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SHENZHEN EXPRESSWAY COMPANY LIMITED

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

(Stock Code: 00548)

2020 Annual Results Preliminary Announcement

I. Important Notice

- 1.1** 2020 Annual Results Preliminary Announcement of the Company is extracted from the full Annual Report 2020 of the Company. For detailed information, investor shall read the full Annual Report to be published on the website of SSE at <http://www.sse.com.cn> and HKEx at <http://www.hkexnews.com.hk>.

All the information to accompany preliminary announcement of results for the financial year required under Appendix 16 to the Listing Rules was included in the 2020 Annual Results Preliminary Announcement published on the website of HKEx.

The 2020 annual financial statements of the Company were prepared in accordance with CASBE, and also were complied with the disclosure requirements under the Hong Kong Companies Ordinance and the Listing Rules.

Unless otherwise stated, the amounts stated in this announcement are in RMB.

1.2 Basic Information of the Company

Type of shares	A Share	H Share
Abbreviation	Shenzhen Expressway	Shenzhen Expressway
Stock code	600548	00548
Listing exchanges	SSE	HKEx
Contacts and details	Secretary of the Board	Securities Officer
Name	GONG Tao Tao	GONG Xin, XIAO Wei
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II. Proposed Profit Distribution

The Board recommended the payment of a final dividend of RMB0.43 (proposal) (tax included) per share in cash to all shareholders (2019: RMB0.52 per share), based on the total share capital of 2,180,770,326 as at the end of 2020 and totaling RMB937,731,240.18. The aforesaid proposal shall be subject to approval by shareholders at the 2020 Annual General Meeting of the Company. The date of the annual general meeting, the record date for dividend payment, dividend payment procedures and payment date, and the book closure period for H Shares will be notified separately. It is expected that the dividend will be distributed on or before 16 July 2021.

III. Principal Financial Data and Information of the Shareholders

3.1 Principal Financial Data

During the Reporting Period, the Group recorded revenue of RMB8,026,737,000, representing a YOY increase of 25.61%, mainly due to the consolidation of Nanjing Wind Power, Baotou Nanfeng and Lande Environmental into the financial statements of the Group in April 2019, September 2019 and January 2020, respectively, leading to the increase in the Group's revenue from the environmental protection business in the current period. In 2020, the Group recorded net profit attributable to owners of the Company ("net profit") of RMB2,054,523,000 (2019 (restated): RMB2,564,318,000), taking aside the effects of the recognition of deferred income tax asset of Coastal Company by the Group in 2019, the YOY increase of the net profit is approximately 0.32%.

Currency: RMB

	As at 31 Dec 2020	As at 31 Dec 2019		Change as compared to the end of last year (%)	As at 31 Dec 2018	
		After adjustment	Before adjustment		After adjustment	Before adjustment
Total assets	55,144,962,042.63	45,658,413,658.91	44,923,734,271.98	20.78	44,399,693,368.18	41,100,850,328.23
Owners' equity attributable to owners of the Company	23,042,941,782.92	18,525,888,505.26	18,374,542,643.63	24.38	19,098,329,778.25	17,387,090,943.28
	2020	2019		Change as compared to the last year (%)	2018	
		After adjustment	Before adjustment		After adjustment	Before adjustment
Revenue	8,026,737,099.99	6,390,295,110.82	6,185,825,111.97	25.61	6,468,097,132.29	5,807,108,031.78
Net profit attributable to owners of the Company	2,054,523,306.30	2,564,317,594.25	2,499,484,975.75	-19.88	5,069,016,729.58	3,440,050,607.33
Net profit attributable to owners of the Company - excluding non-recurring items	1,957,015,513.64	2,243,627,358.26	2,243,627,358.26	-12.77	1,537,875,136.33	1,537,875,136.33
Net cash flows from operating activities	1,100,633,933.07	1,695,357,337.06	1,751,428,675.07	-35.08	3,243,642,096.19	3,222,228,582.62
Return on equity - weighted average (%)	10.83	13.73	14.14	Decrease 2.89 pct.pt	31.60	22.85
Earnings per share - basic (RMB/share)	0.936	1.176	1.146	-20.44	2.324	1.577
Earnings per share - diluted (RMB/share)	0.936	1.176	1.146	-20.44	2.324	1.577

1. During the Reporting Period, due to the consolidation of Financial Leasing Company, Logistics Finance Company and Longda Company into the Group as a jointly controlled entity, the Company adjusted the data of consolidated financial statements to previous years retrospectively pursuant to relevant requirements under the Accounting Standards for Business Enterprises. For details, please refer to the relevant content in Note VI of the Financial Statements.

2. During the Reporting Period, the Company issued RMB 4 billion of perpetual bonds, which were included in other equity instruments. The impact of perpetual bonds was deducted when calculating the above earnings per share and weighted average return on net assets pursuant to relevant requirements.

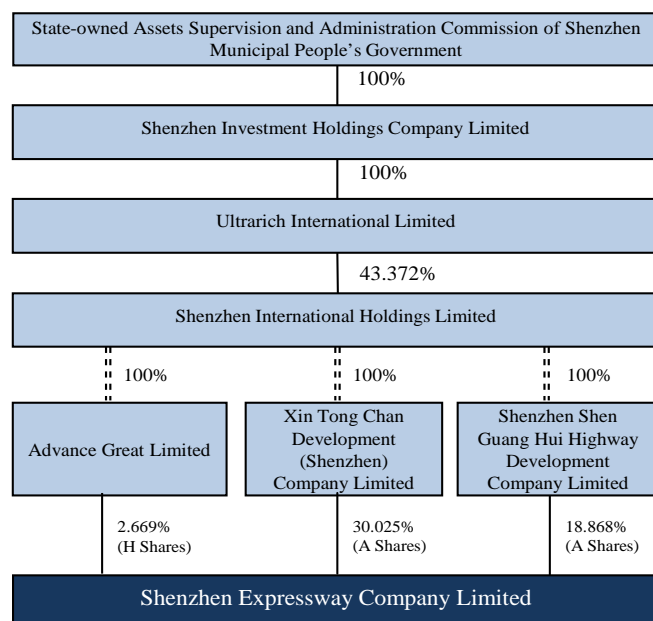
3.2 Information of the Total Number of Shareholders and the Top Ten Shareholders

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

Unit: share

Total number of shareholders as at the end of 2020	The Company had 21,819 shareholders in total, including 21,578 holders of A Shares and 241 holders of H Shares.				
Total number of shareholders as at the end of the last month prior to the Reporting Date	The Company had 20,183 shareholders in total, including 19,947 holders of A Shares and 236 holders of H Shares.				
Top ten shareholders as at the end of 2020					
Name of shareholder	Nature of shareholders	Percentage	Number of shares held	Number of restricted circulating shares held	Number of shares pledged or frozen
HKSCC NOMINEES LIMITED ⁽¹⁾	Overseas legal person	33.45%	729,570,042		Unknown
Xin Tong Chan Development (Shenzhen) Company Limited	State-owned legal person	30.03%	654,780,000		None
Shenzhen Shen Guang Hui Highway Development Company	State-owned legal person	18.87%	411,459,887		None
China Merchants Expressway Network & Technology Holdings Company Limited	State-owned legal person	4.18%	91,092,743		None
Guangdong Roads and Bridges Construction Development Company Limited	State-owned legal person	2.84%	61,948,790		None
China Merchants Bank-SSE Dividend Trading Open Index Securities Investment Fund	Domestic non-state-owned legal person	1.04%	22,641,573		Unknown
AU SIU KWOK	Overseas natural person	0.50%	11,000,000		Unknown
Mo Jing Xian	Domestic natural person	0.49%	10,711,880		Unknown
Zhang Ping Ying	Domestic natural person	0.35%	7,714,565		Unknown
Hong Kong Central Clearing Company Limited	Domestic non-state-owned legal person	0.27%	5,843,692		Unknown
Connected relationship or concerted action relationship among the abovementioned shareholders	XTC Company and SGH Company are connected persons under the same control of Shenzhen International. In addition to the above associations, there is no connected relationship among the state-owned shareholders in the above table. The Company did not notice any connected relationship among the other abovementioned shareholders or any connected relationship among the abovementioned state-owned shareholders and other shareholders.				
Note: (1) The H Shares held by HKSCC NOMINEES LIMITED were held on behalf of various clients.					

3.3 The Ownership and the Relation of Control between the Company and the De-facto Controller



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

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

(I) Analysis of Operating Environment

(1) Economic environment

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

(2) Policy environment

Toll highway industry: To reinforce the reform of toll road system, the government introduced a number of policies regarding the toll highway in 2019 which have been implemented since 1 January 2020. Such policies include the removal of provincial boundary highway toll stations, which aim to achieve non-stop express toll collection, and the vigorous promotion of application of ETC on highways, which aim to realise ETC utilisation rate of vehicles passing through the highways over a certain proportion by the end of 2019, as well as strict implementation of the basic preferential policy that offer a discount of not less than 5% of the toll fees for ETC users. In addition, the MOT issued the "Classification of Toll Fees for Vehicles on Toll Highways" (

), a new standard for the transportation industry. The new standard downgraded original Type-2 passenger vehicles with 8 and 9 seats as Type-1 mini passenger vehicles, and implemented toll-by-class instead of toll-by-weight policy for trucks. The traffic management department of Guangdong Province requires a cancellation of toll collection on mileage in relation to interchanges connecting ramp at transportation hubs and re-approval of the toll fees standard for section fees with the amount of toll fees for each section rounded

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

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

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

The “Notice of the National Development and Reform Commission on Improvement of Policy regarding On-grid Tariff of Wind Power” (

) issued in May 2019 replaced the on-grid tariff of onshore wind power with government’s guided price and the on-grid tariff of all newly approved centralised onshore wind power projects shall be determined through competitive process. For those onshore wind power projects approved in the previous years, there is a clear division of time limit for grid connection and tariff subsidies. Driven by such policy, the construction of onshore wind

power projects remained in the peak period in 2020. Since May 2019, the National Energy Administration has successively issued policies in relation to the wind power and photovoltaic power industries, which highlighted two key directions, namely promoting grid parity and competitive allocation of projects that require subsidies. The transmission and consumption guarantee mechanism of wind power and photovoltaic power were also improved to enhance market competitiveness. Pursuant to the “Notice on Commencement of Relevant Review Work on the Projects List of Renewable Energy Power Generation Subsidies” () issued by the General Office of the Ministry of Finance in March 2020, the application for government subsidies regarding renewable energy has been reopened, which will facilitate earlier receipt of existing power generation subsidies for new energy power generation and operation projects. The abovementioned policies will be favorable for the stable and orderly development of the wind and photovoltaic power industries. Wind energy and other new energy in China have seen rapid development. According to the information of the National Energy Administration, the annual average newly installed capacity of wind power and photovoltaic power in China during the implementation of the 13th Five-Year Plan was approximately 63 million kW in aggregate, which showed that both energy resources have become an integral part of energy transformation and the main source of incremental power in the future. President Xi Jinping further announced in December 2020 that, “by 2030, the non-fossil energy will account for about 25% of primary energy consumption, and the total installed capacity of wind power and solar power will be more than 1.2 billion kW”. The new energy power generation industry will see broader room for development.

(II) Business Management and Upgrade

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

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

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

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

were upgraded and modified during the year. Charging stations for new energy vehicles were also added to provide drivers and passengers with convenience for smooth driving, thereby enhancing service reputation of the Company.

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

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

Offer momentum to business operation through application of innovative technologies

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

During the Reporting Period, Jihe Expressway reconstruction and expansion project and other major projects were adopted by the Group as carriers to explore the construction and research of intelligent expressways. To meet the industrial construction requirements and solve the complicated management difficulties throughout the process of traffic operation and road maintenance during the period of project construction, all elements of the construction site were managed in a unified manner by adopting information technology to formulate an information-based, visualised and intelligent BIM-based engineering project management system, thereby improving the management efficiency and application value. Through the application of new technologies such as artificial intelligence and the Internet of Things, the deep integration of the full life cycle business, including construction, operation and services, of Jihe Expressway was achieved, with a view to developing a digital twin of Jihe Expressway and establishing an intelligent platform for construction, operation and management, thereby achieving the objectives on the whole process of construction, management and maintenance of the Jihe Expressway in terms of efficiency, safety and

cost-efficiency. Moreover, the integrated information platform for the management and control of the road condition of Outer Ring Project successfully developed by the Group in the previous year was officially put into operation. According to the data accumulated during the process of operation, the functional modules of the platform has achieved their expected performance of improving management efficiency and work quality, and reducing management costs. Computer Software Copyright issued by the National Copyright Administration and two patents of practical innovations have been obtained by this platform. In 2020, the research on the platform was awarded with the second prize in the first Shenzhen Quality Technology and Innovation Award. During the Reporting Period, the Group also commenced research on projects such as drone application, toll collection inspection management system under the free-flow model and 5G multifunctional pole. The drone application system enabled the Group to implement works such as monitoring of traffic flows, inspection and emergency rescue coordination. In the future, the Group will also foster the application of information technology in its general-environmental protection business, with an aim to offering momentum to business operation through technologies by building intelligent environmental protection and intelligent energy infrastructure.

(III) Toll Highway Business

1. Business Performance and Analysis

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

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

Notes:

According to the agreement of implementation of toll adjustment for lorries by Coastal Project signed between Shenzhen Transport Bureau and Coastal Company, all types of trucks passing through the Coastal Project will be charged 50% of the normal toll fees standard from 1 March 2018 to 31 December 2020, and Shenzhen Transport Bureau compensated to Coastal Company for RMB302 million. Upon the expiry of the toll adjustment agreement, Shenzhen

Longhua, Longgang and Pingshan, the project will play a key role of traffic intersection, consolidation and distribution for the six districts in Shenzhen such as Airport Economic Zone New Town along the expressway.

(2) Guangdong Province - Other regions:

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

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

(3) Other provinces

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

2. Business Development

Outer Ring Project is a toll highway invested by the Group according to the PPP model, which includes Outer Ring Phase I and Outer Ring Phase II. Of which, the total length of Outer Ring Phase I is about 50.74 kilometers and the total length of Phase II is about 9.35 kilometers. Outer Ring Project is the longest expressway in the highway network planning of Shenzhen to date. Upon completion, it will be connected to 10 expressways and 8 Class 1 highways in Shenzhen region. The project involves a large scale of engineering construction with numerous bridges and tunnels as well as complicated transportation networks, and hence has a high requirement on construction management. During the Reporting Period, with a target to open Outer Ring Phase I to traffic by the end of 2020, the Group overcame the impact of the engineering construction lagging behind due to

the Epidemic in the beginning of the year by optimising the construction arrangement plan and increasing the allocation of resources, thereby successfully achieving its goal of putting Outer Ring Phase I into operation on 29 December 2020. As at the end of the Reporting Period, approximately 81.4% of Outer Ring Project has been completed, among which the land resumption and demolition and relocation work have been basically completed. The engineering construction of roadbed and bridges for Phase II in full swing is being carried out. In addition, with the approval of the Board, the Company was actively conducting the preliminary work, such as inspection and design, of the first-stage section of Outer Ring Phase III during the Reporting Period. For details of Outer Ring Project, please refer to the relevant contents of the Company's announcement dated 18 March 2016 and circular dated 25 April 2016.

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

To match the overall work plan and arrangement of the government's expressway construction and improve road safety and quality and the traffic environment, the Board have approved the preliminary work of the Group's preliminary design of the Jihe Expressway reconstruction and expansion project in January 2018. During the Reporting Period, the Board further approved the work in relation to the first-stage section of the Jihe Expressway reconstruction and expansion project and the relocation of high voltage cable. Upon several rounds of communication and coordination between the Company and various administrative authorities of the government, the Jihe Expressway reconstruction and expansion project was granted approval by Guangdong Provincial Government in January 2018.

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

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

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

On 29 May 2020, Operation Development Company, a wholly-owned subsidiary of the Group, entered into agreement contract in respect of acquiring 60% of the equity interests in Guangdong Boyuan Construction Engineering Co., Ltd () at a consideration of RMB6.99 million. The change of the relevant industrial and commercial registration was completed in September 2020 and the company name has been changed to "Shenzhen Expressway Engineering Development Co., Ltd ()". Engineering Development Company possesses a grade two qualification for general contractor in terms of road project construction as well as relatively leading professional technological advantages and extensive experience in operation management in the field of highway maintenance. Upon completion of acquisition

(IV) Environmental Protection Business

In order to explore a broader room for the Group's long-

quality by optimising the production process constantly and promoting the development and unleashing of production capacity of production bases, thereby performing the delivery plan on schedule in the fourth quarter and hence achieved its annual performance targets. During the Reporting Period, Nanjing Wind Power also made efforts in the long-term layout to actively develop pipeline projects by establishing business connections with various provinces and regions in the country and cooperation relationships with various industry leading enterprises in the country. In addition, Nanjing Wind Power stepped up its efforts in technological research and development and completed the technological development, qualification and testing for two new models, thereby realising effective mass production of the new products. Currently, Nanjing Wind Power seeks to make preparation in advance for business development in the future by increasing market sales, enhancing productivity and management, improving product features constantly and strengthening receipt of payments of sales.

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

With increasing scale of the new energy segment business, in August 2020, the Group established a wholly-owned subsidiary named Shenzhen Expressway New Energy Holdings Co., Ltd (

) with a registered capital of RMB1.4 billion (paid-up capital of the first tranche was RMB30 million), in order to enhance the operation and management efficiency of the new energy industry and business development, with a view to integrating internal and external resources in an effective way, thereby establishing a more scientific governance structure with independent legal entity and an operation and management system, so as to align with the needs of integrated development strategies of the Group's new energy business. The subsidiary will act as a platform for investment, financing and management of the new energy industry, which the Group will develop with a focus on wind power, supplemented by the businesses of photovoltaic power and energy storage.

Upon approval of the Board, Guangdong New Energy Company, a wholly-owned subsidiary of New Energy Company, invested a total amount of approximately RMB450 million to acquire 100% equity interests in the wind power projects named Qianzhi Company and Qianhui Company in Mulei by way of equity transfer and capital increase. For details, please refer to the relevant contents in the Company's announcement dated 25 January 2021. The wind power projects in Mulei are located in Changji Hui Autonomous Prefecture, Xinjiang Uygur Autonomous Region with 133 wind

turbines in total. The aggregated actual installed capacity of Qianzhi Project and Qianhui Project is 249.5 MW, which had completed connection of the network and commenced power generation in the end of 2020. The approved feed-in tariff is RMB0.49/kWh. The wind power projects in Mulei possesses abundant wind resources with a relatively high value for wind power development. It is also a supporting project of ultra high voltage in Zhundong – Southern Anhui region with promising power consumption. With the acquisition of the wind power projects in Mulei, the Group can expand the scale of its clean energy business, thereby generating sound investment returns and thus further consolidating the core capabilities and position of the Group in the wind power industry.

3. Water Environmental Remediation and Others

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

In October 2018, the Company established Shenzhen Expressway SUEZ Environment Company Limited with Suez Group, a shareholder of Derun Environment. Of which, the Company holds 51% of equity interests. The Company principally engages in the treatment of industrial sewage and
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(V) Entrusted Management and the Development of Other Infrastructure

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

1. Entrusted Construction Business

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

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

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

Duohua Bridge Project is about 2.2 km long in total, the major construction work of the project is the construction of Duohua Bridge. The total investment amount of the project is approximately RMB900 million and the construction period of the project is expected to be approximately 3 years. It is a municipal project invested by the government of Longli County, Guizhou through Guilong Holdings, its platform company. On 29 March 2018, Longli County Government, Guilong Holdings and Guishen Company signed an investment cooperation agreement for the project. According to the investment cooperation agreement, Guishen Company is responsible for raising construction funds, and Guilong Holdings will pay project fee to Guishen Company according to the contract. For details, please refer to the announcement of the Company dated 29 March 2018. As at the end of the Reporting Period, approximately 65% of the physical work of the project has been completed. Duohua Bridge is located in a valley with high mountains. To meet the demanding requirements of the local government in terms of engineering design and construction, the project team commenced a series of scientific tests to secure the safety of the construction, while conducting in-depth design work of the project featuring characteristics of local geographical area and culture.

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

2. Entrusted management business

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

won the bid for the land of Longli Project with an area of approximately 3,037 mu (approximately 2,020,000 square meters) in aggregate, including approximately 2,770 mu of Guilong Project land with a transaction amount of approximately RMB960 million, and approximately 268 mu of Duohua Bridge Project land with a transaction amount of approximately RMB146.56 million (deed tax included). In respect of Guilong Project land, the interests in approximately 1,610 mu have been transferred, while 1,075 mu is under secondary development as at the end of the Reporting Period. The remaining land is under planning. Guishen Company has set up certain wholly-owned subsidiaries to hold and manage the land use rights of the land parcels mentioned above.

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

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

(2) Meilin Checkpoint Renewal Project

Pursuant to the relevant agreement and the approval of the general meeting of the Company, the Company, Shenzhen International (through XTC Company, its wholly-owned subsidiary) and Vanke jointly invested in United Land Company. The three parties held 34.3%, 35.7% and 30% equity interests of United Land Company respectively. United Land Company mainly serves as the reporting and implementing entity of Meilin Checkpoint Renewal Project. Meilin Checkpoint Renewal Project occupies a land area of approximately 96,000 square meters, which shall be used for residential and commercial purposes, and a capacity building area of not more than 486,400 square meters (including public facilities) in

aggregate. For details, please refer to the Company's announcements dated 8 August 2014, 10 September 2014, 8 October 2014, 25 July 2018, 28 September 2018 and 13 November 2018 respectively and the circular dated 17 September 2014 and 22 October 2018 respectively.

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

4. Development and Management of Other Infrastructure

The Investment Company and Shenzhen One Apartment Management Co., Ltd. () has established in Shenzhen a joint venture, i.e. Shenzhen Expressway One Apartment Management Co., Ltd. () which was held as to 60% by the Investment Company, as the principal entity for the cooperation under the long-term rental apartment business in Fuyong and Songgang. Due to the impact of the epidemic, the occupancy rate of Songgang Project was 68%, while the occupancy rate of Fuyong Project was 67% as at the end of the Reporting Period.

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

(VI) Industrial-Financial Integration

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

During the Reporting Period, the Group has completed the acquisition of 48% interest in Financial Leasing Company held by SZ International through its wholly-owned subsidiaries at the

manager of the fund is Shenzhen Kunpeng Equity Investment Management Co., Ltd. (). The record-filing and registration in respect of the fund was completed on 22 September 2020. For details, please refer to the announcements of the Company dated 30 June 2020, 17 August 2020 and 24 September 2020. The focus of State-owned Assets Collaborative Development Fund comprises utilities including environmental protection, new energy and infrastructure, as well as financial and strategic emerging industries, which will generate synergies with the industrial development of Shenzhen Expressway.

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

(VII) Other Businesses

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

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

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

During the Reporting Period, each of the above businesses proceeded smoothly and has met the Group's expectation in general. Due to the limitation on the scales or investment models, the contributions from these businesses currently only account for a very small proportion of the Group's revenue and profit. For details of other businesses during the Reporting Period, please refer to the relevant content in note V\14 and note V\46 to the Financial Statements in this announcement.

4.2 Financial Analysis

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

(I) Analysis of Main Business

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

Unit: '000 Currency: RMB

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

1. Analysis of Income and Cost

During the Reporting Period, the Group recorded revenue(p)]BDC /04 37(od,)15(t)7(h)12(e)4(GDP)-4(P6(M(i)1B (

(1) Breakdown of main business by industry, product and region

Unit: '000 Currency: RMB

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

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

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

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

(2) Analysis of Cost

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

Unit: '000 Currency: RMB

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

Other Information of Cost Analysis:

Mainly due to the decrease in the number of toll collection staff, the decrease in overtime expenses for toll collection staff attributed to the Toll-free Policy during the Epidemic, and the implementation of pension insurance Reduction and Exemption Policy in phases during the Reporting Period, resulting in a corresponding decrease in employee expenses in the current period.

The repair of the slope landslide of Shuiguan Expressway for the corresponding period of last year, resulting in a decrease in special maintenance costs in the current period.

The increase in depreciation and amortization in the current period is mainly due to the completion of the relevant network of the national toll collection at the end of 2019 and the conversion to fixed assets, the upward adjustment of the amortisation amount of Yichang Expressway since 2020, and a YOY increase in traffic volume as a result of the Toll-free Policy during the Epidemic, etc.

Provision for the operation and management expenditure related to ancillary toll roads.

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

During the Reporting Period, the costs related to sales of wind turbine equipment, wind power generation and recovery

(3) Major customers and major suppliers

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

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

2. Expenses

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

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

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

The Group's financial expenses for the Reporting Period amounted to RMB491,548,000 (2019 (restated): RMB587,734,000), representing a YOY decrease of 16.37%, which was mainly because foreign liabilities was affected by fluctuation in RMB exchange and resulted in exchange gain during the Reporting Period (2019: exchange loss). During the Reporting Period, the Company continued to lock the foreign exchange swap transactions on US dollar bond. Details of the foreign exchange swap transaction are set out in note V\2 to the Financial Statements in this announcement. After hedging the "Gain from changes in fair value – Income from changes in fair value of foreign currency swap instruments" and "Gains from investment – Gains from completion of foreign currency swaps", the Group's comprehensive financial cost during the Reporting Period was RMB619,960,000 (2019 (restated): RMB543,288,000), representing a YOY increase of 14.11%, which was mainly due to increase in the scale of borrowing, decrease in the comprehensive borrowing costs (Reporting Period: 4.16%, 2019: 4.39%), as well as the combined effect of factors such as increase in capitalised interest. For details of the changes in borrowing scale, please refer to "Analysis of Assets and Liabilities" below. The detailed analysis of financial expenses is as follows:

Unit: '000 Currency: RMB

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

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

3. Investment Income

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

Unit: '000 Currency: RMB

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

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

4. Investment in Research and Development

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

Breakdown of investment in research and development:

Unit: '000 Currency: RMB

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

5. Cash Flow

Descriptions on the reasons for changes in net cash flows from operating activities: During the Reporting Period, the Group's net cash inflows from operating activities amounted to RMB1,100,634,000 (2019 (restated): RMB1,695,357,000), representing a YOY decrease of 35.08%, which was mainly due to the significant decrease in cash inflows from toll revenue during the Reporting Period as affected by the Toll-free Policy during the Epidemic, and increase in the costs for procurement of wind turbine component and advance payment of project fee. In addition, the recurring cash return on investments from associates^{Note} during the Reporting Period amounted to RMB288,160,000 (2019: RMB396,706,000), representing a YOY decrease of RMB108,546,000, which was mainly due to the decrease in cash flow distributed by associates operating toll highways as affected by the Toll-free Policy during the Epidemic.

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

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

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

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

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

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

(II) Analysis of Assets and Liabilities

1. Assets and Liabilities

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

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

Detailed analysis of assets and liabilities is as follows:

Unit: '000 Currency: RMB

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

Descriptions of assets and liabilities:

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

2. Restriction on Main Assets as at the End of the Reporting Period

(1) As at the end of the Reporting Period, details of the Company's and its subsidiaries' assets mortgaged or pledged are as follows:					
Assets	Type	Bank	Scope of security	Balance of secured loan as at the end of the Reporting Period	Term
Toll collection rights of Qinglian Project	Pledge	A consortium including China Development Bank, etc.	Principal and interests of syndicated loans in an aggregate amount of RMB5.9 billion	384 million	Until repayment of all liabilities under the loan agreement
	Pledge	Industrial and Commercial Bank of China Limited Qingyuan Branch	Principal and interests of fixed asset loans in an aggregate amount of RMB2.5 billion	600 million	Until repayment of all liabilities under the loan agreement
100% equity interests in Meiguan Company	Pledge	China Construction Bank Shenzhen Branch	Counter-guarantee for the irrevocable guarantee with joint liability in respect of the redemption of the corporate bonds with an amount of RMB800 million upon maturity	800 million	Until repayment of corporate bonds (including principal and interests)

Equity interests, franchise rights, accounts receivable, land use rights and production equipment, among other assets, of various subsidiaries of Lande Environmental of RMB1,889 million	Pledge, mortgage	Various banks and financial leasing companies	The scope of security covers principal and interests of bank loans and finance leases for various projects in an aggregate amount of RMB852 million	573 million	Certain periods after the repayment of liabilities
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(2) As at the end of the Reporting Period, details of the restrictions on the capital of the Company and its subsidiaries are as follows:

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

Details of restriction of assets:

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

Note 2: Details of the restrictions on the Group's major assets at the end of the Reporting Period are set out in note \62 to the Financial Statements in this announcement.

3. Capital Structure and Debt Repayment Capability

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

Key indicators	As at the end of 2020	As at the end of 2019 (restated)
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4. Liquidity and Cash Management

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

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

Unit: Million Currency: RMB

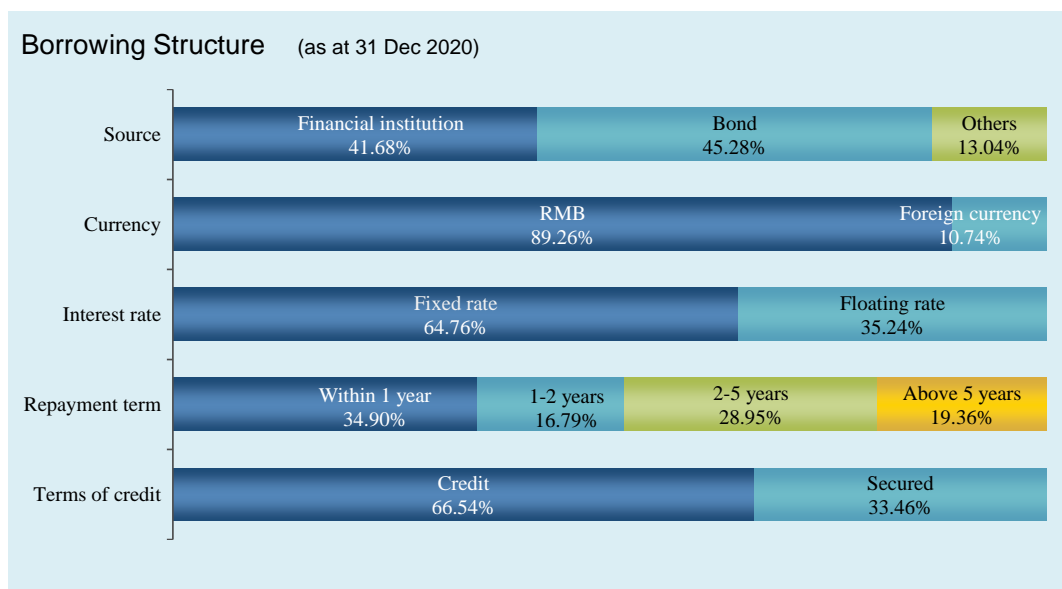
	31 December 2020	31 December 2019 (restated)	Change in amount
Net current assets	-3,954	1,158	-5,113
Cash and cash equivalents	3,234	2,978	256
Banking facilities available	16,409	14,366	2,043

5. Financial Strategies and Financing Arrangements

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

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

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



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

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

6. Utilisation of funds raised

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

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

7. Contingencies

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

(III) Analysis of the Investment

1. General Analysis on External Equity Investments

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

(1) Material Equity Investments

During the Reporting Period, the total equity investment of the Group amounted to approximately RMB3,094 million (2019: RMB790 million), representing a YOY increase of RMB2,304 million, mainly due to the acquisition of equity interests and the increase of capital in Lande Environmental

Environmental Technology Industry M&A Fund	Investment management and equity investment	45%	135,000	During the Reporting Period, the Company agreed to contribute 45% of the capital of Environmental Technology Industry Investment M&A Fund, totalling RMB450 million. As at the end of the Reporting Period, the Company had paid initial investment of RMB135 million in accordance with the investment progress.
Yangmao Company	Investment, construction and operation management of Yangjiang-Maoming Expressway and development of its supporting service projects	25%	103,750	The approved budget for Yangmao reconstruction and expansion project is estimated to be RMB8.0 billion (35% are self-raised funds), and the Company should invest RMB700 million according to the 25% shareholding ratio. During the Reporting Period, the Company paid RMB104 million for capital increase according to shareholding ratio and project progress, and had made an accumulated investment of RMB270 million.
Engineering Company	Expressway maintenance engineering projects	60%	24,811	During the Reporting Period, Operation Company, a subsidiary of the Company, acquired a total of 60% of equity interests of Engineering Company through acquisition of equity interests and increase of capital.

(2) Material non-equity investments

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

Unit: '000 Currency: RMB

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

(3) Financial assets/liabilities measured at fair value

Unit: '000 Currency: RMB

Item name	Opening balance	Closing balance	Change during the period	Impact on total profit for the period
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Company name	Percent age of interests held by the Group	Registered capital	31 December 2020		2020			Principal business
			Total assets	Net assets	Revenue	Operating profit	Net profit/(net loss)	
United Land Company	34.3%	714,286	12,888,616	4,560,812	4,073,666	1,414,616	1,059,704	As the reporting entity and legal person for Meilin Checkpoint Renewal Project, it is responsible for acquiring the land, demolition and relocation and other works in respect of Meilin Checkpoint Renewal Project
Derun Environment	20%	1,000,000	49,583,987	16,342,175	11,308,509	2,694,150	1,032,102	The principal business of Derun Environment is investment holding. The major assets are 50.04% and 43.86% equity interests held in Water Group and Sanfeng Environmental, respectively

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

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

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

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

(VI) Proposed Profit Distribution

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

1. Formulation, Implementation or Adjustment of Cash Dividend Policy

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

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

The 2020 profit distribution proposal (including the cash dividend proposal) formulated by the Company was in compliance with the relevant requirements of the Articles of Association and the Shareholders' Return Proposal. In formulating and determining the proposal, the Independent Directors have issued an independent opinion after careful study and analysis of relevant factors, and the Company is also able to listen to the opinions of the Independent Directors and the

shareholders through various channels, and give regard to the demands and legitimate interests of the minority investors.

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

Currency: RMB

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

Note:

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

4.3 Outlook and Plans

(I) Development Strategies of the Company

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

(II) Operation Plans

The working goals and focuses for the Group in 2021 are as follows:

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

work of Shenshan Second Expressway, with a view to consolidating and upgrading the core business of toll highway on an ongoing basis. Besides, the Group will strengthen the service capabilities throughout the industry chain of highways and expand to the upstream and downstream industries such as design, consultation, construction and maintenance, with an aim to give full play to the professional capabilities of Engineering Development Company and Construction Technology Company, thereby developing the Group's professional competitiveness in the markets of engineering construction and management and maintenance. In addition, the Group will further enhance the level of informatisation and intelligence in its construction and operation activities through increased application of information technology, with a view to effectively enhancing the level of centralised dispatching management and the comprehensive monitoring and management ability.

☞ **General-Environmental Protection:** With a focus on recovery and solid waste management and the clean energy sector, the Company will actively promote construction of the existing projects and acquisition of new projects of Lande Environmental, effectively manage the construction management of the Guangming Environmental Park Project and enhance the internal management and expand the market for Qiantai Company, with a view to increasing the market share and influence of the Group in the sub-sectors of organic waste treatment and scrap vehicle dismantling. The Group will actively seek for appropriate investment opportunities of the industry chain by further capitalising on market opportunities arising from the national development of new energy, while effectively enhancing the management and carrying out works in relation to resource integration of Nanjing Wind Power, Baotou Nanfeng, Qianzhi Project and Qianhui Project to secure proper completion of production missions. Besides, the Group will continue to optimise the organisation structure, management system and financial structure of its subsidiaries in the general-environmental protection industry, with a view to facilitating the creation of synergy between such subsidiaries and other resources of the Group. The Group will also make full use of the financial instruments and financial resources provided by fund management platforms and Financial Leasing Company to actively explore the development of industrial-financial integration.

☞ **Financial Management and Corporate Governance:** The Group will strengthen its classification management and financial management on the invested companies, and optimise the authorisation management system based on the characteristics of different invested enterprises. Through adopting information technology, the Group will strengthen capital planning and management within the Group, implement budget and medium and long term forecast management, and coordinate financial resources. The Group will closely monitor the changes in monetary policy and the financing environment, study various types of financial instruments, actively expand financing channels to replenish the Company's capital, at the same time maintaining sound fund management and financing to reduce financing costs and ensure financial safety. Capitalising on the comprehensive reform of state-owned enterprises, the Group will actively make attempts in innovations of mechanisms. It will also adhere to the principles of good corporate governance and further improve corporate governance and various management systems, with the aim to satisfy the actual needs of the Group in business management, further improve the transparency of the Company, optimise the multi-level incentive and restraint system and promote the healthy and sustainable development of the Company.

(III) Capital Expenditure Plan

As of the date of approval of this announcement, the capital expenditures approved by the board of directors of the Group mainly include the construction expenditures for the Outer Ring Project, Coastal Phase II, Kitchen waste project of Lande Environmental, Guangming Environmental Park PPP Project, and other projects, the acquisition of the office property in Hanjing Financial Centre, as well as investment expenditure for Yangmao Renovation and Expansion and wind farm projects, and etc. It is estimated that by the end of 2023, the total capital expenditure of the Group will be approximately RMB 7.196 billion. The Group plans to use its own funds and bank loans to meet its funding needs. The Group's financial resources and financing capacity is currently able to meet the various capital expenditure needs.

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

Unit: 000 Currency: RMB

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

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

(IV) Risk Management

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

1. Operational Management Risk

Risk position / analysis:

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

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

Management / response measures:

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

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

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

2. Business Expansion Risks

Risk position / analysis:

To facilitate transformation and upgrading and realise sustainable development, the Company has stepped up its efforts in the investment and management of merger and acquisition in recent years. The major risks and challenges in business expansion include: (1) Scarce resources of quality projects lead to intense competitions, and high costs of new construction projects and reconstruction and expansion projects in general result in a decrease in the expected rate of return; (2) For the general-environmental protection industry, various uncertainties exist in the daily operation of the organic waste treatment business and the clean energy business. The Group will face challenges, including the technical research and development and equipment development for waste treatment, supply chain management of Nanjing Wind Power, safety management of wind farms, etc.; (3) M&A projects require integration and management of the operation team, as well as adaptation to differences in terms of the internal and external environment, corporate culture, business philosophy, management mindset, etc., which is to realise integration of management models with that of the Group while maintaining stability of the original management teams and core talents.

Management / response measures:

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

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

3. Financing Risk

Risk position / analysis:

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

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

Management / response measures:

The Group's excellent financing and capital management capability are its major core advantages. The Group will manage such risk in the following manners: (1) revise capital planning on a rolling basis and control the overall payment arrangement based on the capital in hand; (2) coordinate bank resources, maintain sufficient credit lines, strengthen the management of existing credit lines, maintain effective communication and information renewal with credit rating agencies and safeguard the Company's domestic and overseas credit rating; (3) make effective use of the multi-level capital market to expand financing channels, seize the opportunity of the State to

encourage direct financing and physical economy of financial services, and make full use of different financing products and instruments, including securities, convertible bonds, perpetual bonds, foreign bonds, securitisation and REITS, to expand financing channels in the capital market ; (4) coordinate and optimise capital planning and financing arrangement, capitalising on market opportunities and carry out debt replacement in a timely manner, continue to optimise the Company's debt structure, reduce financial costs and enhance efficiency in resource allocation.

4. Construction and Management Risks

Risk position/analysis:

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

Management/response measure:

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

V. Matters Related to Financial Statements

5.1 Changes in Accounting Policies and Accounting Estimates During the Reporting Period

1. Impact of Changes in Accounting Estimates

According to the Company's requirements under relevant accounting policies and systems, and in view of the actual situation of each main toll roads, the Group changed relevant accounting estimates of unit amortisation amount of the concession intangible assets of Yichang Expressway and Shuiguan Expressway with effect from 1 January 2020. The above changes in accounting

estimates have resulted in a decrease of approximately RMB9,257,000 in equity attributable to owners of the Company as of 31 December 2020 and a decrease of approximately RMB9,257,000 in the Group's net profit attributable to owners of the Company for the Reporting Period. The above changes in accounting estimates did not have significant impact on the financial position and operating results of the Group as a whole.

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

5.2 Fulfillment of performance commitment and impact on goodwill impairment test

1. Nanjing Wind Power

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

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

2. Lande Environmental

On 8 January 2020, Environmental Company, a wholly-owned subsidiary of the Company, entered into a capital increase and equity transfer agreement with the relevant parties to acquire not more than 68.1045% of the controlling interest in Lande Environmental at a consideration of not more than RMB809,600,000 by way of share subscription and capital increase. For details, please refer to the Company's announcement dated 8 January 2020. Pursuant to the agreement, the relevant parties, including Zhengzhou Cida Environmental Technology Co., Ltd. (

), Beijing Shuiqi Lande Technology Co., Ltd. (), Mr. Shi Junying () and Mr. Shi Junhua (), jointly undertook and guaranteed in joint liability that: the audited net profit attributable to owners of the Company (after deducting non-recurring profit or loss) of Lande Environmental in 2020, 2021, 2022 and 2023 ("Performance Commitment Period") will be no less than RMB30 million, RMB80 million, RMB110 million and RMB140 million, respectively, while the accumulated net profit attributable to owners of the Company realised during the Performance Commitment Period will be no less than RMB360 million.

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

3. Qiantai Company

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

5.3 Accounting Errors Occurred during the Reporting Period

There is no correction of accounting errors by the Company occurred during the Reporting Period.

5.4 Changes in the Scope of Consolidated Financial Statements during the Reporting Period

In 2020, the main changes in the scope of the consolidated financial statements of the Group are as follows:

- 1) During the Reporting Period, the Company completed the acquisition of the equity interests of Lande Environmental Technology Group Co., Ltd. and held 67.14% of its equity at the end of the Reporting Period. Lande Environmental and its subsidiaries has been included into the Group’s consolidated financial statements since 20 January 2020.
- 2) During the Reporting Period, the Company completed the acquisition of 48% equity interests in Shenzhen International Financial Leasing Co., Ltd., and Financial Leasing Company has been included into the Group’s consolidated financial statements since 15 April 2020.
- 3) During the Reporting Period, the Company completed the acquisition of 60% equity interests in Shenzhen Expressway Engineering Development Co., Ltd., and the Engineering Development Company has been included into the Group’s consolidated financial statements since 14 August 2020.
- 4) During the Reporting Period, the Company completed the acquisition of 89.93% equity interests in Shenzhen Longda Expressway Co., Ltd., and Longda Company has been included into the Group’s consolidated financial statements since 26 November 2020.
- 5) During the Reporting Period, the Company completed the acquisition of 50% equity interest in Shenzhen Shenshan Special Cooperation Zone Qiantai Technology Co., Ltd. and Qiantai Company has been included into the Group’s consolidated financial statements since 16 December 2020.
- 6) For further details of the changes in the scope of consolidation please refer to the note VI to the Financial Statements in this announcement.

5.5 The Consolidated Financial Statements and Notes for the Year 2020 of the Company are set out in the Appendix to this Results Preliminary Announcement.

5.6 Results Review

The audit committee of the Company has reviewed and confirmed the financial statements and the annual report of the Company for the year 2020.

5.7 Auditors’ Procedures Performed on This Results Preliminary Announcement

The figures in the 2020 Annual Results Preliminary Announcement have been agreed by the Company’s auditors, Ernst & Young Hua Ming LLP (“Ernst & Young Hua Ming”), to the amounts set out in the Company’s audited consolidated financial statements for the year 2020. The work

performed by Ernst & Young Hua Ming in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young Hua Ming on this results preliminary announcement.

