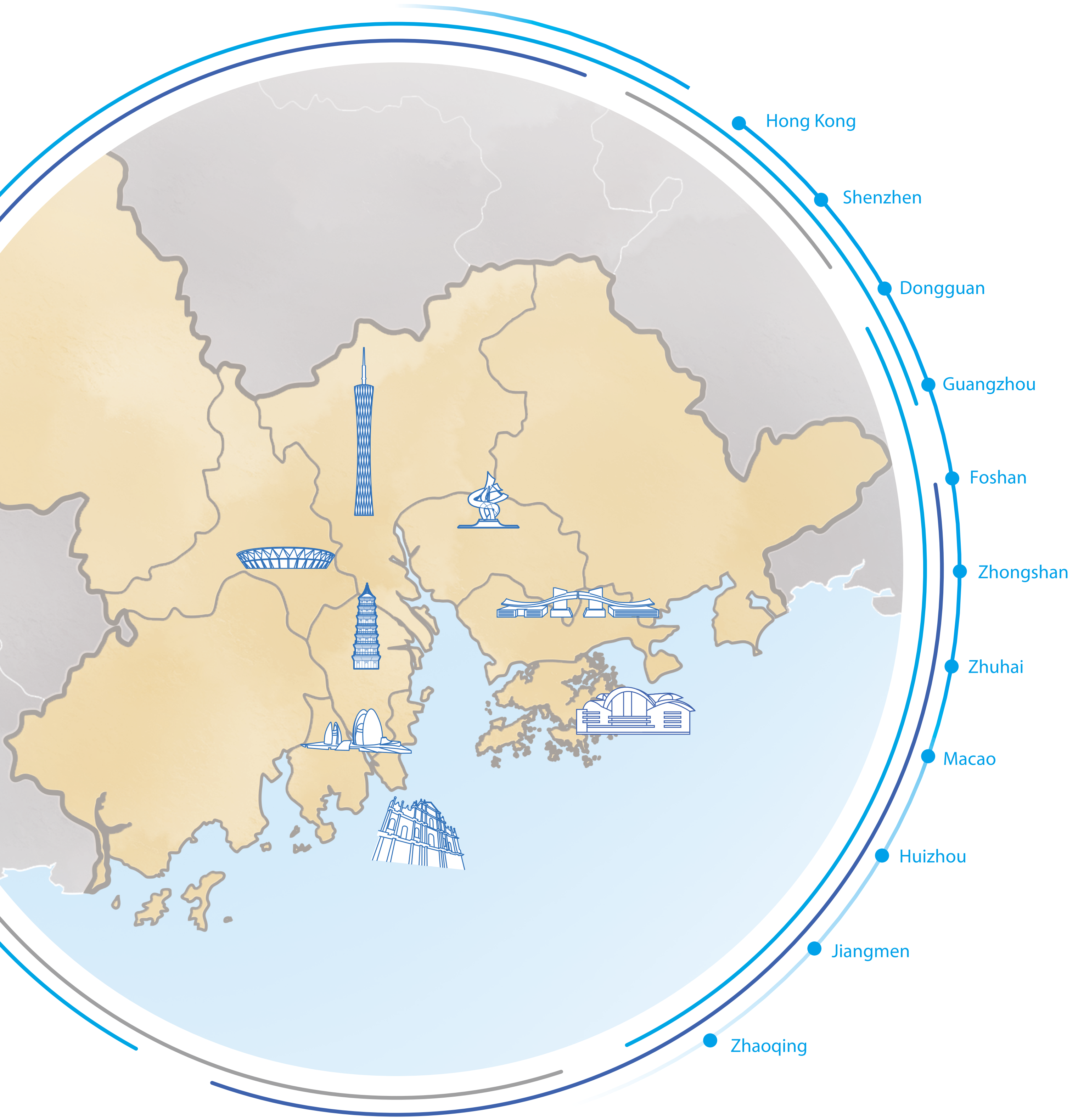
SHENZHEN INVESTMENT HOLDINGS BAY AREA DEVELOPMENT COMPANY LIMITED

(incorporated in the Cayman Islands with limited liability)
Stock Codes: 737 (HKD counter) & 80737 (RMB counter)



2019
ANNUAL REPORT

About Us

Shenzhen Investment Holdings Bay Area Development Company Limited (the "Company", formerly known as Hopewell Highway Infrastructure Limited) was incorporated in the Cayman Islands and listed on The Stock Exchange of Hong Kong Limited since 6 August 2003 with stock codes 737 (HKD counter) and 80737 (RMB counter). The ultimate parent company of the Company is Shenzhen Investment Holdings Company Limited.

The Company is principally engaged in expressway business and adopts development strategies focusing on the infrastructure and correlated business as well as land development and utilisation along the GS Superhighway within the Guangdong-Hong Kong-Macao Greater Bay Area.

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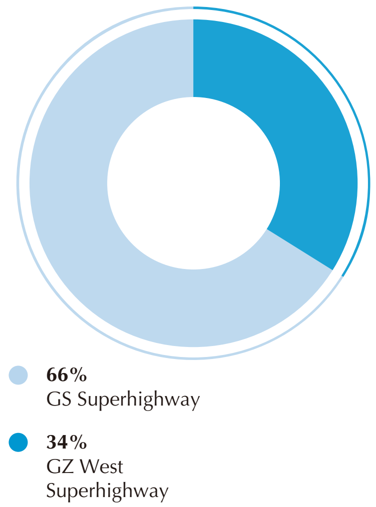
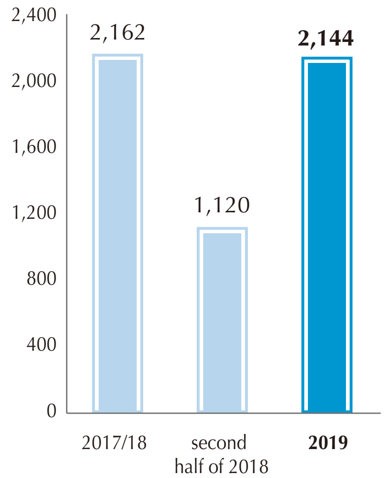
(Presented under Proportionate Consolidation Method)

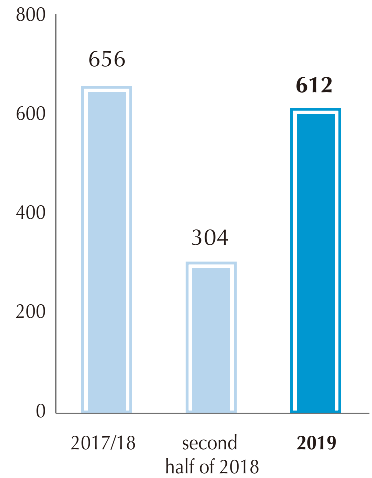
Net toll Revenue by Expressway



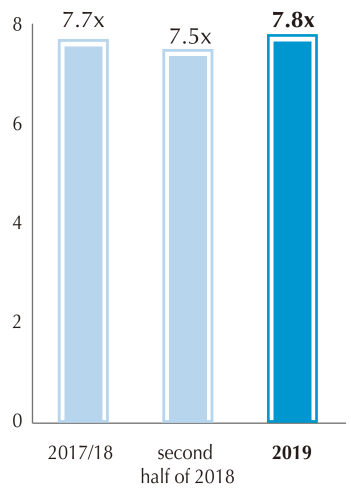
Net Toll Revenue
(RMB million)



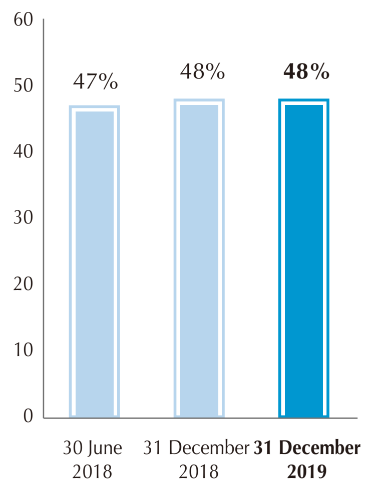
Profit Attributable to Owners of the Company
(RMB million)



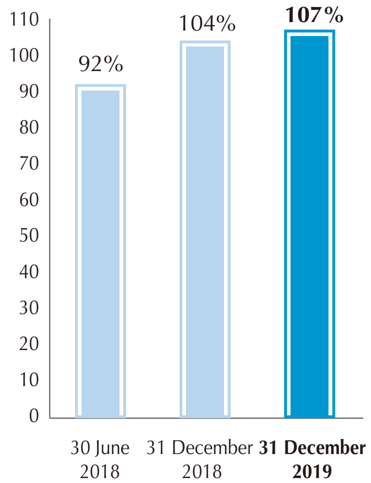
Interest Coverage
(EBITDA/Interest)



Total Debt(Note 1) to Total Assets



Gearing Ratio
(Net Debt(Note 1) to Equity Attributable to Owners of the Company)



Note 1: The Group's share of JV's debt is defined as bank and other loans together with balance with JV partner and shareholder's loan. Net debt is defined as total debt (including share of JV's) less total bank balances and cash (including share of JVs).

5-Year Financial Summary

The financial summary of the Group for the year ended 30 June 2016 to the year ended 31 December 2019.

Consolidated Results Prepared under the Equity Method (RMB million)

	Year ended 30 June			Six months ended 31 December	**Year ended 31 December**
	2016	2017	2018	2018	**2019**
Share of results of joint ventures	556	680	724	340	**701**
Corporate results	(35)	(48)	(58)	(32)	**(80)**
Profit for the year/period	521	632	666	308	**621**
Profit for the year/period attributable to:					
Owners of the Company	**511**	**623**	**656**	**304**	612
Non-controlling interests	10	9	10	4	**9**
Profit for the year/period	**521**	**632**	**666**	**308**	621

Segment Revenue and Results (RMB million)

	Year ended 30 June			Six months ended 31 December	**Year ended 31 December**
	2016	2017	2018	2018	**2019**
Revenue	**2,002**	**2,159**	**2,162**	**1,120**	2,144
GS Superhighway	1,480	1,560	1,499	743	**1,409**
GZ West Superhighway	522	599	663	377	**735**
Xintang Residential Project	–	–	–	–	**–**
EBITDA	**1,705**	**1,859**	**1,889**	**983**	1,875
GS Superhighway[1]	1,262	1,343	1,309	663	**1,248**
GZ West Superhighway	443	516	580	320	**627**
Xintang Residential Project	–	–	–	–	**0**
Depreciation and amortisation	**(595)**	**(671)**	**(692)**	**(358)**	(690)
GS Superhighway	(414)	(460)	(463)	(232)	**(445)**
GZ West Superhighway	(181)	(211)	(229)	(126)	**(245)**
Xintang Residential Project	–	–	–	–	**–**
Interest and tax	**(499)**	**(522)**	**(538)**	**(270)**	(511)
GS Superhighway	(277)	(324)	(325)	(164)	**(316)**
GZ West Superhighway	(222)	(198)	(213)	(106)	**(193)**
Xintang Residential Project	–	–	–	–	**(2)**
Segment results[2]	**611**	**666**	**659**	**355**	674
GS Superhighway	571	559	521	267	**487**
GZ West Superhighway	40	107	138	88	**189**
Xintang Residential Project	–	–	–	–	**(2)**
Segment corporate results[3]	**(8)**	**(17)**	**(15)**	**(10)**	(31)
Net exchange (loss)/gain	(82)	(17)	22	(37)	**(22)**
Profit for the year/period	521	632	666	308	**621**
Profit for the year/period attributable to:					
Owners of the Company	**511**	**623**	**656**	**304**	612
Non-controlling interests	10	9	10	4	**9**
Profit for the year/period	**521**	**632**	**666**	**308**	621

Consolidated Statement of Financial Position Prepared under the Equity Method (RMB million)

	As at 30 June			As at 31 December	
	2016	2017	2018	2018	**2019**
Interests in joint ventures	6,176	5,172	4,852	4,798	**4,858**
Loans to a joint venture	–	–	–	–	**–**
Bank balances and cash	652	469	691	140	**50**
Dividend receivable from a joint venture	19	0	74	–	**–**
Amount due from a joint venture	–	–	–	–	**311**
Equity instrument at fair value through other comprehensive income	–	–	–	11	**23**
Investment	5	5	5	–	**–**
Property and equipment	0	0	0	1	**2**
Other current assets	2	3	4	0	**1**
Total assets	**6,854**	**5,649**	**5,626**	**4,950**	**5,245**
Bank loans	–	–	–	–	**281**
PRC withholding tax liabilities	127	80	70	70	**81**
Other current liabilities	8	12	10	11	**13**
Interim dividend payable	–	–	371	–	**–**
Total liabilities	**135**	**92**	**451**	**81**	**375**
Non-controlling interests	46	31	27	30	**24**
Equity attributable to owners of the Company	**6,673**	**5,526**	**5,148**	**4,839**	**4,846**

Consolidated Statement of Cash Flows Prepared under the Equity Method (RMB million)

	Year ended 30 June			Six months ended 31 December	**Year ended 31 December**
	2016	2017	2018	2018	**2019**
Net cash used in operating activities	(42)	(37)	(36)	(14)	**(39)**
Net cash from (used in) investing activities					
– Advance to a joint venture	–	–	–	–	**(309)**
– Registered capital contribution to a joint venture	(212)	–	–	–	**(4)**
– Repayment of loans from a joint venture	788	–	–	–	**–**
– Net dividends received	823	1,620	911	449	**613**
– Others	57	22	19	8	**2**
Net cash from (used in) financing activities					
– New bank loans raised	369	–	–	266	**546**
– Repayment of bank loans	(619)	–	–	(266)	**(265)**
– Dividends paid	(1,084)	(1,824)	(674)	(1,001)	**(639)**
– Others	(2)	–	–	(1)	**(1)**
Net increase (decrease) in cash and cash equivalents	78	(219)	220	(559)	**(96)**
Cash and cash equivalents at the beginning of year/period	574	652	469	691	**140**
Effect of foreign exchange rate changes	0	36	2	8	**6**
Cash and cash equivalents at the end of year/period	652	469	691	140	**50**
Total bank balances and cash	**652**	**469**	**691**	**140**	**50**

5-Year Financial Summary

Per Share Basis

	Year ended 30 June			Six months ended 31 December	**Year ended 31 December**
	2016	2017	2018	2018	**2019**
Basic earnings per share (RMB cents)	16.6	20.2	21.3	9.9	**19.9**
Dividend per share (RMB cents)					
– Interim	8.4	8.6	11.6	–	**9.8**
– Final	8.2	11.6	9.7	9.9	**10.1**
– Special final	40.0	10.0	10.0	–	**–**
Net asset value per share (RMB)	2.2	1.8	1.7	1.6	**1.6**
Dividend payout ratio(4)	100%	100%	100%	100%	**100%**

Financial Ratios

	As at 30 June			**As at 31 December**	
	2016	2017	2018	2018	**2019**
Return on equity attributable to owners of the Company	8%	11%	13%	12%(7)	**13%**
Prepared under Equity Method					
Total debt(5) to total assets	–	–	–	–	**5%**
Gearing ratio (Net debt(5) to equity attributable to owners of the Company)	–	–	–	–	**5%**
Prepared under Proportionate Consolidation Method					
Total debt(6) to total assets	43%	50%	47%	48%	**48%**
Gearing ratio (Net debt(6) to equity attributable to owners of the Company)	73%	99%	92%	104%	**107%**

Notes:

(1) Excluding exchange differences and related income tax.

(2) The segment results represent the Group's share of results of joint ventures before exchange difference (net of related income tax) and net of withholding tax attributed to the dividend received from and the undistributed earnings of a joint venture.

(3) The segment corporate results represent the corporate results before corporate exchange difference and withholding tax attributed to the dividend received from and the undistributed earnings of a joint venture.

(4) Excluding special final dividend.

(5) Under equity method, total debt include bank loans of the Group. Net debt is defined as total debt less the bank balances and cash of the Group as at the reporting date.

(6) Under proportionate consolidation method, total debt include bank loans of the Group, bank and other loans of joint ventures, balance with a joint venture partner. Net debt is defined as total debt less the bank balances and cash of the Group and joint ventures together with pledged bank balances and deposits of the joint ventures as at the reporting date.

(7) Annualised figure.

Chairman's Statement

Financial Results and Dividend Proposal

It is my honour to report on behalf of the Board to Shareholders the Group's final results for the financial year ended 31 December 2019. The Group's net profit of the toll expressway projects was RMB676 million, profit attributable to owners of the Company was RMB612 million, and basic earnings per share stood at RMB19.86 cents.

The Board has proposed a final dividend of RMB10.1 cents per share for the year ended 31 December 2019. Together with the interim dividend of RMB9.8 cents per share paid on 31 October 2019, total dividend for the year amounted to RMB19.9 cents per share, represents a dividend payout ratio of 100% of the profit attributable to owners of the Company. Payment of the final dividend is subject to approval at the 2020 Annual General Meeting.

Operating Environment

In 2019, the China-US trade conflict and Brexit increased the volatility of global markets and hindered the global economic growth momentum. Due to lower manufacturing data in major developed markets during the year, many countries eased their monetary policies. Central banks including the US Federal Reserve also cut interest rates time after time, in order to stimulate market investment sentiment and avoid the risks of economic downturn. In view of the complex and volatile environment abroad, the Chinese government implemented a series of policies during the year, with an aim to optimise the business environment, enhance protection of property rights and promote employment. Such policies included trim down financing costs through market reform, reducing VAT rates and social insurance premium rates with a view to mitigate the challenges faced by companies in operation and production, underpin real economy, strengthen investor confidence in the market and maintain a stable overall economic growth. Implementation of these policies boosted the economy and business environment steadily with the GDP increasing by 6.1% year-on-year in line with the growth target of 6%–6.5% for the year. Meanwhile, China and US eventually announced signing a phase 1 trade agreement in December after one and a half years of trade friction between the two countries and the UK's membership in the European Union officially ended at the end of January 2020, which eliminated market uncertainties and shored up market confidence. But the novel coronavirus pneumonia epidemic is still ongoing in the world and in China recently, bringing uncertainties to the economic development of China and of the world in 2020.

Developing the Guangdong-Hong Kong-Macao Greater Bay Area is a crucial development strategy of the PRC. After launching the Outline Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area in February 2019, the State Council of the PRC released the Opinion on Building Shenzhen into a Pilot Demonstration Area of Socialism with Chinese Characteristics in August, creating an unprecedented opportunity with synergies of two areas. As the GS Superhighway and the GZ West Superhighway operated by the Group connect core areas of the Greater Bay Area, we believe that we can benefit from the great traffic volume brought by the increasingly frequent business activities thanks to a series of favorable policies and action plans rolled out by provinces and cities for the purpose of carrying out the plans and meeting the targets.

Business Review and Prospects

As a major overseas-listed platform under Shenzhen Investment Holdings Co., Ltd, being our controlling shareholder, the Group's development strategy will focus on the infrastructure and correlated business within the Greater Bay Area in the future. The Company has formally changed its name and its shares were traded under the new stock short name with effect from 19 June 2019, so as to reshape a clearer corporate image in the market and further highlight that its business development strategy and direction focus on the Greater Bay Area.

Owing to the arrangement of the Ministry of Transport for the expressway industry, provincial boundary expressway toll stations have all removed nationwide by the end of 2019, and Guangdong Province also formally merged into the national network, which allows swift non-stop toll collection on expressways. In order to accelerate the promotion of electronic toll collection ("ETC") usage, Guangdong Province has adjusted toll discount for vehicles using ETC payment cards on expressways within the province to align with the national standard, increasing the discount rate from 2% to 5%, effective from 1 July 2019. Due to increasing ETC electronic payment card users and the higher discounts, the policy has a direct impact on the toll revenue of the GS Superhighway and the GZ West Superhighway. However, we believe that the popularisation of ETC electronic payment cards allows vehicles to enter and exit expressways more quickly, which will help improve the service qualities and capacity of expressways in the long run.

During the year under review, the operational fundamentals of the Group remained sound and its overall business maintained stable, despite the slowdown in domestic economic growth. The average daily toll revenue and average daily full-length equivalent traffic of the GS Superhighway decreased by 3% and 2% respectively, mainly due to traffic diversion from adjacent roads, maintenance and repair works on some sections and the higher discounts on ETC toll; average daily toll revenue and average daily full-length equivalent traffic of the GZ West Superhighway continued to grow steadily by 5% and 9% respectively, mainly due to the improving regional expressway network and continuous development of cities in the western Greater Bay Area such as Hengqin in Zhuhai, which offset the impact of the higher ETC toll discount.

In addition, great progress has been made in the land development and utilisation of the Xintang Interchange on the GS Superhighway. The Group and the subsidiaries of Guangdong Provincial Communication Group Company Limited established the Xintang JV in November 2019 to bid for the land use rights of the Project Land for residential use of Xintang Interchange and it won the tender in December the same year. We believe that the value of the land can be maximised as the Xintang JV won the bid and engages in the subsequent development of the residential project. By investing in the Xintang JV, the Group can benefit from the results of Project Land development and create better returns for shareholders. The Group will continue to promote the potential development and utilisation of land along the GS Superhighway, so as to actively support the strategies of local governments for urban planning, and take initiative to participate in and explore win-win land planning schemes of the local governments.

Confronted with the severe novel coronavirus pneumonia epidemic for the moment, the Group and our two JV companies will actively cooperate with local governments to carry out the infection prevention and control work and keep the expressways in smooth traffic condition at the same time. The Ministry of Transport published a notice to extend the Holiday Toll-free Policy during the Lunar New Year in 2020 for small passenger vehicles with 7 seats or less from the original 7 days to 16 days due to the epidemic, so as to shift peak period travel of vehicles. In addition, commenced from 00:00 a.m. on 17 February 2020 till the end of the prevention and control of the epidemic, tolls of toll roads will be waived nationwide, specific end date is subject to further notice. As a result, the toll revenue of the GS Superhighway and the GZ West Superhighway for 2020 will decrease. Going onward, the epidemic will inevitably have short-term impact on the Chinese economy and even on the world and uncertainties such as the subsequent development of the China-US trade dispute, 2020 US president election and geopolitical tensions may also bring concerns to the global economic growth. However, we believe that the economic fundamentals of Guangdong Province, especially the Greater Bay Area, are still solid. The GS Superhighway and the GZ West Superhighway as important transportation hubs in the Greater Bay Area can continue to benefit from the economic development of the Greater Bay Area. The Group will also keep identifying opportunities for business development in the Greater Bay Area.

Appreciation

Here I would like to extend my heartfelt gratitude to the Directors, senior management and all staff members of the Group for their hard work in the past year. At the same time, I also thank all our Shareholders for their support, as well as enduring trust and support from our banks and business partners. Looking forward, the Group will continue to seize the development opportunities in the Greater Bay Area and create greater value for shareholders in the long term.

Zhengyu Liu*
Chairman

Hong Kong, 8 March 2020

* *For identification purpose only*

Dividend and Closure of Register

Final Dividend

The Board has proposed a final dividend of RMB10.1 cents per share (equivalent to HK11.320989 cents per share at the exchange rate of RMB1:HK$1.12089) for the year ended 31 December 2019. Together with the paid interim dividend of RMB9.8 cents per share, the total dividends for the year will amount to RMB19.9 cents per share. The dividend represents a dividend payout ratio of 100% of the profit attributable to owners of the Company and will be the same as that of the previous financial year.

Subject to Shareholders' approval at the 2020 Annual General Meeting to be held on Friday, 22 May 2020, the proposed final dividend will be paid on Tuesday, 7 July 2020 to Shareholders whose names have been registered at the close of business on Thursday, 28 May 2020.

If the proposed final dividend is approved by the Shareholders at the 2020 Annual General Meeting, it will be payable in cash in RMB or HK Dollars, or a combination of these currencies, at the exchange rate of RMB to HKD as published by The People's Bank of China on Friday, 6 March 2020 and Shareholders will be given the option of electing to receive the final dividend in either RMB or HK Dollars or a combination of RMB and HK Dollars.

To make the dividend election, Shareholders should complete the Dividend Election Form (if applicable) and return it to the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shop 17M, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong, not later than 4:30 p.m. on Wednesday, 17 June 2020. **If no dividend election is made by a shareholder, such shareholder will receive the final dividend in HK Dollars, unless receipt of dividend in RMB has been previously elected.**

Closure of Register

To ascertain shareholders' eligibility to attend and vote at the 2020 Annual General Meeting to be held on Friday, 22 May 2020, the Register of Members of the Company will be closed from Monday, 18 May 2020 to Friday, 22 May 2020, both days inclusive, during which period no transfer of shares of the Company will be effected. In order to qualify to attend and vote at the 2020 Annual General Meeting, all transfers of share ownership, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Friday, 15 May 2020.

To ascertain shareholders' entitlement to the proposed final dividend, the Register of Members of the Company will be closed for one day on Thursday, 28 May 2020, if and only if the proposed final dividend is approved by the shareholders at the 2020 Annual General Meeting. No transfer of shares of the Company will be effected on the aforementioned book-close date. To qualify for the proposed final dividend, all transfers of share ownership, accompanied by relevant share certificates, must be lodged with the Company's Hong Kong Share Registrar, Computershare Hong Kong Investor Services Limited at Shops 1712–1716, 17th Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong not later than 4:30 p.m. on Wednesday, 27 May 2020.

Mr. Zhengyu LIU*

Aged 49, Mr. LIU was appointed as a Non-executive Director and the Chairman of the Board of the Company, and a director of various subsidiaries of the Company on 11 April 2018. He obtained a bachelor's degree in Economics from the Hunan College of Finance and Economics* (湖南財經學院) (now known as the Hunan University) in July 1992 and an MBA degree from the Xiamen University in July 2001. He has also obtained the qualification as a Senior Accountant in 2002. Mr. LIU was the Business Manager of the audit department of Shenzhen Investment Management Co., Ltd.* (深圳市投資管理公司) in 2002 and has served as a director at Shenzhen Metro Group Company Limited* (深圳市地鐵集團有限公司) in 2005. In 2009, Mr. LIU has served as Supervisor of the Supervisory Board and Financial Controller of Shenzhen Investment Holdings Co., Ltd* (深圳市投資控股有限公司), which is a controlling Shareholder of the Company, and became the Chief Accountant of such company in 2013 and its Deputy General Manager in 2017. Mr. LIU has also been a director of China State-owned Capital Risk Investment Fund Company Limited* (中國國有資本風險投資基金股份有限公司) in 2016. Mr. LIU was appointed as director of Shenzhen Special Economic Zone Real Estate & Properties (Group) Co.,Ltd* (深圳經濟特區房地產(集團)股份有限公司) (listed on the Shenzhen Stock Exchange (stock codes: A000029 and B200029)) in December 2019 and the Chairman of the Board of Directors in January 2020.

Mr. Tianliang ZHANG*

Aged 57, Mr. ZHANG was appointed as an Executive Director and the General Manager of the Company, and a director of various subsidiaries of the Company on 11 April 2018. He obtained a bachelor of Laws degree at the Hubei University in July 1985, a Master of Laws degree from the Central China Normal University in July 1987. Mr. ZHANG has obtained the qualification as a Senior Economist in 2001. In December 1991, he was as a Director Staff Member of the Three Divisions of the Policy Research Office of Hubei Provincial Government* (湖北省政府政策研究室). In February 1993, Mr. ZHANG was a Director Staff Member of the Policy Research and Political Reform Office of CPC Shenzhen Municipal Party Committee* (深圳市委政策研究室政治體制改革辦公室) and later became a Deputy Director General of the Policy Research and Political Reform Division of CPC Shenzhen Municipal Party Committee* (深圳市委政策研究室政治體制改革處). He was as a Director Staff Member of Shenzhen Construction Investment Holdings Ltd.* (深圳市建設投資控股公司) from December 1998 to October 2002. In November 2002, Mr. ZHANG was the Deputy General Manager of Shenzhen Shahe Industry (Group) Co., Ltd.* (深圳市沙河實業(集團)有限公司) and became the Chairman of the Supervisory Board in November 2004. In March 2006, he was the Deputy General Manager of Shenzhen Nongke Group Limited* (深圳市農科集團有限公司). In February 2011, Mr. ZHANG was the director and the Secretary of the Disciplinary Committee of Shenzhen Changcheng Investment Holdings Company Limited* (深圳市長城投資控股股份有限公司). Mr. ZHANG was transferred to Shenzhen Wuzhou Guesthouse Company Limited* (深圳市五洲賓館有限責任公司) in April 2014 as the Chairman and Secretary of the Party Committee.

* *For identification purpose only*

Mr. Cheng WU*

Aged 50, Mr. WU was appointed as an Executive Director and the Deputy General Manager of the Company, and a director of various subsidiaries of the Company on 11 April 2018. He obtained a bachelor's degree in Transportation Management* (交通運輸管理工程專業) from the Changsha Jiaotong College* (長沙交通學院) (now known as Changsha University of Science and Technology) in July 1995. Mr. WU worked as the Deputy General Manager and General Manager at the Luohu Station of Shenzhen Transportation Services Corporation* (深圳市交通運輸服務公司羅湖汽車站) since October 1997, and became the Deputy General Manager of the Management Office of Shenzhen Kuaiyibu Logistics Company Limited* (深圳市快一步物流有限公司) in February 2002. He was the head of the Business Department of Shenzhen Highway Passenger and Freight Transport Service Centre* (深圳市公路客貨運輸服務中心) in February 2009. Mr. WU joined Shenzhen Highway Passenger and Freight Transport Service Center Company Limited* (深圳市公路客貨運輸服務中心有限公司) in June 2012 as a Deputy General Manager, and has also held an additional post of the Chairman of the Board of Directors of Shenzhen Transportation Service Company Limited* (深圳市客運服務有限公司) since November 2014.

Mr. Ji LIU*

Aged 45, Mr. LIU was appointed as an Executive Director, the Deputy General Manager of the Company and secretary to the Board, and a director of various subsidiaries of the Company on 11 April 2018. Mr. LIU obtained a bachelor's degree in Economics from Zhongnan University of Finance and Economics and a Master of Science degree from the Hong Kong Polytechnic University in 1998 and 2004 respectively, and obtained an EMBA degree from Xiamen University in September 2018. He has obtained the qualification as an Economist in 2002.

Mr. LIU has many years of experience on investment and mergers of listed companies, state-owned property management, and corporate governance of listed companies. He joined Shenzhen Shenhua Group Corporation* (深圳市深華集團公司) in 1998 and joined the Property Management Office of the State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipal* (深圳市國有資產監督管理委員會產權管理處) in 2005. Mr. LIU joined Shenzhen International Holdings Limited (深圳國際控股有限公司), which is a subsidiary of the controlling shareholder of the Company and its shares are listed on the Main Board of the Stock Exchange (stock code: 152), since August 2006. He successively held the posts of the Secretary of the Board of Executive Directors, the General Manager of the Information Technology Department, the General Manager of the Administration Department, the General Manager of the Corporation Management Department and the General Manager of the Investment Management Department, etc. Mr. LIU is currently a mediator of Shenzhen Court of International Arbitration* (Shenzhen Arbitration Commission*) (深圳國際仲裁院（深圳仲裁委員會）) and the Supervisor of Shenzhen Cereals Holdings Co., Ltd. (深圳市深糧控股股份有限公司) (listed on the Shenzhen Stock Exchange (stock codes: A000019 and B200019)). From November 2016 to May 2018, he was a non-executive director of Shenzhen Expressway Company Limited (listed on the Main Board of the Stock Exchange (stock code: 548) and the Shanghai Stock Exchange (stock code: 600548)).

* *For identification purpose only*

Mr. Junye CAI*

Aged 36, Mr. CAI was appointed as a Non-executive Director of the Company on 1 December 2018. He graduated from Shenzhen University in 2006 with a bachelor's degree in e-commerce, and graduated from Xiamen University in 2013 with a master's degree in public administration. Having served at various government authorities after graduation, including the Shenzhen Guangming New District Urban Development Bureau* (深圳市光明新區城市建設局), the Shenzhen Traffic and Transportation Committee* (深圳市交通運輸委員會) and the Shenzhen Rail Transport Construction Command Office* (深圳市軌道交通建設指揮部辦公室), Mr. CAI has extensive experience in the management of municipal public buildings and transport infrastructure. In October 2016, he joined Taiping Investment Holdings Company Limited as Managing Director of the Debt Investment Division, where he was in charge of insurance fund investment. During his tenure of office, Mr. CAI participated in a number of large fund and real estate investment projects, including, among others, the China Insurance Investment OCT Tourism Culture and Urban Renewal Industry Fund* (中保投華僑城旅遊文化及城市更新產業基金), Guangdong Guangye Green Industry Development Fund* (廣東省廣業綠色產業發展基金), Jiangxi Rail Industry Investment Fund* (江西省鐵路產業投資基金) and the Taiping Financial Tower projects in Guangzhou and Qianhai Shenzhen.

