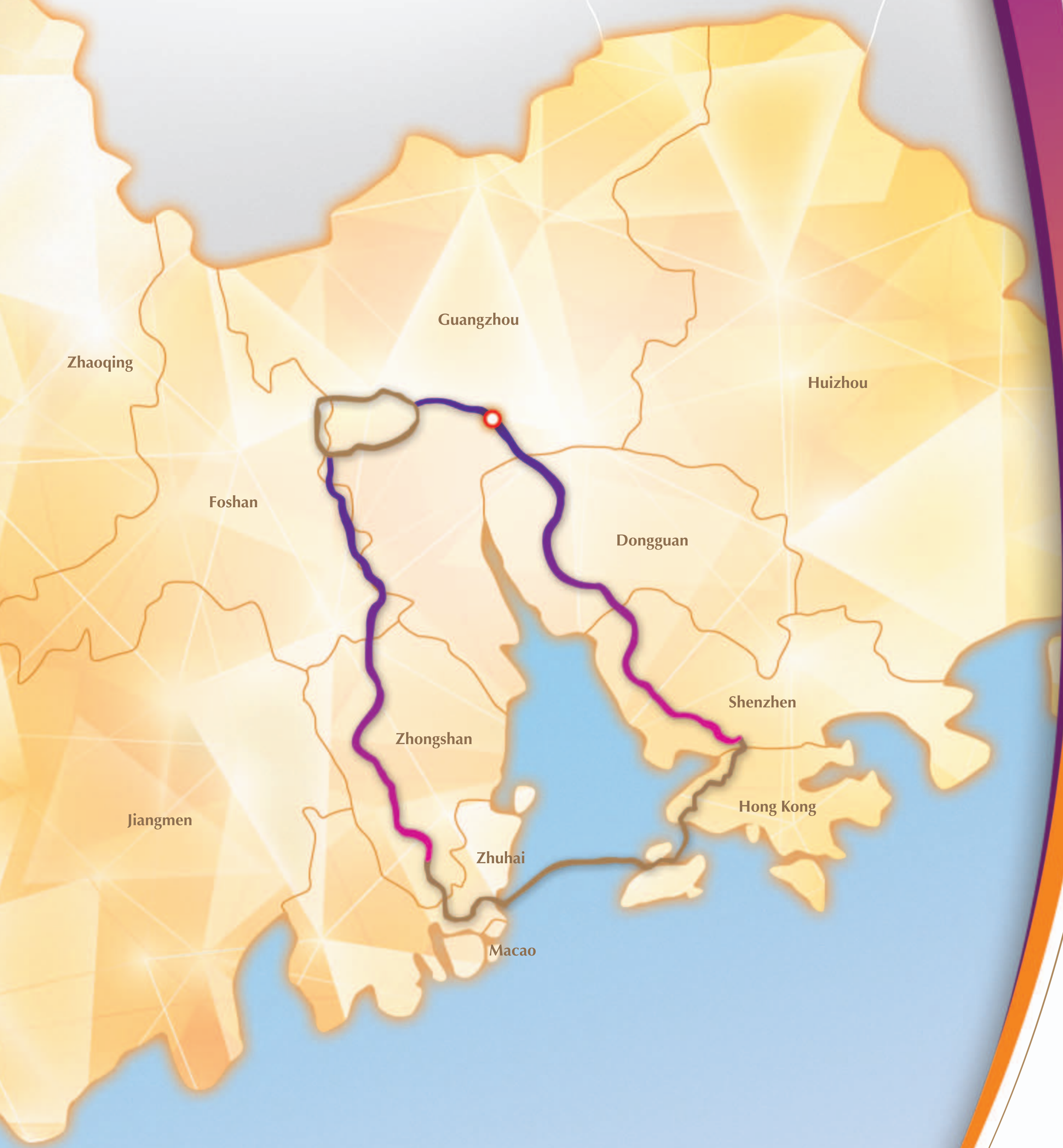
SHENZHEN INVESTMENT HOLDINGS BAY AREA DEVELOPMENT COMPANY LIMITED

(incorporated in the Cayman Islands with limited liability)

Stock Codes: 737 (HKD counter) & 80737 (RMB counter)



2020

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 with limited liability 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.