VI. Other Matters

6.1 Purchase, Sale or Redemption of Securities

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

6.2 Compliance with the Corporate Governance Code

During the Reporting Period, the Company has fully adopted all the code provisions of the “Corporate Governance Code” as set out in Appendix 14 of the Listing Rules and there is no material deviation or breach of the code provisions occurred.

6.3 Compliance with the Model Code

The “Securities Transaction Code” of the Company has been adopted by the Board in accordance with Appendix 10 to the Listing Rules, as written guidelines to regulate dealings in the Company’s securities by the Directors, Supervisors and relevant staff. The “Securities Transaction Code” of the Company has incorporated the standards as set out in Appendix 10 to the Listing Rules, and gone beyond such standards to certain extents. After making specific enquiry to all the Directors,
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National Energy Administration	(National Energy Administration of the People's Republic of China).
Ministry of Finance	(Ministry of Finance of the People's Republic of China).
Ministry of Industry and Information Technology	(Ministry of Industry and Information Technology of the People's Republic of China).
Shenzhen SASAC	(State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People's Government)
Shenzhen Transport Bureau	(Transport Bureau of Shenzhen Municipality), formerly known as (Transport Commission of Shenzhen Municipality).
Three Projects	Nanguang Expressway, Yanpai Expressway and Yanba Expressway. On November 30, 2015, the Company entered into the Three Expressways Agreement with the Transport Bureau. The Three Projects have been transferred to Shenzhen Transport Bureau from 0:00 on 1 January 2019.
Four Expressways	Nanguang Expressway, Yanpai Expressway, Yanba Expressway and the Shenzhen section of Longda Expressway (the Four Expressways), all of which have been transferred to Shenzhen Transport Bureau from 0:00 on 1 January 2019
Yichang Company	(Hunan Yichang Expressway Development Company Limited).
Yichang Project	The expressway from Yiyang to Changde in Hunan (Yichang Expressway) and Changde connection line
SIHCL	Shenzhen Investment Holdings Company Limited
Shenzhen International XTC Company	Shenzhen International Holdings Limited () (Xin Tong Chan Development (Shenzhen) Company Limited)
SGH Company	(Shenzhen Shen Guang Hui Highway Development Company Limited), formerly known as (Shenzhen Freeway Development Company Limited)
Cargo Organisation Adjustment Project	The entrusted construction project of the highway toll stations and ancillary facilities undertook by the Company due to the implementation of the freight traffic organisation adjustment of Shenzhen
Shenshan Environmental Park Project	The entrusted construction and management project for the whole process in relation to the infrastructure and ancillary projects for Shenshan Eco-Environmental Science and Technology Industrial Park undertaken by the Group
Bimeng Project	The Bimeng Garden community resettlement project in Longli, Guizhou undertaken by the Group with BT model.
JEL Company	Jade Emperor Limited
Meiguan Company	Shenzhen Meiguan Expressway Company Limited
Longda Company	Shenzhen Longda Expressway Company Limited
Jihe East Company	Shenzhen Jihe Expressway (Eastern Section) Company Limited
Qinglian Company	Guangdong Qinglian Highway Development Company Limited
Magerk Company	Hubei Magerk Expressway Management Private Limited
Outer Ring Company	Shenzhen Outer Ring Expressway Investment Company Limited
Mei Wah Company	Mei Wah Industrial (Hong Kong) Limited

<i>Coastal Company</i>	Shenzhen Guangshen Coastal Expressway Investment Company Limited
<i>Vanke</i>	China Vanke Co., Ltd
<i>Infrastructure and Environmental Protection Company</i>	Shenzhen Shenzhen Expressway Infrastructure and Environmental Protection Development Company Limited
<i>Qinglong Company</i>	Shenzhen Qinglong Expressway Company Limited
<i>Investment Company</i>	Shenzhen Expressway Investment Company Limited
<i>Guilong Holdings</i>	Guizhou Guilong Industry (Group) Company Limited
<i>Guishen Company</i>	Guizhou Guishen Investment Development Company Limited
<i>Guizhou Property</i>	Guizhou Shenzhen Expressway Property Company Limited
<i>Guizhou Yuelong</i>	Guizhou Yuelong Investment Company Limited.
<i>Guizhou Shengbo</i>	Guizhou Shengbo Land Company Limited
<i>Guizhou Hengfengxin</i>	Guizhou Hengfengxin Property Company Limited.
<i>Guizhou Henghongda</i>	Guizhou Henghongda Property Company Limited.
<i>Guizhou Yehengda</i>	Guizhou Yehengda Property Company Limited
<i>Advertising Company</i>	Shenzhen Expressway Advertising Company Limited
<i>United Land Company</i>	Shenzhen International United Land Co., Ltd
<i>Environmental Company</i>	Shenzhen Expressway Environmental Company Limited
<i>Consulting Company</i>	Shenzhen Expressway Engineering Consulting Company Limited
<i>Guangdong UETC</i>	Guangdong United Electronic Toll Collection Inc
<i>Operation Development Company</i>	Shenzhen Expressway Operation Development Company Limited
<i>Construction Company</i>	Shenzhen Expressway Construction Development Company Limited
<i>Architecture Technology Company</i>	Shenzhen Expressway Architecture Technology Development Company Limited
<i>Bank of Guizhou</i>	Bank of Guizhou Co., Ltd
<i>Fund Company</i>	Shenzhen Expressway Private Equity Industrial Investment Fund Management Co., Ltd.
<i>New Energy Company</i>	Shenzhen Expressway New Energy Holdings Company Limited
<i>Guangdong New Energy</i>	Shenzhen Expressway (Guangdong) New Energy Investment Company Limited
<i>Mulei Wind Power Project</i>	The wind power project of Changji Mulei Laojunmiao Wind Farm in Xinjiang Zhundong New Energy Base, including Qianzhi and Qianhui projects.

<i>Qianzhi</i>	Mulei County Qianzhi New Energy Development Company Limited
<i>Qianhui</i>	Mulei County Qianhui New Energy Development Company Limited
<i>Land of Longli Project</i>	The peripheral land of Guilong Project and the Duohua Bridge Project were successfully bid by the Group. As at the end of the Reporting Period, the Group has cumulatively won the bids for the land of Longli Project with an area of approximately 3,037 mu, including 2,770 mu for Guilong Project and 268 mu for the Duohua Bridge Project.
<i>Guilong Development Project</i>	The proprietary secondary development project with an area of over 1,000 mu, conducted by the Group on Guilong Project, which has been approved by the Board.
<i>Duohua Bridge Project</i>	A road construction project from Jichang Village to Duohua Village in Longli County undertaken by Guishen Company by BT model. The major work of the project is Duohua Bridge.
<i>CCCC Second Highway</i>	CCCC Second Highway Engineering Co.,Ltd.
<i>Water Planning Company</i>	(Shenzhen Water Planning & Design Institute Company Limited)
<i>Derun Environment Water Asset</i>	Chongqing Derun Environment Company Limited (Chongqing Water Asset Management Company Limited)
<i>Chongqing Water</i>	(Chongqing Water Group Company Limited), a company listed on the Shanghai Stock Exchange, stock code: 601158
<i>Sanfeng Enviroment</i>	(Chongqing San Feng Environmental Industrial Group Co., Ltd.), a company listed on the Shanghai Stock Exchange, stock code: 601827
<i>Suez Group</i>	Suez Group, France
<i>Mengxi Region</i>	The western economic zone of Inner Mongolia, mainly comprises the three core and engine cities of Hohhot, Baotou, and Ordos, and radiates with the four league cities of Alxa, Ulanqab, Bayannaouer and Wuhai.
<i>Nanjing Wind Power</i>	(Nanjing Wind Power Technology(NJWP) Co., Ltd.)
<i>One Apartment</i>	(Shenzhen Expressway One Apartment Management Co., Ltd.)
<i>Engineering Development Company</i>	(Shenzhen Expressway Engineering Development Co., Ltd), formerly known as (Guangdong Boyuan Construction Engineering Co., Ltd).
<i>Qiantai Company</i>	(Shenzhen Shenshan Special Cooperation Zone Qiantai Technology Co., Ltd).
<i>Vanho Securities</i>	(Vanho Securities Co., Ltd).
<i>Logistics Financial Company</i>	(China Logistics Financial Services Limited).
<i>Financial Leasing Company</i>	(Shenzhen International Financial Leasing Co., Ltd).
<i>Lande Environmental</i>	(Lande Environmental Technology Group Holdings Co., Ltd)

<i>Damao Ningyuan</i>	(Damao Ningyuan Wind Power Company Limited), a wholly-owned subsidiary of Baotou Nanfeng
<i>Damao Ningxiang</i>	(Damao Ningxiang Wind Power Company Limited), a wholly-owned subsidiary of Baotou Nanfeng
<i>Damao Ningfeng</i>	(Damao Ningfeng Wind Power Company Limited), a wholly-owned subsidiary of Baotou Nanfeng
<i>Damao Nanchuan</i>	(Damao Nanchuan Wind Power Company Limited), a wholly-owned subsidiary of Baotou Nanfeng
<i>Lingxiang Company</i>	(Baotou Lingxiang New Energy Company Limited), a wholly-owned subsidiary of Baotou Nanfeng
<i>Guangming Environmental Park Project</i>	The Shenzhen Guangming Environmental Park PPP (Public-Private-Partnership) Project invested and constructed by the consortium composed of the Environment Company and the other companies under the BOT (Build-Operate-Transfer) model
<i>Meilin Checkpoint Renewal Project</i>	Shenzhen Longhua New Area Mingzhi Office Meilin Checkpoint Urban Renewal Project, the entity which carried out the project is United Land Company and area of the land is approximately 96,000 square meters.
<i>PRC</i>	The People's Republic of China excluding, for the purpose of this announcement, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan
<i>PPP (model)</i>	Public-Private-Partnership model, refer to a partnership on the basis of concession agreement for the construction of urban infrastructure projects or the provision of public goods and services between the government and private organisations. PPP model ultimately makes both parties of the cooperation get more favorable results than those who act alone expected, by signing the contract to define the rights and obligations of both parties, to ensure the smooth completion of cooperation
<i>BOT (model)</i>	Build-Operate-Transfer model, refer to the infrastructure model of investment, construction and operation. On premised on an agreement between the government and the private sector, the government issues a franchise to the private sector to allow it to raise funds for a certain period of time to build an infrastructure ,manage and operate the facility and its corresponding products and services
<i>EPC (model)</i>	Engineering Procurement Construction model means the Company is entrusted by the owner to carry out the whole process or several stages of contracting for the design, procurement, construction, and trial operation of a construction project in accordance with the contract. Usually, the Company is responsible for the quality, safety, cost and schedule of the contracted project under the conditions of the total price contract
<i>BIM</i>	(Building Information Modelling), which is a model equipped with a complete and realistic construction database by building a virtual three-dimensional construction model and using digitisation technology. It is a digitised tool applied to engineering design, construction and management. Meanwhile, the model plays a key role in enhancing productivity, saving costs and shortening construction periods
<i>ETC</i>	Electronic Toll Collection, a system used to electronically collect tolls on highways.
<i>Coastal Freight Compensation Scheme</i>	The scheme that all types of freight cars passing through the Coastal Project will be charged 50% of the normal toll fees standard from 1 March 2018 to 31 December 2020, and Shenzhen Transport Bureau compensates to Coastal Company for RMB302 million. Upon the expiry of the toll adjustment agreement, Shenzhen Transport Bureau, the Company and Coastal Company entered into the freight compensation agreement, wherein it is agreed that during the period from 1 January 2021 to 31 December 2024, the vehicles passing the Coastal Project should be charged at 50% of the standard rate of the toll, and such toll waived by the Company and Coastal Company shall be compensated by the government in an one-off manner in March of the following year.

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

Note: For definitions of the relevant highways/projects of the Company, please refer to Company's website at <http://www.sz-expressway.com> under the section of "Company Business".

By Order of the Board
Hu Wei
Chairman

Shenzhen, PRC, 24 March 2021

As at the date of this announcement, the directors of SZ Expressway are Mr. HU Wei (Executive Director and Chairman of the Board), Mr. LIAO Xiang Wen (Executive Director and President), Mr. WANG Zeng Jin (Executive Director), Mr. WEN Liang (Executive Director), Mr. DAI Jing Ming (Non-executive Director), Ms. LI Xiao Yan (Non-executive Director), Ms. CHEN Hai Shan (Non-executive Director), Ms. CHEN Xiao Lu (Independent non-executive Director), Mr. BAI Hua (Independent non-executive Director) and Mr. LI Fei Long (Independent non-executive Director).

This announcement is prepared in Chinese and English. In case of any inconsistency between the Chinese version and the English version, the Chinese version shall prevail.

This results preliminary announcement, which has been published on the website of HKEx at <http://www.hkexnews.com.hk>, only gives a summary of the information and particulars contained in the full "Annual Report 2020" of the Company. The "Annual Report 2020" of the Company containing all the information to accompany annual report required under Appendix 16 to the

Appendix:

SHENZHEN EXPRESSWAY COMPANY LIMITED

Consolidated Financial Statements (including notes)

For the Year ended 31 December 2020

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

Shenzhen Expressway Company Limited
Consolidated Statement of Financial Position
2020

RMB

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

Shenzhen Expressway Company Limited
Consolidated Statement of Financial Position(Continued)
2020

RMB

Liabilities and shareholders' equity	Note	2020	2019
Current liabilities:			
Short-term borrowings	V.24	1,341,218,126.43	363,877,741.65
Transactional financial liabilities	V.2	83,677,813.21	-
Notes payable	V.25	295,467,331.39	131,749,731.69

Shenzhen Expressway Company Limited
Company Statement of Financial Position
2020

RMB

Item		31 December 2020	31 December 2019
Current assets			
Cash at banks and on hand		1,365,622,853.05	1,309,001,086.11
Transactional financial assets		-	62,689,444.00
Accounts receivable	XIV.1	20,151,041.12	16,170,543.00
Prepayments		21,750,910.62	15,546,278.08
Other receivables	XIV.2	1,319,653,642.94	1,005,795,909.83
Inventories		1,263,019.74	776,373.15
Contract assets		134,830,169.45	115,303,836.38
Assets held for sale		494,662,913.71	-
Other current assets		-	13,771,786.56
Total current assets		3,357,934,550.63	2,539,055,257.11
Non-current assets			
Long-term prepayments		206,552,739.53	80,469,002.23
Long-term receivables		6,014,995,341.30	4,503,665,771.45
Long-term equity investments	XIV.3	25,003,745,962.67	19,741,522,254.89
Other non-current financial assets		1,571,963,316.54	217,939,080.00
Investment properties		11,222,998.80	11,798,941.20
Fixed assets		154,670,681.46	159,982,306.36
Construction in progress		-	2,398,709.49
Right-of-use assets		23,040,119.83	32,330,237.50
Intangible assets		187,570,677.62	219,274,003.05
Development expenditures		1,856,946.00	-
Long-term prepaid expenses		16,421,680.05	1,144,174.07
Deferred tax assets		84,546,531.11	62,996,204.64
Other current assets		152,054,832.31	-
Total non-current assets		33,428,641,827.22	25,033,520,684.88
Total assets		36,786,576,377.85	27,572,575,941.99
Current liabilities			
Short-term borrowings		601,857,503.53	-
Transactional financial liabilities		83,677,813.21	-
Accounts payable		62,687,911.59	19,760,352.78
Contract liabilities		-	2,411,761.00
Employee benefits payable		96,584,656.04	101,746,485.90
Taxes payable		38,268,742.63	14,883,928.57
Other payables		1,710,725,016.45	2,046,947,507.14
Current portion of non-current liabilities		3,315,629,370.65	155,386,860.13
Other current liabilities		2,018,087,592.62	-
Total current liabilities		7,927,518,606.72	2,341,136,895.52
Non-current liabilities			
Long-term borrowings		4,658,608,867.55	4,015,858,867.55
Bonds payable		3,792,324,357.82	4,676,256,207.56
Long-term payables		1,948,950,517.48	1,618,960,000.00
Long-term employee benefits payable		69,517,451.40	59,000,200.00
Lease liabilities		19,098,409.12	28,620,243.26
Provision		29,708,258.21	-
Deferred income		272,250,747.47	291,504,931.35
Deferred Tax Liability		40,123,832.92	-
Total non-current liabilities		10,830,582,441.97	10,690,200,449.72
Total liabilities		18,750,025,605.48	13,031,337,345.24
Owners' equity			
Share capital	V.40	2,180,770,326.00	2,180,770,326.00
Other equity instruments	V.41	4,000,000,000.00	-
Including: permanent debt		4,000,000,000.00	-
Capital surplus		2,978,192,273.96	3,279,942,664.85
Other comprehensive income		-14,148,065.97	770,798.03
Surplus reserve	V.44	2,711,599,472.69	2,617,808,817.01
Undistributed profits		6,172,061,322.48	6,461,945,990.86
Total owners' equity		18,028,475,329.16	14,541,238,596.75
Total liabilities and owners' equity		36,786,576,377.85	27,572,575,941.99

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

Shenzhen Expressway Company Limited
Consolidated Statement of Profit or Loss and Other Comprehensive Income
2020

RMB

Item	Notes	2020	2019 (Restated)
1.Total revenue	V.46	8,026,737,099.99	6,390,295,110.82
2.Total costs		6,247,745,214.15	4,625,148,989.65
Including: Cost of services	V.46	5,214,517,013.16	3,585,544,228.47
Taxes and surcharges	V.47	66,849,496.88	55,168,145.30
Selling expenses		53,050,692.24	27,304,777.79
General and administrative expenses	V.48	363,086,346.32	350,922,800.60
Research and development expenses	V.49	58,693,733.78	18,474,814.08
Financial expenses	V.50	491,547,931.77	587,734,223.41
Including: Interest expense		696,585,411.91	616,906,852.64
Interest income		-61,078,272.26	-52,098,081.71
Add: Other income	V.51	46,895,088.75	8,563,991.88
Investment income	V.52	937,363,288.55	1,242,672,036.85
Including: Share of profits of associates and joint ventures	V.15	880,729,972.60	899,684,300.39
Gain or loss from changes in fair value (loss shown with "-")	V.53	-2,343,020.67	81,086,510.00
Credit impairment losses (loss shown with "-")	V.54	-48,205,059.78	-5,435,762.42
Asset impairment loss (loss shown with "-")	V.55	-116,143.51	-552,000,000.00
Gains or loss on disposal of assets (loss shown with "-")		74,529.31	386,045.39
3.Operating profits		2,712,660,568.49	2,540,418,942.87
Add: Non-operating income	V.56	11,048,942.94	12,446,180.50
Less: Non-operating expenses	V.57	14,243,130.20	12,266,950.23
4.Total profit		2,709,466,381.23	2,540,598,173.14
Less: Income tax expenses	V.59	473,910,634.04	-68,080,046.28
5.Net profit		2,235,555,747.19	2,608,678,219.42
Including: net profit before the merger of the merged party in a business combination under common control		43,219,171.98	72,194,997.65
(1) Classified by business continuity			
Net profit from continuing operations (loss shown with "-")		2,235,555,747.19	2,608,678,219.42
(2) Classified by ownership			
Net profit attributable to owners of the Company		2,054,523,306.30	2,564,317,594.25
Minority interests		181,032,440.89	44,360,625.17
6.Other comprehensive income after tax (loss shown with "-")		-47,060,183.67	34,629,387.26
Other comprehensive income after tax attributable to owners of the company		-47,060,183.67	34,629,387.26
Items that may be reclassified subsequently to profit or loss		-47,060,183.67	34,629,387.26
Including: Foreign exchange gain/loss	V.43	-5,459,626.18	1,407,655.27
Share of other comprehensive income from investees accounted for the equity method to be reclassified to profit or loss in the subsequent period	V.43	-41,600,557.49	33,221,731.99
7.Total comprehensive income		2,188,495,563.52	2,643,307,606.68
Total comprehensive income attributable to owners of the Company		2,007,463,122.63	2,598,946,981.51
Total comprehensive income attributable to minority interests		181,032,440.89	44,360,625.17
8.Earnings per share			
Basic earnings per share (RMB/share)	V.64(1)	0.94	1.18
Diluted earnings per share (RMB/share)	V.64(1)	0.94	1.18

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

Shenzhen Expressway Company Limited
Company Statement of Profit or Loss and Other Comprehensive Income
2020

RMB

Item	Notes	2020	2019

Shenzhen Expressway Company Limited
Consolidated Statement of Cash Flows
2020

RMB

Item	Notes	2020	2019
			(Restated)
1.Cash flows from operating activities:			
Cash received from rendering services and selling goods		5,224,541,330.86	5,617,980,236.44
Refund of taxes		9,055,921.31	10,311,510.97
Cash received relating to other operating activities	V.60(1)	392,344,240.69	80,459,082.50
Sub-total of cash inflows		5,625,941,492.86	5,708,750,829.91
Cash paid for goods and services		2,431,058,268.63	1,503,309,464.74
Cash paid to and on behalf of employees		813,081,462.48	717,728,043.38
Payments of taxes and surcharges		563,904,568.19	1,058,003,538.90
Cash paid relating to other operating activities	V.60(2)	717,263,260.49	734,352,445.83
Sub-total of cash outflows		4,525,307,559.79	4,013,393,492.85
Net cash flows used in operating activities	V.61(1)	1,100,633,933.07	1,695,357,337.06
2.Cash flows from investing activities			
Cash received from recovery of investments		113,918,059.94	710,881,506.16
Cash received from returns on investments		306,114,819.30	425,251,397.49
Net cash received from disposal of fixed assets intangible assets and other long-term assets		1,262,708.09	1,699,012,279.00

Shenzhen Expressway Company Limited
Company Statement of Cash Flows
2020

RMB

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

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

Shenzhen Expressway Company Limited
Consolidated Statement of Changes in Equity
2020

RMB

2020

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

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

Shenzhen Expressway Company Limited
Consolidated Statement of Changes in Equity (continued)
2020

RMB

2019

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

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

Shenzhen Expressway Company Limited
Company Statement of Changes in Equity
2020

RMB

2020

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

2019

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

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

I. General information

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

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

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

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

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

II. Basis of preparation of the financial statements

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

On 31 December 2020, The Group's current liabilities exceeded its current assets by RMB 3,954,229,509.71. The directors of the company have assessed that as the group can generate positive cash flow from operating activities, and the group still has unused bank credit lines of about RMB 16.41 billion as at 31 December 2020, and the relevant banks have not made any reservation on the use of these credit lines, which can meet the financial needs of the group's debt and capital commitments, the directors of the company consider that the group has not made any reservation on the use of these credit lines. There is no going concern in the group. Therefore, the company adopted the going concern basis in preparing the consolidated financial statements.

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

III. Summary of significant accounting policies and accounting estimates

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

Key judgments and estimates applied for significant accounting policies by the Group are disclosed in Note III.34.

1. Statement of compliance with Accounting Standards for Business Enterprises

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

2. Accounting period

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

3. Normal operating cycle

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

4. Functional currency

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

5. Business combinations

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

The accounting treatment of business combinations involving enterprises under common control

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

III. Summary of significant accounting policies and accounting estimates (continued)

5. Business combinations (continued)

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

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

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

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

6. Consolidated financial statements

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

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

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

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

III. Summary of significant accounting policies and accounting estimates (continued)

6. Consolidated financial statements (continued)

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

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

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

7. Cash and cash equivalents

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

8. Foreign currency translation

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

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

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

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

III. Summary of significant accounting policies and accounting estimates (continued)

9. Financial instruments

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

Recognition and derecognition of financial instruments

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

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

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

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

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

Classification and measurement of financial assets

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

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

Subsequent measurement of financial assets depends on their classification:

Debt instrument investments measured at amortized cost

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

III. Summary of significant accounting policies and accounting estimates (continued)

9. Financial instruments (continued)

Classification and measurement of financial assets (continued)

Financial assets measured at fair value through profit or loss

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

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

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

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

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

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

Classification and measurement of financial liabilities

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

Subsequent measurement of financial liabilities depends on their classification:

Financial liabilities measured at fair value through profit or loss

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

III. Summary of significant accounting policies and accounting estimates (continued)

9. Financial instruments (continued)

Classification and measurement of financial liabilities (continued)

Financial liabilities measured at fair value through profit or loss (continued)

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

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

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

Other financial liabilities

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

Impairment of financial instruments

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

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

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

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

III. Summary of significant accounting policies and accounting estimates (continued)

9. Financial instruments (continued)

Impairment of financial instruments (continued)

III. Summary of significant accounting policies and accounting estimates (continued)

9. Financial instruments (continued)

Financial guarantee contract

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

10. Inventories

(1) Classification

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

Real estate properties comprise properties held for sale, properties under development and properties held for development. Properties held for sale are those properties completed and for sale, while properties under development are those properties still under construction and for sale purposes, and properties held for development are those lands purchased and planned to have properties developed on. The costs of raw

III. Summary of significant accounting policies and accounting estimates (continued)

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

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

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

12. Long-term equity investments

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

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

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

(1) Determination of investment costs

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

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

III. Summary of significant accounting policies and accounting estimates (continued)

12. Long-term Equity Investment (continued)

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

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

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

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

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

III. Summary of significant accounting policies and accounting estimates (continued)

12. Long-term equity investments (continued)

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

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

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

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

(4) Impairment of long-term equity investments

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

13. Investment properties

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

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

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

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

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

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

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

III. Summary of significant accounting policies and accounting estimates (continued)

14. Fixed assets

(1) Recognition and initial measurement of fixed assets

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

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

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

(2) Depreciation methods of fixed assets

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

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

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

(3) Impairment of fixed assets

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

(4) Disposal of fixed assets

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

III. Summary of significant accounting policies and accounting estimates (continued)

15. Construction in progress

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

16. Borrowing costs

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

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

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

17. Right-of-use assets

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

At the commencement date of the lease, the Group recognises a right-of-use asset. The cost of the right-of-use asset comprises: (i) the amount of the initial measurement of the lease liability; (ii) any lease payments made at or before the commencement date of the lease less any lease incentives received; (iii) any initial direct cost

III. Summary of significant accounting policies and accounting estimates (continued)

18. Intangible assets

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

(1) Concession intangible assets

(a) Toll roads

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

The concession intangible assets of the toll roads invested by the state-owned shareholders on 1 January 1997

III. Summary of significant accounting policies and accounting estimates (continued)

18. Intangible assets (continued)

(1) Concession intangible assets (continued)

(a) Toll road (continued)

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

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

Note 1:As stated in Note III.35(a), the unit usage of concession intangible assets of Shuiguan Expressway and Yichang Expressway have been adjusted from RMB 5.86 and RMB 9.55 to RMB 5.66 and RMB 10.88 separately from 1 January 2020.

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

(b) Kitchen waste disposal projects

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

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

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

III Summary of significant accounting policies and accounting estimates (continued)

18. Intangible assets (continued)

(2) Other intangible assets

The useful lives of other intangible assets are as follows:

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

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

(3) Periodical review of useful life and amortization method

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

(4) Impairment of intangible assets

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

(5) Development expenditure

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

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

III. Summary of significant accounting policies and accounting estimates (continued)

19. Impairment of long-term assets

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

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

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

If the recoverable amount of an asset or asset group is less than its carrying amount, the carrying amount shall be reduced to its recoverable amount. The reduction is recognised as an impairment loss and charged to profit or loss for the current period. A provision for impairment losses of the asset is recognised accordingly.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated on a reasonable basis to each of the Group's cash-generating units or to relevant groups of cash-generating units if it is difficult to do so. Each unit or group of units to which the goodwill is so allocated represents those which are expected to benefit from the synergies of the combination and is not larger than a reported segment of the Group.

In testing an asset group or a set of asset groups to which goodwill has been allocated for impairment, if there is evidence of impairment in relation to goodwill, the Group shall first test the asset group or the set of asset groups excluding the amount of goodwill allocated for impairment. It shall determine and compare the recoverable amount with the related carrying amount and recognise any impairment loss. After that, the Group shall test the asset group or set of asset groups including the goodwill for impairment. The carrying amount is compared to its recoverable amount. If the recoverable amount of the asset group or set of asset groups is lower than its carrying amount, an impairment loss on goodwill shall be recognised. Firstly, the impairment loss shall be allocated to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups. Then, the impairment loss shall be allocated to the other assets of the asset group or set of asset groups (excluding goodwill) on the basis of the proportion of the carrying amount of each asset in the asset group or set of asset groups.

Once an impairment loss of the abovementioned asset is recognised, it shall not be reversed in any subsequent period.

III. Summary of significant accounting policies and accounting estimates (continued)

20. Long-term prepaid expenses

Long-term prepaid expenses comprise the prepaid expenditures but should be recognized as expenses for the current and subsequent periods, which in total are more than one year. Long-term prepaid expenses are averagedly amortized over the expected benefit period and are presented at actual expenditure net of accumulated amortization.

21. Employee benefits

Employee benefits represent all kinds of allowances and compensations paid by the Group for services rendered by employees or for termination of employment relationship, which mainly include short-term wages, retirement benefits, termination of employment benefits and other long-term staff welfare.

(1) Accounting treatment of short-term wages

Short-term wages include wages or salaries, bonuses, allowances and subsidies, staff welfare, medical insurance, employment injury insurance, maternity insurance, housing funds, labor union funds, employee education funds, short term paid leave and etc. Actual short-term wages are recognized as liabilities in the periods when the employees render services and are charged to profit or loss or capitalized in costs of related assets. The non-monetary welfare is measured at fair value.

(2) Accounting treatment of retirement benefits

The Group classifies the retirement benefit plans as defined contribution plans and defined benefit plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independent fund. As a result, the Group has no legal or constructive obligations to pay further contributions. A defined benefit plan is a pension plan other than a defined contribution plan. During the reporting period, the Group's retirement benefits were mainly basic pension insurance and unemployment insurance which were both defined contribution plans.

(a) Basic pension insurance

The Group's employees are involved in the basic social pension insurance organized and implemented by the local labor and social security bureau. The Group pays the basic pension issuance expenses monthly to designated insurance companies for its employees. The basic amounts and rates are determined by the local regulations. Upon employees' retirement, the local labor and social security bureau is responsible for paying the pension benefit to the retired employees. The amounts of pension insurance payable calculated according to the above regulations are recognized as liabilities in profit or loss or capitalized in costs of related assets during the periods when the employees provide services.

(b) Enterprise annuity plan

Beside the above basic social pension insurance, the Company establishes an enterprise annuities plan in accordance with the relevant national enterprise annuity system policies ("enterprise annuity plan"), in which the Group's employees can voluntarily participate. The Company shall provide the annuities at a certain proportion of employees' total wages, and the corresponding expenditures shall be recorded in the current profit or loss. Except for the above-mentioned, the Company did not have any other significant social insurance commitments to its employees.

(3) Accounting treatment of termination benefits

The Group provides compensation for the termination of employment relationship before the expiry of employment contracts or for employees' voluntary layoffs. The compensation is recognized as a liability and in profit or loss at the earlier of the date the Group is unable to unilaterally withdraw the plan on the termination of employment relationship or the layoff proposal and the date on which the costs and expenses in relation to the payment of compensation to the termination of employment relationship are recognized.

III. Summary of significant accounting policies and accounting estimates (continued)

21. Employee benefits (continued)

(4) Other long-term employee benefits

For other long-term employee benefits provided to employees, the net liabilities or net assets of other long-term employee benefits shall be recognized and measured in accordance with the relevant provisions of pension benefits, but changes are included in the current profit or loss or the cost of related assets.

22. Lease liabilities

At the commencement date of the lease, the Group recognizes the present value of the lease payments that have not been paid as lease liabilities, except for short-term leases and low-value asset leases. In calculating the present value of the lease payments, the Group uses the leased interest rate as the discount rate; if the interest rate of the lease cannot be determined, the lessee's incremental borrowing rate is used as the discount rate. The Group calculates the interest expense of the lease liability for each period of the lease term based on the fixed periodic interest rate and recognizes it in profit or loss for the current period. The variable lease payments that are not included in the measurement of the lease liabilities are recognized in profit or loss when incurred.

After the commencement date of the lease period, when the actual fixed payment amount changes, the expected amount of the guarantee residual value changes, or the index or ratio used to determine the lease payment amount changes, the purchase option, the renewal option or the termination option is evaluated and when the results or actual exercise rights change, the Group remeasures the lease liability based on the present value of the changed lease payments.

23. Provisions

An obligation related to a contingency shall be recognised by the Group as a provision when all of the following conditions are satisfied, except for contingent considerations and contingent liabilities assumed in a business combination not involving entities under common control:

- (1) the obligation is a present obligation of the Group;
- (2) It is probable that an outflow of economic benefits will be required to settle the obligation; and
- (3) a reliable estimate can be made of the amount of the obligation.

A provision is initially measured at the best estimate of the expenditure required to settle the related present obligation, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money as a whole. Provisions are reviewed at each balance sheet date. Where there is clear evidence that the carrying amount of a provision does not reflect the current best estimate, the carrying amount is adjusted to the current best estimate.

24. Other equity instruments

The perpetual bonds issued by the Group have no maturity date, and the Group has the right to defer payment of the coupon interest on the perpetual bonds. The Group has no contractual obligation to pay cash or other financial assets, which are classified as equity instruments.

25. Revenue from contracts with customers

Revenue from contracts with customers is recognized when the Group has fulfilled its performance obligations in the contracts, that is, when the customer obtains control of relevant goods or services. Control of the relevant goods or services refers to the ability to direct the use of the goods, or the provision of the services, and obtain substantially all of the remaining benefits from the goods or services.

- (1) The Group's toll revenue from the operations of toll roads is recognized when the related services have been provided, revenue and total costs can be measured reliably and economic benefits with transactions can flow to the Group.

III. Summary of significant accounting policies and accounting estimates (continued)

25. Revenue from contracts with customers (continued)

- (2) The contracts for the sale of goods between the Group and the customer usually contain the performance obligations for the transfer of the complete machine, components, and accessories of wind turbine generators, transfer kitchen waste disposal equipment and accessories, and the sales of electricity. The Group generally recognizes revenue at the point of transfer of control of the goods on the basis of a combination of the following factors: the current right to collect the goods, the transfer of major risks and benefits in the ownership of the goods, and the transfer of the legal ownership of the goods, the transfer of physical assets of the goods and that the customers have accepted the goods.
- (3) For sales with a right of return, the Group recognizes the revenue in the amount of consideration to which the Group expects to be entitled in exchange for transferring control of the goods to the customer, and recognizes the amount expected to be refunded as a result of the sales return as a refund liability. At the same time, an asset recognized for an entity's right to recover goods from a customer on settling a refund liability is measured by reference to the carrying amount of the goods less any expected costs to recover the goods (including potential decreases in the value of the returned goods), that is, right-of-return assets, and recognized cost of sales based on the carrying amount of the transferred goods at the time of transfer of the goods less the net amount of the asset cost above. At the end of the reporting period, the group reassesses the return of future sales and remeasures the assets and liabilities mentioned above.
- (4) According to the contractual agreement, legal provisions etc., the Group provides quality assurance for the goods sold. For the quality assurances of guarantees, which ensure the established standard of the product, and the quality assurances of services, which provide separate services from the product, the Group treats both of them as a single performance obligation. For this performance obligation, the Group allocates part of the transaction price to the quality assurance of the service category with the relative ratio of the individual selling prices of the product to that of the provided quality assurance, and the revenue of this performance obligation is recognized when the customers obtain the control of the service. In assessing whether the quality assurance provides a separate service in ensuring that the goods sold meet the established standards, the Group considers the statutory requirement of the assurances, the term of the assurance, the nature of the Group's commitment of performance, etc.
- (5) Service contracts between the Group and its customers usually include the obligation to perform construction management services. For construction management service projects, the Group is responsible for the construction and implementation of the entire project as the general contractor. For the construction unit, survey and design, consulting, etc., the Group is responsible for bidding and signing contracts with the third-party units and the government shall pay the total price of the project investment to the Group in accordance with the payment method agreed in the agency construction. The Group takes control over the projects under construction before transferring the goods to the owners, leads the third party to provide services to the owners, and bears the primary responsibility for transferring the construction to the owners. Therefore, the Group is the main responsible person and recognizes the revenue according to the total consideration received or receivable. Otherwise, the Group is an agent and recognizes the revenue according to the amount of the commission or handling fee expected to receive. The amount shall be netted according to the total amount received or receivable, after deducting the price payable to other related parties, or the established commission amount or proportion is determined. As the services provided by the Group in the course of performance are irreplaceable and the Group has the right to calculate the revenue accumulated to date for the performance of the contract during the whole contract period, when the results of the construction management services can be estimated reliably, construction management service revenue is recognized using the percentage of completion method and the stage of completion is measured with reference to the actual construction costs and related management expenses incurred till the end of the reporting period as a percentage of the total estimated construction costs and management expenses. When the results of the construction management services cannot be estimated reliably, construction management service revenue is recognized at the same amount of actual management expenses incurred only to the extent that such expenses are probable to be recovered.

III. Summary of significant accounting policies and accounting estimates (continued)

25. Revenue from contracts with customers (continued)

(6) The realization of the sales income of the Group's property shall be confirmed upon the completion and acceptance of the property, the signing of the sales contract, the acquisition of the buyer's payment certificate and the delivery of use. If the buyer refuses to receive the written notice of house delivery without justifiable reasons, the income shall be confirmed after the end of the time limit of the written notice of house delivery. The Group's property sales contracts with its customers generally contain a performance obligation and, based on the terms contained in the existing sales contracts, the Group considers that the proceeds from the sale of the property should be recognized when control of the asset is transferred to the customer (normally delivery).

Under the revenue criteria, the transaction price and the amount of proceeds from the sale need to be adjusted for the impact (if material) of the financing component if, as agreed in the contract, the period during which the customer pays is different from the period during which the promised goods or services are transferred. The Group considers that, given the time difference between customer payment and delivery of the property to customer and current market interest rates, the financing component is significant and needs to be discounted at the sale price to calculate the material financing component. The Group recognizes contractual liabilities in respect of interest received from customers on advances containing a material financing component. The Group does not take into account the material financing component of the contract where the customer is expected to acquire control of the commodity and the customer is expected to pay the price within one year.

- (7) Revenue from highway entrusted services is recognized on a straight-line basis over the contract period.
- (8) Revenue from entrusted operation and management service of kitchen waste disposal of the Group shall be recognized according to the actual disposal volume and unit price agreed in the agreement.
- (9) For the service concession contracts entered into with the government departments, pursuant to which the Group participates in the development, financing, operations and maintenance of the toll road construction, the Group recognizes no construction service revenue because the Group subcontracts the work to other parties and does not undertake the construction work on its own.
- (10) The Group and the government department have signed franchise agreements via the build-operate-transfer method to engage in the kitchen waste disposal project, core equipment construction, and complete equipment system integration and maintenance. During the construction period, the construction service provided by the Group shall be regarded as the performance obligations performed within a certain period and the construction income shall be recognized by the completion percentage methods in accordance with the proportion of the incurred costs to estimated total costs. During the commercial operation period, the kitchen waste revenue of the restaurant shall be recognized according to the actual amount of waste disposal and the unit price agreed in the franchise agreement or the waste disposal agreement. Income from biogas power generation shall be recognized according to the unit price agreed in the electricity generation and electricity purchase and sale contracts. Grease sales revenue shall be confirmed according to the actual grease supply and the unit price agreed in the agreement.
- (11) Advertising revenue is recognized on a straight-line basis over the contract period.
- (12) Interest income is determined by using the effective interest method, based on the length of time for which the Group's cash is used by others.
- (13) Income from an operating lease is recognized on a straight-line basis over the period of the lease. Income from a finance lease is recognized by the effective interest rate method during each period of the lease term.
- (14) Some of the contracts between the Group and its customers have arrangements for sales rebates, compensation for non-compliance, contract discounts, liquidated damages, assessment fines and incentives, and results in a variable consideration. The Group determines the best estimate amount of the variable consideration based on the expected value or the most likely amount, but the transaction price including the variable consideration does not exceed the amount that the accumulated revenue is likely not to be significantly reversed when the relevant uncertainty is eliminated.

III. Summary of significant accounting policies and accounting estimates (continued)

25. Revenue from contracts with customers (continued)

(15) When the contract for construction entered into between the Group and the customer changes:

- a) If the contract change adds a clearly distinguishable construction service and contract price and the

III. Summary of significant accounting policies and accounting estimates (continued)

27. Assets relating to contract cost (continued)

For assets relating to contract costs whose carrying value is higher than the difference between the following two items, the Group makes provision for impairment for the excess to be recognized as asset impairment losses:

- (1) The remaining consideration expected to be obtained as a result of the transfer of goods relating to such assets;
- (2) Estimated costs to be incurred in connection with the transfer of relevant goods.

In the event that the difference between (1) and (2) becomes higher than the carrying value of such assets as a result of changes in the factors of impairment for previous periods, previous provisions for asset impairment losses should be written back and included in current profit or loss, provided that the carrying asset value following the write-back shall not exceed the carrying value such assets would have on the date of write-back were there no provision for impairment.

28. Government grants

A government grant is recognized when the condition attached to it is fulfilled and the grant can be received. The monetary grant from the government is measured at the amount received or receivable. The non-monetary grant from the government is measured at its fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount.

Government documents stipulate that if the long-term assets are obtained by acquisitions, constructions or other forms, the grants should be recognized as the government grants related to assets. If the government documents are unclear, they should be judged on the basis of the basic conditions necessary for obtaining such grants. If the long-term assets are obtained by acquisitions, constructions or other forms, the grants should be recognized as the government grants related to assets, and others should be recognized as income-related government grants.

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

Government grants related to assets are adjusted against the book value of the assets or recognized as deferred income and evenly distributed in profit or loss over the useful life of related assets in a reasonable and systematic way. Government grants measured at their nominal amounts shall be recognized immediately in profit or loss for the current period. If the relevant assets are sold, transferred, disposed of or ruined before their useful life ends, the undistributed relevant deferred income shall be transferred to the gain from asset disposal for the current period.

The total amount method is applied for the Group's government grants.

III. Summary of significant accounting policies and accounting estimates (continued)

29. Income tax

The income tax expenses include current income tax and deferred tax. Current and deferred tax expenses or income are recognized in profit or loss for the period, except when they arise from transactions or events that are directly recognized in owners' equity, in which case they are recognized in owners' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

Current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

At the end of the reporting period, for temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the carrying amounts of items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

- (1) When the taxable temporary difference arises from: the initial recognition of goodwill or the initial recognition of an asset or liability in transactions that are not business combinations and, at the time of the transaction, affects neither the accounting profit, taxable profit or loss nor deductible losses;
- (2) For taxable temporary differences related to the investments of subsidiaries and associates, the timing of reversal of such temporary differences can be controlled and it is likely that such temporary differences will not be reversed in the foreseeable future.

For deductible temporary differences, deductible losses and tax credits that can be carried forward, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, deductible losses and tax credits can be utilized, except:

- (1) When the deductible temporary differences do not arise from business combinations and, at the time of the transaction, affects neither the accounting profit, taxable profit or loss nor deductible losses;
- (2) For the deductible temporary differences related to the investments of subsidiaries and affiliates, the corresponding deferred tax assets shall be recognized if the following conditions are met: the temporary differences are likely to be reversed in the foreseeable future, and the taxable income amount used to offset the deductible temporary differences is likely to be obtained in the future.