Mr. Jiyang TANG*

Aged 48, Mr. TANG was appointed as non-executive director of the Company on 19 March 2019. He graduated from the University of Electronic Science and Technology of China in 1994. After graduation, Mr. TANG had previously served at China Great Wall Computer Shenzhen Co. Ltd.* (中國長城計算機深圳股份有限公司) and International Software Development (Shenzhen) Co., Ltd.* (萬國軟件開發(深圳)有限公司). In May 1997, he joined China Vanke Co., Ltd.* (萬科企業股份有限公司) ("Vanke"), a company whose shares are listed on the Shenzhen Stock Exchange (stock code: A000002) and on the Main Board of the Stock Exchange (stock code: 2202). Mr. TANG had worked in Shenzhen Vanke Real Estate Company Limited* (深圳市萬科房地產有限公司) ("Shenzhen Vanke", now known as Shenzhen Vanke Development Co., Ltd.* (深圳市萬科發展有限公司)) from 1997 to 2006 as the director of general manager's office and assistant general manager. In 2007, he served as the deputy general manager of the Shenzhen Regional Center of Vanke, and in 2008, Mr. TANG served as the general manager of Foshan Vanke Properties Co., Ltd.* (佛山市萬科置業有限公司). In 2011, he was served as the general manager of Guangzhou Vanke Real Estate Company Limited* (廣州市萬科房地產有限公司) (now known as Guangzhou Vanke Co., Ltd.* (廣州萬科企業有限公司)). In 2019, Mr. TANG was served as the general manager of Shenzhen Vanke. In January 2020, he has been re-designated as the chief partner and the general manager of industry and urban development department of southern regional business group of Vanke.

* *For identification purpose only*

Mr. Brian David Man Bun LI JP

Aged 45, Mr. LI was appointed as an Independent Non-executive Director and a member of the Audit Committee of the Company on 1 July 2011. He was appointed as a member of the Remuneration Committee of the Company on 26 August 2015 and was appointed as the chairman of the Remuneration Committee on 11 April 2018. Mr. LI is Co-Chief Executive of The Bank of East Asia, Limited ("BEA"), a company listed on the Stock Exchange. He was General Manager & Head of Wealth Management Division of BEA from July 2004 to March 2009. Mr. LI was subsequently appointed Deputy Chief Executive of BEA in April 2009, Executive Director in August 2014 and Co-Chief Executive in July 2019. Mr. LI is currently an Independent Non-executive Director of Towngas China Company Limited and China Overseas Land & Investment Limited, both of which are listed on the Stock Exchange.

Mr. LI holds a number of public and honorary positions, including being a member of the National Committee of the Chinese People's Political Consultative Conference, a member of the Chief Executive's Council of Advisers on Innovation & Strategic Development of the Government of the Hong Kong Special Administrative Region, a Council Member of the Hong Kong Trade Development Council, a Director of the Financial Services Development Council, a member of the Aviation Development and Three-runway System Advisory Committee, and Vice Chairman of the Executive Committee of St. James' Settlement.

Mr. LI is a member of the Hong Kong-Europe Business Council and a member of the Hongkong-Japan Business Co-operation Committee. He is also a Vice Chairman of the Asian Financial Cooperation Association and a member of the Financial Consulting Committee for the Authority of Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone of Shenzhen.

Mr. LI is a Fellow of the Hong Kong Institute of Certified Public Accountants and the Institute of Chartered Accountants in England and Wales. He is also a full member of the Treasury Markets Association. He holds an MBA degree from Stanford University as well as a BA degree from the University of Cambridge.

Mr. Yu Lung CHING

Aged 50, Mr. CHING was appointed as an Independent Non-executive Director, a member and the chairman of the Audit Committee and a member of the Remuneration Committee of the Company on 11 April 2018. He has more than 27 years of experience in auditing, corporate finance and accounting. Mr. CHING is currently the chief financial officer of a listed company on the Main Board of the Stock Exchange. He obtained a bachelor's degree in business administration from the Chinese University of Hong Kong and executive master's degree in business administration from Tsinghua University in 1992 and 2006, respectively. Mr. CHING is a fellow member of Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants and a member of the American Institute of Certified Public Accountants. Mr. CHING is an Independent Non-executive Director of Hopson Development Holdings Limited (stock code: 754), Ngai Hing Hong Company Limited (stock code: 1047) and Termbray Industries International (Holdings) Limited (stock code: 93), all of which are listed on the Main Board of the Stock Exchange.

Mr. Tony Chung Nin KAN SBS, JP

Aged 69, Mr. KAN was appointed as an Independent Non-executive Director, a member of the Audit Committee and a member of the Remuneration Committee of the Company on 11 April 2018. He is the Founder and Senior Consultant of Tony Kan & Co., Solicitors & Notaries, practising as a Solicitor of the Supreme Court of Hong Kong since 1982. He is also a Solicitor of the Supreme Court of England and Wales, a Barrister and Solicitor of the Supreme Court of the Australian Capital Territory, as well as Advocate and Solicitor of the Supreme Court of the Republic of Singapore. He is also a China Appointed Attesting Officer and a Notary Public. Mr. KAN is currently a Committee Member of the National Committee of the Chinese People's Political Consultative Conference and was a Committee Member of the Guangdong Committee of the Chinese People's Political Consultative Conference for three consecutive terms. Mr. KAN had been an Elected Member of the Sha Tin District Council from 1985 to the end of 2011. He had also been an Elected Member of the Regional Council and he was elected as Vice Chairman of the Council in July 1997 until its dissolution at the end of 1999.

Since 1988, Mr. KAN has served as a Councillor of Heung Yee Kuk in the New Territories and is currently an Ex Officio Member and Executive Committee Member of Heung Yee Kuk. Mr. KAN is serving and has served on various advisory committees for the government, including Town Planning Board Member as well as the Building Committee Member of the Housing Authority. He is currently a Member of the Election Committee of the Chief Executive of Hong Kong Special Administrative Region. Mr. KAN has been appointed as an Independent Non-executive Director of Man Wah Holdings Limited (stock code: 1999) since May 2013, a company listed in Hong Kong. Mr. KAN has been appointed as an Independent Non-executive Director of Nameson Holdings Limited (stock code: 1982) since 29 January 2016, which has been listed on the Stock Exchange on 12 April 2016. He has been appointed as a Vice Chairman of the Board of Directors of DBG Technology Co., Ltd. (stock code: 300735) which has been listed on Shenzhen Stock Exchange ChiNext on 29 December 2017.

He was the Non-executive director of Midland Holdings Limited ("Midland Holdings") (listed on the Main Board of the Stock Exchange (stock code: 1200), and subsequently became the Independent Non-executive Director of Midland Holdings during the period from October 1994 to September 2004. Mr. KAN has also served as a Non-executive director of Midland Holdings during the period from March 2014 to October 2016 and has been approved as Non-executive Director as well as the chairman of the board of Midland IC&I Limited (listed on the Main Board of the Stock Exchange (stock code: 459) since October 2016 to October 2019. He has been appointed as an Independent Non-executive Director of Kimou Environmental Holding Limited (stock code: 6805) since 18 June 2019, which has been listed on the Stock Exchange on 16 July 2019.

Overall Business Performance

During the year under review, the aggregate average daily toll revenue of the GS Superhighway and the GZ West Superhighway (also known as the "Western Delta Route") declined slightly by 1% YoY to RMB12.99 million and the total toll revenue amounted to RMB4.74 billion.

In order to accelerate the promotion of the electronic toll collection ("ETC") usage, Guangdong Province increased the discount rate from 2% to 5% across the province from 1 July 2019 for vehicles using ETC payment cards on expressways to align with national standards. Due to increasing ETC payment card users and rising discounts, the policy has a direct impact on the toll revenue of the GS Superhighway and the GZ West Superhighway.

Apart from the impact of higher ETC discount, the average daily toll revenue and average daily full-length equivalent traffic of the GS Superhighway declined by 3% and 2% YoY to RMB8.84 million and 100,000 vehicles respectively in 2019, mainly due to traffic diversion and construction works implemented. The growth of the GZ West Superhighway remained steady, with the average daily toll revenue and average daily full-length equivalent traffic for the year increasing by 5% and 9% YoY to RMB4.15 million and 59,000 vehicles respectively, although vehicles previously diverted to the GZ West Superhighway returned to Foshan Ring Road due to withdrawal of the truck restrictions imposed on Foshan Ring Road since 2019.

During the year under review, the Group's shared aggregate net toll revenue declined slightly by 1% YoY to RMB2.144 billion. Contributions from the GS Superhighway and the GZ West Superhighway were 66% and 34%, respectively.

Year	2018	**2019**	% Change
At JV level			
GS Superhighway			
Average daily toll revenue# (RMB'000)	9,154	**8,835**	–3%
Average daily full-length equivalent traffic* (No. of vehicles '000)	102	**100**	–2%
GZ West Superhighway			
Average daily toll revenue# (RMB'000)	3,952	**4,150**	+5%
Average daily full-length equivalent traffic* (No. of vehicles '000)	54	**59**	+9%

\# Including tax

* Average daily full-length equivalent traffic is defined as the total distance travelled by all vehicles on the expressway divided by the full length of the expressway and the total number of days in the year under review. It can better reflect road usage as it takes into account total travelling distance by all vehicles on the expressway and is a standard operational statistic used throughout the industry

Operating Environment

The growth momentum of domestic economy is resilient

The economy of the PRC became volatile in 2019 and downward pressure was high due to uncertainties increasing dramatically home and abroad and the China-US trade friction. Although the GDP growth slowed down to 6.0% YoY for the fourth quarter as compared to 6.4% YoY for the first quarter, growth rate for the year still reached 6.1% YoY, which was in line with the annual growth target of 6% to 6.5%. To cope with economic slowdown, the PRC government actively implemented a series of prudent monetary policies and enhanced the macro regulation on the downward trend through economic policies during the year, so as to support the development of real economy and provide resilience for the overall domestic economy. The investor confidence in the market restored gradually upon signing of the phase 1 trade agreement between the PRC and the US. Furthermore, as the PRC government repeatedly highlighted that construction of the moderately prosperous society shall fully complete in 2020, the steady approach of economic policies is expected to continue with a goal of steady economic development. In 2019, the economic growth of Guangdong Province maintained favorable with GDP for the year increasing by 6.2% YoY in the region. Further improvement in the innovation capacity of the province boosted the reform and upgrade in related industries in adjacent regions, facilitating the demand on logistics and transportation continuously.

Abundant opportunities generated by the Guangdong-Hong Kong-Macao Greater Bay Area (the "Bay Area")

Regional development of the Guangdong-Hong Kong-Macao Greater Bay Area is driven by four core cities, namely Hong Kong, Macao, Guangzhou and Shenzhen. The Bay Area is also composed of important hub cities such as Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing, with a total area of approximately 56,000 square kilometres and a total population of more than 71 million at the end of 2019. In 2019, GDP of the area exceeded RMB11 trillion, which accounted for approximately 12% of Mainland China's GDP. It is one of the most active regions in the PRC in terms of economy with remarkable regional advantages and great development potential.

Guangdong-Hong Kong-Macao Greater Bay Area*

*	Include HKSAR, Macao SAR, Guangzhou, Shenzhen, Zhuhai, Dongguan, Huizhou, Zhongshan, Foshan, Zhaoqing and Jiangmen
^	Calculated based on the average exchange rate of RMB1 to HKD1.1332 in 2019 (Census and Statistics Department, HKSAR)
#	Calculated based on the average exchange rate of RMB1 to MOP1.1673 in 2019 (Statistics and Census Service, Macao SAR)
Source:	Statistics Bureau of Guangdong Province, Census and Statistics Department, HKSAR, Statistics and Census Service, Macao SAR

Developing the Guangdong-Hong Kong-Macao Greater Bay Area is a crucial development strategy of the PRC and is formally carried out upon the launching of the Outline Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area ("Outline Plan") on 18 February 2019. To support the development plan of the PRC and further strive for the strategic position and development targets set for the Bay Area in the Outline Plan, Guangdong Province, Shenzhen and Dongguan published detailed action plans successively, including the 3-year Action Plan of Guangdong Province for Building the Guangdong-Hong Kong-Macao Greater Bay Area (2018-2020), 3-year Action Plan of Municipal State-owned Enterprises in Shenzhen Regarding Partaking in the Development of the Guangdong-Hong Kong-Macao Greater Bay Area (2019-2021) and Opinion of the Municipal Government of Dongguan on Implementation of the Development Strategies of the Guangdong-Hong Kong-Macao Greater Bay Area and Building of National Innovation Cities in All Aspects. Taking advantages actively and enhancing communication and cooperation, these regions will facilitate the constructions in the Bay Area practically, support the diversified and sustainable economic development and build the Bay Area into an international first-class bay area and a world-class city cluster by 2022 as a new economic driver of the PRC.

In this regard, Guangdong Province announced a 3-year action plan in early July 2019. In terms of industry development, it is proposed in the document to push forward development of the Guangzhou-Shenzhen-Hong Kong-Macao Science and Technology Innovation Corridor; to enable the mobility of key factors of innovation and the intercommunication among technology facilities while establishing cross-boundary cooperation platforms through science parks, high-tech industrial development zones and high-tech industrial bases along the corridor; and to set up 3 key cooperation zones for scientific innovation in the boundary district between Shenzhen and Hong Kong, Hengqin New Zone and Nansha District. In terms of promoting scientific innovation, Guangdong Province focused on providing support in areas such as construction planning, land approval, funding arrangements and talent policies to attract and retain outstanding talents in the Bay Area. In terms of transport, it is proposed in the document to build a rapid intercity transport network, to enhance transport link between the eastern and western banks of the Pearl River and to accelerate the expansion works at busy sections of certain state-level expressways, such as the Beijing-Hong Kong-Macao Expressway. Such policies supported the GS JV in accelerating the expansion of the GS Superhighway.

On the other hand, the State Council published the Opinion on Building Shenzhen into a Pilot Demonstration Area of Socialism with Chinese Characteristics in August 2019, highlighting the formation of high quality development system and expressing detailed requirements on various aspects including scientific innovation, interconnection between financial markets, talent attraction and sustainable development. It also supported Shenzhen in the development of key innovation carriers such as 5G and artificial intelligence as well as the acceleration of building it into a smart city and big-data center for the Guangdong-Hong Kong-Macao Greater Bay Area. It further proposed that building Shenzhen into a modern international and innovation-oriented city by 2025 is crucial for the development of the Bay Area.

Interconnection of transport infrastructure is essential for the economic development of the Bay Area. Especially, the HZM Bridge and the Nansha Bridge, which were officially commissioned in October 2018 and April 2019 respectively, as important passages connecting the eastern and western banks of the Bay Area, have further improved the traffic system and structure of the Bay Area, facilitated the synergetic development of both banks significantly and boosted the traffic volume on the GS Superhighway and the GZ West Superhighway. In December 2019, Guangdong Province became one of the pilot areas for building the PRC into a major transport country. Key tasks include expansion of expressways and achieving the target of building a modern and comprehensive traffic system in 3 to 5 years. Leveraging on its remarkable economic advantages and a series of favourable policies, the Bay Area is expected to further enhance the connection, coordination and development of the regions and promote higher traffic volume, visitor flow and logistic demand. As the GS Superhighway and the GZ West Superhighway operated by the Group connect core areas of the Bay Area, their operating performances will benefit from the great traffic volume brought by the increasingly frequent business activities.

Latest Updates on Industry Policies

Removal of provincial boundary expressway toll stations

The State Council of the PRC proposed to achieve swift non-stop toll collection through the removal of most provincial boundary expressway toll stations nationwide within two years in its Government Work Report 2019. In line with the national plan, Department of Transportation of Guangdong Province published its implementation plan in June 2019. Relevant works have been completed by the end of 2019 and the systems have been switched successfully, indicating that Guangdong Province has been formally merged into the national network. Based on this implementation plan, significant adjustments have been made to the toll collection mode of expressways, including (1) switching from the former mode where one-off tariffs are collected at toll station exits to sectional tariffs based on actual driving route; (2) enhancing the effort in promoting ETC usage; (3) adjusting toll collection mode for trucks from the former toll-by-weight basis to one where tariff rates are determined based on vehicle type. Under the new toll collection mode, not only will manpower need be lowered for entries and exits of toll stations to help save on staff costs in the long run, vehicles will also enjoy faster access to expressways and improved service quality. To support relevant plans, 158 and 65 additional ETC lanes and ETC-Manual combined lanes were installed in the GS Superhighway and the GZ West Superhighway respectively, for the purpose of improving the overall passage efficiency.

Adjustment to ETC discount

In order to accelerate the promotion of ETC usage, Guangdong Province has adjusted toll discount for vehicles using ETC payment cards on expressways within the province to align with the national standard, increasing the discount rate from 2% to 5%, effective from 1 July 2019. During the second half of 2019, tolls collected through means of ETC payment cards on the GS Superhighway and the GZ West Superhighway accounted for approximately 53% of the overall toll revenue, higher than approximately 45% for the first half of 2019. The average daily exiting traffic volume of vehicles using ETC payment cards also increased from approximately 45% for the first half of 2019 to approximately 54% for the second half of the year. With implementation of the policies, it is expected that the ETC usage rate will grow further and it may have a short-term negative impact on the toll revenue of the Group.

Adjustment to Vehicle Classification of the Toll for Highway

On 30 May 2019, Ministry of Transportation of the PRC published the new industry standard on Vehicle Classification of the Toll for Highway to replace the one issued in 2003. Based on this latest industry standard, vehicles are classified into three main types: namely passenger vehicles, goods vehicles (or trucks) and special motor vehicles. By authorised passenger capacity, passenger vehicles are further classified into four types. Those with a passenger capacity of 8 to 9 are reclassified to Class 1 from the original Class 2 while classifications of other passenger vehicles remain unchanged. Trucks and special motor vehicles are classified into six types by total number of axles, vehicle length and maximum authorised total weight. Tariff standard for expressways within Guangdong Province were revised based on the new standard on vehicle classification and the basic tariff rate remains unchanged at RMB0.6 per kilometre for each vehicle for the expressways with 6 lanes or above. Tariff multiplier for passenger vehicles remains unchanged and tariff multipliers for trucks was added. The new tariff standard officially came into effect on 1 January 2020.

Vehicle Classification and Tariff Multiplier of the Toll for Highway in Guangdong Province

	Passenger vehicle		Truck		Special motor vehicle	
Class	No. of passengers	Tariff Multiplier	No. of axles	Tariff Multiplier [N2]	No. of axles	Tariff Multiplier
1	≤9	1	2 [N3]	1	2 [N3]	1
2	10-19	1.5	2 [N4]	2.1	2 [N4]	2.1
3	≤39	2	3	3.16	3	3.16
4	≥40 [N1]	3	4	3.75	4	3.75
5	–	–	5	3.86	5	3.86
6	–	–	6	4.09	≥6	4.09

N1: Large passenger vehicle with 40 seats above will be charged as Class 3
N2: For >6-axle truck: charge on the basis of Class 6 and tariff multiplier will increase by 0.17 for each additional axle
N3: Vehicle length <6 metres and maximum authorised weight <4.5 tonnes
N4: Vehicle length ≥6 metres or maximum authorised weight ≥4.5 tonnes

Throughout 2019, toll revenue from Class 2 passenger vehicles of the GS Superhighway and the GZ West Superhighway accounted for approximately 1% only of the overall toll revenue. Impact of the revision to the classification of passenger vehicles on toll revenue is expected to be minimal. For trucks, the switch from toll-by-weight to toll-by-vehicle-type is essentially a return to the toll collection mode before 2014. As the new tariff standard is mainly based on the principle of not increasing the overall tariff burden of trucks as well as balancing and slightly reducing tariff based on vehicle types and toll-by-weight tariff, it is expected to have insignificant impact on the overall toll revenue. The Group will continue to pay close attention to the changes in toll revenue.

Guangzhou and Shenzhen to Increase Quota for Vehicles

In 2019, approximately 25.8 million vehicles were sold in the domestic market of Mainland China, representing a decline from 2018. To boost consumption, the government has introduced a number of supporting measures, including preferential financial and taxation policies such as exempting vehicle purchase taxes and providing purchase subsidies for new energy vehicles. In the measures in respect of promoting commercial consumption announced in August 2019, the State Council also proposed stimulus programs for automobile consumption, such as exploration of detailed measures in respect of relaxing or cancelling purchase restrictions gradually based on the actual circumstances of the region where vehicle purchase restrictions were imposed, so as to drive up vehicle consumptions and promote the highway industry. According to statistics from the Ministry of Public Security, car ownerships reached 260 million in Mainland China at the end of 2019, representing an increase of 8.8% YoY. The increase in car ownerships will continue to drive the demand for expressway transportation. In addition, Guangzhou and Shenzhen adjusted their vehicle quota respectively, increasing with a total of 190,000 extra quota of car license plates from June 2019 to the end of 2020. Increasing vehicle quotas can further promote the overall car ownerships and boost transportation demand, which will underpin the business development of the Group's expressways.

Adjustments on the Holiday Toll-free Policy for Small Passenger Vehicles with 7 seats or less during the Lunar New Year in 2020

Due to the novel coronavirus pneumonia epidemic, the Ministry of Transport published a notice to extend the Holiday Toll-free Policy for small passenger vehicles with 7 seats or less during the Lunar New Year in 2020 from the original 7 days in aggregate (from 24 January 2020 to 30 January 2020) to a total of 16 days (ended on 8 February 2020), so as to shift peak period travel of vehicles. As a result, the toll revenue of the GS Superhighway and the GZ West Superhighway for 2020 will decrease.

Waiver of Tolls on Toll Roads During the Prevention and Control of Epidemic Caused by the Novel Coronavirus Pneumonia

Pursuant to the Notice from the Ministry of Transport on Waiver of Tolls on Toll Roads During the Prevention and Control of Epidemic Caused by the Novel Coronavirus Pneumonia issued by the Ministry of Transport on 15 February 2020, due to the novel coronavirus pneumonia epidemic, with the approval of the State Council, commenced from 00:00 a.m. on 17 February 2020 till the end of the prevention and control of the epidemic, tolls of toll roads is waived nationwide during the period of the prevention and control of the epidemic caused by the novel coronavirus pneumonia, specific end date is subject to further notice. During the period of the prevention and control of the epidemic, tolls on the GS Superhighway and the GZ West Superhighway operated by the Group shall also be waived, it is expected to inevitably have a negative impact on the business performance of the Group. Meanwhile, according to the publications on the official website of the Ministry of Transport, the PRC government will further study and issue relevant supporting security policies to safeguard the legitimate interests of the users, creditors, investors and operators of toll roads in a coordinated manner. The Group will actively monitor the implementation of the waiver of tolls and follow up on the release of relevant supporting security policies to further assess the likely impact on its business performance.

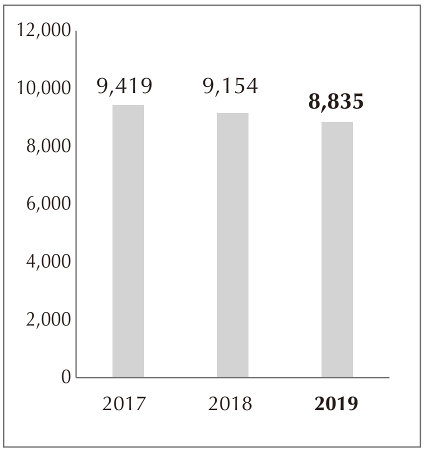
Guangzhou – Shenzhen Superhighway

Project Summary	
Location	Guangzhou to Shenzhen, Guangdong, PRC
Length	122.8 km
Lanes	A total of 6 lanes in dual directions, except for certain sections being 10 lanes
Class	Expressway
Toll Collection Period	July 1997–June 2027
Profit Sharing Ratio	Year 1–10: 50% Year 11–20: 48% Year 21–30: 45%

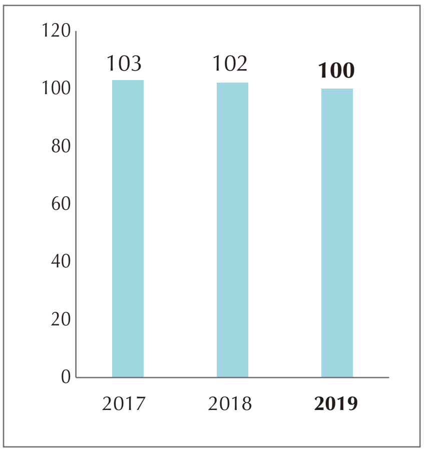
The GS Superhighway is a main expressway connecting the three major cities – Guangzhou, Dongguan and Shenzhen on the eastern bank of Bay Area to Hong Kong. The economies of cities along the expressway are well developed and growing steadily. The GDP of Guangzhou, Dongguan and Shenzhen rose 6.8%, 7.4% and 6.7% YoY respectively in 2019, providing solid support for traffic volume of the GS Superhighway. In 2019, the average daily toll revenue of the GS Superhighway fell 3% YoY to RMB8.84 million. Its total toll revenue for the year amounted to RMB3,225 million. Its average daily full-length equivalent traffic fell 2% YoY to 100,000 vehicles. The decrease in toll revenue was greater than that in full-length equivalent traffic, mainly due to higher ETC discount, which resulted in a decrease in average toll revenue per vehicle. Passenger vehicles were the major contributors to toll revenue and traffic volume, accounting for 71.3% and 83.4% of the toll revenue and full-length equivalent traffic of the GS Superhighway respectively.

During the year, the decrease in toll revenue of the GS Superhighway was mainly due to the completion of new road networks in adjacent areas, lower traffic volume resulting from repair and landscape improvement works in some sections and higher ETC discounts in the second half of the year. Several roads located near the Guangzhou and Dongguan sections of the GS Superhighway were commissioned during 2018, including the Guangzhou Northern Third Ring Road, Phase II of the Dongguan Ring Road and the west extension of Guangzhou-Huizhou Expressway, which were successively opened to traffic in January 2018, February 2018 and October 2018, respectively. The commission of aforesaid roads further enhanced the connectivity of road networks and allowed road users more options, thereby diverting traffic for the GS Superhighway in the short-term. Moreover, a vessel collision happened at one of the channel bridges in the Xintang-Machong section of the GS Superhighway in January 2019. As a result, a main lane and an emergency lane in both northbound and southbound directions of the section had to be partially closed in phases for repair. The 2-month repair works were executed in the first quarter of 2019. As traffic diversion was implemented simultaneously during the construction period, some of the vehicles traveling through this section had to be diverted to other roads. Furthermore, in order to improve driving experience for road users, the Shenzhen and Dongguan sections of the GS Superhighway undertook landscape improvement works from the end of August 2018 and mid-March 2019, respectively. During the construction period, certain driving lanes were closed in phases, which also intermittently and slightly affected traffic volume. As relevant works were all completed during the year, traffic volume and toll revenue recovered gradually in the fourth quarter of 2019, but the increase in toll revenue was offset by the higher ETC discount. Meanwhile, from 1 March 2018 to 31 December 2020, the Shenzhen section of the Coastal Expressway, which runs parallel to the Xinqiao-Nantou section of the GS Superhighway, offers a 50% toll discount to trucks using this section. Its implementation also posed a negative impact onto the GS Superhighway’s truck traffic.

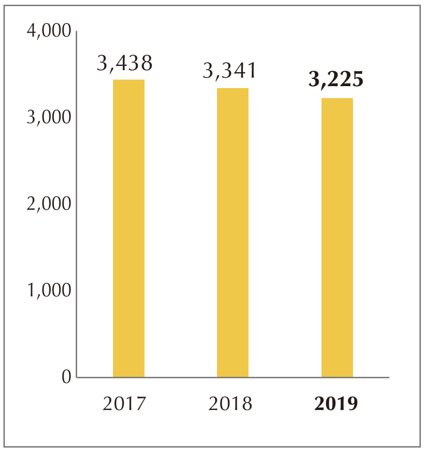
Average Daily Toll Revenue[#]
(RMB thousand)



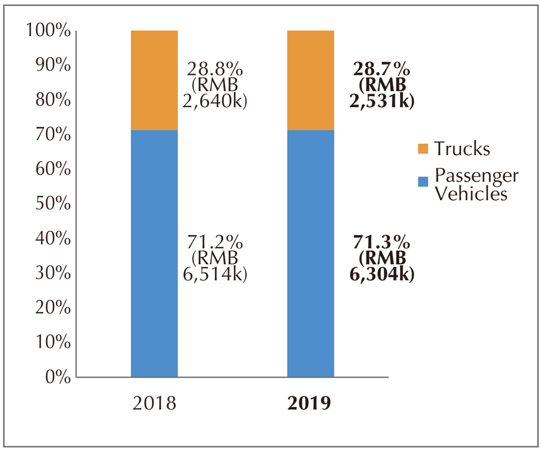
Average Daily Full-Length Equivalent Traffic
(No. of vehicles in thousand)



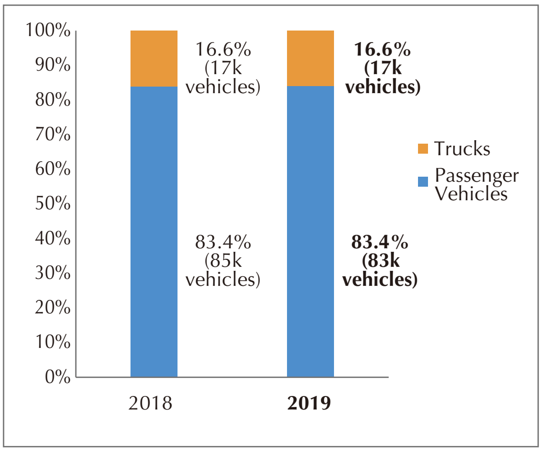
Annual Toll Revenue[#]
(RMB million)



Average Daily Toll Revenue Breakdown by Vehicle Type



Average Daily Full-Length Equivalent Traffic Breakdown by Vehicle Type



Including tax

Commissioned in April 2019, the Nansha Bridge is another important passage crossing the Pearl River in addition to the Humen Bridge and it has enhanced traffic connectivity and efficiency across the Pearl River. For vehicles traveling across the Pearl River, they can travel to and from the Nansha Bridge via the newly opened Houjienan interchange of the GS Superhighway and the Dongguan-Panyu Expressway, as well as to and from the Humen Bridge via the Taiping interchange of the GS Superhighway. Moreover, passing of trucks and passenger vehicles with 40 seats above is prohibited on Humen Bridge with effect from mid-August 2019 and vehicles traveling across the Pearl River shall detour through Nansha Bridge or Huangpu Bridge, thereby resulting in a slightly positive effect on the toll revenue and traffic volume of the GS Superhighway.

Expansion of GS Superhighway

Linking Guangzhou, Dongguan, Shenzhen and Hong Kong, the GS Superhighway is an important traffic passage connecting the Bay Area internally and externally. As the Outline Plan and 3-year Action Plan of Guangdong Province for Building the Guangdong-Hong Kong-Macao Greater Bay Area (2018-2020) provided clear plans to accelerate the expansion of busy sections of certain state-level expressways, such as the Beijing-Hong Kong-Macao Expressway, the expansion of the GS Superhighway will be accelerated as planned. With the development of the Bay Area gaining speed, the GS JV has already carried out a feasibility study on road expansion, so as to improve traffic efficiency as well as land utilisation by increasing the number of traffic lanes on the main alignment and optimising interchange design and land use layout. Currently, a steering committee was established by the GS JV to be responsible for related works and started organising and preparing the feasibility report. Based on general procedures, the expansion works of the GS Superhighway may only commence formally upon approval of the application of the works made after completion of the feasibility report.

Potential Land Development and Utilisation of GS Superhighway

Local governments are expected to further enhance infrastructure construction and urban land planning upon the launch of the Outline Plan. The Company is currently exploring the development mode of land along the GS Superhighway with Guangdong Provincial Highway Construction Company Limited ("Guangdong Highway Construction", the joint venture partner for the GS JV) to strive for the opportunities of integrated development and realisation of value for the GS Superhighway's stock of land alongside, as well as arriving at a win-win solution on the implementation of land use plan through coordination with local governments.