Contents

2 Financial Highlights
(Presented under Proportionate Consolidation Method)

3 5-Year Financial Summary

6 Chairman's Statement

10 Dividend and Closure of Register

12 Profile of Directors

18 Management Discussion and Analysis

- 18 Business Review
- 33 Financial Review
- 48 Others

49 Corporate Governance Report

68 Report of the Directors

81 Independent Auditor's Report

87 Consolidated Statement of Profit or Loss and Other Comprehensive Income

88 Consolidated Statement of Financial Position

89 Consolidated Statement of Changes in Equity

90 Consolidated Statement of Cash Flows

91 Notes to the Consolidated Financial Statements

141 Appendix – Consolidated Financial Information
(Prepared Under Proportionate Consolidation Method)

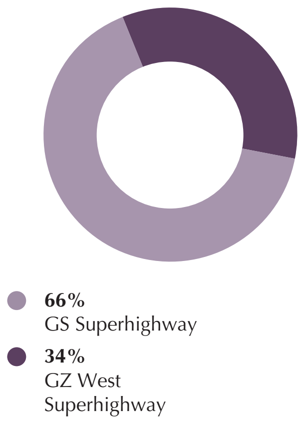
144 Glossary

150 Corporate Information

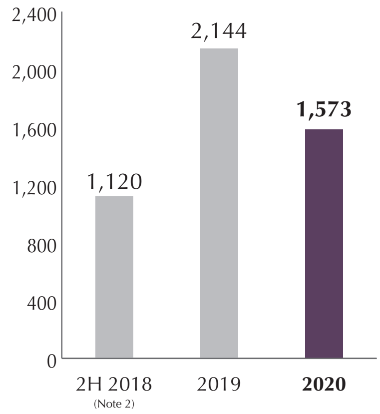
151 Financial Calendar

Financial Highlights (Presented under Proportionate Consolidation Method)

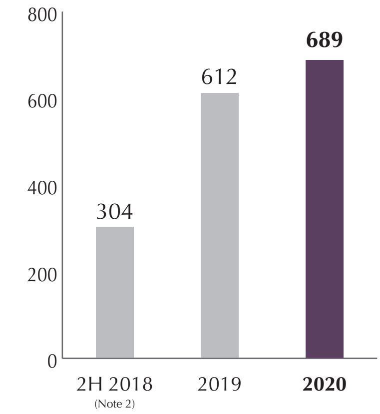
Net Toll Revenue by Expressway for 2020



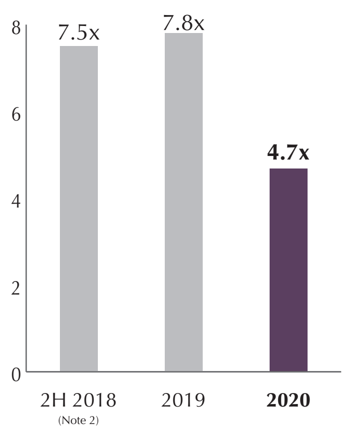
Net Toll Revenue
(RMB million)



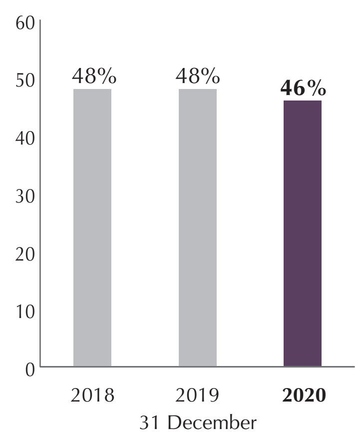
Profit Attributable to Owners of the Company
(RMB million)



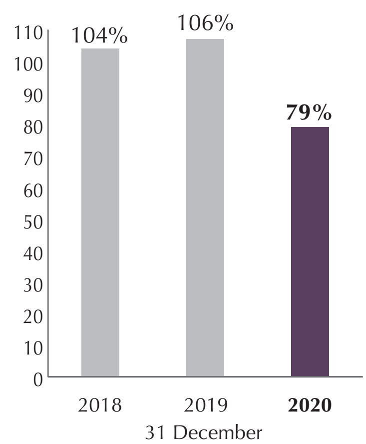
Interest Coverage
(EBITDA/Interest)



Total Debt[Note 1] to Total Assets



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



Note 1: Total debt include bank loans of the Group, the Group's share of bank and other loans of joint ventures, the Group's share of balance with a joint venture partner and shareholders' loans of a joint venture. Net debt is defined as total debt less bank balances and cash (including bank structured and time deposits) of the Group and joint ventures together with pledged bank balances and deposits of joint ventures.