At the end of the reporting period, deferred tax assets and liabilities are measured at applicable tax rates according to the requirements of tax laws during the period that the assets are expected to be recovered or the liability expected to be repaid. The recognition of deferred tax assets and liabilities also takes the recovery or the repayment terms into account.

At the end of the reporting period, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. At the end of the reporting period, the carrying amount of deferred tax assets is reviewed and recognized to the extent that it is probable that available taxable profits in the future will allow the benefit of deferred tax assets to be utilized.

When all of the following conditions are satisfied simultaneously, the deferred income tax assets and deferred income tax liabilities are listed as the net amount after offsetting: the Group has a legal right to settle current tax assets and liabilities on a net basis; the deferred taxes are related to the same tax payer within the Group and the same taxation authority, or related to different tax payers but during the period when each of the significant deferred income tax assets and deferred income tax liabilities is reversed and the tax payer involved intends to settle the current income tax asset and current income tax liability on a net basis, or simultaneously obtain assets and pay off the debts.

III. Summary of significant accounting policies and accounting estimates (continued)

30. Leases

Identification of leases

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration. To assess whether a contract conveys the right to control the use of an identified asset for a period of time, the Group assesses whether, throughout the period of use, the customer has both of the right to obtain substantially all of the economic benefits from use of the identified asset and the right to direct the use of the identified asset.

Identification of separate lease components

For a contract that contains multiple separate lease components, the Group separates the components of the contract and accounts for each separate lease component. The right to use an underlying asset is a separate lease component if both:

- (1) the lessee can benefit from use of the underlying asset either on its own or together with other resources that are readily available to the lessee;
- (2) the underlying asset is neither highly dependent on, nor highly interrelated with, the other underlying assets in the contract.

Assessment of lease term

The lease term is the period during which the Group has the right to use the leased asset and is irrevocable. The Group has the option to renew the lease, that is, it has the right to choose to renew the lease, and it is

III. Summary of significant accounting policies and accounting estimates (continued)

30. Leases (continued)

For a lease modification that is not accounted for as a separate lease, the Group accounts for the remeasurement of the lease liability by:

- (1) decreasing the carrying amount of the right-of-use asset to reflect the partial or full termination of the lease for lease modifications that decrease the scope of the lease, and recognizing the gain or loss relating to the partial or full termination of the lease in profit or loss; or
- (2) making a corresponding adjustment to the right-of-use asset for all other lease modifications.

Short-term leases and lease of low-value assets

The Group considers a lease that, at the commencement date of the lease, has a lease term of 12 months or less, and does not contain any purchase option as a short-term lease; and a lease for which the value of the individual underlying asset is not more than RMB 50,000.00 when it is new as a lease of low-value assets. If the Group subleases an asset, or expects to sublease an asset, the head lease does not qualify as a lease of a low-value asset. The Group does not recognise the right-of-use assets and lease liabilities for short-term leases and low-value assets. The Group recognises lease payments on short-term leases and leases of low-value assets in the costs of the related asset or profit or loss on a straight-line basis over the lease term.

Rent reduction during COVID-19

The Company and the lessor apply a reduction in rentals, delay in payment and other forms of rent reduction to lessees who are directly affected by COVID-19. The following methods will apply to those who meet the condition:

- (1) the change in lease payments results in revised consideration for the lease that is substantially the same as, or less than, the consideration for the lease immediately preceding the change;
- (2) any reduction in lease payments affects only payments originally due on or before 30 June 2021;
- (3) there is no substantive change to other terms and conditions of the lease.

The Group does not assess whether there is a lease change, thus, the Group will apply the same amortization rate as before COVID-19 to the interest expenses of lease liability and included it in this period's expenditure. For rent concessions, the Group will regard concessions as a variable lease payment. When the rent concession condition is met, the Group will write off the cost or expense of related assets and make adjustments to lease liability based on the amount that has not been discounted; for payment delay, the Group will offset the lease liabilities recognized in the previous period when paying.

As a lessor

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership of an underlying asset, except that a lease is classified as an operating lease at the inception date.

As lessor of a finance lease

At the commencement date of the lease, the Group recognises finance lease receivable and derecognises finance lease assets. The Group presents lease receivable at an amount equal to the net investment in the lease for the initial measurement. The net investment in the lease is the sum of any unguaranteed residual value accruing to the lessor and at the commencement date of the lease the lease payments receivable by a lessor under a finance lease discounted at the interest rate implicit in the lease.

The Group recognises finance income over the lease term, based on a pattern reflecting a constant periodic rate of return on the its net investment in the lease. Variable lease payments received by the Group that are not included in the measurement of the net investment in the lease are recognised in profit or loss as incurred.

III. Summary of significant accounting policies and accounting estimates (continued)

30. Leases (continued)

As a lessor (continued)

As lessor of an operating lease

The rental income of the operating lease shall be recognized as the profit or loss of the current period according to the straight-line method in each period of the lease term, and the variable lease payment that is not included in the lease income shall be included in the profit or loss of the current period when actually incurred.

Sale and leaseback transactions

The Group applies the requirements in Note III.25 to assess and determine whether the transfer of an asset is accounted for as a sale of that asset.

As a lessee

If the asset transfer in the sale and leaseback transaction does not belong to the sale, the Group, as the lessee, continues to recognize the transferred asset, and meanwhile recognizes a financial liability equal to the transfer income. The financial liability shall be accounted for in accordance with Note III 9.

31. Dividend distribution

Cash dividends of the Company are recognized as liabilities after being approved at the shareholders' meeting.

32. Fair value measurement

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

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

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

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

III. Summary of significant accounting policies and accounting estimates (continued)

32. Fair value measurement (continued)

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

33. Other significant accounting policies and accounting estimates

Segment information

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

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

34. Significant accounting judgments and estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the presentation and disclosure of income, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of the statement of financial position. However, the results of these assumptions and estimated uncertainties may cause significant adjustments to the carrying amounts of future assets or liabilities that are affected.

Judgments

During the application of the Group's accounting policies, management made the following judgments that had a significant impact on the confirmed amounts in the financial statements:

(1) Business model

The classification of financial assets at initial recognition depends on the business model of the Group's management of financial assets. When determining whether the business model is still likely to be based on the collection of contractual cash flows, the Group needs to analyze the sale of financial assets before the maturity date. It also requires judgment whether the sale is accidental or whether the value of the sale is low.

(2) Contractual cash flow characteristics

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial assets. When it is necessary to judge whether the contractual cash flow is only the payment of the principal and the interest based on the outstanding principal, the correction of the time value of the currency is included. In the assessment, it is necessary to judge whether there is a significant difference compared with the benchmark cash flow, and for the financial assets including the prepayment characteristics, it is necessary to judge whether the fair value of the early repayment characteristics is very small.

III. Summary of significant accounting policies and accounting estimates (continued)

34. Significant accounting judgments and estimates (continued)

(3) Principal responsible person/agent

As for the Group's ability to lead a third party to provide services on behalf of the Group to its customers, the Group has the right to decide the price of the commodities traded independently, that is, the Group can control the project before transferring the agent project to the customer. Therefore, the Group is the main responsible person, recognizing the revenue according to the total consideration received or receivable. Otherwise, the Group as an agent shall recognize income in accordance with the amount of commission or commission expected to be entitled to collect. The amount shall be determined by deducting the net amount payable to other interested parties from the total amount of consideration received or receivable, or by the established amount or proportion of commission.

(4) Lease period - Lease contract with a renewal option

The lease term is the period during which the Group has the right to use the leased asset and is irrevocable. If there is an option to renew the lease and it is reasonably determined that the option will be exercised, the lease term also includes the period covered by the option to renew the lease. Some of the Group's lease contracts have the option to renew the lease for 1 to 3 years. In assessing whether it is reasonable to determine whether the option to renew the lease will be exercised, it will consider all relevant facts and circumstances that bring economic benefits to the exercise of the option of renewal of the Group, including the facts from the commencement date of the lease term to the date of exercise of the option and expected changes in the situation. The Group believes that due to the conditions relating to the exercise of the option and the possibility of meeting the relevant conditions, the Group can reasonably determine that the option to renew the lease will be exercised. Therefore, the lease period includes the period covered by the option of renewal.

Estimation uncertainty

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

(5) Estimation of construction management services income and costs

As stated in Note III.25(5), the Group recognizes revenue from construction management services using the percentage of completion method when the outcome of the construction management services can be estimated reliably.

During the current period, the directors of the Company recognized construction management service income and costs according to the optimum estimation on the total investment top limit, project costs as well as other construction management service costs.

If the total budget for the project and project costs as well as the actual construction management service costs is different from management's current estimates, the construction management service income and costs will be changed prospectively.

(6) Amortization of concession intangible assets

As stated in Note III.18(1)(a), amortization of concession intangible assets is provided under the traffic volume amortization method. Appropriate adjustments to the amortization of concession intangible assets will be made when there is a material difference between total projected traffic volume and the actual results.

The directors perform periodic assessment of the total projected traffic volume. The Group will appoint an independent professional traffic consultant to perform independent professional traffic studies in order to make an appropriate adjustment if there is a material and continuous difference between projected and actual traffic volume. The Group appointed independent professional traffic consultants to perform independent professional traffic studies on its main toll roads in years 2016, 2017, 2018 and 2019 and perform independent traffic volume studies respectively on major expressways.

III. Summary of significant accounting policies and accounting estimates (continued)

34. Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

(7) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the present value of the future cash flows expected to be derived from the asset groups (sets of asset groups) to which the goodwill is allocated. Estimating the present value requires the Group to make an estimate of the expected future cash flows from the asset groups (sets of asset groups) and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(8) Income tax and deferred tax

The Group is subject to income taxes in several jurisdictions. During the ordinary course of business, the ultimate tax determinations of some transactions and events are uncertain. Significant judgment is required from the Group in determining the provision for income taxes in each of these jurisdictions. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the period in which such determination is made.

The Group recognizes deferred tax assets based on estimates that it is probable to generate enough taxable income in the foreseeable future that the deductible losses will be utilized. The recognition of deferred tax assets mainly involves management's judgments and estimations about the timing and the amount of taxable income of the Company which has tax losses. Where the final outcome of timing and the amount is different from the original estimate, such differences will impact the current income taxes and deferred tax assets in the period in which such determination is made.

(9) Impairment of long-term equity investments

The Group assesses at the end of the reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment test should be executed when there is any indication that the carrying amount is not recoverable. An impairment exists if the carrying amount of the financial asset or the group of financial assets exceeds its recoverable amount, which is the higher of the fair value net of disposal costs and the present value of the estimated future cash flow. The net amount of fair value minus disposal costs is determined by reference to the agreement price or observable market price of similar assets in the fair trade. When estimating the present value of future cash flows, management must estimate the expected future cash flows of the asset or asset group and select the appropriate discount rate to determine the present value of future cash flows.

(10) Estimate of fair value of the identifiable net assets acquired

(a) As of 31 December 2020, Shenzhen Expressway Environment Co., Ltd. (the "Environment Company"), a subsidiary of the Company, has completed the acquisition of 67.1402% of the shares of Bioland Environmental Technology Group Co., Ltd. ("Bioland Company"), thereby realizing control of the Company. According to the share acquisition agreement, the following terms are set for the performance of Bioland Company in 2020, 2021, 2022 and 2023:

- i During the period of performance betting, if the accumulated net profit of the parent after deducting non recurring profit and loss at the end of a certain year is not less than 70% of the total accumulated net profit of the corresponding period, the performance commitment party shall pay the performance compensation to the investor in cash. If the accumulated net profit of parent company after deducting non recurring profit and loss as of the end of a certain year is not less than 90% of the total accumulated net profit committed in the same period, the performance compensation will not be carried out temporarily in the current year but will be postponed to the year with corresponding indicators lower than 90% or accumulated compensation will be carried out after the end of the performance commitment period, if the accumulated net profit of the parent company after deducting the non recurring profit and loss at the end of a certain year is lower than 90% but higher than 70% of the total accumulated committed net profit for the same period, the performance commitment party shall pay cash compensation to the investor in that year to achieve the net profit enjoyed by the environmental company according to the shareholding ratio and the accumulated committed net profit for the same period.

III. Summary of significant accounting policies and accounting estimates (continued)

34. Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

(10) Estimate of fair value of the identifiable net assets acquired (continued)

- ii If the cumulative actual net profit at the end of any year during the Valuation Adjustment Mechanism period is less than 70% of the committed cumulative net profit during the same period, the equity compensation mechanism will be triggered. The performance promises shall transfer shares to Environmental Company according to the following term: That is, the number of shares that should be compensated for the current period = [(The cumulative committed net profit as of the end of the current period - the cumulative realized net profit as of the end of the current period) × the proportion of shares held by the investor after the completion of this transaction - the compensation paid in the previous period (including cash compensation and equity compensation)] ÷ the acquisition price per share of this transaction.

On the purchase date, the Company judged that the performance could be reached based on the profit forecast, and the contingent consideration was zero. As at the date of this report, Bioland Company's 2020 audit report has not yet been issued, and the Group expects Bioland Company to reach the 2020 benchmark performance indicator.

The Company also continued to pay attention to the realization of Bioland Company's future performance and based on the existing profit forecast, it judged that future performance could still be achieved, and the contingent consideration was zero.

- (b) During the year 2019, the Company's wholly-owned subsidiary, Environment Company, completed the acquisition of 51% of the shares of Nanjing Wind Power Technology Co., Ltd. ("Nanjing Wind Power"), thus obtaining its control. According to the terms and conditions of the equity purchase agreement:

- i During the Valuation Adjustment Mechanism period, if Nanjing Wind Power fails to reach the gambling performance in 2019 and 2020, it will trigger a profit compensation mechanism: the original shareholders who still hold the shares will transfer some of the shareholders' profits for the year to the environmental company without compensation for compensation. That is, the original shareholders transferred part of the shareholders' profits corresponding to their shareholdings to the environmental company as compensation to ensure that the actual shareholder profit of the environmental company for the year reached the shareholder profit that the environmental company should obtain according to the shareholding ratio under the current year's performance. The profit compensation to the environmental company shall be subject to the profit for the year corresponding to all the equity held by the original shareholders;
- ii During the Valuation Adjustment Mechanism period, if Nanjing Wind Power does not reach the performance in 2021 and 2022, the equity adjustment mechanism will be triggered: the original shareholders were required to transfer the corresponding proportion of equity at no charge to the stock ratio based on the net profit amount that the performance should achieve in the current period to the environmental company. That is, the original shareholders transferred the corresponding proportion of equity to the environmental company free of charge in order to compensate the environmental company to ensure that the actual shareholder profit of the environmental company in the year after obtaining this part of the equity reached the shareholder profit that the environmental company should obtain according to the shareholding ratio.

On the purchase date, the Company judged that the performance could be reached based on the profit forecast, and the contingent consideration was zero. At the end of the year 2019, Nanjing Wind Power successfully achieved the 2019 performance indicators. As at the date of this report, Nanjing Wind Power's 2020 annual audit report has not yet been issued. The Group expects Nanjing Wind Power to reach the 2020 benchmark performance indicator.

The Company also continued to pay attention to the realization of Nanjing Wind Power's future performance, and based on the existing profit forecast, it judged that future performance could still be achieved, and the contingent consideration was zero.

III. Summary of significant accounting policies and accounting estimates (continued)

34. Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

(10) Estimate of fair value of the identifiable net assets acquired (continued)

(c) On 31 December 2020, the Company's subsidiary, Infrastructure Environmental Development Company, has completed the acquisition of 50% of the shares of Qiantai Company, thus realizing its control. According to the Share Acquisition Agreement, for the performance of Qiantai Company in 2021, 2022, 2023 and 2024, the following terms of bet are set:

- i During the gambling period, if Qiantai company fails to achieve the performance of the gambling for the first time, the profit compensation mechanism will be triggered. The performance commitment party shall transfer part of the shareholders' profits of the year to Infrastructure Environmental Development Company for free to compensate the infrastructure environmental protection development company for the difference in the performance of the gambling obtained during the assessment period, that is, the performance commitment party shall not enjoy the profit distribution rights of Qiantai company since the year when the performance of the gambling is not achieved in the assessment, and the originally entitled profit distribution rights shall be enjoyed by Infrastructure Environmental Development Company. Until the above performance difference of the gambling is compensated, if the performance commitment party fails to fully compensate the performance difference of the gambling that should be obtained by Infrastructure Environmental Development Company after transferring all the shareholders' profits that should be obtained by the performance commitment party within the assessment period, the performance commitment party shall continue to compensate the performance difference of the gambling until the next assessment period.
- ii In the gambling period, if Qiantai company fails to achieve the gambling performance for the second time, the cash compensation mechanism / equity adjustment mechanism shall be triggered. Within three months from the date of triggering, the performance commitment party shall first compensate Infrastructure Environmental Development Company with the following amount in cash: ① the difference of gambling performance that Infrastructure Environmental Development Company shall obtain in the evaluation period, and ② the performance commitment party shall make up for the infrastructure in the previous evaluation period Infrastructure Environmental Development Company but not make up the part. If the performance commitment party fails to make full compensation in cash within three months, or makes it clear that it will not make compensation, the equity adjustment mechanism will be triggered, and the performance commitment party will compensate the infrastructure environmental protection development company with its equity of Qiantai company, the performance commitment party will make up the difference between the performance of Infrastructure Environmental Development Company (① and ②) according to the valuation determined by this transaction And) the corresponding proportion of Qiantai company's equity is transferred to Infrastructure Environmental Development Company free of charge, and the relevant taxes involved in the above equity transfer are borne by the performance commitment party.
- iii During the gambling period, if Qiantai company fails to achieve the gambling performance for the third time, it will trigger the equity adjustment mechanism/equity repurchase mechanism: in such cases, the Infrastructure Environmental Development Company has the right to unilaterally choose the equity adjustment mechanism or the equity repurchase mechanism according to the following agreement. If the Infrastructure Environmental Development Company chooses the equity adjustment mechanism, the equity adjustment mechanism in II) above shall be implemented. If the Infrastructure Environmental Development Company chooses the share repurchase mechanism, the performance commitment Party (or the third party designated by the performance commitment party) shall, according to the time point of Infrastructure Environmental Development Company choosing the share repurchase mechanism, calculate the investment amount of Infrastructure Environmental Development Company in this transaction and the investment amount by 8% IRR per year After deducting the dividend amount obtained by Infrastructure Environmental Development Company the equity repurchase of Infrastructure Environmental Development Company shall be completed within one year (12 months) after Infrastructure Environmental Development Company proposes to exercise the equity repurchase mechanism. If the performance commitment Party (or the third party designated by the performance commitment party) fails to complete the equity buyback on schedule, the performance commitment party shall transfer its equity of the same value of Qiantai Company to Infrastructure Environmental Development Company free of charge (the proportion of equity transferred free of charge = the above equity buyback price / the valuation determined in this transaction; where "equity buyback price" = the investment in this transaction of Infrastructure Environmental Development Company) If the equity held by the performance commitment party in Qiantai Company is insufficient to make up for the equity repurchase price, the insufficient part shall be made up by the performance commitment party in cash.

On the purchase date, the company judges that the gambling performance can be achieved or the contingent consideration is zero according to the profit forecast. The company also continues to pay attention to the future performance of Qiantai Company. Based on the current profit forecast, it is judged that the future performance of gambling can be achieved or the consideration is zero.

III. Summary of significant accounting policies and accounting estimates (continued)

34. Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

(11) Impairment of concession intangible assets

The estimates on the net realizable value should be made when considering the impairment of the concession intangible assets.

When considering the impairment of the concession intangible assets, the management of the Company calculates the future cash flows of the toll roads and determines the recoverable amount. The key assumptions

III. Summary of significant accounting policies and accounting estimates (continued)

34. Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

(15) Fair value of unlisted equity investments

Fair value of non-listed equity investment at fair value through profit or loss is estimated using the market-based method. The assumptions on which it is based are unobservable input. The estimation requires management to determine comparable public companies (peers) based on industry, scale, gearing and strategy and compute appropriate price multiples in respect of each identified comparable company, such as enterprise value to EBITDA ("EV/EBITDA"), price to book ("P/B") or price to earnings ("P/E"), etc. Such multiples are measured and arrived at based on the relevant data of the comparable companies and discounted by a percentage for the lack of liquidity. The discounted multiple shall be used for the measurement of the profit or asset of the non-listed equity investment to arrive at its fair value. Management believes that the estimated fair value (as recorded in the financial statements) and changes in fair value (as recorded in profit or loss and other comprehensive income) arrived at using the aforesaid valuation method were reasonable and represented the most appropriate value at the end of the reporting period.

(16) Quality assurance

The Group will make a reasonable estimate of the warranty rate for the contract Product improvements combination with similar characteristics based on the historical warranty data, current warranty conditions, market changes, and other relevant information. The Group re-evaluates the warranty rate at least on every balance sheet date and determines the estimated liability based on the re-evaluated warranty rate.

(17) Estimated compensation

The Group is involved in a number of litigations. The estimated compensation is based on management's understanding of the litigations and the opinions of legal counsels or legal representatives. These estimations are likely to be updated according to the progress of the litigations. This may affect the Group's operation and operating results.

35. Changes in accounting policies and accounting estimates

Changes in accounting estimates

Details and reasons for changes in accounting estimates	Procedures for approval	Effective date	Notes (Financial statement items and amounts affected)
Changes in accounting estimates of unit usage of Shuiguan Expressway and Yichang Expressway	Approved by the Board of Directors of the Company on 18 March 2020	1 January 2020	(a)

III. Summary of significant accounting policies and accounting estimates (continued)

35. Changes in accounting policies and accounting estimates (continued)

Changes in accounting estimates (continued)

Changes in accounting estimates of unit usage of concession intangible assets of Shuiguan Expressway and Yichang Expressway:

(a) Since the net book value and predicted tolling period for Shuiguan Expressway has changed, Yichang Expressway significantly different from the projected traffic volumes in the current period and the difference between the actual traffic volumes and the previous projected traffic volumes is expected to continue, and the surrounding highway networks and traffic diversion impact became stable now, the management team reviewed the traffic volumes of the two expressways for remaining years and changed the per unit amortization amount. The Board of Directors of the Company approved the changes in accounting estimates according to the revised traffic volume projection on 18 March 2020 and adjusted the unit amortization of the aforesaid expressways according to the revised total projected traffic volume from 1 January 2020 using the prospective application. The per-unit amortization for Shuiguan Expressway was adjusted from RMB 5.86 to RMB 5.66. The per-unit amortization for Yichang Expressway was adjusted from RMB 9.55 to RMB 10.88. The impact of the change in accounting estimates on the accounting statement items of the current year is as follows:

	Impact amount	
	Shuiguan Expressway	Yichang Expressway
Intangible assets increase/(decrease)	13,153,468.56	-18,919,117.71
Deferred income tax liabilities increase/(decrease)	10,401,640.82	-4,729,779.43
Tax payable increase/(decrease)	-7,113,273.68	-
Operating costs increase/(decrease)	-13,153,468.56	18,919,117.71
Income tax expenses increase/(decrease)	3,288,367.14	-4,729,779.43
Net profit increase/(decrease)	9,865,101.42	-14,189,338.28
Net profit which belongs to parent company shareholders increase/(decrease)	4,932,550.71	-14,189,338.28

The above changes in accounting estimates would impact the magnitude of future amortization of the concession intangible assets of Shuiguan Expressway and Yichang Expressway to a certain extent.

IV. Taxation

1. Main categories and rates of taxes:

Category	Tax base	Tax rate
	Income from the sale of goods and rendering of services (from 1 May 2018 to 31 March 2019)	16%

Value-added tax ("VAT")

IV. Taxation (continued)

2 Tax preference

(1) Baotou Nanfeng Wind Power Technology Co., Ltd. ("Baotou Nanfeng") is a wind power enterprise and enjoys the following tax benefits

(a) 50% VAT refund policy

Caishui [2015] Notice of the State Administration of Taxation on Wind Power VAT Policy: In order to encourage the use of wind power and promote the healthy development of related industries, the VAT policy for wind power is hereby notified: As of 1 July 2015, taxpayers who sell their self-produced power products using wind power are subject to a 50% VAT refund policy.

(b) Preferential policies for three exemptions, three halves and half of corporate income tax

According to the provisions of Article 27 of Chapter 4 of the "Enterprise Income Tax Law of the People's Republic of China", the income tax of enterprises engaged in the investment and operation of public infrastructure projects supported by the state can be exempted or reduced. Pursuant to the provisions of Article 87 of the "Enterprise Income Tax Law of the People's Republic of China", engaging in the investment of ports, airports, railways, highways, urban public transportation, electricity, water conservancy and other projects specified in the "Public Infrastructure Projects Enterprise Income Tax Preferential Catalogue" For operating income, from the tax year in which the project obtains the first production and operation income, the corporate income tax will be exempt from the first to the third year, and the corporate income tax will be levied by half from the fourth to sixth year. "Public Infrastructure Projects Corporate Income Tax Preferential Catalogue" includes new wind power generation projects, new wind power generation projects approved by the government investment authority.

Baotou Southern Wind Company started grid-connected power generation in 2018 and obtained its first production and operation income. The "three years exemptions, three years half reduction" tax incentive period began in 2018 and ends in 2023.

(2) Shenzhen International Financial Leasing Co., Ltd. ("Financial Leasing Company") has the following tax benefits:

(a) VAT difference preferential tax policy

Caishui [2016] No.36 Notice the revenue of pilot taxpayer approved by the People's Bank of China, China Securities Regulatory Commission or the Commerce Department to operate financial leasing business and provide tangible asset financial leasing leaseback service to generate full charges and other charges will exclude the charge on the principal of tangible assets of the lease and the remaining balance after issuing bonds interests.

(b) 3% VAT refund preferential policy

Caishui [2016] No. 36 notice that general taxpayers who provide financial leasing services and financial sale and leaseback services for tangible movable properties implement the policy of immediate collection and refund of VAT for the part with the actual tax burden of VAT exceeding 3%.

IV. Taxation (continued)

2. Tax preference (continued)

- (3) Bioland Company and its subsidiaries enjoy the following tax preferences:

Bioland Company obtained the high-tech Enterprise Certificate (Certificate No. GR202041000586) in September 2020, and the high-tech Enterprise Certificate is valid for three years. According to the law of the People's Republic of China on enterprise income tax law and related regulations, the company enjoys the preferential policy of corporate income tax at the rate of 15% from 2020 to 2022. In accordance with the measures for the administration of the recognition of hi-tech enterprises, high-tech enterprise qualification from the date of issue the certificate is valid for three years, and the enterprise income tax rate in 2020 will be 15%.

Guangxi Bioland Renewable Energy Co., Ltd. ("Guangxi Bioland") obtained the High-tech Enterprise Certificate (Certificate No.: GR201945000737) on 25 November 2019. The validity period of this High-tech Enterprise Certificate is three years. In accordance with the Enterprise Income Tax Law of the People's Republic of China and relevant provisions, the company enjoys the preferential policy of corporate income tax at the rate of 15% from 2019 to 2021. According to the "Measures for the Administration of Recognition of High-tech Enterprises", the hi-tech enterprise qualification shall be valid for three years from the date of issuance of the certificate. The company may apply for re-examination within three months prior to the expiration of the certificate, and the enterprise passing the re-examination shall continue to enjoy the hi-tech enterprise qualification.

According to the provisions of Article 88 of the Regulations for the Implementation of the Enterprise Income Tax Law of the People's Republic of China, enterprises that engage in eligible environmental protection, energy conservation and water saving projects shall, from the tax year in which the first production and business income of the project is obtained, be exempted from enterprise income tax for the first year to the third year, and enjoy the half payment from the fourth year to the sixth year.

Guiyang Bioland Environmental Technologies Co., Ltd. ("Guiyang Bioland Company") is engaged in the management project meet the environmental protection, energy-saving water conservation project of enterprise income tax preferential policies, to enjoy the preferential period of 1 January 2016 to 31 December 2021, from 2016 to 2018 to enjoy the enterprise income tax exemption policy, from 2019 to 2021 to enjoy the half payment of enterprise income tax policy.

Dezhou Bioland Environmental Technologies Co., Ltd. ("Dezhou Bioland Company") is engaged in business projects that meet the preferential policies of enterprise income tax for environmental protection, energy conservation and water conservation projects. From 2016 to 2018, Dezhou Bioland Company Texas enjoys the exemption policy of enterprise income tax, and from 2019 to 2021, it enjoys the policy of half payment of enterprise income tax.

Taizhou Bioland Environmental Protection Technology Co., Ltd. ("Taizhou Bioland Company") is engaged in business projects to meet the environmental protection, energy saving and water saving project enterprise income tax preferential policies. In September 2018, it entered the trial operation period, the first income obtained from September 2018, enjoy the preferential period is to enjoy the income tax exemption policy from 2018 to 2020, and enjoy the income tax halving policy from 2021 to 2023. We need to submit an application to the local tax bureau. Because it has no profit at the moment, the company has not applied for it.

Longyou Bioland Environmental Protection Technology Co., Ltd. ("Taizhou Bioland Company") is engaged in business projects to meet the environmental protection, energy saving and water saving project enterprise income tax preferential policies. In February 2018, it entered the trial operation period, the first income obtained from February 2018, enjoy the preferential period is to enjoy the income tax exemption policy from 2018 to 2020, and enjoy the income tax halving policy from 2021 to 2023.

IV. Taxation (continued)

2. Tax preference (continued)

(3) Bioland Company and its subsidiaries enjoy the following tax preferences (continued):

Huangshi Bioland Environmental Technologies Co., Ltd. ("Huangshi Bioland Company") is engaged in business projects that meet the preferential policies of enterprise income tax for environmental protection, energy conservation and water conservation projects, and enjoys the exemption policy of enterprise income tax from 2020 to 2022, and enjoys the policy of half payment of enterprise income tax from 2023 to 2025.

Shangrao Bioland Environmental Protection Technology Co., Ltd. ("Shangrao Bioland"), as of December

V. Notes to the consolidated financial statements

1. Cash and cash equivalents

Item	2020	2019
Cash on hand	8,148,179.86	10,439,104.00
Bank deposits	5,242,004,245.67	4,636,126,395.17
Other money funds	299,151,926.91	132,564,454.79
Total	5,549,304,352.44	4,779,129,953.96
Including: restricted bank deposits	2,315,723,172.17	1,801,295,060.23

On 31 December 2020, the foreign currency funds of the Group amounted to RMB 18,975,467.53 (31 December 2019: RMB 13,418,993.21).

On 31 December 2020, the Group's specific account for project management was RMB 1,789,556,126.60, the acceptance margin of notes payable was RMB 283,557,145.56 and the regulated equity purchase fund was RMB 210,000,000.00. Bioland Company has a performance guarantee of RMB 9,000,000.00 and a construction performance guarantee of kitchen waste disposal project of RMB 9,000,000.00 in China Minsheng Banking, and a construction performance guarantee of kitchen waste disposal project of RMB 10,000,000.00 in Postal Savings Bank of China. Besides, Bioland Company has the margin account of migrant worker wages of RMB 1,201,768.77, and the litigation freeze was RMB 3,408,131.24 (Note XI.2). The total balance was RMB 2,315,723,172.17. (31 December 2019: the balance of funds for the project management special account was RMB 1,459,545,328.54. The acceptance margin for notes payable was RMB 131,749,731.69. The regulated equity purchase fund was RMB 210,000,000.00. The total balance was RMB 1,801,295,060.23) (Note V.62). The balance of the project management specific account of the above project is reflected in the statement of the cash flows as restricted bank deposits.

Current deposits earn interest at the rate based on current deposit interest rates. Maturities of short-term time deposits range from 7 days to 12 months depending on the fund arrangement of the Group. Time deposits earn interest at the relevant rates with different maturities.

2. Transactional financial assets/(Liabilities)

Item	2020	2019
Financial assets measured at fair value through profit or loss/ (liabilities represented by "-")	-83,677,813.21	62,689,444.00
Including: Derivative financial assets (liabilities represented by "-")	-83,677,813.21	62,689,444.00
Total	-83,677,813.21	62,689,444.00

Transactional financial assets are foreign exchange swap/forward contracts and options contracts that are measured at fair value through profit or loss. In order to hedge exchange rate risk, the Company signed foreign exchange swap/forward contracts with a number of banks in phases. At the end of 2019, the company held forward/swap contracts totaling USD 300 million. In July 2020, the USD 150 million foreign exchange swap/forward contract expired and generated delivery income of RMB 17,955,000.00 (Note V.52). The remaining contracts of USD 150 million began in July 2018 and will expire in July 2021. In addition, the Company signed an option contract with Bank of China in August 2020 with a face value of USD 150 million. On 31 December 2020, the Company held forward/swap contracts and options contracts totaling USD 300 million. During this year, the loss from the fair value change of the above derivative financial instruments was RMB 146,367,257.21 (2019: Income RMB 17,586,250.00) (Note V.53).

V Notes to the consolidated financial statements (continued)

3. Bills receivable

	2020	2019
Bank acceptance bills	52,953,063.65	9,895,060.34
Commercial acceptance bills	325,579,650.00	-
Total	378,532,713.65	9,895,060.34

The bills receivable that have been endorsed or discounted but not yet matured on 31 December 2020 are as follows:

	2020		2019	
	Derecognition	Non-termination confirmation	Derecognition	Non-termination confirmation
Bank acceptance bills	41,410,185.83	33,962,000.00	106,751,000.00	-
Commercial acceptance bills	-	295,514,920.11	-	-
Total	41,410,185.83	329,476,920.11	106,751,000.00	-

4. Accounts receivable

Trade receivables are interest-free with a credit period of one to twelve months in general.

(1) The aging of accounts receivable according to the recognition date is analyzed below:

	2020	2019
Within 1 year	627,253,791.35	696,120,138.78
1 to 2 years	89,168,733.25	75,684,818.95
2 to 3 years	75,334,742.08	22,404,325.16
Over 3 years	21,572,362.63	2,520,857.54
Sub-total	813,329,629.31	796,730,140.43
Less Provision for bad debts	15,259,267.55	7,396,091.86
Total	798,070,361.76	789,334,048.57

V. Notes to the consolidated financial statements (continued)

4. Accounts receivable (continued)

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

Category	2020			
	Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance
Receivables that are subject to provision by group with similar credit risk characteristics	813,329,629.31	100	15,259,267.55	1.88
Group 1	68,748,253.75	8.45	-	-
Group 2	494,729,302.36	60.84	916,513.98	0.19
Group 3	53,474,048.23	6.57	3,988,012.20	7.46
Group 4	196,378,024.97	24.14	10,354,741.37	5.27
Total	813,329,629.31	100	15,259,267.55	1.88

The aging of group 2, group 3 and group 4 according to the recognition date is analyzed below:

Group 2	2020		
	Estimated default book balance	Expected credit loss rate (%)	Expected credit loss over the duration
Aging			
Within 1 year	416,404,556.26	0.14	579,784.53
1 to 2 years	78,324,746.10	0.43	336,729.46
2 to 3 years	-	/	-
Over 3 years	-	/	-
Total	494,729,302.36	/	916,513.98

Group 3	2020		
	Estimated default book balance	Expected credit loss rate (%)	Expected credit loss over the duration
Aging			
Within 1 year	29,119,847.54	2.27	660,704.81
1 to 2 years	8,869,902.34	10.14	899,094.46
2 to 3 years	15,484,298.35	15.68	2,428,212.93
Over 3 years	-	/	-
Total	53,474,048.23	/	3,988,012.20

Group 4	2020		
	Estimated default book balance	Expected credit loss rate (%)	Expected credit loss over the duration
Aging			
Within 1 year	146,883,372.64	0.10	144,938.51
1 to 2 years	1,949,340.56	10.29	200,590.91
2 to 3 years	47,545,311.77	21.05	10,009,211.95
Over 3 years	-	/	-
Total	196,378,024.97	/	10,354,741.37

V. Notes to the consolidated financial statements (continued)

4. Accounts receivable (continued)

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

Category	2019			
	Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance
Receivables that are subject to provision by group with similar credit risk characteristics	796,730,140.43	100.00	7,396,091.86	0.93
Group 1	56,345,778.13	7.07	-	-
Group 2	530,446,388.70	66.58	-	-
Group 4	209,937,973.60	26.35	7,396,091.86	3.52
Total	796,730,140.43	100.00	7,396,091.86	0.93

The aging of group 2 and group 4 according to the recognition date is analyzed below:

Group 2	2019		
	Estimated default book balance	Expected credit loss rate (%)	Expected credit loss over the duration
Within 1 year	530,446,388.70	/	-
1 to 2 years	-	/	-
2 to 3 years	-	/	-
Over 3 years	-	/	-
Total	530,446,388.70	/	-

Group 4	2019		
	Estimated default book balance	Expected credit loss rate (%)	Expected credit loss over the duration
Within 1 year	136,165,707.71	0.13	170,440.07
1 to 2 years	73,545,850.81	9.78	7,192,108.82
2 to 3 years	226,415.08	14.81	33,542.97
Over 3 years	-	/	-
Total	209,937,973.60	/	7,396,091.86

(3) The changes in the provision for bad debt are as follows:

	Beginning balance	Additions	Reversal	Cancellation after verification	Ending balance
31 December 2020	7,396,091.86	8,136,242.67	-	273,066.98	15,259,267.55
31 December 2019	860,000.00	8,799,054.07	1,966,962.21	296,000.00	7,396,091.86

(4) Accumulated accounts receivable from the five largest debtors:

	Balance	Provision for bad debts	% of total balance
Total accumulated accounts receivable from the five largest debtors at 31 December 2020	445,740,649.92	579,462.84	54.80
Total accumulated accounts receivable from the five largest debtors at 31 December 2019	718,544,601.49	9,688,980.50	90.19

V. Notes to the consolidated financial statements (continued)

5. Prepayments

(1) Prepayments presented on the basis of their respective nature:

	2020	2019
Prepaid land-transfer fee	145,820,495.00	136,912,559.45
Prepaid material payment	145,718,896.27	115,464,238.07
Others	111,650,913.00	83,459,968.53
Total	403,190,304.27	335,836,766.05

At 31 December 2020, the amount represented the prepayments for land-transfer fee, materials, construction, administrative expenses, special expenses and so on.

(2) The aging analysis of prepayments is as follows:

Aging	2020		2019	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	243,676,587.11	60.44	199,167,831.06	59.30
1 to 2 years	24,647,828.03	6.11	134,696,211.26	40.11
2 to 3 years	132,868,330.44	32.95	1,136,063.92	0.34
Over 3 years	1,997,558.69	0.50	836,659.81	0.25
Total	403,190,304.27	100.00	335,836,766.05	100.00

On 31 December 2020, advances to suppliers over 1 year mainly represented the land-transfer fee, materials, and construction. The advances to suppliers have not been carried over because the contracts and projects have not been completed.

(3) Accumulated advances to the five largest suppliers

Total accumulated advances to the five largest suppliers	Amount	% of total balance
31 December 2020	288,470,560.88	71.55
31 December 2019	207,797,685.53	61.87

V. Notes to the consolidated financial statements (continued)

6. Other receivables

(1) Other receivables are classified as follows:

	2020	2019
Interest receivable	9,588,821.98	6,517,105.90
Other receivables	763,450,510.06	516,459,010.40
Total	773,039,332.04	522,976,116.30

(2) The aging of other receivables according to the recognition date is analyzed below:

	2020	2019
Within 1 year	409,305,059.09	411,315,252.14
1 to 2 years	247,255,021.80	90,514,675.98
2 to 3 years	95,688,580.46	17,290,150.38
Over 3 years	20,815,817.45	3,856,037.80
Sub-total	773,064,478.80	522,976,116.30
Less Provision for bad debts	25,146.76	-
Total	773,039,332.04	522,976,116.30

(3) Classification of other receivables by nature:

Nature of payment	2020	2019
Advances receivable	492,041,718.06	164,880,235.27
Deposits and guarantees	182,244,199.27	152,948,350.82
Account receivable due to cancellation of toll stations in Yanpai and Yanba sections	9,209,048.19	11,170,906.19
Interest receivable	9,588,821.98	6,517,105.90
Receivable from Nanjing Economic Development Commission (Note V. 60(1))	-	10,000,000.00
Employee advance loan	8,436,704.73	4,258,371.18
Administrative reserve	4,929,923.93	3,718,676.45
Receivable from other related parties (Note X. 6(1))	-	147,711,533.95
Receivable from third parties	32,818,954.76	-
Receivable overpaid tax on the government's compensation revenue for the renovation and expansion of Meiguan	-	2,441,247.40
Receivable from Hotai Investment to return the equity transfer payment	16,890,000.00	-
Others	16,905,107.88	19,329,689.14
Sub-total	773,064,478.80	522,976,116.30
Less: Provision for bad debts	25,146.76	-
Total	773,039,332.04	522,976,116.30

V. Notes to the consolidated financial statements (continued)

6. Other receivables (continued)

(4) The changes in the provision for bad debt are as follows:

2020

	Stage 1 12-month expected credit losses	Stage 2 Lifetime expected credit losses	Stage 3 Credit-impaired financial assets (Lifetime expected credit losses)	Total
Opening balance	-	-	-	-
Accrual	25,146.76	-	-	25,146.76
Closing balance	25,146.76	-	-	25,146.76

(5) The five largest other receivables are analysed as follows:

2020

Company name	Nature	2020	Aging	% of total balance	Provision for bad debts
Nanjing Ningfeng Energy Technology Co., Ltd.	Advances receivable	119,704,571.95	1 to 2 years / 2 to 3 years	15.48	-
Henan Senyuan Electric Co., Ltd.	Advances receivable	105,860,793.16	Within 1 year / 1 to 2 years	13.69	-
Ningxia Zhongwei Xintang New Energy Co., Ltd.	Advances receivable	92,435,851.16	Within 1 year / 1 to 2 years	11.96	-
Henan Senyuan Group Co., Ltd.	Margin	80,000,000.00	1 to 2 years	10.35	-
Zhangshu Gaochuan New Energy Co., Ltd.	Advances receivable	62,205,709.23	Within 1 year / 1 to 2 years	8.05	-
Total	/	460,206,925.50	/	59.53	-

V. Notes to the consolidated financial statements (continued)

6. Other receivables (continued)

(6) The five largest other receivables are analysed as follows:

2019

Company name	Nature	2019	Aging	% of total balance	Provision for bad debts
Shenzhen International Holdings (Holdings) Co., Ltd. (Shenzhen International Holdings)	Receivables	144,619,354.91	Within 1 year	27.65	-
Nanjing Ningfeng Energy Technology Co., Ltd.	Advances receivable	125,704,571.95	Within 1 year / 1 to 2 years	24.04	-
Henan Senyuan Group Co., Ltd.	Margin	80,000,000.00	Within 1 year	15.30	-
China Power Construction Corporation Jiangxi Electric Power Construction Co., Ltd.	Margin	41,200,000.00	Within 1 year	7.88	-
Ningxia Zhongwei Xintang New Energy Co., Ltd.	Margin and advances receivable	25,200,000.00	Within 1 year	4.82	-
Total	/	416,723,926.86	/	79.68	-

7. Inventories

(1) Inventory classification

Item	2020			2019		
	Book balance	Allowance for impairment	Book value	Book balance	Allowance for impairment	Book value
Properties held for development (a)	103,918,051.88	-	103,918,051.88	167,000,061.05	-	167,000,061.05
Properties under development (b)	213,644,249.47	-	213,644,249.47	271,966,290.35	-	271,966,290.35
Properties held for sale (c)	256,963,485.78	-	256,963,485.78	63,146,328.73	-	63,146,328.73
Raw materials	191,271,917.73	-	191,271,917.73	205,092,765.90	-	205,092,765.90
Goods in progress	27,168,786.90	-	27,168,786.90	1,246,570.01	-	1,246,570.01
Finished goods	141,440,322.60	-	141,440,322.60	10,839,757.29	-	10,839,757.29
Low value consumables and others	5,509,175.89	116,143.51	5,393,032.38	5,001,704.07	-	5,001,704.07
Total	939,915,990.25	116,143.51	939,799,846.74	724,293,477.40	-	724,293,477.40

(a) Properties held for development were the lands held by the Group's subsidiary, Guizhou Shenzhen Expressway Land Co., Ltd. (Guizhou Land) and the lands were planned to be developed under Phase II and Phase V of the "Interlaken Town Project".