In October 2019, the Company has entered into a memorandum of cooperation and two framework agreements (collectively referred to as "Documents of Intent") with Guangdong Highway Construction, which set out the principles of cooperation in relation to the potential development and utilisation of the land along the GS Superhighway. Pursuant to the Documents of Intent, the Company will lead in the potential land development projects in the Shenzhen region and hold 57.5% equity interests in relevant project company; Guangdong Highway Construction will lead in the potential land development projects in the Guangzhou region and the Company will hold 37.5% equity interests in relevant project company. For potential land development projects in the Dongguan region, the company will take the lead and hold 57.5% equity interests in relevant project company if the development opportunity is acquired by the Company with its internal resources; if Guangdong Highway Construction will take the lead in the project, the Company will hold 37.5% equity interests in relevant project company. Please refer to the voluntary announcement of the Company dated 28 October 2019 and the table below for details of the Documents of Intent.

Intended proportion of equity interest of potential land development projects

Regions	Projects intended to be led by	Intended Equity Interest Bay Area Development	 GD Highway Construction
Shenzhen	Bay Area Development	57.5%	42.5%
Guangzhou	GD Highway Construction	37.5%	62.5%
Dongguan	If led by Bay Area Development	57.5%	42.5%
	If led by GD Highway Construction	37.5%	62.5%

The GS Superhighway is 122.8 km in length running through Guangzhou, Dongguan and Shenzhen regions with approximately 28,000 mu (or approximately 18 million square metres) of acquired land for road construction purpose and in possession of 23 toll stations or interchanges. According to preliminary studies, it is estimated that approximately 10 toll stations or interchanges are suitable to undergo traffic layout transformation for land utilisation in order to release land for comprehensive development. Before such released land can be utilised for comprehensive land development of different types after necessary change of the nature of the land use, such released land should fulfil the urban planning requirements of local governments, the expansion plan of the GS Superhighway, complete the relevant procedures in relation to the change of land use and obtain the land use rights for future development. However, as the change of land use needs to be carried out in accordance with the relevant urban planning and regulations in the PRC, there is uncertainty as to whether the relevant procedures for the change of land use can eventually be completed and the land use rights for future development can be obtained, and as to the final type of land use, land size and completion time of any future land development.

The Company had entered into a strategic cooperation framework agreement with China Vanke Co., Ltd. on 18 June 2019 to carry out all-round strategic cooperation in relation to the development and utilisation study of the land and project cooperation along the GS Superhighway traffic route and other land development projects designated by the Company. By leveraging on respective financial and technical resources and expertise of each other, both parties will achieve comprehensive cooperation in infrastructure construction in aspects such as smart cities, smart parks and intelligent transportation. Please refer to the voluntary announcement of the Company dated 18 June 2019 for details of strategic cooperation framework agreement.

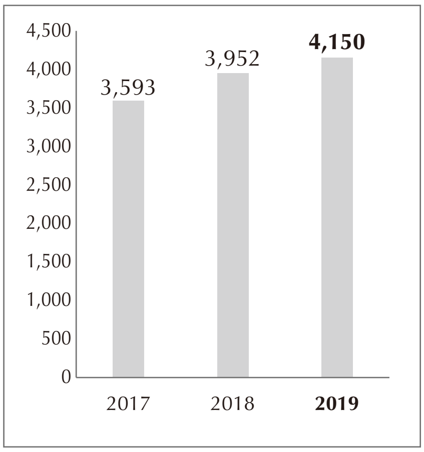
Guangzhou-Zhuhai West Superhighway

Project Summary	
Location	Guangzhou to Zhuhai, Guangdong, PRC
Length	97.9 km
Lanes	A total of 6 lanes in dual directions
Class	Expressway
Toll Collection Period	Phase I West (September 2003 to September 2033) Phase II West (June 2010 to June 2035) Phase III West (January 2013 to January 2038)
Profit Sharing Ratio	50%

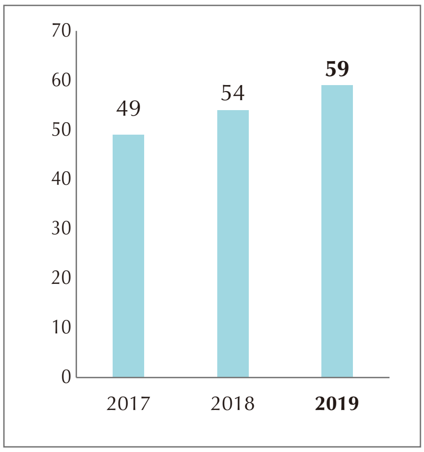
The GZ West Superhighway, measured 97.9 km in length, is a closed expressway with a total of 6 lanes in dual directions. It runs from north to south along the central axis of western PRD and connects four major cities, namely Guangzhou, Foshan, Zhongshan and Zhuhai. Being built and opened in three phases, the GZ West Superhighway is the expressway artery between the city centres of Guangzhou and Zhuhai, and offers the most convenient access to Hengqin, Macao and Hong Kong through its connection with Second Hengqin Bridge, the Zhuhai Link Road and the HZM Bridge respectively.

In 2019, the GZ West Superhighway's average daily toll revenue and average daily full-length equivalent traffic recorded steady growth, rising 5% and 9% YoY respectively to RMB4.15 million and 59,000 vehicles. Meanwhile, its total toll revenue for the year amounted to RMB1,515 million. The increase in toll revenue was lower than that in full-length equivalent traffic, mainly due to reduced proportion of truck traffic and higher ETC discount, which resulted in a decrease in average toll revenue per vehicle. Passenger vehicles were the major contributors to toll revenue and traffic volume, accounting for 71.3% and 82.1% of the GZ West Superhighway's toll revenue and full-length equivalent traffic respectively. The GZ West Superhighway runs through four major cities on the west bank of the Bay Area, namely Guangzhou, Foshan, Zhongshan and Zhuhai. Economy of the above cities remained sound with a GDP growth of 6.8%, 6.9%, 1.2% and 6.8% respectively in 2019, underpinning the continuous growth of traffic volume on the GZ West Superhighway. Among them, Foshan is the third city in Guangdong of which GDP exceeded RMB1 trillion in 2019 after Guangzhou and Shenzhen and it drives the development of adjacent cities as its comprehensive economic strength is improving.

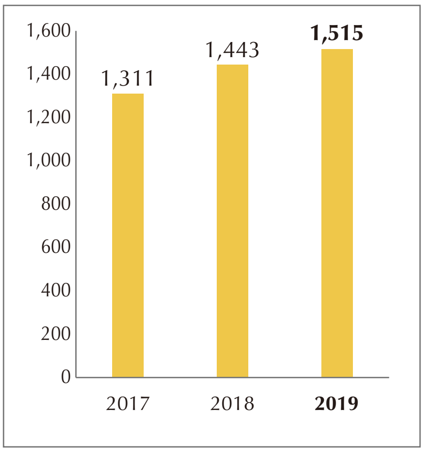
Average Daily Toll Revenue#
(RMB thousand)



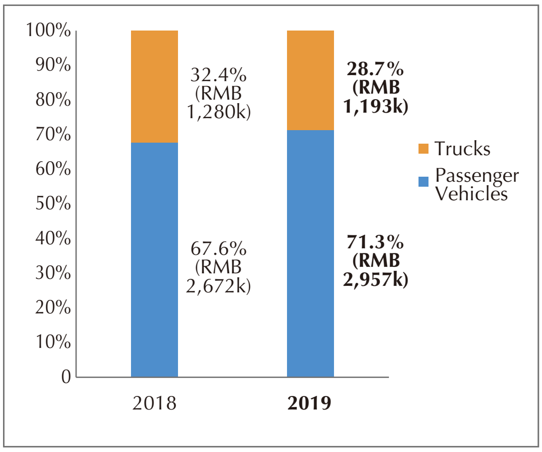
Average Daily Full-Length Equivalent Traffic
(No. of vehicles in thousand)



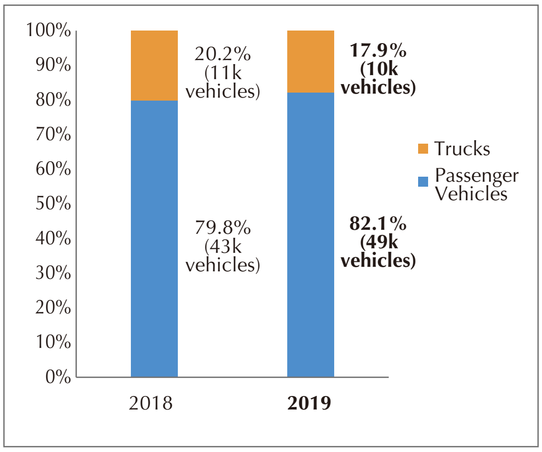
Annual Toll Revenue#
(RMB million)



Average Daily Toll Revenue Breakdown by Vehicle Type



Average Daily Full-Length Equivalent Traffic Breakdown by Vehicle Type



Including tax

Foshan Ring Road is formerly a major local road of Foshan city located close to the northern end of the GZ West Superhighway. During the period between the second half of 2017 and 2018, restrictions banning trucks from going through its main alignment were imposed. As a result, some trucks were diverted to the GZ West Superhighway, leading to an increase in its traffic volume. As these traffic control measures came to an end in 2019, growth in toll revenue and traffic volume of the GZ West Superhighway fell correspondingly. Foshan Ring Road has been converted from a toll-free local road into a toll expressway from 2020 to connect with Guangzhou-Zhongshan-Jiangmen Expressway and Jiangmen-Zhuhai Expressway, forming an expressway corridor that runs mostly parallel to the GZ West Superhighway, linking up Foshan, Jiangmen and western Zhuhai. The Group will continue to pay close attention to the impact of its upgrade on the GZ West Superhighway. But we expect that Foshan Ring Expressway will not result in traffic diversion from the GZ West Superhighway after toll collection commences.

Commissioned on 24 October 2018, the HZM Bridge now already handles an average daily cross-boundary traffic volume of close to 4,000 vehicles. In order to boost utilisation of the bridge, all of the approximately 33,000 cross-boundary private cars allowed to use other land border crossings can also access the HZM Bridge without the need to go through additional procedures for two years since April 2019. In addition, governments of the three regions also announced in October 2019 to increase the quota for Guangdong-Hong Kong cross-boundary private cars using the HZM Bridge border crossing by 5,000 to further improve the utilisation of the bridge, enhance cross-border traffic and make better use of the bridge in the development of the Bay Area. This will attract more traffic to the GZ West Superhighway in the long term and promote the operation performance of the expressway.

Officially commissioned on 2 April 2019, the Nansha Bridge is connected with the Guangzhou Second Ring Expressway at its western end and Dongguan-Panyu Expressway at its eastern end. Vehicles can gain quick access to the Guangzhou Second Ring Expressway and the Nansha Bridge via the Shunde East interchange of the GZ West Superhighway. Compared with another passage crossing the Pearl River – Humen Bridge, vehicles driving across the Pearl River through the Nansha Bridge can travel to and fro major cities on the west bank of Bay Area much faster via the GZ West Superhighway, which will contribute to the sustainable growth in its traffic volume.

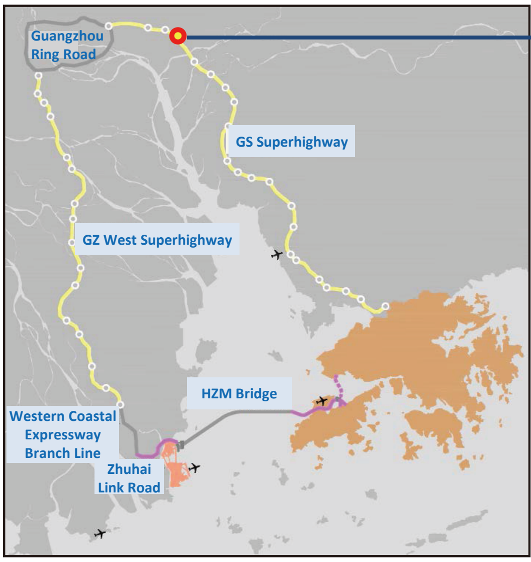
The GZ West Superhighway is the main expressway artery between Guangzhou and Zhuhai, and offers an effective access to the Hengqin New Zone and the HZM Bridge through its connection with the expressway networks in Zhuhai. The Zhuhai Government approved on 6 September 2018 the Hengqin New Zone and Free Trade Zone, Hongwan, Wanzai Regional Integration Development Plan. Under the plan, the Hengqin New Zone and its adjacent northern area will be incorporated as part of the development plan, so that the total area under development will be expanded to about 161 square km. The plan aims at developing the territory into a new city centre in Zhuhai, while building an important economic zone that will drive regional development through strengthened cooperation among Guangdong, Hong Kong and Macao. Entering 2019, the State Council of the PRC approved the Construction Plan for Hengqin International Recreation Island and published the same in April, further clarifying the positioning of Hengqin New Zone's development. It is to be developed into an international recreation island through a joint effort in tourism development with Macao, the introduction of tourism and recreational projects and businesses with an international presence, and the cultivation of a diversified tourism ecosystem. Hengqin New Zone has celebrated the 10th anniversary in 2019 since inception. During the rapid development in the past decade, an aggregate RMB270 billion of fixed asset investment was made and facilities and ancillaries in the zone were improving with completion and operation of a number of large-scale tourist attractions successively. The development of Hengqin New Zone is bound to stimulate transport demand and add momentum to the growth in traffic volume for the GZ West Superhighway.

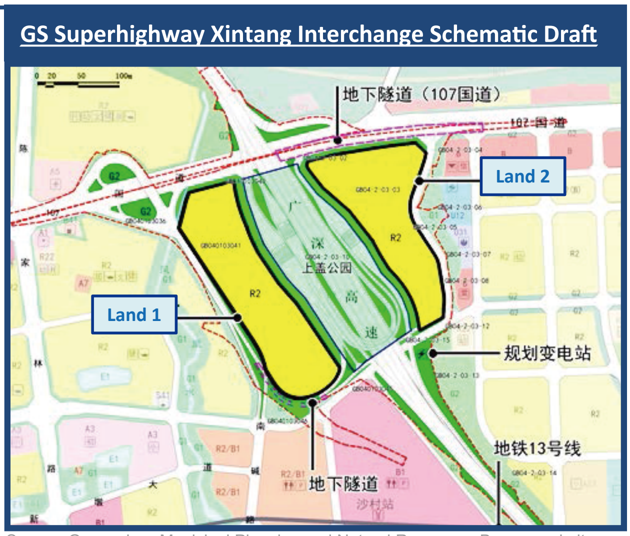
Guangzhou Xintang Residential Project

Project Summary	
Location	Xintang Town, Zengcheng District, Guangzhou, Guangdong, PRC
Nature of Development	Residential Project
Stake	37.5%
Total Land Area	Approximately 200,000 square metres
Gross Construction Area	Approximately 600,000 square metres

Based on the urban development need, the Land Resources Bureau of Zengcheng District of Guangzhou issued a public consultation in 2018 and October 2019 on the change to the use of the mandatory planned land located at Xintang interchange in the Guangzhou section of the GS Superhighway. It was proposed to change the land use from for roads only to for Type II residential. To comply with the plans of the government, the GS JV surrendered its land use rights of part of the land located at Xintang Interchange to the local government in November 2019 and received compensation amounted to approximately RMB180 million. Subsequently, the local government announced on the Guangzhou Public Resources Trading Center to auction the land use rights of the Project Land for residential use of Xintang Interchange. The land has a total land area of approximately 200,000 square metres and a gross construction area of approximately 600,000 square metres.

Location of the Xintang Residential Project





Source: Guangzhou Municipal Planning and Natural Resources Bureau website schematic draft (11 October 2019)

In November 2019, the Group and the subsidiaries of the Guangdong Provincial Communication Group Company Limited established the Xintang JV to bid for the land use rights of the Project Land for residential use of Xintang Interchange. The Group holds 37.5% equity interests in Xintang JV and the maximum total amount to be contributed to the Xintang project shall not exceed RMB2.55 billion. Xintang JV successfully acquired the land use rights of the Project Land for residential use of Xintang Interchange for RMB4.124 billion through tender in December 2019 and will engage in the subsequent development of residential project on the land. The Company believes that the value of the land can be maximised as the Xintang JV acquired the land use rights of the Project Land through tender and engages in the subsequent development of the residential projects. By investing in the Xintang JV, the Company will benefit from the results of the Project Land development and create better returns for shareholders. Please refer to the announcements of the Company dated 29 November 2019 and 27 December 2019 for details of the establishment of the Xintang JV and acquisition of the land use rights through tender respectively. As at 25 February 2020, the Group contributed RMB777 million in total into Xintang JV to pay for registered capital and land premium.

The Xintang JV will carry out the transformation work of Xintang Interchange and surrender it to the GS JV free of costs. It will also promote the construction of the residential project simultaneously. The Xintang JV intends to introduce professional property developer as strategic partner to optimise the shareholder structure and take advantage of its professionalism in developing large-scale premium residential project. Meanwhile, this move may enhance the reputation and overall benefit of the Xintang project.

As announced by the Company on 27 August 2018, the Company changed the financial year end date from 30 June to 31 December following the publication of the audited consolidated financial statements of the Group for the year ended 30 June 2018 (the "Change of Financial Year End Date"). Subsequent to the Change of Financial Year End Date, the Group's new financial year covers the period of twelve months from 1 January to 31 December. Last year was the first financial year after the change, covering only the period of six months from 1 July 2018 to 31 December 2018 (the "second half of 2018"). This is the first financial year that covers twelve months after the Change of Financial Year End Date. Accordingly, the financial reporting period as presented in the financial statements covers the year ended from 1 January 2019 to 31 December 2019 ("2019"), while relevant comparative figures cover the second half of 2018, so it may not be comparable.

For the benefit of better understanding on the Group's operating performance for the twelve months ended 31 December after adoption of the new financial year end date and to improve the comparability of financial information, the following financial review of the Group has presented the unaudited financial results covering for the period of twelve months ended 31 December 2018 ("2018") as comparatives.

The Group's results for the twelve months ended 31 December 2018 and the year ended 31 December 2019 were as follows:

	Twelve months ended 31 December 2018 (unaudited)					**Year ended 31 December 2019 (audited)**				
RMB million	Net toll revenue	EBITDA	Depreciation and amortisation	Interest and tax	Results	**Net toll revenue**	**EBITDA**	**Depreciation and amortisation**	**Interest and tax**	**Results**
Group's share project contributions:										
Toll expressway projects										
– GS Superhighway Note 1	1,460	1,310	(459)	(324)	527	**1,409**	**1,248**	**(445)**	**(316)**	**487**
– GZ West Superhighway	700	611	(238)	(211)	162	**735**	**627**	**(245)**	**(193)**	**189**
Sub-total	2,160	1,921	(697)	(535)	689	**2,144**	**1,875**	**(690)**	**(509)**	**676**
Land development and utilisation project										
– Xintang Interchange	–	–	–	–	–	**–**	**0**	**–**	**(2)**	**(2)**
Total	2,160	1,921	(697)	(535)	689	**2,144**	**1,875**	**(690)**	**(511)**	**674**
YoY change						**–1%**	**–2%**	**–1%**	**–4%**	**–2%**
Corporate:										
Bank deposits interest income					15					**2**
Interest income of loan to a JV					–					**2**
Other income					1					**3**
General and administrative expenses and depreciation					(32)					**(37)**
Finance costs					(1)					**(1)**
Income tax expense					(0)					**(0)**
Sub-total					(17)					**(31)**
Profit before net exchange loss					672					**643**
YoY change										**–4%**
Net exchange loss					(62)					**(22)**
Profit for the year					610					**621**
Profit attributable to non-controlling interests					(9)					**(9)**
Profit attributable to owners of the Company					601					**612**
YoY change										**+2%**

Note 1: Excluding exchange differences on US Dollar and HK Dollar loans, and related income tax.

Toll Expressway Projects

The Group's share of the net toll revenue of the two expressway projects totalled RMB2,144 million, representing a decrease of 1% from RMB2,160 million of 2018. The Group's share of the net toll revenue of the GS Superhighway amounted to RMB1,409 million, representing a 3% decrease from RMB1,460 million in 2018, mainly attributable to the continuous traffic diversion of adjacent parallel highways, intermittent traffic congestion due to landscape improvement works undertaken in the Shenzhen and Dongguan sections, partial closure of the Dongzhou River Bridge for two months for repair and maintenance and ETC discount increasing from 2% to 5% with effect from 1 July 2019. Although the positive effect on traffic volume vanished upon the withdrawal of truck restriction of the Foshan Ring Road and objective factors such as the ETC discount had an impact at the same time, the toll revenue of the GZ West Superhighway still grew steadily. The Group's share of its net toll revenue reached RMB735 million, increasing 5% from RMB700 million in 2018.

The Group's share of the aggregate EBITDA of its two toll expressways (excluding net exchange loss on the GS JV's US Dollar and HK Dollar loans) decreased by 2% from RMB1,921 million in 2018 to RMB1,875 million. The rise in the GZ West Superhighway's toll revenue led to a 3% growth in the Group's share of its EBITDA from RMB611 million in 2018 to RMB627 million, which partially offset the impact of the decrease in the Group's share of the EBITDA of the GS JV due to the decrease in toll revenue.

The Group's share of depreciation and amortisation charges of the GS JV decreased by 3% from RMB459 million in 2018 to RMB445 million primarily as a result of the decrease in full-length equivalent traffic of the GS Superhighway. With steady growth in full-length equivalent traffic of the GZ West Superhighway, its depreciation and amortisation charges also increased. Driven by these two factors, the Group's share of aggregate depreciation and amortisation charges decreased slightly by 1% to RMB690 million, as compared to RMB697 million in 2018.

During the year under review, the applicable EIT rate for both the GS JV and the GZ West JV was 25%. The Group's share of tax expenses of the GS JV also decreased due to the effect of the decrease in toll revenue and US Federal Funds Rate was cut three times during the second half of 2019, which led to a 2% decrease in the Group's share of the interest and tax expenses of the GS JV from RMB324 million in 2018 to RMB316 million. The interest expenses of the GZ West JV further decreased as a result of further prepayment of bank loan principals totalling RMB848 million (JV level) by surplus cash of the GZ West JV during the year under review. The Group's share of interest and tax expenses of the GZ West JV decreased by 9% from RMB211 million in 2018 to RMB193 million. The Group's share of the aggregate interest and tax of its two expressway projects amounted to RMB509 million, a decrease of 5% as compared to RMB535 million in 2018.

Due to the impact of decrease in toll revenue of the GS Superhighway, the Group's share of net profit of the GS JV decreased to RMB487 million, a decrease of 8% as compared to RMB527 million in 2018. However, driven by the continuous growth in toll revenue and traffic of the GZ West Superhighway, the Group's share of its net profit increased by 17% from RMB162 million to RMB189 million. The total net profit of these two expressway projects (excluding net exchange loss on the GS JV's US Dollar and HK Dollar loans) decreased by 2% to RMB676 million, as compared to RMB689 million in 2018.

Land Development and Utilisation Project

As set out in the announcements of the Company dated 29 November 2019 and 27 December 2019 respectively, Shenwan Infrastructure, an indirect subsidiary of the Company, Guangdong Highway Construction, Lealu Investment and Leaxin Investment entered into the JV Agreement and JV Articles, pursuant to which, the Parties agreed to jointly establish the Xintang JV to participate in the bidding for the land use rights of the Project Land and, after successful Bidding, engage in the subsequent development of residential project on the Project Land. After the successful Bidding, the land use rights of the Project Land is held by the Xintang JV which owns as to 62.5% (in aggregate) by the GPCG (through Guangdong Highway Construction, Lealu Investment and Leaxin Investment) and 37.5% by the Group (through Shenwan Infrastructure).

In December 2019, the Parties provided the Xintang JV with a three-year shareholders' loan of approximately RMB825 million as bidding deposit of the land (approximately RMB309 million is attributable to the Group) based on their respective shareholding percentages. The shareholder's loan bears an interest rate of 8% per annum and incurred interests expenses of approximately RMB5.13 million, of which RMB2 million is attributable to the Group. Xintang JV won the bid for the land use rights of the Project Land for a land premium of RMB4,124 million and had entered into the grant contract for the state-owned construction land use rights of the Project Land with the Guangzhou Municipal Planning and Natural Resources Bureau on 25 December 2019.

The Group

Bank deposits interest income of the Group decreased to RMB2 million from RMB15 million in 2018, mainly attributable to the decrease of bank balances. In December 2019, the Group provided the Xintang JV with a three-year shareholder's loan of approximately RMB309 million based on its shareholding percentage and it generated an interest income of approximately RMB2 million. The Group started to work on improving and reorganising its internal corporate structure following the completion of the disposal of the entire 66.69% equity interest in the Group held by Hopewell Holdings Limited in April 2018. As a result, general and administrative expenses and depreciation increased from RMB32 million in 2018 to RMB37 million. Overall, loss of the Group also increased from RMB17 million in 2018 to RMB31 million.

The Group's profit before net exchange loss (net of related income tax) decreased by 4% from RMB672 million in 2018 to RMB643 million. However, net exchange loss (including exchange loss on the GS JV's US Dollar and HK Dollar loans shared by the Group) decreased to RMB22 million during the year under review, as compared to net exchange loss of RMB62 million recorded in 2018. As a result, profit attributable to owners of the Company increased by 2% from RMB601 million to RMB612 million (or RMB19.86 cents per share).

Outlook

2019 was a challenging year. The global economy obviously showed a downward trend, phase one trade deal of the China-US trade war was not reached until January 2020 and the RMB exchange rate fluctuated continuously, which adversely impacted the GS JV's US Dollar and HK Dollar loans. In January 2020, the novel coronavirus pneumonia outbroke and spread in Mainland China. Tolls of toll roads are waived nationwide during the period of the prevention and control of the epidemic caused by the novel coronavirus pneumonia, commencing from 00:00 a.m. on 17 February 2020 till the end of the prevention and control of the epidemic. The specific end date is subject to further notice. It is expected that performance of the Group will be inevitably impacted negatively as tolls of the GS Superhighway and the GZ West Superhighway operated by the Group are waived during the prevention and control of the epidemic (details are set out in the announcement of the Company dated 17 February 2020). However, the Group believes that our results for the coming year will continue to be supported by the healthy core operations of the GS Superhighway and the GZ West Superhighway. Overall, the Group remains cautiously optimistic about its future performance: (i) the GS Superhighway will benefit from favourable policies including the economic development of the Guangdong-Hong Kong-Macao Greater Bay Area, the Guangzhou-Shenzhen-Hong Kong-Macao Science and Technology Innovation Corridor and the Shenzhen Pilot Demonstration Area; (ii) the core operation of the GZ West Superhighway has been achieving steady growth and will continue to benefit from the prosperous economic and road network developments, including the HZM Bridge which opened in October 2018, the economic development in the Guangdong-Hong Kong-Macao Greater Bay Area and the Guangzhou-Shenzhen-Hong Kong-Macao Science and Technology Innovation Corridor; (iii) the US dollar interest rate cut for four times totalling 1.25% in July, September and October 2019 and in March 2020 respectively will benefit the GS JV in terms of its interest expense in 2020; and (iv) we will consider forming strategic partnerships for Xintang project to improve shareholder structure and facilitate the construction of the residential project, which will promote efficiency of the project.

Given that the steady dividend from the GS JV provides solid bases for the Group's dividend payment, the Board believes that the Group will maintain the target regular dividend payout ratio of 100% on a full-year basis sustainable after the end of the epidemic and recovery of economy.

Financing of the Group

As set out in the paragraphs under the "Land Development and Utilisation Project", after the successful Bidding, the land use rights of the Project Land is held by the Xintang JV which owns as to 62.5% (in aggregate) by the GPCG (through Guangdong Highway Construction, Lealu Investment and Leaxin Investment) and 37.5% by the Group (through Shenwan Infrastructure). The maximum total amount to be contributed (whether by way of registered capital, shareholders' loans, shareholders' guarantee and any amount of other nature) by the Parties for the investment in the project (through the Xintang JV) is RMB6,800 million ("Total Upper Limit"), among which, each of Guangdong Highway Construction, Lealu Investment, Leaxin Investment and Shenwan Infrastructure, will contribute the respective amounts of up to RMB2,550 million, RMB1,360 million, RMB340 million and RMB2,550 million, representing 37.5%, 20%, 5% and 37.5% of the maximum total amount of contribution of the Parties, and accordingly, the registered capital of the Xintang JV owned by the Parties in the same proportion.

The Total Upper Limit was arrived with reference to the estimated cost of acquisition of the land use rights of the Project Land, the estimated costs of the ancillary works and other estimated costs and expenses in relation to the operation of the Xintang JV. The respective Party's limit was determined based on their respective percentage of equity interest in the Xintang JV. It is intended that Shenwan Infrastructure's commitment of up to its respective Party's limit will be satisfied by way of external financing and internal resources of the Group. The total investment amount of Xintang JV is not bound by the Total Upper Limit. Xintang JV may arrange financing from banks or other third parties for the cost of development of the Project Land with the use of its own credit and assets.

	Maximum total amount to be contributed by the Parties to Xintang JV *RMB million*	Maximum contribution amount attributable to the Group (37.5% equity interest) *RMB million*	Time of contribution
I. Land premium of the Project Land			
Shareholders' loan	824.80	309.30	December 2019
Shareholders' loan	1,238.00	464.25	January 2020
Shareholders' loan	2,061.20	772.95	December 2020 (Expected)
Total Note 1	**4,124.00**	**1,546.50**	
II. Expected ancillary works			
Registered capital	10.00	3.75	December 2019
Shareholders' loan	2,666.00	999.75	2020-2022 (Expected)
Total	**2,676.00**	**1,003.50**	
Total Upper Limit	**6,800.00**	**2,550.00**	

Note 1: Xintang JV won the bid for the land use rights of the Project Land for a land premium of RMB4,124 million and entered into the grant contract for the state-owned construction land use rights of the Project Land with the Guangzhou Municipal Planning and Natural Resources Bureau on 25 December 2019.

The Group has duly made arrangement to meet the capital need of the Xintang JV. On 25 February 2020, the Group contributed RMB777 million to Xintang JV (comprising registered capital of RMB3.75 million and shareholder's loan of RMB773 million). Approximately RMB1,773 million of contribution has yet been invested and the Group still had available banking facilities of approximately RMB3.05 billion in total.

The financial position of the Group comprises assets and liabilities at corporate level and the Group's share of assets and liabilities of the GS JV, the GZ West JV and the Xintang JV.

Corporate Level

	31 December 2018 *RMB million*	**31 December 2019** ***RMB million***		31 December 2018 *RMB million*	**31 December 2019** ***RMB million***
Bank balances and cash	140	**50**	Bank loans	–	**281**
Shareholder's loan to a JV	–	**309**	Other liabilities	81	**93**
Interest receivable of shareholder's loan to a JV	–	**2**			
Other assets	13	**25**			
	153	**386**		81	**374**
			Net assets value of the Group	72	**12**

The Group's share of JVs

GS JV (The Group's shared portion: 45%)

	31 December 2018 *RMB million*	**31 December 2019** ***RMB million***		31 December 2018 *RMB million*	**31 December 2019** ***RMB million***
Bank balances and cash	203	**218**	Bank loans		
Concession intangible assets	4,080	**3,758**	– USD	1,128	**1,112**
Property and equipment	190	**256**	– HKD	109	**95**
Other assets	24	**44**	– RMB	675	**563**
			Other loan	9	**10**
			Other liabilities	559	**558**
	4,497	**4,276**		2,480	**2,338**
			Net assets value of GS JV	2,017	**1,938**

GZ West JV (The Group's shared portion: 50%)

	31 December 2018 RMB million	**31 December 2019 RMB million**		31 December 2018 RMB million	**31 December 2019 RMB million**
Bank balances and cash	76	**47**	Bank loans	3,078	**2,641**
Concession intangible assets	5,940	**5,729**	Balances with a JV partner	430	**456**
Property and equipment	183	**183**	Other liabilities	355	**389**
Balances with a JV	430	**456**			
Other assets	14	**21**			
	6,643	**6,436**		3,863	**3,486**
			Net assets value of GZ West JV	2,780	**2,950**

Xintang JV (The Group's shared portion: 37.5%)

	31 December 2018 RMB million	**31 December 2019 RMB million**		31 December 2018 RMB million	**31 December 2019 RMB million**
Bank balances and cash	–	**4**	Shareholder's loan	–	**309**
Net deposit paid	–	**277**	Interest payable of shareholder's loan	–	**2**
Other assets	–	**11**	Other liabilities	–	**11**
	–	**292**		–	**322**
			Net liabilities value of Xintang JV	–	**(30)**

	31 December 2018 RMB million	**31 December 2019 RMB million**		31 December 2018 RMB million	**31 December 2019 RMB million**
			Total liabilities	6,424	**6,520**
			Equity attributable to owners of the Company	4,839	**4,846**
			Non-controlling interests	30	**24**
Total Assets	11,293	**11,390**	**Total Shareholder's Equity and Liabilities**	11,293	**11,390**
			Total net assets	4,869	**4,870**

Liquidity and Financial Resources

The Group's share of bank loans of JV is non-recourse bank loans.

