	—	(18,000)	
Total other comprehensive income	—	(20,541)	—	(20,541)	
Total comprehensive income	—	1,117,049	457,453	1,574,502	
Transactions with owners					
Acquisition of subsidiaries (note 35)	—	—	615,520	615,520	
Dividends to the shareholders of the Company	—	(617,265)	—	(617,265)	
Dividends to non-controlling interests	—	—	(351,586)	(351,586)	
Total transactions with owners	—	(617,265)	263,934	(353,331)	
Balance at 31 December 2019	147,322	10,424,333	3,057,095	13,628,750	

The notes on pages 85 to 175 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Yuexiu Transport Infrastructure Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) are principally engaged in investment in and development, operation and management of expressways and bridges mainly in Guangdong, Hubei and other high-growth provinces in the People’s Republic of China (the “PRC”).

The Company is an exempted Company incorporated under the laws of Bermuda. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and its principal place of business in Hong Kong is 17A, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

These financial statements are presented in Renminbi (“RMB”), unless otherwise stated. These financial statements have been approved for issue by the Board of Directors on 9 March 2021.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies applied in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

(i) Compliance with HKFRSs and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants and disclosure requirements of the Hong Kong Companies Ordinance (“HKCO”) (Cap. 622).

(ii) Going concern consideration

As at 31 December 2020, the Group’s current liabilities exceeded its current assets by RMB2,354,887,000. The Group’s current liabilities primarily comprise of current borrowings, corporate bonds and other payable and accrued charges of RMB977,300,000, RMB1,909,152,000 and RMB1,146,130,000 respectively. Notwithstanding the above, the directors of the Company are confident that the Group will be able to meet its liabilities as they fall due in the next twelve months, taking into account the forecast cash flows including the banking facilities available, and the Medium Term Notes of RMB1 billion and Corporate Bonds of RMB1 billion issued in January 2021. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

(iii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative financial instruments) and investment properties which are measured at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(a) Basis of preparation (Continued)****(iv) New standards, amendments to standards and interpretation**

The Group has applied the following new standards, amendments, improvement and interpretation for the first time for their annual reporting period commencing 1 January 2020:

HKAS 1 and HKAS 8 (Amendments)	Definition of material
HKFRS 3 (Amendments)	Definition of a business
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Hedge accounting (amendments)
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The above new standards, amendments, improvement and interpretation effective for the financial year beginning 1 January 2020 do not have a material impact on the Group.

The following new standards, amendments, improvement and interpretation have been issued but are not effective for the financial year beginning 1 January 2020 and have not been early adopted:

New standards, amendments, improvement and interpretation		Effective for accounting periods beginning on or after
Amendments to annual improvements project	Annual improvements 2018-2020 cycle	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be announced

Management considers that the adoption of the above mentioned new standards, amendments and interpretation at their respective effective dates are not expected to have a material impact on the Group in the current or future reporting periods.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(b) Principles of consolidation and equity accounting****(i) Subsidiaries**

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated income statement, consolidated statement of comprehensive income, consolidated balance sheet and consolidated statement of changes in equity respectively.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (note 2(b)(iv)), after initially being recognised at cost.

(iii) Joint arrangements

Under HKFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group only has joint ventures.

Joint ventures

Interests in joint ventures are accounted for using the equity method (note 2(b)(iv)), after initially being recognised at cost in the consolidated balance sheet.

(iv) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(b) Principles of consolidation and equity accounting (Continued)****(iv) Equity accounting (Continued)**

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2(j).

(v) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(b) Principles of consolidation and equity accounting (Continued)****(vi) Business combinations**

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, liabilities incurred to the former owners of the acquired business, equity interests issued by the Group, fair value of any asset or liability resulting from a contingent consideration arrangement, and fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(c) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(d) Segment reporting**

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors of the Company that makes strategic decisions.

(e) Foreign currency translation**(i) Functional and presentation currency**

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The consolidated financial statements are presented in Renminbi (RMB), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in the consolidated income statement.

Foreign exchange gains and losses that relate to borrowings and cash and cash equivalents are presented in the consolidated income statement "Finance income/(costs)". All other foreign exchange gains and losses are presented in the income statement within "Finance income/(costs)".

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as fair value through other comprehensive income are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(e) Foreign currency translation (Continued)****(iii) Group companies**

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each balance sheet presented are translated at the closing rate at the date of that balance sheet;
- income and expenses for each income statement are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(f) Intangible operating rights**

The Group has been granted by the relevant local government authorities the rights to operate the toll highways and bridges for operating periods of 18 to 30 years. According to the approval documents of the relevant government and the relevant regulations, the Group is responsible for the construction of the toll highways and bridges and the acquisition of the related facilities and equipment and it is also responsible for the operation and management, maintenance and overhaul of the toll highways and bridges during the approved operating periods. The toll fees collected during the operating periods are attributable to the Group. The relevant toll highway/bridge assets are required to be returned to the local government authorities upon the expiry of the operating rights without any compensation to the Group.

The Group applies the intangible asset model to account for the toll highway and bridge infrastructures where they are paid by the users of the toll highways and bridges. The concession grantors (the respective local governments) have not provided any contractual guarantees for the recovery of the amounts of construction costs incurred. The intangible assets correspond to the rights granted by the respective concession grantors to the Group to charge users of the toll road/bridge services and are recorded in the consolidated balance sheet as "Intangible operating rights".

Amortisation of intangible operating rights is calculated to write off their costs on a unit-of-usage basis based on the traffic volume for a particular period over the projected total traffic volume throughout the life of the asset. The Group reviews regularly the projected total traffic volume throughout the life of the asset, and if it is considered appropriate, independent professional traffic studies will be obtained. Prospective adjustment will be made should there be a material change from the previous estimates on the projected total traffic volume.

(g) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses as described in note 2(j). Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units ("CGUs") for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(h) Property, plant and equipment**

Land and building comprise offices and staff quarters. Leasehold land classified as finance lease and all other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance costs are charged profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Shorter of remaining lease term and useful life
Buildings	25 - 50 years
Furniture, fixtures and equipment	3 - 20 years
Motor vehicles	3 - 10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(j)).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount. These are included in profit or loss.

(i) Investment properties

Investment properties, principally freehold office buildings, are held for long-term rental yields and are not occupied by the Group. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values are recorded in profit or loss as part of "Other income, gains and losses – net".

(j) Impairment of investments in non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(k) Investments and other financial assets****(i) Classification**

The Group classifies its financial assets in the following measurement categories:

- Fair value through profit or loss ("FVPL");
- Fair value through other comprehensive income ("FVOCI"); or
- Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments are those instruments that meet the definition of a financial liability from the issuer's perspective, such as loans and corporate bonds.

Classification and subsequent measurement of debt instruments depend on:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity's business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income ("FVOCI").

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(k) Investments and other financial assets (Continued)****(iii) Measurement**

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss ("FVPL"), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group's business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and presented in "Finance income/(costs)" together with foreign exchange gains and losses. Impairment losses are presented as separate line items in the statement of profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets' cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in "Finance income/(costs)". Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are presented in "Finance income/(costs)" and impairment expenses are presented as separate line items in the statement of profit or loss.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within "Other income, gains and losses – net" in the period in which it arises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(k) Investments and other financial assets (Continued)****(iii) Measurement (Continued)***Equity instruments*

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as "Finance income/(costs)" when the Group's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognised in "Finance income/(costs)" in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(l) Impairment of financial assets at amortised costs

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 3.1(b) for further details.

(m) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

At the inception of the hedging, the Group documents the economic, relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedges items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(m) Derivatives and hedging activities (Continued)**

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 20. Movements in the hedging reserve in shareholders' equity are shown in note 25. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Cash flow hedge that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within "Finance income/(costs)" as shown in note 9.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ('aligned forward element') is recognised within OCI in the costs of hedging reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of sales).
- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance cost at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(m) Derivatives and hedging activities (Continued)****(ii) Derivatives that do not qualify for hedge accounting**

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in other income, gains and losses - net.

(n) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current.

(o) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents includes cash on hand and deposits held at call with financial instruments and short-term bank deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(p) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(q) Trade and other payables

Trade and other payables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components and subsequently measured at amortised cost using the effective interest method. Trade and other payables are classified as current liabilities unless payment is not due within 12 months after the reporting period.

(r) Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all the facility will be drawn down. In this case, the fee is deferred until the drawn-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(r) Borrowings and borrowing costs (Continued)**

General and specific borrowing costs that are directly attributable to the acquisition or construction of highways, bridges and ports are capitalised during the period of time that is required to complete and prepare the asset for its intended use or sale.

All other borrowing costs are charged to the consolidated income statement in the period in which they are incurred.

Foreign exchange differences arising from financing are included as a component of finance cost.

(s) Notes payable

Notes payable are recognised initially at fair value, net of debt discount. Debt issuance costs incurred which are directly attributable are capitalised and amortised over the estimated term of the facilities using the effective interest method. Debt discount is recorded as a reduction of the proceeds received and the related accretion is recorded as interest expense in the consolidated income statement over the estimated term of the facilities using the effective interest method.

(t) Corporate bonds

The corporate bonds are recognised initially at fair value, net of debt issuance costs incurred. Corporate bonds are subsequently stated at amortised cost; any difference between the proceeds (net of debt issuance costs) and the redemption value is recognised in the consolidated income statement over the period of the corporate bonds using the effective interest method.

(u) Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting date in the countries where the Company's subsidiaries, associates and a joint venture operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantially enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(u) Current and deferred income tax (Continued)**

The deferred income tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred income tax assets are recognised only if it is probable that future taxable amount will be available to utilise those temporary differences and losses.

Deferred income tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets and liabilities and when the deferred income taxes balances relate to the same taxation authority. Current income tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(v) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognised as interest expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(w) Leases**

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments (where applicable):

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payment that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(w) Leases (Continued)**

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the balance sheet based on their nature. The Group did not need to make any adjustments to the accounting for assets held as lessor as a result of adopting the new leasing standard.

(x) Retirement benefit costs

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred. The assets of the schemes are held separately from those of the Group in an independently administered fund.

(y) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the services in the ordinary course of the Group's activities. If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(y) Revenue recognition (Continued)**

Revenues are recognised when or as the control of the service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the service may be transferred over time or at a point in time.

Control of the service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at a point in time when the customer obtains control of the asset. Specific criteria where revenue is recognised are described below.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depict the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
 - the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.
- (i) Toll revenue from road and bridge operations and other toll operating income is recognised at a point in time when the related services are provided.
 - (ii) Rental income from investment property and income from service area and gas station is recognised in the consolidated income statement on a straight-line basis over the term of the lease.
 - (iii) Construction income generated from construction and upgrade services rendering by the Group is recognised over time as the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. Thus, the Group satisfies a performance obligation over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of year as a percentage of total estimated costs for each contract. In determining the transaction price, the Group adjusts the amount of consideration for the effect of a financing component if it is significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)**(z) Dividend distribution, dividend income and interest income**

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or Directors of the Company ("Directors"), where appropriate.

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised on a time-proportion basis using the effective interest method.

(aa) Contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to provide services to the customer.

(ab) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in the profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk, interest rate risk and price risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group regularly monitors its exposure and entered foreign exchange forward contracts to mitigate the foreign exchange rate risk arising from bank borrowings as mentioned in 3.1(a)(i).

3.1 Financial risk factors**(a) Market risk***(i) Foreign exchange risk*

The functional currency of the Company and its major subsidiaries is RMB. Majority of the revenues of the Group are derived from operations in the PRC. It did not have significant exposure to foreign exchange risk in the PRC, except for certain balances as set out below:

As at 31 December 2020	Denominated in in Hong Kong dollars ("HKD")	Denominated in United States dollars ("USD")	Total RMB'000
	RMB'000	RMB'000	
Cash and cash equivalents	29,087	1	29,088
Other receivables	211	—	211
Other payable	(20,105)	—	(20,105)
Bank borrowings	(419,810)	—	(419,810)

As at 31 December 2019	Denominated in Hong Kong dollars ("HKD")	Denominated in United States dollars ("USD")	Total RMB'000
	RMB'000	RMB'000	
Cash and cash equivalents	13,843	28	13,871
Other receivables	421	—	421
Other payable	(182)	(6,976)	(7,158)
Bank borrowings	(445,531)	—	(445,531)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)**3.1 Financial risk factors (Continued)****(a) Market risk (Continued)***(i) Foreign exchange risk (Continued)*

During the year ended 31 December 2020, the following foreign-exchange related amounts were recognised in consolidated income statement and consolidated statement of comprehensive income:

	2020 RMB'000	2019 RMB'000
<i>Amounts recognised in consolidated income statement</i>		
Net other exchange loss	(10,287)	(6,676)
Net exchange loss on bank borrowings included in finance income/(costs)	—	(9,742)
Net foreign exchange loss recognised in profit before income tax for the year	(10,287)	(16,418)
<i>Amount recognised in other comprehensive income</i>		
Currency translation differences	592	(164)
Release of currency translation differences upon liquidation of a subsidiary	—	(18,000)
Cash flow hedges – movement in hedging reserve	6,637	(2,377)
Net gain/(loss) recognised in other comprehensive income (note 25)	7,229	(20,541)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)**3.1 Financial risk factors (Continued)****(a) Market risk (Continued)***(i) Foreign exchange risk (Continued)*

During the year ended 31 December 2019, the Group had entered into forward contracts with notional principal amounts of HKD500,000,000 in order to mitigate the foreign exchange rate risk arising from foreign currency bank borrowing.

The conversion of RMB into HKD is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

As at 31 December 2020, if HKD had weakened/strengthened by 5% against the RMB with all other variables held constant, post-tax profit for the year would have been approximately RMB470,000 higher/lower (2019: RMB283,000 higher/lower), mainly as a result of net foreign exchange gain/(loss) on translation of foreign currency denominated balances.