V. Notes to the consolidated financial statements (continued)

7. Inventories (continued)

(1) Inventory classification (continued)

(b) Properties under development

Name of project	Start time	Estimated completion date	The amount of estimated investment	Ending balance on 31 December 2020	Opening balance on 1 January 2020
Phase III Stage I of "Interlaken Town Project"	2018.12	2020.11	425,000,000.00	-	111,198,261.43
Phase III Stage III of "Interlaken Town Project"	2020.9	2022.6	960,479,500.00	151,306,227.06	-
Public area	2015.12	/	/	62,338,022.41	160,768,028.92
Total	/	/	1,385,479,500.00	213,644,249.47	271,966,290.35

(c) Properties held for sale

Name of project	Completion time	Opening balance	Increase	Decrease	Ending balance	Provision
Phase I Stage I of "Interlaken Town Project"	2016.12	15,312,898.68	-	-	15,312,898.68	-
Phase II Stage II of "Interlaken Town Project"	2019.04	47,833,430.05	-	-	47,833,430.05	-
Phase III Stage I of "Interlaken Town Project"	2020.11	-	370,733,277.04	176,916,119.99	193,817,157.05	-
Total	/	63,146,328.73	370,733,277.04	176,916,119.99	256,963,485.78	-

The properties held for sale are properties of the first Stage of Phase I, the second Stage of Phase II and the first Stage of Phase III of the Interlaken Town Project. The first Stage of Phase I achieved a completion area of 38,768.63 square meters in 2016, of which 37,195.49 square meters of the completed area were delivered. In the current year, there was no delivery area and the remaining completed saleable area was 1,573.14 square meters. The second Stage of Phase II achieved a completion area of 8,899.77 square meters in 2019, of which 3,185.02 square meters were delivered in 2019. In the current year, there was no delivery area and the remaining completed saleable area was 5,714.75 square meters. The first Stage of Phase III achieved a completion area of 58,018.83 square meters in 2020, of which 27,686.93 square meters were delivered and the remaining completed saleable area was 30,331.90 square meters.

(2) The changes in the allowance for impairment are as follows:

2020

	Beginning balance	Additions	Reversal	Cancellation after verification	Ending balance
Finished goods	-	116,143.51	-	-	116,143.51

There was no provision for inventories in 2019.

V. Notes to the consolidated financial statements (continued)

7. Inventories(continued)

(3) Explanation of inventories year-end balance containing capitalization of borrowing costs:

In the current year, the additional capitalized interest expense in the Group's inventories was RMB 6,359,622.38 (2019: RMB 1,672,862.02), and the capitalization rate used to confirm the amount of capitalization was 4.75% (2019: 4.75%). At 31 December 2020, the capitalized interest in the inventory ending balance was RMB 3,244,555.73 (31 December 2019: RMB 2,758,034.72).

8. Contract assets

Item	2020			2019		
	Book balance	Provision for bad debt	Book value	Book balance	Provision for bad debt	Book value
Construction receivables	191,552,442.89	-	191,552,442.89	144,838,347.15	-	144,838,347.15
Kitchen waste engineering construction receivables (a)	123,825,838.12	37,882,763.76	85,943,074.36	-	-	-
Warranty receivables (b)	65,873,700.00	329,368.50	65,544,331.50	43,051,850.00	126,280.00	42,925,570.00
Others	1,025,944.50	-	1,025,944.50	-	-	-
Total	382,277,925.51	38,212,132.26	344,065,793.25	187,890,197.15	126,280.00	187,763,917.15

- (a) The Group's newly-increased receivables from the restaurant kitchen waste engineering construction business amounted to RMB 85,943,074.36, all of which were revenues from Bioland Company's environmental engineering construction business.
- (b) The balance of the Group's warranty receivables this year was RMB 65,544,331.50 (2019: RMB 42,925,570.00), all from Nanjing Wind Power's wind turbine sales warranty.

The changes in the impairment of contract assets are as follows:

	Beginning balance	Additions	Reversal	Cancellation after verification	Ending balance
2020	126,280.00	38,085,852.26	-	-	38,212,132.26
2019	-	126,280.00	-	-	126,280.00

9. Assets held for sale

Item	2020 book value	Fair value	Estimated disposal cost	Disposal time
Long-term equity investments	494,662,913.71	520,000,000.00	694,580.00	The first quarter of 2021
Total	494,662,913.71	520,000,000.00	694,580.00	/

On 20 November 2020, the 25% equity of Guangdong Jiangzhong Expressway Co., Ltd. ("Jiangzhong Company") and 30% equity of Yunfu Guangyun Expressway Co., Ltd. ("Guangyun Company") held by the Company were publicly listed for sale on Shenzhen United Property Exchange. On 28 December 2020, Xinyue (Guangzhou) Investment Co., Ltd. was delisted and became the transferee and paid a deposit of RMB 156,010,000.00. The Company has made a resolution of the board of directors on the transaction on 10 November 2020, and it is expected that the transfer will be completed within one year. Accordingly, the subject matter related to the agreement is classified from long-term equity investment into assets held for sale. For details, please refer to Note V.15(d).

V. Notes to the consolidated financial statements (continued)

10. Current portion of non-current assets

Item	2020	2019
Receivables from Longli BT Project (Note V.13(a))	22,548,751.19	22,548,751.19
Financial leasing receivables (Note V.13(c))	52,879,136.63	82,446,043.35
Receivables from related parties (Note X.6(1))	-	64,946,021.63
Government compensation receivables from minority shareholders (Note V.13(d))	-	7,272,394.51
Sub-total	75,427,887.82	177,213,210.68
Less Provision for bad debts	557,805.03	873,316.43
Total	74,870,082.79	176,339,894.25

11. Other current assets

Item	2020	2019
Prepaid tax	9,443.73	13,771,786.56
Pending deduction of input value-added tax	325,713,547.29	233,943,994.07
Total	325,722,991.02	247,715,780.63

V. Notes to the consolidated financial statements (continued)

12. Long-term prepayments

Item	2020	2019
Construction prepayments from Shenzhen Outer Ring Expressway Investment Company Limited (Outer Ring Company)	104,418,379.86	272,936,643.91
Prepayments for Shenzhen Airport-Heao Expressway reconstruction and expansion	213,883,489.53	87,113,787.23
Total	318,301,869.39	360,050,431.14

At 31 December 2020, Outer Ring Company has prepaid the construction funds for Baoan Section and Longgang Section in Outer Ring Expressway amounting to RMB 104,418,379.86 (2019: RMB 272,936,643.91). The Company has prepaid the construction funds for Shenzhen Airport-Heao Expressway reconstruction and expansion amounting to RMB 213,883,489.53 (2019: RMB 87,113,787.23). The prepayments will be settled according to the progress of the construction.

13. Long-term receivables

(1) General information:

Item	2020			2019		
	Book balance	Bad debt provision	Book value	Book balance	Bad debt provision	Book value
Due from Shenzhen-Shanwei Special Cooperation Zone Development and Construction Co., Ltd	166,378,392.13	-	166,378,392.13	159,360,103.10	-	159,360,103.10
Due from Guizhou Longli County Government in relation to the project management services provided to Longli BT Project (a)	22,548,751.19	-	22,548,751.19	22,548,751.19	-	22,548,751.19
Electricity compensation income (b)	307,076,579.09	810,495.51	306,266,083.58	180,002,544.81	252,529.92	179,750,014.89
Financial leasing receivables (c)	548,313,304.01	3,341,173.42	544,972,130.59	176,956,132.35	1,941,320.91	175,014,811.44
Long-term receivables from related parties	-	-	-	65,478,632.41	-	65,478,632.41
Government compensation receivables from minority shareholders (d)	59,639.61	-	59,639.61	7,332,034.12	-	7,332,034.12
Receivable from Hotai Investment to return the						

V. Notes to the consolidated financial statements (continued)

13. Long-term receivables (continued)

- (b) The balance for Baotou Southern Wind electricity compensation income at 31 December 2020 was RMB 306,266,083.58 (2019: RMB 179,750,014.89).
- (c) Financial Leasing Company had financial leasing and interest receivables of RMB 544,972,130.59 at 31 December 2020 (2019: RMB 175,014,811.44).
- (d) According to the business combination under the same control, the beginning balance of Longda Company's receivables from minority shareholders was RMB 7,332,034.12. The money was almost received in this year. As of 31 December 2020, the remaining balance of this account was RMB 59,639.61.
- (e) On 31 December 2020, Qinglong Company, a subsidiary of the group, has not signed an expressway adjustment toll agreement with the Shenzhen Municipal Government, which triggered the adjusting mechanism of acquisition consideration between Mei Wah Company, another subsidiary of the group, and Qinglong Company's original shareholder Hotai Investment Co., Ltd. According to the sale and purchase agreement and supplementary agreement signed between the Company's subsidiary Mei Wah Company and Hotai Investment, Hotai Investment should return the balance of equity transfer consideration totaling RMB 40,000,000.00 and interest totaling RMB 8,890,000.00. The balance mentioned above should be returned by installments. As of 31 December 2020, the balance should be returned within one year was RMB 32,000,000.00.

(2) The changes in the ending balance and bad debt provision of long-term receivables based on expected credit losses are as follows:

2020

	The first stage Expected credit loss over the next 12 months	
	Ending balance	Provision for bad debt
Opening balance	434,464,987.30	1,320,534.40
Additions	871,319,340.74	2,517,296.90
Reduction	304,835,549.83	243,967.40
Closing balance	1,000,948,778.21	3,593,863.90

2019

	The first stage Expected credit loss over the next 12 months	
	Ending balance	Provision for bad debt
Opening balance	2,084,299,413.47	1,269,816.74
Additions	87,354,167.26	914,305.89
Business combinations not under common control	163,261,168.36	-
Reduction	1,900,449,761.79	863,588.23
Closing balance	434,464,987.30	1,320,534.40

V. Notes to the consolidated financial statements (continued)

14. Other non-current financial assets

Item	2020	2019
Wanhe Securities Co., Ltd.	950,000,000.00	-
Shenzhen State-owned Collaborative Development Private Equity Fund Partnership Equity ("Collaborative Development Fund")	308,486,714.70	-
Shenzhen Water Planning and Design Institute Co., Ltd. ("Water Regulation Institute") equity	188,515,110.00	103,125,000.00
Guangdong United Electronic Services Co., Ltd. ("United Electronics") equity	124,961,491.84	114,814,080.00
Equity of Guangdong Heyuan Rural Commercial Bank Co., Ltd	22,503,680.00	-
Equity of Guangdong Zijin Rural Commercial Bank Co., Ltd	9,180,560.00	-
Yiwu Shenneng Renewable Resources Co., Ltd. equity	2,243,730.00	-
Total	1,605,891,286.54	217,939,080.00

During the year, gains from changes in fair value of those equity investments amounted to RMB 104,024,236.54 (2019: RMB 37,500,260.00). Please refer to Note V.53.

V. Notes to the consolidated financial statements (continued)

15. Long-term equity investments

2020

Investee	2019	Current year movements						2020	Shareholding (%)	Impairment provided during the year
		Current year additions	Investment income / loss recognized under equity pick-up method	Cash dividend declared	Investment cost refunded	Disposals	Others			
Associates										
Jiangzhong Company(d)	311,781,980.50	-	-1,509,329.42	-	-	-310,272,651.08	-	-	25	-
Nanjing Yangtze River Third Bridge Company Limited ("Nanjing Third Bridge Company")	324,986,381.30	-	24,049,144.41	-24,049,144.41	-13,540,741.77	-	-	311,445,639.53	25	-
Guangdong Yangmao Expressway Company Limited ("Yangmao Company")	428,642,868.52	103,750,000.00	60,398,918.39	-53,005,173.19	-	-	-	539,786,613.72	25	-
Guangzhou Western Second Ring Expressway Company Limited ("GZ W2 Company")	296,913,135.45	-	58,506,923.55	-28,559,500.00	-	-	-	326,860,559.00	25	-
Guangyun Company(d)	100,871,961.58	-	23,458,902.01	-	-	-184,390,262.63	60,059,399.04	-	30	-
Shenzhen International United Land Company Limited ("United Land Company") (a)	1,391,569,806.30	-	363,478,450.64	-312,120,473.62	-	-	32,252,473.61	1,475,180,256.93	34.30	-
Chongqing Derun Environment Co., Limited ("Derun Environment") (b)	4,525,056,258.95	-	206,420,366.54	-128,000,000.00	-	-	127,912,347.50	4,731,388,972.99	20	-
Foshan Shunde Shengchuang Shenzhen Expressway Environmental Technology Industry M&A Investment Partnership (Limited Partnership) ("Environmental Technology Industry M&A Fund") (c)	-	135,000,000.00	-4,281,830.64	-	-	-	-	130,718,169.36	45	-
Others (e)	1,326,466,949.13	-	150,208,427.12	-35,154,490.00	-	-	-17,575,648.00	1,423,945,238.25	/	-
Total	8,706,289,341.73	238,750,000.00	880,729,972.60	-580,888,781.22	-13,540,741.77	-494,662,913.71	202,648,572.15	8,939,325,449.78	/	-

V. Notes to the consolidated financial statements (continued)

15. Long-term equity investments (continued)

2019

Investee	2018	Current year movements						2019	Shareholding (%)	Impairment provided during the year
		Current year additions	Reduction	Investment income / loss recognized under equity pick-up method	Cash dividend declared	Investment cost refunded	Others			
Associates										
Jiangzhong Company(d)	315,321,289.79	-	-	19,491,390.53	-19,491,390.53	-3,539,309.29	-	311,781,980.50	25	-
Nanjing Third Bridge Company	336,657,796.18	-	-	53,683,206.87	-53,683,206.87	-11,671,414.88	-	324,986,381.30	25	-
Yangmao Company	383,837,714.75	108,750,000.00	-	44,343,401.49	-44,343,401.49	-63,944,846.23	-	428,642,868.52	25	-
GZ W2 Company	289,747,039.65	-	-	59,515,308.40	-52,349,212.60	-	-	296,913,135.45	25	-
Guangyun Company(d)	68,925,398.16	-	-	34,578,929.22	-2,632,365.80	-	-	100,871,961.58	30	-
United Land Company	1,014,607,875.06	-	-	354,869,950.44	-	-	22,091,980.80	1,391,569,806.30	34.30	-
Derun Environment	4,411,573,102.56	-	-	193,467,531.92	-116,000,000.00	-	36,015,624.47	4,525,056,258.95	20	-
Others (e)	1,038,438,281.47	171,044,470.10	-	139,734,581.52	-9,818,750.96	-11,756,249.04	-1,175,383.96	1,326,466,949.13	/	-
Total	7,859,108,497.62	279,794,470.10	-	899,684,300.39	-298,318,328.25	-90,911,819.44	56,932,221.31	8,706,289,341.73	/	-

V. Notes to the consolidated financial statements (continued)

15. Long-term equity investments (continued)

- (a) The Company holds a 34.3% equity interest in United Land and has significant influence on its important financial and production and operation decisions. Therefore, the Company uses the equity method to account for this long-term equity investment. During the year, according to the sold ratio of the United Landmark Meilinguan Urban Renewal Project of 38.67%, the unrealized internal transaction gains and losses offset by previous years were reversed to RMB32,252,473.61. Please refer to Note V. 52(a) for details.
- (b) Due to the change of other comprehensive income of Derun Environment during the year, the Group confirmed the decrease of other comprehensive income of RMB 24,024,909.49 according to the shareholding ratio and confirmed the increase of capital reserve of RMB 151,937,256.99 according to the shareholding ratio due to the change of Derun Environment's capital reserve.
- (c) On 14 April 2020, the Company, Guangdong Shengchuang Investment Management Co., Ltd. ("Shengchuang Investment") and the others entered into a partnership agreement to invest in Environmental Technology Industry M&A Fund. The total subscribed capital contribution of all partners was RMB 1,000,000,000.00, of which the subscribed capital contribution of the Company was RMB 450,000,000.00, with the shareholding ratio of 45%. As of 31 December 2020, the Company has contributed RMB 135,000,000.00. The Company had significant influence on its investment decision. Therefore, the Company accounted for Environmental Technology Industry M&A Fund as an associate under the equity method.
- (d) During the year, the 25% equity of Jiangzhong Company and the 30% equity of Guangyun Company held by the Company were classified from long-term equity investment into assets held for sale. Please refer to Note V.9 for details.
- (e) Others include the Company's affiliated companies such as Shenzhen Expressway Engineering Consulting Co., Ltd. ("Consulting Company"), Shenzhen Huayu Expressway Investment Co., Ltd. ("Huayu Company"), Guizhou Hengtongli Property Co., Ltd. ("Guizhou Hengtongli"), and Guizhou Bank Co., Ltd. ("Guizhou Bank"). Due to the change of other comprehensive income of Guizhou Bank during the year, the Group confirmed the decrease of other comprehensive income of RMB 17,575,648.00 according to the shareholding ratio.
- (f) The percentage of ownership interest of the associated enterprise held is the same as the percentage of its voting power.

V. Notes to the consolidated financial statements (continued)

16. Investment properties

Subsequently measured at cost:

Item	2020	2019
1. Cost		
Balance at 1 January	18,180,000.00	18,180,000.00
Balance at 31 December	18,180,000.00	18,180,000.00
2. Accumulated depreciation		
Balance at 1 January	6,381,058.80	5,805,116.40
Current year additions	575,942.40	575,942.40
-Addition	575,942.40	575,942.40
Balance at 31 December	6,957,001.20	6,381,058.80
3. Carrying amount		
Balance at 31 December	11,222,998.80	11,798,941.20
Balance at 1 January	11,798,941.20	12,374,883.60

The investment properties are the parking spaces in the Group's headquarters in Jiangsu Building, where the Group commissioned the property company to rent these properties to the relevant car owners.

*The Group's investment properties are all located in the mainland of China and held in the form of leases.

At 31 December 2020, the investments without the certificate of ownership are listed as follows

	Carrying amount	Reason for not yet obtaining the certificate of ownership
The parking lot beneath Jiangsu Building	11,222,998.80	All the certificates of ownership of the parking lots in Shenzhen are not available

Shenzhen Expressway Company Limited
Notes to Financial Statements (continued)
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V. Notes to the consolidated financial statements (continued)

17. Fixed assets

(1) Fixed asset movements

2020

Item	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Mechanical equipment	Total
1. Cost						
31 December 2019	645,380,552.08	1,474,200,027.80	35,129,771.42	71,944,256.09	1,690,461,830.69	3,917,116,438.08
Current year additions	497,356,315.29	257,780,002.57	10,702,796.46	24,734,032.71	144,716,333.36	935,289,480.39
-Purchase	366,450,145.39	219,095,946.15	7,061,837.44	22,642,108.43	78,759,603.58	694,009,640.99
-Construction in progress	272,373.97	38,684,056.42	-	784,934.48	714,793.00	40,456,157.87
-Acquisition of subsidiaries	130,633,795.93	-	3,640,959.02	1,306,989.80	65,241,936.78	200,823,681.53
Current year reductions	17,416,506.07	30,179,350.20	7,400,502.56	6,321,991.37	49,914.53	61,368,264.73
-Disposals	17,416,506.07	30,179,350.20	7,400,502.56	6,321,991.37	49,914.53	61,368,264.73
31 December 2020	1,125,320,361.30	1,701,800,680.17	38,432,065.32	90,356,297.43	1,835,128,249.52	4,791,037,653.74
2. Accumulated depreciation						
31 December 2019	232,877,100.27	718,794,314.56	26,693,653.70	37,591,782.11	29,344,433.93	1,045,301,284.57
Current year additions	32,393,749.21	145,674,645.58	3,439,613.43	11,264,201.47	93,483,153.57	286,255,363.26
-Addition	32,393,749.21	145,674,645.58	3,439,613.43	11,264,201.47	93,483,153.57	286,255,363.26
Current year reductions	4,433,272.33	16,865,982.45	6,813,928.45	5,672,012.02	34,978.63	33,820,173.88
-Disposals	4,433,272.33	16,865,982.45	6,813,928.45	5,672,012.02	34,978.63	33,820,173.88
31 December 2020	260,837,577.15	847,602,977.69	23,319,338.68	43,183,971.56	122,792,608.87	1,297,736,473.95
3. Book value						
31 December 2020	864,482,784.15	854,197,702.48	15,112,726.64	47,172,325.87	1,712,335,640.65	3,493,301,179.79
31 December 2019	412,503,451.81	755,405,713.24	8,436,117.72	34,352,473.98	1,661,117,396.76	2,871,815,153.51

2019

Item	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Mechanical equipment	Total
1. Cost						
31 December 2018	657,285,759.74	1,021,941,980.54	35,497,632.41	65,141,683.23	3,556,013.67	1,783,423,069.59
Current year additions	4,476,242.84	462,566,520.47				

V. Notes to the consolidated financial statements (continued)

17. Fixed assets (continued)

(2) Fixed assets without certificates of ownership

At 31 December 2020, the fixed assets without the certificates of ownership were listed as follows:

Item	Book value	Reason for lacking certificates of ownership
Buildings	757,008,975.43	Qiantai Company's house and building property certificate with book value of RMB 130,633,795.93 is still under processing. In addition, as all toll roads and the affiliated buildings and structures would be returned to the government when the approved operating periods expire, the Group has no intention to acquire the related property ownership certificates.

In this year, depreciation expenses amounting to RMB 262,920,991.14 were charged to cost of services (2019: RMB 140,964,282.47), and depreciation expenses amounting to RMB 20,661,192.84 were charged to general and administrative expenses (2019: RMB 8,092,039.25), and depreciation expenses amounting to RMB 434,870.13 were charged to sales expenses (2019: nil), and depreciation expenses amounting to RMB 2,238,309.15 were charged to research and development expenses (2019: nil).

18. Construction in progress

(1) General information of construction in progress

Item	2020			2019		
	Book balance	Impairment	Book value	Book balance	Impairment	Book value
Increase ETC lane project	-	-	-	7,207,393.15	-	7,207,393.15
First-class weighting equipment project	-	-	-	2,085,479.05	-	2,085,479.05
Toll station expansion project	551,462.00	-	551,462.00	1,142,383.00	-	1,142,383.00
ETC system project	-	-	-	734,080.00	-	734,080.00
Cancellation of the provincial toll station	22,457.00	-	22,457.00	-	-	-
Langfang factory project	60,395,031.28	-	60,395,031.28	-	-	-
Office building decoration and rectification civil engineering	47,670,190.46	-	47,670,190.46	-	-	-
Electromechanical platform transformation project	1,744,972.16	-	1,744,972.16	-	-	-
Kitchen equipment installation and furniture procurement project	4,986,746.05	-	4,986,746.05	-	-	-
Others	8,224,899.21	-	8,224,899.21	4,769,579.36	-	4,769,579.36
Total	123,595,758.16	-	123,595,758.16	15,938,914.56	-	15,938,914.56

V. Notes to the consolidated financial statements (continued)

18. Construction in progress (continued)

(2) Movements of significant construction in progress during the year

2020

Item	Budget amount	31 December 2019	Current year additions	Transfer to fixed assets	31 December 2020	The proportion of the current year additions to total budget (%)	Source of funds
Increase ETC lane project	59 million	7,207,393.15	8,353,409.36	15,560,802.51	-	14.16	Self-owned funds
First-class weighting equipment project	9.58 million	2,085,479.05	725,189.78	2,810,668.83	-	7.57	Self-owned funds
Toll station expansion project	25 million	1,142,383.00	-	590,921.00	551,462.00	/	Self-owned funds
ETC system project	1.2 million	734,080.00	-	734,080.00	-	/	Self-owned funds
Cancellation of the provincial toll station	190 million	-	15,383,549.71	15,361,092.71	22,457.00	8.09	Self-owned funds
Langfang factory project	183 million	-	60,395,031.28	-	60,395,031.28	33.00	Self-owned funds
Office building decoration and rectification civil engineering	65 million	-	47,670,190.46	--	47,670,190.46	72.80	Self-owned funds
Electromechanical platform transformation project	43 million	-	1,744,972.16	-	1,744,972.16	4.02	Self-owned funds
Kitchen equipment installation and furniture procurement project	4.99 million	-	4,986,746.05	-	4,986,746.05	100	Self-owned funds
Others (a)	/	4,769,579.36	8,853,912.67	5,398,592.82	8,224,899.21	/	Self-owned funds
Total	/	15,938,914.56	148,113,001.47	40,456,157.87	123,595,758.16	/	/

V. Notes to the consolidated financial statements (continued)

18. Construction in progress (continued)

(2) Movements of significant construction in progress during the year (continued)

2019

Item	Budget amount	31 December 2018	Current year additions	Transfer to fixed assets	Transfer to intangible assets	Other reductions in current year	31 December 2019	The proportion of the current year additions to total budget (%)	Source of funds
Increase ETC lane project	59 million	964,412.87	6,421,776.28	178,796.00	-	-	7,207,393.15	9.63	Self-owned funds
First-class weighting equipment project	9.58 million	5,383,423.19	4,138,031.00	7,435,975.14	-	-	2,085,479.05	43.19	Self-owned funds
Toll station expansion project	25 million	10,309,997.09	1,303,239.74	1,479,051.58	8,177,668.25	814,134.00	1,142,383.00	5.21	Self-owned funds
ETC system project	1.2 million	695,250.00	163,775.00	124,945.00	-	-	734,080.00	13.65	Self-owned funds
Cancellation of the provincial toll station	349 million	-	348,926,489.35	348,926,489.35	-	-	-	100	Self-owned funds
Video monitoring project	6.67 million	6,672,530.60	-	6,672,530.60	-	-	-	100	Self-owned funds
Others (a)	-	8,236,631.83	5,878,022.74	9,333,192.21	-	11,883.00	4,769,579.36	/	Self-owned funds
Total	/	32,262,245.58	366,831,334.11	374,150,979.88	8,177,668.25	826,017.00	15,938,914.56	/	/

(a) The amounts of projects were not disclosed separately as they are not material.

V. Notes to the consolidated financial statements (continued)

19. Right-of-use assets

2020

Item	Buildings	Billboards	Total
1. Cost			
31 December 2019	161,523,085.45	25,661,801.99	187,184,887.44
Current year additions	34,099,223.49	-	34,099,223.49
- Additions	34,044,597.00	-	34,044,597.00
-Business combinations not under common control	54,626.49	-	54,626.49
Current period reductions	2,123,647.27	2,998,203.32	5,121,850.59
-Other reductions	2,123,647.27	2,998,203.32	5,121,850.59
31 December 2020	193,498,661.67	22,663,598.67	216,162,260.34
2. Accumulated amortization:			
Original book balance	28,849,860.59	5,464,646.39	34,314,506.98
Current period additions	39,155,022.85	5,363,654.19	44,518,677.04
-Current period provision	39,155,022.85	5,363,654.19	44,518,677.04
Current period reductions	1,035,880.77	941,797.90	1,977,678.67
-Other reductions	1,035,880.77	941,797.90	1,977,678.67
31 December 2020	66,969,002.67	9,886,502.68	76,855,505.35
3. Book value			
31 December 2020	126,529,659.00	12,777,095.99	139,306,754.99
31 December 2019	132,673,224.86	20,197,155.60	152,870,380.46

2019

Item	Buildings	Billboards	Equipment	Total
1. Cost				
31 December 2018	-	-	-	-
Change in accounting policies	107,254,807.99	25,661,801.99	-	132,916,609.98
1 January 2019	107,254,807.99	25,661,801.99	-	132,916,609.98
Current year additions	54,268,277.46	-	1,327,853,061.12	1,382,121,338.58
-Additions	54,268,277.46	-	-	54,268,277.46
-Business combinations not under common control	-	-	1,327,853,061.12	1,327,853,061.12
Current year reductions	-	-	1,327,853,061.12	1,327,853,061.12
-Current year transfer to fixed assets	-	-	1,327,853,061.12	1,327,853,061.12
31 December 2019	161,523,085.45	25,661,801.99	-	187,184,887.44
2. Accumulated amortization				
Current year additions	28,849,860.59	5,464,646.39	6,561,408.55	40,875,915.53
-Additions	28,849,860.59	5,464,646.39	6,561,408.55	40,875,915.53
Current year reductions	-	-	6,561,408.55	6,561,408.55
-Current year transfer to fixed assets	-	-	6,561,408.55	6,561,408.55
31 December 2019	28,849,860.59	5,464,646.39	-	34,314,506.98
3. Book value				
31 December 2019	132,673,224.86	20,197,155.60	-	152,870,380.46
31 December 2018	-	-	-	-

V. Notes to the consolidated financial statements (continued)

20. Intangible assets

2020

Item	Concession intangible assets (a)	Software and others	Billboard land use rights	Land use right*	Rights and interests of contract	Patent	Total
1. Cost							
31 December 2019	36,450,013,974.36	20,582,945.26	63,075,736.39	52,741,993.14	-	79,810,700.00	36,666,225,349.15
Current year additions	4,694,439,824.52	15,163,835.91	-	112,894,700.00	68,866,700.00	51,536,100.34	4,942,901,160.77
- Purchased	-	15,075,830.49	-	-	-	-	15,075,830.49
- Constructions	2,867,240,037.15	-	-	-	-	-	2,867,240,037.15
- Business combinations not under common control	1,827,199,787.37	88,005.42	-	112,894,700.00	68,866,700.00	51,536,100.34	2,060,585,293.13
Current year reductions	244,007,543.45	-	3,121,895.51	-	-	-	247,129,438.96
- Disposals	-	-	3,121,895.51	-	-	-	3,121,895.51
- Other reduction	244,007,543.45	-	-	-	-	-	244,007,543.45
31 December 2020	40,900,446,255.43	35,746,781.17	59,953,840.88	165,636,693.14	68,866,700.00	131,346,800.34	41,361,997,070.96
2. Accumulated amortization							
31 December 2019	9,174,090,929.49	11,462,981.98	60,804,048.58	234,772.22	-	5,985,802.50	9,252,578,534.77
Current year additions	1,423,697,484.42	5,369,502.44	531,138.40	1,955,507.75	-	16,110,190.25	1,447,663,823.26
- Additions	1,423,697,484.42	5,369,502.44	531,138.40	1,955,507.75	-	16,110,190.25	1,447,663,823.26
Current year reductions	-	-	1,998,897.53	-	-	-	1,998,897.53
- Disposals	-	-	1,998,897.53	-	-	-	1,998,897.53
31 December 2020	10,597,788,413.91	16,832,484.42	59,336,289.45	2,190,279.97	-	22,095,992.75	10,698,243,460.50
3. Impairment							
31 December 2019	3,810,235,294.61	-	-	-	-	-	3,810,235,294.61
31 December 2020	3,810,235,294.61	-	-	-	-	-	3,810,235,294.61
4. Book value							
31 December 2020	26,492,422,546.91	18,914,296.75	617,551.43	163,446,413.17	68,866,700.00	109,250,807.59	26,853,518,315.85
31 December 2019	23,465,687,750.26	9,119,963.28	2,271,687.81	52,507,220.92	-	73,824,897.50	23,603,411,519.77

V. Notes to the consolidated financial statements (continued)

20. Intangible assets (continued)

2019

Item	Concession intangible assets (a)	Software and others	Billboard land use rights	Land use right*	Patent	Total
1. Cost						
31 December 2018	34,784,326,021.04	13,549,554.76	63,075,736.39	-	-	34,860,951,312.19
Current year additions	1,675,661,600.32	7,033,390.50	-	52,741,993.14	79,810,700.00	1,815,247,683.96
- Purchased	43,127,536.44	4,382,484.36	-	-	-	47,510,020.80
- From construction in progress	8,177,668.25	-	-	-	-	8,177,668.25
- Construction	1,624,356,395.63	-	-	-	-	1,624,356,395.63
- Business combinations not under common control	-	2,650,906.14	-	52,741,993.14	79,810,700.00	135,203,599.28
Current year reductions	9,973,647.00	-	-	-	-	9,973,647.00
- Other reduction	9,973,647.00	-	-	-	-	9,973,647.00
31 December 2019	36,450,013,974.36	20,582,945.26	63,075,736.39	52,741,993.14	79,810,700.00	36,666,225,349.15
2. Accumulated amortization						
31 December 2018	7,813,563,357.67	9,545,558.54	59,769,216.25	-	-	7,882,878,132.46
Current year additions	1,360,527,571.82	1,917,423.44	1,034,832.33	234,772.22	5,985,802.50	1,369,700,402.31
- Additions	1,360,527,571.82	1,917,423.44	1,034,832.33	234,772.22	5,985,802.50	1,369,700,402.31
31 December 2019	9,174,090,929.49	11,462,981.98	60,804,048.58	234,772.22	5,985,802.50	9,252,578,534.77
3. Impairment						
31 December 2018	3,258,235,294.61	-	-	-	-	3,258,235,294.61
Current year additions	552,000,000.00	-	-	-	-	552,000,000.00
31 December 2019	3,810,235,294.61	-	-	-	-	3,810,235,294.61
4. Book value						
31 December 2019	23,465,687,750.26	9,119,963.28	2,271,687.81	52,507,220.92	73,824,897.50	23,603,411,519.77
31 December 2018	23,712,527,368.76	4,003,996.22	3,306,520.14	-	-	23,719,837,885.12

*The land use right of the Group are in Mainland China and in the form of concession intangible assets.

V. Notes to the consolidated financial statements (continued)

20. Intangible assets (continued)

V. Notes to the consolidated financial statements (continued)

20. Intangible assets (continued)

(a) The detailed information of concession intangible assets is analysed below (continued):

2019

Toll Roads	Cost	31 December 2018	Current year additions	Current year reductions	Current year amortization	Current year Impairment	31 December 2019	Accumulated amortization	Impairment
Qinglian Expressway (b)	9,288,957,970.39	6,748,322,028.50	8,177,668.25	9,973,647.00	297,200,871.04	-	6,449,325,178.71	2,219,632,791.68	620,000,000.00
Shenzhen Airport-Heao Expressway - Eastern Section	3,086,787,505.32	1,358,244,757.07	-	-	194,731,527.99	-	1,163,513,229.08	1,923,274,276.24	-
Shuiguan Expressway (b)	4,448,811,774.58	3,410,481,252.11	-	-	348,179,509.42	552,000,000.00	2,510,301,742.69	1,386,510,031.89	552,000,000.00
Wuhuang Expressway	1,523,192,561.64	347,707,901.88	-	-	95,130,817.38	-	252,577,084.50	1,270,615,477.14	-
Meiguan Expressway	604,588,701.64	256,852,212.06	-	-	31,258,206.91	-	225,594,005.15	378,994,696.49	-
Shenzhen Airport-Heao Expressway - Western Section	843,517,682.25	251,736,510.04	-	-	37,131,694.67	-	214,604,815.37	628,912,866.88	-
Outer Ring Expressway	3,409,706,840.88	1,947,057,863.50	1,462,648,977.38	-	-	-	3,409,706,840.88	-	-
Yichang Expressway	3,123,065,164.24	2,889,552,387.26	-	-	143,836,039.97	-	2,745,716,347.29	377,348,816.95	-
Changsha Ring Road	284,957,909.37	205,589,616.50	43,127,536.44	-	18,586,823.16	-	230,130,329.78	54,827,579.59	-
Coastal Expressway (b)	9,584,868,649.92	6,173,378,443.67	161,707,418.25	-	180,573,953.50	-	6,154,511,908.42	792,121,446.89	2,638,235,294.61
Longda Expressway	251,559,214.13	123,604,396.17	-	-	13,898,127.78	-	109,706,268.39	141,852,945.74	-
Total	36,450,013,974.36	23,712,527,368.76	1,675,661,600.32	9,973,647.00	1,360,527,571.82	552,000,000.00	23,465,687,750.26	9,174,090,929.49	3,810,235,294.61

- (b) For the pledge of charging rights/equity/ rights of management related to Qinglian Expressway, Coastal Expressway, Shuiguan Expressway and Bioland Company kitchen waste disposal projects, please refer to Notes V.62.
- (c) During the current year, due to the business combination not under common control, intangible assets increased RMB 2,060,585,293.13, including RMB 1,827,199,787.37 for kitchen waste disposal projects, RMB 112,894,700.00 for land use right, RMB 68,866,700.00 for franchise right, RMB 51,536,100.34 for patent right and RMB 88,005.42 yuan for office software.
- (d) During the current year, both the amount of intangible assets amortized and the amount included in profit and loss were RMB1,447,663,823.26 (2019: RMB1,369,700,402.31).

V. Notes to the consolidated financial statements (continued)

20. Intangible assets (continued)

- (e) During the current year, the Group capitalized borrowing costs on intangible assets amounting to RMB 231,513,845.85 (2019: RMB 131,935,775.82).

21. Goodwill

Item	1 January 2020	Current year additions	Current year reductions	31 December 2020
Nanjing Wind Power	156,039,775.24	-	-	156,039,775.24

The Group acquired Nanjing Wind Power in April 2019, and the goodwill generated was RMB 156,039,775.24. For details of the counterparty's commitment to Nanjing Wind Power's performance, refer to Note III.34(10b).

Goodwill from the merger has been allocated to the following asset groups for impairment testing:

- Wind turbines manufacturing asset group

The book value of goodwill is allocated to the asset group is as follows:

	Wind turbines manufacturing asset group	
	31 December 2020	31 December 2019
Book value of goodwill	156,039,775.24	156,039,775.24

The cash inflow generated by the wind turbine manufacturing asset group is basically independent of the cash inflow generated by other assets or asset groups. The recoverable amount adopts the present value of the estimated future cash flow and is determined according to the cash flow forecast based on the 5-year budget approved by the management. The average growth rate of income during the period was 7.12%, and the pre-tax discount rate used in the cash flow forecast is 13.93% (2019: 13.97%).

Key assumptions made by management in determining the cash flow forecast for the goodwill impairment test are described below:

- 1) It is assumed that the assessed unit continues to operate, and there is no major change from the current situation in the key aspects of the business scope, sales model and channels, and management that affect production and operation.
- 2) It is assumed that the social and economic environment of the assessed unit does not have major changes, and the relevant laws and regulations of the region where the company is located have no major changes from the current situation.
- 3) It is assumed that the business scope, business methods, and management models of the assessed unit are continuously improved and perfected on the basis of maintaining consistency and can be adjusted and innovated in time with the development of the economy.
- 4) Assuming that interest rates and tax rates have no major changes within the prescribed normal range, etc.

Revenue growth rate Based on the company's business plan, the forecasted annual revenue growth rate is determined based on historical experience and market development forecasts

Budget margin The basis is to increase the average gross profit margin based on the average gross profit margin realized in the year prior to the budget year based on the expected improvement in efficiency.

V. Notes to the consolidated financial statements (continued)

21. Goodwill

Discount rate The discount rate used is the pre-tax discount rate that reflects the specific risk of the relevant asset group or asset group combination.

The amounts assigned to the asset group or combination of the key assumptions are consistent with the Group's historical experience and external information.

22. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets without taking into consideration the offsetting of balances

Item	2020		2019	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Depreciation and amortization difference of intangible assets along Coastal Expressway (a)	927,369,279.48	231,842,319.87	1,140,350,272.00	285,087,568.00
Deductible losses of Coastal Expressway (a)	508,903,441.96	127,225,860.49	571,400,876.52	142,850,219.13
Freight subsidy of Coastal Expressway (b)	-	-	25,232,071.76	6,308,017.94
Operating compensation of newly built toll station of Three Expressways (c)	268,104,931.36	67,026,232.84	291,504,931.36	72,876,232.84
Operating compensation of newly built toll station of Longda Expressways (c)	191,394,147.62	47,848,536.93	210,600,210.02	52,650,052.53
Compensation for demolition costs of old toll station of Three Expressways and Longda expressway (d)	7,375,937.57	1,843,984.39	6,413,246.28	1,603,311.57
Fair value adjustments arising from acquisition of ShenChang Expressway Co., Ltd in Changsha, Hunan ("ShenChang Company") (e)	163,472,282.47	40,868,070.62	183,059,248.59	45,764,812.15
Payroll accrued but not paid	136,678,000.60	34,169,500.15	101,216,999.16	25,304,249.79
Property compensation of Meiguan Company (f)	72,070,951.44	18,017,737.86	98,885,805.48	24,721,451.37
Operating compensation of newly built gates of Meiguan Expressway (g)	81,752,454.52	20,438,113.63	94,832,847.16	23,708,211.79
Amortization of Concession intangible assets (h)	47,803,177.28	11,950,794.32	50,465,440.16	12,616,360.04
Interest receivable from United Land Company's capital reduction (i)	17,278,947.52	4,319,736.88	20,052,445.24	5,013,111.31
The significant financing component of Guizhou Land's advance payment (j)	11,837,489.76	2,959,372.44	24,133,322.64	6,033,330.66
Guizhou Land's advance payment of prepaid income tax (k)	12,699,461.96	3,174,865.49	10,993,400.64	2,748,350.16
Bad debt provision	85,625,144.76	14,077,889.05	4,573,039.77	685,955.97
Impairment of intangible assets	17,309,482.62	4,327,370.66	-	-

V. Notes to the consolidated financial statements (continued)

22. Deferred tax assets and deferred tax liabilities (continued)

(1) Deferred tax assets without taking into consideration the offsetting of balances (continued)

- (d) The Company advanced demolition costs of all old toll stations for the arrangement of compensation for the toll adjustment and asset transfer agreement of the Three Expressways and Longda Expressway and recognized the differences between the tax base and book value as deferred tax assets (Note V.30).
- (e) After confirming the fair value of each identifiable asset and liability due to the acquisition of Shenchang Company, the Company confirmed the corresponding deferred tax asset for the temporary difference between its tax base and book value.
- (f) The Company holds 34.30% equity of United Land Company, which is regarded as an associated company of the Company. Meiguan Company, the Company's subsidiary, recognized the future reverted property compensation granted by United Land Company as non-current assets and confirmed the gains on disposal of assets. Considering the impact of the unrealized profits of the associates, the Group confirmed the gains on disposal of assets and recognized the differences between the tax base and book value as deferred tax assets.
- (g) In 2015, the Group received a prepayment from the Shenzhen Government for compensation for the toll adjustment of Meiguan Expressway and recognized the differences between the tax base and book value as deferred tax assets.
- (h) The Group has recognized the differences between the tax base and book value of concession intangible assets of toll highways, including Shenzhen Airport-Heao Expressway - Eastern Section, Shenzhen Airport-Heao Expressway - Western Section and Meiguan Expressway, as deferred tax assets.
- (i) In the current year, United Land Company, an associated company of the Company, capitalized the interest of the capital reduction of the Company. Considering the impact of the unrealized profits of the associates, the Company recognized the corresponding deferred income tax assets formed by the difference between the tax base and the book value based on its shareholding ratio of 34.30%.
- (j) According to "ASBE No.14 – Revenue", Guizhou Land recognized the impact of the financing component and accrued the interest expense on the contract with a term of more than one year between the payment of customers and the promised transfer of ownership of the property or service, and the deferred income tax asset was recognized accordingly.
- (k) According to the requirements of Guo Shui Fa [2009] No. 31, Guizhou Land pre-paid income tax on the estimated gross profit calculated based on the estimated tax rate of advances from sales of unfinished development products, and recognized the differences between the tax bases and book values as deferred tax assets.
- (l) Deferred income tax assets were recognized based on the estimated liabilities for the expected future extension of the road life period, the estimated liabilities recognized by the subsidiary Bioland protection for pending litigation and subsequent expenditures of the restaurant waste franchise project, and the deferred income tax assets of the group. The company's Nanjing Wind Power confirmed the deferred income tax assets of the estimated liabilities for quality assurance .
- (m) The costs incurred by the highway companies in the group are deferred income tax assets that have not been paid and have been taxed before the final settlement.
- (n) Changes in the fair value of the foreign exchange swap contract signed by the Company and the bank recognized the deferred income tax assets.