Note 2: As announced by the Company on 27 August 2018, the Board had resolved to change the financial year end date of the Company 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.

5-Year Financial Summary

The financial summary of the Group for the year ended 30 June 2017 to the year ended 31 December 2020. As announced by the Company on 27 August 2018, the Board had resolved to change the financial year end date of the Company 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.

Consolidated Results Prepared under the Equity Method (RMB million)

	2016/17	2017/18	2H 2018	2019	**2020**
Share of results of joint ventures	680	724	340	701	**295**
Corporate results	(48)	(58)	(32)	(80)	**(10)**
Gain on partial disposal of a joint venture (net of tax)	–	–	–	–	**409**
Profit for the year/period	632	666	308	621	**694**
Profit for the year/period attributable to:					
Owners of the Company	**623**	**656**	**304**	**612**	**689**
Non-controlling interests	9	10	4	9	**5**
Profit for the year/period	**632**	**666**	**308**	**621**	**694**

Segment Revenue and Results (RMB million)

	2016/17	2017/18	2H 2018	2019	**2020**
Revenue	**2,159**	**2,162**	**1,120**	**2,144**	**1,573**
GS Superhighway	1,560	1,499	743	1,409	**1,041**
GZ West Superhighway	599	663	377	735	**532**
Xintang Residential Project	–	–	–	–	**–**
EBITDA	**1,859**	**1,889**	**983**	**1,875**	**1,277**
GS Superhighway(1)	1,343	1,309	663	1,248	**860**
GZ West Superhighway	516	580	320	627	**418**
Xintang Residential Project	–	–	–	0	**(1)**
Depreciation and amortisation	**(671)**	**(692)**	**(358)**	**(690)**	**(693)**
GS Superhighway	(460)	(463)	(232)	(445)	**(450)**
GZ West Superhighway	(211)	(229)	(126)	(245)	**(243)**
Xintang Residential Project	–	–	–	–	**–**
Interest and tax	**(522)**	**(538)**	**(270)**	**(511)**	**(370)**
GS Superhighway	(324)	(325)	(164)	(316)	**(189)**
GZ West Superhighway	(198)	(213)	(106)	(193)	**(140)**
Xintang Residential Project	–	–	–	(2)	**(41)**
Segment results(2)	**666**	**659**	**355**	**674**	**214**
GS Superhighway	559	521	267	487	**221**
GZ West Superhighway	107	138	88	189	**35**
Xintang Residential Project	–	–	–	(2)	**(42)**
Segment corporate results(3)	**(17)**	**(15)**	**(10)**	**(31)**	**(2)**
Gain on partial disposal of a joint venture (net of tax)	–	–	–	–	**409**
Net exchange (loss)/gain	(17)	22	(37)	(22)	**73**
Profit for the year/period	632	666	308	621	**694**
Profit for the year/period attributable to:					
Owners of the Company	**623**	**656**	**304**	**612**	**689**
Non-controlling interests	9	10	4	9	**5**
Profit for the year/period	**632**	**666**	**308**	**621**	**694**

5-Year Financial Summary

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

	As at 30 June		As at 31 December		
	2017	2018	2018	2019	**2020**
Interests in joint ventures	5,172	4,852	4,798	4,858	**4,674**
Bank balances and cash	469	691	140	50	**519**
Structured deposit	–	–	–	–	**801**
Time deposit with original maturity over three months	–	–	–	–	**240**
Dividend receivable from a joint venture	0	74	–	–	**–**
Interest-bearing loans to a joint venture	–	–	–	311	**350**
Investment/Equity instrument at fair value through other comprehensive income	5	5	11	23	**31**
Property and equipment	0	0	1	2	**2**
Other current assets	3	4	0	1	**2**
Total assets	**5,649**	**5,626**	**4,950**	**5,245**	**6,619**
Bank loans	–	–	–	281	**1,078**
PRC withholding tax liabilities	80	70	70	81	**76**
Interim dividend payable	–	371	–	–	**306**
Tax payables	–	–	–	–	**147**
Other current liabilities	12	10	11	13	**10**
Total liabilities	**92**	**451**	**81**	**375**	**1,617**
Non-controlling interests	31	27	30	24	**24**
Equity attributable to owners of the Company	**5,526**	**5,148**	**4,839**	**4,846**	**4,978**