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from bank balances, borrowings, notes payable and corporate bonds. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by bank balance held at variable rates. Borrowings, notes payable and corporate bonds issued at fixed rates expose the Group to fair value interest rate risk. Group policy is to minimise the interest rate risk by closely monitor the ratio between borrowings at variable rates and borrowings, notes payable and corporate bonds at fixed rates. During 2020 and 2019, the Group's borrowings at variable rate were mainly denominated in RMB and HKD.

At 31 December 2020, if interest rates had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been decreased/increased by RMB39,020,000 (2019: RMB47,166,000).

(b) Credit risk

The carrying amounts of short-term bank deposits, cash and cash equivalents, other non-current receivables, trade receivables, other receivables, deposits and prepayments, and amount due from an associate represent the Group's maximum exposure to credit risk in relation to its financial assets. The credit risk for bank deposits and bank balances is minimal as such balances are placed with state-owned banks or listed banks, and management considers these balances are subject to low credit risk. The Group carries out regular reviews and follow-up actions on any overdue amounts to minimise exposures to credit risk.

The Group has no significant concentration of credit risk arising from its customers, except for the consideration receivable of RMB25.9 million (2019: RMB50.4 million) which is due from government authorities in the PRC in relation to compensation for surrendering the toll stations to the Xiangtan Municipal People's Government (note 21), which is of minimal risk taking into account the relationship and financial ability of the counterparty.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)**3.1 Financial risk factors (Continued)****(b) Credit risk (Continued)**

The Group applies simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables with an insignificant expected loss rate applied. The counterparty of the trade receivables are PRC Government and hence the expected credit loss is minimal. Trade receivables of the Group continue to be recognised at amortised cost.

Impairment on other receivables, deposits and prepayments and amount due from an associate are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If a significant increase in credit risk have occurred since initial recognition, the impairment is measured as lifetime expected credit losses.

The Group does not hold any collateral as security. The maximum exposure to credit risk at the reporting date is the carrying value of the receivables as stated in the consolidated balance sheet.

(c) Liquidity risk

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements (see also Note 2(a)(ii)).

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- (a) all non-derivative financial liabilities, and
- (b) net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows

The table below analyses the Group's financial liabilities based on the remaining period at the balance sheet date to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows (including respective interest payments).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)**3.1 Financial risk factors (Continued)****(c) Liquidity risk (Continued)**

	On demand RMB'000	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total contractual cash flows RMB'000	Carrying amount liabilities RMB'000
Contractual maturities of financial liabilities							
As at 31 December 2020							
Borrowings	—	1,548,135	2,568,418	6,459,176	5,515,553	16,091,282	13,298,943
Notes payable	—	88,200	1,085,159	1,542,761	—	2,716,120	2,492,974
Corporate bonds	—	1,941,910	—	—	—	1,941,910	1,909,152
Amounts due to holding companies	153	—	—	—	—	153	153
Amount due to a non-controlling interest of a subsidiary	1,611	—	—	—	—	1,611	1,611
Trade and other payables and accrued charges	—	816,685	—	—	—	816,685	1,219,362
Lease liabilities	—	11,158	10,110	10,330	—	31,598	30,021
	<u>1,764</u>	<u>4,406,088</u>	<u>3,663,687</u>	<u>8,012,267</u>	<u>5,515,553</u>	<u>21,599,359</u>	<u>18,952,216</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)**3.1 Financial risk factors (Continued)****(c) Liquidity risk (Continued)**

	On demand RMB'000	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total contractual cash flows RMB'000	Carrying amount liabilities/ (assets) RMB'000
Contractual maturities of financial liabilities As at 31 December 2019							
Borrowings	—	2,042,539	1,861,063	7,451,891	7,662,934	19,018,427	15,439,299
Notes payable	—	35,800	35,800	1,032,759	—	1,104,359	996,522
Corporate bonds	—	65,310	1,941,910	—	—	2,007,220	1,907,554
Amounts due to holding companies	331	—	—	—	—	331	331
Amount due to a joint venture	2,490	—	—	—	—	2,490	2,490
Amount due to anon-controlling interest of a subsidiary	1,611	—	—	—	—	1,611	1,611
Trade and other payables and accrued charges	—	969,557	—	—	—	969,557	1,115,038
Lease liabilities	—	10,880	370	—	—	11,250	10,838
	<u>4,432</u>	<u>3,124,086</u>	<u>3,839,143</u>	<u>8,753,390</u>	<u>7,662,934</u>	<u>23,115,245</u>	<u>19,328,202</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)**3.2 Capital risk management**

The Group's objectives when managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as the total of notes payable, corporate bonds, borrowings (including current and non-current borrowings as shown in the consolidated balance sheet), amount due to a joint venture and lease liabilities less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated balance sheet, plus net debt.

The gearing ratio is calculated as follows:

	2020 RMB'000	2019 RMB'000
Borrowings	13,298,943	15,439,299
Notes payable	2,492,974	996,522
Corporate bonds	1,909,152	1,907,554
Amount due to a joint venture	—	2,490
Lease liabilities	30,021	10,838
Total debt	17,731,090	18,356,703
Less: cash and cash equivalents	(1,516,004)	(1,435,062)
Net debt	16,215,086	16,921,641
Total equity	13,653,745	13,628,750
Total capital	29,868,831	30,550,391
Gearing ratio	54.3%	55.4%

The decrease in the gearing ratio during 2020 primarily resulted from the decrease in borrowings due to repayments during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)**3.3 Fair value estimation**

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers among level 1, level 2 and level 3 fair value hierarchy classifications in both years.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the Group's financial instruments that are measured at fair value.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2020				
Derivative financial instruments - liabilities	—	(24,042)	—	(24,042)
As at 31 December 2019				
Derivative financial instruments - assets	—	1,697	—	1,697

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The fair values of foreign currency forwards contracts are calculated as the present value of the estimated future cash flows based on forward exchange rate at the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)**3.4 Fair value of financial assets and liabilities measured at amortised cost**

The fair value of other non-current receivables and non-current borrowings approximate to the present value of future cash flows discounted at the applicable interest rates and are categorised at level 2. The fair value of notes payable and corporate bonds is determined by using valuation techniques as it is not traded in an active market and is categorised at level 2.

The carrying amount and fair value of respective financial assets and liabilities measured at amortised cost are as follows:

	Carrying amount		Fair value	
	31 December 2020 RMB'000	31 December 2019 RMB'000	31 December 2020 RMB'000	31 December 2019 RMB'000
Other non-current receivables	—	22,916	—	25,123
Non-current borrowings	12,321,643	14,134,151	11,701,664	14,393,538
Notes payable	2,492,974	996,522	2,500,756	1,001,584
Corporate bonds (due after one year)	—	1,907,554	—	1,911,024

The fair value of the following financial assets and liabilities approximate their carrying amount:

- Trade receivables
- Other receivables, deposits and prepayments
- Amount due from an associate
- Cash and cash equivalents
- Borrowings due within one year
- Amounts due to a non-controlling interest of a subsidiary
- Amounts due to holding companies
- Amount due to a joint venture
- Trade and other payables and accrued charges
- Corporate bonds due within one year

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statement requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

Following the outbreak of Coronavirus Disease 2019 (the "COVID-19 outbreak") in early 2020, a series of precautionary and control measures have been and continued to be implemented across China, including extension of the Chinese New Year holiday nationwide, postponement of work resumption after the Chinese New Year holiday in some regions, certain level of restrictions and controls over the travelling of people and traffic arrangements.

According to "the Notice on Toll Roads Going Toll-Free During the Period of Precautionary and Control in relation to the outbreak of COVID-19" (the "Notice") issued by the Ministry of Transport of the PRC, all of the expressways and bridge projects controlled or invested in by the Group were toll free from 17 February 2020 till 5 May 2020 (the "Toll Fee Exemption"). Basically, all of the Group's revenue are generated from the expressways and bridge projects as operated by the Group and the operations of the Group's joint venture and associates are also subject to this Toll Fee Exemption. Since 6 May 2020, all the expressways and bridges of the Group have resumed normal toll collection.

The overall financial performance of the Group for the year ended 31 December 2020 was affected by the Toll Fee Exemption.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities within the next financial year are discussed below.

(a) Impairment of goodwill and intangible operating rights

The Group tests annually whether goodwill has suffered any impairment. The Group also tested whether intangible operating rights have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of cash generating units have been determined based on value-in-use and fair value less costs of disposal calculations. The calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units to which the goodwill and intangible operating right belong and the use of suitable discount rates in order to calculate the present value. When the carrying amount of the cash generating unit exceeds its value-in-use, the Group also assesses its fair value less costs of disposal to determine the cash generating unit's recoverable amount, which is the higher of its fair value less costs of disposal and value-in-use.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(a) Impairment of goodwill and intangible operating rights (Continued)

For the current financial year, the toll revenue of Jinxiong Expressway (an independent CGU) has recorded a year-on-year decrease, which is mainly due to outbreak of COVID-19 and implementation of toll fee exemption measures from 17 February 2020 till 5 May 2020. The Group has performed an impairment assessment on the intangible operating right of Tianjin Jinfu Expressway Company Limited, a partially-owned subsidiary which operates Jinxiong Expressway with carrying amount of RMB453,073,000. The recoverable amount of the related intangible operating right was determined by measuring the fair value less costs of disposal which is higher than the value in use. It was derived from a discounted cash flow model over the remaining concession period of Jinxiong Expressway with key assumptions including the revenue growth rates and the discount rates and was categorised as a level 3 measurement. The revenue growth rates were projected by an independent traffic consultant based on traffic survey, historic traffic data, historic economic indices and expected toll network development at nearby areas. The discount rate was determined by an independent professional valuer with reference to risk-free rate, data of toll road operators, market risk premium and other specific adjustments applicable to the Group. The estimated revenue growth rates over the remaining operating period of Jinxiong Expressway range from 5% to 32% and the discount rate adopted was 7.5%. The Group has analysed the impact of lack of marketability discount to the result of the impairment assessment, no significant impact to the result is noted. The result of the impairment assessment indicates a headroom remains as of 31 December 2020. A 1% decrease in revenue growth rate would decrease the recoverable amount by RMB4,750,000. An increase in the discount rate of 0.5%, would decrease the recoverable amount by RMB8,338,000. These sensitivities are based on a change in the relevant assumption while holding other assumptions constant.

(b) Amortisation of intangible operating rights

Amortisation of intangible operating rights is calculated to write off their costs on a unit-of-usage basis based on the traffic volume for a particular period over the projected total traffic volume throughout the life of the assets.

At present, the range of annual traffic growth rates that have been projected for individual toll highways and bridges is around 0% to 32% (excluding the growth rates in the year of performing significant repair and maintenance).

(c) Current income tax and deferred income tax

The Group is subject to income tax in the PRC. Significant judgement is required in determining the amount of the provision for and the timing of payment of the related income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. 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 periods in which such determination are made.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Current income tax and deferred income tax (Continued)

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The management exercises judgement in determining the future taxable profit based on the projected future traffic volume and specific circumstance of the toll highways and bridges operated by the individual entity with tax losses. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and income tax in the periods in which such estimate is changed.

(d) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in note 16.

5 SEGMENT INFORMATION

The Group is principally engaged in the operation and management of toll highways and bridges in the PRC.

The chief operating decision-maker (the "CODM") has been identified as the Executive Directors. The Executive Directors review the Group's internal reporting in order to assess performance of the Group's main reporting segment - Toll highways and bridges projects in the PRC. The Executive Directors assess the performance of this main reporting segment based on measurement of profit after income tax for the year. Other operations mainly comprise investment and others. There have been no sales carried out between segments. None of these operations constitutes a separate segment. The financial information provided to the CODM is measured in a manner consistent with that of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (CONTINUED)

In 2020, the presentation of reportable segments of the Group are revised as certain other income from the toll roads operations are reclassified from “Other income, gains and losses – net” to “Revenue” as the CODM believes the revised classification could provide better presentation to the user of the financial information to evaluate the Group’s operating performance from toll roads operations. The comparative figures were not restated.

	Toll roads operations RMB'000	All other segments RMB'000	Total RMB'000
Year ended 31 December 2020			
Revenue (from external customers)			
– Toll revenue	2,872,041	—	2,872,041
– Other toll operating income	11,590	—	11,590
– Income from service area and gas station	36,207	—	36,207
	2,919,838	—	2,919,838
Amortisation of intangible operating rights	(949,918)	—	(949,918)
Depreciation of			
– property, plant and equipment	(15,292)	(761)	(16,053)
– right-of-use assets	(10,187)	—	(10,187)
Compensation from government	1,071	—	1,071
Government subsidy	16,373	—	16,373
	1,339,780	(2,316)	1,337,464
Operating profit/(loss)			
Finance income	26,359	—	26,359
Finance costs	(805,757)	—	(805,757)
Share of result of a joint venture	56,533	—	56,533
Share of results of associates	67,822	—	67,822
	684,737	(2,316)	682,421
Profit/(loss) before income tax			
Income tax expense	(278,085)	—	(278,085)
	406,652	(2,316)	404,336
Profit/(loss) for the year			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (CONTINUED)

	Toll roads operations RMB'000	All other segments RMB'000	Total RMB'000
Year ended 31 December 2019			
Revenue (from external customers)	3,023,221	—	3,023,221
Amortisation of intangible operating rights	(640,588)	—	(640,588)
Depreciation of			
– property, plant and equipment	(16,481)	(797)	(17,278)
– right-of-use assets	(11,141)	—	(11,141)
Compensation from government	54,308	—	54,308
Gain on liquidation of a subsidiary	37,689	—	37,689
Government subsidy	37,988	—	37,988
Operating profit/(loss)	1,920,579	(940)	1,919,639
Finance income	40,800	—	40,800
Finance costs	(411,217)	—	(411,217)
Share of result of a joint venture	88,739	—	88,739
Share of results of associates	262,484	—	262,484
Profit/(loss) before income tax	1,901,385	(940)	1,900,445
Income tax expense	(305,402)	—	(305,402)
Profit/(loss) for the year	1,595,983	(940)	1,595,043
Assets and liabilities			
As at 31 December 2020			
Total segment assets	36,259,700	107,900	36,367,600
Addition to non-current assets	311,847	—	311,847
Total segment assets include:			
Investment in a joint venture	487,605	—	487,605
Investments in associates	1,455,653	80,460	1,536,113
Total segment liabilities	(22,637,538)	(76,317)	(22,713,855)
As at 31 December 2019			
Total segment assets	36,763,324	34,551	36,797,875
Acquisition of subsidiaries	15,306,894	—	15,306,894
Addition to non-current assets	273,610	—	273,610
Total segment assets include:			
Investment in a joint venture	471,055	—	471,055
Investments in associates	1,395,121	4,500	1,399,621
Total segment liabilities	(23,168,963)	(162)	(23,169,125)
Total segment liabilities include:			
Amount due to a joint venture	(2,490)	—	(2,490)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (CONTINUED)

All major operating entities are domiciled in the PRC. All revenues of the Group from external customers are generated in the PRC. Besides, most of the assets of the Group are located in the PRC. Thus, no geographic information is presented.