V. Notes to the consolidated financial statements (continued)

22. Deferred tax assets and deferred tax liabilities (continued)

(2) Deferred tax liabilities without taking into consideration the offsetting of balances

Item	2020		2019	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
The amortisation of concession intangible assets (a)	479,162,951.92	119,790,737.98	483,447,613.04	120,861,903.26
Business combinations involving enterprises not under common control (b)				
- Qinglong Company	1,308,856,737.53	327,214,184.39	1,540,183,175.01	385,045,793.76
-Hunan Yichang Expressway Development Co., Ltd. (Yichang Company)	945,229,954.18	236,307,488.55	1,001,457,170.10	250,364,292.53
- Airport-Heao Eastern Company	688,264,394.24	172,066,100.55	815,727,365.08	203,931,843.26
- Guangdong Qinglian Highway Development Co., Ltd ("Qinglian Company")	569,033,050.80	138,953,455.79	598,774,512.44	146,388,821.20
- JEL Company	132,668,515.92	33,031,295.43	185,579,904.54	46,259,142.58
- Meiguan Company	7,082,832.36	1,770,708.09	17,310,641.43	2,307,319.68
- Nanjing Wind Power	38,943,796.48	9,735,949.12	41,482,438.48	10,370,609.62
- Baotou Nanfeng	34,067,010.92	8,516,752.73	35,822,266.12	8,955,566.53
- Bioland Company	500,944,661.87	125,330,163.09	-	-
-Qiantai Company	148,698,313.13	22,304,746.97		

V. Notes to the consolidated financial statements (continued)

22. Deferred tax assets and deferred tax liabilities (continued)

(3) Offsetting of balances of deferred tax assets and liabilities

Item	Deferred tax assets and liabilities offset as at 31 December 2020	Net values of deferred tax assets/liabilities as at 31 December 2020	Deferred tax assets and liabilities offset as at 31 December 2019	Net values of deferred tax assets/liabilities as at 31 December 2019
Deferred tax assets	-121,705,841.11	593,773,910.48	-60,520,594.90	655,007,680.73
Deferred tax liabilities	121,705,841.11	1,299,127,356.20	60,520,594.90	1,157,482,536.08

(4) Unrecognized deferred tax assets are analysed as follows:

Item	2020	2019
Deductible tax losses	691,593,443.60	970,333,173.42
Deductible temporary difference	26,135,034.55	31,574,764.62
Total	717,728,478.15	1,001,907,938.04

(5) The aforesaid unrecognized deductible tax losses will be due in the following years:

Year	2020	2019
Year 2020	-	405,881,015.88
Year 2021	252,330,647.24	250,798,838.62
Year 2022	170,392,532.12	154,626,657.66
Year 2023	61,657,228.91	84,781,898.41
Year 2024	79,638,898.54	74,244,762.85
Year 2025	127,574,136.79	-
Total	691,593,443.60	970,333,173.42

V. Notes to the consolidated financial statements (continued)

23. Other non-current assets

Item	2020	2019
Meiguan Company-relocation property compensation (a)	342,599,500.00	342,599,500.00
Contract assets over one year (b)	1,427,952,459.38	263,128,636.72
Total	1,770,551,959.38	605,728,136.72

- (a) According to the "Compensation Agreement for Meilinguan Urban Renewal Project of Shenzhen Longhua New District Minzhi Office", in July 2016, United Land Company paid the compensation for demolition of RMB 28,328,230.00 to Meiguan Company, a subsidiary of the Company. On 27 April 2018, the two parties entered into the "Supplementary agreement for compensation Agreement for Meilinguan Urban Renewal Project of Shenzhen Longhua New District Minzhi Office", which stipulates that United Land Company will increase the property compensation on the basis of the above monetary compensation, the compensated relocated property is the office building property of United Land Company, and the compensated building area is 9,120 square meters. The relocated property will be built in 2 to 3 years. On the date of signing the supplementary agreement, according to the evaluation report issued by Shenzhen Pengxin Assets Appraisal Co., Ltd. (Pengxin Valuing Newspaper [2018] No.062), the fair value of the relocated property was RMB342,599,500.00, unchanged in 2020.
- (b) It includes the Company's understanding and judgment of the documents received by the Guangdong Provincial Transportation Administration regarding the exemption of toll road tolls during Covid-19 epidemic and confirming the contract assets corresponding to the income.

V. Notes to the consolidated financial statements (continued)

24. Short-term borrowings

Item	2020	2019
Pledged loans (a)	105,288,805.67	44,905,614.03
Credit loans (b)	1,076,426,920.76	318,972,127.62
Discounted notes (c)	159,502,400.00	-
Total	1,341,218,126.43	363,877,741.65

(a) At 31 December 2020, RMB 105,200,000.00 (original currency: HKD 125,000,000.00) was a pledged loan of Mei Wah in the Hong Kong head office of HSBC. The borrowing period of HKD 50,000,000 is from 3 December 2020 to 3 December 2021; The borrowing period of the remaining HKD 75,000,000.00 is from 15 June 2020 to 14 June 2021. Interest was charged at Hong Kong Interbank Offered Rate (HIBOR) + 0.8% p.a., together with the pledged shares of JEL (45% of stake). In addition, the balance of interest payable was RMB 88,805.67.

(b) At 31 December 2020, RMB 728,114.31 of the above short-term loan was the overdraft balance of Coastal Company in the overdraft account of Ping An Bank. This loan receives overdraft interest and handling fees at 1% and 0.3% on a quarterly basis according to the actual overdraft amount. The borrowing period is from 30 December 2020 to 29 June 2021. In addition, the balance of interest payable was RMB 215,324.69.

Of the above short-term loans, RMB 81,900,000.00 was a loan of Nanjing Wind Power in Chengnan branch of CCB. The borrowing rate was 4.5675% the borrowing period is from 19 January 2020 to 18 January 2021, and the balance of interest payable was RMB 103,910.63.

Of the above short-term loans, RMB 178,658,203.17 was a loan of Nanjing Wind Power in Shenzhen branch of HSBC. The borrowing rate is 4.1325%, the borrowing period is from 18 May 2020 to 14 May 2021, and the balance of interest payable was RMB 927,945.65.

Of the above short-term loans, RMB 191,803,000.00 was a loan of Lease Finance Company in China Everbright Bank. The borrowing rate is 4.5% the borrowing period is from 24 July 2020 to 23 July 2021, the balance of interest payable was RMB 212,171.46.

Of the above short-term loans RMB 20,000,000.00 was a loan of Lease Finance Company in China Merchants Bank. The borrowing rate is 4.22%, the borrowing period is from 14 August 2020 to 13 August 2021, and the balance of interest payable was RMB 20,747.32.

At 31 December 2020, RMB599,353,639.17 of the above short-term loan was the overdraft balance of Shenzhen Expressway in the overdraft account of Ping An Bank. This loan receives overdraft interest and handling fees at 1% and 0.3% on a quarterly basis according to the actual overdraft amount. The borrowing period is from 25 December 2020 to 24 June 2021. In addition, the balance of interest payable was RMB 2,503,864.36.

(c) At 31 December 2020, the discounted trade acceptance that had not due was RMB 159,502,400.00.

(d) At 31 December 2020, the Group had no overdue loans.

V. Notes to the consolidated financial statements (continued)

25. Bills payable

	2020	2019
Bank acceptance bills	283,557,145.56	131,749,731.69
Trade acceptance bills	11,910,185.83	-
Total	295,467,331.39	131,749,731.69

At 31 December 2020, the Group had no overdue bills.

26. Accounts payable

Accounts payable are interest-free which will be paid within one year in general. Accounts payable aged over 1 year are mainly payables for construction projects which will be paid after settlement.

(1) Analysis of accounts payable

Item	2020	2019
Payables for construction projects and quality deposits	1,191,102,313.21	736,795,451.55
Payables for goods	544,289,020.23	192,518,335.20
Others	134,498,082.71	54,126,322.68
Total	1,869,889,416.15	983,440,109.43

(2) The significant accounts payable aged over 1 year:

Item	2020	Reason for unsettlement
China Communications Second Highway Engineering Bureau Co., Ltd.	54,387,144.03	Unsettled project funds
China Railway 18 Bureau Group Co., Ltd.	36,034,384.03	Unsettled project funds
China Construction Wuzhou Engineering	1,10 -24.14he323.52 472.077enzh10 -24.f89.52 471.6378[(1,10 -24.15 re f89 631.44	

V. Notes to the consolidated financial statements (continued)

27. Contract liabilities

(1) Items of contract liabilities

Item	2020	2019
Advances from sales of real estate (a)	290,892,248.44	601,994,692.65
Advances from sales of wind turbine set	-	338,728,000.00
Advances from sales of goods	8,191,055.74	-
Advances from advertising customers	2,329,217.97	4,750,118.33
Advances from sales of wind turbine operation and maintenance service charge	5,993,361.00	3,499,394.00
Advances from operating and management fees	7,333,333.33	-
Others	5,114,754.63	4,253,761.44
Total	319,853,971.11	953,225,966.42

(a) As at 31 December 2020, the balance of advance sales of development properties in part A of Phase I, part

V. Notes to the consolidated financial statements (continued)

28. Employee benefits payable (continued)

(1) Analysis of employee benefits payable (continued)

2019

Item	31 December 2018	Current year additions	Current year reductions	31 December 2019
I. Short-term wages	223,279,518.15	664,706,718.43	601,165,679.06	286,820,557.52
II. Pension benefits - defined contributions	942,579.94	50,595,323.21	49,847,416.53	1,690,486.62
Total	224,222,098.09	715,302,041.64	651,013,095.59	288,511,044.14

(2) Analysis of short-term wages

2020

Item	31 December 2019	Current year additions	Current year reductions	31 December 2020
I. Wages and salaries, bonuses, allowances and subsidies	277,625,886.44	660,360,458.65	669,906,167.91	268,080,177.18
II. Staff welfare	790,264.11	61,805,599.65	61,457,533.50	1,138,330.26
III. Social security contributions	176,965.68	10,171,596.43	9,785,404.14	563,157.97
Including: Medical insurance	148,651.67	9,122,322.65	8,651,814.91	619,159.41
Work injury insurance	9,264.64	387,913.34	380,883.02	16,294.96
Maternity insurance	19,049.37	661,360.44	752,706.21	-72,296.40
IV. Housing funds	326,903.84	40,251,006.97	39,635,606.44	942,304.37
V. Labor union funds and employee education funds	7,766,387.45	12,927,614.70	12,266,927.97	8,427,074.18
VI. Others	134,150.00	4,722,515.74	4,472,115.74	384,550.00
Total	286,820,557.52	790,238,792.14	797,523,755.70	279,535,593.96

2019

Item	31 December 2018	Current year additions	Current year reductions	31 December 2019
I. Wages and salaries, bonuses, allowances and subsidies	214,622,121.64	546,662,106.95	483,551,010.18	277,733,218.41
II. Staff welfare	958,617.42	49,899,430.23	50,067,783.54	790,264.11
III. Social security contributions	258,998.08	19,289,958.13	19,371,990.53	176,965.68
Including: Medical insurance	217,559.11	16,228,738.59	16,297,646.03	148,651.67
Work injury insurance	13,559.28	998,415.92	1,002,710.56	9,264.64
Maternity insurance	27,879.69	2,062,803.62	2,071,633.94	19,049.37
IV. Housing funds	683,037.28	30,827,172.81	31,183,306.25	326,903.84
V. Labor union funds and employee education funds	6,725,493.73	14,062,341.79	13,128,780.04	7,659,055.48
VI. Others	31,250.00	3,965,708.52	3,862,808.52	134,150.00
Total	223,279,518.15	664,706,718.43	601,165,679.06	286,820,557.52

V. Notes to the consolidated financial statements (continued)

28. Employee benefits payable (continued)

(3) Analysis of defined contribution plans

2020

Item	31 December 2019	Current year additions	Current year reductions	31 December 2020
I. Basic pensions	322,644.33	20,594,382.64	20,043,321.05	873,705.92
II. Unemployment insurance	6,690.51	1,030,196.08	983,469.31	53,417.28
III. Enterprise annuities	1,361,151.78	14,962,989.56	14,814,668.74	1,509,472.60
Total	1,690,486.62	36,587,568.28	35,841,459.10	2,436,595.80

2019

Item	31 December 2018	Current year additions	Current year reductions	31 December 2019
I. Basic pensions	472,206.04	35,392,415.74	35,541,977.45	322,644.33
II. Unemployment insurance	9,791.90	727,550.16	730,651.55	6,690.51
III. Enterprise annuities	460,582.00	14,475,357.31	13,574,787.53	1,361,151.78
Total	942,579.94	50,595,323.21	49,847,416.53	1,690,486.62

29. Taxes payable

Item	2020	2019
Corporate income tax payable	255,073,902.91	211,933,609.60
VAT payable (a)	241,675,517.95	33,538,750.25
Land appreciation tax payable	41,388,859.01	10,115,954.44
City maintenance and construction tax payable	7,027,191.60	2,151,056.19
Educational surcharge payable	5,133,496.16	1,528,551.81
Others (b)	15,490,789.47	2,629,335.95
Total	565,789,757.10	261,897,258.24

- (a) VAT payable increased as a result of the new subsidiary company that is Bioland Company during this year.
- (b) Others mainly include personal income tax payable, stamp duty payable, etc. The substantial increase in the amount at the end of the year was mainly due to the substantial increase in the personal income tax payable.

V. Notes to the consolidated financial statements (continued)

30. Other payables (continued)

(2) Significant other payables with aging over 1 year

Item	2020	Reason for unsettlement
Nanjing Abexin Investment Management Co., Ltd.	99,330,000.00	The equity transfer payment has not yet been liquidated
Sichuan Qingyu Transportation Technology Co., Ltd.	71,975,911.99	Contract settlement has not been completed.
Shandong Road and Bridge Group Co., Ltd.	37,420,702.10	Contract settlement has not been completed.
Aihua Pan	29,820,000.00	The equity transfer payment has not yet been liquidated
Guangdong Changda Highway Engineering Co., Ltd.	20,600,001.53	Contract settlement has not been completed.
Total	259,146,615.62	/

31. Current portion of non-current liabilities

Item	2020	2019
Compensations related to adjustment of fees and the freight subsidy of Coastal Expressway due within one year (a)	-	128,370,047.21
Current portion of long-term payables (Note V.35)	195,636,586.62	73,121,418.41
Current portion of lease liabilities (Note V.37)	36,715,241.68	34,681,544.60
Current portion of non-current borrowings (Note V.33)	365,084,520.70	191,133,945.38
Including: Pledged loans	112,768,975.77	134,826,577.78
Credit loans	233,284,363.75	56,307,367.60
Mortgage loan	9,431,181.18	
Guaranteed loan	9,600,000.00	
Current portion of bonds payable (Note V.34)	3,068,362,169.83	77,795,034.20
Total	3,665,798,518.83	505,101,989.80

- (a) At 28 February 2018, Coastal Company and the Shenzhen Municipal Transportation Commission signed an agreement on freight compensation for the Shenzhen section of the Guangzhou-Shenzhen Coastal Expressway. The agreement stipulated that during the adjustment period, the freight charges of the Shenzhen section of the Coastal Expressway will be charged at 50% of the standard, and the freight charge adjustment period starts from 0:00 on 1 March 2018 to 24:00 on 31 December 2020. The total amount of compensation agreed is RMB 302 million. Coastal Company has received the above compensation of RMB 302 million in total. The company will record the above compensation as the present value of future income into the bank deposit, and the compensation of RMB 346 million from the road fee income during the freight charge adjustment period, after deducting the relevant taxes of RMB 10 million, will be regarded as the final value of future income and recorded into other non current liabilities. The final value of the expected income and the actual income received will be the same. The difference of the present value of RMB 44 million is included in the unrecognized financing expenses, of which the unrecognized financing expenses are amortised in this year, and the recognized financial expenses are RMB 6,481,242.86.

V. Notes to the consolidated financial statements (continued)

32. Other current liabilities

Item	2020	2019
Ultra-short term financing notes (a)	2,018,087,592.62	-
Output tax to be transferred	23,367,804.71	-
Total	2,041,455,397.33	-

(a) As at 31 December 2020, the balance of the Group's other current liabilities was RMB 2 billion of ultra-short term financing notes, the amortized cost at the end of the year was RMB 1,999,479,373.45, and the balance of interest payable was RMB 18,608,219.17, totaling RMB 2,018,087,592.62. Among the financing notes, the second financing note of 1 billion ultra short term financing notes was issued on 2 July 2020 with an interest rate of 2.4% and a term of 270 days; the third financing note of 1 billion ultra short term financing notes was issued on 24 September 2020 with an interest rate of 2.6% and a term of 270 days.

33. Long-term borrowings

Item	2020	2019
Pledged	5,122,921,243.32	8,668,942,057.31
Credit	1,676,465,363.75	554,007,367.60
Mortgage	18,631,181.18	-
Guaranteed	58,400,000.00	-
Less: Current portion (Note V.31)	365,084,520.70	191,133,945.38
Total	6,511,333,267.55	9,031,815,479.53

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

Item	2020	2019
Within 1 year	365,084,520.70	191,133,945.38
1 to 2 years	401,055,600.00	656,800,000.00
2 to 5 years	2,324,600,900.93	1,475,276,341.23
Over 5 years	3,785,676,766.62	6,899,739,138.30
Total	6,876,417,788.25	9,222,949,424.91

V. Notes to the consolidated financial statements (continued)

33. Long-term borrowings (continued)

(b) As at 31 December 2020, details of the long-term borrowings are set out as follows:

Item	Interest rate in current year	Currency	Amount in RMB	Guarantee details
Pledge borrowings of Qinglian (i)	4.41%/3.8%	RMB	984,460,000.00	Operating rights of Qinglian Expressway
Syndicated borrowings of Shenzhen Expressway (ii)	4.41%/4.15%	RMB	3,518,158,867.55	Operating rights of Coastal Expressway
Floating loans (iii)	3.1%/4.03%	RMB	20,000,000.00	Credit (Floating)
Mergers & acquisitions loans(iv)	3.3%/3.7%	RMB	1,181,000,000.00	Credit(M&A)
Entrusted borrowings of Shenzhen Expressway (v)	4.275%	RMB	105,000,000.00	Credit (Entrusted)
Collateral borrowings of Qinglong (vi)	4.56%/4.417 5%	RMB	482,500,000.00	Operating rights of Shuiguan Expressway
Credit borrowings of ShenChang Company	4.513%	RMB	180,730,000.00	Credit
Floating loans of lease finance company(vii)	4.75%/4.692 5%	RMB	187,740,000.00	Credit
Pledged borrowings of Huangshi Bioland (Note V.62(Note 9))	5.88%	RMB	53,000,000.00	Guaranteed by Bioland Company and pledged with the expected revenue right paid by the government, the

V. Notes to the consolidated financial statements (continued)

33. Long-term borrowings (continued)

- (ii) As at 31 December 2020, the annual interest rate of RMB 1,561,027,839.74 in these loans has changed from 4.41% to 4.15% since 28 May 2020, and the annual interest rate of the remaining balance of RMB 1,957,131,027.81 is 4.41%.
- (iii) As at 31 December 2020, the annual interest rate of these loans was 3.1%; the interest rate of the first year was 3.3%, the interest rate of the second, third year was 4.03%, and the interest rate of the first year was changed to 3.1% on 26 August 2,020.
- (iv) At 31 December 2020, the annual interest rate of RMB 941,000,000.00 was 3.3%, the annual interest rate of the remaining balance of RMB 240,000,000.00 is 3.7%.
- (v) At 31 December 2020, the loan of RMB 105,000,000.00 was an entrusted loan from Guangzhou West Second Ring Company, which entrusted the Industrial and Commercial Bank of China to issue an entrusted loan to the Company, with an interest rate of 4.2750%, please refer to Notes X.5(5).
- (vi) At 31 December 2020, the annual interest rate of RMB 332,500,000.00 in this loan is 4.56% and the interest rate on the remaining loan of RMB 150,000,000 is 4.4175%.
- (vii) At 31 December 2020, the annual interest rate of the balance of RMB 17,740,000.00.00 is 4.75% and the annual interest rate of the balance of RMB 170,000,000.00 is 4.6925%.

Shenzhen Expressway Company Limited
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V. Notes to the consolidated financial statements (continued)

34. Bonds payable

(1) Bonds payable

Item	2020	2019
Corporate bonds	5,030,803,095.66	2,912,420,937.41
Medium-term notes	1,829,883,431.99	1,841,630,304.35
Subtotal	6,860,686,527.65	4,754,051,241.76
Less: Current portion (Note V.31)	3,068,362,169.83	77,795,034.20
Total	3,792,324,357.82	4,676,256,207.56

(2) Movements of bonds payable

Name of bonds	Par value	Date of issuance	Maturity	Issued amount	Balance at 31 December 2019	Current issue amount	Accrual of interest by par value	Discount and issue fee amortization	Exchange gains	Interest payable	Balance at 31 December 2020
Corporate bonds (a)	800,000,000.00	2007/7/31	15 years	800,000,000.00	798,273,936.24	-	44,000,000.00	668,153.64	-	18,333,335.00	817,275,424.88
Corporate bonds (a)	1,995,330,000.00	2016/7/18	5 years	1,984,555,218.00	2,081,928,816.33	-	60,110,979.18	7,226,331.44	-135,390,000.00	25,481,093.83	1,979,246,241.60
Corporate bonds (a)	1,400,000,000.00	2020/3/19	5 years	1,396,973,584.92	-	1,396,973,584.92	33,402,419.47	336,833.54	-	33,402,419.47	1,430,712,837.93
Corporate bonds (a)	800,000,000.00	2020/10/22	5 years	797,815,698.11	-	797,815,698.11	5,677,777.77	75,115.37	-	5,677,777.77	803,568,591.25
Medium-term notes (b)	1,000,000,000.00	2018/7/30	3 years	1,000,000,000.00	998,536,815.00	-	41,421,609.28	925,785.41	-	17,272,421.88	1,016,735,022.29
Medium-term notes (b)	800,000,000.00	2018/8/15	5 years	800,000,000.00	797,516,640.00	-	35,921,694.85	664,396.00	-	14,967,373.70	813,148,409.70
Total	6,795,330,000.00	/	/	6,779,344,501.03	4,676,256,207.57	2,200,000,000.00	220,534,480.55	9,896,615.40	-135,390,000.00	115,134,421.65	6,860,686,527.65

V. Notes to the consolidated financial statements (continued)

34. Bonds payable (continued)

(2) Movements of bonds payable (continued)

(a) Corporate bonds

The Company issued a long-term corporate bond on 31 July 2007 with a principal amount of RMB 800,000,000.00 which bears interest at a rate of 5.5% per annum in accordance with the approval of Fa Gai Cai Jin [2007] No.1791 issued by the National Development & Reform Commission. The interest is payable annually and the principal is repayable in full upon maturity on 31 July 2022. The principal and interest of the bonds are unconditionally and irrevocably guaranteed by China Construction Bank and are in turn secured by the Company's 100% equity interest in Meiguan Company, please refer to Notes V.62.

On 18 July 2016, the Company issued a 5-year bond with a principal value of USD 300,000,000.00. The bond

V. Notes to the consolidated financial statements (continued)

35. Long-term payables (continued)

(1) The details of long-term payables (continued)

Item	2020	2019
Financial liabilities arising from sale and leaseback transactions (a)	412,053,574.13	660,027,912.26
Borrowings from associates (b)	2,017,882,547.71	1,630,108,698.00
Sub-total	2,429,936,121.84	2,290,136,610.26
Less: Current portion (a) (Note V.31)	195,636,586.62	73,121,418.41
Total	2,234,299,535.22	2,217,015,191.85

- (a) (a) As of 31 December 2019, the long-term payable principal of the Group's subsidiary, Baotou Nanfeng Fan Equipment, was formed after the sale and leaseback with equipment using rights and land using rights of Baotou Wind Power, 100% equity use rights of Damaoqi Ningyuan Wind Power Co., Ltd. (Damaoqi Ningyuan), Damaoqi Ningxiang Wind Power Co., Ltd.(Damaoqi Ningxiang), Damaoqi Nanchuan Wind Power Co., Ltd.(Damaoqi Nanchuan), and Damaoqi Ningfeng Wind Power Co., Ltd.(Damaoqi Ningfeng) as pledges. The liabilities were paid in advance with a remaining balance of RMB 0.00 until 31 December 2020. The amortized unrecognized financing costs that formed financial expenses of the current year were RMB 11,206,580.18. The financial income from the early repayment of the sale and leaseback was RMB 1,165,853.24.

As of 31 December 2020, the long-term principal of the Group's subsidiaries, Zhuji Bioland Environmental Technologies Co., Ltd. ("Zhuji Bioland Company"), Guilin Bioland Company, Guangxi Bioland Company, Dezhou Bioland Company, Taizhou Bioland Company, Handan Bioland Company, Shangrao Bioland Company and Xinyu Bioland Environmental Technologies Co., Ltd ("Xinyu Bioland Company") was formed after the sale and leaseback with franchise rights of kitchen waste disposal of Bioland Environment, 100% equity rights of Dezhou Bioland Company, Taizhou Bioland Company, Shangrao Bioland Company, Guilin Bioland Company and Xinyu Bioland Company, 90% equity rights of Handan Boland Company and Zhuji Bioland Company and the land use right of Langfang Shuiqi Bioland Machinery Equipment Manufacturing Co., Ltd. ("Langfang Shuiqi") as a mortgage. The long-term payable for the finance lease secured by the above mortgage as of 31 December 2020 was RMB 364,369,903.87, as detailed in Note V.62 Note 9(2). The balance of this payment at the acquisition date was RMB 508,804,307.83, and the interest expense generated by the amortization of unrecognized financing expenses in the current year was RMB 41,680,821.22, the financial leasing fee was RMB 3,133,629.97, the principal was RMB 77,076,583.93, and the interest was RMB 33,955,613.42. As at 31 December 2020, the balance of this payment was RMB 412,053,574.13.

- (b) The borrowings of the head office were from United Land Company for a term of two to three years. The loan agreement was signed on 25 July 2019 at an annual interest rate of 3.65%. The agreement stipulates that the United Land Company shall provide the Company with a total loan of not more than RMB 2,058 million. In 2020, the Company borrowed RMB 445,900,000.00 from United Land Company. This year, it has repaid the loan of RMB 102,900,000.00 to United Land Company. As at 31 December 2020, the long-term payable balance of the Headquarters was RMB 2,017,882,547.71 and the recognized interest expense on financial expenses was RMB 68,932,030.23. For details, referring to Note X.5(5)e.

(2) The analysis of long-term payables by the due date is as follows:

	2020	2019
Within 1 year	195,636,586.62	73,121,418.41
1 to 2 years	110,724,565.74	598,055,191.85
2 to 5 years	2,123,574,969.48	1,618,960,000.00
Total	2,429,936,121.84	2,290,136,610.26

V. Notes to the consolidated financial statements (continued)

36. Long-term employee benefits payable

Item	2020	2019
Other long-term employee benefits (a)	114,813,411.45	105,824,300.00

- (a) Other long-term employee benefits are long-term incentive bonuses, which are expected to be paid during the period from year 2022 to 2023.

37. Lease liabilities

Item	2020	2019
Lease contracts	141,368,913.35	152,951,289.26
Less: Current portions (Note V.31)	36,715,241.68	34,681,544.60
Total	104,653,671.67	118,269,744.66

38. Provisions

Item	2020	2019
Product warranty (a)	17,171,133.72	10,284,566.66
Pending litigation or arbitration (b)	6,120,000.00	-
BOT project follow-up expenditure (c)	9,297,341.14	-
Extra expenses for extended period (d)	133,037,711.34	-
Total	165,626,186.20	10,284,566.66

- (a) Nanjing Wind Power estimates the service fees required for dealing with quality problems and provides a premium based on 1% of sales revenue.
- (b) Dispute over infringement of patent right of invention: Organic Waste System Co., Ltd. ("Organic Waste Company") filed a lawsuit in Zhengzhou Intermediate People's Court on 27 September 2018 claiming that Bioland Company and Guangxi Bioland Company violated its patent right. At 28 November 2019, Zhengzhou Intermediate People's Court sentenced Bioland Company and Guangxi Bioland Company to a compensation to Organic Waste Company of RMB 6,000,000.00 within 10 days. If Bioland Company did not fulfill its obligation, it shall pay interest on the debt for the belated payment and bear the fees for accepting the case which was RMB 60,000.00. Bioland Company filed an appeal on 27 December 2019. As at 31 December 2020, the judgment of the second instance has not been reached yet, and Bioland Company accrued an estimated liability of RMB 6,120,000.00 based on the expected amount of compensation.
- (c) BOT project follow-up expenditure is expected to be incurred for the Company to maintain a certain service capacity of the BOT assets it holds or to maintain a certain state of use before they are handed over to the contract grantor. The interest expense incurred by this part of the expenditure was RMB 2,370,620.85, as detailed in Note V.50.
- (d) The Group accrued estimated liabilities for the extra expenses expected to occur during the extension of the toll period of expressways in Guangdong Province.

Shenzhen Expressway Company Limited
Notes to Financial Statements (continued)
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V. Notes to the consolidated financial statements (continued)

39. Deferred income

2020

Item	31 December 2019	Current period additions	Current period reductions	31 December 2020	Explanation
Non-current liabilities					
Compensation for operating costs for Toll Free Section of Meiguan Expressway	94,832,847.16	-	13,080,392.64	81,752,454.52	Shenzhen Government compensation for the accrued operating costs for Toll Free Section of Meiguan Expressway in the future
Government compensation for demolition (note V, 56 (a)i)	16,481,933.34	-	2,746,988.88	13,734,944.46	Government compensation for demolition of Qinglong Company
Compensation for the accrued operating costs for Nanguang and Yanpai new station (a)	291,504,931.35	-	23,400,000.00	268,104,931.35	Shenzhen Government compensation for the accrued operating costs for Nanguang and Yanpai new station
Government financial grants for environmental protection equipment of Bioland Group	-	6,337,158.02	133,549.59	6,203,608.43	Government financial grants for environmental protection equipment of Bioland Group
Government financial grants (note V, 51(a))	2,601,126.90	-	115,909.39	2,485,217.51	Guishen company received financial subsidies from Longli county government of Guizhou Province
Compensation for future operation cost of Toll Free Section in free section of Longda Expressway (b)	210,600,209.98	-	19,206,062.28	191,394,147.70	Shenzhen Government's cash compensation for early recovery of rights and interests of Shenzhen section of Longda Expressway
Central subsidy from the cancellation of provincial boundary toll stations on Expressways (c)	-	48,460,798.00	3,949,930.60	44,510,867.40	Cash compensation given by the Ministry of Transport for the cancellation of provincial boundary toll station project of Shenzhen Expressway Toll Road
Total	616,021,048.73	54,797,956.02	62,632,833.38	608,186,171.37	/

V. Notes to the consolidated financial statements (continued)

39. Deferred income (continued)

2019

Item	31 December 2018	Current year additions	Current year reductions	31 December 2019	Explanation
Non-current liabilities					
Compensation for operating costs for Toll Free Section of Meiguan Expressway	107,913,239.80	-	13,080,392.64	94,832,847.16	Shenzhen Government compensation for the accrued operating costs for Toll Free Section of Meiguan Expressway in the future
Government compensation for demolition (note V, 56 (a)ii)	19,228,922.22	-	2,746,988.88	16,481,933.34	Government compensation for demolition of Qinglong Company
Compensation for the accrued operating costs for Nanguang and Yanpai new station (a)	312,144,931.35	-	20,640,000.00	291,504,931.35	Shenzhen Government compensation for the accrued operating costs for Nanguang and Yanpai new station
Government financial grants	2,796,223.13	-	195,096.23	2,601,126.90	Guishen company received financial subsidies from Longli county government of Guizhou Province
Compensation for future operation cost of new station in Toll Free Section of Longda Expressway (b)	-	210,600,209.98	-	210,600,209.98	Shenzhen Government's cash compensation for early recovery of rights and interests of Shenzhen section of Longda Expressway
Total	442,083,316.50	210,600,209.98	36,662,477.75	616,021,048.73	/

- (a) Due to the entrusted operation of the new toll station invested by Shenzhen Transportation Commission, other business income of RMB 45,240,000.00 (other business income of RMB 43,920,000.00 in 2019) was recognized and unrecognized financing expense of RMB 21,840,000.00 (unrecognized financing expense of RMB 23,280,000.00 in 2019) was amortised in this year, resulting in a decrease of net deferred income of RMB 23,400,000.00 (in 2019 the net deferred income decreased by RMB 20,640,000.00).
- (b) Due to the withdrawal of the three projects and the remaining toll road rights and interests of Longda Shenzhen section in advance by Shenzhen Municipal Transportation Commission, the cash compensation is recognized as other business income of RMB 34,940,813.88 in this year (other business income of RMB 34,104,133.68 in 2019) and the unrecognized financing expense of RMB 15,734,751.60 (unrecognized financing expense of RMB 17,011,768.06 in 2019), which makes the net deferred income decreased by RMB 19,206,062.28 (decreased by RMB 17,092,365.62 in 2019).
- (c) Due to the cash compensation given by the Ministry of Transport for the cancellation of a provincial boundary toll station project of Expressways under the Company's toll road, a total amount of RMB 48,460,798.00 of new deferred income was increased this year, which was carried forward to other income of RMB 3,949,930.60. For details, please refer to note V.51(a).

V. Notes to the consolidated financial statements (continued)

39. Deferred income (continued)

Items of government grants:

2020

Item	31 December 2019	Additional grants in current period	Recognized in non-operating income in current period	31 December 2020	Related to assets/revenue
Government financial grants	2,601,126.90	-	115,909.39	2,485,217.51	Related to assets
Compensation for demolition	16,481,933.34	-	2,746,988.88	13,734,944.46	Related to assets
Government financial grants for environmental protection equipment of Bioland Group	-	6,337,158.02	133,549.59	6,203,608.43	Related to assets
Total	19,083,060.24	6,337,158.02	2,996,447.86	22,423,770.40	/

2019

Item	31 December 2018	Additional grants in current year	Recognized in non-operating income in current year	31 December 2019	Related to assets/revenue
Government financial grants	2,796,223.13	-	195,096.23	2,601,126.90	Related to assets
Compensation for demolition	19,228,922.22	-	2,746,988.88	16,481,933.34	Related to assets
Total	22,025,145.35	-	2,942,085.11	19,083,060.24	/

40. Share capital

2020

Item	31 December 2019	Movement					31 December 2020
		New shares issued	Rights issue	Transfer from surplus	Others	Sub-total	
Total share capital	2,180,770,326.00	-	-	-	-	-	2,180,770,326.00

2019

Item	31 December 2018	Movement					31 December 2019
		New shares issued	Rights issue	Transfer from surplus	Others	Sub-total	
Total share capital	2,180,770,326.00	-	-	-	-	-	2,180,770,326.00

V. Notes to the consolidated financial statements (continued)

41. Other equity instruments

On 31 December 2020, the specific situation of the perpetual debt of the Group issued is as follows:

item	Issue time	Accounting classification	Dividend or interest rate	Distribution amount	Expiry day or renewal situation	Transfer conditions	Transit
Perpetual bond	December 4, 2020	Other equity tools	4.6%	4,000,000,000.00	No fixed deadline	Nil	Nil

The Company issued perpetual bonds on 4 December, 2020. According to the terms of the issuance, the term of the perpetual bonds is unlimited. The initial coupon interest of the perpetual bonds is 4.6% per year within a 10-year period. At the expiration of the 10-year period, if the Company does not choose to redeem the funds, the interest rate will be increased by 200 basis points (i.e. 2%) on the base of the original interest rate from the day after the expiration of the 10-year period (including the day); It will be reset once every two years, and the annualized interest rate after each reset should be increased by 200 basis points on the base of the annual interest rate applicable to the last accounting period of the previous investment period, and in a similar fashion, with a maximum of two resets. To explain, the highest interest rate of each investment fund after resetting is 400 base points higher than the initial interest rate of the investment fund, that is, 8.6%/year. The Company has the right to choose to defer the payment of interests and is not limited by the number of renewals. The Company classifies them as other equity instruments.