Corporate Level

	31 December 2018 *RMB million*	**31 December 2019** ***RMB million***		31 December 2018 *RMB million*	**31 December 2019** ***RMB million***
Bank balances and cash	140	**50**	Bank loans	–	**281**
Shareholder's loan to a JV Note 1	–	**309**			
	140	**359**		–	**281**

Net debt Note 2: RMB231 million (2018: Net cash on hand RMB140 million)
Shareholder's loan to a JV Note 1 and net debt Note 2: RMB78 million

Share of JVs (including GS JV, GZ West JV and Xintang JV)

	31 December 2018 *RMB million*	**31 December 2019** ***RMB million***		31 December 2018 *RMB million*	**31 December 2019** ***RMB million***
Bank balances and cash	279	**269**	Bank and other loans		
			– GS JV	1,921	**1,780**
			– GZ West JV	3,078	**2,641**
			Shareholder's loan		
			– Xintang JV	–	**309**
	279	**269**		4,999	**4,730**

Net debt Note 2: RMB4,461 million (2018: RMB4,720 million)

Note 1: A 3-year shareholder's loan made by the Group to Xintang JV in December 2019 as a bidding deposit of the Project Land
Note 2: Net debt: total bank loans less bank balances and cash

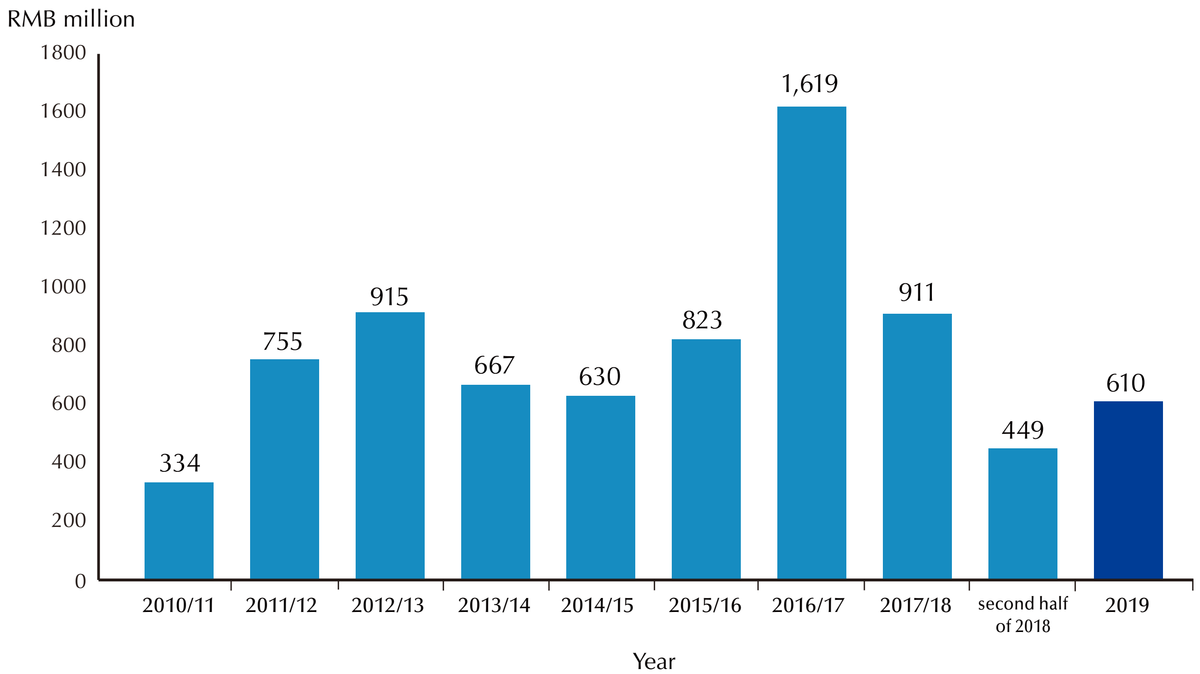
	31 December 2018 RMB million	**31 December 2019 RMB million**
Total debt		
– The Group	–	**281**
– Share of JVs Note 1	5,429	**5,238**
Net debt Note 2	5,010	**5,200**
Total assets (including share of JVs' total assets)	11,293	**11,390**
Equity attributable to owners of the Company	4,839	**4,846**
Total debt/total assets ratio	48%	**48%**
Gearing ratio	104%	**107%**

Note 1: The Group's share of JVs' debt includes bank and other loans together with balance with JV partner and shareholder's loan.

Note 2: Net debt is defined as total debt (including share of JVs) less total bank balances and cash (including share of JVs).

During the year, the major source of the Group's cash inflow was dividend received from the GS Superhighway JV. On the other hand, its major cash outflow was the payment of dividends to the shareholders of the Company. In December 2019, a 3-year shareholder's loan, approximately RMB309 million, made by the Group to the Xintang JV which was financed by its own funds and bank financing. The Group will continue to optimise its asset and liability structure, improve its cash flow and strengthen its financial position.

Cash Dividend (Net of Tax) from the GS JV to the Group



The reduction in the cash dividend received from the GS JV during 2010/11 was mainly due to the fact that funds were used to provide borrowings to the GZ West JV. Cash dividend received during 2012/13 increased as a result of the full repayment of borrowings by the GZ West JV to the GS JV in December 2012, and the GS JV's distribution of a dividend of RMB351 million to the Group out of such receipts. In August 2016, the GS JV obtained an additional 8-year bank loan facility amounting to RMB2 billion to reimburse past capital expenditure advanced by its shareholders. Subsequently, the GS JV distributed post-tax net dividend of RMB912 million to the Group out of this loan.

Bank and Other Borrowings

On 31 December 2019, the Group had HK Dollar bank loan of equivalent to approximately RMB281 million, together with the bank and other borrowings of the JVs shared by the Group amounted to approximately RMB4,421 million (including US Dollar bank loans of equivalent to RMB1,112 million, HK Dollar bank loan of equivalent to RMB95 million and RMB bank and other loans of RMB3,214 million, but excluding the shareholders' loan) totalling RMB4,702 million (2018: RMB4,999 million) with the following profile:

(a) 99.8% (2018: 99.8%) consisted of bank loans and 0.2% (2018: 0.2%) of other loan; and
(b) 68% (2018: 75%) was denominated in RMB; 24% (2018: 23%) was denominated in US Dollar and 8% (2018: 2%) was denominated in HK Dollar.

Debt Maturity Profile

As at 31 December 2019, whereas the maturity profile of the bank and other borrowings (excluding shareholder's loan) at corporate level and the Group's share of JVs were shown below, together with the corresponding comparatives as at 31 December 2018:

Corporate Level

	31 December 2018		**31 December 2019**	
	RMB million	%	***RMB million***	**%**
Repayable within 1 year	–	–	**281**	**100%**
	–	–	**281**	**100%**

In March 2020, the Group secured a conditional 5-year banking facility from a bank to refinance the revolving banking facilities utilised.

The Group's share of JVs

	31 December 2018		**31 December 2019**	
	RMB million	%	***RMB million***	**%**
Repayable within 1 year	175	3%	**338**	**8%**
Repayable between 1 and 5 years	2,791	56%	**2,890**	**65%**
Repayable beyond 5 years	2,033	41%	**1,193**	**27%**
	4,999	100%	**4,421**	**100%**

Interest Rate and Exchange Rate Exposure

The Group closely monitors its exposure to interest rates and foreign currency exchange rates and strictly controls its use of financial instruments. At present, neither the Group nor JVs has employed any financial derivative instruments to hedge their exposure to interest rates or foreign currency exchange rates.

Treasury Policies

The Group continues to adopt proactive but prudent treasury policies in its financial and funding management and closely monitors its liquidity, financial resources and the exchange rate movements, with a view to minimise its funding costs and enhance return on its financial assets. As at 31 December 2019, 94% of the Group's bank balances and cash (excluding JVs) were denominated in HK Dollar and the remaining 6% were denominated in RMB. The overall treasury yield on bank deposits at the corporate level of the Group was 2.44% during the year under review whereas 2.66% during the second half of 2018.

Contingent Liabilities

During the year ended 30 June 2008, a subsidiary of the Company recovered the registered capital of HK$702 million (equivalent to RMB471 million) previously injected to the GS JV. According to the Law of the PRC on Chinese-foreign Contractual Joint Venture, in relation to the early repayment of registered capital to the foreign joint venture partner by the GS JV before the expiry of the operation period, the subsidiary of the Company, as the foreign joint venture partner, is required to undertake the financial obligations of the GS JV to the extent of HK$702 million when the GS JV fails to meet its financial obligations during the joint venture operation period.

Except for the above, the Group had no other material contingent liability as at 31 December 2019.

Material Acquisition or Disposal

The Company's subsidiaries and associated companies did not make any material acquisitions or disposals during the year ended 31 December 2019.

Employees and Remuneration Policies

The Group provides competitive remuneration packages that are determined with reference to prevailing salary levels in the market and individual performance. It offers share option and share award schemes to eligible employees in order to provide them with incentives and to recognize their contributions and ongoing efforts. In addition, discretionary bonuses are granted to employees based on their individual performance as well as the Group's business performance. It also provides medical insurance coverage to all staff members and personal accident insurance to senior staff members. As at 31 December 2019, the Group (excluding JV companies) had 36 employees.

Besides offering competitive remuneration packages, the Group is committed to promoting family friendly employment policies and practices. The Group also invests in human capital development by providing relevant training programs to enhance employee productivity.

The Group's training programs are designed to support its employees' continuous learning and development and fill skill gaps identified during performance appraisals. Its overall training objectives are to enhance the personal productivity of its employees and to identify their career development plan in order to prepare their future roles and enable them to make greater contributions to the success of the Group's businesses. Besides formal training programs, the Group also provides comprehensive and relevant training and self-learning opportunities to employees such as on-the-job training, educational sponsorships and examination leave.

Corporate Governance Report

Corporate Governance Practices

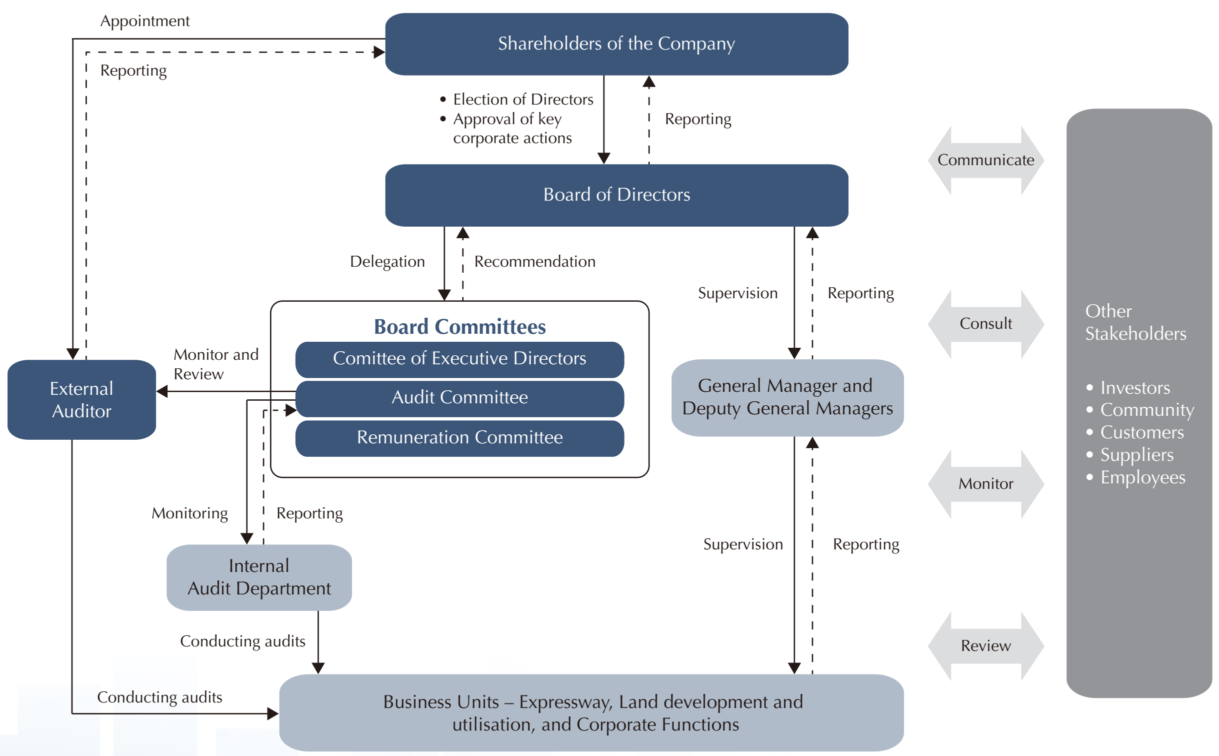
The Company is committed to the principles of corporate governance and corporate responsibility consistent with prudent management. It is the belief of the Board that such commitment will in the long term serve to enhance shareholders' value. The Board has set up procedures on corporate governance that comply with the requirements of the CG Code.

Throughout the year ended 31 December 2019, the Company complied with all the code provisions as set out in the CG Code except for the deviation from code provision A.5.1 which is explained below.

Code Provision A.5.1

The Company does not consider it necessary to have a nomination committee as the Company already has the policies and procedures for selection and nomination of Directors in place. The Board as a whole regularly reviews the plans for orderly succession for appointments to the Board and its structure, size, composition and diversity. If the Board considers that it is necessary to appoint new Director(s), it will set down the relevant appointment criteria which may include, where applicable, the background, experience, professional skills, personal qualities, availability to commit to the affairs of the Company and, in case of Independent Non-executive Director, the independence requirements set out in the Listing Rules from time to time. Nomination of new Director(s) will normally be made by the Chairman and/or the General Manager and subject to the Board's approval. External consultants may be engaged, if necessary, to access a wider range of potential candidate(s).

Corporate Governance Structure



Board of Directors

The Board

The Company is managed through the Board which currently comprises three Executive Directors, three Non-executive Directors (including the Chairman) and three Independent Non-executive Directors. One third of the Board are Independent Non-executive Directors. The names and biographical details of the Directors, and the relationship amongst them, if any, are set out on pages 11 to 15 of this Annual Report. The remuneration of the Executive Directors, who are regarded as senior management of the Company, are disclosed in note 11 to the consolidated financial statements.

The Board is responsible for setting the strategic direction and policies of the Group and supervising the management. Some functions including, inter alia, the monitoring and approval of material transactions, matters involving a conflict of interest for a substantial shareholder or Director of the Company, the approval of the interim and final results, other disclosures to the public or regulators and the risk management and internal control systems are reserved by the Board and the decisions relating to such matter shall be subject to the decision of the Board. Matters not specifically reserved to the Board and necessary for the daily operations of the Company are delegated to the management under the supervision of the respective Directors and the leadership of the General Manager.

There are agreed procedures for the Directors, upon reasonable request, to seek independent professional advice in appropriate circumstances, at the Company's expense.

Independent Non-executive Directors are selected with the necessary skills and experience to provide strong independent element on the Board and to exercise independent judgement. At least one of the Independent Non-executive Directors has appropriate professional qualifications or accounting or related financial management expertise as provided under Rule 3.10 of the Listing Rules. The Board has received from each Independent Non-executive Director a written annual confirmation of independence. All the Independent Non-executive Directors meet the independence criteria set out in Rule 3.13 of the Listing Rules.

All Directors have given sufficient time and attention to the affairs of the Company during the year and have disclosed to the Company the major offices they held in public companies or organizations and other significant commitments.

The Company has arranged appropriate insurance cover in respect of legal action against its Directors and officers.

Chairman and General Manager

Mr. Zhengyu LIU* served as the Chairman of the Board throughout the year and is responsible for management of the Board. Mr. Tianliang ZHANG*, the Executive Director and General Manager, is responsible for providing leadership and the day-to-day management of the business of the Company. The division of the responsibilities between the Chairman and the General Manager has been established and set out clearly in writing.

Board Diversity

The Board has a board diversity policy since January 2019 which aims to set out the approach of the Company to achieve diversity on the Board.

Policy Statement

To enhance decision-making capability and achieve a sustainable development, the Company is committed to maintain a Board with diversity of directors. A number of aspects, including but not limited to gender, age, cultural and educational background, professional experience, nationality and ethnicity, skills, knowledge and length of service, have been considered during the selection process to ensure diversity and to be relevant to the Company's business. All appointment to the Board will be based on merit, having regard to the ability of candidates to complement and expand the skills, knowledge and experience of the Board as a whole.

Measurable Objectives

Selection of candidates will be based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, professional experience, nationality and ethnicity, skills, knowledge and length of service. The Board also includes a balanced composition of Executive Directors, Non-executive Directors and Independent Non-executive Directors so that there is element of independence in the Board.

* *For identification purpose only*

Appointment, Re-election and Removal

The Board shall regularly consider and review the plans for orderly succession for appointments to the Board and its structure, size and composition to ensure it has a balance of skills and experience appropriate for the requirements of the business of the Company and has a balanced composition of Executive and Non-executive Directors (including Independent Non-executive Directors) so that there is a strong independent element on the Board, which can effectively exercise independent judgement, and the Non-executive Directors have sufficient caliber and number for their views to carry weight. New Director(s) will be nominated by the Chairman or other members of the Board and the appointment shall be subject to the Board's approval.

All Non-executive Directors (including Independent Non-executive Directors) are appointed for a specific term of three years and are subject to retirement from office and re-election at least once every three years.

In accordance with the Company's Articles of Association, all newly appointed Directors shall hold office until the next following general meeting of the Company after their appointment and shall then be eligible for re-election. Every Director shall retire at the conclusion of the annual general meeting of the Company held in the third year following the year of his/her (i) last appointment by the Board, (ii) last election or (iii) last re-election, and shall be eligible for re-election subject to the provisions of the Company's Articles of Association.

Newly appointed Director(s) will be given an induction on the information of the Group and a manual on the duties and responsibilities as a director of a listed company both under the Listing Rules and applicable laws.

Mr. Jiyang TANG* was appointed by the Board as a Non-executive Director on 19 March 2019. The Board has taken into consideration his background, experience and professional skills and considered that he could provide support towards the effective discharge of the duties and responsibilities of the Board.

* *For identification purpose only*

Board Committees

The Board established the Committee of Executive Directors with delegated authority for reviewing and approving the day-to-day business operations and ordinary and usual course of business of the Company. This committee comprises all the Executive Directors.

The Company also established the Audit Committee and the Remuneration Committee to deal with the specific matters as set out below in the interest of all shareholders in an objective manner. These two committees currently comprise three Independent Non-executive Directors.

Audit Committee

The Audit Committee comprises three Independent Non-executive Directors, namely Mr. Yu Lung CHING (Chairman), Mr. Brian David Man Bun LI and Mr. Tony Chung Nin KAN. The company secretary of the Company, or in his/her absence, his/her representative, serves as the secretary of the Audit Committee and minutes of the meetings are sent to the members of the Audit Committee within a reasonable time after the meetings.

At least one of the members of the Audit Committee has appropriate professional qualifications or accounting or related financial management expertise as required under the Listing Rules. None of the members of the Audit Committee was a former partner of the Company's existing external auditor within two years immediately prior to the dates of their respective appointments. All members have appropriate skills and experience in reviewing financial statements as well as addressing significant control and financial issues of the Company.

The Board expects the members of the Audit Committee to exercise independent judgement and delegates the responsibilities of the corporate governance functions to the Audit Committee in order to comply with the requirement of the CG Code. Under the terms of reference of the Audit Committee, the corporate governance functions of the Board has been delegated to the Audit Committee to monitor, procure and manage corporate compliance within the Group.

Major roles and functions of the Audit Committee include:

- to make recommendations to the Board on the appointment, re-appointment and removal of the external auditor
- to approve the remuneration and terms of engagement of the external auditor
- to review and monitor the external auditor's independence and objectivity
- to review the Group's financial controls, risk management and internal control systems on on-going basis
- to review the interim and annual financial statements before submission to the Board
- to develop and review the Company's policies and practices on corporate governance and make recommendations to the Board
- to review and monitor the training and continuous professional development of Directors and senior management
- to review and monitor the Company's policies and practices on compliance with legal and regulatory requirements
- to develop, review and monitor the code of conduct applicable to employees and Directors
- to review the Company's compliance with the CG Code and disclosures in the Corporate Governance Report
- to review arrangements for raising concerns about possible improprieties in financial reporting, internal control or other matters

Principal works performed during the year under review included:

- to consider and approve the remuneration and terms of engagement of the external auditor
- to review the audited financial statements for the six months ended 31 December 2018 and the interim financial statements for the six months ended 30 June 2019
- to review the work performed by Internal Audit Department
- to review the Group's risk management and internal control systems and the adequacy of the financial/internal auditing resources and competency
- to review the Company's policies and practices on corporate governance

The terms of reference setting out the Audit Committee's authority and its duties are available on the Company's Website and the HKEx Website.

Remuneration Committee

The Remuneration Committee comprised three Independent Non-executive Directors namely, Mr. Brian David Man Bun LI (Chairman), Mr. Yu Lung CHING and Mr. Tony Chung Nin KAN. The head of Human Resources Department of the Company, or in his/her absence, his/her representative, serves as the secretary of the Remuneration Committee and minutes of the meetings are sent to the members of the Remuneration Committee within a reasonable time after the meetings.

The Remuneration Committee has adopted the model that it will review the proposals made by the management on the remuneration of Executive Directors and senior management, and make recommendations to the Board. The Board will have final authority to approve the recommendations made by the Remuneration Committee.

Major roles and functions of the Remuneration Committee include:

- to make recommendations to the Board on the Company's policy and structure of all Directors' and senior management's remuneration; and the establishment of a formal and transparent procedure for developing remuneration policy
- to review and approve the management's remuneration proposals with reference to the Board's corporate goals and objectives
- to make recommendations to the Board on the remuneration packages of individual Executive Directors and senior management
- to make recommendations to the Board on the remuneration of Independent Non-executive Directors

Principal works performed during the year under review included:

- to review the level of Directors' fees and make recommendations to the Board on the Directors' fees for the year ended 31 December 2019
- to review the remuneration management policy for senior management and the performance management policy for senior management and make recommendations to the Board for approval
- to review the performance indicators for 2019 operating results and make recommendations to the Board for approval
- to review the performance assessment and the remuneration packages of all Executive Directors for the year of 2018 and make recommendations to the Board for approval

The terms of reference setting out the Remuneration Committee's authority and its duties are available on the Company's Website and on the HKEx Website.

Attendance at Meetings

During the year ended 31 December 2019, the attendance records of the following Directors at Board Meeting, Audit Committee Meeting, Remuneration Committee Meeting and the 2019 Annual General Meeting are as follows:

	Number of meetings attended/held			
Name of Directors	**Board Meeting**	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**2019 Annual General Meeting**
Non-executive Directors				
Mr. Zhengyu LIU* *Chairman*	4/4	N/A	N/A	1/1
Mr. Junye CAI*	4/4	N/A	N/A	1/1
Mr. Jiyang TANG* (appointed on 19 March 2019)	3/3	N/A	N/A	1/1
Mr. Qingyong GU* (resigned on 19 March 2019)	1/1	N/A	N/A	N/A
Executive Directors				
Mr. Tianliang ZHANG* *General Manager*	4/4	N/A	N/A	1/1
Mr. Cheng WU* *Deputy General Manager*	4/4	N/A	N/A	1/1
Mr. Ji LIU* *Deputy General Manager and Secretary to the Board*	4/4	N/A	N/A	1/1
Independent Non-executive Directors				
Mr. Brian David Man Bun LI JP	4/4	2/3	2/2	1/1
Mr. Yu Lung CHING	4/4	3/3	2/2	1/1
Mr. Tony Chung Nin KAN SBS, JP	4/4	3/3	2/2	0/1

* *For identification purpose only*

Induction Programme and Training for Board Members

A comprehensive, formal and tailored induction programme on key areas of business operations and practices of the Company is given to newly appointed Board Members by the management of the Company. A Guide on Directors' Duties published by the Companies Registry of Hong Kong and/or a Guide for Independent Non-executive Directors published by The Hong Kong Institute of Directors (in case of Independent Non-executive Director(s)) has/have been sent to each Director for his/her information and ready reference.

During the year under review, Directors received regular updates and presentations on changes and developments to the Group's business and on the latest developments in the laws, rules and regulations relating to Directors' duties and responsibilities.

Directors' training is an ongoing process. All Directors are encouraged to attend relevant training courses to enrich their knowledge in discharging their duties as a director.

To summarise, the Directors received trainings on the following areas to update and develop their skills and knowledge during the year:

Name of Directors	Corporate Governance	Legal and Regulatory	Group's Businesses
Non-executive Directors			
Mr. Zhengyu LIU*	✓	✓	✓
Mr. Junye CAI*	✓	✓	✓
Mr. Jiyang TANG* (appointed on 19 March 2019)	✓	✓	✓
Mr. Qingyong GU* (resigned on 19 March 2019)	✓	✓	✓
Executive Directors			
Mr. Tianliang ZHANG*	✓	✓	✓
Mr. Cheng WU*	✓	✓	✓
Mr. Ji LIU*	✓	✓	✓
Independent Non-executive Directors			
Mr. Brian David Man Bun LI JP	✓	✓	✓
Mr. Yu Lung CHING	✓	✓	✓
Mr. Tony Chung Nin KAN SBS, JP	✓	✓	✓

* *For identification purpose only*

Company Secretary

The Company Secretary is responsible to the Board for ensuring that the Board procedures are followed and the Board activities are efficiently and effectively conducted. He/She is also responsible for ensuring that the Board is fully appraised of the relevant legislative, regulatory and corporate governance developments relating to the Group and facilitating the induction and professional development of Directors.

The Company Secretary reports to the Chairman and the General Manager, plays an essential role in the relationship between the Company and its shareholders, and assists the Board in discharging its obligations to shareholders pursuant to the Listing Rules.

Ms. Ching Fan KOO of Fair Wind Secretarial Services Limited, an external service provider, has been engaged by the Company as its Company Secretary. The primary contact person of the Company with Ms. KOO is Mr. Ji LIU*, the Deputy General Manager and Secretary to the Board. Ms. KOO attended no less than 15 hours of relevant professional training during the year.

Accountability and Audit

Financial Reporting

The Directors recognise the responsibility for preparing the consolidated financial statements of the Group. The Directors consider that the Group has adequate resources to continue in business for the foreseeable future and are not aware of material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

During the year, all Directors have been provided, on a monthly basis, with the Group's updates giving a balanced and understandable assessment of the Group's performance, position and prospects in sufficient detail to enable the Board as a whole and each Director to discharge their duties under the relevant requirements of the Listing Rules.

* *For identification purpose only*

External Auditor and their Remuneration

The Company's external auditor is Deloitte Touche Tohmatsu. The responsibilities of the auditor with respect to the financial reporting are set out in the Independent Auditor's Report on pages 77 and 84 of this Annual Report. The independence of the external auditor is monitored by the Audit Committee which is also responsible for making recommendations to the Board on the appointment of the external auditor as well as approving their terms of engagement and remuneration.

During the year ended 31 December 2019, the fees payable by the Group to the external auditor in respect of audit and non-audit services provided by them were as follows:

	HK$'000
Audit services	**1,750**
Non-audit services:	
Interim review	**383**
Others	**10**
Total	**2,143**

Risk Management and Internal Controls

The Board is of the opinion that sound risk management and internal control systems will help achieve the Group's business objectives, safeguard the Group's assets and contribute to the effectiveness and efficiency of operations, the reliability of financial reporting and the Group's compliance with applicable laws and regulations. To this end, the Group commits to implement the risk management and internal control systems compatible with the COSO (Committee of Sponsoring Organizations of the Treadway Commission) standards to provide reasonable, though not absolute, assurance against material misstatement or loss.

Roles and Responsibilities

The Board acknowledges its overall responsibility for the Group's risk management and internal control systems and for overseeing its effectiveness on an on-going basis through the Audit Committee which reports to the Board, when necessary, during the quarterly regular board meetings. Executive Directors and management teams are delegated the roles of designing and maintaining an environment where managing risks forms the base of all activities.

Evaluation of the Group's risk management and internal control systems, including its effectiveness, proper functioning and compliance with internal policies and external regulations, is independently and consistently conducted by the Internal Audit Department for principal operations.

Risk Management and Internal Control Framework

Under the Risk Management Policy approved by the Board, the Group strives to ensure that risk management and internal controls are integrated into the normal business processes and aligned with the strategic goals of the Group. This risk management and internal control framework, integrating the principles of the COSO model, is highlighted as follows:

Control Environment

The Group, committed to ethical values, believes that honesty, integrity and fair play are its important assets in doing business. Such belief is realized through the Group's Code of Conduct under which employees at all levels are expected to conduct themselves with integrity, impartiality and honesty. To enhance the Group's internal control mechanism and the awareness of corporate justice, a Whistle-Blowing Policy has also been in force. The Policy provides a platform for employees raising serious concerns internally, without fear of reprisal or victimization, in a responsible and effective manner.

The Board, as the top strategy and policy setting body of the Group, provides oversight to the Group's management under the leadership of the General Manager. Clear corporate governance structure (as depicted on page 46 of our Corporate Governance Report) and reporting lines have been established with responsible parties held accountable for their own assigned areas.

Risk Assessment

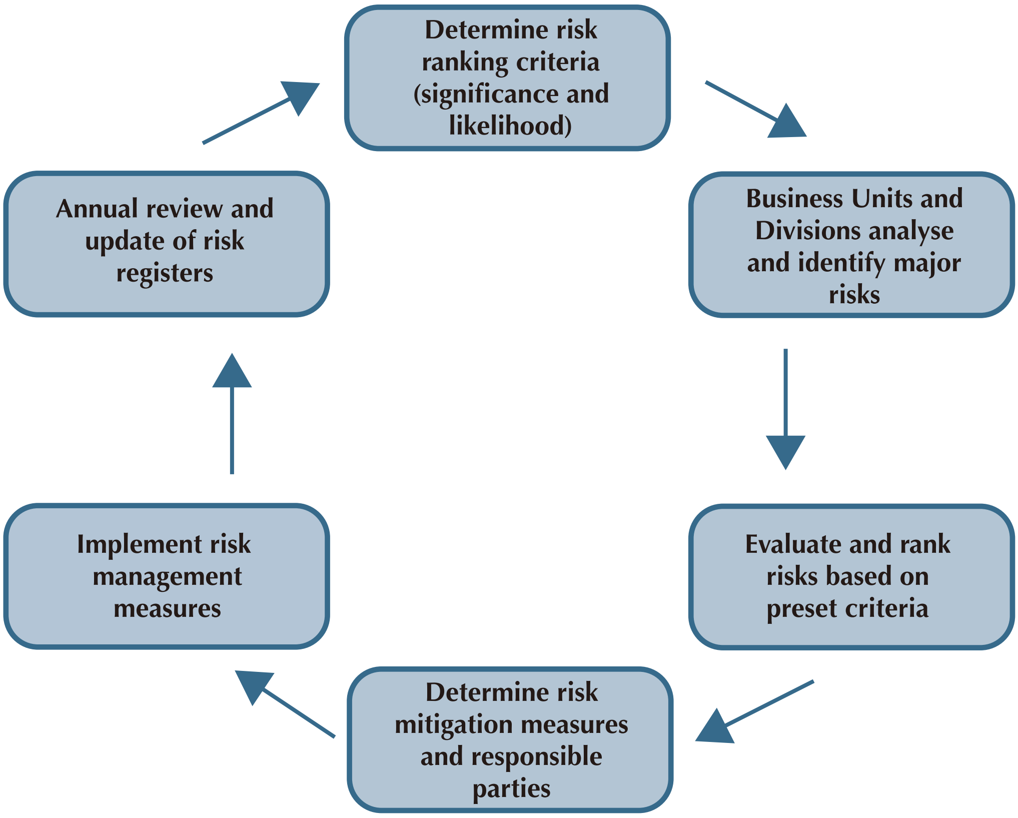
A holistic risk management framework is adopted across the Group for:

(i) Identifying, communicating, mitigating and escalating major risk issues;

(ii) Incorporating risk management principles and objectives into strategic, operational and resource planning activities; and

(iii) Designing and implementing an effective and efficient operation, enabling the Group to respond to a variety of risks.

The Group's ongoing risk assessment program encompasses the following key steps:



Control Activities/Information and Communication

Internal control procedures of the Group include a comprehensive budgeting, information reporting and performance monitoring system.