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

	2016/17	2017/18	2H 2018	2019	**2020**
Net cash used in operating activities	(37)	(36)	(14)	(39)	**(51)**
Net cash from (used in) investing activities					
– Purchase of structured deposit	–	–	–	–	**(800)**
– Placement of time deposit with original maturity over three months	–	–	–	–	**(240)**
– Advance to a joint venture	–	–	–	(309)	**(559)**
– Capital injection to a joint venture	–	–	–	(4)	**–**
– Proceeds on partial disposal of a joint venture	–	–	–	–	**558**
– Cash receipt from the disposal of loans to a joint venture and accrued interest	–	–	–	–	**533**
– Net dividends received	1,620	911	449	613	**495**
– Others	22	19	8	2	**(6)**
Net cash (used in) from financing activities					
– New bank loans raised	–	–	266	546	**3,190**
– Bank loans repaid	–	–	(266)	(265)	**(2,318)**
– Dividends paid	(1,824)	(674)	(1,001)	(639)	**(323)**
– Others	–	–	(1)	(1)	**(16)**
Net (decrease) increase in cash and cash equivalents	(219)	220	(559)	(96)	**463**
Cash and cash equivalents at the beginning of year/period	652	469	691	140	**50**
Effect of foreign exchange rate changes	36	2	8	6	**6**
Cash and cash equivalents at the end of year/period	469	691	140	50	**519**
Total bank balances and cash	**469**	**691**	**140**	**50**	**519**

5-Year Financial Summary

Per Share Basis

	2016/17	2017/18	2H 2018	2019	**2020**
Basic earnings per share (RMB cents)	20.2	21.3	9.9	19.9	**22.4**
Dividend per share (RMB cents)					
– Interim	8.6	11.6	–	9.8	**–**
– Special interim	–	–	–	–	**10.0**
– Final	11.6	9.7	9.9	10.1	**9.1**
– Special final	10.0	10.0	–	–	**–**
Net asset value per share (RMB)	1.8	1.7	1.6	1.6	**1.6**
Regular dividend payout ratio(4)	100%	100%	100%	100%	**100%**

Financial Ratios

	As at 30 June		**As at 31 December**		
	2017	2018	2018	2019	**2020**
Return on equity attributable to owners of the Company	11%	13%	12%(7)	13%	**14%**
Prepared under Equity Method					
Total debt(5) to total assets	–	–	–	5%	**16%**
Gearing ratio (Net debt(5) to equity attributable to owners of the Company)	–	–	–	5%	**11%**
Prepared under Proportionate Consolidation Method					
Total debt(6) to total assets	50%	47%	48%	48%	**46%**
Gearing ratio (Net debt(6) to equity attributable to owners of the Company)	99%	92%	104%	106%	**79%**

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 dividend.

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

(6) Under proportionate consolidation method, total debt includes bank loans of the Group, bank and other loans and shareholder's loans of joint ventures, balance with a joint venture partner. Net debt is defined as total debt less the bank balances and cash (including bank structured and time deposits) 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

On behalf of the Board, I am pleased to report to the Shareholders the final results of the Group for the financial year ended 31 December 2020. Profit attributable to owners of the Company was RMB689 million, representing a YoY increase of 13%, and basic earnings per share was RMB22.35 cents, turning around the loss in the interim results. The turnaround from loss to profit was mainly attributable to the net profit of the toll expressway projects amounting to RMB256 million following the resumption of toll collection of expressways nationwide since 6 May 2020 and the post-tax profit from Disposal of approximately RMB409 million from the disposal of 22.5% equity interest in the Xintang JV for the year.

The Board has proposed a final dividend of RMB9.1 cents per share for the year ended 31 December 2020, maintaining the full-year regular dividend payout ratio target of 100% (excluding the special interim dividend of RMB10 cents per share). Payment of the final dividend is subject to approval at the 2021 Annual General Meeting.