Revenue relating to toll roads operations is recognised at a point in time.

There are no differences from the last annual consolidated financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss except for the reclassification of certain other income from toll roads operations as detailed above.

6 OTHER INCOME, GAINS AND LOSSES - NET

	2020 RMB'000	2019 RMB'000
Fair value (loss)/gain on investment properties (note 16)	(1,312)	842
Gain on disposal of property, plant and equipment	720	111
Compensation for expressways and bridges damages	7,362	5,244
Compensation from government (note a)	1,071	54,308
Handling income from toll fee collection (note d)	—	980
Management service income	2,778	2,234
Income from service area and gas station (note d)	—	24,952
Gain on liquidation of a subsidiary (note b)	—	37,689
Government subsidy (note c)	16,373	37,988
Others (note d)	(1,847)	15,026
	25,145	179,374

Notes:

- (a) The amount mainly represented compensation from government on requisition of land and demolishment of plants and other greening facilities.
- (b) In November 2019, the Group had completed the voluntary liquidation of a subsidiary, Shaanxi Jinxiu Transport Co. Limited, resulting in a gain on liquidation of approximately RMB37,689,000.
- (c) The amount mainly represented an one-off non-assets related government subsidy of RMB7,162,000 received from the Guangzhou Municipal Bureau of Commerce and RMB6,460,000 from the Wuhan Municipal Bureau of Commerce in 2020 (2019: RMB37,988,000 received from the Guangzhou Municipal Bureau of Commerce).
- (d) The income from service area and gas station and other toll operating income are reclassified to "Revenue" in 2020 (note 5).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 EXPENSES BY NATURE

Expenses included in cost of services and general and administrative expenses primarily comprise the following items:

	2020 RMB'000	2019 RMB'000
Taxes and surcharges	15,074	14,949
Amortisation of intangible operating rights (note 13)	949,918	640,588
Depreciation of		
– Property, plant and equipment (note 15(a))	16,053	17,278
– Right-of-use assets (note 15(b))	10,187	11,141
Employee benefit expense (note 8)	320,039	331,841
Toll highways and bridges maintenance expenses	139,151	104,177
Toll highways and bridges operating expenses	102,257	96,780
Auditor's remuneration		
– Audit services	3,300	2,924
– Non-audit services	3,143	5,787
Legal and professional fee	14,572	24,309

8 EMPLOYEE BENEFIT EXPENSE

	2020 RMB'000	2019 RMB'000
Staff costs (including directors' emoluments)		
– Wages and salaries	251,676	253,142
– Pension costs (defined contribution plan) (note a)	6,251	18,864
– Social security costs	29,890	11,210
– Staff welfare and other benefits	32,222	48,625
Total employee benefit expense	320,039	331,841

Employee benefit expenses are included in "cost of services" and "general and administrative expenses" of RMB145,690,000 (2019: RMB143,660,000) and RMB174,349,000 (2019: RMB188,181,000) respectively in the consolidated income statement.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 EMPLOYEE BENEFIT EXPENSE (CONTINUED)

Notes:

- (a) The Group also participates in the Mandatory Provident Fund Scheme ("MPF Scheme") for other Hong Kong employees. The Group's MPF Scheme contributions are at 5% of the employees' relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HKD1,500 (equivalent to RMB1,301) per employee per month. The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is more than HKD7,100 per month (equivalent to RMB6,158). The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid.

Subsidiaries of the Company in the PRC are required to participate in defined contribution retirement plans organised by the respective Provincial or Municipal People's Governments.

There was no forfeited contribution as at 31 December 2020 (2019: Nil). No forfeited contribution was utilised during the year (2019: Nil). Contributions totalling RMB6,251,000 (2019: RMB18,864,000) were payable to the fund during the year.

- (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include four (2019: three) directors whose emoluments are reflected in the analysis shown in note 38. The emoluments payable to the remaining one (2019: two) individual(s) during the year amounted to RMB1,853,000 (2019: RMB3,609,000), which include(s) salaries of RMB595,000 (2019: RMB1,150,000), discretionary bonuses of RMB1,105,000 (2019: RMB2,110,000), estimated money value of other benefits of RMB68,000 (2019: RMB187,000) and employer's contribution to a retirement benefit scheme of RMB85,000 (2019: RMB162,000).

The emoluments fell within the following bands:

	Number of individuals	
	2020	2019
Emolument bands (in HK dollar)		
HKD2,000,001 – HKD2,500,000	1	2

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 FINANCE INCOME/(COSTS)

	2020 RMB'000	2019 RMB'000
Bank interest income	23,627	28,168
Interest income on other non-current receivables	2,732	5,932
Others	—	6,700
Finance income	26,359	40,800
Interest expenses:		
– Bank borrowings	(614,783)	(275,762)
– Other borrowing	(7,364)	(6,918)
– Bank facility fees	(4,143)	(5,035)
– Loan from a joint venture	(6,389)	(5,128)
– Loans from non-controlling interests of certain subsidiaries	(191)	(1,155)
– Loan from a fellow subsidiary	—	(22,921)
– Notes payable (note 29)	(78,819)	(3,035)
– Corporate bonds (note 30)	(67,087)	(67,727)
– Lease liabilities (note 15(b))	(975)	(976)
– Others	(15,719)	(6,142)
Exchange loss on bank borrowings	—	(9,742)
Net other exchange loss	(10,287)	(6,676)
Finance costs	(805,757)	(411,217)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 INCOME TAX EXPENSE

- (a) No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group had no assessable income subject to Hong Kong profits tax during the year (2019: Nil).
- (b) During the year ended 31 December 2020, PRC enterprises income tax was provided on the profits of the Group's subsidiaries, associates and joint venture in the PRC in accordance with the Corporate Income Tax Law of China. The applicable principal income tax rate for the year ended 31 December 2020 is 25% (2019: 25%). Guangzhou North Second Ring Transport Technology Company Limited ("GNSR"), a subsidiary of the Group, has been recognised as an eligible entity in 2019 to enjoy three years' preferential tax treatment of income tax, at a preferential income tax rate of 15%, started from 2018. Since GNSR had already settled the income tax at 25% for 2018, the Group had recognised the tax refund of RMB95,916,000 during the year ended 31 December 2019. Guangxi Yuexiu Cangyu Expressway Company Limited, a subsidiary of the Group, has been recognised as an eligible entity to enjoy preferential tax treatment of income tax, at a preferential income tax rate of 15%, started from 2013 to 2030.

In addition, dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 is subject to withholding income tax at a rate of 5% or 10%. During the year, withholding income tax was provided for undistributed profits of certain of the Group's subsidiaries and associates in the PRC at a rate of 5% or 10% (2019: 5% or 10%).

As at 31 December 2020, deferred tax liabilities of RMB85,863,000 (2019: RMB58,712,000) was not recognised in respect of withholding tax on the unremitted earnings of certain entities in the PRC, as these earnings are expected to be reinvested in the PRC.

- (c) The amount of income tax charged to the consolidated income statement represents:

	2020 RMB'000	2019 RMB'000
Current income tax		
PRC enterprise income tax	221,810	388,398
Refund of PRC enterprise income tax (note b)	—	(95,916)
	221,810	292,482
Deferred income tax (note 28)	56,275	12,920
	278,085	305,402

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 INCOME TAX EXPENSE (CONTINUED)

(c) The amount of income tax charged to the consolidated income statement represents: (Continued)

The tax on the Group's profit before income tax less share of results of associates and a joint venture differs from the theoretical amount that would arise using the principal applicable tax rate as follows:

	2020 RMB'000	2019 RMB'000
Profit before income tax	682,421	1,900,445
Less: share of results of associates	(67,822)	(262,484)
Less: share of result of a joint venture	(56,533)	(88,739)
	558,066	1,549,222
Calculated at a tax rate of 25% (2019: 25%)	139,517	387,306
Income not subject to tax	(3,105)	(1,912)
Expenses not deductible for tax purposes	64,929	38,493
Profit of subsidiaries with preferential tax treatment (note (i))	(73,328)	(106,305)
Tax losses not recognised (note (ii))	124,749	34,726
Utilisation of previously unrecognised tax losses	—	(7,151)
Over provision in the prior year	(3,731)	(479)
Refund of PRC enterprise income tax (note b)	—	(95,916)
Withholding tax on undistributed profits of subsidiaries and associates	29,054	56,640
Income tax expense	278,085	305,402

Notes:

- (i) Two subsidiaries of the Group enjoy three years' and eighteen years' preferential tax treatment of income tax respectively, at a preferential income tax rate of 15%.
- (ii) Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately RMB244,017,000 (2019: RMB193,621,000) in respect of unused losses amounting to approximately RMB976,069,000 (2019: RMB774,484,000). Unused tax losses of approximately RMB160,454,000 (2019: RMB297,411,000) will be expired in 1 year and the remaining unused tax losses will be expired prior to 2025.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2020	2019
Profit attributable to shareholders of the Company (RMB'000)	160,491	1,137,590
Weighted average number of ordinary shares in issue ('000)	1,673,162	1,673,162
Basic and diluted earnings per share (RMB)	0.0959	0.6799

The diluted earnings per share for the year ended 31 December 2020 equals to the basic earnings per share as there are no potential dilutive ordinary shares in issue during the year (2019: Nil).

12 DIVIDENDS

	2020 RMB'000	2019 RMB'000
Interim, paid, nil (2019: HKD0.18 equivalent to approximately RMB0.16) per share	—	271,042
Final, proposed, of HKD0.07 equivalent to approximately RMB0.06 (2019: HKD0.21 equivalent to approximately RMB0.19) per share	97,706	314,484
	97,706	585,526

The final dividend was proposed after the balance sheet date and has not been recognised as a liability at the balance sheet date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 INTANGIBLE OPERATING RIGHTS

	RMB'000
Year ended 31 December 2020	
Opening net book amount	32,369,121
Additions	293,753
Amortisation	(949,918)
Closing net book amount	<u>31,712,956</u>
At 31 December 2020	
Cost	37,524,636
Accumulated amortisation and impairment loss	(5,811,680)
Net book amount	<u>31,712,956</u>
Year ended 31 December 2019	
Opening net book amount	17,419,156
Additions	249,072
Acquisition of subsidiaries (note 35)	15,303,768
Transfer	37,713
Amortisation	(640,588)
Closing net book amount	<u>32,369,121</u>
At 31 December 2019	
Cost	37,230,883
Accumulated amortisation and impairment loss	(4,861,762)
Net book amount	<u>32,369,121</u>

Amortisation of intangible operating rights is included in the cost of services in the consolidated income statement.

At 31 December 2020, toll highway operating rights with net book amount of RMB27,889,899,000 (2019: RMB28,326,021,000) were pledged to secure the Group's bank borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 GOODWILL

	2020 RMB'000	2019 RMB'000
At 1 January and at 31 December	632,619	632,619

Goodwill is allocated to the Group's six cash-generating units ("CGUs") including the operations of Guangzhou Northern Second Ring Expressway, Guangxi Cangyu Expressway, Henan Weixu Expressway, Hubei Han-Xiao Highway, Hunan Changzhu Expressway and Hubei Suiyuan Expressway.

The recoverable amounts of the above cash-generating units are determined based on value-in-use and fair value less costs of disposal calculations. These calculations use cash flow projections based on financial budgets approved by management covering the operating period of the expressways and the annual traffic growth rates ranged from 0% to 32% (excluding the growth rates in the year of performing significant repair and maintenance), which is similar to industry practice.

Key assumptions and considerations used in the calculations included estimated traffic growth, vehicle types of the toll expressways and highway operation and discount rate. Toll fee charging rates of the expressways or highways were regulated by the relevant government authorities in the PRC.