Business plans and budgets, taking into consideration significant business risks, are prepared annually by the management of each business unit for the review and approval by the Executive Directors. These plans and budgets are then reviewed periodically against actual performance for validity and adjustments. Various policies and procedures have been established for the approval and control of operating expenses, capital expenditures, project investments, unbudgeted items and acquisitions.

The Executive Directors review monthly management reports and hold periodical meetings with the senior operational and finance management to discuss business performance, budget variances, forecasts, market outlooks, and to address any operation and finance related matters.

Annually, senior management conducts a self-assessment on their compliance with the Group's policies, relevant regulations and the fulfillment of their risk management and internal control duties. A confirmation is then completed and submitted to the Audit Committee and be reported to the Board.

Monitoring Activities

The Board, through the Audit Committee, oversee the risk management and internal controls of the Group, with assistance from external and internal auditors. External auditors inform management and the Audit Committee on the operation of financial controls reviewed as part of the statutory audits. Findings and risk concerns of internal auditors are raised to responsible management for rectification with significant items reported to the Audit Committee at least twice every year. Implementation status of audit findings would also be followed up by the Internal Audit Department and reported to the Audit Committee.

Risk Management and Internal Control Review

During the year under review, the Board, through the Audit Committee, has consistently reviewed the effectiveness and proper functioning of the Group's internal control and risk management systems, financial reporting and rules/regulations compliance. The review also covered the adequacy of the financial/internal auditing resources and competency. No major exception was noted.

Key Risk Profile of the Group

Based on the risk assessment conducted for the year ended 31 December 2019, impacts from the macro environment and road safety contributed to the most highly-ranked risks of the Group. Meanwhile, the Group continued to face various operating risks, such as toll escape cases, cost increases and technological challenges.

The key risks thus identified and their trends are further illustrated as follows:

Risk Category	Risk Description	Risk Change in the year ended 31 December 2019
Regulatory and Political	Political instability, unfavourable government policies, regulations and legislative changes.	⟷
Commercial	Market risks resulting from increasing local competition, government free roads, heightened customer requirement and price sensitivity, unfavourable changes in the demographics of surrounding communities and areas.	⟷
Economic and Financial	Revenue/profit reduction due to economic downturn, negative developments in financial and vehicles markets, credit crunch and refinancing risks, currency fluctuations and interest rate increases (in particular RMB and USD).	⟷
Operating	Safety risks resulting from any failure to perform the responsibility of road safety management.	↑

Remarks:

⟷ Inherent risks (risks before mitigation measures) remain stable

↑ Inherent risks (risks before mitigation measures) increasing

Business Ethics

The Company considers ethical corporate culture and employees' honesty and integrity to be important assets and endeavours to comply with the laws and regulations of the countries in which we operate. All Directors and employees are required to act responsibly to ensure that the reputation of the Company is not tarnished. To uphold a high standard of integrity in all aspects of everyday activities, the Company adopts a Code of Conduct which provides employees with a set of defined ethical standards for adherence. The Code of Conduct is posted on the Company's intranet for observance by all staff. The Heads of Business Units, through the Human Resources Department, are charged with the responsibility of disseminating the Code of Conduct requirements to the employees concerned.

Remuneration Policy

The Company recognises the need to implement a competitive remuneration policy in order to attract, retain and motivate the Directors and senior management to achieve the corporate targets. The remuneration package of the Executive Directors comprises some fixed elements: basic salary, mandatory provident fund contribution and other benefits including medical cover, as well as discretionary bonus, share options and/or share awards which are performance-related elements. No Director is allowed to approve his/her own remuneration.

The fixed elements of the Executive Directors' remuneration are reviewed annually by reference to the job nature, responsibilities, experience and performance of the individual as well as prevailing market salary practices. Directors' fees for the year under review had been approved by the shareholders at the 2019 Annual General Meeting.

Inside Information Policy

The Board has adopted the Inside Information Policy setting out the guidelines to the Directors and all employees of the Group to ensure that inside information can be promptly identified, assessed and disseminated to public in equal and timely manner in accordance with the applicable laws and regulations.

Model Code for Securities Transactions

The Company has adopted the Model Code as its model code for securities transactions by the Directors' and employees' share dealing rules (the "Share Dealing Rules") on terms no less exacting than those set out in the Model Code for the relevant employees who are or may be in possession of inside information. Having made specific enquiry with Directors and the relevant employees, all of them have confirmed that they have fully complied with the Model Code and the Share Dealing Rules respectively throughout the year.

SHAREHOLDERS

Communication with Shareholders

The Company recognises the importance of communication with the shareholders of the Company, both individual and institutional as well as potential investors. The Board has adopted a Shareholders Communication Policy setting out the provisions with the objective of ensuring that the shareholders and potential investors are provided with ready, equal and timely access to balanced and understandable information about the Company, in order to enable shareholders to exercise their rights in an informed manner, and to allow shareholders and potential investors to engage actively with the Company. The Shareholders Communication Policy of the Company is posted on the Company's Website.

Disclosure of Information on the Company's Website

The Company endeavours to disclose all material information about the Group to all interested parties as widely and as timely as possible. The Company maintains a corporate website at www.sihbay.com where important and updated information about the Group's activities and corporate matters such as annual and interim reports, announcements, business development and operations, corporate governance practices and other information are available for review by shareholders and other stakeholders. The Company also discloses in a timely manner the traffic statistics and toll revenue of the GS Superhighway and GZ West Superhighway on monthly basis on the Company's Website. When announcements are made through the Stock Exchange, the same information is made available on the Company's Website.

Annual General Meeting

The Company's annual general meeting is one of the principal channels of communication with its shareholders. It provides an opportunity for shareholders to communicate face to face with the Directors about the Company's performance and operations. It has been the practice for all the Directors (including the Chairman) and the chairmen of the Audit Committee and the Remuneration Committee together with the external auditor of the Company to attend the annual general meetings to answer shareholders' questions. The 2019 Annual General Meeting was held at The Glass Pavilion, 3/F., Kowloonbay International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong on 30 April 2019. The 2020 Annual General Meeting has been scheduled to be held on 22 May 2020.

Investor Relations

Committed to upholding sound corporate governance practices, the Company believes that good communications with the market and shareholders as well as transparency are of high priority.

As an important component to engage market participants, the Company's open and effective communications with the investment community is well-recognised. Proactive investor relations program was continued during the year. Subsequent to interim and annual results announcements, conference calls with investors, analysts and media were held with the attendance of senior management team to answer queries. To further facilitate exchange of opinions, the Company regularly attended investor meetings, roadshows, and conferences engaging both local and overseas investors and analysts. In addition, enquiries from investors and analysts were also handled in a timely manner.

Achieving a high level of transparency, the Company kept its website updated by publishing essential corporate information including company announcements, press releases and financial reports on a timely and accurate basis. As a result, investors could keep track of the latest updates of the Company's business and financial performance.

Going onward, the Company will continue to advocate its high level of corporate governance framework, aiming to enhance market confidence and maximise shareholders' value. Investors can direct any comment or enquiry to the Company's investor relations team at ir@sihbay.com.

During the year, there was no significant change in the Company's constitutional documents.

Shareholders' Rights

The Company recognises the significance and importance of having a governance framework that protects shareholders' rights.

Voting by Poll

Save as provided under the Listing Rules, resolutions put to vote at the general meetings of the Company (other than procedural matters) are taken by poll. Procedures regarding the conduct of the poll are explained to the shareholders at each general meeting, and questions from shareholders regarding the voting procedures are answered. The poll results are posted on the Company's Website and on the HKEx Website on the same day of the poll.

Convening of extraordinary general meeting on requisition by shareholders

In accordance with Article 68 of the Company's Articles of Association, (i) any two or more shareholders of the Company holding at the date of deposit of the written requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at the general meeting of the Company or (ii) any one shareholder of the Company which is a clearing house (or its nominee) holding at the date of deposit of the written requisition not less than one-tenth of the paid-up capital of the Company carrying the right of voting at general meetings of the Company, may require the Board to convene an extraordinary general meeting ("EGM") by written requisition. The written requisition must specify the objects of the meeting, and be signed by the shareholder(s) concerned and deposited at the principal place of business of the Company in Hong Kong at Room 63–02, 63rd Floor, Hopewell Centre, 183 Queen's Road East, Wan Chai, Hong Kong for the attention of the Company Secretary.

If the Board does not within 21 days from the date of deposit of the requisition proceed duly to convene an EGM, the shareholder(s) concerned or any of them representing more than one-half of the total voting rights of all of them, may themselves convene an EGM, provided that the EGM so convened shall not be held after the expiration of 3 months from the date of deposit of the requisition.

The EGM convened by shareholders shall be convened in the same manner, as nearly as possible, as that in which general meetings are to be convened by the Board.

Procedures for directing shareholders' enquiries to the Board

Shareholders may at any time send their enquiries and concerns to the Board in writing through the Investor Relations Department whose contact details are as follows:

Investor Relations Department
Shenzhen Investment Holdings Bay Area Development Company Limited
Room 63-02, 63rd Floor, Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong
Email: ir@sihbay.com
Tel No.: (852) 2863 2502
Fax No.: (852) 2861 0177

Shareholders' enquiries and concerns will be forwarded to the Board and/or relevant Board Committees of the Company, where appropriate, to answer the shareholders' questions.

Procedures for putting forward proposals at general meetings by shareholders

There are no provisions allowing shareholders to propose new resolutions at the general meetings under the Cayman Islands Companies Law. However, shareholders are requested to follow Article 68 of the Company's Articles of Association for including a resolution at an EGM. The requirements and procedures are set out above.

Pursuant to Article 116 of the Company's Articles of Association, no person (other than a retiring Director) shall be eligible for election to the office of Director at any general meeting unless (i) he/she is recommended by the Board for election; or (ii) a shareholder of the Company shall have given notice in writing of the intention to propose that person for election as a Director and notice in writing by that person of his/her willingness to be elected shall have been given to the Company in the year commencing no earlier than the day after the dispatch of the notice of the general meeting appointed for such election and ending no later than seven days prior to the date of such meeting, provided that such period shall be at least seven days. The written notice must state that person's biographical details as required by Rule 13.51(2) of the Listing Rules. The procedures for shareholders of the Company to propose a person for election as Director is posted on the Company's Website.

Report of the Directors

The Board of Directors have pleasure in presenting their report on the affairs of the Company and the Group together with the audited financial statements for the year ended 31 December 2019.

Change of Company Name

On 14 June 2019, the Board announced that subsequent to the passing of a special resolution by the shareholders of the Company by way of poll at the 2019 Annual General Meeting, the English name of the Company has been changed from "Hopewell Highway Infrastructure Limited" to "Shenzhen Investment Holdings Bay Area Development Company Limited" and the Chinese name of the Company has been changed from "合和公路基建有限公司" to "深圳投控灣區發展有限公司". The Certificate of Incorporation on Change of Name of the Company was issued by the Registrar of Companies in the Cayman Islands on 30 April 2019. The Certificate of Registration of Alteration of Name of Registered Non-Hong Kong Company was issued by the Registrar of Companies in Hong Kong on 6 June 2019 confirming the registration of the new name of the Company in Hong Kong under Part 16 of the Companies Ordinance (Chapter 622 of the Laws of Hong Kong).

Details of change of Company name were set out in the announcement of the Company dated 14 June 2019.

Principal Activities

The Company is an investment holding company. The Group focuses on initiation, promotion, development and operation of toll expressways and bridges in the PRC through its joint ventures established in the PRC. During the year, the Group commenced the business engaging in land development and utilisation along with the GS Superhighway in the PRC. The principal activities of the Group's principal subsidiaries and the joint ventures are set out in notes 26 and 15 to the consolidated financial statements respectively.

Business Review

A review of the business of the Group during the year, a discussion on the Group's future business development and description of the principal risks and uncertainties the Company may be facing are provided in the Chairman's Statement on pages 6 to 8 and the Management Discussion and Analysis on pages 16 to 45 of this Annual Report. Also, the financial risk management objectives and policies of the Group can be found in note 25 to the consolidated financial statements. Particulars of important events affecting the Group that have occurred since the end of the year ended 31 December 2019, if applicable, are provided in the Chairman's Statement on pages 6 to 8, the Management Discussion and Analysis on pages 16 to 45 and this Report of the Directors on pages 66 to 76 of this Annual Report. An analysis of the Group's performance during the year using financial key performance indicators is provided in the Financial Highlights on page 2 and the 5-Year Financial Summary on pages 3 to 5 of this Annual Report.

In addition, discussions on the Group's environmental policies, relationships with its key stakeholders and compliance with relevant laws and regulations which have a significant impact on the Group are contained in the Chairman's Statement, the Management Discussion and Analysis, the Corporate Governance Report and this Report of the Directors on pages 6 to 8, pages 16 to 45, pages 46 to 65 and pages 66 to 76 of this Annual Report respectively and the Sustainability Report to be available on the Company's website www.sihbay.com. All the above mentioned cross references form parts of this Directors' Report.

Results

The results of the Group for the year ended 31 December 2019 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 85.

Dividends

The Directors recommend the payment of a final dividend of RMB10.1 cents per share (equivalent to HK11.320989 cents per share at the exchange rate of RMB1:HK$1.12089) (six months ended 31 December 2018: a final dividend of RMB9.9 cents per share (equivalent to HK11.615472 cents per share)) in respect of the year ended 31 December 2019.

Together with the interim dividend of RMB9.8 cents per share (equivalent to HK10.971394 cents per share) paid on 31 October 2019 (six months ended 31 December 2018: Nil), the total dividends for the year will be RMB19.9 cents per share (equivalent to HK22.292383 cents per share) (six months ended 31 December 2018: RMB9.9 cents per share (equivalent to HK11.615472 cents per share)).

Major Projects and Events

Details regarding major projects undertaken by the Group and events that have taken place during the year under review are incorporated under the section "Business Review" as set out on pages 16 to 33.

Significant Investments Held

Details of significant investments held by the Group, representing 5% or more of the Group's total assets as at 31 December 2019 are set out in note 15 to the consolidated financial statements. In addition, discussion of the Group's investment strategy for the significant investments are incorporated under the section "Business Review" as set out on pages 16 to 33.

Share Capital

Details of the movements in share capital of the Company during the year are set out in note 20 to the consolidated financial statements.

Reserves and Distributable Reserve

Details of the movements in reserves of the Group during the year are set out in the Consolidated Statement of Changes in Equity on page 87.

Details of the distributable reserve of the Company during the year are set out in note 21 to the consolidated financial statements and the Company's distributable reserve at 31 December 2019 amounted to approximately RMB3,373 million (31 December 2018: RMB2,781 million) which represented retained profits and share premium of the Company as at that date.

Fixed Assets

Details of the movements in property and equipment of the Group during the year are set out in note 17 to the consolidated financial statements.

Major Customers and Suppliers

There are no major customers and suppliers in view of the nature of the Group's business.

Directors and Senior Management

The Directors and their profiles as at the date of this report are set out on pages 11 to 15. Changes of Directors during the year under review and up to date of this report are as follows:

Mr. Qingyong GU*	(resigned as a Non-executive Director on 19 March 2019)
Mr. Jiyang TANG*	(appointed as a Non-executive Director on 19 March 2019)

In accordance with the Company's Articles of Association, every Director shall retire at the conclusion of the annual general meeting of the Company held in the third year following the year of his last election/re-election and shall be eligible for re-election subject to the provisions of the Company's Articles of Association. Mr. Brian David Man Bun LI shall retire from office at the 2020 Annual General Meeting and, being eligible, offered himself for re-election.

* *For identification purpose only*

Furthermore, in accordance with the Company's Articles of Association, all newly appointed Directors shall hold office until the next following general meeting of the Company after their appointment and shall then be eligible for re-election. Mr. Jiyang TANG, who was appointed as Non-executive Director on 19 March 2019, retired from office at the 2019 Annual General Meeting and, was re-elected.

The businesses of the Group are under the direct responsibility of the Executive Directors who are regarded as members of the Group's senior management.

Permitted Indemnity Provision

Pursuant to the Company's Articles of Association, every Director shall be indemnified out of the assets of the Company against all losses or liabilities incurred or sustained by him as a Director, in defending any proceedings, whether civil or criminal, in which judgment is given in his favour, or in which he is acquitted. The Company has taken out insurance against the liability and costs associated with defending any proceedings which may be brought against directors of the Group.

Directors' Material Interest in Transactions, Arrangements or Contracts

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

Directors' and Chief Executives' Interests and Short Positions in Shares, Underlying Shares and Debentures

As at 31 December 2019, none of the Directors or the chief executives of the Company had any interests or short positions in shares, underlying shares and debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register kept by the Company under Section 352 of the SFO or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

Share Options

(A) A share option scheme was approved by the shareholders of the Company effective on 22 October 2013 (the "Share Option Scheme"). The Share Option Scheme will expire on 21 October 2023, but any options then outstanding will continue to be exercisable. A summary of some of the principal terms of the Share Option Scheme is set out in (B) below.

(B) The Share Option Scheme is designated to provide the Company with an alternative means of giving incentive to, rewarding, remunerating, compensating and/or providing benefits to any eligible persons (including substantial shareholders of the Company, directors or employees or consultants, professionals or advisers of/to each member of the Group) and for such other purposes as the Board may approve from time to time.

The maximum number of shares in the Company in respect of which options may be granted (together with shares issued pursuant to options exercised and shares in respect of which any option remains outstanding excluding options lapsed from time to time in accordance with the Share Option Scheme) under the Share Option Scheme and any other share option schemes of the Company will not exceed 10% in aggregate the total number of issued shares as at the date of adoption of the Share Option Scheme, unless a fresh approval from the shareholders is obtained. The maximum entitlement of each participant under the Share Option Scheme in any 12-month period must not exceed 1% of the total number of issued shares of the Company. As at the date of this report, no options were granted under the Share Option Scheme and 308,169,028 shares were issuable under the Share Option Scheme, representing approximately 10% of total number of issued shares of the Company.

The period within which an option may be exercised will be determined by the Board at its discretion, save that an option shall expire not later than 10 years after the date of grant. Unless otherwise determined by the Board and specified in the offer letter at the time of the offer, there is no minimum period for which an option must be held before the option can be exercised. An option is open for acceptance for such time to be determined by the Board and specified in the offer letter. The amount payable on acceptance of an option is HK$1. The full amount of exercise price for the subscription of shares has to be paid upon exercise of an option.

The exercise price for an option shall be such price as the Board may in its absolute discretion determine at the time of grant of the relevant option and shall be stated in the letter containing the offer of the grant of option. The exercise price shall be at least the highest of (a) the closing price of the shares as stated in the Stock Exchange's daily quotations sheet on the date of grant (deemed to be the date of offer), which must be a business day; (b) the average closing price of the shares as stated in the Stock Exchange's daily quotations sheets for the 5 business days immediately preceding the date of grant; and (c) the nominal value of a share in the Company.

Share Awards

(A) The Share Award Scheme was adopted by the Board on 25 January 2007 (the "Adoption Date"). Unless terminated earlier by the Board, the Share Award Scheme shall be valid and effective for a period of 15 years commencing on the Adoption Date, provided that no new award shall be granted on or after the 10th anniversary of the Adoption Date. A summary of some of the principal terms of the Share Award Scheme is set out in (B) below.

(B) The purpose of the Share Award Scheme is to recognise the contributions by certain employees (including without limitation to employees who are also Directors) of the Group and to give incentive in order to retain them for the continual operation and development of the Group and to attract suitable personnel for further development of the Group.

Under the Share Award Scheme, the Board (or where the relevant selected employee is a Director, the Remuneration Committee) may, from time to time, at its absolute discretion and subject to such terms and conditions as it may think fit select an employee for participation in the Share Award Scheme and determine the number of shares to be awarded. The Board shall not grant any award of shares which would result in the total number of issued shares which are the subject of awards granted by the Board under the Share Award Scheme (but not counting any which have lapsed or have been forfeited) representing in aggregate over 10% of total number of issued shares of the Company as at the date of such grant.

(C) There were no awarded shares granted, forfeited, vested, lapsed or outstanding during the year ended 31 December 2019 and accordingly no dividend income was received in respect of shares held upon the trust for the Share Award Scheme (six months ended 31 December 2018: Nil) during the year under review.

Equity-Linked Agreements

Save as disclosed in the sections headed "Share Options" and "Share Awards", no equity-linked agreements were entered into during the year or subsisted at the end of the year.

Arrangements to Acquire Shares or Debentures

Save as disclosed in the previous sections headed "Share Options" and "Share Awards", at no time during the year ended 31 December 2019 was the Company or any of its subsidiaries, fellow subsidiaries or its parent company a party to any arrangements to enable the Directors to acquire benefits by means of the acquisition of shares in, or debentures of, the Company or any other body corporate, and neither the Directors nor any of their spouses or children under the age of 18, had any rights to subscribe for the securities of the Company, or had exercised any such rights.

Directors' Remuneration

The Directors' fees are approved by shareholders at the annual general meeting of the Company and the other emoluments payable to Executive Directors are determined by the Board based on the recommendation of the Remuneration Committee with reference to the prevailing market practice, the Company's remuneration policy, the Directors' duties and responsibilities within the Group and contribution to the Group.

Directors' Service Contracts

No Director proposed for re-election at the 2020 Annual General Meeting has a service contract with the Company or any of its subsidiaries which is not determinable by the employing company within one year without the payment of compensation (other than statutory compensation). All the Independent Non-executive Directors are appointed for a fixed period but subject to retirement from office and re-election at the annual general meetings of the Company in accordance with the Company's Articles of Association.

Retirement and Pension Plan

To comply with the statutory requirements of the Mandatory Provident Fund Schemes Ordinance (Chapter 485 of the Laws of Hong Kong), the Group has set up the MPF Schemes. Mandatory contributions to these schemes are made by both the employers and employees at 5% of the employees' monthly relevant income capped at HK$30,000. The PRC employees employed by the Company are members of the state-managed retirement benefit schemes operated by the PRC government. The Company are required to contribute a certain percentage of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes. The total contributions made by the Group to the MPF Scheme and the PRC retirement benefit schemes for the year ended 31 December 2019 are RMB1,651,000 (six months ended 31 December 2018: RMB420,000).

Management Contracts

No contract of significance concerning the management and administration of the whole or any substantial part of any business of the Company was entered into during the year or subsisted at the end of the year.

Substantial Shareholders' Interests and Short Positions in Shares and Underlying Shares

As at 31 December 2019, so far is known to the Directors, the interests or short positions of substantial shareholders of the Company (other than the Directors and the chief executives of the Company disclosed above) in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO, were as follows:

Name	Capacity	Number of shares	Approximate % of total number of issued shares
Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd ("SIICHIC") (深圳投控國際資本控股基建有限公司)[i]	Beneficial owner	2,213,449,666 (L)	71.83
Shenzhen Investment International Capital Holdings Co., Limited (深圳投控國際資本控股有限公司)[i]	Interests of controlled corporation	2,213,449,666 (L)	71.83
Shenzhen Investment Holdings Co., Ltd ("SIHC") (深圳市投資控股有限公司)[i]	Interests of controlled corporation	2,213,449,666 (L)	71.83
Golden Baycrest (BVI) Limited[ii]	Beneficial owner	305,087,338 (L)	9.90
China Vanke Co., Limited[ii]	Interests of controlled corporation	305,087,338 (L)	9.90
CMF Global Quantitative Multi-Asset SPC – CMF Global Quantitative Stable SP[iii]	Trustee	291,207,411 (L)	9.45
China Taiping Life Insurance (Hong Kong) Company Limited[iii]	Beneficiary of a trust (other than a discretionary interest)	291,207,411 (L)	9.45
China Taiping Insurance Holdings Company Limited[iii]	Interests of controlled corporation	291,207,411 (L)	9.45

L: Long Position

Notes:

(i) The 2,213,449,666 Shares were held by SIICHIC, a wholly-owned subsidiary of Shenzhen Investment International Capital Holdings Co., Limited which in turn was a wholly-owned subsidiary of SIHC. The interests of SIICHIC, Shenzhen Investment International Capital Holdings Co., Limited and SIHC in the 2,213,449,666 Shares represented the same block of Shares and were deemed under the SFO to have same interests with each other.

(ii) The 305,087,338 Shares were held by Golden Baycrest (BVI) Limited, an indirect wholly-owned subsidiary of China Vanke Co., Limited. The interests of Golden Baycrest (BVI) Limited and China Vanke Co., Limited in the 305,087,338 Shares represented the same block of Shares and were deemed under the SFO to have same interests with each other.

(iii) China Taiping Life Insurance (Hong Kong) Company Limited is a direct wholly-owned subsidiary of China Taiping Insurance Holdings Company Limited which in turn is directly owned as to 50.71% by China Taiping Insurance Group (HK) Company Limited, 2.41% by Taiping Golden Win Investment Limited, 4.68% by Easiwell Limited and 1.84% by Manhold Limited. Taiping Golden Win Investment Limited, Easiwell Limited and Manhold Limited are wholly-owned by China Taiping Insurance Group (HK) Company Limited which in turn is a direct wholly-owned subsidiary of China Taiping Insurance Group Ltd. The interests of China Taiping Life Insurance (Hong Kong) Company Limited, China Taiping Insurance Holdings Company Limited and CMF Global Quantitative Multi-Asset SPC in the 291,207,411 Shares represented the same block of Shares.

Save as disclosed above, as at 31 December 2019, the Company had not been notified of any other interests or short positions representing 5% or more of the total number of issued shares of the Company as recorded in the register required to be kept by the Company under Section 336 of the SFO.

Purchase, Sale or Redemption of Securities

Neither the Company nor any of its subsidiaries purchased, sold or redeemed any of the Company's listed securities during the year ended 31 December 2019.

Pre-emptive Rights

There is no provision for pre-emptive rights under the Company's Articles of Association or the laws of the Cayman Islands, which would oblige the Company to offer new shares on pro-rata basis to existing shareholders.

Discloseable and Connected Transaction

On 29 November 2019, Shenwan Infrastructure, an indirect subsidiary of the Company, Guangdong Highway Construction, Lealu Investment and Leaxin Investment entered into the JV Agreement and JV Articles, pursuant to which, the Parties agreed to, among other things, (i) jointly establish the Xintang JV to participate in the bidding for the land use rights of the Project Land and, after successful Bidding, engage in the subsequent development of residential project on the Project Land, (ii) form a Consortium to participate in the Bidding in the event that the Xintang JV cannot be established in time for the same purpose or the procedures required of the Xintang JV as a bidder of the Project Land cannot be completed in time and, after successful Bidding, the Xintang JV to engage in the subsequent development of residential project on the Project Land and (iii) regulate their respective rights and obligations in relation to the management, operation and affairs of the Xintang JV. Guangdong Highway Construction, Lealu Investment and Leaxin Investment are subsidiaries within the GPCG.

After the successful Bidding, the land use rights of the Project Land will be held by the Xintang JV which will be owned as to 62.5% (in aggregate) by the GPCG (through Guangdong Highway Construction, Lealu Investment and Leaxin Investment) and 37.5% by the Group (through Shenwan Infrastructure). The maximum total amount to be contributed by the Parties for the investment in the Project (through the Xintang JV) is RMB6,800,000,000, among which, each of Guangdong Highway Construction, Lealu Investment, Leaxin Investment and Shenwan Infrastructure, will contribute the respective amounts of up to RMB2,550,000,000, RMB1,360,000,000, RMB340,000,000 and RMB2,550,000,000, representing 37.5%, 20%, 5% and 37.5% of the maximum total amount of contribution of the Parties, and accordingly, the registered capital of the Xintang JV will be owned by the Parties in the same proportion.

As GS Superhighway JV is a deemed subsidiary of the Company, Guangdong Highway Construction, being a substantial shareholder of GS Superhighway JV, is a connected person of the Company at the subsidiary level. Accordingly, the formation of joint venture with Guangdong Highway Construction, its subsidiary (i.e. Lealu Investment) and a subsidiary of its holding company (i.e. Leaxin Investment) under the Transaction Documents, constitutes a connected transaction of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) have approved the Transaction Documents and the transactions contemplated thereunder and the Directors (including the independent non-executive Directors) have confirmed that the terms of the Transaction Documents and the transactions contemplated thereunder are fair and reasonable, on normal commercial terms (and not in the ordinary and usual course of the Group's business) and in the interests of the Company and its Shareholders as a whole. By reason of the aforesaid, pursuant to rule 14A.101 of the Listing Rules, the Transaction Documents and the transactions contemplated thereunder will only be subject to the reporting and announcement requirements, but exempt from the circular, independent financial advice and Shareholders' approval requirements under Chapter 14A of the Listing Rules.

Given that all of the applicable percentage ratios in relation to the formation of joint venture under the JV Agreement (i.e. the maximum contribution amount of RMB2,550,000,000 by Shenwan Infrastructure) exceeds 5% but all of them are less than 25%, the transaction also constitutes a discloseable transaction of the Company under Chapter 14 of the Listing Rules, and is therefore subject to the reporting and announcement requirements of the Listing Rules, but exempt from the Shareholders' approval requirement under Chapter 14 of the Listing Rules.

None of the Directors has any material interest in the Transaction Documents and the transactions contemplated thereunder, and none of the Directors is required to abstain from voting on the board resolutions approving the Transaction Documents and the transactions contemplated thereunder.

Details of formation of joint venture were set out in the announcement of the Company dated 29 November 2019.

Same as disclosed above, during the year under review, there were no other connected transactions and continuing connected transactions which are required to be disclosed in accordance with the requirements of the Listing Rules. To the best of the Director's knowledge, information and belief having made all reasonable enquiries, none of the related party transactions as disclosed in note 30 to the consolidated financial statements constitutes a connected transaction under Chapter 14A of the Listing Rules.

Public Float

Based on the information that is publicly available to the Company and within the knowledge of the Directors as at the date of this report, there is sufficient public float of more than 25% of the Company's total number of issued Shares as required under the Listing Rules.

Auditor

A resolution to re-appoint Messrs. Deloitte Touche Tohmatsu as auditor of the Company will be proposed at the 2020 Annual General Meeting.

On behalf of the Board

Zhengyu LIU*
Chairman

Hong Kong, 8 March 2020

* *For identification purpose only*

Deloitte. 德勤

To the Members of Shenzhen Investment Holdings Bay Area Development Company Limited
深圳投控灣區發展有限公司
(Formerly known as Hopewell Highway Infrastructure Limited 合和公路基建有限公司)
(incorporated in the Cayman Islands with limited liability)

Opinion

We have audited the consolidated financial statements of Shenzhen Investment Holdings Bay Area Development Company Limited (the "Company") and its subsidiaries (collectively referred to as "the Group") set out on pages 85 to 142, which comprise the consolidated statement of financial position as at 31 December 2019, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2019, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Basis for Opinion

We conducted our audit in accordance with Hong Kong Standards on Auditing ("HKSAs"). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Financial Statements section of our report. We are independent of the Group in accordance with the International Ethics Standards Board for Accountants' Code of Ethics for Professional Accountants (the "Code"), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Key Audit Matters

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

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Interests in joint ventures ("JVs") and share of results of JVs – Amortisation of concession intangible assets of the JVs	
We identified the amortisation of concession intangible assets of the JVs as a key audit matter because significant judgements are required in determining the estimation of future traffic volume which has an impact on the carrying value of the concession intangible assets of the JVs as at year end and the amortisation charges for the current and future years. As set out in note 15 to the consolidated financial statements, the two JVs of the Group are engaged in the development, operation and management of expressways under service concession agreements with the right to collect tolls for operating two expressways in Guangdong Province of the People's Republic of China (the "PRC"), one of which runs between Shenzhen and Guangzhou and the other one links Guangzhou, Zhongshan and Zhuhai with the toll collection periods ranging from 25 years to 30 years. The Group has accounted for its interests in these JVs using the equity method of accounting.	Our procedures in relation to the amortisation of concession intangible assets of the JVs included: • Evaluating the appropriateness of the accounting policy adopted and whether such accounting policy adopted reflects the consumption pattern of the concession intangible assets and benchmarking with other companies in the same industry; • Undertaking a detailed analysis on the significant judgements and estimates used in management's estimation as mentioned below; and • Comparing the expected traffic volume estimated by the management in the past against the actual traffic volume in previous years and the historical trend of traffic volume, and then obtaining reasons for any variances, as well as evaluating the appropriateness, key basis and assumptions, including the annual growth rate of the traffic volume, the change of the transportation network of the region and government policies relating to the toll expressway operation in the PRC.