Operating Environment

In 2020, the global economy was severely affected by the COVID-19 pandemic, and the GDP of major economies contracted to varying degrees. However, Mainland China's annual GDP grew by 2.3% YoY and exceeded RMB100 trillion for the first time, demonstrating its sound and solid economic fundamentals and strength. Mainland China's GDP achieved a positive growth for the year, comparing to the YoY decrease of 6.8% in the first quarter of 2020, reflecting the pandemic prevention and control measures have been taken effectively and the adoption of measures in reducing fees and lowering taxes has ensured the resumption of people's living, operation and production activities in an orderly manner as well as the steady recovery in social and economic activities. The GDP of Guangdong Province also rebounded from a contraction of 6.7% in the first quarter to a growth of 2.3% for the year, with the annual economic aggregate exceeding RMB11 trillion, ranking the first in Mainland China for 32 consecutive years, and the YoY growth rate is in line with that of the nation, overcoming the adverse impact of the COVID-19 pandemic. Recovery in social and economic activities driving the rise of passenger and cargo traffic and the Group's expressway business has also resumed steadily in parallel with the economic environment.

The construction of the Bay Area is progressing steadily. The continuous introduction of relevant supporting policies by local governments together with the unprecedented opportunity of "dual-driven" in Shenzhen's pilot demonstration area will accelerate its development into one of the regions with the strongest comprehensive strength, the highest degree of openness and the strongest economic vitality in Mainland China. Development of the Bay Area will lead to the continued positive economic development of the region as well as the long-term and growing transportation demand driven by the interconnection and logistics flow between cities. These will in turn benefits the GS Superhighway and the GZ West Superhighway operated by the Group as they are the major arteries connecting major cities across the eastern and western regions of the Bay Area.

Business Review and Prospects

During the year under review, the GS Superhighway and the GZ West Superhighway of the Group were affected by the national policy of waiver of tolls for 79 days, resulting in a decline in the performance of the toll expressway business. In the second half of 2020, with the gradual recovery of social and economic activities, passenger and cargo traffic volume continued to rebound and performance of the Group's toll expressway business has stabilised. The average daily toll revenue and average daily full-length equivalent traffic of the GS Superhighway recorded a slight YoY increase, while the average daily toll revenue and average daily full-length equivalent traffic of the GZ West Superhighway recorded a slight YoY decrease due to the diversion of road network and construction works. In terms of business expansion, the Group promotes the realisation of land value along the GS Superhighway at full steam. By introducing a strategic investor for the first pilot project in the second half of 2020 through the disposal of 22.5% equity interest in the Xintang JV to CR Land, project construction has accelerated and the goal in maximising land value has been achieved preliminarily. In order to share the positive outcome of the project with Shareholders, the Board declared a special interim dividend of RMB10 cents per share to Shareholders in November 2020.

In the future, based on the successful experience of the Xintang project and the feasibility study of the expansion work of the GS Superhighway, the Group will continue to actively seek for plans that integrates expansion with development and utilisation of the land, strengthen the communication and cooperation with local governments in a higher level and broader areas, and strive to replicate another Xintang project. In addition, the preliminary feasibility report on road expansion of the GS Superhighway has been completed and will undergo preliminary review by relevant government departments and revisions. The application for work approval will be submitted afterward and targets to officially commence the expansion works in 2022. The Company is in the process of formulating its "14th Five-Year" development strategy plan, aiming to accelerate the strategic expansion and sustainable development of the Company in respect of the core business and resources of the toll expressway business by leveraging various resources, in order to build the Company into an overseas capital operation platform for the controlling shareholder of the Group.

Entering 2021, the COVID-19 pandemic has yet to come under control around the world. However, with the approval of the use of the COVID-19 vaccine in various countries, people's living and international economic and trade activities are expected to gradually return to normal. In addition, the market expects that governments of various countries will introduce more economic stimulus measures, and the global economic recovery is expected to be promising. Yet, the rise of unilateralism and trade protectionism in recent years, coupled with the challenges in easing the tension between the PRC and the United States in the short term, have brought uncertainties to the global and Chinese economic outlook. In response to the complex international environment changes and leveraging on the advantages of the PRC's mega-sized economy, the PRC has accelerated the construction of the new development pattern in the "14th Five-Year Plan" with domestic circulation to dominant and domestic and international dual-circulation reinforcing each other, so as to achieve higher quality, more efficient, more fair, more sustainable and safer development. The Group are confident in the future economic prospects of the PRC and believe that the PRC can maintain a healthy development amid the global economic plight. In particular, the economic vitality and overall strength of the Bay Area, which is a key development area of the country, continue to grow under the impact of the pandemic. The business of the Group is located in the premium location of the eastern and western coast of the Bay Area and is expected to grow in line with the economic growth of the Bay Area.