Management determined the above key assumptions and considerations based on historical records, past performance and its expectations for the market development. Both internal and external factors are considered, independent professional traffic studies on traffic flow growth will be obtained where appropriate. Discount rates adopted are ranging from 7.5% to 13%. The specific risks underlying the toll highways industry are incorporated in the calculations. A reasonably possible change in a key assumption would not cause the recoverable amounts to fall below the carrying amounts of the respective CGUs.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15(a) PROPERTY, PLANT AND EQUIPMENT

	Leasehold land RMB'000	Buildings RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
Year ended 31 December 2020					
Opening net book amount	421	3,487	37,887	10,526	52,321
Exchange differences	(25)	(172)	—	—	(197)
Additions	—	—	15,828	2,266	18,094
Disposals	—	—	(775)	(291)	(1,066)
Depreciation	(16)	(710)	(12,636)	(2,691)	(16,053)
Closing net book amount	<u>380</u>	<u>2,605</u>	<u>40,304</u>	<u>9,810</u>	<u>53,099</u>
At 31 December 2020					
Cost	438	16,990	117,073	22,163	156,664
Accumulated depreciation	(58)	(14,385)	(76,769)	(12,353)	(103,565)
Net book amount	<u>380</u>	<u>2,605</u>	<u>40,304</u>	<u>9,810</u>	<u>53,099</u>
Year ended 31 December 2019					
Opening net book amount	428	21,155	55,099	6,615	83,297
Exchange differences	9	92	2	—	103
Additions	—	—	20,023	4,515	24,538
Transfer	—	(17,045)	(20,668)	—	(37,713)
Disposals	—	—	(3,668)	(84)	(3,752)
Acquisition of subsidiaries (note 35)	—	—	1,777	1,349	3,126
Depreciation	(16)	(715)	(14,678)	(1,869)	(17,278)
Closing net book amount	<u>421</u>	<u>3,487</u>	<u>37,887</u>	<u>10,526</u>	<u>52,321</u>
At 31 December 2019					
Cost	479	18,083	104,565	21,277	144,404
Accumulated depreciation	(58)	(14,596)	(66,678)	(10,751)	(92,083)
Net book amount	<u>421</u>	<u>3,487</u>	<u>37,887</u>	<u>10,526</u>	<u>52,321</u>

Note:

As 31 December 2020, no property, plant and equipment were pledged to secure the Group's bank borrowings (2019: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15(b) LEASES

This note provides information for leases where the Group is a lessee:

(i) Amounts recognised in the consolidated balance sheet

The consolidated balance sheet shows the following amounts relating to leases:

	2020 RMB'000	2019 RMB'000
Right-of-use assets		
– Properties	30,021	10,528
Lease liabilities		
Current	10,511	10,488
Non-current	19,510	350
	30,021	10,838

The additions to the right-of-use assets are related to the renewal of leases during the 2020 financial year.

(ii) Amounts recognised in the consolidated income statement

The consolidated income statement includes the following amounts relating to leases:

	2020 RMB'000	2019 RMB'000
Depreciation charge of right-of-use assets	(10,187)	(11,141)
Interest expense (included in finance costs) (note 9)	(975)	(976)

(iii) The total cash outflow for leases in 2020 was RMB11,472,000 (2019: RMB11,807,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INVESTMENT PROPERTIES

	2020 RMB'000	2019 RMB'000
At 1 January	39,923	38,538
Exchange differences	(1,467)	543
Fair value (loss)/gain (Note 6)	(1,312)	842
At 31 December	37,144	39,923

Independent valuations of the Group's investment properties were performed by the valuers, C S Surveyors Limited and Vigers Appraisal and Consulting Limited, to determine the fair value of the investment properties as at 31 December 2020 and 2019. The fair value of each investment property is individually determined at the end of each reporting period by the independent valuers. The revaluation gains or losses is included in "Other income, gains and losses – net" in consolidated income statement (note 6).

Description	Fair value measurements using significant unobservable inputs (Level 3)	
	2020 RMB'000	2019 RMB'000
Recurring fair value measurements		
Investment properties:		
– Office units - PRC	14,420	15,020
– Office units - Hong Kong	15,991	17,916
– Residential units - Hong Kong	6,733	6,987
	37,144	39,923

The Group's policy is to recognise transfers in/out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer.

There were no transfers between Levels 1, 2 and 3 during the year (2019: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INVESTMENT PROPERTIES (CONTINUED)**Fair value measurements using significant unobservable inputs (Level 3)**

	Year ended 31 December 2020		
	Office units - PRC RMB'000	Office units - Hong Kong RMB'000	Residential units - Hong Kong RMB'000
	Opening balance	15,020	17,916
Net (losses)/gains from fair value adjustment	(600)	(842)	130
Exchange difference	—	(1,083)	(384)
Closing balance	14,420	15,991	6,733
Total changes in unrealised (losses)/gains for the year as included in profit or loss for assets held at the end of the year	(600)	(842)	130

	Year ended 31 December 2019		
	Office units - PRC RMB'000	Office units - Hong Kong RMB'000	Residential units - Hong Kong RMB'000
	Opening balance	14,530	17,524
Net gains from fair value adjustment	490	—	352
Exchange difference	—	392	151
Closing balance	15,020	17,916	6,987
Total changes in unrealised gains for the year as included in profit or loss for assets held at the end of the year	490	—	352

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

16 INVESTMENT PROPERTIES (CONTINUED)**Valuation processes of the Group**

The Group's investment properties at 31 December 2020 and 2019 were valued by independent professionally qualified valuers who hold recognised and relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department reviews the valuation performed by the independent valuer for financial reporting purposes. The Group's finance department reports directly to the senior management. At each year end, the finance department verifies all major inputs to the independent valuation report; assesses property valuation movements when compared to the prior year valuation report; and holds discussions with the independent valuer.

Valuation techniques

For office and residential units in the PRC and Hong Kong, the valuation was determined using the direct comparison approach. Direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted in close proximity and are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square meter/foot.

There were no changes in valuation techniques during the year and all investment properties are included in level 3 fair value hierarchy as at 31 December 2020.

Description	Fair value at 31 December 2020 (RMB'000)	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Office units - PRC	14,420 (2019: 15,020)	Direct comparison approach	Adjusted average price per square meter	RMB10,000 – RMB11,000 per square meter	The higher the adjusted average price per square meter, the higher the fair value
Office units - Hong Kong	15,991 (2019: 17,916)	Direct comparison approach	Adjusted average price per square foot	RMB10,804 – RMB15,110 per square foot	The higher the adjusted average price per square foot, the higher the fair value
Residential units - Hong Kong	6,733 (2019: 6,987)	Direct comparison approach	Adjusted average price per square foot	RMB6,607 – RMB7,246 per square foot	The higher the adjusted average price per square foot, the higher the fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 SUBSIDIARIES**(a) Subsidiaries**

Details of the principal subsidiaries of the Company are set out in note 39.

(b) Material non-controlling interests

As at 31 December 2020, the total non-controlling interests were RMB3,228,854,000 (2019: RMB3,057,095,000).

Name of subsidiary with material non-controlling interests	Percentage of equity interests held by non-controlling interests		Non-controlling interests	
	31 December 2020	31 December 2019	31 December 2020 RMB'000	31 December 2019 RMB'000
Guangzhou North Second Ring Transport Technology Company Limited	40%	40%	1,347,254	1,217,701
Hubei Suiyuanan Expressway Company Limited	30%	30%	1,080,545	1,020,967
Tianjin Jinfu Expressway Company Limited	40%	40%	204,646	201,646
Hubei A'shennan Expressway Development Company Limited	10%	10%	200,076	206,383
Hancai Expressway Company Limited of Hubei Province	33%	33%	392,992	409,361

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 SUBSIDIARIES (CONTINUED)**(b) Material non-controlling interests (Continued)**

Set out below are the summarised financial information for each subsidiary that has non-controlling interests material to the Group.

Summarised balance sheet

	Guangzhou North Second Ring Transport Technology Company Limited		Hubei Suiyuanan Expressway Company Limited		Tianjin Jinfu Expressway Company Limited		Hubei A'shennan Expressway Development Company Limited		Hancai Expressway Company Limited of Hubei Province	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current Assets	1,147,172	639,715	384,856	358,475	89,079	59,750	132,110	122,741	21,183	28,590
Liabilities	(245,283)	(221,437)	(111,478)	(169,096)	(26,740)	(9,772)	(2,883,138)	(2,529,003)	(1,122,516)	(956,800)
Total net current assets/(liabilities)	901,889	418,278	273,378	189,379	62,339	49,978	(2,751,028)	(2,406,262)	(1,101,333)	(928,210)
Non-current Assets	2,982,978	3,171,219	5,934,897	6,061,574	456,610	462,278	7,143,350	7,207,518	3,773,497	3,848,842
Liabilities	(518,838)	(547,352)	(2,606,455)	(2,808,786)	(132,958)	(133,765)	(2,391,566)	(2,723,104)	(1,481,279)	(1,691,460)
Total net non-current assets	2,464,140	2,623,867	3,328,442	3,252,788	323,652	328,513	4,751,784	4,484,414	2,292,218	2,157,382
Net assets	3,366,029	3,042,145	3,601,820	3,442,167	385,991	378,491	2,000,756	2,078,152	1,190,885	1,229,172

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 SUBSIDIARIES (CONTINUED)

(b) Material non-controlling interests (Continued)

Summarised income statement

	Guangzhou North Second Ring Transport Technology Company Limited		Hubei Suiyuanan Expressway Company Limited		Tianjin Jinfu Expressway Company Limited		Hubei A'shennan Expressway Development Company Limited		Hancai Expressway Company Limited of Hubei Province	
	2020	2019	2020	2019	2020	2019	2020	2019	2020	2019
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue (note)	915,738	1,217,130	531,033	687,671	74,504	92,668	350,969	57,292	181,617	31,631
Profit/(loss) before income tax	574,861	927,521	265,150	429,370	10,147	19,625	(42,267)	(14,311)	(49,296)	(3,344)
Income tax (expense)/credit	(70,761)	(35,008)	(66,554)	(107,171)	(2,647)	(4,960)	(35,129)	(2,675)	11,009	2,195
Profit/(loss) and total comprehensive income/(loss)	504,100	892,513	198,596	322,199	7,500	14,665	(77,396)	(16,986)	(38,287)	(1,149)
Total comprehensive income/(loss) attributable to non-controlling interests	201,640	357,005	59,579	96,660	3,000	5,866	(7,740)	(1,699)	(12,635)	(379)
Dividends declared to non-controlling interests	72,086	343,172	—	—	—	8,414	—	—	—	—

Note: The income from service area and gas station and other toll operating income are reclassified to "Revenue" in 2020 (note 5).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 SUBSIDIARIES (CONTINUED)

(b) Material non-controlling interests (Continued)

Summarised cash flows

	Guangzhou North Second Ring Transport Technology Company Limited		Hubei Suiyuanan Expressway Company Limited		Tianjin Jinfu Expressway Company Limited		Hubei A'shennan Expressway Development Company Limited		Hancai Expressway Company Limited of Hubei Province	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Cash flows from operating activities										
Cash generated from operations	874,889	1,067,377	540,715	772,058	47,920	58,285	291,852	50,598	159,254	17,931
Income tax paid	(135,799)	(79,725)	(68,443)	(73,877)	(5,116)	(7,749)	—	—	—	—
Income tax refunded	—	95,916	—	—	—	—	—	—	—	—
Net cash generated from operating activities	739,090	1,083,568	472,272	698,181	42,804	50,536	291,852	50,598	159,254	17,931
Net cash used in investing activities	(50,554)	(76,877)	(170,686)	(22,376)	(15,344)	(37,921)	(20,413)	(4)	(5,846)	(701)
Net cash used in financing activities	(180,216)	(857,930)	(370,622)	(832,598)	—	(47,034)	(271,129)	(85,547)	(157,586)	(49,268)
Net increase/(decrease) in cash and cash equivalents	508,320	148,761	(69,036)	(156,793)	27,460	(34,419)	310	(34,953)	(4,178)	(32,038)
Cash and cash equivalents at 1 January	606,687	457,926	120,580	277,373	34,177	68,596	12,294	47,247	5,001	37,039
Cash and cash equivalents at 31 December	1,115,007	606,687	51,544	120,580	61,637	34,177	12,604	12,294	823	5,001

The information above is stated before inter-company eliminations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 INVESTMENT IN A JOINT VENTURE

Movements in the Group's investment in a joint venture are as below:

	2020 RMB'000	2019 RMB'000
At 1 January	471,055	454,272
Share of results for the year		
– profit before income tax	75,254	116,259
– income tax expense	(18,721)	(27,520)
	56,533	88,739
Dividends	(39,983)	(71,956)
At 31 December	487,605	471,055

The joint venture, Guangzhou Western Second Ring Expressway Co., Ltd., is a private company and there is no quoted market price available for its shares. There are no contingent commitments and liabilities relating to the Group's interest in the joint venture.

Summarised financial information of the joint venture is set out below:

	2020 RMB'000	2019 RMB'000
Revenue (note)	442,428	582,950
Depreciation and amortisation	(122,101)	(119,659)
Interest income	17,753	13,147
Interest expense	(35,579)	(40,966)
Other expenses - net	(88,623)	(103,304)
Profit before income tax	213,878	332,168
Income tax expense	(52,355)	(78,629)
Profit and total comprehensive income	161,523	253,539

Note: The income from service area and gas station and other toll operating income are reclassified to "Revenue" in 2020 (note 5).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 INVESTMENT IN A JOINT VENTURE (CONTINUED)

	2020 RMB'000	2019 RMB'000
Current		
Cash and cash equivalents	171,837	73,247
Other current assets	433,453	472,780
Total current assets	605,290	546,027
Trade payables and other current liabilities	(158,863)	(186,668)
Total current liabilities	(158,863)	(186,668)
Non-current		
Total non-current assets	1,729,834	1,821,491
Financial liabilities	(762,000)	(812,000)
Other liabilities	(21,104)	(22,978)
Total non-current liabilities	(783,104)	(834,978)
Net assets	1,393,157	1,345,872

The information above reflects the amounts presented in the financial statements of the joint venture (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the joint venture.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 INVESTMENT IN A JOINT VENTURE (CONTINUED)

Reconciliation of the summarised financial information presented to the carrying amount of the Group's investment in the joint venture is set out below:

	2020 RMB'000	2019 RMB'000
Opening net assets at 1 January	1,345,872	1,297,918
Profit for the year	161,523	253,539
Dividends paid	(114,238)	(205,585)
Closing net assets at 31 December	1,393,157	1,345,872
Group's share of net assets	487,605	471,055
Carrying amount of investment in the joint venture	487,605	471,055

Details of the Group's joint venture are set out in note 39.