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Interests in joint ventures ("JVs") and share of results of JVs – Amortisation of concession intangible assets of the JVs (continued) As set out in note 5(i) to the consolidated financial statements, the interests in JVs as at 31 December 2019 amounted to RMB4,858,483,000 and the share of results of JVs for the year then ended 31 December 2019 amounted to RMB700,552,000. Included in the share of results of JVs, there was an amortisation of concession intangible assets of the JVs shared by the Group amounting to RMB624,304,000 for the year ended 31 December 2019 which was calculated based on units-of-usage basis, i.e. the ratio of actual traffic volume of the underlying toll expressways for a particular period over the total expected traffic volume of the underlying toll expressways over the remaining concession period of the service concession agreements. The total expected traffic volume over the remaining concession period was estimated by the management with reference to a report prepared by a third party traffic consultant in a prior year taken into consideration of various factors such as the annual growth rate of the traffic volume, the actual traffic volume in the recent periods, the change of the transportation network of the region and government policies relating to the toll expressway operation in the PRC.	

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Interests in joint ventures ("JVs") and share of results of JVs – Resurfacing obligations of the JVs	
We identified the resurfacing obligations of the JVs as a key audit matter due to the management's judgement involved in determining the amount of provision by discounted cash flow method which is based on the number of major resurfacing works to be undertaken over the concession periods under the service concession agreements and the expected costs to be incurred for each event and then discounted to the present value based on a pre-tax discount rate which could in turn affect the carrying amount of interests in JVs as at 31 December 2019 and share of results of JVs for the year ended 31 December 2019 under the equity method of accounting for the reason stated in the above key audit matter. As disclosed in note 5(ii) to the consolidated financial statements, the JVs of the Group have contractual obligations under the contractual service concession arrangements to maintain the toll expressways to a specified level of serviceability over the respective concession periods. These obligations to maintain or restore the toll expressways, except for upgrade services, are to be recognised as resurfacing obligations in the financial statements of the JVs.	Our procedures in relation to evaluate the resurfacing obligations of the JVs included: • Evaluating the appropriateness of the methodology, key bases and assumptions made by management in estimating the obligations; • Assessing the reasonableness of the expected costs of the resurfacing works and the number of major resurfacing works to be undertaken over the remaining concession period based on the technical report prepared by the engineering department of the JVs and the actual costs incurred for resurfacing works in recent periods; • Evaluating the appropriateness of the discount rate and the timing for discounting used by the management with reference to the borrowing rate of the JVs; and

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Interests in joint ventures ("JVs") and share of results of JVs – Resurfacing obligations of the JVs (continued)	
As further disclosed in note 5(ii) to the consolidated financial statements, the interests in JVs as at 31 December 2019 amounted to RMB4,858,483,000 and share of results of JVs for the year then ended 31 December 2019 amounted to RMB700,552,000. Included in the interests in JVs, there was a provision of resurfacing obligations of the JVs shared by the Group amounting to RMB236,207,000 as at 31 December 2019.	• Evaluating the projected traffic volume projection based on procedures performed in the key audit matter related to the amortisation on concession intangible assets of the JVs as mentioned above which is used for determining the amount of resurfacing expense to be charged to profit or loss in the respective reporting period.
The expected costs for maintenance and resurfacing and the timing of such event to take place involve estimates made by the management of the Group, which were taken into consideration of the resurfacing plans of the JVs, historical costs incurred for similar activities and the latest quotations from the service provider. These expected costs were then discounted to the present value based on a discount rate determined by the management of the Group that reflected the time value of the money and the risk specific to the obligation.	

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and, in doing so, consider whether the other information is materially inconsistent with the consolidated financial statements or our knowledge obtained in the audit or otherwise appears to be materially misstated. If, based on the work we have performed, we conclude that there is a material misstatement of this other information, we are required to report that fact. We have nothing to report in this regard.

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

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

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements (continued)

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Hung Suk Fan.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
8 March 2020

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2019

	NOTES	Six months ended 31 December 2018 RMB'000	**Year ended 31 December 2019 RMB'000**
Other income and other expenses	7	5,117	**1,666**
Depreciation		(154)	**(361)**
General and administrative expenses		(16,658)	**(36,930)**
Finance costs		(684)	**(1,306)**
Share of results of joint ventures	8	340,188	**700,552**
Profit before tax		327,809	**663,621**
Income tax expense	9	(19,650)	**(42,646)**
Profit for the period/year	10	308,159	**620,975**
Other comprehensive income			
Item that will not be reclassified to profit or loss:			
Fair value gain on investment in equity instrument at fair value through other comprehensive income, net of tax		417	**10,350**
Item that may be reclassified subsequently to profit or loss:			
Exchange gain (loss) arising on translation of foreign operations		149	**(2,127)**
Total comprehensive income for the period/year		308,725	**629,198**
Profit for the period/year attributable to:			
Owners of the Company		304,046	**612,026**
Non-controlling interests		4,113	**8,949**
		308,159	**620,975**
Total comprehensive income attributable to:			
Owners of the Company		304,612	**620,249**
Non-controlling interests		4,113	**8,949**
		308,725	**629,198**
		RMB cents	***RMB cents***
Earnings per share	12		
Basic		9.87	**19.86**

Consolidated Statement of Financial Position

As at 31 December 2019

	NOTES	2018 RMB'000	2019 RMB'000
ASSETS			
Non-current Assets			
Interests in joint ventures	15	4,797,525	**4,858,483**
Equity instrument at fair value through other comprehensive income	16	11,100	**22,600**
Property and equipment	17	1,291	**1,546**
Amount due from a joint venture	18	–	**311,224**
		4,809,916	**5,193,853**
Current Assets			
Deposits and prepayments		678	**820**
Other receivables		14	**68**
Bank balances and cash	19	140,087	**49,785**
		140,779	**50,673**
Total Assets		4,950,695	**5,244,526**
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	20	270,603	**270,603**
Share premium and reserves		4,568,631	**4,575,455**
Equity attributable to owners of the Company		4,839,234	**4,846,058**
Non-controlling interests		30,233	**24,020**
Total Equity		4,869,467	**4,870,078**
Non-current Liability			
Deferred tax liabilities	22	69,888	**80,668**
Current Liabilities			
Payables and accruals		11,340	**12,811**
Bank loans	23	–	**280,969**
		11,340	**293,780**
Total Liabilities		81,228	**374,448**
Total Equity and Liabilities		4,950,695	**5,244,526**
Cash and cash equivalents		140,087	**49,785**

Tianliang ZHANG*
Director

Ji LIU*
Director

* *For identification purpose only*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2019

	Attributable to owners of the Company								
	Share capital	Share premium	People's Republic of China ("PRC") statutory reserve	Investment revaluation reserve	Translation reserve	Retained profits	Sub-total	Non-controlling interests	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 July 2018	270,603	2,716,969	107,589	–	(425,894)	2,478,805	5,148,072	27,219	5,175,291
Opening adjustments	–	–	–	4,856	–	–	4,856	–	4,856
As at 1 July 2018 (restated)	270,603	2,716,969	107,589	4,856	(425,894)	2,478,805	5,152,928	27,219	5,180,147
Fair value gain on investment in equity instrument at fair value through other comprehensive income, net of tax	–	–	–	417	–	–	417	–	417
Exchange gain on translation of foreign operations	–	–	–	–	149	–	149	–	149
Profit for the period	–	–	–	–	–	304,046	304,046	4,113	308,159
Total comprehensive income for the period	–	–	–	417	149	304,046	304,612	4,113	308,725
Dividends recognised as distribution during the period (Note 13)	–	(379,280)	–	–	65,419	(304,445)	(618,306)	–	(618,306)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(1,099)	(1,099)
As at 31 December 2018	**270,603**	**2,337,689**	**107,589**	**5,273**	**(360,326)**	**2,478,406**	**4,839,234**	**30,233**	**4,869,467**
Fair value gain on investment in equity instrument at fair value through other comprehensive income, net of tax	**–**	**–**	**–**	**10,350**	**–**	**–**	**10,350**	**–**	**10,350**
Exchange loss on translation of foreign operations	**–**	**–**	**–**	**–**	**(2,127)**	**–**	**(2,127)**	**–**	**(2,127)**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**612,026**	**612,026**	**8,949**	**620,975**
Total comprehensive income for the year	**–**	**–**	**–**	**10,350**	**(2,127)**	**612,026**	**620,249**	**8,949**	**629,198**
Transfer between reserves	**–**	**–**	**1,575**	**–**	**–**	**(1,575)**	**–**	**–**	**–**
Dividends recognised as distribution during the year (Note 13)	**–**	**–**	**–**	**–**	**–**	**(613,425)**	**(613,425)**	**–**	**(613,425)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(15,162)**	**(15,162)**
As at 31 December 2019	**270,603**	**2,337,689**	**109,164**	**15,623**	**(362,453)**	**2,475,432**	**4,846,058**	**24,020**	**4,870,078**

For the purpose of presenting the consolidated statement of changes in equity of the Group in Renminbi ("RMB") (the presentation currency of the Group), the equity transactions and accumulated earnings denominated in Hong Kong Dollar ("HKD") are translated at the exchange rates at the transaction dates. Before the change in functional currency of the Company from HKD to RMB during the year ended 30 June 2009, the exchange differences recognised in translation reserve represented the difference between the equity transactions and accumulated earnings translated at the exchange rates at the transaction dates and the assets and liabilities translated at the closing rates at the end of each reporting period. Subsequent to the change in functional currency of the Company, the exchange differences recognised in translation reserve represented translation of its foreign operations.

The special final dividend for the year ended 30 June 2018 of RMB10 cents per share amounting to approximately RMB313,861,000 was distributed from the share premium arisen at the time before the change in functional currency of the Company from HKD to RMB. Accordingly, the share premium and the corresponding translation reserve had been debited by RMB379,280,000 and credited by RMB65,419,000 respectively.

Consolidated Statement of Cash Flows

For the year ended 31 December 2019

	Six months ended 31 December 2018 *RMB'000*	**Year ended 31 December 2019** ***RMB'000***
OPERATING ACTIVITIES		
Profit before tax	327,809	**663,621**
Adjustments for:		
Dividend income from equity instrument at fair value through other comprehensive income	(600)	**(3,120)**
Interest income	(7,128)	**(4,080)**
Interest expense	667	**1,280**
Gain on disposal of property and equipment	–	**(144)**
Net exchange loss	2,826	**5,892**
Depreciation of property and equipment	154	**361**
Share of results of joint ventures	(340,188)	**(700,552)**
Operating cash flows before movements in working capital	(16,460)	**(36,742)**
Increase in other receivables	–	**(68)**
Decrease (increase) in deposits and prepayments	891	**(142)**
Increase (decrease) in payables and accruals	1,462	**(1,685)**
NET CASH USED IN OPERATING ACTIVITIES	(14,107)	**(38,637)**
INVESTING ACTIVITIES		
Advance to a joint venture	–	**(309,300)**
Capital injection to a joint venture	–	**(3,750)**
Purchases of property and equipment	(1,361)	**(616)**
Dividends received (net of PRC withholding tax)	449,120	**613,449**
Interest received	8,829	**2,170**
Proceeds on disposal of property and equipment	–	**144**
NET CASH FROM INVESTING ACTIVITIES	456,588	**302,097**
FINANCING ACTIVITIES		
New bank loans raised	265,957	**546,221**
Bank loans repaid	(265,957)	**(265,252)**
Interest paid	(667)	**(1,123)**
Dividends paid to:		
– owners of the Company	(1,000,143)	**(624,064)**
– non-controlling interests of a subsidiary	(1,099)	**(15,162)**
NET CASH USED IN FINANCING ACTIVITIES	(1,001,909)	**(359,380)**
NET DECREASE IN CASH AND CASH EQUIVALENTS	(559,428)	**(95,920)**
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	691,461	**140,087**
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	8,054	**5,618**
CASH AND CASH EQUIVALENTS CARRIED FORWARD	140,087	**49,785**

Note: Cash and cash equivalents comprise cash at banks and cash on hand, and deposits with banks subjected to insignificant risk of change in value, and with a maturity of three months or less from date of placing.

1. General Information

Shenzhen Investment Holdings Bay Area Development Company Limited (formerly known as Hopewell Highway Infrastructure Limited) (the "Company") is an exempted company with limited liability incorporated in the Cayman Islands and its shares are listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange"). The Company's immediate holding company is Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd. (深圳投控國際資本控股基建有限公司), a company incorporated in the British Virgin Islands with limited liability. The Company's ultimate holding company is Shenzhen Investment Holdings Co., Ltd (深圳市投資控股有限公司), a company established in the PRC with limited liability.

The addresses of the registered office and principal place of business of the Company are disclosed in the section of corporate information in the annual report.

The Company is an investment holding company. Details of the principal activities of the principal subsidiaries and the joint ventures are set out in notes 26 and 15 respectively.

The Company's functional currency and presentation currency are RMB.

2. Basis of Preparation of Consolidated Financial Statements

Pursuant to a resolution of the Board of Directors passed on 27 August 2018, the reporting period end date of the Group was changed from 30 June to 31 December because the directors of the Company (the "Directors") determined to bring the annual reporting period end date of the Group in line with that of the Company's joint ventures established in the PRC and the ultimate holding company. Accordingly, the consolidated financial statements for the current period cover the twelve month period ended 31 December 2019. The corresponding comparative amounts shown for the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity, consolidated statement of cash flows and related notes cover a six-month period from 1 July 2018 to 31 December 2018 and therefore may not be comparable with amounts shown for the current year.

In preparing the consolidated financial statements, the Directors have given careful consideration to the future liquidity of the Group in light of the fact that the Group's current liabilities exceeded its current assets by RMB243,107,000 as at 31 December 2019.

2. Basis of Preparation of Consolidated Financial Statements (continued)

The Directors are of the opinion that taking into account of the new uncommitted banking facilities amounting to HK$2,500,000,000 (equivalent to RMB2,244,165,000) and HK$850,000,000 (equivalent to RMB763,016,000) obtained by the Group in January 2020 and March 2020 respectively of which there are proven records of cash inflows generated from the joint ventures of the Group together with the good relationship between the relevant banks and the Company's ultimate holding company, enhancing the Group's ability on obtaining those bank borrowings when needed as well as internally generated funds of the Group, the Group has sufficient working capital for its present requirements for the next twelve months from 31 December 2019. Accordingly, the consolidated financial statements have been prepared on a going concern basis.

3. Application of New and Amendments to International Financial Reporting Standards ("IFRSs")

New and amendments to IFRSs that are mandatorily effective for the current year

The Group has applied the following new and amendments to IFRSs issued by International Accounting Standards Board for the first time in the current year:

IFRS 16	Leases
IFRIC 23	Uncertainty over Income Tax Treatments
Amendments to IFRS 9	Prepayment Features with Negative Compensation
Amendments to IAS 19	Plan Amendment, Curtailment or Settlement
Amendments to IAS 28	Long-term Interests in Associates and Joint Ventures
Amendments to IFRSs	Annual Improvements to IFRSs 2015–2017 Cycle

Amendments to IAS 28 "Long-term Interests in Associates and Joint Ventures"

The amendments clarify that the Group applies IFRS 9 "Financial Instruments" ("IFRS 9"), including the impairment requirements, to long-term interests in an associate or joint venture to which the equity method is not applied that form part of the net investment in the investee. Furthermore, in applying IFRS 9 to long-term interests, the Group does not take into account adjustments to their carrying amount required by IAS 28 "Investments in Associates and Joint Ventures" ("IAS 28") (i.e. adjustments to the carrying amount of long-term interests arising from the allocation of losses of the investee or assessment of impairment in accordance with IAS 28).

The Directors do not anticipate that the application of the amendments to IAS 28 will have a material effect on the consolidated financial statements.

In addition to the above, the application of the new and amendments to IFRSs in the current year has had no material impact on the Group's financial positions and performance for the current year and prior period and/or on the disclosures set out in these consolidated financial statements.

3. Application of New and Amendments to International Financial Reporting Standards ("IFRSs") (continued)

New and amendments to IFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to IFRSs that have been issued but are not yet effective:

IFRS 17	Insurance Contracts[1]
Amendments to IFRS 3	Definition of a Business[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[3]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[5]
Amendments to IAS 1 and IAS 8	Definition of Material[4]
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform[4]

1 Effective for annual periods beginning on or after 1 January 2021
2 Effective for business combinations and asset acquisitions for which the acquisition date is on or after the beginning of the first annual period beginning on or after 1 January 2020
3 Effective for annual periods beginning on or after a date to be determined
4 Effective for annual periods beginning on or after 1 January 2020
5 Effective for annual periods beginning on or after 1 January 2022

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2018. Its consequential amendments, the Amendments to References to the Conceptual Framework in IFRS Standards, will be effective for annual periods beginning on or after 1 January 2020.

The Directors anticipate that the application of all new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

4. Significant Accounting Policies

The consolidated financial statements have been prepared in accordance with IFRSs issued by International Accounting Standards Board. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies set out below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

4. Significant Accounting Policies (continued)

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, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis.

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

The principal accounting policies are set out below.

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

4. Significant Accounting Policies (continued)

Basis of consolidation (continued)

When necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies into line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Interests in joint ventures

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Appropriate adjustments have been made to conform the joint venture's accounting policies to those of the Group. Under the equity method, an investment in a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the joint venture. Changes in net assets of the joint venture other than profit or loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of joint venture exceeds the Group's interest in that joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the joint venture.

The Group assesses whether there is an objective evidence that the interest in a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with IAS 36 "Impairment of Assets" as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment is recognised in accordance with IAS 36 to the extent that the recoverable amount of the investment subsequently increases.

4. Significant Accounting Policies (continued)

Interests in joint ventures (continued)

The Group has incurred additional development expenditure for the construction and development of the toll expressways operated by the joint ventures, which were not accounted for by those entities. Such cost are included in additional cost of investments in joint ventures and are amortised over the joint venture period on the same basis as that adopted by the relevant joint ventures in respect of amortisation of its project cost, commencing from the date of operation of the project undertaken. On disposal of a joint venture, the attributable amount of the unamortised additional cost of investments is included in the determination of the profit or loss on disposal.

When a group entity transacts with a joint venture of the Group, profits and losses resulting from the transactions with the joint venture are recognised in the Group's consolidated financial statements only to the extent of interests in the joint venture that are not related to the Group.

Property and equipment

Property and equipment are tangible assets that are held for use in the supply of goods or services, or for administrative purposes. Property and equipment are stated in the consolidated statement of financial position at cost less subsequent accumulated depreciation and subsequent accumulated impairment, if any.

Depreciation is recognised so as to write off the cost of assets over their estimated useful lives, using the straight-line method. The estimated useful lives and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

4. Significant Accounting Policies (continued)

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;
- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or
- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets until such time as the assets are substantially ready for their intended use or sale.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

4. Significant Accounting Policies (continued)

Leases

Definition of a lease (upon application of IFRS 16 in accordance with transitions in note 3)

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.

For contracts entered into or modified or arising from business combinations on or after the date of initial application, the Group assesses whether a contract is or contains a lease based on the definition under IFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of car parks and staff quarters that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis or another systematic basis over the lease term.

The Group as a lessee (prior to 1 January 2019)

Leases are classified as finance leases whenever the terms of the lease transfer substantially all the risks and rewards of ownership to the lessee. All other leases are classified as operating leases.

Operating lease payments is recognised as an expense on a straight-line basis over the lease term.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing on the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date. Non-monetary items that are measured in terms of historical cost in a foreign currency are not retranslated.

4. Significant Accounting Policies (continued)

Foreign currencies (continued)

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's foreign operations are translated into the presentation currency of the Group (i.e. RMB) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the dates of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of translation reserve.

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, or a partial disposal of an interest in a joint arrangement that includes a foreign operation of which the retained interest becomes a financial asset), all of the exchange differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

Retirement benefit costs

Payments to defined contribution retirement benefit schemes are recognised as an expense when employees have rendered service entitling them to the contributions.

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on the taxable profit for the year. Taxable profit differs from profit before tax because of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantially enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises from the initial recognition of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit.

4. Significant Accounting Policies (continued)

Taxation (continued)

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in joint ventures, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of each reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxable entity by the same authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively.

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date basis. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets and financial liabilities are initially measured at fair value. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at fair value through profit or loss are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling and collecting contractual cash flows; and
- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at fair value through profit or loss, except that at the date of initial application of IFRS 9/initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which IFRS 3 "Business Combinations" applies.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost and debt instruments/receivables subsequently measured at FVTOCI. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit-impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit impaired.

Equity instruments designated as at FVTOCI

Investments in equity instruments at FVTOCI are subsequently measured at fair value with gains and losses arising from changes in fair value recognised in other comprehensive income and accumulated in the investment revaluation reserve; and are not subject to impairment assessment. The cumulative gain or loss will not be reclassified to profit or loss on disposal of the equity investments, and will be transferred to retained profits.

Dividends from these investments in equity instruments are recognised in profit or loss when the Group's right to receive the dividends is established, unless the dividends clearly represent a recovery of part of the cost of the investment. Dividends are included in the other income and other expenses line item in profit or loss.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including other receivables, amount due from a joint venture and bank balances and cash) which are subject to impairment under IFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessment are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

Impairment of financial assets (continued)

For all instruments, the Group measures the loss allowance equal to 12-month ECL, unless when there has been a significant increase in credit risk since initial recognition, the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

In particular, the following information is taken into account when assessing whether credit risk has increased significantly:

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

Significant increase in credit risk (continued)

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit-impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;
(b) a breach of contract, such as a default or past due event;
(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;
(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
(e) the disappearance of an active market for that financial asset because of financial difficulties.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery, for example, when the counterparty has been placed under liquidation or has entered into bankruptcy proceedings. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default, loss given default (i.e. the magnitude of the loss if there is a default) and the exposure at default. The assessment of the probability of default and loss given default is based on historical data adjusted by forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

Where ECL is measured on a collective basis or cater for cases where evidence at the individual instrument level may not yet be available, the financial instruments are grouped on the following basis:

- Nature of financial instruments (i.e. the Group's other receivables are each assessed as a separate group);
- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

4. Significant Accounting Policies (continued)

Financial instruments (continued)

Derecognition of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit and loss.

On derecognition of an investment in equity instrument which the Group has elected on initial recognition to measure at FVTOCI, the cumulative gain or loss previously accumulated in the investment revaluation reserve is not reclassified to profit or loss, but is transferred to retained profits.

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by a group entity are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method.

Financial liabilities at amortised cost

Financial liabilities including payables and bank loans are subsequently measured at amortised cost, using the effective interest method.

Derecognition of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

4. Significant Accounting Policies (continued)

Impairment on property and equipment

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment to determine whether there is any indication that those assets have suffered an impairment. If any such indication exists, the recoverable amount of the relevant asset is estimated in order to determine the extent of the impairment (if any).

The recoverable amount of property and equipment are estimated individually. When it is not possible to estimate the recoverable amount individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In addition, the Group assesses whether there is indication that corporate assets may be impaired. If such indication exists, corporate assets are also allocated to individual cash-generating units, when a reasonable and consistent basis of allocation can be identified, or otherwise they are allocated to the smallest group of cash-generating units for which a reasonable and consistent allocation basis can be identified.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or a cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment is recognised immediately in profit or loss.

Where an impairment subsequently reverses, the carrying amount of the asset (or a cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment is recognised immediately in profit or loss.

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 4, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

The estimates and underlying assumptions are reviewed on an on-going basis. Revisions to accounting estimates are recognised in the year in which the estimate is revised if the revision affects only that period, or in the year of the revision and future periods if the revision affects both current and future periods.

Critical judgements in applying accounting policies

The following are the critical judgements, apart from those involving estimations, that the Directors have made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Classification of Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited ("GS JV"), Guangdong Guangzhou-Zhuhai West Superhighway Company Limited ("GZ West JV") and Guangzhou Zhentong Development Company Limited (廣州臻通實業發展有限公司) ("Xintang JV") as joint ventures

All GS JV, GZ West JV and Xintang JV are limited liability companies whose legal form confers separation between the parties to the joint arrangement and the Company itself. Furthermore, there are no contractual arrangements or any other facts and circumstances that specify that the parties to the joint arrangement have rights to the assets and obligations for the liabilities of the joint arrangement. Accordingly, GS JV, GZ West JV and Xintang JV are classified as joint ventures of the Group. Details are set out in note 15.

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting periods that may have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year.

Interests in joint ventures/share of results of joint ventures

(i) Amortisation of concession intangible assets of the joint ventures

Amortisation of concession intangible assets of the joint ventures of the Group is calculated based on units-of-usage basis, i.e. the ratio of actual traffic volume of the underlying toll expressways for a particular period over the total expected traffic volume of the underlying toll expressways over the remaining concession periods of the service concession agreements. The total expected traffic volume over the remaining concession period was estimated by the management with reference to a report prepared by a third party traffic consultant in a prior year taken into consideration of various factors such as the annual growth rate of the traffic volume, the actual traffic volume in the recent periods, the change of the transportation network of the region and government policies relating to the toll expressway operation in the PRC. As part of the established policy of the Group, the management has reviewed the total expected traffic volume at the end of the reporting periods. Adjustments may need to be made to the carrying amounts of concession intangible assets should there be a material difference between the total expected traffic volume and the actual results.

As at 31 December 2019, the interests in joint ventures amounted to RMB4,858,483,000 (31 December 2018: RMB4,797,525,000) and the share of results of joint ventures for the year then ended 31 December 2019 amounted to RMB700,552,000 (six months ended 31 December 2018: RMB340,188,000). Included in the share of results of joint ventures was an amount of RMB624,304,000 (six months ended 31 December 2018: RMB326,003,000), which represented the share of amortisation of concession intangible assets of the joint ventures of the Group. The management considers that the amortisation is calculated by reference to the best estimates of the total expected traffic volumes of the underlying toll expressways and they should not be materially different from the actual traffic volumes in future. The current year amortisation of concession intangible assets is less (six months ended 31 December 2018: less) than the amortisation estimated in the prior financial period based on the then expected traffic volumes for future financial years and the effect on share of results of joint ventures is approximate to RMB26,393,000 (six months ended 31 December 2018: RMB2,091,000).

5. Critical Accounting Judgements and Key Sources of Estimation Uncertainty (continued)

Key sources of estimation uncertainty (continued)

Interests in joint ventures/share of results of joint ventures (continued)

(ii) Resurfacing obligations of the joint ventures

The joint ventures of the Group have contractual obligations under the contractual service arrangements to maintain the toll expressways to a specified level of serviceability over the respective concession periods. These obligations to maintain or restore the toll expressways, except for upgrade services, are to be recognised and measured as resurfacing obligations. Resurfacing obligations had been made at the present value of expenditures expected to be incurred by the joint ventures to settle the obligations.

As at 31 December 2019, the interests in joint ventures amounted to RMB4,858,483,000 (31 December 2018: RMB4,797,525,000) and share of results of joint ventures for the year then ended 31 December 2019 amounted to RMB700,552,000 (six months ended 31 December 2018: RMB340,188,000). Included in the interests in joint ventures was an amount of RMB236,207,000 (31 December 2018: RMB220,243,000), which represented the share of provision for the resurfacing obligations of the joint ventures of the Group.

The amount expected to be required to settle the obligations at the end of the reporting period is determined based on the number of major resurfacing works to be undertaken over the concession periods under the service concession agreements and the expected costs to be incurred for each event. The costs are then discounted to the present value based on a pre-tax discount rate.

The expected costs for maintenance and resurfacing and the timing of such events to take place involve estimates made by the management, which were based on the resurfacing plans of the Group, historical costs incurred for similar activities and the latest quotations from the service provider.

If the expected expenditures, resurfacing plans and discount rate were different from the management's current estimates, the change in resurfacing obligations is required to be accounted for prospectively.

The management are of the view that the discount rate currently used in the current estimate should reflect the time value of money and the risks specific to the obligations.

6. Segment Information

The Group's reportable and operating segments are determined based on information reported to the chief operating decision maker ("CODM") for the purpose of resource allocation and performance assessment.

Information reported to the CODM, including segment revenue, the Group's share of joint ventures' earnings before interest, tax, depreciation and amortisation before net exchange gain/loss ("EBITDA"), the Group's share of joint ventures' depreciation and amortisation including amortisation of additional cost of investments in joint ventures ("depreciation and amortisation"), the Group's share of joint ventures' interest and tax before tax on exchange gain/loss and including withholding tax on earnings distributed by a joint venture ("interest and tax"), and segment results. During the second half of the year, the Group commenced the business engaging in new land development and utilisation project along with the establishment of Xintang JV, a company established in the PRC to engage in the development of residential project on the Xintang interchange ("Xintang Interchange"), and it is considered as a new reportable and operating segment by the CODM. The CODM is more specifically focused on individual toll expressways projects and new land development and utilisation project jointly operated and managed by the Group and the relevant joint venture partners during the period/year. Accordingly, the Group's reportable and operating segments under IFRS 8 "Operating Segments" are therefore as follows:

– Guangzhou-Shenzhen Superhighway ("GS Superhighway")
– Guangzhou-Zhuhai West Superhighway ("GZ West Superhighway")
– Xintang Interchange

6. Segment Information (continued)

Information regarding the above segments is reported below.

Segment revenue and results

	Six months ended 31 December 2018					Year ended 31 December 2019				
	Segment revenue	EBITDA	Depreciation and amortisation	Interest and tax	Segment results	Segment revenue	EBITDA	Depreciation and amortisation	Interest and tax	Segment results
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Toll expressway projects										
GS Superhighway	742,973	663,212	(232,267)	(164,147)	266,798	1,408,888	1,248,307	(445,024)	(315,899)	487,384
GZ West Superhighway	377,122	320,004	(126,133)	(105,704)	88,167	735,380	626,703	(245,029)	(192,748)	188,926
	1,120,095	983,216	(358,400)	(269,851)	354,965	2,144,268	1,875,010	(690,053)	(508,647)	676,310
Land development and utilisation project										
Xintang Interchange	–	–	–	–	–	–	38	–	(1,924)	(1,886)
Total	1,120,095	983,216	(358,400)	(269,851)	354,965	2,144,268	1,875,048	(690,053)	(510,571)	674,424
Corporate interest income from bank deposits					7,128					2,156
Corporate interest income from loans made by the Group to a joint venture					–					1,924
Other income					815					3,478
Corporate general and administrative expenses and depreciation					(16,812)					(37,291)
Corporate finance costs					(684)					(1,306)
Corporate income tax expense					(60)					(776)
Net exchange loss (net of related income tax) (Note)					(37,193)					(21,634)
Profit for the period/year					308,159					620,975
Profit for the period/year attributable to non-controlling interests					(4,113)					(8,949)
Profit for the period/year attributable to owners of the Company					304,046					612,026

Note: Net exchange loss (net of related income tax) is composed of the Group's share of the exchange loss (net of related income tax) of a joint venture of RMB15,742,000 (six months ended 31 December 2018: RMB34,367,000) and the net exchange loss of the Group of RMB5,892,000 (six months ended 31 December 2018: RMB2,826,000).

6. Segment Information (continued)

Segment revenue and results (continued)

The segment revenue represents the Group's share of joint ventures' toll revenue received and receivable (net of value-added tax) from the operations of toll expressways in the PRC based on the profit-sharing ratios specified in the relevant joint venture agreements. All of the segment revenue reported above is earned from external customers.

The segment results represent the (i) Group's share of joint ventures' results from the operations of toll expressways and land development and utilisation in the PRC before net exchange gain/loss (net of related income tax) based on the profit-sharing ratios and shareholding percentage specified in the relevant joint venture agreements, (ii) net of the withholding tax attributed to the dividend received from and the undistributed earnings of the joint ventures; and (iii) amortisation of additional cost of investments in joint ventures. This is the measure reported to the CODM for the purposes of resource allocation and performance assessment.

The total segment results can be reconciled to the share of results of joint ventures as presented in consolidated statement of profit or loss and other comprehensive income as follows:

	Six months ended 31 December 2018 *RMB'000*	**Year ended 31 December 2019** ***RMB'000***
Total segment results	354,965	**674,424**
Add:		
Net exchange loss (net of related income tax)	(34,367)	**(15,742)**
Withholding tax attributed to the dividend received from and the undistributed earnings of the joint ventures	19,590	**41,870**
Share of results of joint ventures as presented in consolidated statement of profit or loss and other comprehensive income	340,188	**700,552**

6. Segment Information (continued)

Other segment information

The below other segment information, included in the measure of segment profit or loss, represents the Group's share of interest income of the joint ventures. Such amount relating to the joint ventures are eliminated under equity method of accounting to reconcile from "Segment total" to "Consolidated total".