42. Capital surplus

2020

Item	31 December 2019	Business combination involving enterprise under common control	1 January 2020	Current year additions	Current year reductions	31 December 2020
Share premium	2,274,351,523.42	-	2,274,351,523.42	-	-	2,274,351,523.42
Other capital reserve - Business combination involving enterprises under common control	3,128,000,000.00	59,965,000.88	3,187,965,000.88	-	428,077,878.37	2,759,887,122.51
Other capital reserve - Acquisition of minority interests	-120,924,166.49	-	-120,924,166.49	-	-	-120,924,166.49
Capital injection in the invested entity	921,200,000.00	-	921,200,000.00	-	1,011,521.33	920,188,478.67
Other capital reserve – others (Note V.15(b))	18,084,044.28	-	18,084,044.28	151,937,256.99	-	170,021,301.27
Total	6,220,711,401.21	59,965,000.88	6,280,676,402.09	151,937,256.99	429,089,399.70	6,003,524,259.38

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V. Notes to the consolidated financial statements (continued)

42. Capital surplus (continued)

2019

Item	31 December 2019	Business combination involving enterprise under common control	1 January 2020	Current year additions	Current year reductions	31 December 2020
Share premium	2,274,351,523.42	-	2,274,351,523.42	-	-	2,274,351,523.42
Other capital reserve-Business combination involving enterprise under common control	3,128,000,000.00	59,965,000.88	3,187,965,000.88	-	-	3,187,965,000.88
Other capital reserve-Acquisition of minority interests	-120,924,166.49	-	-120,924,166.49	-	-	-120,924,166.49
Capital injection in the invested entity	921,200,000.00	-	921,200,000.00	-	-	921,200,000.00
Other capital reserve-others	16,399,775.48	-	16,399,775.48	1,684,268.80	-	18,084,044.28
Total	6,219,027,132.41	59,965,000.88	6,278,992,133.29	1,684,268.80	-	6,280,676,402.09

43. Other comprehensive income

2020

Item	Opening balance	Amount incurred in current period		End of year balance
		Pre-tax amount incurred during the year	Post-tax amount attributable to owners of the Company	
Items that may be reclassified subsequently to profit or loss:	916,005,374.46	-47,060,183.67	-47,060,183.67	868,945,190.79
- Appreciation of initial equity interest upon business combination	893,132,218.74	-	-	893,132,218.74
- Equity investment reserve	406,180.00	-	-	406,180.00
- Share of other comprehensive income from investees accounted for the equity method to be reclassified to profit or loss in subsequent periods (Note V.15(b)(e))	19,654,907.64	-41,600,557.49	-41,600,557.49	-21,945,649.85
- Foreign currency financial statement translation differences	2,812,068.08	-5,459,626.18	-5,459,626.18	-2,647,558.10
Total	916,005,374.46	-47,060,183.67	-47,060,183.67	868,945,190.79

V. Notes to the consolidated financial statements (continued)

43. Other comprehensive income (continued)

2019

Item	Opening balance	Amount incurred in current year		Ending balance
		Pre-tax amount incurred during the year	Post-tax amount attributable to owners of the Company	
Items that may be reclassified subsequently to profit or loss:	881,375,987.20	34,629,387.26	34,629,387.26	916,005,374.46
- Appreciation of initial equity interest upon business combinations	893,132,218.74	-	-	893,132,218.74

V. Notes to the consolidated financial statements (continued)

45. Undistributed profits

Item	2020	2019
Unadjusted balance of undistributed profit at the end of the last financial year	6,439,246,724.95	5,624,252,437.38
Adjusted: Business combinations involving enterprises under common control(a)	91,380,860.75	26,548,242.25
Adjusted opening balance of undistributed profits	6,530,627,585.70	5,650,800,679.63
Add: Net profit attributable to equity holders of the Company in current year	2,054,523,306.30	2,564,317,594.25
Less: Appropriation for statutory surplus reserve	93,790,655.68	136,143,756.72
Dividends payable (b)	1,198,946,591.15	1,548,346,931.46
Perpetual interest (c)	14,311,111.11	-
Undistributed profits at the end of the year	7,278,102,534.06	6,530,627,585.70

- (a) From January to December 2020, due to changes in the scope of consolidation caused by the merger of enterprises under the same control, the undistributed profit at the beginning of the year was RMB 91,380,860.75 (31 December 2019 : RMB 26,548,242.25).
- (b) According to the resolution of the shareholders' annual meeting on 23 June 2020, the company will distribute cash dividends of RMB 0.52 per share to all shareholders for the year of 2019. Based on the 2,180,770,326 shares issued, a total amount of RMB 1,134,000,569.52 will be distributed, of which A shares have been issued. 1,433,270,326 shares were distributed with cash dividends of RMB 745,300,569.52, and

V. Notes to the consolidated financial statements (continued)

46. Revenue and cost of services

Item	2020		2019	
	Revenue	Cost	Revenue	Cost
Main business - Toll road	4,386,674,349.61	2,422,202,538.44	4,722,126,783.24	2,345,480,765.93
Main business - Environmental protection	2,520,621,312.93	2,039,567,237.83	598,968,458.64	430,021,848.73
-- Sales related to wind turbine equipment	1,427,886,563.79	1,242,956,248.25	511,125,563.54	395,550,875.16
-- Wind power	237,868,767.28	97,256,484.14	87,666,895.10	34,467,853.57
-- Kitchen waste disposal projects construction	737,728,420.15	582,916,859.55	-	-
-- Kitchen waste disposal projects operation	105,375,895.57	113,441,945.89	-	-
-- Others	11,761,666.14	2,995,700.00	176,000.00	3,120.00
Other services	1,119,441,437.45	752,747,236.89	1,069,199,868.94	810,041,613.81
--Real estate development	351,097,821.01	171,358,709.86	456,902,470.68	255,161,517.06
--Management services	510,744,894.58	406,456,427.27	376,403,186.50	356,797,256.75
--Advertising services	34,781,315.76	28,413,224.83	55,875,222.93	51,518,188.66
--Financial leasing	25,588,040.54	22,470,366.05	13,607,222.61	9,560,886.33
--Others	197,229,365.56	124,048,508.88	166,411,766.22	137,003,765.01
Total	8,026,737,099.99	5,214,517,013.16	6,390,295,110.82	3,585,544,228.47

Shenzhen Expressway Company Limited
Notes to Financial Statements (continued)
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V. Notes to the consolidated financial statements (continued)

46. Revenue and cost of services (continued)

The revenue is analyzed as follows:

2020

Reportable segments	Toll road	Environmental protection	Real estate development	Management service	Advertising service	Financial leasing service	Others	Total
Main operating areas								
Guangdong Province	3,629,903,776.51	-	-	154,190,121.89	34,781,315.76	25,588,040.54	167,301,123.59	4,011,764,378.29
Hunan Province	452,694,717.86	-	-	-	-	-	9,300,164.92	461,994,882.78
Guizhou Province	-	41,133,390.26	351,097,821.01	356,554,772.69	-	-	8,733,462.58	757,519,446.54
Hubei Province	304,075,855.24	2,709,516.01	-	-	-	-	-	306,785,371.25
Jiangsu Province	-	1,439,648,229.93	-	-	-	-	10,619,469.02	1,450,267,698.95
Nei Monggol Autonomous Region	-	237,868,767.28	-	-	-	-	-	237,868,767.28
Beijing	-	743,783,793.50	-	-	-	-	-	743,783,793.50
Guangxi Autonomous Region	-	38,762,001.68	-	-	-	-	1,275,145.45	40,037,147.13
Shandong Province	-	16,715,614.27	-	-	-	-	-	16,715,614.27
Total	4,386,674,349.61	2,520,621,312.93	351,097,821.01	510,744,894.58	34,781,315.76	25,588,040.54	197,229,365.56	8,026,737,099.99
Main service categories	Toll road	Environmental protection	Real estate development	Management service	Advertising service	Financial leasing service	Others	Total
Toll road	4,386,674,349.61	-	-	-	-	-	-	4,386,674,349.61
Environmental protection	-	2,520,621,312.93	-	-	-	-	-	2,520,621,312.93
Real estate development	-	-	351,097,821.01	-	-	-	-	351,097,821.01
Management service	-	-	-	510,744,894.58	-	-	-	510,744,894.58
Advertising service	-	-	-	-	34,781,315.76	-	-	34,781,315.76
Financial leasing service	-	-	-	-	-	25,588,040.54	-	25,588,040.54
Others	-	-	-	-	-	-	197,229,365.56	197,229,365.56
Total	4,386,674,349.61	2,520,621,312.93	351,097,821.01	510,744,894.58	34,781,315.76	25,588,040.54	197,229,365.56	8,026,737,099.99
Timing for revenue recognition								
Revenue recognized at a certain point in time	4,386,674,349.61	1,770,314,305.06	351,097,821.01	-	5,067,181.10	-	40,284,664.20	6,553,438,320.98
Revenue recognized over a period of time	-	750,307,007.87	-	510,744,894.58	29,714,134.66	25,588,040.54	156,944,701.36	1,473,298,779.01
Total	4,386,674,349.61	2,520,621,312.93	351,097,821.01	510,744,894.58	34,781,315.76	25,588,040.54	197,229,365.56	8,026,737,099.99

Shenzhen Expressway Company Limited
Notes to Financial Statements (continued)
2020

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V. Notes to the consolidated financial statements (continued)

46. Revenue and cost of services (continued)

The revenue is analyzed as follows:(continued)

2019

Reportable segments	Toll road	Environmental protection	Real estate development	Management service	Advertising service	Financial leasing service	Others	Total
Main operating areas								
Guangdong Province	3,749,928,829.05	176,000.00	-	152,572,764.83	55,875,222.93	13,607,222.61	152,208,393.66	4,124,368,433.08
Hunan Province	559,664,089.09	-	-	-	-	-	9,410,501.41	569,074,590.50
Guizhou Province	-	-	456,902,470.68	223,830,421.67	-	-	4,792,871.15	685,525,763.50
Hubei Province	412,533,865.10	-	-	-	-	-	-	412,533,865.10
Jiangsu Province	-	511,125,563.54	-	-	-	-	-	511,125,563.54
Nei Monggol Autonomous Region	-	87,666,895.10	-	-	-	-	-	87,666,895.10
Total	4,722,126,783.24	598,968,458.64	456,902,470.68	376,403,186.50	55,875,222.93	13,607,222.61	166,411,766.22	6,390,295,110.82
Main service categories								
Toll road	4,722,126,783.24	-	-	-	-	-	-	4,722,126,783.24
Environmental protection	-	598,968,458.64	-	-	-	-	-	598,968,458.64
Real estate development	-	-	456,902,470.68	-	-	-	-	456,902,470.68
Management service	-	-	-	376,403,186.50	-	-	-	376,403,186.50
Advertising service	-	-	-	-	55,875,222.93	-	-	55,875,222.93
Financial leasing service	-	-	-	-	-	13,607,222.61	-	13,607,222.61
Others	-	-	-	-	-	-	166,411,766.22	166,411,766.22
Total	4,722,126,783.24	598,968,458.64	456,902,470.68	376,403,186.50	55,875,222.93	13,607,222.61	166,411,766.22	6,390,295,110.82
Timing for revenue recognition								
Revenue recognized at a certain point in time	4,722,126,783.24	597,427,112.64	456,902,470.68	-	7,303,827.29	-	27,171,390.33	5,810,931,584.18
Revenue recognized over a period of time	-	1,541,346.00	-	376,403,186.50	48,571,395.64	13,607,222.61	139,240,375.89	579,363,526.64
Total	4,722,126,783.24	598,968,458.64	456,902,470.68	376,403,186.50	55,875,222.93	13,607,222.61	166,411,766.22	6,390,295,110.82

The income recognized in the current year and included in the beginning book value of contract liabilities is as follows

Item	2020	2019
Advances from sales of wind turbine equipment	338,728,000.00	-
Advances from sales of real estate	325,575,286.24	417,435,394.79
Advances from advertising customers	4,750,118.33	6,814,256.43
Advances from sales of wind turbine operation and maintenance services	1,226,383.00	-
Others	4,253,761.44	1,500,689.35
Total	674,533,549.01	425,750,340.57

V. Notes to the consolidated financial statements (continued)

47. Tax and surcharges

Item	2020	2019
Land appreciation tax	40,482,796.77	25,270,279.55
City maintenance and construction tax	11,481,192.79	11,122,710.34
Educational surcharge	8,989,628.03	8,290,433.75
Property tax	3,333,005.18	5,355,936.05
Stamp tax	2,115,455.73	3,146,314.79
Construction fee for culture development	55,801.64	891,679.13

V. Notes to the consolidated financial statements (continued)

50. Financial expenses

Item	2020	2019
Interest expenses	935,356,181.84	750,515,490.48
Including: Interest expenses on borrowings	478,734,666.87	434,561,336.96
Interest expenses on bonds payable	261,555,054.50	190,798,550.73
The amortization of unsettled financing expenses of freight subsidy of Coastal Expressway (Note V. 31(a))	6,481,242.86	16,877,400.18
The amortization of unsettled financing expenses of compensation of newly built toll stations of Three Expressways (Note V.39(a))	21,840,000.00	23,280,000.00
Interest expense of house payment collected in advance	19,586,324.27	30,582,324.80
Lease interest expense	7,234,089.26	14,227,011.48
The amortization of unrecognized financing cost of Longda new station (Note V. 39(b))	15,734,751.60	17,011,767.96
Interest expenses on long-term payables	121,819,431.63	24,199,509.01
Interest expenses on accrued liabilities (Note V. 38(c))	2,370,620.85	-
Less: Interest income	61,975,573.96	53,120,492.35
Including: Bank account interests and others	61,975,573.96	53,120,492.35
Less: Interest capitalized	237,873,468.23	133,608,637.84
Including: Interest expense capitalized	238,770,769.93	134,631,048.48
Interest income capitalized	897,301.70	1,022,410.64
Exchange gains or losses (Income is indicated with "-")	-154,935,502.55	33,399,084.64
Less: Financial benefit for pre-repayment of finance leases	1,165,853.24	22,492,284.97
Others	12,142,147.91	12,018,652.81
Total	491,547,931.77	587,734,223.41

In the current year, the Group's borrowing interest capitalization amount has been included in inventories and intangible assets. Please refer to Note V.7(3) and Note V.20(e) for the relevant information.

The details of the interest income are listed as follows:

Item	2020	2019
Cash and cash equivalents	61,975,573.96	50,744,215.01
Long-term receivables	-	1,731,571.08
Other receivables	-	644,706.26
Less: Interest income capitalized	897,301.70	1,022,410.64
Total	61,078,272.26	52,098,081.71

V. Notes to the consolidated financial statements (continued)

51. Other income

Item	2020	2019	Asset / profit related
Government grants related to deferred income (Note V.39)	4,199,389.58	195,096.23	Asset
Talent supporting funds	-	6,240,000.00	Profit
Grants for supporting the development of head company	30,000,000.00	-	Profit
Returned taxation	5,690,000.00	-	Profit
Grants for high-tech enterprise	1,400,000.00	-	Profit
Others	5,605,699.17	2,128,895.65	Profit
Total	46,895,088.75	8,563,991.88	

Government grants related to deferred income (Note V.39):

Item	2020	2019	Asset / profit related
Return of government financial grants provided by Guizhou Longli County Government to Guishen Company	115,909.39	195,096.23	Asset
Grants for environmental protection equipment of Bioland Group	133,549.59	-	Asset
Central subsidy from the cancellation of provincial boundary toll stations on expressways	3,949,930.60	-	Asset
Total	4,199,389.58	195,096.23	

52. Investment income

Item	2020	2019
Investment income from long-term equity investments in associates under the equity method (Note V.15)	880,729,972.60	899,684,300.39
Realized downstream trading gains and losses (a) (Note V.15(a))	32,252,473.61	22,402,839.33
Investment gain/loss from foreign exchange swap (Note V.2)	17,955,000.00	26,860,000.00
Investment income from other non-current financial assets	6,395,165.94	30,125,114.78
Investment income from other disposal of subsidiaries	-	262,207,206.28
Others	30,676.40	1,392,576.07
Total	937,363,288.55	1,242,672,036.85

(a) In 2018, United Land Company's compensation for the relocation of the office building of Meiguan Company was offset by the group's merger level to offset the shareholding portion of the asset disposal income. In this year, United Land Company's program of property development and construction has realized income. The property ratio was transferred back to the realized income of RMB 32,252,473.61 (2019: RMB 22,402,839.33).

53. Gains or losses from changes in fair value

Item	2020	2019
Financial assets measured at fair value through profit or loss	-42,343,020.67	55,086,510.00
Including: Derivative financial instruments (Note V.2)	-146,367,257.21	17,586,250.00
Including: Financial assets designated to be measured at fair value through profit or loss (Note V.14)	104,024,236.54	37,500,260.00
Gains from adjustment of Shuiguan Expressway's acquisition contingent consideration (Note V.13)	40,000,000.00	26,000,000.00
Total	-2,343,020.67	81,086,510.00

V. Notes to the consolidated financial statements (continued)

54. Credit impairment loss

	2020	2019
Loss from impairment of accounts receivable	8,136,242.67	6,832,091.86
Loss from impairment of other receivables	25,146.76	-
Loss from current portion of non-current assets	-315,511.41	-544,720.40
Loss from impairment of long-term receivables	2,273,329.50	914,305.89
Loss from impairment of contract assets	38,085,852.26	126,280.00
Loss from impairment of notes receivable	-	-1,892,194.93
Total	48,205,059.78	5,435,762.42

55. Impairment losses on assets

	2020	2019
Losses from falling inventory	116,143.51	-
Loss from impairment of intangible assets	-	552,000,000.00
Total	116,143.51	552,000,000.00

V. Notes to the consolidated financial statements (continued)

56. Non-operating income

Item	2020	2019	Amount recorded as non-recurring profit or loss for the year ended 31 December 2020
Government grants not related to daily activities (a)	4,033,977.39	3,246,706.07	4,033,977.39
Others (b)	7,014,965.55	9,199,474.43	7,014,965.55
Total	11,048,942.94	12,446,180.50	11,048,942.94

(a) Government grants not related to daily activities are as follows:

Item	2020	2019	Asset / profit related
Government incentives	1,286,988.51	499,717.19	Profit related
Grants related to deferred income (i)	2,746,988.88	2,746,988.88	Asset related
Total	4,033,977.39	3,246,706.07	/

(i) In 2010, 2011 and 2014, Qinglong Company received the compensation for land expropriation from Longgang district of Shenzhen respectively, and the deferred amortization income of RMB 2,746,988.88 was included in the non-operating income for the reporting period. Refer to Note V.39 for detail.

(b) Others mainly included demolition compensation of RMB 1,268,660.00. One of subsidiaries, Advertisement Company received this compensation from the office of community, Bao An district, Shenzhen city for the demolition of advertisement board JX-5 and JX-16. Besides, the newly acquired company, Bioland Company confirmed non-operating income of RMB 1,861,721.91 for the reversal of contingent liabilities and deferred tax assets.

57. Non-operating expenses

Item	2020	2019	Amount recognized in non-recurring profit or loss for the year ended 31 December 2020
The loss on damage or scrap of non-current assets	6,536,861.37	8,588,634.03	6,536,861.37
Donations	1,591,213.11	1,016,000.00	1,591,213.11
Others	6,115,055.72	2,662,316.20	6,115,055.72
Total	14,243,130.20	12,266,950.23	14,243,130.20

V. Notes to the consolidated financial statements (continued)

58. Expenses by nature

Costs of services, selling expenses, general and administrative expenses, research and development expenses in the consolidated statements of profit or loss are analyzed by nature as follows:

Item	2020	2019
Depreciation and amortization	1,786,561,559.30	1,564,546,569.16
Production costs of wind power equipment	1,223,758,991.24	395,641,140.25
Salaries and wages	896,582,856.56	845,586,837.09

V. Notes to the consolidated financial statements (continued)

59. Income tax expense (continued)

(2) Income tax expense reconciled from profit before tax

Item	2020	2019
Profit before tax	2,709,466,381.26	2,540,598,173.14
Income tax expenses calculated at the applicable tax rate	677,366,595.32	635,149,543.28
Effect of different tax rates applicable to certain subsidiaries	-23,374,390.30	-16,274,150.81
Effect of withholding tax on distributable profits of the Group's PRC subsidiaries	-	1,650,136.16
Income not subject to tax	-229,844,403.04	-238,040,745.70
Unrecognized tax losses in the current year	31,893,534.20	17,749,348.38
Use of unrecognized tax losses in previous periods	-	-3,200,554.91
Recognized deferred tax assets of deductible losses and deductible temporary differences in previous years	-16,060,135.54	-473,765,943.45
Adjustment of income tax in previous periods	31,691,031.06	6,657,216.86
Expenses not deductible for tax purposes	2,238,402.34	1,995,103.91
Income tax expense calculated based on the effective tax rate of the Group	473,910,634.04	-68,080,046.28

60. Notes to the consolidated statement of cash flows

(1) Cash received relating to other operating activities

Item	2020	2019
Centralized management of deposits for newly acquired corporate funds	145,796,490.44	-
Receive the cancellation provincial toll station central subsidy	40,915,265.00	-
Interest income	36,423,224.13	11,741,985.04
Receive special funds for economic development (Note V.51)	30,000,000.00	-
Receive margin	26,335,240.20	-
Received construction compensation	15,130,000.00	-
Received Nanjing Open Management Committee land prepayment (Note V.6 (3))	10,000,000.00	-
Rent received in advance	6,000,000.00	-
Collected the rent of the site of Shenzhen Branch of China Tower Corporation	-	2,555,018.52
Received Talent funds for Longhua Finance Bureau	-	2,400,000.00
Received insurance claims transferred from PICC	-	1,875,098.25
Received advance payment for CLP's traffic violation and accident detection projects	-	1,339,282.48
Other	81,744,020.92	60,547,698.21
Total	392,344,240.69	80,459,082.50

V. Notes to the consolidated financial statements (continued)

60. Notes to the consolidated statement of cash flows (continued)

(2) Cash paid relating to other operating activities

Item	2020	2019
Payment of advances for wind turbine project development	225,334,966.95	11,422,000.00
Payment of Entrusted construction project development	214,444,710.71	278,250,815.20
Paid security deposit	67,233,632.91	156,116,611.47
Administrative costs	51,770,632.97	26,606,342.76
Intermediary service fee	36,486,459.88	30,841,700.27
Sales planning promotion fee	8,333,770.96	-
Agent construction management fee expenditure	6,362,535.28	72,661,999.42
Centralized management of deposits for newly acquired corporate funds	-	81,787,691.57
Refund of the settlement payment for the renovation and expansion of the Meiguan Expressway	-	33,227,515.27
Other operating expenses paid	107,296,550.83	43,437,769.87
Total	717,263,260.49	734,352,445.83

(3) Cash received from disposal of subsidiaries and other business units

Item	2020	2019
Received equity transfer payment for disposal of Jiangzhong Company and Guangyun Company (Note V.9)	156,010,000.00	-
Received the transfer payment for the disposal of Guizhou Shengbo Real Estate Co., Ltd., Guizhou Hengfengxin Real Estate Co., Ltd., Guizhou Henghongda Real Estate Co., Ltd., and Guizhou Yehengda Real Estate Co., Ltd.	-	567,000,000.00
Total	156,010,000.00	567,000,000.00

V Notes to the consolidated financial statements (continued)

60. Notes to the consolidated statement of cash flows (continued)

(4) Cash received relating to other investment activities

Item	2020	2019
Maturity redemption of financial products	81,866,412.76	300,000,000.00
Interest income	25,484,191.96	39,002,229.97
Interest of capital reduced in Shenzhen International Land Co., Ltd.	-	20,742,909.45
Penalty received for the deferred payment of the equity purchase (Note V.30)	-	20,412,000.00
Cash inflow from Nanjing Wind Power acquisition	-	2,368,672.22
Cash inflows from the acquisition of Baotou Nanfeng	-	402,592.22
Total	107,350,604.72	382,928,403.86

(5) Net cash paid for acquiring subsidiaries and other business units

Item	2020	2019
Net cash payment for the acquisition of Bioland Company	338,788,946.90	-
Net cash payment for the acquisition of Qiantai Company	111,451,464.91	-
Net cash payment for acquisition of Shenzhen Expressway Development Co., Ltd. ("Engineering Development Company")	3,285,322.48	-
Total	453,525,734.29	-

(6) Cash paid relating to other investment activities

Item	2020	2019
Purchased financial products	81,632,192.88	100,000,000.00
Return the pre-distributed profit of Guangyun Company	60,059,399.04	-
Payment of land bidding margin	5,430,000.00	-
Paying taxes and fees related to the disposal of four highways	-	1,696,976,098.65
Nanjing wind power stock purchase model	-	210,000,000.00
Refund of Guizhou Xinhe Lifu Real Estate Development Co., Ltd. 810 acres of land equity transfer deposit	-	20,000,000.00
Other	2,695,002.80	-
Total	149,816,594.72	2,026,976,098.65

V Notes to the consolidated financial statements (continued)

60. Notes to the consolidated statement of cash flows (continued)

(7) Cash received relating to other financing activities

Item	2020	2019
Loans received from United Land Company Note V.35(1)(b)	445,900,000.00	1,896,790,000.00
Sale and leaseback financing received Note V.35(1)(a)	-	673,000,000.00
Total	445,900,000.00	2,569,790,000.00

(8) Cash paid relating to other financing activities

Item	2020	2019
Payment for equipment of Financial Leasing Company	668,902,785.84	1,424,271,632.23
Pay cash to acquire Longda Company (Note VI.2(b))	404,855,267.59	-
Pay China Logistics Finance's debt to Shenzhen International Hong Kong (Note VI.2(a))	129,000,000.00	-
Pay the principal and interest of the sale and leaseback financing	111,032,197.35	26,022,898.75
Return loans to the shareholders of United Land Company (Note V.35(1)(b))	102,900,000.00	-
Repayment of principal and interest on lease liabilities	57,528,760.76	20,561,750.92
Returning to the subsidiary minority shareholder borrowings (Note VII.1(2))	29,749,845.10	33,214,845.87
Pay cash to acquire China Logistics Finance and Financing Leasing Company (Note VI.2(a))	22,690,000.00	-
Bond issuance intermediary fee	4,422,400.00	400,000.00
Repayment of loans from minority shareholder Jiangsu Jinzhi	-	172,000,000.00
Other	2,142,501.08	3,931,060.16
Total	1,533,223,757.72	1,680,402,187.93

V. Notes to the consolidated financial statements (continued)

61. Supplementary information to the consolidated statement of cash flows

(1) Supplementary information to the consolidated statement of cash flows

Supplementary information	2020	2019
1 Reconciliation from net profit to cash flows from operating activities:		
Net profit	2,235,555,747.19	2,608,678,219.42
Depreciation of fixed assets	286,255,363.26	149,056,321.72
Amortisation of use rights	44,518,677.04	40,875,915.53
Amortisation of investment properties	575,942.40	575,942.40
Amortisation of intangible assets	1,447,663,823.26	1,369,700,402.31
Amortisation of long-term prepaid expenses	7,547,753.34	4,337,987.20
Net profits on disposal of fixed, intangible, and other long-term assets	-74,529.31	-386,045.39
Loss on non-current asset scrap	6,536,861.37	8,588,634.03
Loss on change in fair value	2,343,020.67	-81,086,510.00
Financial expenses	516,222,930.60	625,857,169.14
Investment income	-937,363,288.55	-1,242,672,036.85
Asset impairment loss	116,143.51	552,000,000.00
Expected credit loss	48,205,059.78	5,435,762.42
Decrease in deferred income tax assets	76,330,541.50	-423,811,665.13
Decrease in deferred income tax liabilities	-10,087,853.40	-283,250,747.76
Increase in inventories	-189,340,354.45	-89,188,511.80
Increase in operating receivables	-1,822,071,834.65	-645,748,522.43
Decrease in operating payables	-612,300,070.49	-903,604,977.75
Net cash flows from operating activities	1,100,633,933.07	1,695,357,337.06

Supplementary information	2020	2019
2 Net changes in cash and cash equivalents		
Cash at the end of the year	3,233,581,180.27	2,977,834,893.73
Less: cash at the beginning of the year	2,977,834,893.73	2,663,315,188.71
Net increase in cash and cash equivalents	255,746,286.54	314,519,705.02

(2) Major investment and financing activities that do not involve cash:

Item	2020	2019
Associated company dividends deducting related party loans	312,120,473.62	-

V. Notes to the consolidated financial statements (continued)

62. Assets with ownership or use right restricted

Item	2020	2019	Reason for restriction
Operating right of Qinglian Expressway	6,126,097,557.95	6,449,325,178.71	(Note 1)
Operating right of Outer Ring Expressway	-	3,409,706,840.88	(Note 2)
Operating right of Coastal Expressway	5,755,570,518.57	6,154,511,908.42	(Note 3)
Operating right of Shuiguan Expressway	2,133,075,269.23	-	(Note 4)
The 100% equity in Meiguan Company	554,374,024.14	522,176,501.47	(Note 5)
The 45% equity in JEL Company	262,240,520.97	242,264,078.87	(Note 6)
Baotou Nanfeng Damaoqi Wind Power Equipment	-	1,359,289,012.09	(Note 7)
Baotou Nanfeng Damaoqi Land Use Right	-	18,912,756.63	(Note 7)
Cash at banks and on hand	2,315,723,172.17	1,801,295,060.23	(Note 8)
Land-use right of Langfang Waterland	22,225,401.45	-	(Note 9)
Bioland Company kitchen waste disposal project franchise	1,474,087,433.64	-	(Note 9)
The equity interest in Bioland Company subsidiaries	513,043,091.31	-	(Note 9)
Total	19,035,883,139.23	19,957,481,337.30	/

Note 1: At 31 December 2020, the operating right of Qinglian Expressway with a net carrying amount of RMB 6,126,097,557.95 (31 December 2019: RMB 6,449,325,178.71) was pledged to secure long-term bank loans. The pledged term will end on 21 June 2024. The loan balance was RMB 984,460,000.00 on 31 December 2020. For details, refer to Note V.33(b).

Note 2: At 31 December 2019, the operating right of Outer Ring Expressway with a net carrying amount of RMB 3,409,706,840.88 was pledged to secure long-term bank loans. The loan has been paid off before 31 December 2020 and the pledge has been released.

Note 3: At 31 December 2020, the operating right of Coastal Expressway with a net carrying amount of RMB 5,755,570,518.57 (31 December 2019: RMB 6,154,511,908.42) was pledged to secure long-term bank loans. The pledged term will end on 9 November 2034. The loan balance was RMB 3,518,158,867.55 on 31 December 2020. For details, refer to Note V.33(b).

Note 4: At 31 December 2020, the operating right of Shuiguan Expressway with a net carrying amount of RMB 2,133,075,269.23 was pledged to secure long-term bank loans. The pledged term will end on 14 January 2026. The loan balance was RMB 482,500,000.00 on 31 December 2020. For details, refer to Note V.33(b).

Note 5: At 31 December 2020, the 100% equity of Meiguan Company with a net carrying amount of RMB 554,374,024.14 (31 December 2019: RMB 522,176,501.47) was pledged to secure long-term bonds. The pledged term will end on 31 July 2022. For details, refer to Note V.34(2(a)).

Note 6: At 31 December 2020, the 45% equity of JEL Company with a net carrying amount of RMB 262,240,520.97 (31 December 2019: RMB 242,264,078.87) was pledged to secure short-term bank loans. The pledged term will end on 3 December 2021. The loan balance was HKD125,000,000.00 on 31 December 2020. For details, refer to Note V.24(a).

V. Notes to the consolidated financial statements (continued)

62. Assets with ownership or use right restricted (continued)

Note 7: At 31 December 2019, Baotou Nanfeng Damaoqi Wind Power's equipment with a net carrying amount of RMB 1,359,289,012.09, Baotou Nanfeng Damaoqi's land-use right with a net carrying amount of RMB 18,912,756.63 and 100% equity of Damaoqi Ningyuan, Damaoqi Ningxiang, Damaoqi Nanchuan and Damaoqi Ningfeng were pledged and mortgaged to sale-leaseback debt from Three Gorges Financial Leasing Co., Ltd to the Group. The pledged term will end on 23 October 2021. The sale-leaseback payment has been paid in advance and the mortgage has been discharged on 31 December 2020.

Note 8: At 31 December 2020, cash and cash equivalents with a net carrying amount of RMB 2,315,723,172.17 (31 December 2019: RMB 1,801,295,060.23) were restricted as to use. For details refer to Note V.1.

Note 9: (1) At 31 December 2020, 100% equity of Guangxi Bioland with a book value of RMB 143,780,085.74 and production equipment with a book value of RMB 68,459,900.00 in the Guangxi Bioland were used to obtain two long-term bank loans of Guangxi Bioland. At 31 December 2020, the balance of these two long-term loans totaled RMB 76,800,000.00. 100% equity interest of Guiyang Bioland with a book value of RMB 42,183,769.54, and Guiyang Bioland's Phase I franchise of RMB 267,736,554.23 (including machinery and equipment with a book value of RMB 44,130,500.00) were used to obtain long-term bank loans from Guiyang Bioland. At 31 December 2020, the balance of this long-term loan was RMB 62,500,000.00. The Longyou Bioland's franchise with a book value of RMB 28,653,313.39 and the income during the concession period were used to obtain Longyou Bioland's long-term bank loans. At 31 December 2020, the total balance of this long-term loan was RMB 16,500,000.00. 100% equity interest in Huangshi Bioland with a book value of RMB 21,697,000.70. Expected income rights generated by the government, the rights which were generated by Huangshi Bioland's franchise with a book value of RMB 104,682,012.34 and the accounts receivable formed by future operating income were used to obtain Huangshi Bioland's long-term bank loans. At 31 December 2020, the balance of the long-term loans was RMB 53,000,000.00. Please refer to Note V.33(b) for details of the above-mentioned long-term loans.

(2) At 31 December 2020, 100% equity interests in five companies, Dezhou Bioland, Taizhou Bioland, Shangrao Bioland, Guilin Bioland and Xinyu Bioland and 90% equity interests in two companies, Handan Bioland and Zhuji Bioland with a total book value of RMB 305,382,235.33 and franchises of five companies, Dezhou Bioland, Taizhou Bioland, Handan Bioland, Shangrao Bioland, Zhuji Bioland, with a total book value of RMB 952,461,703.48, and Langfang Waterland with a book value of RMB 22,225,401.45 were used to obtain the sale and leaseback of financial leases. At 31 December 2020, the total balance formed by the sale and leaseback of the financial lease obtained by the above guarantees was RMB 364,369,903.87. For details, refer to Note V.35(1).

V. Notes to the consolidated financial statements (continued)

63. Monetary items denominated in foreign currencies

Item	2020			2019		
	Original amount	Exchange rate	Equivalent to RMB	Original amount	Exchange rate	Equivalent to RMB
Monetary capital						
HKD	18,194,061.09	0.8416	15,312,121.81	6,923,966.36	0.8958	6,202,489.07
USD	1,853.90	6.5249	12,096.51	2,242.72	6.9762	15,645.66
EUR	12.00	8.0250	96.30	12.00	7.8155	93.79
FRF	11.70	7.4006	86.59	11.70	7.2028	84.27
ESP	445.96	0.0468	20.87	445.96	0.0468	20.87
JPY	380.00	0.0632	24.02	380.00	0.0641	24.36
Other receivables						
HKD	1,330,513.80	0.8416	1,119,760.41	1,239,013.80	0.8958	1,109,908.56
Short-term borrowings						
HKD	125,000,000.00	0.8416	105,200,000.00	50,129,062.32	0.8958	44,905,614.03
Employee benefits payable						
HKD	2,331,000.00	0.8416	1,961,769.60	414,400.00	0.8958	371,219.52
Other payables						
HKD	192,145.00	0.8416	161,709.23	54,855.00	0.8958	49,139.11
Bond payable						
USD	0.00	6.5249	0.00	298,433,074.79	6.9762	2,081,928,816.35
Current portion of non-current liabilities						
USD	303,905,208.33	6.5249	1,982,951,093.83	3,905,208.33	6.9762	27,243,514.35
Lease liabilities						
HKD	2,302,417.81	0.8416	1,937,714.83	6,344,321.19	0.8958	5,683,242.92

V. Notes to the consolidated financial statements (continued)

64. Others

(1) Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

Item	2020	2019
Consolidated net profit attributable to ordinary shareholders of the Company	2,054,523,306.30	2,564,317,594.25
Weighted average number of ordinary shares outstanding	2,180,770,326.00	2,180,770,326.00
Basic earnings per share	0.936	1.176
Including: Basic earnings per share from continuing operations (Deduct current year's perpetual bond dividends)	0.936	1.176

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares on 31 December 2020, diluted earnings per share was equal to basic earnings per share.

VI. Change in consolidation

1. Business combination not under common control

Purchased company	Share acquisition date	Cost of acquisition	Shareholding percentage (%)	Acquisition method	Acquisition date	Acquisition date determination
Bioland Company	20 January 2020	798,137,126.60	67.14	(a)	20 January 2020	Equity transfer procedures completed
Engineering Development Company	14 August 2020	6,990,900.00	60	(b)	14 August 2020	Equity transfer procedures completed
Qiantai Company	16 December 2020	217,780,961.85	50	(c)	16 December 2020	Equity transfer procedures completed

VI. Change in consolidation (continued)

1. Business combination not under common control (continued)

- (a) On 8 January 2020, the Company's subsidiary Environmental Company and Beijing Water Gas Lande Technology Co., Ltd. ("Beijing Water Gas Lande"), Zhengzhou CiDa Environmental Protection Technology Co., Ltd. ("Zhengzhou CiDa"), Shi Junying, Shi Junhua and others signed an equity merger agreement, agreeing to subscribe for the 85 million shares issued by Bioland Company without any rights at a price of RMB 5.06 per share, and to be transferred no more than 75 million shares of Bioland Company. The total consideration for this transaction does not exceed RMB 809,600,000.00. After the completion of the transaction, the Environment Company will eventually obtain no more than 160 million shares of Rand Environmental Protection and the shareholding ratio will not exceed 68.10%.

According to the equity merger agreement, the above transaction was completed in two phases. The Environmental Company completed the first phase of the transaction before 20 January 2020, subscribed for 85 million shares issued by Bioland Company and transferred 40 million shares from the seller Zhengzhou Cida. The total investment amount is RMB 632,500,000.00, of which the equity transfer amount is RMB 202,400,000.00, and the equity subscription price is RMB 430,100,000.00. After the completion of the first phase of the transaction, the Environmental Company holds 53.21% of Bioland Company's equity. In the second phase of the transaction, the environmental company acquired 32.73 million shares of Bioland Company from Zhengzhou Cida, and the transfer amount was RMB 165,637,126.60. After the completion of the transaction under the equity merger agreement, the Environmental Company ultimately holds 67.14% of the equity of Bioland Company.

On 13 January 2020, Bioland Company held a general meeting of shareholders and passed the new company articles of association. The company's articles of association stipulate that the general resolution of the board of directors shall be voted by one person, one vote. There are 5 members of the board of directors, of which 3 persons appointed by the Company are elected as directors, and 2 members of the new board of supervisors are elected, of which 1 person appointed by the company is elected as a supervisor.

On 15 January 2020, the transfer of 40 million shares of Zhengzhou Cida by the Environment Company completed the transfer and registration of the Zhongyuan Equity Exchange Center; on the next day, Bioland Company completed the industrial and commercial change registration. On 20 January 2020, the transfer registration of 85 million shares of Bioland Company subscribed by the Company has been completed. Therefore, the Group will incorporate Bioland Company and its subsidiaries into the consolidation scope from 20 January 2020.

VI. Change in consolidation (continued)

1. Business combination not under common control (continued)

Identifiable assets and liabilities of the Bioland Company and its subsidiaries acquired on the acquisition date are listed below:

	20 January 2020	20 January 2020
	Fair value	Book value
Assets:	2,789,453,374.37	2,242,243,075.29
Cash at banks and on hand	456,562,275.95	456,562,275.95
Accounts receivable	65,406,978.66	65,406,978.66
Prepayments	19,767,212.70	19,767,212.70
Other receivables	30,909,761.37	30,909,761.37
Inventories	23,002,594.03	21,524,663.81
Contract assets	141,219,964.51	141,219,964.51
Other current assets	53,584,590.96	53,584,590.96
Other non-current financial assets	2,243,730.00	2,243,730.00
Fixed assets	12,040,567.13	11,637,860.83
Construction in progress	31,115,029.43	31,115,029.43
Intangible assets	1,901,490,593.13	1,356,160,930.57
Development expenditures	319,018.12	319,018.12
Right-of-use assets	54,626.49	54,626.49
Long-term prepaid expenses	91,543.58	91,543.58
Deferred tax assets	15,096,771.25	15,096,771.25
Other non-current assets	36,548,117.06	36,548,117.06
Liabilities:	1,555,421,905.37	1,460,173,943.71
Short-term borrowings	25,000,000.00	25,000,000.00

VI. Change in consolidation (continued)

1. Business combination not under common control (continued)

	20 January 2020	20 January 2020
	Fair value	Book value
Minority interests	435,894,342.40	20,437,438.70
Acquired net assets (67.14%)	798,137,126.60	/
Goodwill on acquisition	-	/
Considerations	798,137,126.60	/

Operating results and cash flows of Bioland Company from the date of acquisition to the end of the period are listed below:

	From 21 January to 31 December 2020
Revenue	847,749,894.99
Net profit	8,526,999.61
Net cash flows	-330,829,118.14

VI. Change in consolidation (continued)

1. Business combination not under common control (continued)

- (b) On 29 May 2020, Shenzhen Express Operation Development Co., Ltd. (the "Operation Company"), a subsidiary of the Company, signed an equity transfer agreement with Cui Gangxian, the original shareholder of Boyuan Construction, agreeing to acquire Guangdong Boyuan Construction Project Co., Ltd. for RMB 6,990,900.00 ("Boyuan Construction") 60% equity. After the transaction is completed under the equity merger agreement, the operating company will hold 60% of the equity of Boyuan Construction. The acquisition was completed on August 14, 2020. On September 4, 2020, Boyuan Construction changed its name to Engineering Development Company.

The fair value and book value of the identifiable assets and liabilities of the Engineering Development Company on the purchase date are as follows:

	14 August 2020	14 August 2020
	Fair value	Book value
Assets:	13,261,182.57	13,261,182.57
Cash at banks and on hand	210,127.52	210,127.52
Accounts receivable	3,999,154.30	3,999,154.30
Contract assets	5,494,360.51	5,494,360.51
Other receivables	1,003,503.69	1,003,503.69
Inventories	12,600.00	12,600.00
Other current assets	138,161.08	138,161.08
Fixed assets	2,403,275.47	2,403,275.47
Liabilities:	1,609,682.57	1,609,682.57
Accounts payable	1,028,640.76	1,028,640.76
Employee benefits payable	33,167.00	33,167.00
Taxes payable	544,874.81	544,874.81
Other payables	3,000.00	3,000.00
Net assets	11,651,500.00	11,651,500.00
Acquired net assets (60%)	6,990,900.00	/
Goodwill on acquisition	-	/
Considerations	6,990,900.00	/

Operating results and cash flows of Engineering Development Company from the date of acquisition to the end of the period are listed below:

	From 15 August 2020 to 31 December 2020
Revenue	16,817,082.21
Net profit	465,452.05
Net cash flows	31,800,570.64

VI. Change in consolidation (continued)

1. Business combination not under common control (continued)

- (c) In October 2020, the Company's subsidiary Infrastructure Environmental Development Company signed equity shares with Shenzhen Qiantai Energy Renewable Technology Co., Ltd. ("Shenzhen Qiantai") and Guangdong Wanzhonghui Investment Co., Ltd. ("Guangdong Wanzhonghui") In the M&A agreement, the Infrastructure Environmental Development Company will first increase the capital of Qiantai Company by RMB 40 million and hold 8.83% equity of Qiantai Company (Shenzhen Kunpeng Yichuang Strategic Emerging Industry Equity Investment Fund Partnership (Limited Partnership) ("Kunpeng Yichuang")) At the same time, it increased its capital to Qiantai Company by 30 million yuan and held 6.67% equity of Qiantai Company); later, the Infrastructure Environmental Development Company was transferred to Shenzhen Qiantai and Guangdong Wanzhonghui to hold 34.67% and 6.5% of the equity of Qiantai Company after the capital increase. After the capital increase and equity transfer are completed, the Infrastructure Environmental Development Company holds 50% of the equity of Qiantai Company.

On 15 October 2020, Qiantai Company held a shareholders meeting and passed the new articles of association. The articles of association stipulate that the infrastructure environmental protection development company and Kunpeng Yichuang shall agree on the rights of the shareholders meeting and the powers of the board of directors. The general resolution of the board of directors shall be voted on by one person, one vote, and the resolution of the board of directors must be passed by more than half of all directors. At the same time, 4 new board members are elected, of which 2 persons appointed by the Company are elected as directors, and 1 person appointed by Kunpeng Yichuang is elected as director, Election of 3 members of the new board of supervisors, of which 1 person appointed by the Company is elected as a supervisor.

On 16 December 2020, the transfer of the 34.67% equity of Shenzhen Qiantai and the 6.5% equity of Guangdong Wanzhonghui by the Infrastructure Environmental Development Company were completed the transfer registration at the Equity Exchange Center. On the same day, the Qiantai Company completed the industrial and commercial change registration. Therefore, the Group will incorporate Qiantai Company into the scope of consolidation from 16 December 2020.

VI. Change in consolidation (continued)

1. Business combination not under common control (continued)

	16 December 2020	16 December 2020
	Fair value	Book value
Assets	507,025,134.43	358,326,821.27
Cash at banks and on hand	33,548,535.09	33,548,535.09
Accounts receivable	8,969,672.61	8,969,672.61
Prepayments	2,491,320.00	2,491,320.00
Other receivables	54,896,087.20	54,896,087.20
Inventories	3,150,820.86	3,150,820.86
Other current assets	10,487,096.06	10,487,096.06
Fixed assets	186,379,838.93	168,703,359.59
Construction in progress	47,483,000.00	41,858,092.25
Intangible assets	159,094,700.00	33,697,773.93
Long-term prepaid expenses	524,063.68	524,063.68
Liabilities: :	71,463,210.73	49,158,463.76
Accounts payable	39,520,076.35	39,520,076.35
Advances	894,569.20	894,569.20
Employee benefits payable	1,012,569.00	1,012,569.00
Taxes payable	281.40	281.40
Other payables	7,730,967.81	7,730,967.81
Deferred tax liabilities	22,304,746.97	-
Net assets	435,561,923.70	309,168,357.51
Acquired net assets (50%)	217,780,961.85	/
Goodwill on acquisition	-	/
Goodwill on acquisition	217,780,961.85	/

Operating results and cash flows of Qiantai Company from the date of acquisition to the end of the period are listed below:

	From 17 December to 31 December 2020
Revenue	953,719.00
Net loss	-1,030,594.36
Net cash flows	5,994,454.26

VI. Change in consolidation (continued)

2. Business combination under common control

- (a) On 17 March 2020, Meihua Company, a wholly-owned subsidiary of the Company, and Shenzhen International Hong Kong signed an equity transfer agreement to acquire 100% of China Logistics Finance and its financial leasing company at a consideration of RMB 7,190,000.00 and at the same time assumes China Logistics Finance's debt of RMB 129,000,000.00 to Shenzhen International Hong Kong. On the same day, the Company signed an equity transfer agreement with Shenzhen International Logistics Development Co., Ltd. ("Shenzhen International Logistics") and Shenzhen International Hong Kong to acquire a 5% equity interest in a financial leasing company held by Shenzhen International Logistics at a consideration of RMB 15,500,000.00. After the equity transfer is completed, the Group holds a total of 48% of the equity in the financial leasing company.

In April 2020, China Logistics Finance's equity change registration was completed. On the same day, China Logistics Finance held a board of directors to elect 5 new board members, all of which were appointed by the company. On 15 April 2020, the financial leasing company held a board of directors and passed the new company articles of association. The company's articles of association stipulate that the general resolution of the board of directors shall be voted by one person, one vote, and the resolution of the board of directors must be passed by more than half of all directors; at the same time, a new term is elected. There are 5 members of the board of directors, among which 3 persons appointed by the Company are elected as directors. Since then, the Group has actually controlled the financial leasing company and the merger date was determined to be April 15.

The operating results and cash flows of China Logistics Finance and Financial Leasing Corporation from the beginning of the current period on the merger date to the merger date and the previous accounting period are listed below:

	China Logistics Finance and Financial Leasing Company (a)	
	From 1 January to 15 April 2020	From 1 January to 31 December 2019
Operating revenue	3,816,573.36	16,729,717.60
Net profit	1,384,733.13	-21,111.59
Net cash flows	84,908,049.55	-46,066,936.22

- (a) The financial data of period from 1 January to 15 April 2020 and period from 1 January to 31 December 2019 are simulated combination results of China Logistics Finance and Financial Leasing Company.