19 INVESTMENTS IN ASSOCIATES

Movements in the Group's investment in associates are as below:

	2020 RMB'000	2019 RMB'000
At 1 January	1,399,621	1,474,846
Share of results for the year		
– profit before income tax	86,117	328,788
– income tax expense	(18,295)	(66,304)
	67,822	262,484
Capital injection	75,960	—
Dividends	(7,290)	(337,709)
At 31 December	1,536,113	1,399,621

There are no contingent liabilities relating to the Group's interests.

The Group completed the capital injection of RMB75,960,000 to Guangzhou Pazhou Port Company Limited during the year ended 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 INVESTMENTS IN ASSOCIATES (CONTINUED)

The Guangzhou Pazhou Port Co., Ltd. has been considered material to the Group after the capital injection of RMB75,960,000 during the year ended 31 December 2020. Comparative figures are provided for information.

Summarised financial information of the investments in associates that are material to the Group is set out below:

	Guangdong											
	Guangdong Humen Bridge Co., Ltd.		Qinglian Highway Development Co., Ltd.		Guangzhou Northring Super Highway Co., Ltd.		Guangdong Shantou Bay Bridge Co., Ltd.		Pazhou Port Co., Ltd.		Guangzhou	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Revenue (note)	468,141	1,037,097	664,674	837,016	574,218	760,764	135,918	204,077	—	—	—	—
Profit/(loss) and total comprehensive income/(loss)	75,349	528,728	(33,049)	104,663	180,504	444,647	58,710	107,245	(15,055)	—	—	—
Capital injection	—	—	—	—	—	—	—	—	—	168,800	—	—
Dividends declared from the associates	—	(181,113)	—	—	(7,290)	(119,425)	—	(37,171)	—	—	—	—
Assets:												
Non-current assets	1,674,713	1,772,451	6,107,636	6,509,602	400,778	556,793	234,051	268,182	130,987	8,499	—	—
Current assets	152,885	119,746	99,630	145,272	462,305	150,416	116,745	34,212	32,904	1,501	—	—
	1,827,598	1,892,197	6,207,266	6,654,874	863,083	707,209	350,796	302,394	163,891	10,000	—	—
Liabilities:												
Non-current liabilities	(326,033)	(358,923)	(3,368,819)	(3,773,717)	(2,249)	(4,923)	(41,560)	(46,346)	—	—	—	—
Trade payables and other current liabilities	(170,453)	(277,511)	(171,255)	(180,916)	(108,935)	(100,891)	(23,884)	(29,406)	(146)	—	—	—
	(496,486)	(636,434)	(3,540,074)	(3,954,633)	(111,184)	(105,814)	(65,444)	(75,752)	(146)	—	—	—
Net assets	1,331,112	1,255,763	2,667,192	2,700,241	751,899	601,395	285,352	226,642	163,745	10,000	—	—

Note: The income from service area and other toll operating income are reclassified to "Revenue" in 2020 (note 5).

The information above reflects the amounts presented in the financial statements of the associates (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 INVESTMENTS IN ASSOCIATES (CONTINUED)

Reconciliation of the summarised financial information presented to the carrying amount of the Group's investments in associates that are material to the Group is set out below:

	Guangdong									
	Guangdong Humen Bridge Co., Ltd.		Qinglian Highway Development Co., Ltd.		Guangzhou Northring Super Highway Co., Ltd.		Guangdong Shantou Bay Bridge Co., Ltd.		Guangzhou Pazhou Port Co., Ltd.	
	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000	2020 RMB'000	2019 RMB'000
Opening net assets at 1 January	1,255,763	1,556,645	2,700,241	2,595,578	601,395	648,227	226,642	243,300	10,000	10,000
Profit/(loss) for the year	75,349	528,728	(33,049)	104,663	180,504	444,647	58,710	107,245	(15,055)	—
Capital injection	—	—	—	—	—	—	—	—	168,800	—
Dividends	—	(829,610)	—	—	(30,000)	(491,479)	—	(123,903)	—	—
Closing net assets at 31 December	1,331,112	1,255,763	2,667,192	2,700,241	751,899	601,395	285,352	226,642	163,745	10,000
Group's share of net assets	369,782	348,851	630,256	638,066	182,728	146,155	85,607	67,994	73,685	4,500
Goodwill	93,684	93,684	—	—	—	—	106,073	106,073	—	—
Provision for impairment losses	—	—	(5,702)	(5,702)	—	—	—	—	—	—
Carrying amount of investments in the associates	463,466	442,535	624,554	632,364	182,728	146,155	191,680	174,067	73,685	4,500

Details of the Group's associates are set out in note 39.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 DERIVATIVE FINANCIAL INSTRUMENTS

	2020 RMB'000	2019 RMB'000
Non-current assets		
Foreign exchange forward contracts – cash flow hedges	—	1,697
Non-current liabilities		
Foreign exchange forward contracts – cash flow hedges	(13,365)	—
Current liabilities		
Foreign exchange forward contracts – cash flow hedges	(10,677)	—

The notional principal amounts of the outstanding foreign exchange forward contracts designated as cash flow hedges as at 31 December 2020 were HKD500,000,000 (2019: HKD 500,000,000). The foreign exchange forward contracts have been assessed as highly effective hedging instruments for the HKD denominated borrowings of the Group.

Changes in fair values of derivative financial instruments are included in “Finance income/(costs)” in the consolidated income statement (note 9).

21 OTHER NON-CURRENT RECEIVABLES

Non-current receivables represent the non-current portion of the present value of consideration receivable, discounted at a rate of 5.32% in relation to the disposal of the Group’s toll operating rights of Xiang Jiang Bridge II in 2009.

As at 31 December 2020, the total remaining balance of the consideration receivable (all in current portion) is approximately RMB25.9 million (2019: RMB50.4 million, including current and non-current portion) which will be settled by 2 half yearly instalments until the end of its concessionary period, i.e. 30 November 2021. As at 31 December 2020, approximately RMB25.9 million will be received within 1 year (2019: approximately RMB22.9 million will be received more than 1 year) from the balance sheet date according to the repayment schedule, which has been included in other receivables, deposits and prepayments.

The fair value of consideration receivable (all in current portion) of approximately RMB26.3 million (2019: RMB51.8 million, including current and non-current portion) is estimated by discounting remaining balance of RMB27.1 million (2019: RMB54.6 million) at the applicable current interest rate of 4.35% (2019: 4.63%) and is categorised as level 2 under the fair value hierarchy.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

22 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 RMB'000	2019 RMB'000
Trade receivables	204,361	175,028
Other receivables, deposits and prepayments	157,678	160,255
	362,039	335,283

As at 31 December 2020, trade receivables were all aged below 30 days (2019: 30 days) by invoice date.

The Group's revenue is generally settled in cash and it usually does not maintain any account balances owing. The trade receivables represented amounts due from local transport departments which collected the toll revenue for all operating entities due to the implementation of unified toll collection policy on expressways and highways in China. The settlement period is normally within a month.

The carrying amounts of trade and other receivables and deposits approximated their fair values and were mainly denominated in RMB. The trade and other receivables are measured at amortised cost.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 CASH AND CASH EQUIVALENTS

	2020 RMB'000	2019 RMB'000
Cash at bank and in hand	1,494,229	692,158
Short-term bank deposits with original maturities of less than three months	21,775	742,904
Cash and cash equivalents	1,516,004	1,435,062
Maximum exposure to credit risk	1,466,792	1,396,592

Cash and cash equivalents are denominated in the following currencies:

	2020 RMB'000	2019 RMB'000
Renminbi	1,486,916	1,421,121
HK dollars	29,087	13,843
US dollars	1	28
EUR dollars	—	70
	1,516,004	1,435,062

24 SHARE CAPITAL

	2020		2019	
	Number of shares	RMB'000	Number of shares	RMB'000
Issued and fully paid:				
Ordinary shares of RMB0.08805 each	1,673,162,295	147,322	1,673,162,295	147,322

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 RESERVES

	Share Premium RMB'000	Capital reserve (note (a)) RMB'000	Exchange fluctuation reserve RMB'000	Statutory reserves (note (b)) RMB'000	Hedging reserve RMB'000	Retained profits RMB'000	Asset revaluation reserve (note (c)) RMB'000	Transaction with non- controlling interests reserve RMB'000	Total RMB'000
Balance at 1 January 2020	2,375,743	1,501,716	403,561	229,362	(2,377)	5,423,813	558,250	(65,735)	10,424,333
Profit for the year	—	—	—	—	—	160,491	—	—	160,491
Currency translation differences	—	—	592	—	—	—	—	—	592
Cash flow hedges - movement in hedging reserve	—	—	—	—	6,637	—	—	—	6,637
Transfers	—	—	—	171,021	—	(171,021)	—	—	—
Dividends – 2019 Final dividend (note 12)	—	—	—	—	—	(314,484)	—	—	(314,484)
Balance at 31 December 2020	2,375,743	1,501,716	404,153	400,383	4,260	5,098,799	558,250	(65,735)	10,277,569
Representing:									
Retained profits						5,001,093			
2020 Final dividend proposed (note 12)						97,706			
						5,098,799			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 RESERVES (CONTINUED)

	Share Premium RMB'000	Capital reserve (note (a)) RMB'000	Exchange fluctuation reserve RMB'000	Statutory reserves (note (b)) RMB'000	Hedging reserve RMB'000	Retained profits RMB'000	Asset revaluation reserve (note (c)) RMB'000	Transaction with non- controlling interests reserve RMB'000	Total RMB'000
Balance at 1 January 2019	2,375,743	1,501,716	421,725	162,876	—	4,969,974	558,250	(65,735)	9,924,549
Profit for the year	—	—	—	—	—	1,137,590	—	—	1,137,590
Currency translation differences	—	—	(164)	—	—	—	—	—	(164)
Cash flow hedges - movement in hedging reserve	—	—	—	—	(2,377)	—	—	—	(2,377)
Release of currency translation differences upon liquidation of a subsidiary	—	—	(18,000)	—	—	—	—	—	(18,000)
Transfers	—	—	—	66,486	—	(66,486)	—	—	—
Dividends	—	—	—	—	—	—	—	—	—
– 2018 Final dividend	—	—	—	—	—	(346,223)	—	—	(346,223)
– 2019 Interim dividend (note 12)	—	—	—	—	—	(271,042)	—	—	(271,042)
Balance at 31 December 2019	2,375,743	1,501,716	403,561	229,362	(2,377)	5,423,813	558,250	(65,735)	10,424,333
Representing:									
Retained profits						5,109,329			
2019 Final dividend proposed (note 12)						314,484			
						5,423,813			

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 RESERVES (CONTINUED)

Notes:

- (a) Capital reserve represents the difference between the nominal value of the shares/registered capital of the subsidiaries acquired and the nominal value of the shares issued by Kiu Fung Limited, a subsidiary of the Company, as consideration of the acquisition in 1996.
- (b) Statutory reserves represent enterprise expansion and general reserve funds appropriated by the operating subsidiaries, associates and a joint venture in the PRC. As stipulated by regulations in the PRC, the Company's subsidiaries, associates and a joint venture established and operated in the PRC are required to appropriate a portion of their after-tax profits (after offsetting prior year losses) to the enterprise expansion and general reserve funds, at rates determined by their respective Boards of Directors. According to the Regulations for the Implementation of the Law of The People's Republic of China on Joint Ventures Using Chinese and Foreign Investment, upon approval by the Board, the general reserve funds may be used for making up losses and increasing capital while the enterprise expansion fund may be used for increasing capital.
- (c) The asset revaluation reserve represents the fair value gain on revaluation of the 40% equity interest in GNSR Expressway Company Limited held by the Group as an associate in 2007 prior to the Group's further acquisition of an additional 20% equity interest to become a subsidiary.

26 BORROWINGS

	2020 RMB'000	2019 RMB'000
Bank borrowings	12,874,275	14,520,385
Other borrowing	200,000	700,000
Loan from a joint venture	147,000	147,000
Loans from non-controlling interests of certain subsidiaries	77,668	71,914
Total borrowings	13,298,943	15,439,299
Less: Amounts due within one year as shown under current liabilities	(977,300)	(1,305,148)
Total non-current borrowings	12,321,643	14,134,151

- (a) As at 31 December 2020, the Group's borrowings were repayable as follows:

	2020 RMB'000	2019 RMB'000
Within one year	977,300	1,305,148
Between one and two years	1,983,398	1,147,101
Between two and five years	5,434,512	6,200,272
Later than five years	4,903,733	6,786,778
	13,298,943	15,439,299

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 BORROWINGS (CONTINUED)

- (b) Bank borrowings of RMB7,523,749,000 (2019: RMB9,173,789,000) are secured by intangible operating rights (note 13) of the Group. All bank borrowings are interest bearing at rates ranging from 3.35% to 4.90% (2019: 4.04% to 5.00%) per annum. The effective interest rate of these borrowings at 31 December 2020 is 4.08% (2019: 4.37%).
- (c) The other borrowing is unsecured, interest bearing at a rate of 6.4% (2019: 6.7%) per annum and repayable in 2022. RMB500,000,000 was repaid during the year ended 31 December 2020.
- (d) Loan from a joint venture is unsecured, interest bearing at an annual rate of People's Bank of China Benchmark Interest Rates minus 10% and is repayable in 2021 and 2022.
- (e) Loans from non-controlling interests of certain subsidiaries are unsecured and interest-free. The carrying amounts of these interest-free loans approximates their fair values which are calculated based on cash flows discounted at a rate of 4.35% (2019: 4.35%) per annum.

Loans from non-controlling interests of certain subsidiaries are repayable between one and two years except for loan of RMB4,318,000 which is due within one year.

- (f) The borrowings are denominated in RMB (2019: RMB), except for bank borrowings of approximately RMB419,810,000 (2019: RMB445,531,000) which are denominated in HKD.