	GS Superhighway	GZ West Superhighway	Xintang Interchange	Segment total	Elimination	Unallocated	Consolidated total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
Six months ended 31 December 2018	3,247	502	–	3,749	(3,749)	7,128	7,128
Year ended 31 December 2019	**4,067**	**1,137**	**55**	**5,259**	**(5,259)**	**4,080**	**4,080**

Geographical information

The operations of the Group's joint ventures are located in the PRC. All of the joint ventures' revenue from external customers was generated from the services provided in the PRC and the location of the non-current assets excluding interests in joint ventures, amount due from a joint venture and equity instrument at FVTOCI amounting to RMB1,546,000 (31 December 2018: RMB1,291,000) are in Hong Kong.

Segment assets and liabilities

Segment assets and liabilities are not disclosed in the consolidated financial statements as they are not regularly provided to CODM for the purpose of resource allocation and performance assessment.

7. Other Income and Other Expenses

	Six months ended 31 December 2018 RMB'000	**Year ended 31 December 2019 RMB'000**
Interest income from:		
Bank deposits	7,128	**2,156**
Amount due from a joint venture	–	**1,924**
Net exchange loss	(2,826)	**(5,892)**
Dividend income from equity instrument at FVTOCI	600	**3,120**
Gain on disposal of property and equipment	–	**144**
Others	215	**214**
	5,117	**1,666**

8. Share of Results of Joint Ventures

	Six months ended 31 December 2018 RMB'000	**Year ended 31 December 2019 RMB'000**
Share of results of joint ventures before share of imputed interest expenses incurred by a joint venture on interest-free registered capital contributions made by the Group and amortisation of additional cost of investments in joint ventures (Note 15)	386,942	**792,358**
Amortisation of additional cost of investments in joint ventures	(46,754)	**(91,806)**
Share of imputed interest expenses incurred by a joint venture on interest-free registered capital contributions made by the Group	(25,452)	**(52,499)**
Imputed interest income recognised by the Group on interest-free registered capital contributions made by the Group	25,452	**52,499**
	340,188	**700,552**

9. Income Tax Expense

	Six months ended 31 December 2018 RMB'000	**Year ended 31 December 2019 RMB'000**
The tax charge comprises:		
PRC Enterprise Income Tax ("EIT")	20,114	**33,016**
Deferred tax (Note 22)	(464)	**9,630**
	19,650	**42,646**

No provision for Hong Kong Profits Tax has been made as there was no assessable profit derived from or arising in Hong Kong for the period/year.

The EIT charge of the Group for the year ended 31 December 2019 included an amount of RMB32,704,000 (six months ended 31 December 2018: RMB20,054,000) representing the 5% withholding tax imposed on dividends declared during the period/year by a joint venture of the Group of which the corresponding amount had already been provided for deferred tax in prior years in respect of undistributed earnings of a joint venture.

The income tax expense for the period/year can be reconciled to the profit before tax per consolidated statement of profit or loss and other comprehensive income as follows:

	Six months ended 31 December 2018 RMB'000	**Year ended 31 December 2019 RMB'000**
Profit before tax	327,809	**663,621**
Tax at normal PRC income tax rate of 25% (six months ended 31 December 2018: 25%)	81,952	**165,905**
Effect of different tax rates on income tax expense	(90)	**(503)**
Tax effect of income not taxable for tax purposes	(1,835)	**(611)**
Tax effect of expenses not deductible for tax purposes	5,080	**11,123**
Tax effect of share of results of joint ventures	(85,047)	**(175,138)**
Withholding tax on earnings distributed by a joint venture	19,590	**41,870**
Income tax expense	19,650	**42,646**

10. Profit for the Period/Year

	Six months ended 31 December 2018 *RMB'000*	**Year ended 31 December 2019** ***RMB'000***
Profit for the period/year has been arrived at after charging:		
Auditor's remuneration	1,141	**1,542**
Directors' emoluments (Note 11)	2,863	**8,279**
Other staff costs	7,073	**15,315**
Total staff costs	9,936	**23,594**
Depreciation of property and equipment	154	**361**
Finance costs (Note)	684	**1,306**
Short-term lease expense	–	**283**

Note: The amount represents the bank charges and bank loan interest for the period/year.

11. Directors' and Five Highest Paid Individuals' Emoluments

Directors' emoluments

The emoluments paid or payable to each of the 9 (six months ended 31 December 2018: 8) Directors were as follows:

	Six months ended 31 December 2018					**Year ended 31 December 2019**				
	Directors' fees	Other benefits	Discretionary bonus	Contribution to retirement benefits plans	Total	**Directors' fees**	**Salaries and other benefits**	**Discretionary bonus**	**Contribution to retirement benefits plans**	**Total**
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***	***RMB'000***
Non-executive Directors										
Zhengyu LIU* (note a)	–	–	–	–	–	**–**	**–**	**–**	**–**	**–**
Qingyong GU* (note b)	108	–	–	–	108	**65**	**–**	**–**	**–**	**65**
Junye CAI* (note c)	26	–	–	–	26	**308**	**–**	**–**	**–**	**308**
Jiyang TANG* (note d)	–	–	–	–	–	**243**	**–**	**–**	**–**	**243**
Executive Directors										
Tianliang ZHANG*	87	656	–	–	743	**176**	**1,102**	**933**	**287**	**2,498**
Cheng WU*	87	637	–	–	724	**176**	**964**	**633**	**270**	**2,043**
Ji LIU*	87	637	–	–	724	**176**	**959**	**633**	**270**	**2,038**
Independent Non-executive Directors										
Brian David Man Bun Li	184	–	–	–	184	**370**	**–**	**–**	**–**	**370**
Yu Lung CHING	184	–	–	–	184	**370**	**–**	**–**	**–**	**370**
Tony Chung Nin KAN	170	–	–	–	170	**344**	**–**	**–**	**–**	**344**
	933	1,930	–	–	2,863	**2,228**	**3,025**	**2,199**	**827**	**8,279**

The Executive Directors' emoluments shown above were paid for their services in connection with the management of the affairs of the Company and the Group. The emoluments of the Non-executive Directors and Independent Non-executive Directors shown above were paid for their services as Directors.

Notes:

(a) Mr. Zhengyu LIU* was a Non-executive Director and the Chairman of the Board of Directors of the Company for the period/year.

(b) Mr. Qingyong GU* was appointed as a Non-executive Director of the Company on 27 August 2018 and ceased to act as a Non-executive Director of the Company on 19 March 2019.

(c) Mr. Junye CAI* was appointed as a Non-executive Director of the Company on 1 December 2018.

(d) Mr. Jiyang TANG* was appointed as a Non-executive Director of the Company on 19 March 2019.

* *For identification purpose only*

11. Directors' and Five Highest Paid Individuals' Emoluments (continued)

Five highest paid individuals' emoluments

Of the five individuals with the highest emoluments in the Group, 3 (six months ended 31 December 2018: 3) were Directors whose details of their emoluments are disclosed above.

The emoluments of the remaining 2 (six months ended 31 December 2018: 2) highest paid employees were as follows:

	Six months ended 31 December 2018 *RMB'000*	**Year ended 31 December 2019** ***RMB'000***
Salaries and other benefits	1,146	**2,113**
Discretionary bonus	–	**254**
Contribution to retirement benefits plans	16	**32**
	1,162	**2,399**

The number of the highest paid employees who are not Directors whose remuneration fell within the following bands is as follows:

	Six months ended 31 December 2018 No. of employees	**Year ended 31 December 2019 No. of employees**
Nil to HK$1,000,000	2	**–**
HK$1,000,001 to HK$1,500,000	–	**2**

During the six months ended 31 December 2018 and the year ended 31 December 2019, no emoluments were paid by the Group to any of the persons who are Directors or the five highest paid individuals of the Group as an inducement to join or upon joining the Group or as compensation for loss of office. None of the Directors has waived any emoluments during the period/year.

12. Earnings Per Share

The calculation of the basic earnings per share attributable to the owners of the Company is based on the following data:

	Six months ended 31 December 2018 RMB'000	**Year ended 31 December 2019 RMB'000**
Earnings for the purpose of basic earnings per share	304,046	**612,026**

	Number of shares	
	Six months ended 31 December 2018	**Year ended 31 December 2019**
Number of ordinary shares for the purpose of basic earnings per share	3,081,690,283	**3,081,690,283**

No diluted earnings per share have been presented as there was no potential ordinary shares in issue during the period/year.

13. Dividends

	Six months ended 31 December 2018 RMB'000	**Year ended 31 December 2019 RMB'000**
Dividends recognised as a distribution during the period/year:		
Interim dividend for the year ended 31 December 2019 of RMB9.8 cents (equivalent to HK10.971394 cents) per share	–	**305,852**
Final dividend for the six months ended 31 December 2018 paid of RMB9.9 cents (equivalent to HK11.615472 cents) (six months ended 31 December 2018: for the year ended 30 June 2018 paid of RMB9.7 cents (equivalent to HK11.114551 cents)) per share	304,445	**307,573**
Special final dividend for the year ended 30 June 2018 paid of RMB10 cents (equivalent to HK11.4583 cents) per share	313,861	**–**
	618,306	**613,425**

13. Dividends (continued)

	Six months ended 31 December 2018 RMB'000	**Year ended 31 December 2019 RMB'000**
Proposed dividend:		
Final dividend for the year ended 31 December 2019 proposed of RMB10.1 cents (equivalent to HK11.320989 cents) (six months ended 31 December 2018: for the six months ended 31 December 2018 of RMB9.9 cents (equivalent to HK11.615472 cents)) per share	305,087	**311,251**

A final dividend in respect of the year ended 31 December 2019 of RMB10.1 cents (equivalent to HK11.320989 cents) per share is proposed by the Board of Directors. The dividend is subject to approval by shareholders at the forthcoming annual general meeting and have not been included as liabilities in these consolidated financial statements. The proposed final dividend is calculated based on the total number of issued shares at the date of approval of these consolidated financial statements.

14. Retirement Benefits Plans

The Group has established the Mandatory Provident Fund Scheme (the "MPF Scheme") for its Hong Kong employees. The assets of the scheme are held separately in funds which are under the control of independent trustees. The retirement benefit scheme contributions charged to profit or loss represent contributions paid or payable by the Group to the scheme at 5% of each of the employees' monthly relevant income capped at HK$30,000. In addition, the PRC employees employed by the Group are members of the state-managed retirement benefit schemes operated by the PRC Government. The Group is required to contribute 18% of their payroll to the retirement benefit schemes to fund the benefits. The only obligation of the Group with respect to the retirement benefit schemes is to make the required contributions under the schemes. At 31 December 2019, there were no forfeited contributions available to reduce future obligations. The total contributions made by the Group to the MPF Scheme and the PRC retirement benefit schemes for the year ended 31 December 2019 are RMB1,651,000 (six months ended 31 December 2018: RMB420,000).

15. Interests in Joint Ventures

	2018 *RMB'000*	**2019** ***RMB'000***
Unlisted investments:		
At cost		
Cost of investment in a joint venture	2,020,789	**2,024,539**
Additional cost of investments	2,520,218	**2,520,218**
Share of results of joint ventures before share of imputed interest expenses incurred by a joint venture on interest-free registered capital contributions made by the Group (net of dividend received)	1,401,142	**1,582,767**
Less: Unrealised profit on disposal of land	–	**(32,611)**
Less: Share of accumulated imputed interest expenses incurred by a joint venture on interest-free registered capital contributions made by the Group	(431,396)	**(483,895)**
Less: Accumulated amortisation of additional cost of investments	(1,573,335)	**(1,665,141)**
	3,937,418	**3,945,877**
At amortised cost		
Registered capital contribution, at nominal amount	2,449,500	**2,449,500**
Fair value adjustment on initial recognition	(2,020,789)	**(2,020,789)**
Accumulated imputed interest income recognised by the Group	431,396	**483,895**
	860,107	**912,606**
	4,797,525	**4,858,483**

15. Interests in Joint Ventures (continued)

Particulars of the Group's joint ventures as at 31 December 2018 and 2019 are as follows:

Name of company	Place of establishment and principal place of operation	Fully paid registered capital		Principal activity	Proportion of registered capital contribution		Proportion of voting rights held	
		2018	**2019**		2018	**2019**	2018	**2019**
廣深珠高速公路有限公司 Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited	The PRC	Nil (Note i)	**Nil (Note i)**	Development, operation and management of an expressway	Not applicable	**Not applicable**	50%	**50%**
廣東廣珠西綫高速公路有限公司 Guangdong Guangzhou-Zhuhai West Superhighway Company Limited	The PRC	RMB4,899,000,000 (Note ii)	**RMB4,899,000,000 (Note ii)**	Development, operation and management of an expressway	50%	**50%**	50%	**50%**
廣州臻通實業發展有限公司 Guangzhou Zhentong Development Company Limited*	The PRC	N/A	**RMB10,000,000 (Note iii)**	Land development and utilisation	N/A	**37.5%**	N/A	**37.5%**

Both GS JV and GZ West JV are sino-foreign co-operative joint venture enterprises established to invest in toll expressways projects in the PRC.

* *For identification purpose only*

15. Interests in Joint Ventures (continued)

The principal terms of the joint venture agreements entered into between the relevant subsidiaries and the corresponding joint venture partners under which the joint ventures operate are as follows:

(i) GS JV

GS JV is established to undertake the development, operation and management of the GS Superhighway, an expressway in Guangdong Province of the PRC running between Shenzhen and Guangzhou. The operation period is 30 years from the official opening date 1 July 1997. At the end of the operation period, all the immovable assets and facilities of GS JV will revert to the PRC joint venture partner without compensation.

The Group's entitlement to the profit of the toll operations of GS JV is 50% for the initial 10 years of operation period, 48% for the next 10 years and 45% for the last 10 years of the operation period.

The registered capital amounting to HK$702,000,000 (equivalent to RMB471,000,000) previously injected by the Group to GS JV had been repaid to the Group by GS JV during the year ended 30 June 2008.

(ii) GZ West JV

GZ West JV is established to undertake the development, operation and management of GZ West Superhighway, an expressway linking Guangzhou, Zhongshan and Zhuhai and was built in three phases.

Phase I of the GZ West Superhighway ("Phase I West")

The total investment for the Phase I West is RMB1,680,000,000, 35% of which was funded by the registered capital of GZ West JV amounting to RMB588,000,000 which had been contributed by the Group and the PRC joint venture partner in equal share (i.e. each to contribute RMB294,000,000). The operation period for Phase I West is 30 years commencing from 17 September 2003.

Phase II of the GZ West Superhighway ("Phase II West")

The total investment for Phase II West is RMB6,715,000,000, 35% of which was funded by the registered capital of GZ West JV amounting to RMB2,351,000,000 which had been contributed by the Group and the PRC joint venture partner in equal share (i.e. each to contribute RMB1,175,500,000). The toll collection period for Phase II West is 25 years commencing from 25 June 2010.

15. Interests in Joint Ventures (continued)

(ii) GZ West JV (continued)

Phase III of the GZ West Superhighway ("Phase III West")

The total investment for the Phase III West is RMB5,600,000,000, 35% of which was funded by the registered capital of GZ West JV amounting to RMB1,960,000,000 which had been contributed by the Group and the PRC joint venture partner in equal share (i.e. each to contribute RMB980,000,000). The toll collection period for Phase III West is 25 years commencing from 25 January 2013.

As at 31 December 2018 and 2019, the fully paid registered capital of GZ West JV was RMB4,899,000,000.

The Group is entitled to 50% of the distributable profits from operation of GZ West JV. At the end of the respective operation/toll collection periods of Phase I West, Phase II West and Phase III West, all the immovable assets and facilities of each phase will be reverted to relevant PRC governmental authority which regulates transportation without compensation. The registered capital contributions are required to be repaid to both the Group and the PRC joint venture partner. The repayments are required to be approved by the board of directors of GZ West JV.

(iii) Xintang JV

Xintang JV is established to engage in the development of residential project on the Xintang interchange.

The total registered capital is RMB10,000,000, 37.5% of which was contributed by the Group on 5 December 2019.

Summarised financial information of joint ventures

Summarised financial information in respect of the Group's joint ventures and reconciliation of the summarised financial information to the carrying amount of the interests in the respective joint ventures recognised in the consolidated financial statements are set out below. The summarised financial information below represents amounts shown in the joint ventures' financial statements prepared in accordance with IFRSs.

15. Interests in Joint Ventures (continued)

Summarised financial information of joint ventures (continued)

In respect of the six months ended 31 December 2018 and the year ended 31 December 2019:

	2018			2019			
	GS JV RMB'000	GZ West JV RMB'000	Total RMB'000	GS JV RMB'000	GZ West JV RMB'000	Xintang JV RMB'000	Total RMB'000
Non-current assets							
Property and equipment	418,117	366,346	784,463	565,170	366,782	–	931,952
Concession intangible assets	7,056,333	11,806,442	18,862,775	6,540,804	11,388,116	–	17,928,920
	7,474,450	12,172,788	19,647,238	7,105,974	11,754,898	–	18,860,872
Current assets							
Bank balances and cash							
– Cash and cash equivalents	400,345	151,943	552,288	433,605	94,197	10,060	537,862
– Time deposits with original maturity over 3 months	50,000	–	50,000	50,000	–	–	50,000
Others	54,339	27,781	82,120	98,173	42,290	854,480	994,943
	504,684	179,724	684,408	581,778	136,487	864,540	1,582,805
Non-current liabilities							
Resurfacing obligations	(397,472)	(107,648)	(505,120)	(416,701)	(122,269)	–	(538,970)
Non-current financial liabilities							
– Bank and other loans	(3,909,320)	(6,129,621)	(10,038,941)	(3,236,989)	(5,253,621)	–	(8,490,610)
Balances of interest-free registered capital contributions made by joint venture partners	–	(1,720,214)	(1,720,214)	–	(1,825,211)	–	(1,825,211)
Balances with joint venture partners	–	–	–	–	–	(829,932)	(829,932)
Others	(203,958)	(291,117)	(495,075)	(169,978)	(309,380)	–	(479,358)
	(4,510,750)	(8,248,600)	(12,759,350)	(3,823,668)	(7,510,481)	(829,932)	(12,164,081)
Current liabilities							
Current financial liabilities							
– Bank loans	(359,171)	(26,500)	(385,671)	(718,356)	(28,500)	–	(746,856)
– Interest payable	(5,748)	(8,293)	(14,041)	(4,914)	(7,115)	–	(12,029)
Others	(642,097)	(303,282)	(945,379)	(715,384)	(285,083)	(29,637)	(1,030,104)
	(1,007,016)	(338,075)	(1,345,091)	(1,438,654)	(320,698)	(29,637)	(1,788,989)
Net assets of joint ventures	2,461,368	3,765,837	6,227,205	2,425,430	4,060,206	4,971	6,490,607
Proportion of the Group's interest	45%	50%		45%	50%	37.5%	
Net assets shared by the Group	1,107,616	1,882,919	2,990,535	1,091,444	2,030,103	1,864	3,123,411
Elimination of unrealised profit on disposal of land (Note i)	–	–	–	(32,611)	–	–	(32,611)
Interest-free registered capital contributions made by the Group at amortised cost	–	860,107	860,107	–	912,606	–	912,606
Net assets contributable to the Group	1,107,616	2,743,026	3,850,642	1,058,833	2,942,709	1,864	4,003,406
Carrying amount of additional cost of investment	910,671	36,212	946,883	819,638	35,439	–	855,077
Carrying amount of the Group's interest in joint ventures	2,018,287	2,779,238	4,797,525	1,878,471	2,978,148	1,864	4,858,483
Carrying amount of interest in joint ventures to the Group's total assets	41%	56%		36%	57%	0%	

15. Interests in Joint Ventures (continued)

Summarised financial information of joint ventures (continued)

	Six months ended 31 December 2018			Year ended 31 December 2019			
	GS JV	GZ West JV	Total	GS JV	GZ West JV	Xintang JV	Total
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Toll revenue (net of value-added tax)	1,651,051	754,243		3,130,862	1,470,760	–	
Construction revenue	51,708	1,171		198,655	7,255	–	
Total revenue	1,702,759	755,414		3,329,517	1,478,015	–	
Construction costs	(51,708)	(1,171)		(198,655)	(7,255)	–	
Other income and other expense	60,767	20,114		179,687	44,877	146	
Provision of resurfacing charges	(19,230)	(6,815)		(19,230)	(14,621)	–	
Toll expressway operation expenses	(258,282)	(100,262)		(387,716)	(190,504)	–	
General and administrative expenses	(62,330)	(27,272)		(103,760)	(57,106)	(44)	
Depreciation and amortisation charges	(413,018)	(251,576)		(786,648)	(488,513)	–	
Finance costs	(89,944)	(143,358)		(178,540)	(254,670)	(5,132)	
Income tax expense	(216,189)	(58,733)		(440,939)	(110,857)	–	
Profit (loss) for the period/year	652,825	186,341		1,393,716	399,366	(5,030)	
Proportion of the Group's interest	45%	50%		45%	50%	37.5%	
Profit (loss) shared by the Group	293,771	93,171		627,172	199,683	(1,886)	
Elimination of unrealised profit on disposal of land (Note i)	–	–		(32,611)	–	–	
	293,771	93,171	386,942	594,561	199,683	(1,886)	792,358
Dividends received (net of PRC withholding tax)	449,120	–	449,120	613,449	–	–	613,449

Notes:

(i) GS JV disposed of certain land with a carrying amount of RMB3,990,000 to the local government at a total consideration of RMB179,022,000 in November 2019. Subsequently, Xintang JV won the bid for the land use rights with the local government to acquire part of the aforesaid disposed land at a total consideration of RMB4,124,000,000 in December 2019. As at 31 December 2019, a sale and purchase agreement was entered into by Xintang JV and the local government while the land is expected to be handed over in 2020. Deposit amounting to RMB824,800,000 was paid by Xintang JV in December 2019. GS JV is regarded as disposed of certain land with a carrying amount of RMB2,643,000 to Xintang JV. An unrealised profit on disposal of such land amounting to RMB32,611,000 is eliminated in the consolidated financial statements of the Group.

(ii) Profit for the year of GS JV included the amount of RMB34,982,000 representing the exchange loss (net of related income tax) (six months ended 31 December 2018: RMB76,372,000).

16. Equity Instrument at Fair Value Through Other Comprehensive Income

The investment represents interest in unlisted limited company established in the PRC. The Directors have elected to designate the investment in equity instrument as at FVTOCI as they believe that the investment is not held for trading and not expected to be sold in the foreseeable future.

17. Property and Equipment

	Motor vehicles *RMB'000*	Furniture, fixtures and equipment *RMB'000*	Total *RMB'000*
COST			
As at 1 July 2018	337	4,591	4,928
Additions	1,273	88	1,361
As at 31 December 2018	**1,610**	**4,679**	**6,289**
Additions	**–**	**616**	**616**
Disposal	**(337)**	**(19)**	**(356)**
As at 31 December 2019	**1,273**	**5,276**	**6,549**
DEPRECIATION			
As at 1 July 2018	337	4,507	4,844
Charge for the period	127	27	154
As at 31 December 2018	**464**	**4,534**	**4,998**
Charge for the year	**255**	**106**	**361**
Eliminated on disposal	**(337)**	**(19)**	**(356)**
As at 31 December 2019	**382**	**4,621**	**5,003**
CARRYING AMOUNTS			
As at 31 December 2018	1,146	145	1,291
As at 31 December 2019	**891**	**655**	**1,546**

The above items of property and equipment are depreciated over their estimated useful lives of 3 to 5 years from the date on which they became available for their intended use using the straight-line method.

18. Amount due from a Joint Venture

The amount due from a joint venture is unsecured, interest bearing at 8% per annum and repayable in 2022. Accordingly, the amount is classified as non-current asset for the purpose of presentation in the consolidated statement of financial position.

Details of impairment assessment are set out in Note 25.

19. Bank Balances and Cash

As at 31 December 2019, bank balances and cash comprise cash held by the Group and bank balances which carry interest at market rates ranging from 0.01% to 4.57% (31 December 2018: 0.01% to 4.39%) per annum.

Analysis of the bank balances and cash of the Group by currency:

	2018	**2019**
	RMB'000	***RMB'000***
RMB	4,036	**2,916**
HKD	136,046	**46,865**
United States dollars ("USD")	5	**4**
	140,087	**49,785**

Details of impairment assessment are set out in Note 25.

20. Share Capital

	Number of shares	**Nominal amount**
		HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
As at 1 July 2018, 31 December 2018 and 31 December 2019	10,000,000,000	1,000,000

	Number of shares	**Nominal amount**	
			Equivalent to
		HK$'000	*RMB'000*
Issued and fully paid:			
As at 1 July 2018, 31 December 2018 and 31 December 2019	3,081,690,283	308,169	270,603

20. Share Capital (continued)

Share option scheme

A share option scheme was approved for adoption by the shareholders of the Company effective on 22 October 2013 (the "Share Option Scheme"). The Share Option Scheme shall be valid and effective for a period of ten years and the purpose of which is to provide the Company with an alternative means of giving incentive to rewarding, remunerating, compensating and/or providing benefits to (i) any director, chief executive or employee (whether full-time or part-time) of any member of the Group; (ii) any discretionary object of a discretionary trust established by any director, chief executive or employee (whether full-time or part-time) of any member of the Group; (iii) a company beneficially owned by any director, chief executive or employee (whether full-time or part-time) of any member of the Group; (iv) any consultant, professional and other adviser to any member of the Group or any consultant, professional and other adviser proposed to be appointed to any member of the Group (including any of their employees, partners, directors or executives); (v) any associates of any director, chief executive, or substantial shareholder of any member of the Group and for such other purposes as the Board of Directors may approve from time to time. No share options under the Share Option Scheme were granted, forfeited, vested, lapsed or outstanding in the period/years presented.

Share award scheme

On 25 January 2007, an employees' share award scheme (the "Share Award Scheme") was adopted by the Company. The Share Award Scheme is valid and effective for a period of 15 years commencing from 25 January 2007. Pursuant to the rules of the Share Award Scheme, the Company has set up a trust, HHI Employees' Share Award Scheme Trust, for the purpose of administering the Share Award Scheme and holding the awarded shares before they are vested. There were no awarded shares granted, forfeited, vested, lapsed or outstanding in the period/years presented.

21. Company's Statement of Financial Position

	2018 *RMB'000*	**2019** ***RMB'000***
ASSETS		
Non-current Assets		
Investments in subsidiaries	1,531,917	**1,445,326**
Amount due from a subsidiary	1,647,638	**1,693,379**
	3,179,555	**3,138,705**
Current Assets		
Deposits and prepayments	403	**400**
Amounts due from subsidiaries	85,310	**302,910**
Bank balances and cash	114,778	**1,533**
	200,491	**304,843**
Total Assets	3,380,046	**3,443,548**
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	270,603	**270,603**
Share premium and reserves	2,410,081	**3,002,569**
	2,680,684	**3,273,172**
Current Liabilities		
Payables and accruals	2,690	**3,371**
Amounts due to subsidiaries	696,672	**167,005**
Total Liabilities	699,362	**170,376**
Total Equity and Liabilities	3,380,046	**3,443,548**
Cash and cash equivalents	114,778	**1,533**

Tianliang ZHANG*
Director

Ji LIU*
Director

* *For identification purpose only*

21. Company's Statement of Financial Position (continued)

Company's Share Premium and Reserves

The Company's reserves available for distribution represent the share premium and retained profits. Under the Companies Law Chapter 22 of the Cayman Islands, the share premium of the Company is available for paying distributions or dividends to shareholders subject to the provisions of its Memorandum or Articles of Association and provided that immediately following the distribution of a dividend, the Company is able to pay its debt as they fall due in the ordinary course of business. In accordance with the Company's Articles of Association, dividends can only be distributed out of the retained profits and share premium of the Company. As at 31 December 2019, the Company's reserves available for distribution to its shareholders amounting to RMB3,373,169,000 (31 December 2018: RMB2,780,681,000), comprising retained profits of RMB1,035,480,000 (31 December 2018: RMB442,992,000) and share premium of RMB2,337,689,000 (31 December 2018: RMB2,337,689,000).

	Share premium	Translation reserve	Retained profits	Total
	RMB'000	*RMB'000* (Note)	*RMB'000*	*RMB'000*
As at 1 July 2018	2,716,969	(436,019)	722,780	3,003,730
Profit and total comprehensive income for the period	–	–	24,657	24,657
Dividends recognised as distribution during the period (Note 13)	(379,280)	65,419	(304,445)	(618,306)
As at 31 December 2018	**2,337,689**	**(370,600)**	**442,992**	**2,410,081**
Profit and total comprehensive income for the year	**–**	**–**	**1,205,913**	**1,205,913**
Dividends recognised as distribution during the year (Note 13)	**–**	**–**	**(613,425)**	**(613,425)**
As at 31 December 2019	**2,337,689**	**(370,600)**	**1,035,480**	**3,002,569**

Note:

Before the change in functional currency of the Company from HKD to RMB during the year ended 30 June 2009, the exchange differences recognised in translation reserve represented the difference between the equity transactions and accumulated earnings translated at the exchange rates at the transaction dates and the assets and liabilities translated at the closing rates at the end of each reporting period.

The special final dividend for the year ended 30 June 2018 of RMB10 cents per share amounting to approximately RMB313,861,000 was distributed from the share premium arisen at the time before the change in functional currency of the Company from HKD to RMB. Accordingly, the share premium and the corresponding translation reserve had been debited by RMB379,280,000 and credited by RMB65,419,000 respectively.

22. Deferred Tax Liabilities

The movement of deferred tax liabilities is as follows:

	Fair value change on investment in equity instrument at FVTOCI	Tax on undistributed earnings of the joint ventures	Others	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 July 2018	–	69,310	–	69,310
Opening adjustments	959	–	–	959
As at 1 July 2018 (restated)	959	69,310	–	70,269
Charge to profit or loss	–	19,590	–	19,590
Charge to other comprehensive income	83	–	–	83
Release to profit or loss upon payment of withholding tax	–	(20,054)	–	(20,054)
As at 31 December 2018	**1,042**	**68,846**	**–**	**69,888**
Charge to profit or loss	**–**	**41,870**	**464**	**42,334**
Charge to other comprehensive income	**1,150**	**–**	**–**	**1,150**
Release to profit or loss upon payment of withholding tax	**–**	**(32,704)**	**–**	**(32,704)**
As at 31 December 2019	**2,192**	**78,012**	**464**	**80,668**

23. Bank Loans

	2018	**2019**
	RMB'000	***RMB'000***
Unsecured (Note)	–	**280,969**
The bank loans comprise:		
Variable rate loans	–	**280,969**

Note: As at 31 December 2019, the bank loans are repayable within one year and guaranteed by the Company.

Included in bank loans are following amounts denominated in currencies other than functional currency of the group entities which it relates:

	2018	**2019**
	RMB'000	***RMB'000***
HKD	–	**280,969**

As at 31 December 2019, variable rate HKD denominated bank loans carried interests ranging from Hong Kong Interbank Offered Rate ("HIBOR") plus 1.05% to HIBOR plus 1.2% per annum.

24. Capital Risk Management

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to owners through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from that of the prior years.

The capital structure of the Group consist of equity attributable to owners of the Company, comprising share capital, share premium, retained profits and other reserves.

The Directors review the capital structure periodically. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. The Group will balance its overall capital structure through the issue of new debt or the repayment of existing debt.

The Directors monitor the utilisation of bank loans and ensures full compliance with loan covenants during the period/year.

25. Financial Instruments

(a) Categories of financial instruments

	2018 *RMB'000*	**2019** ***RMB'000***
Financial assets		
Financial assets at amortised cost	140,101	**361,077**
Equity instrument at FVTOCI	11,100	**22,600**
	151,201	**383,677**
Financial liabilities		
Financial liabilities at amortised cost	8,975	**290,622**

25. Financial Instruments (continued)

(b) Financial risk management objectives and policies

The Directors have overall responsibility for the establishment and oversight of the Group's risk management framework. The Group's risk management policies are established to identify and analyse the risks faced by the Group, to set appropriate risk limits and controls to monitor risks and adherence to market conditions and the Group's activities. The Group, through its training and management standards and procedures, aims to develop a disciplined and constructive control environment in which all employees understand their roles and obligations. The Directors monitor and manage the financial risks relating to the operations of the Group to ensure appropriate measures are implemented on a timely and effective manner.

The Group employs a conservative strategy regarding its risk management and does not engage in trading of any financial instruments, including derivative financial instruments, for hedging or speculative purpose.

There has been no change to the Group's exposure to market risks or the manner in which it manages and measures.

(i) Foreign currency risk

The Group undertake certain transactions denominated in foreign currencies, hence exposure to exchange fluctuation arise. Certain of the financial assets and financial liabilities of the Group are denominated in HKD or USD which are currencies other than their respective functional currencies of the respective group entities. The Group manages its foreign currency risk by constantly monitoring the movement of the foreign exchange rates.