Appreciation

I would like to take this opportunity to express my sincere gratitude to the Directors, senior management and all staff of the Group for their persistent hard work and dedication despite facing all the difficulties and challenges during such difficult time in the past year. I would also like to thank all our Shareholders, bankers and business partners for their long-term support and enduring trust. In the future, the Group will continue to contribute to the development of the Bay Area and explore suitable development opportunities in order to create sustainable returns for our Shareholders.

Zhengyu LIU*
Chairman

Hong Kong, 25 February 2021

* *For identification purpose only*

Dividend and Closure of Register

Final Dividend

The Board has proposed a final dividend of RMB9.1 cents per share (equivalent to HK10.936835 cents per share at the exchange rate of RMB1:HK$1.20185) for the year ended 31 December 2020. Together with the special interim dividend of RMB10 cents per share which will be paid on Friday, 26 February 2021, the total dividends for the year will amount to RMB19.1 cents per share. The total regular dividends for the year will amount to RMB9.1 cents per share (excluding the special interim dividend of RMB10 cents per share) which is 54% less than the total regular dividends of RMB19.9 cents per share of last year. The total regular dividends represent a regular dividend payout ratio of 100% of the profit attributable to owners of the Company (excluding post-tax profit on partial disposal of Xintang JV) and will be the same as that of last year.

Subject to Shareholders' approval at the 2021 Annual General Meeting to be held on Friday, 30 April 2021, the proposed final dividend will be paid on Tuesday, 27 July 2021 to Shareholders whose names have been registered at the close of business on Thursday, 6 May 2021.

If the proposed final dividend is approved by the Shareholders at the 2021 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 Thursday, 25 February 2021 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 Thursday, 15 July 2021. **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.**

Dividend and Closure of Register

Closure of Register

To ascertain shareholders' eligibility to attend and vote at the 2021 Annual General Meeting to be held on Friday, 30 April 2021, the Register of Members of the Company will be closed from Tuesday, 27 April 2021 to Friday, 30 April 2021, 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 2021 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 Monday, 26 April 2021.

To ascertain shareholders' entitlement to the proposed final dividend, the Register of Members of the Company will be closed for one day on Thursday, 6 May 2021, if and only if the proposed final dividend is approved by the Shareholders at the 2021 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, 5 May 2021.

Profile of Directors

Mr. Zhengyu LIU*

Aged 50, 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 58, 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 Political Reform Office of CPC Shenzhen Municipal Party Committee* (深圳市委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*

Profile of Directors

Mr. Cheng WU*

Aged 51, 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 37, 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. He has been re-designated as the Managing Director of Taiping Financial Holdings Fund Management (Shenzhen) Company Limited* in April 2020.

Mr. Weiguo ZONG*

Aged 41, Mr. ZONG was appointed as a Non-executive Director of the Company on 12 August 2020. He graduated from Southeast University in 2001. Mr. ZONG has been with China Vanke Co., Ltd.* (萬科企業股份有限公司) ("Vanke") since 2001, 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). From 2001 to 2002, he served at the project management center of the headquarters of Vanke. From 2002 to 2008, Mr. ZONG was the Senior Business Manager of Beijing Vanke Co., Ltd.* (北京萬科企業有限公司), before being transferred to Qingdao Vanke Real Estate Company Limited* (青島萬科房地產有限公司) to serve as the Marketing Director from 2008 to 2012. From 2012 to 2013, he was the Operations Director at the Operations Management Department for Strategic Investment and Marketing of the headquarters of Vanke. He was then re-designated as the Deputy General Manager of Zhejiang Vanke Narada Real Estate Co., Ltd.* (浙江萬科南都房地產有限公司), a role in which he served from 2013 to 2014. In 2015, Mr. ZONG served as the General Manager of Ningbo Vanke Enterprises Company Limited* (寧波萬科企業有限公司). He was transferred to Shenzhen Vanke Development Company Limited* (深圳市萬科發展有限公司) in 2020 to serve as the Executive General Manager.