27 CONTRACT LIABILITIES AND DEFERRED REVENUE

Contract liabilities and deferred revenue are related to fees received in advance from contractors relating to operation of service areas and petrol stations along the toll highway for the remaining 18 to 22 years (2019: 19 to 23 years).

	2020 RMB'000	2019 RMB'000
At 1 January	373,522	91,916
Acquisition of subsidiaries (note 35)	—	287,513
Credited to "Revenue" (note a)	(18,353)	(5,907)
At 31 December	355,169	373,522
Less: non-current portion	(332,860)	(351,213)
Current portion	22,309	22,309

Note:

- (a) The income from service area and gas station was classified as "Other income, gains and losses - net" for the year ended 31 December 2019 while reclassified as "Revenue" for the year ended 31 December 2020 due to change in presentation of reportable segment. For details, please refer to note 5.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 DEFERRED INCOME TAX

Deferred income tax is calculated in full on temporary differences under the liability method using the applicable income tax rate.

The analysis of the deferred tax assets and deferred tax liabilities is as follow:

	2020 RMB'000	2019 RMB'000
Deferred income tax assets:		
Deferred income tax assets to be recovered after 12 months	(64,485)	(129,896)
Deferred income tax assets to be recovered within 12 months	(28,290)	(28,290)
	(92,775)	(158,186)
Deferred income tax liabilities:		
Deferred income tax liabilities to be recovered after 12 months	3,263,210	3,282,888
Deferred income tax liabilities to be recovered within 12 months	130,138	119,596
	3,393,348	3,402,484
Deferred income tax liabilities (net)	3,300,573	3,244,298

The gross movement on the deferred income tax account is as follows:

	2020 RMB'000	2019 RMB'000
At 1 January	3,244,298	2,086,455
Acquisition of subsidiaries (note 35)	—	1,144,923
Charged to consolidated income statement (note 10)	56,275	12,920
At 31 December	3,300,573	3,244,298

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 DEFERRED INCOME TAX (CONTINUED)

The movement in deferred income tax assets and liabilities during the year, without taking into consideration the offsetting of balances within the same tax jurisdiction, is as follows:

Deferred income tax liabilities

	Withholding tax on dividend distributed for reinvestment RMB'000	Withholding tax on undistributed profits of subsidiaries and associates RMB'000	Fair value gain on interest in toll highway arising from acquisition of subsidiaries RMB'000	Accelerated tax amortisation of intangible operating rights RMB'000	Fair value gain on investment properties RMB'000	Total RMB'000
At 1 January 2020	35,000	53,516	2,658,230	655,484	254	3,402,484
Charged/(credited) to consolidated income statement	—	29,054	(88,648)	56,743	(150)	(3,001)
Transferred to current income tax expenses for dividends declared	—	(6,135)	—	—	—	(6,135)
At 31 December 2020	35,000	76,435	2,569,582	712,227	104	3,393,348
At 1 January 2019	35,000	39,071	1,422,536	589,717	131	2,086,455
Acquisition of subsidiaries (note 35)	—	—	1,296,298	11,164	—	1,307,462
Charged/(credited) to consolidated income statement	—	56,640	(60,604)	54,603	123	50,762
Transferred to current income tax expenses for dividends declared	—	(42,195)	—	—	—	(42,195)
At 31 December 2019	35,000	53,516	2,658,230	655,484	254	3,402,484

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 DEFERRED INCOME TAX (CONTINUED)**Deferred income tax assets**

	Accelerated accounting amortisation of intangible operating rights RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2020	(86,719)	(71,467)	(158,186)
Charged to consolidated income statement	65,411	—	65,411
At 31 December 2020	(21,308)	(71,467)	(92,775)
At 1 January 2019	—	—	—
Acquisition of subsidiaries (note 35)	(91,072)	(71,467)	(162,539)
Charged to consolidated income statement	4,353	—	4,353
At 31 December 2019	(86,719)	(71,467)	(158,186)

29 NOTES PAYABLE

On 2 December 2019, the Group issued 2019 Phase I Medium Term Notes with coupon rate of 3.58% per annum due December 2022 for an aggregate principal amount of RMB1,000,000,000 (the "2019 Phase I Notes"). The 2019 Phase I Notes were issued at 100% of the aggregate nominal amount with interest payable annually.

On 13 January 2020, the Group issued 2020 Phase I Medium Term Notes with coupon rate of 3.47% per annum due January 2023 for an aggregate principal amount of RMB1,000,000,000 (the "2020 Phase I Notes"). The 2020 Phase I Notes were issued at 100% of the aggregate nominal amount with interest payable annually.

On 17 August 2020, the Group issued 2020 Phase II Medium Term Notes with coupon rate of 3.54% per annum due August 2023 for an aggregate principal amount of RMB500,000,000 (the "2020 Phase II Notes"). The 2020 Phase II Notes were issued at 100% of the aggregate nominal amount with interest payable annually.

The 2019 Phase I Notes, 2020 Phase I Notes and 2020 Phase II Notes (Collectively, "Notes") were recognised initially at fair values. Note issuance costs directly attributable were capitalised and amortised over the estimated term of the Notes using the effective interest method.

The effective interest rate for the Notes is 3.73% (2019: 3.77%) per annum, which includes the interest charged on the Notes as well as amortisation of the capitalized cost on issuance of the notes. The Group recognised interest expense of RMB78,819,000 (2019: RMB3,035,000) on the Notes for the year ended 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

30 CORPORATE BONDS

The Company received the Approval Document Zheng Jian Xu Ke No. [2016] 522 and the Approval Document Zheng Jian Xu Ke No. [2016] 1530 from the China Securities Regulatory Commission (“CSRC”) on 16 March 2016 and 8 July 2016 respectively, approving the application of the Company for a public issue of corporate bonds in an aggregated principal amount of up to RMB1,000,000,000 and RMB2,000,000,000 respectively to the qualified investors in the PRC.

The first phase of 2016 corporate bonds (“First Phase 2016 Corporate Bonds”) to qualified investors in the PRC was drawn on 22 March 2016. First Phase 2016 Corporate Bonds were issued in two tranches:

- i. five-year corporate bonds of RMB300,000,000 with coupon rate of 2.85% per annum; the Company shall be entitled to adjust the coupon rate and has the right to redeem the relevant corporate bonds, and the investors shall be entitled to sell back the relevant corporate bonds to the Company, at the end of the third year; and
- ii. seven-year corporate bonds of RMB700,000,000 with coupon rate of 3.38% per annum; the Company shall be entitled to adjust the coupon rate and has the right to redeem the relevant corporate bonds, and the investors shall be entitled to sell back the relevant corporate bonds to the Company, at the end of the fifth year.

During the year ended 31 December 2019, the Company adjusted the coupon rate of the five-year corporate bonds of First Phase 2016 Corporate Bonds from 2.85% to 4.10%, and part of the investors sold back the relevant corporate bonds of RMB10,000,000 to the Company.

The second phase of 2016 corporate bonds (“Second Phase 2016 Corporate Bonds”) to qualified investors in the PRC was drawn on 28 October 2016. Second Phase 2016 Corporate Bonds were issued in two tranches:

- i. five-year corporate bonds of RMB200,000,000 with coupon rate of 2.90% per annum; the Company shall be entitled to adjust the coupon rate and has the right to redeem the relevant corporate bonds, and the investors shall be entitled to sell back the relevant corporate bonds to the Company, at the end of the third year; and
- ii. seven-year corporate bonds of RMB800,000,000 with coupon rate of 3.18% per annum; the Company shall be entitled to adjust the coupon rate and has the right to redeem the relevant corporate bonds, and the investors shall be entitled to sell back the relevant corporate bonds to the Company, at the end of the fifth year.

During the year ended 31 December 2019, the Company has adjusted the coupon rate of the five-year corporate bonds of Second Phase 2016 Corporate Bonds from 2.90% to 3.60%, and part of the investors sold back the relevant corporate bonds of RMB80,000,000 to the Company.

The First Phase 2016 Corporate Bonds and Second Phase 2016 Corporate Bonds (collectively, “Corporate Bonds”) were recognised initially at fair values. Debt issuance costs incurred which were directly attributable were capitalised and amortised over the estimated term of the facilities using the effective interest method.

The effective interest rate for the Corporate Bonds is 3.55% per annum, which includes the interest charged on the Corporate Bonds as well as amortisation of the debt issuance cost. The Group recognised interest expense of RMB67,087,000 (2019: RMB67,727,000) on the Corporate Bonds for the year ended 31 December 2020.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	2020 RMB'000	2019 RMB'000
Trade payables	73,232	47,303
Other payables and accrued charges	789,828	808,655
Construction related accruals and payables	356,302	259,080
	1,219,362	1,115,038

The ageing analysis of trade payables by invoice date is as follows:

	2020 RMB'000	2019 RMB'000
0 - 30 days	8,073	11,058
31 - 90 days	1,412	—
Over 90 days	63,747	36,245
	73,232	47,303

Trade and other payables and accrued charges are mainly denominated in RMB except for other payables of approximately RMB20.1 million (2019: RMB8.6 million) which were denominated in HKD and the carrying amounts approximated their fair values.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS**(a) Reconciliation of operating profit to cash generated from operations:**

	Note	2020 RMB'000	2019 RMB'000
Operating profit		1,337,464	1,919,639
Amortisation of intangible operating rights	13	949,918	640,588
Depreciation of			
– property, plant and equipment	15(a)	16,053	17,278
– right-of-use assets	15(b)	10,187	11,141
Fair value losses/(gains) on investment properties	16	1,312	(842)
Gain on disposal of property, plant and equipment	6	(720)	(111)
Gain on liquidation of a subsidiary	6	—	(37,689)
Contract liabilities and deferred income	27	(18,353)	(5,907)
Operating cash flows before working capital changes		2,295,861	2,544,097
Changes in working capital:			
– (increase)/decrease in trade and other receivables, deposits and prepayments		(27,985)	41,172
– decrease/(increase) in amount due from an associate		27,729	(27,729)
– increase/(decrease) in trade and other payables and accrued charges		27,629	(105,250)
– decrease in amounts due to a joint venture		(2,298)	(22,705)
– decrease in amounts due to holding companies		(178)	(348)
Cash generated from operations		2,320,758	2,429,237

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities:

	Borrowings (current) RMB'000	Borrowings (non-current) RMB'000	Notes payable (non-current) RMB'000	Corporate bonds (current) RMB'000	Corporate Bonds (non-current) RMB'000	Lease liabilities (current) RMB'000	Lease liabilities (non-current) RMB'000	Total RMB'000
Balance as at 31 December 2019	1,305,148	14,134,151	996,522	—	1,907,554	10,488	350	18,354,213
Changes from financing activities cash flows								
Proceeds from borrowings and issuance of Notes	—	771,000	1,493,828	—	—	—	—	2,264,828
Repayment of borrowings, corporate bonds and lease liabilities	(1,305,148)	(1,591,071)	—	—	—	(10,488)	(984)	(2,907,691)
Total changes from financing activities cash flows	(1,305,148)	(820,071)	1,493,828	—	—	(10,488)	(984)	(642,863)
Non-cash changes								
Foreign exchange adjustments	—	(26,998)	—	—	—	—	—	(26,998)
Transfers	977,300	(977,300)	—	1,909,152	(1,909,152)	10,511	(10,511)	—
Other non-cash movements	—	11,861	2,624	—	1,598	—	30,655	46,738
Total non-cash changes	977,300	(992,437)	2,624	1,909,152	(1,907,554)	10,511	20,144	19,740
Balance as at 31 December 2020	977,300	12,321,643	2,492,974	1,909,152	—	10,511	19,510	17,731,090

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities: (Continued)

	Borrowings (current) RMB'000	Borrowings (non-current) RMB'000	Notes payable (non-current) RMB'000	Corporate bonds (current) RMB'000	Corporate Bonds (non-current) RMB'000	Lease liabilities (current) RMB'000	Lease liabilities (non-current) RMB'000	Total RMB'000
Balance as at 31 December 2018	511,249	5,080,996	—	498,068	1,497,554	—	—	7,587,867
Changes from financing activities cash flows								
Proceeds from borrowings and issuance of Notes	—	5,505,500	996,430	—	—	—	—	6,501,930
Repayment of borrowings, corporate bonds and lease liabilities	(511,249)	(2,199,931)	—	(90,000)	—	—	(11,807)	(2,812,987)
Total changes from financing activities cash flows	(511,249)	3,305,569	996,430	(90,000)	—	—	(11,807)	3,688,943
Non-cash changes								
Foreign exchange adjustments	—	9,742	—	—	—	—	—	9,742
Transfers	1,305,148	(1,305,148)	—	(408,068)	408,068	10,488	(10,488)	—
Acquisition of subsidiaries	—	7,040,911	—	—	—	—	—	7,040,911
Changes in accounting policy	—	—	—	—	—	—	21,669	21,669
Other non-cash movements	—	2,081	92	—	1,932	—	976	5,081
Total non-cash changes	1,305,148	5,747,586	92	(408,068)	410,000	10,488	12,157	7,077,403
Balance as at 31 December 2019	1,305,148	14,134,151	996,522	—	1,907,554	10,488	350	18,354,213

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 CONSTRUCTION INCOME/(COSTS) UNDER SERVICE CONCESSION UPGRADE SERVICES

The construction income/(costs) associated with the construction and upgrade services provided under the service concessions recognised for the year are as follows:

	2020 RMB'000	2019 RMB'000
Construction income under service concession upgrade services	307,235	298,276
Construction costs under service concession upgrade services	(307,235)	(298,276)

Construction income is recognised over time.

As at 31 December 2020, the Group expects that the transaction price allocated to unsatisfied performance obligation for construction income under service concession upgrade of RMB69,210,000 will be recognised as construction income from 2020 onwards.