The carrying amounts of the foreign currency denominated monetary assets and monetary liabilities of the Group at the end of the reporting period are as follows:

	Assets		Liabilities	
	2018	**2019**	2018	**2019**
	RMB'000	***RMB'000***	*RMB'000*	***RMB'000***
USD	5	**4**	–	**–**
HKD	136,046	**46,865**	5,996	**285,054**

The Group currently does not have a foreign currency hedging policy in respect of foreign currency exposure.

25. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

(i) Foreign currency risk (continued)

Sensitivity analysis

The foreign currency risk of the Group and a joint venture is mainly concentrated on the fluctuation of RMB, the functional currency of the Company, its subsidiaries and a joint venture as at 31 December 2019, against HKD and USD. The following sensitivity analysis includes currency risk related to HKD and USD denominated monetary items of respective group entities and the joint venture.

5% is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the year end for a 5% change in foreign currency rate and all other variables are held constant.

As at 31 December 2019, the Group (excluding the joint ventures) had monetary assets and monetary liabilities denominated in HKD and USD that is not the functional currency of the relevant group entities (i.e. RMB). If exchange rate of RMB against HKD and USD had been strengthened/weakened by 5%, the profit for the year attributable to owners of the Company for the current period would decrease/increase by RMB11,909,000 (six months ended 31 December 2018: RMB6,503,000).

As at 31 December 2019, a joint venture of the Group had outstanding bank loans and bank balances denominated in HKD and USD that are not the functional currency of a joint venture (i.e. RMB). The foreign currency risk associated with foreign currency borrowings and bank balances exposed by a joint venture is reflected in the share of results of joint ventures. If exchange rate of RMB against HKD and USD had been strengthened/weakened by 5%, the profit for the year attributable to owners of the Company for the current period would increase/decrease by RMB42,392,000 (six months ended 31 December 2018: RMB43,417,000).

25. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

(ii) Interest rate risk

The cash flows interest rate risk of the Group relates primarily to variable rate bank loans and bank balances with details as set out in notes 23 and 19 respectively and the variable rate bank loans and bank balances of its joint ventures.

The Group is exposed to fair value interest risk in relation to certain bank balances, with details as set out in note 19. The management continues to monitor the fair value interest rate exposure of the Group.

Sensitivity analysis

The sensitivity analysis includes only variable financial instruments outstanding at the end of the reporting period were outstanding for the whole period. A 100 basis points is the sensitivity rate used when reporting interest rate risk internally to key management personnel and represents management's assessment of the reasonably possible change in interest rates.

As at 31 December 2019, the Group (excluding its joint ventures) are exposed to cash flow interest rate in relation to the variable rate bank loans and bank balances. If interest rate had been 100 (six months ended 31 December 2018: 100) basis points higher/lower, the profit for the year attributable to owners of the Company for the current period would increase/decrease by RMB2,331,000 (six months ended 31 December 2018: RMB1,401,000).

As at 31 December 2019, the joint ventures of the Group are exposed to cash flow interest rate risk in relation to the variable rate bank balances and bank loans. If interest rate had been 100 (six months ended 31 December 2018: 100) basis points higher/lower, the profit for the year attributable to owners of the Company for the current period would decrease/increase by RMB29,383,000 (six months ended 31 December 2018: RMB42,006,000).

(iii) Credit risk and impairment assessment

The Group's credit risk is primarily attributable to its other receivables, amount due from a joint venture and bank balances.

At 31 December 2019, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties is arising from the carrying amount of the respective financial assets as stated in the consolidated statement of financial position.

25. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

(iii) Credit risk and impairment assessment (continued)

The Group has significant concentration of credit risk in amount due from a joint venture. The management is responsible to exercise the joint control on the relevant activities of the joint venture with a PRC joint venture partner to ensure the joint venture maintaining favourable financial position in order to reduce such credit risk.

In addition, the management and the respective joint ventures are responsible for monitoring the procedures to ensure that follow-up actions are taken to recover overdue debts, in order to minimise other credit risks. The management is also responsible for reviewing the recoverable amount of each individual debt at the end of the reporting period to ensure that adequate impairment are made for irrecoverable amounts. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The credit risks of the Group on liquid funds are limited because the counterparties are banks with good reputation.

Other than the above, the Group has no other significant concentration of credit risk.

The table below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment:

	External credit rating	Internal credit rating	12-month or lifetime ECL	Gross carrying amount *RMB'000*
31 December 2018				
Financial assets at amortised cost				
– Bank balances and cash	A+	N/A	12-month ECL	140,087
31 December 2019				
Financial assets at amortised cost				
– Amount due from a joint venture	**N/A**	**Low risk**	**12-month ECL**	**311,224**
– Bank balances and cash	**A+**	**N/A**	**12-month ECL**	**49,785**

(iv) Liquidity risk

The Group's treasury activities are centralised to achieve better risk control and minimise the cost of funds. Cash is generally placed in bank deposits mostly denominated in RMB. The management aims to maintain a balance between continuity of adequate funding and the flexibility through the use of bank and other borrowings. The Group's liquidity and financing requirements are reviewed regularly to mitigate the effects of fluctuations in cash flows. The management will consider new financing while maintaining appropriate gearing ratio.

25. Financial Instruments (continued)

(b) Financial risk management objectives and policies (continued)

(iv) Liquidity risk (continued)

At 31 December 2019, the Group has net current liabilities of RMB243,107,000. Taking into account of the new uncommitted banking facilities amounting to HK$2,500,000,000 (equivalent to RMB2,244,165,000) and HK$850,000,000 (equivalent to RMB763,016,000) obtained by the Group in January 2020 and March 2020 respectively of which there are proven records of cash inflows generated from the joint ventures of the Group together with the good relationship between the relevant banks and the Company's ultimate holding company, enhancing the Group's ability on obtaining those bank borrowings when needed as well as internally generated funds of the Group, the Group has sufficient working capital for its present requirements for the next twelve months from 31 December 2019.

The carrying amounts of the financial liabilities represent the undiscounted cash flows that the Group is required to pay and are repayable on demand. Bank loans carried interests ranging from HIBOR plus 1.05% to HIBOR plus 1.2% per annum. All other financial liabilities are non-interest bearing.

(c) Fair value measurement of financial instruments

Fair value of the Group's financial assets that are measured at fair value on a recurring basis

Some of the Group's financial assets are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets are determined (in particular, the valuation technique and inputs used), as well as the level of the fair value hierarchy into which the fair value measurements are categorised (levels 1 to 3) based on the degree to which the inputs to the fair value measurements is observable.

- Level 1 fair value measurements are those derived from quoted prices (unadjusted) in active market for identical assets or liabilities;
- Level 2 fair value measurements are those derived from inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices); and
- Level 3 fair value measurements are those derived from valuation techniques that include inputs for the asset or liability that are not based on observable market data (unobservable inputs).

25. Financial Instruments (continued)

(c) Fair value measurement of financial instruments (continued)

Fair value of the Group's financial assets that are measured at fair value on a recurring basis (continued)

Financial assets	2018	2019	Fair value hierarchy	Valuation technique and key inputs	Significant unobservable inputs	Relationship of unobservable inputs to fair value (Note)
Equity instrument at FVTOCI	Unlisted equity investment: RMB11,100,000	**Unlisted equity investment: RMB22,600,000**	Level 3	Market Approach	Price-to-earnings multiples of several comparable companies	The higher the multiples, the higher the fair value
					Enterprise value-to-earnings before interest, taxes, depreciation and amortisation ("EV/EBITDA") multiples of several comparable companies	The higher the multiples, the higher the fair value
					Risk adjustment for a discount on lack of marketability	The higher the discount, the lower the fair value

Note: If the price-to-earnings multiples to the valuation model is 5% higher/lower, while all the other variables were held constant, the fair value would increase/decrease by approximately RMB347,000 (six months ended 31 December 2018: RMB183,000). If the risk adjustment for a discount on lack of marketability to the valuation model is 5% higher/lower, while all the other variables were held constant, the fair value would decrease/increase by approximately RMB668,000 (six months ended 31 December 2018: RMB310,000).

The fair values of financial assets and financial liabilities at amortised costs are determined in accordance with generally accepted pricing models based on discounted cash flow analysis.

The Directors consider that the carrying amounts of the financial assets and financial liabilities recognised at amortised cost in the consolidated financial statements approximate their fair values.

26. Particulars of Principal Subsidiaries

The following list contains the particulars of the subsidiaries of the Company at 31 December 2018 and 2019 which principally affect the results, assets or liabilities of the Group as the Directors are of the opinion that a full list of all the subsidiaries would be of excessive length.

Name of subsidiary	Place of Incorporation/ establishment	Issued and fully paid share		Attributable equity interest held by the Company		Proportion of voting power held by the Company		Principal activity
		2018	**2019**	2018	**2019**	2018	**2019**	
Kingnice (BVI) Limited	British Virgin Islands	Ordinary shares US$20,000	**Ordinary shares US$20,000**	97.5%	**97.5%**	97.5%	**97.5%**	Investment holding
Hopewell China Development (Superhighway) Limited	Hong Kong	Ordinary shares HK$2 Non-voting deferred shares HK$4	**Ordinary shares HK$2 Non-voting deferred shares HK$4**	97.5% of issued ordinary shares	**97.5% of issued ordinary shares**	97.5%	**97.5%**	Investment in expressway project
Hopewell Guangzhou-Zhuhai Superhighway Development Limited	Hong Kong	Ordinary shares HK$2 Non-voting deferred shares HK$2	**Ordinary shares HK$2 Non-voting deferred shares HK$2**	100% of issued ordinary shares	**100% of issued ordinary shares**	100%	**100%**	Investment in expressway project
SIH Bay Area Finance Limited (formerly known as HHI Finance Limited)	Hong Kong	Ordinary share HK$1	**Ordinary share HK$1**	100%	**100%**	100%	**100%**	Loan finance
Shenwan Bay Area Infrastructure (Shenzhen) Company Limited	The PRC	N/A	**Ordinary share RMB315,050,000**	N/A	**100%**	N/A	**100%**	Investment holding

Except for SIH Bay Area Finance Limited, all the above subsidiaries are indirectly held by the Company.

None of the subsidiaries had issued any debt securities at the end of the period/year.

27. Operating Leases

The Group as lessee

	Six months ended 31 December 2018 *RMB'000*
Minimum lease payments paid under operating leases for premises during the period	1,016

At the end of the reporting period, the Group has commitments for future minimum lease payments under non-cancellable operating leases in respect of premises which fall due as follows:

	2018 *RMB'000*
Within one year	1,052

As at 31 December 2018, leases were negotiated for a lease term of one year with fixed rentals.

28. Capital Commitments

As at 31 December 2018 and 2019, the Group has no outstanding capital commitment.

29. Reconciliation of Liabilities Arising from Financing Activities

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash changes. Liabilities arising from financing activities are those for which cash flows were, or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Bank loans	Dividends payable	Interest payable	Total
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 July 2018	–	370,956	–	370,956
Financing cash flows	–(Note)	(1,001,242)	(667)	(1,001,909)
Dividends declared	–	619,405	–	619,405
Interest expense	–	–	667	667
Exchange difference	–	10,881	–	10,881
As at 31 December 2018	**–**	**–**	**–**	**–**
Financing cash flows	**280,969**(Note)	**(639,226)**	**(1,123)**	**(359,380)**
Dividends declared	**–**	**628,587**	**–**	**628,587**
Interest expense	**–**	**–**	**1,280**	**1,280**
Exchange difference	**–**	**10,639**	**–**	**10,639**
As at 31 December 2019	**280,969**	**–**	**157**	**281,126**

Note: The financing cash flows of bank loans including new bank loans raised of RMB546,221,000 (six months ended 31 December 2018: RMB265,957,000) and bank loans repaid of RMB265,252,000 (six months ended 31 December 2018: RMB265,957,000) during the period/year.

30. Related Party Transactions

Other than as disclosed elsewhere in these consolidated financial statements, during the year ended 31 December 2019, the Group entitled to receive interest income from a joint venture of RMB1,924,000 (six months ended 31 December 2018: Nil).

Compensation of key management personnel

The remuneration of key management personnel who are all Directors is disclosed in note 11.

31. Guarantee

As at 31 December 2019, the uncommitted banking facilities of the Company's wholly-owned subsidiary of RMB1,256,732,000 (31 December 2018: RMB263,389,000) are guaranteed by the Company. The Company is able to control the utilisation of the facilities.

32. Contingent Liability

During the year ended 30 June 2008, a subsidiary of the Company recovered the registered capital of HK$702,000,000 (equivalent to RMB471,000,000) previously injected to the GS JV. According to the Law of the PRC on Chinese-foreign Contractual Joint Venture, in relation to the early repayment of registered capital to the foreign joint venture partner by the GS JV before the expiry of the operation period, the subsidiary of the Company, as the foreign joint venture partner, is required to undertake the financial obligations of the GS JV to the extent of HK$702,000,000 when the GS JV fails to meet its financial obligations during the joint venture operation period.

33. Event After the Reporting Period

Pursuant to the "Notice from the Ministry of Transport on Waiver of Tolls on Toll Roads During the Prevention and Control of Epidemic Caused by the Novel Coronavirus Pneumonia" (Jiao Gong Lu Ming Dian [2020] No. 62 (《交通運輸部關於新冠肺炎疫情防控期間免收收費公路車輛通行費的通知》(交公路明電 [2020] 62 號)) issued by the Ministry of Transport of the PRC on 15 February 2020 (the "Notice"), with the approval of the State Council, the Ministry of Transport determined that tolls of toll roads will be waived nationwide for all vehicles legally travelling through the toll roads during the period of the prevention and control of the epidemic caused by the novel coronavirus pneumonia. The toll-free period commences from 00:00 a.m. on 17 February 2020 till the end of the prevention and control of the epidemic, which applies to vehicles on non-networked toll expressways and common highways according to the time of passing through the toll lane of the toll station, and applies to vehicles on networked toll expressways according to the time of leaving the exit of the toll lane (the "Toll-free Period"). The specific end date is subject to further notice.

According to the above, the Notice is applicable to the GS Superhighway and the GZ West Superhighway operated by the Group's joint ventures. All vehicles legally travelling through those expressways during the Toll-free Period shall be waived from tolls. Since toll income constitutes the primary source of revenue of the Group's joint ventures, it is expected that the implementation of the Notice will inevitably have a negative impact on the business performance of the Group.

In view of the above, the Directors considered that the financial effects of the novel coronavirus pneumonia on the Group's consolidated financial statements cannot be reasonably estimated.

34. Approval of Financial Statements

The consolidated financial statements on pages 85 to 142 were approved and authorised for issue by the Board of Directors on 8 March 2020.

Subsequent to the Change of Financial Year End Date, the Group's new financial year cover the period of twelve months from 1 January to 31 December. For the benefit of better understanding on the Group's operating performance for the twelve months ended 31 December after adoption of the new financial year end date, the Group has presented the audited financial results for the year ended 31 December 2019, while relevant comparative unaudited figures cover the period of twelve months ended 31 December 2018.

Consolidated Statement of Profit or Loss (Prepared under equity method)

For the year ended 31 December 2019

(FOR INFORMATION PURPOSE ONLY)

	Twelve months ended 31 December 2018 *RMB'000*	**Year ended 31 December 2019** ***RMB'000***
Other income and other expenses (Note i)	(1,063)	**1,666**
Depreciation	(190)	**(361)**
General and administrative expenses	(32,261)	**(36,930)**
Finance costs	(714)	**(1,306)**
Share of results of joint ventures	683,533	**700,552**
Profit before tax	649,305	**663,621**
Income tax expense (Note ii)	(39,332)	**(42,646)**
Profit for the year	609,973	**620,975**
Profit for the year attributable to:		
Owners of the Company	601,391	**612,026**
Non-controlling interests	8,582	**8,949**
	609,973	**620,975**

Notes:

(i) OTHER INCOME AND OTHER EXPENSES

	2018 *RMB'000*	**2019** ***RMB'000***
Interest income from:		
Bank deposits	15,009	**2,156**
Amount due from a joint venture	–	**1,924**
Net exchange loss	(16,887)	**(5,892)**
Dividend income from equity instrument at FVTOCI	600	**3,120**
Gain on disposal of property and equipment	–	**144**
Others	215	**214**
	(1,063)	**1,666**

(ii) INCOME TAX EXPENSE

	2018 *RMB'000*	**2019** ***RMB'000***
The tax charge comprises:		
PRC Enterprise Income Tax	40,167	**33,016**
Deferred tax	(835)	**9,630**
	39,332	**42,646**

Consolidated Statement of Profit or Loss (Prepared under proportionate consolidation method)

For the year ended 31 December 2019

(FOR INFORMATION PURPOSE ONLY)

	2018 RMB'000	**2019 RMB'000**	2018 HK$'000	**2019 HK$'000**
Toll revenue	2,160,208	**2,144,268**	2,551,518	**2,429,924**
Revenue on construction	24,388	**93,022**	27,174	**103,627**
Turnover	2,184,596	**2,237,290**	2,578,692	**2,533,551**
Other income and other expense (Note i)	68,585	**98,656**	81,495	**112,883**
Construction costs	(24,388)	**(93,022)**	(27,174)	**(103,627)**
Provision for resurfacing charges	(19,463)	**(15,964)**	(39,391)	**(18,291)**
Toll expressway operation expenses	(259,735)	**(269,724)**	(289,187)	**(304,756)**
General and administrative expenses	(97,228)	**(112,192)**	(113,150)	**(126,864)**
Depreciation and amortisation charges	(696,969)	**(690,415)**	(822,996)	**(782,495)**
Finance costs (Note ii)	(248,966)	**(237,157)**	(294,385)	**(269,050)**
Profit before tax	906,432	**917,472**	1,073,904	**1,041,351**
Income tax expense	(296,459)	**(296,497)**	(351,502)	**(336,499)**
Profit for the year	609,973	**620,975**	722,402	**704,852**
Profit for the year attributable to:				
Owners of the Company	601,391	**612,026**	712,241	**694,703**
Non-controlling interests	8,582	**8,949**	10,161	**10,149**
	609,973	**620,975**	722,402	**704,852**

Notes:

(i) OTHER INCOME AND OTHER EXPENSE

	2018 RMB'000	**2019 RMB'000**	2018 HK$'000	**2019 HK$'000**
Interest income from:				
Bank deposits	20,956	**7,414**	24,836	**8,365**
Loans made by the Group to a joint venture	–	**1,924**	–	**2,142**
Imputed interest income on interest-free registered capital contributions made by the Group to a joint venture	24,704	**26,249**	29,185	**29,754**
Net exchange loss	(77,133)	**(26,881)**	(88,599)	**(28,750)**
Rental income	18,396	**23,174**	21,906	**26,473**
Others	81,662	**66,776**	94,167	**74,899**
	68,585	**98,656**	81,495	**112,883**

(ii) FINANCE COSTS

	2018 RMB'000	**2019 RMB'000**	2018 HK$'000	**2019 HK$'000**
Interest on:				
Bank loans	223,476	**208,164**	264,273	**236,227**
Loans made by joint venture partners	–	**1,924**	–	**2,142**
Imputed interest on interest-free registered capital contributions made by a joint venture partner	24,704	**26,249**	29,185	**29,754**
Others	570	**608**	672	**689**
	248,750	**236,945**	294,130	**268,812**
Other financial expenses	216	**212**	255	**238**
	248,966	**237,157**	294,385	**269,050**

Consolidated Statement of Financial Position (Prepared under proportionate consolidation method)

As at 31 December 2019

(FOR INFORMATION PURPOSE ONLY)

	2018 RMB'000	**2019 RMB'000**	2018 HK$'000	**2019 HK$'000**
ASSETS				
Non-current Assets				
Property and equipment	374,077	**440,724**	426,073	**490,966**
Concession intangible assets	10,020,474	**9,487,517**	11,413,320	**10,569,094**
Balance with a joint venture	430,054	**456,303**	489,831	**508,322**
Loans made by the Group to a joint venture	–	**311,224**	–	**346,704**
Equity instrument at fair value through other comprehensive income	11,100	**22,600**	12,642	**25,176**
	10,835,705	**10,718,368**	12,341,866	**11,940,262**
Current Assets				
Inventories	863	**11,858**	983	**13,210**
Deposits and prepayments	1,697	**310,525**	1,933	**345,924**
Interest and other receivables	36,239	**31,411**	41,276	**34,992**
Pledged bank balances and deposits of joint ventures	273,235	**258,395**	311,215	**287,852**
Bank balances and cash				
– The Group	140,087	**49,785**	159,559	**55,461**
– Joint ventures	5,392	**10,098**	6,141	**11,249**
	457,513	**672,072**	521,107	**748,688**
Total Assets	11,293,218	**11,390,440**	12,862,973	**12,688,950**
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	270,603	**270,603**	308,169	**308,169**
Share premium and reserves	4,568,631	**4,575,455**	5,203,717	**5,090,339**
Equity attributable to owners of the Company	4,839,234	**4,846,058**	5,511,886	**5,398,508**
Non-controlling interests	30,233	**24,020**	34,436	**26,758**
Total Equity	4,869,467	**4,870,078**	5,546,322	**5,425,266**
Non-current Liabilities				
Bank and other loans of joint ventures	4,824,040	**4,083,492**	5,494,582	**4,549,010**
Balance with a joint venture partner	430,003	**456,252**	489,774	**508,265**
Loans made by joint venture partners	–	**311,224**	–	**346,704**
Resurfacing obligations	220,243	**236,207**	250,857	**263,134**
Deferred tax liabilities	276,413	**280,952**	314,833	**312,981**
Other non-current liabilities	37,078	**37,160**	42,232	**41,396**
	5,787,777	**5,405,287**	6,592,278	**6,021,490**
Current Liabilities				
Provision, other payables, accruals and deposits received	406,400	**411,942**	462,888	**458,904**
Bank loans				
– The Group	–	**280,969**	–	**313,000**
– Joint ventures	174,877	**337,510**	199,185	**375,986**
Other interest payable	6,733	**5,926**	7,669	**6,601**
Tax liabilities	47,964	**78,728**	54,631	**87,703**
	635,974	**1,115,075**	724,373	**1,242,194**
Total Liabilities	6,423,751	**6,520,362**	7,316,651	**7,263,684**
Total Equity and Liabilities	11,293,218	**11,390,440**	12,862,973	**12,688,950**

Glossary

"2010/11"	the year ended 30 June 2011
"2011/12"	the year ended 30 June 2012
"2012/13"	the year ended 30 June 2013
"2013/14"	the year ended 30 June 2014
"2014/15"	the year ended 30 June 2015
"2015/16"	the year ended 30 June 2016
"2016/17"	the year ended 30 June 2017
"2017/18"	the year ended 30 June 2018
"2018"	the twelve months ended 31 December 2018
"second half of 2018"	the six months ended 31 December 2018
"2019"	the year ended 31 December 2019
"first half of 2019"	the six months ended 30 June 2019
"second half of 2019"	the six months ended 31 December 2019
"2020 Annual General Meeting"	the annual general meeting of the Company to be held on Friday, 22 May 2020
"Bay Area"	Guangdong-Hong Kong-Macao Greater Bay Area, a national development strategy of the PRC
"Bidding"	the bidding for the land use rights of the Project Land by the Xintang JV, as disclosed in the Company's announcement dated 29 November 2019
"Board"	the board of Directors of the Company
"CG Code"	Corporate Governance Code contained in Appendix 14 to the Listing Rules
"Coastal Expressway"	Guangzhou-Shenzhen Coastal Expressway
"Company" or "Bay Area Development"	Shenzhen Investment Holdings Bay Area Development Company Limited (formerly known as Hopewell Highway Infrastructure Limited)
"Director(s)"	director(s) of the Company

"Documents of Intent"	a memorandum of cooperation and two framework agreements entered into among the Company, Guangdong Highway Construction and Guangdong Leatop Real Estate Investment Co., Ltd.* (廣東利通置業投資有限公司) (in respect of one of the framework agreements only), which set out, among other things, the principles of cooperation in relation to the potential development and utilisation of the land along the GS Superhighway (including the Xintang interchange), as disclosed in the Company's announcement dated 28 October 2019
"EBITDA"	earnings before interest, tax, depreciation and amortisation (before net exchange gain/loss)
"EIT"	enterprise income tax
"full-length equivalent traffic"	the total distance travelled by all vehicles on the expressway divided by the full length of the expressway
"GDP"	gross domestic product
"GPCG"	Guangdong Provincial Communication Group Company Limited* (廣東省交通集團有限公司) and its subsidiaries collectively (including Guangdong Highway Construction, Lealu Investment and Leaxin Investment)
"Guangdong Highway Construction" or "GD Highway Construction"	Guangdong Provincial Highway Construction Company Limited* (廣東省公路建設有限公司), the PRC joint venture partner of GS Superhighway JV and a company established in the PRC with limited liability and a non wholly-owned subsidiary of Guangdong Provincial Communication Group Company Limited* (廣東省交通集團有限公司), being a state-owned enterprise established in the PRC
"Group"	the Company and its subsidiaries
"GS JV	Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited, the joint venture established for the GS Superhighway
"GS Superhighway"	Guangzhou-Shenzhen Superhighway
"GZ West JV	Guangdong Guangzhou-Zhuhai West Superhighway Company Limited, the joint venture company established for the GZ West Superhighway
"GZ West Superhighway"	Guangzhou-Zhuhai West Superhighway, also known as the Western Delta Route
"Hengqin New Zone"	Hengqin State-level Strategic New Zone
"HK$", "HKD" or "HK Dollar(s)"	Hong Kong Dollars, the lawful currency of Hong Kong
"Hong Kong" or "HKSAR"	the Hong Kong Special Administrative Region of the PRC

"HZM Bridge"	the Hong Kong-Zhuhai-Macao Bridge
"JV(s)"	joint venture(s)
"JV Agreement"	the joint venture agreement dated 29 November 2019 entered into among the Parties in respect of the establishment, management and operation of the Xintang JV, as disclosed in the Company's announcement dated 29 November 2019
"JV Articles"	the articles of the Xintang JV dated 29 November 2019 entered into and adopted by the Parties, in conjunction with the JV Agreement, as disclosed in the Company's announcement dated 29 November 2019
"km"	kilometre(s)
"Lealu Investment"	Guangzhou Lealu Investment Company Limited* (廣州利路實業投資有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Guangdong Highway Construction
"Leatop Real Estate"	Guangdong Leatop Real Estate Investment Co., Ltd.* (廣東利通置業投資有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Guangdong Provincial Communication Group Company Limited* (廣東省交通集團有限公司), being a state-owned enterprise established in the PRC
"Leaxin Investment"	Guangzhou Leaxin Investment Company Limited* (廣州利新實業投資有限公司), a company established in the PRC with limited liability and a wholly-owned subsidiary of Leatop Real Estate
"Listing Rules"	the Rules Governing the Listing of Securities on the Stock Exchange
"Macao" or "Macao SAR"	the Macao Special Administrative Region of the PRC
"Mainland China"	the PRC, excluding Hong Kong and Macao
"Model Code"	the Model Code for Securities Transactions by Directors of Listed Issuers contained in Appendix 10 to the Listing Rules
"mu"	unit of area equal to approximately 667 square metres
"net toll revenue"	toll revenue after related tax
"Outline Plan"	the Outline Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area
"Parties"	collectively, Shenwan Infrastructure, Guangdong Highway Construction, Lealu Investment and Leaxin Investment, and each a "Party"
"PRC" or "China"	the People's Republic of China

"PRD"	Pearl River Delta
"Project Land"	the land (plot number: 83101203A19206) located at the Xintang interchange on both sides of the GS Superhighway, as disclosed in the Company's announcement dated 29 November 2019
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Share Award Scheme"	the share award scheme adopted by the Board on 25 January 2007
"Shenwan Infrastructure"	Shenwan Bay Area Infrastructure (Shenzhen) Company Limited* (深灣基建(深圳)有限公司), a company established in the PRC with limited liability established by the Company for the purpose of investing into the Xintang JV
"Shenzhen Pilot Demonstration Area"	"Guidelines on Supporting Shenzhen in Building a Pilot Demonstration Area of Socialism with Chinese Characteristics"*《關於支持深圳建設中國特色社會主義先行示範區的意見》released by the State Council in August 2019, a national development strategy of the PRC
"SIHC"	Shenzhen Investment Holdings Co., Ltd* (深圳市投資控股有限公司), incorporated in the PRC with limited liability, the ultimate holding company of the Company
"SIICHIC"	Shenzhen Investment International Capital Holdings Infrastucture Co., Ltd (深圳投控國際資本控股基建有限公司), incorporated in the British Virgin Islands with limited liability
"Stock Exchange"	The Stock Exchange of Hong Kong Limited
"toll revenue"	toll revenue including tax
"Total Upper Limit"	The maximum total amount of contribution (whether by way of registered capital, shareholders' loans, shareholders' guarantee and any amount of other nature) by the Parties to Xintang JV shall not exceed RMB6.8 billion, as disclosed in the Company's announcement dated 29 November 2019

"United States" or "US" or "USA"	the United States of America
"USD" or "US Dollar(s)"	United States Dollars, the lawful currency of the United States
"Xintang JV"	a project company established in the PRC to participate in the Bidding and, after successful Bidding, engage in the subsequent development of residential project on the Project Land, and its equity interest will be held as to 37.5%, 37.5%, 20% and 5% by Shenwan Infrastructure, Guangdong Highway Construction, Lealu Investment and Leaxin Investment respectively, as disclosed in the Company's announcement dated 29 November 2019
"YoY"	year-on-year

* *For identification purpose only*

Corporate Information

Board of Directors

Mr. Zhengyu LIU*
(Non-executive Director and Chairman)
Mr. Tianliang ZHANG*
(Executive Director and General Manager)
Mr. Cheng WU*
(Executive Director and Deputy General Manager)
Mr. Ji LIU*
(Executive Director, Deputy General Manager and secretary to the Board)
Mr. Junye CAI* *(Non-executive Director)*
Mr. Jiyang TANG* *(Non-executive Director)*
Mr. Brian David Man Bun LI JP
(Independent Non-executive Director)
Mr. Yu Lung CHING
(Independent Non-executive Director)
Mr. Tony Chung Nin KAN SBS, JP
(Independent Non-executive Director)

* For identification purpose only

Audit Committee

Mr. Yu Lung CHING *(Chairman)*
Mr. Brian David Man Bun LI JP
Mr. Tony Chung Nin KAN SBS, JP

Remuneration Committee

Mr. Brian David Man Bun LI JP *(Chairman)*
Mr. Yu Lung CHING
Mr. Tony Chung Nin KAN SBS, JP

Company Secretary

Ms. Ching Fan KOO

Solicitors

Woo Kwan Lee & Lo

Auditor

Deloitte Touche Tohmatsu

Registered Office

P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
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Principal Place of Business

Room 63-02, 63rd Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong
Tel: (852) 2528 4975
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Listing Information

The Stock Exchange of Hong Kong Limited
HKD-traded Ordinary Shares (Stock Code: 737)
RMB-traded Ordinary Shares (Stock Code: 80737)

Principal Bankers+

Bank of China (Hong Kong) Limited
China Merchants Bank Co., Ltd.
Chong Hing Bank Limited
CMB Wing Lung Bank Limited
Shanghai Pudong Development Bank Co., Ltd.
The Hongkong and Shanghai Banking Corporation Limited

\+ names are in alphabetical order

Cayman Islands Share Registrar and Transfer Office

Maples Fund Services (Cayman) Limited
P.O. Box 1093
Boundary Hall
Cricket Square
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KY1–1102
Cayman Islands

Hong Kong Share Registrar and Transfer Office

Computershare Hong Kong Investor Services Limited
Shops 1712-1716, 17th Floor, Hopewell Centre
183 Queen's Road East, Wan Chai, Hong Kong
Tel: (852) 2862 8555
Fax: (852) 2529 6087

American Depositary Receipt

CUSIP No.	823219100
Trading Symbol	SIHBY
ADR to share ratio	1:10
Depositary Bank	Citibank, N.A., U.S.A.

Investor Relations

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Website

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Financial Calendar

Final results announcement for the year ended 31 December 2019 and proposed final dividend payable	8 March 2020
Closure of Register of Members for eligibility to attend the 2020 Annual General Meeting	18 May 2020 to 22 May 2020 *(both days inclusive)*
2020 Annual General Meeting	22 May 2020
Ex-dividend date	26 May 2020
Closure of Register of Members for entitlement of proposed final dividend	28 May 2020
Deadline for submission of dividend election form	17 June 2020
Proposed final dividend payable# *Final dividend: RMB10.1 cents or HK11.320989 cents per share*	7 July 2020

Subject to approval by shareholders at the 2020 Annual General Meeting to be held on 22 May 2020.

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