VI. Change in consolidation (continued)

2. Business combination under common control (continued)

Identifiable assets and liabilities of acquirees acquired on the combination date and 31 December 2019 are listed below:

	China Logistics Finance and Financial Leasing Company (a)	
	15 April 2020	31 December 2019
Cash at banks and on hand	86,392,121.58	1,484,072.03
Accounts receivable	64,117,481.58	63,509,055.46
Advances	-	254,168.11
Other receivables	3,233,429.04	75,009,728.64
Other current assets	15,027,013.14	16,161,747.12
Long-term receivables	106,728,255.85	89,819,213.74
Current portion of non-current assets	50,446,183.20	85,195,597.70
Fixed assets	6,389,009.85	6,621,005.35
Deferred tax assets	2,735,330.23	2,735,330.23
Accounts payable	1,841.00	1,841.00
Other payables	153,127,160.31	159,216,197.22
Employee benefits payable	355,648.97	2,162,845.31
Taxes payable	1,278,197.05	487,790.82
Total	180,305,977.14	178,921,244.03
Minority interests	159,337,566.68	158,617,249.15
Acquired net assets	20,968,410.46	20,303,994.88
Combination difference (Included in the interest)	1,721,589.54	/
Combination considerations	22,690,000.00	/

- (i) The financial data on 15 April 2020 and 31 December 2019 are simulated combination results of China Logistics Finance and Financial Leasing Company.
- (b) On November 9, 2020, the Company signed an equity transfer agreement with Baotong Company to acquire 89.93% of the shares of Longda Company for RMB 404,855,267.59 in cash, and at the same time assume Baotong Company's debts of RMB 532,610.78 to Longda Company. On November 26, 2020, Longda Company held a shareholder meeting resolution and passed the "Proposal on Amending the Articles of Association". The revised Articles of Association stipulates that there are seven members of the board of directors, one chairman, recommended by the company, and six other directors. Of them, four of whom are recommended by our company. The company's articles of association stipulate that one person, one vote is adopted for board resolutions, and board resolutions must be passed by more than two-thirds of all directors; on the same day, the "Proposal on Changing the Company's Board of Directors" was passed, agreeing to elect three persons appointed by the company to serve as Longda Company The seventh board of directors, plus the two previously appointed directors, the company occupies a total of five of the seven director seats. Since then, the Company has actually controlled Longda Company, and the merger date was determined on 26 November 2020. On 1 December 2020, Longda Company completed the procedures for the change of industrial and commercial registration.

VI. Change in consolidation (continued)

2. Business combination under common control (continued)

The operating results and cash flows of Longda Company from the beginning of the current period on the merger date to the merger date and the previous accounting period are listed below:

	Longda Company	
	From 1 January to 26 November 2020	From 1 January to 31 December 2019
Operating revenue	130,962,638.99	187,804,864.62
Net profit	41,834,438.85	72,216,109.24
Net cash flows	102,823,927.41	9,606,629.24

Identifiable assets and liabilities of acquirees acquired on the combination date and 31 December 2019 are listed below:

	Longda Company	
	26 November 2020	31 December 2019
Cash at banks and on hand	147,351,407.54	44,527,480.13
Accounts receivable	19,154.82	3,558,072.29
Prepayments	785,105.15	-
Other receivables	5,552,408.19	74,348,921.25
Inventories	929,612.59	1,010,313.98
Non-current assets due within one year	-	72,218,416.14
Other current assets	1,217,134.15	-
Long-term receivables	592,250.39	592,250.39
Fixed assets	27,610,091.43	17,533,417.56
Construction in progress	27,457.00	16,031,469.61
Intangible assets	97,686,829.68	109,706,268.39
Deferred tax assets	50,530,454.68	54,931,844.02
Accounts payable	7,632,058.06	12,679,243.34
Advances	6,348,946.61	-
Employee benefits payable	2,509,294.44	5,764,539.09
Taxes payable	475,013.88	4,490,117.55
Long-term payables	6,900,410.10	15,208,935.43
Deferred income	192,994,652.89	210,600,209.98
Total	115,441,529.64	145,715,408.37
Minority interests	11,624,962.03	14,673,541.62
Acquired net assets	103,816,567.61	131,041,866.75
Combination difference (Included in the interest)	301,571,310.76	/
Combination considerations	405,387,878.37	/

VI. Change in consolidation (continued)

3. Newly Established Subsidiaries

Tangyuan County Ningfeng Wind Power Co., Ltd. ("Tangyuan Ningfeng") was established on 20 March 2020 in Jiamusi, Heilongjiang Province, with registered capital of RMB 10,000,000.00. A subsidiary of the Group, Nanjing Wind Power, holds 100% of its equity. The Company's business scope is wind power. The newly established subsidiary was included in the scope of consolidation in the current year.

Jiamusi Nanfeng Yongfa Power Co., Ltd. ("Jiamusi Nanfeng") was established on 26 March 2020 in Jiamusi, Heilongjiang Province, with registered capital of RMB10,000,000.00. A subsidiary of the Group, Nanjing Wind Power, holds 100% of its equity. The Company's business scope is wind power. The newly established subsidiary was included in the scope of consolidation in the current year.

Shangzhi Nanfeng New Energy Co., Ltd. ("Shangzhi Nanfeng") was established on 8 April 2020 in Shangzhi, Heilongjiang Province, with registered capital of RMB5,000,000.00. A subsidiary of the Group, Nanjing Wind Power, holds 100% of its equity. The Company's business scope includes wind power, power-related technology development and consulting. The newly established subsidiary was included in the scope of consolidation in the current year.

Shenzhen Expressway New Energy Holdings Co., Ltd. ("New Energy Holdings") was established in Shenzhen, Guangdong Province on August 7, 2020, with a registered capital of RMB 1,400,000,000.00, and the Company holds 100% of its equity. The Company's business scope includes sales of wind turbines and parts, technical services for wind power generation, sales of photovoltaic equipment and components, and technical services for solar power generation. The newly established subsidiary was included in the scope of consolidation this year.

Inner Mongolia Chenghuan Land Renewable Resources Co., Ltd. ("Inner Mongolia Chenghuan Land") was established on September 30, 2020 in Hohhot, Inner Mongolia Autonomous Region, China with a registered capital of RMB 43,360,000.00. Bioland Company, a subsidiary of the Group, holds its 51% equity. The Company's business scope covers the collection, transportation, and treatment of urban domestic garbage. The newly established subsidiary was included in the scope of consolidation this year.

Shenzhen Expressway Gaoleyi Health Pension Co., Ltd. ("Health Pension Company") was established in Shenzhen, Guangdong Province on October 29, 2020, with a registered capital of RMB 30,000,000.00. The investment company of the Group's subsidiary holds 100% of its equity. The Company's business scope is investment in pension projects. The newly established subsidiary was included in the scope of consolidation this year.

Shenzhen Express Construction Technology Development Co., Ltd. ("Construction Technology") was established on November 5, 2020 in Shenzhen, Guangdong Province, with a registered capital of RMB 40,000,000.00. The construction company, a subsidiary of the Group, holds 51% of its equity. The Company's business scope is R&D and sales of construction industrialized products. The newly established subsidiary was included in the scope of consolidation this year.

Shenzhen Expressway (Guangdong) New Energy Investment Co., Ltd. ("New Energy Investment") was established on 25 November 2020 in Liannan Yao Autonomous County, Guangdong Province, with a registered capital of RMB 100,000,000.00. The Company's subsidiary New Energy Holdings holds its 100% equity. The Company's business scope is the import and export business of wind turbines and other new energy equipment and related parts and components. The newly established subsidiary was included in the scope of consolidation this year.

4. Cancellation of subsidiary

Chifeng Ningfeng Technology Co., Ltd. was cancelled on 14 December 2020.

Wulatehouqi Ningfeng Wind Power Technology Co., Ltd. was cancelled on 17 December 2020.

Shenzhen Expressway Company Limited
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VII. Interests in other entities

1. Interests in subsidiaries

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

Name of subsidiaries	Place of main business	Place of registration	Nature of business and principal activities	Share capital	Equity interest (%)		Acquired through
					Direct	Indirect	
Outer Ring Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB 6,500,000,000.00	100	-	Incorporation
Shenzhen Expressway Investment Company Limited ("Investment Company")	Guizhou Province, PRC	Shenzhen City, Guangdong Province, PRC	Investment	RMB 400,000,000.00	95	5	Incorporation
Guishen Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Infrastructure construction	RMB 500,000,000.00	-	70	Incorporation
Guizhou Land Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	RMB 158,000,000.00	-	70	Incorporation
Property Company	Longli County, Guizhou Province, PRC	Shenzhen City, Guangdong Province, PRC	Property management	RMB 1,000,000.00	-	100	Incorporation
Environmental Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Environmental projects and advisory	RMB 5,000,000,000.00	100	-	Incorporation
JEL Company	Hubei Province, PRC	Cayman Islands	Investment holding	USD 30,000,000.00	-	100	Business combinations under common control
Hubei Magerk Expressway Management Co., Ltd.	Hubei Province, PRC	Hubei Province, PRC	Toll road operation	USD 28,000,000.00	-	100	Business combinations under common control
Qinglan Company	Qingyuan City, Guangdong Province, PRC	Qingyuan City, Guangdong Province, PRC	Toll road operation	RMB 3,361,000,000.00	51.37	25	Business combinations not under common control
Shenzhen Express Advertising Co., Ltd. (Advertising Company)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Advertising agency	RMB 30,000,000.00	95	5	Business combinations not under common control
Meiguan Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB 332,400,000.00	100	-	Business combinations not under common control
Mei Wah Company	Hubei Province and Guangdong Province, PRC	Hong Kong	Investment holding	RMB 823,012,897.00	100	-	Business combinations not under common control
Maxprofit Company	Guangdong Province, PRC	British Virgin Islands	Investment holding	USD 85,360,000.00	-	100	Business combinations not under common control
Airport-Heao Eastern Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB 440,000,000.00	100	-	Business combinations not under common control
Fameluxe Company	Hong Kong	Hong Kong	Investment holding	HKD 10,000.00	-	100	Business combinations not under common control
Operation Development Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB 30,000,000.00	95	5	Incorporation
Qinglong Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB 324,000,000.00	40	10	Business combinations not under common control
Shenchang Company	Changsha City, Hunan Province, PRC	Changsha City, Hunan Province, PRC	Toll road operation	RMB 200,000,000.00	51	-	Business combinations not under common control
Yichang Company	Changde City, Hunan Province, PRC	Changde City, Hunan Province, PRC	Toll road operation	RMB 345,000,000.00	100	-	Business combinations not under common control
Shenzhen Expressway Construction Development Company Limited	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Infrastructure construction	RMB 30,000,000.00	95	5	Incorporation
Infrastructure Environmental Development Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Environment protection construction	RMB 500,000,000.00	51	49	Incorporation
Shenzhen Expressway (Guangzhou) Industrial Investment Fund Management Co., Ltd	Guangzhou City, Guangdong Province, PRC	Guangzhou City, Guangdong Province, PRC	Capitalmarket services	RMB 19,607,800.00	51	-	Incorporation
Shenzhen Guangshen Yanjiang Expressway Investment Co., Ltd.	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB 4,600,000,000.00	100	-	Business combination under the common control

V. Interests in other entities (continued)

1. Interests in subsidiaries (continued)

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

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

VI Interests in other entities (continued)

1. Interests in subsidiaries (continued)

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

Name of subsidiaries	Place of main business	Place of registration	Nature of business and principal activities	Share capital	Equity interest (%)		Acquired through
					Indirect	Indirect	
Pingyu Beier Environmental Technology Co., Ltd.(a)	Zhumadian City, Henan Province, PRC	Zhumadian City, Henan Province, PRC	Environment and facility services	RMB 500,000.00	-	67.14	Business combinations not under common control
Handan Bioland (a)	Handan City, Hebei Province, PRC	Handan City, Hebei Province, PRC	Environment and facility services	RMB 28,000,000.00	-	60.43	Business combinations not under common control
Guilin Bioland (a)	Guilin City, Guangxi Province, PRC	Guilin City, Guangxi Province, PRC	Environment and facility services	RMB 54,600,000.00	-	67.14	Business combinations not under common control
Xinyu Bioland (a)	Xinyu City, Jiangxi Province, PRC	Xinyu City, Jiangxi Province, PRC	Environment and facility services	RMB 23,940,000.00	-	67.14	Business combinations not under common control
Zhuji Bioland (a)	Zhuji City, Zhejiang Province, PRC	Zhuji City, Zhejiang Province, PRC	Environment and facility services	RMB 100,000,000.00	-	60.43	Business combinations not under common control
Beijing Bioland Environmental Management Co., Ltd.(a)	Beijing City, PRC	Beijing City, PRC	Environment and facility services	RMB 45,500,000.00	-	67.14	Business combinations not under common control
Taizhou Bioland High-tech Environmental Protection Equipment Co., Ltd.(a)	Taizhou City, Jiangsu Province, PRC	Taizhou City, Jiangsu Province, PRC	Equipment Manufacturing	RMB 300,000,000.00	-	67.14	Business combinations not under common control
Hongkong Bioland Company (a)	Hong Kong	Hong Kong	Investment holding	HKD 5,000,000.00	-	67.14	Business combinations not under common control
Fuzhou Bioland Environmental Technology Co.,Ltd.(a)	Fuzhou City, Jiangxi Province, PRC	Fuzhou City, Jiangxi Province, PRC	Environment and facility services	RMB 24,000,000.00	-	67.14	Business combinations not under common control
Nanjing Shenlu Environmental Technology Co.,Ltd. (a)	Nanjing City, Jiangsu Province, PRC	Nanjing City, Jiangsu Province, PRC	Environment and facility services	RMB 100,000,000.00	-	67.14	Business combinations not under common control
BIOLAND ENVIRONMENTAL SOLUTIONS INC (a)	Canada	Canada	Environment and facility services	CAD 100,100.00	-	67.14	Business combinations not under common control
Sichuan Lansheng Environmental Technology Co., Ltd. (a)	Zigong City, Sichuan Province, PRC	Zigong City, Sichuan Province, PRC	Environment and facility services	RMB 45,039,000.00	-	56.78	Business combinations not under common control
Jiangsu Bioland Construction Engineering Co., Ltd. (a)	Taizhou City, Jiangsu Province, PRC	Taizhou City, Jiangsu Province, PRC	Architecture and Engineering	RMB 10,000,000.00	-	67.14	Business combinations not under common control
China Logistics Finance (a)	Hong Kong	Hong Kong	Investment holding	HKD 1.00	-	100	Business combinations under common control
Financial Leasing Company (a)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Financial leasing and commercial factoring	RMB 300,000,000.00	5	43	Business combinations under common control
Engineering Development Company (a)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Road construction	RMB 40,500,000.00	-	60	Business combinations not under common control
New Energy Holdings (b)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	wind power	RMB 1,400,000,000.00	100	-	Incorporation
Inner Mongolia City Bioland (b)	Hohhot, Inner Mongolia Autonomous Region, PRC	Hohhot, Inner Mongolia Autonomous Region, PRC	Environment and facilities	RMB 43,360,000.00	--	34.24	Incorporation
Healthy Pension Corporate (b)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Investment Holdings	RMB 30,000,000.00	-	100	Incorporation
Building Technology (b)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Architecture and engineering	RMB 40,000,000.00	-	51	Incorporation
New energy investment (b)	Liannan Yao Autonomous County, Guangdong Province	Liannan Yao Autonomous County, Guangdong Province	Investment Holdings	RMB 1,020,000,000.00	-	100	Incorporation
Qiantai Company (b)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Resource comprehensive utilization	RMB 307,692,300.00	-	50	Business combinations not under common control
Longda Company (b)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Highway business	RMB 5,000,000.00	89.93	-	Business combinations under common control

(a) New consolidated subsidiary in the current period, see Note VI.1, 2 for details;

(b) New subsidiary, see Note VI.3 for details.

(c) Wulian County Pengguangxin Energy Co., Ltd. and Wulian County Ningxin Energy Co., Ltd. is the Company's subsidiary of the company.

(d) The Fund Company introduced strategic investors this year. Shanghai Zezhen Investment Management Co., Ltd. ("Shanghai Zezhen") and Shenzhen Kangrui Dibo Investment Co., Ltd. ("Kangrui Dibo") competed through public trading in the Shenzhen United Equity Exchange. Obtain a capital increase to the Fund Company at a price of RMB 1.04083/registered capital, of which Shanghai Zezhen and Kangrui Dibo contributed RMB 5,306,141.00 and RMB 4,693,926.00 respectively, holding 26% and 23% of the equity of the Fund Company after the capital increase. After the capital increase is completed, the registered capital of the Fund Company has increased from RMB 10,000,000.00 to RMB 19,607,800.00, and the difference between the actual capital contribution and the registered capital contribution is included in the capital reserve. At the end of the year, the Fund Company has received a total of RMB 10,000,067.00 for capital increase. As of the date of this report, the fund company has not yet completed the industrial and commercial change registration.

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VI Interests in other entities (continued)

1. Interests in subsidiaries (continued)

(2) Significant partly-owned subsidiaries

31 December 2020

Name of subsidiaries	Equity interest held by minority interests	Net profit attributable to minority shareholders	Dividend declared by subsidiaries to the minority shareholders	Shareholder investment/ withdrawn	New business combination	Minority interests
Qinglian Company	23.63%	28,348,554.61	-	-	-	708,744,697.60
Guishen Company	30.00%	49,683,393.71	-	-	-	393,712,155.79
Qinglong Company	50.00%	36,999,567.85	-120,000,000.00	-	-	713,355,794.27
Nanjing Wind Power	49.00%	32,834,651.27	-	-	-	404,899,559.79
Bioland Company	32.86%	751,537.14	-	6,950,000.00	435,894,342.40	443,595,879.54
Total	/	148,617,704.58	-120,000,000.00	6,950,000.00	435,894,342.40	2,664,308,086.99

31 December 2019

Name of subsidiaries	Equity interest held by minority interests	Net profit attributable to minority shareholders	Dividend declared by subsidiaries to the minority shareholders	Shareholder investment/ withdrawn	New business combination	Minority interests
Qinglian Company	23.63%	30,233,579.95	-	-	-	680,396,142.99
Guishen Company	30.00%	92,043,926.93	-	-	-	344,028,762.08
Qinglong Company	50.00%	-151,245,759.94	-150,000,000.00	-	-	796,356,226.42
Nanjing Wind Power	49.00%	31,985,476.89	-	-	340,079,431.63	372,064,908.52
Total	/	3,017,223.83	-150,000,000.00	-	340,079,431.63	2,192,846,040.01

(3) Main financial information of significant partly-owned subsidiaries

Name of subsidiaries	2020					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	99,630,807.19	6,544,407,244.93	6,644,038,052.12	202,252,278.70	3,445,503,822.98	3,647,756,101.68
Guishen Company	1,888,065,694.66	50,247,831.51	1,938,313,526.17	623,454,456.12	2,485,217.51	625,939,673.63
Qinglong Company	165,939,804.34	2,407,342,395.70	2,573,282,200.04	149,486,273.63	997,084,337.86	1,146,570,611.49
Nanjing Wind Power	2,646,005,287.66	126,549,976.25	2,772,555,263.91	1,902,052,356.71	44,177,274.97	1,946,229,631.68
Bioland Company	529,369,666.81	2,868,822,363.74	3,398,192,030.55	802,438,934.98	1,346,244,626.98	2,148,683,561.96

Name of subsidiaries	2019					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	145,272,948.91	6,717,582,286.12	6,862,855,235.03	306,424,129.32	3,680,117,647.03	3,986,541,776.35
Guishen Company	1,959,179,316.17	52,827,347.96	2,012,006,664.13	865,244,123.96	-	865,244,123.96
Qinglong Company	85,063,882.24	2,649,734,125.26	2,734,798,007.50	160,557,827.55	981,527,727.10	1,142,085,554.65
Nanjing Wind Power	2,061,637,929.15	93,961,656.09	2,155,599,585.24	1,372,128,875.12	24,154,570.28	1,396,283,445.40

VII. Interests in other entities (continued)

2. Interests in associates

The Company's associated companies are as follows

Name of associates	Place of incorporation	Place of registration	Principal activities	Issued capital (RMB)	Percentage of shares held by the Company (%)		Accounting method
					Direct	Indirect	
Consulting Company	Shenzhen City, Guangdong Province, China	Shenzhen City, Guangdong Province, China	Engineering consulting service	18,750,000.00	24	-	Equity method
Huayu Company	Shenzhen City, Guangdong Province, China	Shenzhen City, Guangdong Province, China	Toll road operation	150,000,000.00	40	-	Equity method
Nanjing Third Bridge Company	Nanjing City, Jiangsu Province, China	Nanjing City, Jiangsu Province, China	Toll road operation	1,080,000,000.00	25	-	Equity method
Yangmao Company	Guangzhou City, Guangdong Province, China	Guangzhou City, Guangdong Province, China	Toll road operation	200,000,000.00	25	-	Equity method
GZ W2 Company	Guangzhou City, Guangdong Province, China	Guangzhou City, Guangdong Province, China	Toll road operation	1,000,000,000.00	25	-	Equity method
Guizhou Hengtongli	Longli County, Guizhou Province, China	Longli County, Guizhou Province, China	Real estate development	52,229,945.55	-	49	Equity method
United Land	Shenzhen City, Guangdong Province, China	Shenzhen City, Guangdong Province, China	Real estate development	714,285,714.29	34.30	-	Equity method
Bank of Guizhou (a)	Guiyang City, Guizhou Province, China	Guiyang City, Guizhou Province, China	Financial service	14,588,046,744.00	2.92	0.52	Equity method
Derun Environment	Chongqing City, China	Chongqing City, China	Environment improvement and resources recovery	1,000,000,000.00	-	20	Equity method
Environmental Technology Industry M&A Fund	Shenzhen City, Guangdong Province, China	Foshan City, Guangdong Province, China	commercial service	1,000,000,000.00	45	-	Equity method

- (a) The Group sent a directors to the Bank of Guizhou Board of Directors and had a significant impact on their business and financial decisions.
- (b) In the end of this year, the Group's long-term equity investment in Jiangzhong Company and Guangyun has been classified into held for sale, see Note V.9.

VII. Interests in other entities (continued)

2. Interests in associates (continued)

(1) Summary financial information for important associates

The Group's important associates include Derun Environment and United Land Corporation, which are accounted for using the equity method. The following table lists the financial information of the above important associates, which adjusted all accounting policy differences and adjusted to the book value of this financial statement:

2020

	Derun Environment (Note1)	United Land Company (Note 2)
Current assets	11,402,640,099.13	12,579,671,364.22
Include: cash and cash equivalents	5,559,919,335.56	2,279,470,782.24
Non-current assets	34,669,930,056.31	308,944,152.67
Total assets	46,072,570,155.44	12,888,615,516.89
Current liabilities	8,008,560,551.28	4,965,643,554.03
Non-current liabilities	12,490,324,774.74	3,362,160,000.00
Total Liabilities	20,498,885,326.02	8,327,803,554.03
Minority shareholders' equity	12,742,926,767.91	-
Master's shareholders' equity	12,830,758,061.51	4,560,811,962.86
Net assets enjoyed by shareholding	2,566,151,612.30	1,564,358,503.26
Adjustment	2,165,237,360.69	-89,178,246.33
Goodwill	1,462,953,999.22	-
Non-current asset assessment premium	702,283,361.47	-
Internal trading is not achieved	-	-89,178,246.33
Book value of investment	4,731,388,972.99	1,475,180,256.93
Operating income	11,308,508,970.99	4,073,665,870.30
Income tax expense	441,163,734.52	354,912,218.46
Net profit	2,539,289,943.51	1,059,703,937.72
Net profit attributable to shareholders of the parent company	1,275,946,244.30	1,059,703,937.72
Other comprehensive income	-163,569,043.15	-
Net after-tax amount of other comprehensive income attributable to shareholders of the parent company	-43,624,547.47	-
Total comprehensive income	2,375,720,900.36	1,059,703,937.72
Received dividend	128,000,000.00	312,120,473.62

VII. Interests in other entities (continued)

2. Interests in associates (continued)

(1) Summary financial information for important associates (continued)

2019

	Derun Environment	United Land Company
Flow assets	8,774,191,466.35	12,144,640,551.27
Among them: cash and cash equivalents	3,814,983,093.60	1,185,142,641.81
Non-current assets	29,572,544,964.32	389,179.64
Assessment	38,346,736,430.67	12,145,029,730.91
Current liabilities	8,366,837,442.13	5,401,949,479.48
Non-current liabilities	8,416,187,469.53	2,332,000,000.00
Total Liabilities	16,783,024,911.66	7,733,949,479.48
Minority shareholders	9,972,920,906.84	-
Master's shareholders' equity	11,590,790,612.17	4,411,080,251.43
Net assets enjoyed by shareholding	2,318,158,122.43	1,513,000,526.25
Adjustment	2,206,898,136.52	-121,430,719.95
Goodwill	1,462,953,999.22	-
Non-mobile asset assessment premium	743,944,137.30	-
Internal trading is not achieved	-	-121,430,719.95
Book value of investment	4,525,056,258.95	1,391,569,806.30
Operating income	10,021,925,093.24	4,067,148,180.06
Income tax expense	216,356,467.47	337,026,750.48
Net profit	2,248,369,209.90	1,034,606,269.51
Net profit attributable to shareholders of the mother	1,157,182,155.33	1,034,606,269.51
Other comprehensive income	304,234,732.73	-
Net net amount owned by other comprehensive income of the mother's shareholders	152,231,454.39	-
Total comprehensive income	2,552,603,942.63	1,034,606,269.51
Received dividend	116,000,000.00	-

Note 1: The Group shares the net profit of Derun Environment attributable to shareholders of the parent company at a 20% shareholding ratio. After deducting the current year's premium amortization of RMB 41,660,775.82, the Group confirmed the investment income of Derun Environment of RMB 206,420,366.54. The Group shares the net after-tax amount of other comprehensive income of Derun Environment attributable to shareholders of the parent company at a 20% shareholding ratio of RMB -24,024,909.49 and confirms that the capital reserve of Derun Environment is RMB 151,937,256.99. See Note V.15(b).

Note 2: The Group shares the net profit attributable to the shareholders of the parent company of United Land at a shareholding ratio of 34.3%. This year, the Group confirmed the investment income of RMB 363,478,450.64 from the United Land Company and transferred back the realized profit based on the proportion of the properties sold by the company. RMB 32,252,473.61, please refer to Note V.15(a) for details.

VII. Interests in other entities (continued)

2. Interests in associates (continued)

(2) Main financial information of joint ventures and associates that are not material

	Year end balance / income this year	The balance of the year / previous year
Joint enterprise:		
Total investment book value	2,732,756,219.86	2,789,663,276.48
The following computations according to the shareholding ratio		
-- Net profit	310,831,155.42	351,346,818.03
-- Other comprehensive benefits (losses "fill in" -)	-17,575,648.00	-1,175,383.96
-- Total comprehensive income	293,255,507.42	350,171,434.07
		-
Capital reserve changes	-	-

In addition to the listed in (1) important associated enterprises, due to the group in the current year and the 2019 share of each consortium of investment gains/losses are not more than 10% of the total profit of the current period of the group, on the book value of a long-term equity investment consortium are no higher than 5% of the total assets of the group, the group in addition to (1) in the opinion of the directors of the listed important associated enterprises, other joint ventures are the important joint ventures.

(3) There is a significant statement on the capabilities of the company's transfer funds to the company

As at 31 December 2020, there was no substantial restriction on transferring funds between the Group and the joint ventures and associates (31 December 2019: nil).

VIII. Financial instruments and risks

1. Financial instruments by category

The carrying values of various financial instruments at the end of the reporting period are as follows:

2020

Financial assets

	Financial assets at fair value through profit or loss		Measured at amortized cost	Total
	Required by standard	Designated		
Cash	-	-	5,549,304,352.44	5,549,304,352.44
Notes receivable	-	-	378,532,713.65	378,532,713.65
Accounts receivable	-	-	798,070,361.76	798,070,361.76
Other receivables	-	-	773,039,332.04	773,039,332.04
Contract assets	-	-	344,065,793.25	344,065,793.25
Current portion of non-current assets	-	-	74,870,082.79	74,870,082.79
Long-term receivables	-	-	997,354,914.31	997,354,914.31
Other non-current financial assets	1,605,891,286.54	-	-	1,605,891,286.54
Other non-current assets	-	-	1,427,952,459.38	1,427,952,459.38
Total	1,605,891,286.54	--	10,343,190,009.62	11,949,081,296.16

Financial liabilities

	Financial assets at fair value through profit or loss		Measured at amortized cost	Total
	Required by standard	Designated		
Short-term borrowings	-	-	1,341,218,126.43	1,341,218,126.43
Transactional financial liabilities	83,677,813.21	-	-	83,677,813.21
Notes payable	-	-	295,467,331.39	295,467,331.39
Accounts payable	-	-	1,869,889,416.15	1,869,889,416.15
Other payables	-	-	3,570,365,680.07	3,570,365,680.07
Current portion of non-current liabilities	-	-	3,665,798,518.83	3,665,798,518.83
Other current liabilities	-	-	2,018,087,592.62	2,018,087,592.62
Long-term borrowings	-	-	6,511,333,267.55	6,511,333,267.55
Long-term payables	-	-	2,234,299,535.22	2,234,299,535.22
Bonds payable	-	-	3,792,324,357.82	3,792,324,357.82
Lease liabilities	-	-	104,653,671.67	104,653,671.67
Total	83,677,813.21	-	25,403,437,497.75	25,487,115,310.96

VIII. Financial instruments and risks (continued)

1. Financial Instruments by category (continued)

The carrying values of various financial instruments at the end of the reporting period are as follows:(continued)

2019

Financial assets

	Financial assets at fair value through profit or loss		Measured at amortized cost	Total
	Required by standard	Designated		
Cash	-	-	4,779,129,953.96	4,779,129,953.96
Transactional financial liabilities	62,689,444.00	-	-	62,689,444.00
Notes receivable	-	-	9,895,060.34	9,895,060.34
Accounts receivable	-	-	789,334,048.57	789,334,048.57
Other receivables	-	-	522,976,116.30	522,976,116.30
Contract assets	-	-	450,892,553.87	450,892,553.87
Current portion of non-current assets	-	-	176,339,894.25	176,339,894.25
Long-term receivables	-	-	433,144,452.90	433,144,452.90
Other non-current financial assets	217,939,080.00	-	-	217,939,080.00
Other non-current assets	-	-	263,128,636.72	263,128,636.72
Total	280,628,524.00	-	7,424,840,716.91	7,705,469,240.91

Financial liabilities

	Measured at amortized cost	Total
Short-term borrowings	363,877,741.65	363,877,741.65
Notes payable	131,749,731.69	131,749,731.69
Accounts payable	983,440,109.43	983,440,109.43
Other payables	3,189,731,830.23	3,189,731,830.23
Long-term payable	2,217,015,191.85	2,217,015,191.85
Current portion of non-current liabilities	376,731,942.59	376,731,942.59
Long-term borrowings	9,031,815,479.53	9,031,815,479.53
Bonds payable	4,676,256,207.56	4,676,256,207.56
Lease liabilities	118,269,744.66	118,269,744.66
Total	21,088,887,979.19	21,088,887,979.19

VIII. Financial instruments and risks (continued)

2. Transfer of financial assets

Transferred financial assets that are not derecognised in their entirety

As part of its normal business, the Group entered into a bills receivable factoring arrangement (the "Arrangement") and transferred certain bills receivable to a bank. Under the Arrangement, the Group may be required to reimburse the bank for loss of interest if any trade debtors have late payment up to 180 days. The Group is not exposed to default risks of the trade debtors after the transfer. After the transfer, the Group did not retain any rights on the use of the accounts receivable, including the rights of selling, transferring or pledging to any third parties. The original carrying value of the commercial acceptance bills transferred under the Arrangement that have not been settled as at 31 December 2020 was RMB125,540,400.00 (31 December 2019: Nil). The original carrying value of the bank acceptance bills transferred under the Arrangement that have not been settled as at 31 December 2020 was RMB 33,962,000.00 (31 December 2019: nil). The carrying amount of the assets that the Group continued to recognise as at 31 December 2020 was RMB 159,502,400.00 (31 December 2019: nil) and that of the associated liabilities as at 31 December 2020 was RMB 159,502,400.00 (31 December 2019: nil), which were charged to short-term borrowings, respectively.

At 31 December 2020, the Group endorsed the supplier's commercial acceptance bills for settlement of accounts payable with a carrying value of RMB 169,974,520.11 (31 December 2019: nil), which has the maturity date from 1 to 12 months. The Group believes that the Group has not transferred majority of its risks and rewards at the time of endorsing, which doesn't meet the conditions for derecognition of financial assets. Therefore, the relevant bills receivables are not derecognized at the endorsement date.

Transferred financial assets that have been derecognised as a whole but continue to be involved

At 31 December 2020, the book value of bank acceptance bills discounted by the Group was RMB 11,910,185.83 (31 December 2019: RMB 106,751,000.00), which has the maturity date from 1 to 12 months. The Group believes that almost all the risks and rewards related to bills receivable have been transferred at the time of discounting, which meets the conditions for derecognition of financial assets. Therefore, the relevant bills receivables are derecognized at the discount date based on their book values. If the bills of exchange are rejected by the acceptor on the maturity date, the discounted bank has the right to recourse from the Group (the "Continuing Involvement"). The maximum losses and undiscounted cash flows that continue to be involved in and repurchased are equal to their book values. The Group believes that continuing involvement in fair value is not significant.

At 31 December 2020, the Group endorsed the supplier's bank acceptance bills for settlement of accounts payable with a carrying value of RMB 29,500,000.00. As at 31 December 2020, its maturity date is 1 to 12 months. According to the relevant provisions of the Bills Act, if the accepted bank refuses to pay, its holder has the right to recourse from the Group (the "Continuing Involvement"). The Group believes that the Group has transferred almost all its risks and rewards, therefore derecognised the book value of it and settlement accounts payable related to it. The maximum losses and undiscounted cash flows that continue to be involved and repurchased are equal to their book values. The Group believes that continuing involvement in fair value is not significant.

In 2020, the Group has not recognised any gain or loss on the date of transfer of the derecognised bills. No gains or losses were recognised from the Continuing Involvement, both during the year or cumulatively.

VIII. Financial instruments and risks (continued)

3. Risks of financial instruments

The Group is faced with risks of various financial instruments in daily activities, which mainly include credit risk, liquidity risk and market risk (including exchange rate risk and interest rate risk). The Group's risk management policy is outlined below. The main financial instruments of the Group include monetary funds, loans and receivables, financial assets/liabilities measured at fair value and their changes recorded in profit or loss for the current period, financial instruments available for sale, loans, payables and bonds payable, etc. The risks associated with these instruments and the risk management strategies adopted by the Group to mitigate these risks are described below.

The board of directors shall be responsible for planning and establishing the risk management framework of the Group, formulating the Group's risk management policies and relevant guidelines, and supervising the implementation of risk management measures. The Group has developed risk management policies to identify and analyze risks faced by the Group. These risk management policies specify specific risks and cover many aspects such as market risk, credit risk and liquidity risk management. The Group periodically evaluates changes in the market environment and the Group's business activities to determine whether to update risk management policies and systems. The risk management of the Group shall be carried out by the risk management committee in accordance with the policies approved by the board of directors. The risk management committee works closely with other business units of the Group to identify, assess and mitigate risks. The internal audit department of the Group conducts regular audits on risk management control and procedures and reports the audit results to the Group's audit committee.

The Group diversifies the risks of financial instruments through appropriate diversification of investments and business portfolios and reduces the risk of concentration in any single industry, specific region or specific counterparty by formulating appropriate risk management policies.

Credit risk

The Group deals only with recognized and reputable third parties. In accordance with the Group's policy, all customers requiring credit transactions are subject to credit audits. In addition, the Group continuously monitors the balance of accounts receivable to ensure that the Group does not face significant risk of bad debts. For transactions that are not settled in the accounting base currency of the relevant business units, the Group will not provide conditions for credit transactions unless the Group's credit control department specifically approves them.

Because the counterparty of currency funds and bills receivable is a bank with good reputation and a high credit rating, the credit risk of these financial instruments is low.

Other financial assets of the Group include monetary funds, creditor's rights investments and other receivables. The credit risk of these financial assets originates from the default of the counterparty. The maximum risk exposure is equal to the book value of these instruments.

VIII. Financial instruments and risks (continued)

3. Risks of financial instruments (continued)

Credit risk (continued)

The judgment criteria of credit risk increase significantly

The Group assesses whether the credit risk of the relevant financial instruments has increased significantly since the initial confirmation at each date of the statement of financial position. In determining whether credit risk has increased significantly since the initial recognition, the Group considers that reasonable and valid information, including qualitative and quantitative analysis based on the Group's historical data, external credit risk rating and forward-looking information, can be obtained without undue cost or effort. Based on a single financial instrument or a portfolio of financial instruments with similar credit risk characteristics, the Group compares the risk of default of financial instruments on the date of statement of financial position. with the risk of default on the initial recognition date to determine the change of default risks of financial instruments during the expected lifetime.

When triggering one or more of the following quantitative and qualitative criteria, the Group believes that the credit risk of financial instruments has increased significantly,

- Quantitative criteria are that the probability of default of the remaining duration of the reporting day rises by more than a certain proportion compared with the initial recognition.
- Qualitative criteria include major adverse changes in the debtor's business or financial situation, early warning list of customers, etc.
- The upper limit is that the debtor's contract payments (including principal and interest) are more than 30 days overdue.

Definition of assets with impaired credit

In order to determine whether credit impairment occurs, the defining criteria adopted by the Group are consistent with the internal objectives of credit risk management for the relevant financial instruments, taking into account quantitative and qualitative indicators. In assessing whether the debtor has suffered credit impairment, the Group mainly considers the following factors:

- Major financial difficulties faced by the issuer or debtor;
- The debtor breaches the contract, such as paying interest on defaulting or overdue principal, etc.
- The creditor gives the debtor concessions in no other case for economic or contractual considerations related to the debtor's financial difficulties;
- The debtor is likely to go bankrupt or undergo other financial restructuring;
- The financial difficulties of the issuer or debtor lead to the disappearance of the active market of the financial assets;
- To purchase and derive a financial asset at a substantial discount, which reflects the fact that credit losses occur.

The occurrence of credit impairment in financial assets may be the result of a combination of multiple events, not necessarily those that can be identified separately.

Parameters for measuring expected credit losses

Depending on whether credit risk has increased significantly and whether credit impairment has occurred, the Group measures impairment provision for different assets with the expected credit loss for 12 months or the whole life period, respectively. The key parameters for anticipated credit loss measurement include default probability, default loss rate and default risk exposure. Considering the quantitative analysis and forward-looking information of historical statistical data (such as counterparty ratings, guarantees and collateral types, repayment methods, etc.), the Group establishes a default probability, default loss rate and default risk exposure model.

VIII. Financial instruments and risks (continued)

3. Risks of financial instruments (continued)

Credit risk (continued)

The relevant definitions are as follows:

- The probability of default refers to the possibility that the debtor will not be able to fulfil its obligation to pay in the next 12 months or throughout the remaining period. The default probability of the Group is adjusted on the basis of the expected credit loss model, and forward-looking information is added to reflect the default probability of the debtor under the current macroeconomic environment.
- The default loss rate refers to the Group's expectation of the extent of loss from exposure to default risk. According to the type of counterparty, the way and priority of recourse, and the different collateral, the loss rate of breach of contract is also different. The default loss rate is the percentage of risk exposure loss at the time of default, which is calculated on the basis of the next 12 months or the whole duration.
- The default risk exposure is the amount that the Group should be repaid in the event of default in the next 12 months or throughout the remaining period.

The assessment of significant increases in credit risk and the calculation of expected credit losses involve forward-looking information. Through historical data analysis, the Group identifies key economic indicators that affect the credit risk and expected credit loss of various business types.

The impact of these economic indicators on default probability and default loss rate varies with different business types. In this process, the Group applies expert judgment to forecast these economic indicators quarterly based on the results of expert judgment, and through regression analysis to determine the impact of these economic indicators on default probability and default loss rate.

VIII. Financial instruments and risks (continued)

3. Risks of financial instruments (continued)

Liquidity risk

The Group adopts a revolving liquidity plan tool to manage the risk of capital shortage. The tool takes into account both the maturity date of its financial instruments and the expected cash flow generated by the operation of the Group.

The Group's goal is to maintain a balance between the sustainability and flexibility of financing by using various means of financing, such as bank loans and other interest-bearing loans.

Subsidiaries within the Group are responsible for their own cash flow forecasts. On the basis of summarizing the cash flow forecasts of subsidiaries, the Headquarters Finance Department continuously monitors the short-term and long-term capital needs at the group level to ensure the maintenance of adequate cash reserves and marketable securities that can be realized at any time; at the same time, it continuously monitors whether it meets the requirements of loan agreements and obtains credit lines from major financial institutions to meet the short-term and long-term capital needs. On the date of the balance sheet, the uncounted contract cash flows of the Group's financial liabilities are shown as follows:

The following table summarizes the maturity analysis of financial liabilities based on contractual undiscounted cash flows:

2020

	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Financial liabilities					
Short-term loans	1,353,910,625.91	-	-	-	1,353,910,625.91
Transactional financial liabilities	83,677,813.21	-	-	-	83,677,813.21
Bills payable	295,467,331.39	-	-	-	295,467,331.39
Accounts payable	1,869,889,416.15	-	-	-	1,869,889,416.15
Other accounts payable	3,570,365,680.07	-	-	-	3,570,365,680.07
Long-term payables	68,932,030.23	91,730,870.99	2,215,319,169.50	37,167,717.67	2,413,149,788.39
Non-current liabilities due within one year (Note 1)	3,446,836,824.05	-	-	-	3,446,836,824.05
Long-term loans	8,028,920.70	686,414,122.91	3,146,051,534.19	5,630,416,439.09	9,470,911,016.89
Bonds payable	305,776,725.00	951,822,200.00	3,251,620,000.00	-	4,509,218,925.00
Lease liabilities	-	29,316,958.68	48,290,268.15	27,672,910.63	105,280,137.46
Other current liabilities	2,018,175,342.47	-	-	-	2,018,175,342.47
Total	13,021,060,709.18	1,759,284,152.58	8,661,280,971.84	5,695,257,067.39	29,136,882,900.99

VIII. Financial instruments and risks (continued)

3. Risks of financial instruments (continued)

Liquidity risk (continued)

2019

	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Financial liabilities					
Short-term loans	370,162,473.64	-	-	-	370,162,473.64
Bills payable	131,749,731.69	-	-	-	131,749,731.69
Accounts payable	983,440,109.43	-	-	-	983,440,109.43
Other accounts payable	3,192,871,309.42	-	-	-	3,192,871,309.42
Long-term payables	98,290,940.00	684,593,228.22	1,652,148,680.00	-	2,435,032,848.22
Non-current liabilities due within one year (Note 1)	391,275,533.44	-	-	-	391,275,533.44
Long-term loans	403,848,321.25	1,050,893,600.40	2,489,738,078.98	9,269,556,793.17	13,214,036,793.80
Bonds payable	181,491,925.00	3,274,351,925.00	1,715,842,200.00	-	5,171,686,050.00
Lease liabilities	-	30,136,992.71	63,717,425.33	40,050,537.77	133,904,955.81
Total	5,753,130,343.87	5,039,975,746.33	5,921,446,384.31	9,309,607,330.94	26,024,159,805.45

Note 1: Including long-term loans maturing within one year, long-term payables maturing within one year, lease liabilities maturing within one year and bonds payable maturing within one year.