34 COMMITMENTS**(a) Lease receipt commitments**

The Group's future aggregate minimum lease receipts under non-cancellable operating leases of premises and service areas along the expressways are as follows:

	2020 RMB'000	2019 RMB'000
Lease receipts		
Within one year	6,075	6,264
One year to five years	7,400	11,377
	13,475	17,641

(b) Capital commitments

	2020 RMB'000	2019 RMB'000
Contracted but not provided for		
Upgrade and construction of toll expressways under concession arrangements and construction of port	159,706	47,947
Property, plant and equipment	—	3,056
	159,706	51,003

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 BUSINESS COMBINATIONS

On 12 September 2019, the Group entered into an agreement with 廣州越秀企業集團有限公司 (Guangzhou Yue Xiu Enterprises (Holding) Limited) (“GZYXE”), a wholly-owned subsidiary of the ultimate holding company, 廣州越秀集團有限公司 (Guangzhou Yue Xiu Enterprises Holdings Limited) (“GZYX”). The Group has conditionally agreed to acquire (i) 100% of the equity interest in 越秀(湖北)高速公路有限公司 (Yuexiu (Hubei) Expressway Company Limited) (“YXHB”), a company which holds the intangible operating rights of the Daguangnan Expressway, Han’e Expressway and 28.5% of equity interest of 湖北省漢蔡高速公路有限公司 (Hancai Expressway Company Limited of Hubei Province) (“Hancai”), (ii) 38.5% of the equity interest in Hancai, which holds the intangible operating right in the Hancai Expressway (together as the “Acquired Group”), and (iii) all the rights, benefits and title of and in the entire shareholder’s loan owed by YXHB to GZYXE from 20 March 2019 under the unsecured 5-year loan facility of RMB4,655 million at 6.5% per annum granted by the GZYXE to YXHB with the interest accrued thereon, at total consideration of approximately RMB5,975 million. This transaction was completed on 8 November 2019 (the “completion date”) and the toll roads are all currently under full operations.

As a result of the acquisition, the Group has obtained intangible operating rights of Daguangnan Expressway, Hancai Expressway and Han’e Expressway. The operating periods of these expressways are from 18 to 23 years. The Group is expected to increase its presence in the market and reduce costs for operating toll roads through economies of scale.

Details of the acquisition are as follows:

	RMB’000
Total cash consideration	5,975,356
Less: Determined fair value of net identifiable assets acquired	(1,107,000)
Fair value of a shareholder’s loan together with the interest accrued	(4,868,356)
	—

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 BUSINESS COMBINATIONS (CONTINUED)

Determined fair value amounts of the identifiable assets acquired and liabilities assumed were as follows:

	RMB'000
Cash and cash equivalents	133,772
Intangible operating rights (note 13)	15,303,768
Property, plant and equipment (note 15(a))	3,126
Trade and other receivables, deposits and prepayments	176,981
Contract liabilities and deferred revenue (note 27)	(287,513)
Trade and other payables and accrued charges	(5,421,780)
Borrowings (note a)	(7,040,911)
Deferred income tax liabilities (note 28)	(1,307,462)
Deferred income tax assets (note 28)	162,539
Total net identifiable assets acquired	1,722,520
Non-controlling interests	(615,520)
Net identifiable assets attributable to the equity interest acquired by the Group	<u>1,107,000</u>

Note a:

Borrowings acquired included a loan due to a fellow subsidiary of the Group of approximately RMB850,000,000 which was fully repaid in November 2019.

Analysis of net outflow of cash and cash equivalents in respect of acquisition of subsidiaries:

	RMB'000
Cash paid	(5,975,356)
Cash and bank balances acquired	133,772
	<u>(5,841,584)</u>

Acquisition-related costs of RMB14,512,000 have been charged to administrative expenses in the consolidated income statement for the year ended 31 December 2019.

The amount of the non-controlling interest in the Acquired Group recognised was approximately RMB615,520,000 and it represented the share of proportionate of net identifiable assets of the Acquired Group as of the completion date.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 RELATED PARTY TRANSACTIONS**(a) Related parties**

The Company's Directors regard 廣州越秀集團股份有限公司 (Guangzhou Yue Xiu Holdings Limited) ("GZYX") (incorporated in the PRC) as its ultimate holding company and the Guangzhou City Government as its ultimate controlling party.

The table set forth below summarises the names of related parties, with whom the Group has significant transactions during the year, and their relationship with the Company as at 31 December 2020:

Significant related parties	Relationship with the Company
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu")	A wholly-owned subsidiary of ultimate holding company
Yuexiu Property Company Limited ("Yuexiu Property")	A fellow subsidiary
Artform Investment Limited ("Artform")	A fellow subsidiary
Chong Hing Bank Limited ("Chong Hing Bank")	A fellow subsidiary
Chong Hing Insurance Co., Ltd ("Chong Hing Insurance")	A fellow subsidiary
Guangzhou Yuexiu City Construction Jones Lang LaSalle Property Management Co., Ltd. ("YX Jones Lang LaSalle")	A fellow subsidiary
Guangzhou Yue Xiu Enterprises (Holding) Limited ("GZYXE")	A fellow subsidiary
Guangzhou Western Second Ring Expressway Co., Ltd. ("GWSR")	A joint venture
Guangdong Humen Bridge Co., Ltd. ("Humen Bridge")	An associate
Guangdong Qinglian Highway Development Co., Ltd. ("Qinglian Highway")	An associate
Guangdong Shantou Bay Bridge Co., Ltd. ("Shantou Bay Bridge")	An associate
Guangzhou Northring Super Highway Co., Ltd. ("Northring")	An associate
Guangzhou Pazhou Port Company Limited ("Pazhou")	An associate
Guangzhou Yue Xiu City Construction International Finance Center Co., Ltd. ("Yue Xiu IFC")	An associate of a fellow subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 RELATED PARTY TRANSACTIONS (CONTINUED)**(b) Transactions with related parties**

	2020 RMB'000	2019 RMB'000
(i) Administrative service fees to Yuexiu Property	1,160	1,140
(ii) Building management fee to Yue Xiu Property Management Ltd	149	175
(iii) Building management fee to YX Jones Lang LaSalle	1,722	1,677
(iv) Interest income from Chong Hing Bank	13,593	9,222
(v) Management service income from Humen Bridge, Pazhou, Qinglian Highway, Northring and GWSR	2,778	2,234
(vi) Dividend income from Humen Bridge	—	181,113
(vii) Dividend income from Shantou Bay Bridge	—	37,171
(viii) Dividend income from Northring	7,290	119,425
(ix) Dividend income from GWSR	39,983	71,955
(x) Interest expense to GZYXE	—	22,921
(xi) Interest expense to GWSR	6,389	5,128
(xii) Insurance expenses to Chong Hing Insurance	72	101
(xiii) Guarantee fee to GZYXE	2,231	371
(xiv) Addition of right-of-use assets from Yue Xiu IFC	27,896	300

During the year ended 31 December 2019, the Group entered into two foreign exchange forward contracts with Yue Xiu to purchase HKD in the amount of HKD200 million and HKD300 million respectively with RMB. The settlement date will be on 29 March 2021 and 29 March 2022 respectively.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

36 RELATED PARTY TRANSACTIONS (CONTINUED)**(c) Balances with related parties**

	2020 RMB'000	2019 RMB'000
(i) Bank balance deposited in a fellow subsidiary	649,933	796,336
(ii) Amounts due to holding companies	(153)	(331)
(iii) Amount due to a joint venture	—	(2,490)
(iv) Loan from a joint venture	(147,000)	(147,000)
(v) Loans from non-controlling interests of certain subsidiaries	(73,350)	(71,914)
(vi) Amount due to a non-controlling interest of a subsidiary	(1,611)	(1,611)
(vii) Amount due from an associate	—	27,729
(viii) Lease liabilities to an associate of a fellow subsidiary	(29,153)	(9,617)
(ix) Lease liabilities to a fellow subsidiary	(342)	(1,221)

(d) Key management compensation

	2020 RMB'000	2019 RMB'000
Salaries and other short-term benefits	10,092	8,915

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 BALANCE SHEET, INCOME STATEMENT, STATEMENT OF CASH FLOWS AND RESERVE MOVEMENT OF THE COMPANY**Note (i) Balance sheet of the Company**

	31 December 2020 RMB'000	31 December 2019 RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	2,162	2,823
Investments in subsidiaries	5,928,601	5,928,601
Derivative financial instruments	—	1,697
	5,930,763	5,933,121
Current assets		
Amounts due from subsidiaries	11,543,635	3,878,420
Deposits and prepayments	3,845	8,653
Cash and cash equivalents	75,869	317,278
	11,623,349	4,204,351
Total assets	17,554,112	10,137,472
EQUITY		
Equity attributable to the shareholders of the Company		
Share capital	147,322	147,322
Reserves (note (ii))	4,735,853	4,854,147
Total equity	4,883,175	5,001,469

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 BALANCE SHEET, INCOME STATEMENT, STATEMENT OF CASH FLOWS AND RESERVE MOVEMENT OF THE COMPANY

(CONTINUED)

Note (i) Balance sheet of the Company (Continued)

	31 December 2020 RMB'000	31 December 2019 RMB'000
LIABILITIES		
Non-current liabilities		
Borrowings	1,120,120	861,598
Notes payable	2,492,974	996,522
Corporate bonds	—	1,907,554
Deferred income tax liabilities	35,000	35,000
Derivative financial instruments	13,365	—
	3,661,459	3,800,674
Current liabilities		
Borrowings	165,032	—
Corporate bonds	1,909,152	—
Amounts due to subsidiaries	6,828,474	1,268,527
Other payables and accrued charges	96,143	66,802
Derivative financial instruments	10,677	—
	9,009,478	1,335,329
Total liabilities	12,670,937	5,136,003
Total equity and liabilities	17,554,112	10,137,472

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 BALANCE SHEET, INCOME STATEMENT, STATEMENT OF CASH FLOWS AND RESERVE MOVEMENT OF THE COMPANY**(CONTINUED)****Note (ii) Reserve movement of the Company**

	Share premium RMB'000	Contributed surplus (note) RMB'000	Hedging reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2020	2,375,743	1,561,564	(2,377)	919,217	4,854,147
Profit for the year	—	—	—	189,553	189,553
Cash flow hedges –movement in hedging reserve	—	—	6,637	—	6,637
Dividends:					
2019 Final dividend (note 12)	—	—	—	(314,484)	(314,484)
At 31 December 2020	2,375,743	1,561,564	4,260	794,286	4,735,853
Representing:					
Retained profits				696,580	
2020 Final dividend proposed (note 12)				97,706	
				794,286	
At 1 January 2019	2,375,743	1,561,564	—	1,271,134	5,208,441
Profit for the year	—	—	—	265,348	265,348
Cash flow hedges –movement in hedging reserve	—	—	(2,377)	—	(2,377)
Dividends:					
2018 Final dividend	—	—	—	(346,223)	(346,223)
2019 Interim dividend (note 12)	—	—	—	(271,042)	(271,042)
At 31 December 2019	2,375,743	1,561,564	(2,377)	919,217	4,854,147
Representing:					
Retained profits				604,733	
2019 Final dividend proposed (note 12)				314,484	
				919,217	

Note:

The contributed surplus represents the difference between the nominal value of the shares issued by the Company in exchange for all the issued ordinary shares of Kiu Fung Limited and the value of net assets of the underlying subsidiaries acquired by the Company as at 30 November 1996. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 BALANCE SHEET, INCOME STATEMENT, STATEMENT OF CASH FLOWS AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note (iii) Income statement of the Company

	Note	2020 RMB'000	2019 RMB'000
Other income, gains and losses - net	(a)	400,000	400,000
General and administrative expenses	(b)	(31,858)	(54,987)
Operating profit		368,142	345,013
Finance income	(c)	109,439	30,823
Finance costs	(c)	(288,028)	(110,488)
Profit before income tax		189,553	265,348
Income tax expense		—	—
Profit for the year		189,553	265,348

Notes:

- (a) Other income, gains and losses - net

	2020 RMB'000	2019 RMB'000
Dividend income	400,000	400,000

- (b) Expenses by nature

	2020 RMB'000	2019 RMB'000
Depreciation of property, plant and equipment	697	702
Auditor's remuneration		
– Audit services	2,924	2,924
– Non-audit services	5,787	5,787
Legal and professional fee	2,325	15,800
Employee benefit expense (including directors' emoluments)	18,066	26,221

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 BALANCE SHEET, INCOME STATEMENT, STATEMENT OF CASH FLOWS AND RESERVE MOVEMENT OF THE COMPANY (CONTINUED)

Note (iii) Income statement of the Company (Continued)

Notes: (Continued)

(c) Finance income/(costs)

	2020 RMB'000	2019 RMB'000
Bank interest income	6,754	3,008
Intercompany loan interest income	102,685	—
Net other exchange gain	—	21,115
Others	—	6,700
Finance income	109,439	30,823
Interest expenses:		
– Bank borrowings	(45,909)	(22,325)
– Bank facility fees	(4,143)	(5,033)
– Notes payable (note 29)	(78,819)	(3,035)
– Corporate bonds (note 30)	(67,087)	(67,727)
– Others	(4,977)	(2,626)
Exchange loss on bank borrowings	—	(9,742)
Net other exchange loss	(87,093)	—
Finance costs	(288,028)	(110,488)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 BALANCE SHEET, INCOME STATEMENT, STATEMENT OF CASH FLOWS AND RESERVE MOVEMENT OF THE COMPANY

(CONTINUED)