* *For identification purpose only*

Mr. Brian David Man Bun LI JP

Aged 46, 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, a member of the Hongkong-Japan Business Co-operation Committee, and a Vice Chairman of the Asian Financial Cooperation Association.

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 Member of the Hong Kong Academy of Finance and 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.

Profile of Directors

Mr. Yu Lung CHING

Aged 51, 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 28 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), Termbray Industries International (Holdings) Limited (stock code: 93) and AMVIG Holdings Limited (stock code: 2300), all of which are listed on the Main Board of the Stock Exchange.

Profile of Directors

Mr. Tony Chung Nin KAN SBS, JP

Aged 70, 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 by 27% YoY to RMB9.50 million and the total toll revenue amounted to RMB3.478 billion. The decrease in toll revenue was mainly due to the implementation of the policy of waiver of tolls on toll roads nationwide for 79 days from 17 February 2020 to 5 May 2020 in response to the prevention and control measures for the COVID-19 pandemic by the Ministry of Transport of the PRC, and the adjustments on the Holiday Toll-free Policy for small passenger vehicles with 7 seats or less during the Lunar New Year holiday in 2020, which was extended from 7 days to 16 days. The above two policies resulted in a significant YoY decrease in toll revenue of the GS Superhighway and the GZ West Superhighway during the year under review. On the other hand, electronic toll collection ("ETC") discount rate has been increased from 2% to 5%, effective from 1 July 2019, which continues to have minor negative impact on toll revenue of the GS Superhighway and the GZ West Superhighway.

Affected by the aforesaid factors, the average daily toll revenue and average daily full-length equivalent traffic of the GS Superhighway fell 26% and 26% YoY to RMB6.51 million and 74,000 vehicles respectively; the average daily toll revenue and average daily full-length equivalent traffic of the GZ West Superhighway fell 28% and 27% YoY to RMB2.99 million and 43,000 vehicles respectively. During the year under review, the Group's shared aggregate net toll revenue declined by 27% YoY to RMB1.573 billion. Contributions from the GS Superhighway and the GZ West Superhighway were 66% and 34%, respectively.

Following the resumption of toll collection for toll roads nationwide from 6 May 2020 and driven by the economic recovery of the cities along the expressway, the performance of the GS Superhighway rebounded significantly in the second half of 2020 with average daily toll revenue and average daily full-length equivalent traffic increasing by 2% and 1% YoY to RMB9.14 million and 103,000 vehicles respectively. The performance of the GZ West Superhighway has also stabilised. However, due to the diversion effect caused by the conversion of Foshan Ring Road into a toll expressway and the closure and transformation of the Shizhou toll station since August 2020, the average daily toll revenue and average daily full-length equivalent traffic for the second half of 2020 slightly decreased by 3% and 5% YoY to RMB4.21 million and 60,000 vehicles, respectively.

The Guangzhou Xintang residential project made significant progress during the year under review and the Group disposed 22.5% equity interest and the corresponding shareholder's loans in the Xintang JV to CR Land in September 2020. Upon completion of the Disposal, the Group still owns 15% equity interest in the Xintang JV and realised the pre-tax gain on Disposal of approximately RMB545 million and the post-tax profit from Disposal of approximately RMB409 million.

Year	2019	2020	% Change
At JV level			
GS Superhighway			
Average daily toll revenue# (RMB'000)	8,835	**6,509**	–26%
Average daily full-length equivalent traffic* (No. of vehicles '000)	100	**74**	–26%
GZ West Superhighway			
Average daily toll revenue# (RMB'000)	4,150	**2,994**	–28%
Average daily full-length equivalent traffic* (No. of vehicles '000)	59	**43**	–27%

Year	Second half of 2019	Second half of 2020	% Change
At JV level			
GS Superhighway			
Average daily toll revenue# (RMB'000)	8,935	**9,142**	+2%
Average daily full-length equivalent traffic* (No. of vehicles '000)	102	**103**	+1%
GZ West Superhighway			
Average daily toll revenue# (RMB'000)	4,345	**4,212**	–3%
Average daily full-length equivalent traffic* (No. of vehicles '000)	63	**60**	–5%