In view of the stable and abundant operating cash flows, sufficient credit lines and appropriate financing arrangements to meet debt repayment and capital expenditure, the management of the Group believes that there is no significant liquidity risk in the Group.

Market risk

Interest rate risk

The Group's exposure to the risk of changes in market interest rates primarily relates to the Group's long-term borrowing with floating interest rates.

The table below demonstrates the sensitivity analysis of the impact (of floating rate borrowings) on the net profit when reasonable and possible fluctuations of interest rate occurred, under the assumption that other variables were held constant.

VIII. Financial instruments and risks (continued)

3. Risks of financial instruments (continued)

Market risk (continued)

2020

	In basis points	In net profit	In equity
	Increase/(decrease is shown with "-")	Increase/(decrease is shown with "-")	Total increase/(decrease is shown with "-")
RMB	100/-100	-44,992,018.96/44,992,018.96	-44,992,018.96/44,992,018.96

2019

	In basis points	In net profit	In equity
	Increase/(decrease is shown with "-")	Increase/(decrease is shown with "-")	Total increase/(decrease is shown with "-")
RMB	100/-100	-67,073,117.61/67,073,117.61	-67,073,117.61/67,073,117.61

Foreign exchange risk

The following table provides a sensitivity analysis of exchange rate risk, reflecting the impact on net gains and

VIII. Financial instruments and risks (continued)

4. Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, repurchase shares or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital in the six months ended 31 December 2020 and the year ended 31 December 2019.

The Group monitors capital using a debt-to-asset ratio, which is total liabilities divided by total assets. The Group's debt-to-asset ratio as at the end of the reporting period was as follows:

	31 December 2020	31 December 2019
Total assets	55,144,962,042.63	45,658,413,658.91
Total liabilities	28,865,852,158.86	24,610,504,746.67
Debt-to-asset ratio	52.35%	53.90%

IX. Fair value disclosure

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: In addition to the input value of the first level, the input value of the relevant asset or liability is directly or indirectly observable.

Level 3: Unobservable inputs for the underlying asset or liability.

1. Financial assets and liabilities measured at fair value

2020

	Fair value measurement using			Total
	Quoted price in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
Consecutive fair value measurement				
Transactional financial assets	-83,677,813.21	-	-	-83,677,813.21
Other non-current financial assets	-	-	1,605,891,286.54	1,605,891,286.54
Total	-83,677,813.21	-	1,605,891,286.54	1,522,213,473.33

IX. Fair value disclosure

1. Financial assets and liabilities measured at fair value (continued)

2019

	Fair value measurement using			Total
	Quoted price in active markets Level 1	Significant observable inputs Level 2	Significant unobservable inputs Level 3	
Consecutive fair value measurement				
Transactional financial assets	62,689,444.00	-	-	62,689,444.00
Other non-current financial assets	-	-	217,939,080.00	217,939,080.00
Total	62,689,444.00	-	217,939,080.00	280,628,524.00

The fair value of the Group's non-listed equity instrument investment is estimated using the market method. The Group believes that the fair value and its changes based on valuation techniques are reasonable and are the most appropriate value on 31 December 2020.

The Group has entered into derivative financial instrument contracts with multiple counterparties (mainly with high credit rating financial institutions). The Group's derivative financial instruments are forward foreign exchange contracts. The fair value of the transactional financial assets held by the Group is determined based on the forward interest rate in the active markets as at 31 December 2020.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

X. Related party relationships and related party transactions

1. General information of the controlling shareholder:

Name	Place of registration	Nature of business	Registered capital	Interest held	Voting rights
Shenzhen International	Bermuda	Investment holding	HKD2,000,000,000.00	51.561%	51.561%

The controlling shareholder of the Company is Shenzhen International. The Company's ultimate controlling party is Shenzhen SASAC.

2. Information about subsidiaries

The information about the subsidiaries is set out in Note VII.1.

X. Related party relationships and related party transactions (continued)

3. Information about associates

The information about associates is set out in Note VII.2.

The situation of the associated enterprises that have related party transactions with the Company in the current year or have related party transactions with the Company in the previous period is as follows:

Item	Relationship with the Group
Consulting Company	Associate
Huayu Company	Associate
GZ W2 Company	Associate
Yangmao Company	Associate
United Land Company	Associate

4. Information about other related parties

Item	Relationship with the Group
Baotong Company	wholly-owned subsidiary of the controlling shareholder
Shenzhen International Logistics Company	wholly-owned subsidiary of the controlling shareholder
Shenzhen International South-China Logistics Co., Ltd. ("SC Logistics Company")	wholly-owned subsidiary of the controlling shareholder
Guizhou Pengbo Investment Co., Ltd. (Guizhou Pengbo)	wholly-owned subsidiary of the controlling shareholder
Shenzhen Shen International Modern City Logistics Port Co., Ltd.	wholly-owned subsidiary of the controlling shareholder
Shenzhen International Limited	wholly-owned subsidiary of the controlling shareholder
Shen International Holdings	wholly-owned subsidiary of the controlling shareholder
Citic Logistics Fritz Co.,Ltd. ("Citic Logistics")	holding subsidiary of the controlling shareholder
Shenzhen Shen International Modern Logistics petty loan Co. Ltd ("Shen International Modern Logistics petty loan")	holding subsidiary of the controlling shareholder
Shenzhen International Whole-process Logistics (Shenzhen) Co. Ltd. ("Whole-process Logistics Company")	holding subsidiary of the controlling shareholder
Xin Tong Chan Company	Shareholder of the Company
Shenzhen Shenguanghui Expressway Development Co., Ltd. ("Shenguanghui Company")	Shareholder of the Company
Advance Great Limited	Shareholder of the Company
United Electronic Company	Participating company
Shenzhen Huayu Investment Development (Group) Co., Ltd. ("Huayu Investment")	Minority shareholders of holding subsidiaries

5. Related party transactions

(1) Rendering of or receiving services

Procurement of goods / receipt of labor

Name of related party	Nature of transaction	2020	2019
United Electronic Company (a)	Receiving integrated toll system settlement services	16,594,620.30	20,315,992.51
Consulting Company (b)	Accepted project management services	58,528,270.07	18,839,298.70
Others (c)	Receiving power supply services and others	277,990.23	302,786.90

X. Related party relationships and related party transactions (continued)

5. Related party transactions (continued)

(1) Rendering of or receiving services (continued)

- (a) The Guangdong Provincial People's Government has designated United Electronics to take charge of the sub-account management of highway tolls across the province and unified management of non-cash settlement systems. The Company and its subsidiaries have signed a series of agreements with United Electronic Company and entrusted it to provide toll settlement services for Yanjiang Expressway, Meiguan Expressway, Jihe Expressway, Qinglian Expressway, Outer Ring Expressway, Longda Expressway and Shuiguan Expressway operated by the Group. The service periods end on the expiry dates of operating periods of the individual toll roads. The related service charges are determined by the commodity price bureau of the Guangdong Province.
- (b) The Group has entered into management service contracts with Consulting Company to provide for construction consulting and testing services for the Outer Ring project and other roads of the Group. The contract pricing refers to the "Shenzhen Construction Project Cost Consultation Service Charge Market Reference Price" issued by the Shenzhen Cost Engineers Association.
- (c) Advertising Company, a subsidiary of the Company, received the supply of water and electricity and power supply services for its advertising boards from SC Logistics Company, Xin Tong Chan Company, Huayu Company. The respective transaction amounts were not disclosed as they were not material.

Procurement of goods / receipt of labor

Name of related party	Nature of transaction	2020	2019
United Electronic Company (a)	ETC promotion service	5,032,765.09	160,641.51
Others (b)	Supply water and electricity for office and others	1,694,378.04	1,577,997.98

- (a) Yanjiang Expressway, Meiguan Expressway, Jihe Expressway, Qinglian Expressway, Longda Expressway and Shuiguan Expressway operated by the Group, provide ETC promotion services for United Electronics. The transaction amount of the provision of this service is listed as the transaction amount between the Company and United Electronics.
- (b) The Group provides hydropower resource services and other services to Xintongchan Company, Huayu Investment Group, Huayu Company, United Electronics, Consulting Company. The hydropower resource service is calculated based on the price paid to the water supply and power supply agency. Because the amount is small, it is not listed separately.

X. Related party relationships and related party transactions (continued)

5. Related party transactions (continued)

(2) Related party trusteeship / contractual operation / situation of outsourcing

The Company's entrusted management / contracting situation table:

Entrusting party	Entrusted party	Type of entrustment	Date of the commencement of the trusteeship	Date of the termination of the trusteeship	The basis of pricing for the trusteeship	Custody income / contracting income recognized during the period
Baotong Company	The Company	Equity trusteeship	1 January 2020	30 June 2020	Negotiated price	4,136,792.45

The Company is entrusted by Baotong Company to be responsible for the operation and management of Longda Expressway in the form of equity custody. The two parties signed an entrusted management contract on 28 December 2019. The contract stipulates that the entrustment period is from 1 January 2020 to 31 December 2020. The entrusted management fee was RMB 8,770,000.00 including tax. In November 2020, Longda Expressway was included in the scope of consolidation of the Company. The equity transfer agreement between the Company and Baotong Company stipulates that starting from 1 July 2020, the Company will no longer accrue the custody income of Longda Expressway. This year, the recognized custody income was RMB 4,136,792.45 (2019: RMB 8,273,584.90).

(3) Related leases

(a) As a lessor:

Item	Assets leased	2020	2019
Consulting Company	Office building	440,838.12	440,838.12
Citic Logistics & Whole-process Logistics Company	Equipment	157,883.80	4,252,650.85

(b) As a lessee:

Item	Assets leased	2020	2019
Xin Tong Chan Company & Huayu Company	Billboard land use rights	871,398.18	758,571.47

The individual transaction amounts were not disclosed as they were not material.

***(4) Remuneration of key management personnel**

Item	2020	2019
Remuneration of key management personnel	12,677,700.00	16,128,606.19

Key management personnel include directors, supervisors and senior management personnel. The Company had a total of 22 members of key management personnel (2019: 21) during the year.

X. Related party relationships and related party transactions (continued)

5. Related party transactions (continued)

*(4) Remuneration of key management personnel (continued)

Note: The above table does not include: (a) the 2019 risk mortgage rewards of RMB35,000, RMB24,000, RMB13,100, RMB15,000 and RMB15,000 received by directors Hu Wei, Liao Xiangwen, Wang Zengjin and senior executives Sun Ce, Huang Binan and Chen Shouyi in 2020; (b) the performance bonus of RMB252,600 received by director Hu Wei in 2020; (c) the Nanjing Wind Power risk responsibility incentive funds of RMB420,000, RMB84,000, RMB84,000 and RMB84,000 received by directors Hu Wei, Liao Xiangwen, Wen Liang and senior executives Gong Taotao and Zhao Guiping; (d) the long-term incentive bonuses that should be issued in 2019 and received by directors Liao Xiangwen, Wang Zengjin, Wen Liang and senior executives Gong Taotao, Sun Ce, Huang Binan, Wen Powei, Zhao Guiping and Chen Shouyi in 2020. The pre-tax amounts were RMB405,100, RMB725,000, RMB725,000, RMB725,000, RMB725,000, RMB725,000, RMB725,000, RMB725,000 and RMB725,000.

(a) Remuneration of directors and supervisors

The remuneration of each director and supervisor in 2020 is as follows:

Name	Remuneration	Wages and bonuses	Total
Hu Wei*	-	1,000,000.00	1,000,000.00
Liao Xiangwen*	-	1,164,800.00	1,164,800.00
Wang Zengjin*	-	1,040,000.00	1,040,000.00

X. Related party relationships and related party transactions (continued)

5. Related party transactions (continued)

*(4) Remuneration of key management personnel (continued)

(a) Remuneration of Directors and Supervisors (continued)

During the year, the meeting allowance (before tax) for directors Hu Wei, Liao Xiangwen, Wang Zengjin, Wen Liang, Chen Yan, Chen Yuanjun, Fan Zhiyong, Chen Zhisheng, Chen Kai, Cai Shuguang, Wen Zhaohua, Chen Xiaolu, Bai Hua and supervisor Xin Jian, Lin Jitong and Ye Jun was RMB11,500.00, RMB14,500.00, RMB11,500.00, RMB14,500.00, RMB13,000.00, RMB12,500.00, RMB13,000.00, RMB4,000.00, RMB7,000.00, RMB13,500.00, RMB14,500.00, RMB17,000.00, RMB17,000.00, RMB13,500.00, RMB7,500.00, RMB12,500.00, respectively. Among them, directors Hu Wei, Liao Xiangwen, Wang Zengjin, Wen Liang, Chen Yan, Chen Yuanjun, Fan Zhiyong, Chen Kai and supervisor Lin Jitong and Ye Jun waived the meeting allowance receivable for the year.

In addition, directors Hu Wei, Liao Xiangwen, Wang Zengjin (Executive director since June 2020), supervisor Xin Jian also obtained other benefits and allowances, including employer contributions to retirement plans, medical care contributions and others, with amounts of RMB201,700.00 (2019: RMB234,446.06), RMB 212,200.00 (2019: RMB232,858.06), RMB208,400.00 (2019: RMB231,042.06), and RMB108,400.00 (2019: RMB137,375.43), respectively.

(b) The top five highest paid members of the management team

During the year, the top five highest paid members of the Group including 2 directors (2019: 2 director and supervisor), whose remuneration was reflected in the above table. The total amount of remuneration of the remaining 3 highest paid members (2019: 3) is as follows:

	2020	2019
Basic salary, bonus, housing subsidy, pension and other subsidies	3,689,000.00	4,588,435.18

	2020	2019
Salary range:		
HKD0 to 1,000,000	-	-
HKD1,000,001 to 1,500,000	3	-
HKD1,500,001 to 2,000,000	-	3
HKD2,000,001 and above	-	-

X. Related party relationships and related party transactions (continued)

5. Related party transactions (continued)

(5) Borrowings from/to related parties

Borrowings from related parties

Related party		Amount of borrowings	Ending balance	Annual interest rate	Inception date	Due date
GZ W2 Company (a)	Note V.33(b)(v)	67,500,000.00	67,500,000.00	4.275%	2018/9/30	2021/9/20
GZ W2 Company (b)	Note V.33(b)(v)	37,500,000.00	37,500,000.00	4.275%	2019/12/26	2022/12/25
Jiangzhong Company (c)	Note V.33	60,000,000.00	-	3.915%	2018/11/27	2020/12/31
United Land Company (d)	Note V.30(1)	277,830,000.00	-	3.650%	2019/4/23	2020/4/22
United Land Company(e)	Note V.35(1)(b)	514,500,000.00	398,590,517.48	3.650%	2019/8/1	2022/7/24
United Land Company(e)	Note V.35(1)(b)	328,800,000.00	328,800,000.00	3.650%	2019/10/29	2022/7/24
United Land Company(e)	Note V.35(1)(b)	220,000,000.00	220,000,000.00	3.650%	2019/11/27	2022/7/24
United Land Company(e)	Note V.35(1)(b)	555,660,000.00	555,660,000.00	3.650%	2019/12/24	2022/7/24
United Land Company(e)	Note V.35(1)(b)	445,900,000.00	445,900,000.00	3.650%	2020/05/06	2022/7/24

- (a) In September 2018, the Company signed an entrusted loan contract with Guangzhou West Second Ring Company and Industrial and Commercial Bank of China Co., Ltd. Guangzhou West Second Ring Company entrusted the Industrial and Commercial Bank of China Co., Ltd to issue entrusted loans of RMB 67,500,000.00 to the Company. The loan will be used for the daily business activities of the Company. The loan term is 3 years and the annual interest rate of the loans is 4.275%. During the year, the Company confirmed the relevant interest expense of RMB 3,051,542.42.
- (b) In December 2019, the Company signed an entrusted loan contract with Guangzhou West Second Ring Company and Industrial and Commercial Bank of China Co., Ltd. The Guangzhou West Second Ring Company entrusted the Industrial and Commercial Bank of China Co., Ltd to issue an entrusted loan of RMB37,500,000.00 to the Company. This will be used for the Company's daily business activities. The loan is 3 years, and the annual interest rate of the loan is 4.275%. During the year, the Company confirmed interest expenses of RMB 1,695,301.34 for this loan.
- (c) In November 2018, the Company signed an entrusted loan contract with Jiangzhong Company and Industrial and Commercial Bank of China Co., Ltd. Jiangzhong Company entrusted the Industrial and Commercial Bank of China Co., Ltd to issue an entrusted loan of RMB 60,000,000.00 to the Company. The loan will be used for the daily procurement of materials for the maintenance and repair of road pavements and facilities. The term of the loan is 5 years, and the annual interest rate of the loan is 3.915%. In December 2020, the Company has set off the loan and the Company confirmed interest expense of RMB 2,185,875.00 for this loan.
- (d) In April 2019, the Company and United Land Company signed a loan agreement, which stipulated that United Land Company provided borrowings of RMB 277,830,000.00 to the Company. The loan period is one year and the annual interest rate of the loan is 3.65%. In April 2020, the Company has set off the loan and the Company confirmed interest expense of RMB 3,103,194.10 for this loan.
- (e) In July 2019, the Company and United Land Company signed a loan agreement, which stipulated that United Land Company provided borrowings of not exceeding RMB 2,058 million to the Company. The loan period is three years and the annual interest rate of the loan is 3.65%. The Company actually borrowed RMB 2,064,860,000.00 and the balance of loans at the end of the year was RMB 1,948,950,517.48. In the current year, the Company acknowledged the relevant interest expense of RMB 68,932,030.23.

X. Related party relationships and related party transactions (continued)

5. Related party transactions (continued)

(6) Other related party transactions

Name of related party	Nature of transaction	2020	2019
Shenzhen International United Land Company	Interest on reduced capital	-	644,706.26

The related transactions mentioned above in items (2), (3(b)) and (6) also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules.

6. Receivables due from and payables due to related parties

(1) Receivable items

Item	Related parties	31 December 2020		31 December 2019	
		Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Accounts receivable	Baotong Company	5,388,033.27	-	2,295,854.23	-
Accounts receivable	Huayu Company	250,940.72	-	-	-
Other receivable	Huayu Company	20,000.00	-	20,000.00	-
Other receivables	Consulting Company	84,050.00	-	84,050.00	-
Other receivables (Note V. 6(3))	Shenzhen International Holdings	-	-	144,619,354.91	-
Other receivables (Note V. 6(3))	Shenzhen International	-	-	3,092,179.04	-
Advances	Consulting Company	355,000.00	-	1,248,751.13	-
Advances	United Electronic Company	41,423.45	-	60,526.80	-
Long-term receivables	Citic Logistics	-	-	1,941,782.82	19,376.51
Long-term receivables	Whole-process Logistics Company	1,060,685.26	5,361.00	2,081,010.28	21,013.23
Long-term receivables	Baotong Company	-	-	532,610.78	-
Other non-current assets	United Land Company	342,599,500.00	-	342,599,500.00	-
Current portion of non-current assets (Note V. 13(1))	Baotong Company	-	-	64,946,021.63	-

X. Related party relationships and related party transactions (continued)

6. Receivables due from and payables due to related parties

(2) Payable items

Item	Related parties	31 December 2020	31 December 2019
Accounts payable	Consulting Company	9,430,065.02	3,983,139.38
Accounts payable	United Electronic Company	374,997.06	136,082.90
Accounts payable	Huayu Company	7,500.00	13,500.00
Accounts payable	Xin Tong Chan Company	79,279.25	80,279.25
Accounts payable	SC Logistics Company	2,107.80	2,107.80
Other payables	United Land Company	-	284,859,099.00
Other payables	Consulting Company	18,203,977.18	20,143,387.54
Other payables	United Electronic Company	1,429,573.01	591,084.13
Other payables	Guizhou Pengbo	955,680.55	515,680.55
Other payables	Xin Tong Chan Company	5,000.00	5,000.00
Other payables	Shenzhen International Modern Logistics petty loan	2,196.12	2,196.12
Other payables	Shenzhen International Limited	-	129,249,890.99
Other payables	Shenzhen International Holdings	1,618,400.33	881,101.19
Other payables	Huayu Company	-	12,011.08
Long-term payables	United Land Company	2,017,882,547.71	1,630,108,698.00

All receivables and payables to related parties excluded borrowings from related parties are non-interest bearing, unsecured and have no fixed repayment terms. The borrowings from related parties are interest bearing and have repayment terms.

7. Commitments to related parties

The following table presents the commitment that had been contracted but not yet recognized on the statement of financial position:

(1) Receiving service

	2020	2019
Consulting Company	16,289,446.39	22,106,438.74

(2) Investment commitments

On 31 December 2020, the Group's investment commitments to related parties are RMB 748,335,914.05 (31 December 2019: RMB 537,085,914.05), including the Company's commitments to increase the capital of Yangmao Company's renovation and expansion project of RMB 433,335,914.05 and the Company's commitments to the subscribed capital contribution of Environmental Technology Industry M&A Fund of RMB 315,000,000.00.

X. Related party relationships and related party transactions (continued)

(3) Equity acquisition commitments

On 31 December 2020, the Group had no equity acquisition commitments.

XI. Commitments and contingencies

1. Significant commitments

In addition to the related party commitments disclosed in Note X.7, the important commitments of the Group are as follows:

(1) Capital commitments

(a) Capital commitments approved by management but not yet contracted at the end of the reporting period:

	31 December 2020	31 December 2019
Expressway construction projects	3,740,668,775.11	2,424,579,036.04
Wind power construction projects	1,015,240,000.00	-
Kitchen waste treatment projects	1,114,107,327.17	-
Total		

XI. Commitments and contingencies

2. Contingencies (continued)

- (b) On 16 December 2016, Guangxi Bioland and Yonker Environmental Protection Co.,Ltd. (Yonker Environmental) entered into a contractor agreement, in relation to a project on food and kitchen waste utilization and renovation and expansion of a harmless treatment plant. On 19 November 2019, Yonker

XII. Events after the end of the reporting period (continued)

2. On 8 December 2020, the company won the bid for the Guangming Environmental Park PPP project of Urban Management and Comprehensive Law Enforcement Bureau of Guangming District, Shenzhen. On February 7, 2021, the Project Company of Shenzhen Guangmingshen High-speed Environmental Technology Co., Ltd, a wholly-owned subsidiary of the company, which was established with an investment of RMB 200 million for the implementation of the Guangming Project, signed the Franchise Agreement for the Guangming Environmental Park PPP Project and the Contract for the Guangming Environmental Park PPP Project with the Guangming City Management Bureau. Guangming Project, located in Guangming District, Shenzhen, will build a new kitchen waste treatment plant with a capacity of 1,000 tons per day. Construction of a building capable of handling large (waste furniture waste of 100 tons/day, green waste of 100 tons/day site conditions, etc. The total static investment of the project is estimated to be about RMB 708 million.
3. According to the general authorization granted by the Company's general meeting of shareholders to the board of directors to issue bond financing instruments, the Company has applied to the China Association of Interbank Market Dealers ("Association of Dealers") to register for the issuance of RMB 2 billion ultra-short-term financing bonds and has approved. According to the "Notice of Acceptance of Registration" issued by the Association of Dealers (Zhongshi Xie Note [2020] SCP704), the Company's ultra-short-term financing bonds have a registered amount of RMB 2 billion and the registration limit is from the date of signing of the "Notice of Acceptance of Registration" Effective within 2 years from the beginning, the Company can issue ultra-short-term financing bills in installments within the validity period of the registration. From February 23 to February 24, 2021, the Company issued the first phase of 2021 ultra-short-term financing bonds on the Chinese inter-bank market. The issuance scale is RMB 1 billion, the maturity is 60 days and the issuance interest rate is 2.65%. The purpose is for the Group to repay interest-bearing debts.
4. The Company and Shenzhen Investment Holding Co., Ltd. ("Shenzhen Investment Holding"), the indirect controlling shareholder of the Company, entered into a Memorandum of Understanding dated March 15, 2021. According to the Memorandum of Understanding, in order to actively promote the reform of state-

XIII. Other significant matters

1. Segment information (continued)

(2) Segment information

2020	Toll road	Environmental protection	Others	Unallocated	Total
Revenue from external customers	4,386,674,349.61	2,520,621,312.93	1,119,441,437.45	-	8,026,737,099.99
Cost of service	2,422,202,538.44	2,039,567,237.83	752,747,236.89	-	5,214,517,013.16
Interest income	222,405.65	14,709,029.39	25,670,323.54	20,476,513.68	61,078,272.26
Interest expenses	504,303,585.06	161,452,289.78	30,829,537.07	-	696,585,411.91
Share of profits of associates	172,488,678.77	206,420,366.54	501,820,927.29	-	880,729,972.60
Gains or loss on disposal of assets (loss shown with "-")	-32,224.59	-	93,775.26	12,978.64	74,529.31
Asset impairment loss (loss shown with "-")	-	-	-116,143.51	-	-116,143.51
Credit impairment loss (loss shown with "-")	-	-46,442,140.29	-1,762,919.49	-	-48,205,059.78
Depreciation and amortization	1,584,516,195.09	153,717,602.60	28,543,635.09	19,784,126.52	1,786,561,559.30
Total profit	1,919,129,530.97	320,948,965.22	662,439,154.74	-193,051,269.70	2,709,466,381.23
Income tax expense	398,787,015.45	10,819,272.08	64,304,346.51	-	473,910,634.04
Net profit	1,520,342,515.52	310,129,693.14	598,134,808.23	-193,051,269.70	2,235,555,747.19
31 December 2020					
Total assets	35,055,325,218.77	13,532,849,683.25	6,220,219,563.07	33,525,909.9(219,)-19(563.)-19(007)TJ67.2 0 Td[(33.509.52)-	

XIII. Other significant matters (continued)

1. Segment information (continued)

(2) Segment information (continued)

2019	Toll road	Environmental protection	Others	Unallocated	Total
Revenue from external customers	4,722,126,783.24	598,968,458.64	1,069,199,868.94	-	6,390,295,110.82
Cost of service	2,345,480,765.93	430,021,848.73	810,041,613.81	-	3,585,544,228.47
Interest income	11,529,751.25	3,984,388.20	9,263,730.63	27,320,211.63	52,098,081.71
Interest expenses	563,223,508.87	41,298,956.70	12,384,387.07	-	616,906,852.64
Share of profits of associates	219,855,987.47	193,467,531.92	486,360,781.00	-	899,684,300.39
Gains or loss on disposal of assets (loss shown with "-")	386,045.39	-	-	-	386,045.39
Asset impairment loss (loss shown with "-")	552,000,000.00	-	-	-	552,000,000.00
Credit impairment losses (loss shown with "-")	-	-1,588,152.29	7,023,914.71	-	5,435,762.42
Depreciation and amortization	1,481,740,400.39	32,975,665.39	35,573,615.11	14,256,888.27	1,564,546,569.16
Total profit	1,606,347,459.82	331,576,105.39	787,909,350.05	-185,234,742.12	2,540,598,173.14
Income tax expense	-122,177,523.79	9,135,240.18	108,235,941.09	-63,273,703.76	-68,080,046.28
Net profit	1,728,524,983.61	322,440,865.21	679,673,408.96	-121,961,038.36	2,608,678,219.42
31 December 2019					
Total assets	32,026,086,272.52	8,907,580,337.25	4,536,274,983.53	188,472,065.61	45,658,413,658.91
Total liabilities	19,209,350,529.06	3,483,071,087.62	-298,472,211.23	2,216,555,341.22	24,610,504,746.67
2019					
Long-term equity investments in associates and joint ventures	1,508,731,533.68	4,525,056,258.95	2,672,501,549.10	-	8,706,289,341.73
Addition of non-current assets other than financial assets, long-term equity investments and deferred tax assets	2,179,104,854.33	1,821,475,726.69	267,149,383.01	6,580,238.04	4,274,310,202.07

(3) Other information

The Group's revenue from external customers and the total non-current assets other than financial assets and deferred tax assets are all derived from the PRC. The Group did not generate revenue from sales to any single customer that reached or exceeded 10% of the Group's revenue for the year.

XIII. Other significant matters (continued)

2. Leases

(1) As lessor

Finance leases

The Group leases transportation equipment and machines, with leases ranging from 1 to 8 years, which form finance leases.

The profit or loss relating to finance leases is as follows:

	2020	2019
Finance income on the net investment in the lease	25,087,568.86	11,951,032.95

As at 31 December 2020, the balance of unearned finance income was RMB 226,949,816.87 (31 December 2019: RMB 21,280,452.58), which was allocated to each period during the lease term using the effective interest method. The Group had total future minimum lease receivables under non-cancellable leases with its tenants falling due as follows:

	2020	2019
Within 1 year, inclusive	111,503,772.76	91,172,611.71
1 to 2 years, inclusive	80,697,360.57	43,157,529.71
2 to 3 years, inclusive	70,442,741.57	20,741,957.35
3 to 4 years, inclusive	66,893,968.26	15,459,952.92
4 to 5 years, inclusive	62,919,459.00	11,890,821.45
Over 5 years	379,464,645.30	13,872,390.88
Less: Unearned finance income	226,949,816.87	21,280,452.58
Net investment in the lease	544,972,130.59	175,014,811.44

Operating leases

The Group leases out some parking spaces and the lease period is not a regular period, which form operating leases. According to the lease contract, the rent needs to be adjusted every year according to the market rent situation. For the year ended 31 December 2020, the Group's income from the rental of houses and buildings was RMB 8,260,843.49 (2019 RMB 2,735,601.28). Leased houses and buildings are listed in investment real estate. See Note V.16.

The Group leases out transportation equipment, machinery and the lease period is not a regular period, which form operating leases.

The Group also leases highway billboards and service areas, with leases ranging from 1 to 3 years, which form operating leases.

	2020	2019
Lease income	35,073,229.83	22,315,960.50

XIII. Other significant matters (continued)

2. Leases (continued)

The Group had total future minimum lease receivables under non-cancellable leases with its tenants falling due as follows:

	2020	2019
Within 1 year, inclusive	17,938,934.01	16,673,859.02
1 to 2 years, inclusive	5,098,562.88	9,485,035.97
2 to 3 years, inclusive	3,737,909.38	4,531,476.19
3 to 4 years, inclusive	3,162,560.00	3,453,380.95
4 to 5 years, inclusive	204,120.00	3,207,036.19
Over 5 years	542,960.00	951,200.00
Total	30,685,046.27	38,301,988.32

(2) As lessee

	2020	2019
Interest expenses on lease liabilities (Note V.51)	7,234,089.26	14,227,011.48
Expenses relating to short-term leases accounted for by applying practical expedients	5,208,982.93	2,293,594.19
Expenses relating to leases of low-value assets accounted for applying practical expedients (other than short-term leases)	188,938.59	546,755.76
Income from sublease of right-of-use assets	7,897,876.68	2,287,794.17
Total cash outflow for leases	62,926,682.28	49,652,588.92

The Group has lease contracts for various items of houses and buildings, vehicles and other equipment used in the operating process. Leases of houses and buildings and machinery generally have lease terms of 1 to 22 years, while those of vehicles and other equipment generally have lease terms of 1 to 3 years. A few lease contracts contain options for renewal and termination.

Sale and leaseback transaction

In order to meet the capital requirements, the Group uses the sale and leaseback form of financing for the Bioland Environment food waste disposal project's equipment for a lease period of 1 to 8 years.

	2020	2019
Sale and leaseback transaction cash inflow	1,977,920.55	673,000,000.00
Sale and leaseback transaction cash outflow	779,934,983.19	26,022,898.75
Gains or losses arising from sale and leaseback transactions (Note V.35)	51,721,548.16	13,050,811.01

Other lease information

For right-of-use assets, see Note V.19; for simplified treatment of short-term leases and leases of low-value assets, see Note III.30; for lease liabilities, see Note V.37.

XIII. Other significant matters (continued)

3. Comparable data

As Stated in Note VI.2, during the reporting period, Financial Leasing, China Logistics Finance and Longda Company were merged under common control into the Group's consolidation scope. The Company made retrospective adjustments to the consolidated financial statements data of previous years according to the relevant requirements of the Accounting Standards for Business Enterprises.

XIV. Notes to the Company's financial statements

1. Accounts receivable

(1) The aging of accounts receivable according to the recognition date is analysed below:

	2020	2019
Within 1 year	11,341,608.31	11,331,676.56
1 to 2 years	-	-
2 to 3 years	-	-
Over 3 years	8,809,432.81	4,838,866.44
Sub-total	20,151,041.12	16,170,543.00

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

	2020			
	Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance
Receivables that are subject to provision by group with similar credit risk characteristics	20,151,041.12	100	-	-
Group 1	8,809,432.81	43.72	-	-
Group 2	11,341,608.31	56.28	-	-
Total	20,151,041.12	100	-	-

The aging of group 2 according to the recognition date is analyzed below

	2020		
	Estimated default book balance	Expected credit loss rate (%)	Expected credit loss over the duration
Within 1 year	11,341,608.31	-	-
Total	11,341,608.31	-	-

XIV. Notes to the Company's financial statements (continued)

1. Accounts receivable (continued)

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

	2019			
	Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance
Receivables that are subject to provision by group with similar credit risk characteristics	16,170,543.00	100.00	-	-
Group 1	4,838,866.44	29.92	-	-
Group 2	11,331,676.56	70.08	-	-
Total	16,170,543.00	100.00	-	-

The aging of group 2 according to the recognition date is analyzed below

	2019		
	Estimated default book balance	Expected credit loss rate (%)	Expected credit loss over the duration
Within 1 year	11,331,676.56	-	-
Total	11,331,676.56	-	-

(3) Accumulated accounts receivable from the five largest debtors:

	Balance	Provision for bad debts	% of total balance
Total accumulated accounts receivable from the five largest debtors at 31 December 2020	20,151,041.12	-	100.00
Total accumulated accounts receivable from the five largest debtors at 31 December 2019	16,163,313.05	-	99.96

2. Other receivables

(1) Other receivables are classified as follows:

	2020	2019
Interest receivable	9,588,821.98	6,449,336.44
Dividends receivable	450,000,000.00	450,000,000.00
Other receivables	860,064,820.96	549,346,573.39
Total	1,319,653,642.94	1,005,795,909.83

XIV. Notes to the Company's financial statements (continued)

2. Other receivables (continued)

(2) The aging of other receivables according to the recognition date is analyzed below:

	2020	2019
Within 1 year	802,023,477.17	483,144,327.89
1 to 2 years	14,861,946.96	476,608,031.77
2 to 3 years	456,868,460.89	181,085.27
Over 3 years	45,899,757.92	45,862,464.90
Total	1,319,653,642.94	1,005,795,909.83

(3) The changes in the ending balance and bad debt provision of other receivables based on expected credit losses are as follows:

	The first stage Expected credit loss over the next 12 months	
	Ending balance	Provision for bad debts
Balance on 1 January 2020	1,005,795,909.83	-
Additions	2,083,278,528.41	-
Reduction	1,769,420,795.30	-
Balance on 30 December 2020	1,319,653,642.94	-

	The first stage Expected credit loss over the next 12 months	
	Ending balance	Provision for bad debts
Balance on 1 January 2019	2,479,355,358.90	-
Additions	133,587,973.25	-
Reduction	1,607,147,422.32	-
Balance on 31 December 2019	1,005,795,909.83	-

XIV. Notes to the Company's financial statements (continued)

2. Other receivables (continued)

(4) Other receivables by nature are analyzed as follows:

Nature	2020	2019
Dividends receivable	450,000,000.00	450,000,000.00
Loans receivable	545,997,537.77	378,789,412.68
Advances receivable	301,282,769.18	155,992,169.78
Receivable due to cancellation of toll stations in Yanpai and Yanba sections	9,209,048.19	11,170,906.19
Interest receivable	9,588,821.98	6,449,336.44
Others	3,575,465.82	3,394,084.74
Total	1,319,653,642.94	1,005,795,909.83

(5) The five largest other receivables are analyzed as follows:

2020

Categories	Nature	31 December 2020	Aging	% of total balance	Balance of provision for bad debts
Nanjing Wind Power	Loans receivable	485,000,000.00	Within 1 year	36.75	-
Mei Wah Company	Dividends receivable	450,000,000.00	2-3 years	34.10	-
Coastal Company	Advances receivable	152,262,183.67	Within 1 year	11.54	-
Mei Wah Company	Advances receivable	41,672,964.05	Over 3 years	3.16	-
Construction Bureau of Longhua District	Advances receivable	41,416,808.48	Within 3 years	3.14	-
Total	/	1,170,351,956.20	/	88.69	-

2019

Categories	Nature	31 December 2019	Aging	% of total balance	Balance of provision for bad debts
Mei Wah Company	Dividends receivable	450,000,000.00	1-2 years	44.74	-
Nanjing Wind Power	Loans receivable	300,000,000.00	Within 1 year	29.83	-
Coastal Company	Advances receivable	52,366,897.15	Within 1 year	5.21	-
Qinglong Company	Loans receivable	50,000,000.00	Within 1 year	4.97	-
Mei Wah Company	Advances receivable	41,750,067.95	Over 3 years	4.15	-
Total	/	894,116,965.10	/	88.90	-

XIV. Notes to the Company's financial statements (continued)

3. Long-term equity investments

Item	2020			2019		
	Book balance	Impairment provided in current period	Book value	Book balance	Impairment provided in current period	Book value
Subsidiaries	21,698,802,208.41	-678,765,149.21	21,020,037,059.20	16,452,364,720.93	-678,765,149.21	15,773,599,571.72
Associates	3,983,708,903.47	-	3,983,708,903.47	3,967,922,683.17	-	3,967,922,683.17
Total	25,682,511,111.88	-678,765,149.21	25,003,745,962.67	20,420,287,404.10	-678,765,149.21	19,741,522,254.89

XIV. Notes to the Company's financial statements (continued)

3. Long-term equity investments (continued)

(1) Investments in subsidiaries

Investee	31 December 2019	Addition of the period	31 December 2020	Cash dividend declared	Impairment provided on 31 December 2020
Airport-Heao Eastern Company	477,298,857.46	-	477,298,857.46	-	-
Meiguan Company	521,260,142.34	-	521,260,142.34	-	-
Qinglong Company	101,477,197.16	-	101,477,197.16	96,000,000.00	-
Advertising Company	3,325,000.01	-	3,325,000.01	50,000,000.00	-
Mei Wah Company	831,769,303.26	-	831,769,303.26	-	-
Qinglian Company	1,385,448,900.00	-	1,385,448,900.00	-	678,765,149.21
Outer Ring Company	100,000,000.00	5,000,000,000.00	5,100,000,000.00	-	-
Expressway Investment Company	380,000,000.00	-	380,000,000.00	-	-
Environmental Company	5,000,000,000.00	-	5,000,000,000.00	-	-
Operation Development Company	28,500,000.00	-	28,500,000.00	-	-
Shenchang Company	33,280,762.94	-	33,280,762.94	30,964,124.48	-
Yichang Company	1,270,000,000.00	-	1,270,000,000.00	-	-
Construction and Development Company	28,500,000.00	-	28,500,000.00	-	-
Infrastructure Environment Development Company	15,300,000.00	117,300,000.00	132,600,000.00	-	-
Coastal Company	5,587,939,407.88	-	5,587,939,407.88	-	-
Fund Management Company	9,500,000.00	-	9,500,000.00	-	-
Baotou Nanfeng	0.67	-	0.67	-	-
Financial Leasing Company	-	15,320,919.87	15,320,919.87	-	-
New Energy Company	-	10,000,000.00	10,000,000.00	-	-
Longda Company	-	103,816,567.61	103,816,567.61	-	-
Total	15,773,599,571.72	5,246,437,487.48	21,020,037,059.20	176,964,124.48	678,765,149.21

For investment in associated enterprises, please refer to Notes V.15. The company directly holds 2.92% of Guizhou Bank. Except for the investment of Guizhou Hengtongli and Derun Environment, all other investments of the Group in the associated enterprises are directly held by the company.

XIV. Notes to the Company's financial statements (continued)

4. Revenue and costs of services

Item	2020		2019	
	Revenue	Cost	Revenue	Cost
Main businesses	615,025,300.47	162,256,516.94	667,662,764.59	136,187,766.16
Other businesses	133,728,321.38	115,910,851.89	179,795,923.67	168,579,102.04
Total	748,753,621.85	278,167,368.83	847,458,688.26	304,766,868.20

5. Investment income

Item	2020	2019
Income from long-term equity investments under the equity method	655,401,158.35	705,905,909.94
Income from long-term equity investments under the cost method	176,964,124.48	489,432,484.94
Realized downstream trading gains and losses(a) (Note V.15(a))	32,252,473.61	22,402,839.33
Investment gain/loss from foreign exchange swap	17,955,000.00	26,860,000.00
Investment income from other non-current financial assets	6,395,165.94	30,125,114.78
Income from financial products	-	57,896.07
Total	888,967,922.38	1,274,784,245.06

- (a) In 2018, the United Land Company's compensation for the relocation of the office building properties of Meiguan Company was offset by the group's merger level to offset the shareholding portion of the asset disposal income. This year, the United Land Company's housing development project realized income. The proportion of properties sold was reversed to realized income of RMB 32,252,473.61 (2019: RMB 22,402,839.33).

XV. Supplementary information

1. Detailed list of non-recurring profit or loss items

Item	Amount	Note
Income from entrusted management services	4,107,007.54	Income from entrusted management services provided to Longda Company in the current year.
The net profit and loss of the current period from the beginning of the period to the date of merger of the subsidiaries arising from the merger under common control	43,219,171.98	During the year, China Logistics Finance and Financial Leasing Company and Longda Company were included in the consolidated financial statements as an entity under common control. Net profit from the beginning of the current year to the combination date of the above companies.
Government subsidies included in current profits and losses	35,349,930.60	Abolish subsidies for provincial border toll stations and enterprises identify relevant awards or supporting funds
Capital appropriation fees for non-financial enterprises	8,890,000.00	Qinglong equity acquisition recognized fair value changes in the gains and losses of capital occupancy income
Gains and losses on changes in fair value of foreign currency swaps	-146,367,257.21	
Proceeds from the delivery of foreign currency swap instruments	17,955,000.00	
Gains and losses on changes in fair value of other non-current financial assets	104,024,236.54	
Acquisition of subsidiaries recognized fair value change gains and losses	40,000,000.00	Changes in fair value gains and losses due to the recognition of the acquisition of Qinglong shares
Financial income from paid capital lease in advance	1,165,853.24	The financial income generated by the repayment of the Three Gorges financing lease in advance
Non-current asset disposal proceeds	74,529.31	
Income and expenditure other than those mentioned above	-3,194,187.26	
Impact of income tax	-2,555,033.39	
Impact of minority interests	-5,161,458.69	
Total	97,507,792.66	

Basis for preparation of the detailed list of non-recurring profit or loss items:

Under the requirements in Explanatory Announcement No.1 on Information Disclosure by Companies Offering Securities to the Public – Non-Recurring Profits or Losses [2008] (“Explanatory announcement No.1”) from the CSRC, non-recurring profit or loss refers to transactions that are not directly relevant to the normal business operations, or those relevant to ordinary business, but are so extraordinary that would have an impact on users of the financial statements when making proper judgments on the performance and profitability of an enterprise.

2. Return on net assets and earnings per share

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary owners of the Company	10.83%	0.936	0.936
Net loss after deducting non-recurring profit or loss attributable to ordinary owners of the Company	10.34%	0.891	0.891