Note (iv) Statement of cash flows of the Company

	2020 RMB'000	2019 RMB'000
Cash flows from operating activities		
Operating profit	368,142	345,013
Depreciation of property, plant and equipment	697	702
Operating cash flows before working capital changes	368,839	345,715
Changes in working capital:		
Decrease in deposits and prepayments	4,808	4,097
(Decrease)/increase in other payables and accrued charges	(100,563)	6,203
Increase in amounts due from subsidiaries	(7,562,530)	(1,519,417)
Increase in amounts due to subsidiaries	5,559,962	946,658
Net cash used in operating activities	(1,729,484)	(216,744)
Cash flows from investing activities		
Purchase of property, plant and equipment	(35)	(2,811)
Increase in investment in a subsidiary	—	(300,000)
Interest received	6,754	3,008
Net cash flows generated from/(used in) investing activities	6,719	(299,803)
Cash flows from financing activities		
Payment of bank facility fees	(1,968)	(4,079)
Proceeds from bank borrowings	451,000	420,000
Proceeds from issuance of Notes	1,493,828	996,430
Repayment of bank borrowings	—	(300,000)
Repayment of corporate bonds	—	(90,000)
Dividend paid to shareholders of the Company	(314,484)	(617,265)
Interest paid	(146,167)	(84,526)
Net cash flows generated from financing activities	1,482,209	320,560
Net decrease in cash and cash equivalents	(240,556)	(195,987)
Cash and cash equivalents at 1 January	317,278	514,679
Effect of exchange rate changes on cash and cash equivalents	(853)	(1,414)
Cash and cash equivalents at 31 December	75,869	317,278

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 BENEFITS AND INTERESTS OF DIRECTORS**(A) Directors' and chief executive's emoluments**

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2020

Name of directors	Emoluments paid or receivable in respect of person's services as a director, whether of the Company or its subsidiary undertaking							Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking	Total RMB'000
	Fees RMB'000	Salaries RMB'000	Discretionary bonuses (note c) RMB'000	Housing allowance RMB'000	Estimated money value of other benefits (note d) RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	RMB'000	
Executive directors									
LI Feng	—	689	1,965	—	—	—	—	—	2,654
CHEN Jing	—	643	1,215	—	—	—	—	—	1,858
XIE Yanhui (note a)	—	443	1,344	—	53	93	—	—	1,933
	—	1,775	4,524	—	53	93	—	—	6,445
Executive director and the Chief executive									
HE Baiqing	—	568	839	—	328	121	—	1,126	2,982
Independent non-executive directors									
FUNG Ka Pun	200	—	—	—	—	—	—	—	200
LAU Hon Chuen Ambrose	265	—	—	—	—	—	—	—	265
CHEUNG Doi Shu	200	—	—	—	—	—	—	—	200
	665	—	—	—	—	—	—	—	665
	665	2,343	5,363	—	381	214	—	1,126	10,092

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)**(A) Directors' and chief executive's emoluments (Continued)**

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2019

Name of directors	Emoluments paid or receivable in respect of person's services as a director, whether of the Company or its subsidiary undertaking							Emoluments paid or receivable in respect of director's other services	Total RMB'000
	Fees RMB'000	Salaries RMB'000	Discretionary bonuses (note c) RMB'000	Housing allowance RMB'000	Estimated money value of other benefits (note d) RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Remunerations paid or receivable in respect of accepting office as director RMB'000	in connection with the management of the affairs of the Company or its subsidiary undertaking RMB'000	
Executive directors									
ZHU Chunxiu (note b)	—	389	—	—	—	—	—	—	389
LI Feng	—	652	2,349	—	—	—	—	—	3,001
CHEUNG Jing	—	632	1,227	—	—	—	—	—	1,859
	—	1,673	3,576	—	—	—	—	—	5,249
Executive director and the Chief executive									
HE Baiqing	—	564	1,021	—	348	113	—	955	3,001
Independent non-executive directors									
FUNG Ka Pun	200	—	—	—	—	—	—	—	200
LAU Hon Chuen Ambrose	265	—	—	—	—	—	—	—	265
CHEUNG Doi Shu	200	—	—	—	—	—	—	—	200
	665	—	—	—	—	—	—	—	665
	665	2,237	4,597	—	348	113	—	955	8,915

Notes:

- Appointed on 28 February 2020.
- Resigned with effect from 22 July 2019.
- Discretionary bonuses are determined based on the Group's financial performance.
- Other benefits mainly include provision of accommodation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)**(B) Directors' retirement benefits**

No retirement benefits were paid to or receivable by the directors in respect of their services as directors of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2019: Same).

(C) Directors' termination benefits

During the year, no payments or benefits in respect of termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2019: Nil).

(D) Consideration provided to third parties for making available directors' services

During the year, no consideration was provided to or receivable by third parties for making available director's services (2019: Nil).

(E) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2019: Nil).

(F) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2019: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 GROUP STRUCTURE

As at 31 December 2020, the Company held shares/interest in the following principal subsidiaries, a joint venture and associates.

Company	Place of incorporation, establishment and operation and type of legal entity	Issued and fully paid up share capital/registered capital	Percentage of ownership interest held by the Company		Principal activities
			Direct	Indirect	
Principal subsidiaries					
Asian East Worldwide Limited	British Virgin Islands	50,000 Ordinary shares of US\$1.00 each	—	100	Investment holding in Guangzhou Northring Super Highway Co., Ltd.
Bentfield Limited	British Virgin Islands	1 Ordinary share of US\$1.00 each	—	100	Investment holding in Guangzhou North Second Ring Transport Technology Co., Limited
Choice Tone Limited	Hong Kong	1 Ordinary share	—	100	Investment holding in Tianjin Jinfu Expressway Co., Ltd.
Famous Kind International Limited	British Virgin Islands	1 Ordinary share of US\$1.00 each	100	—	Investment holding
Grand Speed Limited	Hong Kong	1 Ordinary share	—	100	Investment holding in Guangxi Yuexiu Cangyu Expressway Co., Ltd
Guangzhou North Second Ring Transport Technology Company Limited	PRC, limited liability Company	RMB900,000,000	—	60	Development and management of Guangzhou Northern Second Ring Expressway in Guangzhou
Guangzhou Suiqiao Development Company Limited	PRC, limited liability Company	RMB1,000,000	—	100	Investment holding in Guangdong Humen Bridge Co., Ltd.
Guangzhou Yue Peng Information Limited	PRC, limited liability Company	RMB260,000,000	—	100	Investment holding
Guangzhou Yue Da Investment Company Limited	PRC, limited liability Company	RMB2,000,000,000	—	100	Investment holding
Guangzhou Yue Hong Investment Company Limited	PRC, limited liability Company	RMB65,000,000	—	100	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 GROUP STRUCTURE (CONTINUED)

Company	Place of incorporation, establishment and operation and type of legal entity	Issued and fully paid up share capital/registered capital	Percentage of ownership interest held by the Company		Principal activities
			Direct	Indirect	
Principal subsidiaries					
Guangzhou Yue Tong Expressway Operations and Management Company Limited	PRC, limited liability Company	RMB301,000,000	100	—	Investment holding in Guangdong Qinglian Highway Development Company Limited
Guangzhou Yue Xin Investment Company Limited	PRC, limited liability Company	RMB5,000,000	—	100	Investment holding
Guangxi Yuexiu Cangyu Expressway Company Limited	PRC, limited liability Company	RMB190,925,000	—	100	Development and management of Cangyu Expressway in Guangxi
Hancai Expressway Company Limited of Hubei Province	PRC, limited liability Company	RMB150,000,000	—	67	Development and management of Hancai Expressway in Hubei Province
Henan Yuexiu Weixu Expressway Company Limited	PRC, limited liability Company	RMB660,754,500	—	100	Development and management of Henan Weixu Expressway
Hubei A'shennan Expressway Development Company Limited	PRC, limited liability Company	RMB200,000,000	—	90	Development and management of Daguangnan Expressway in Hubei Province
Hubei Han Xiao Highway Construction and Operations Company Limited	PRC, limited liability Company	RMB495,089,000	—	100	Development and management of Han-Xiao Expressway in Hubei Province
Hubei Suiyuanan Expressway Company Limited	PRC, limited liability Company	RMB1,770,000,000	—	70	Development and management of Suiyuanan Expressway in Hubei Province
Hubei Yue Xiu Han'e Expressway Company Limited	PRC, limited liability Company	RMB135,000,000	—	100	Development and management of Han'e Expressway in Hubei Province
Hunan Changzhu Expressway Development Company Limited	PRC, limited liability Company	RMB927,730,000	—	100	Development and management of Changzhu Expressway in Hunan Province

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 GROUP STRUCTURE (CONTINUED)

Company	Place of incorporation, establishment and operation and type of legal entity	Issued and fully paid up share capital/registered capital	Percentage of ownership interest held by the Company		Principal activities
			Direct	Indirect	
Principal subsidiaries					
Ickleton Limited	British Virgin Islands	1 Ordinary share of US\$1.00 each	—	100	Investment holding
Kam Cheong Limited	British Virgin Islands	1 Ordinary share of US\$1.00 each	—	100	Investment holding
Kiu Fung Limited	British Virgin Islands	2 Ordinary shares of HKD1.00 each	100	—	Investment holding
Smart Top Enterprises Limited	Hong Kong	2 Ordinary shares	—	100	Property holding
Super Praise Ltd.	British Virgin Islands	1 Ordinary share of US\$1.00 each	—	100	Investment holding in Guangdong Shantou Bay Bridge Company Limited
Swift Full Limited	Hong Kong	1 Ordinary share	—	100	Investment holding in Hubei Han Xiao Highway Construction and Operations Company Limited
Tianjin Jinfu Expressway Company Limited	PRC, limited liability Company	RMB265,200,000	—	60	Development and management of Jinxiong Expressway in Tianjin
Wuhan Andi Technology Industry Development Company Limited	PRC, limited liability Company	RMB260,000,000	—	100	Investment holding
Yan Tung Investment Limited	British Virgin Islands	10,000 Ordinary shares of US\$1.00 each	—	83.3	Investment holding
Yuexiu (China) Transport Infrastructure Investment Company Limited	PRC, limited liability Company	RMB4,000,000,000	100	—	Investment holding
Yuexiu (Hubei) Expressway Company Limited	PRC, limited liability Company	RMB30,000,000	—	100	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 GROUP STRUCTURE (CONTINUED)

Joint venture	Place of incorporation/ establishment and operation and type of legal entity	Registered capital	Percentage of ownership interest/voting power/profit sharing indirectly held by the Company			Principal activities
			Ownership	Voting power	Profit sharing	
Guangzhou Western Second Ring Expressway Company Limited	PRC, limited liability Company	RMB1,000,000,000	35	33	35	Development and management of Guangzhou Western Second Ring Expressway in Guangzhou

Associates	Place of incorporation/ establishment and operation and type of legal entity	Registered capital	Percentage of ownership interest held by the Company		Principal activities
			Direct	Indirect	
Guangdong Humen Bridge Company Limited	PRC, limited liability Company	RMB273,900,000	—	27.78 (note a)	Development and management of Humen Bridge in Humen
Guangdong Qinglian Highway Development Company Limited	PRC, limited liability Company	RMB3,361,000,000	—	23.63	Development and management of Qinglian Expressway
Guangdong Shantou Bay Bridge Company Limited	PRC, limited liability Company	RMB75,000,000	—	30	Development and management of Shantou Bay Bridge in Shantou
Guangzhou Northring Super Highway Company Limited	PRC, limited liability Company	US\$19,255,000	—	24.3	Development and management of Guangzhou City Northern Ring Road
Guangzhou Pazhou Port Company Limited	PRC, limited liability Company	RMB178,800,000	—	45	Development and management of Pazhou Port in Guangdong

(a) The profit sharing ratio was changed to 18.446% from 2010 onwards.

CORPORATE AND INVESTOR RELATIONS INFORMATION

BOARD OF DIRECTORS

Executive directors

Mr Li Feng (*Chairman*)
Mr He Baiqing
Ms Chen Jing
Mr Xie Yanhui

Independent non-executive directors & audit committee members

Mr Fung Ka Pun
Mr Lau Hon Chuen Ambrose
Mr Cheung Doi Shu

COMPANY SECRETARY

Mr Yu Tat Fung

AUDITOR

PricewaterhouseCoopers
Certified Public Accountants
Registered Public Interest Entity Auditor

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

17A Yue Xiu Building
160 Lockhart Road
Wanchai
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR

Tricor Abacus Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

LISTING EXCHANGE

Shares

The Stock Exchange of Hong Kong Limited

The stock codes are:
The Stock Exchange of Hong Kong Limited-01052
Reuters-1052.HK
Bloomberg-1052 HK

Bonds and notes

Shanghai Stock Exchange

RMB290,000,000 4.1 per cent. Corporate Bonds due 2021 (code: 136323)

RMB120,000,000 3.6 per cent. Corporate Bonds due 2021 (code: 136804)

RMB700,000,000 3.38 per cent. Corporate Bonds due 2023 (code: 136324)

RMB800,000,000 3.18 per cent. Corporate Bonds due 2023 (code: 136806)

RMB1,000,000,000 3.63 per cent. Corporate Bonds due 2026 (code: 175650)

Beijing Financial Assets Exchange
RMB1,000,000,000 3.58 per cent. Medium Term Notes due 2022 (code: 101901632)

RMB1,000,000,000 3.47 per cent. Medium Term Notes due 2023 (code: 102000026)

RMB500,000,000 3.54 per cent. Medium Term Notes due 2023 (code: 102001532)

RMB1,000,000,000 3.78 per cent. Medium Term Notes due 2026 (code: 102100198)

INVESTOR RELATIONS

For further information about Yuexiu Transport Infrastructure Limited, please contact:
Ms Grace Li
Telephone : (852) 2865 2205
Facsimile : (852) 2865 2126
Email : contact@yuexiutransport.com.hk

WEBSITES TO ACCESS COMPANY INFORMATION

<http://www.yuexiutransportinfrastructure.com>
<http://www.irasia.com/listco/hk/yuexiutransport>
<http://www.hkexnews.hk>