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/period 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

Domestic economic situation

In 2020, the outbreak of COVID-19 has spread across the world with large-scale outbreaks in numerous countries, which have caused a heavy blow to the global economy. In order to curb the spread of the COVID-19 pandemic, various countries have successively implemented regional lockdowns and entry quarantine measures, which have severely affected the flow of people and logistics and caused significant impact to the industrial chains across multiple industries, making the international economic and trade environment more challenging. As the provincial and municipal governments of the PRC decisively implemented a series of pandemic prevention measures which basically and effectively controlled the pandemic across the country. The production and economic activities of enterprises recovered in an orderly manner, and key economic indicators such as total import and export value, fixed asset investment and per capita disposable income of residents of Mainland China maintained positive growth throughout the year, and the economic operation is steadily recovering. The GDP of Mainland China rebounded from a YoY contraction of 6.8% in the first quarter to a growth of 2.3% for the year with the total value exceeding RMB100 trillion. The GDP of Guangdong Province rebounded from a contraction of 6.7% in the first quarter to a growth of 2.3% for the year, indicating a significant trend of accelerated economic recovery. Facing the unprecedented and complex COVID-19 pandemic and international political and economic situation, the PRC focuses on the new development pattern with domestic circulation to dominant and domestic and international dual-circulation reinforcing each other, leading the economy to a higher level of quality development. As people around the world begin to get COVID-19 vaccine injections, it is expected that the pandemic will be further controlled, bringing international economic and trade activities back on track and supporting the continuous expansion of domestic demand. The domestic economy is expected to maintain steady growth, which will lead to a continuous increase in logistics and transportation demand, providing a solid foundation for the businesses of the GS Superhighway and the GZ West Superhighway operated by the Group.

Development of the Bay Area

Regional development of the Bay Area is driven by four core cities, namely Hong Kong, Macao, Guangzhou and Shenzhen and 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 72 million at the end of 2019 and market expects the GDP of the area will be approximately RMB11 trillion in 2020, which is one of the most active regions in the PRC in terms of economy with remarkable regional advantages and great development potential.

The construction of the Bay Area is a major national development strategy and Shenzhen is a significant engine for the construction of the Bay Area. Under the significant historical opportunity of "dual-driven" and with the in-depth promotion of the construction of "Core, Coastal Belt and Zone Initiative", the economy continues to develop steadily. During the year, local governments continued to actively engage in the promotion of the construction of the Bay Area, introduced more specific policies and measures to promote mutual integration and development, created a leading and innovative business environment to attract high-quality enterprises, funds and talents, which accelerated the integration of regional market to expand the scale of economic development.

As one of the four core engines of the Bay Area, Shenzhen has actively promoted the construction of the dual area. Since the issuance of the Guidelines on Supporting Shenzhen in Building a Pilot Demonstration Area of Socialism with Chinese Characteristics by the State Council in August 2019, Shenzhen has introduced a number of policies, which have injected strong momentum to promote the construction of the Bay Area. In October 2020, the State Council issued the Plan on Implementing Comprehensive Pilot Reforms in Shenzhen to Build the City into a Demonstration Area of Socialism with Chinese Characteristics (2020–2025) and the List of the First Batch of Authorisation Matters for the Comprehensive Pilot Reforms in Shenzhen to Build the City into a Demonstration Area of Socialism with Chinese Characteristics enabling Shenzhen greater autonomy in the reform of key areas and key matters, including the system of factor market-oriented allocation, business environment, scientific and technological innovation, opening-up, improvement of ecological environment and urban space governance, and further clarifying that the demonstration area will achieve significant progress in the system construction in all aspects in 2022, achieve milestone achievements in the reform of major areas and key matters and basically complete the pilot reform tasks in 2025, marking milestone goals for the national system construction. This new system reform suggested that Shenzhen can build an industrial innovation highland with global influence more efficiently, which plays a strong leading role in promoting the economic development of the Bay Area, and can further promote the interconnection of flow of people, logistics, capital flow and information flow within the Bay Area. On the other hand, in September 2020, Dongguan City also issued the Opinions on Further Improving the Regional Coordinated Development Pattern and Facilitating the Accelerating High-quality Development in Towns in the Southern Region, which proposed the goal of connecting 9 towns near Shenzhen in the southern part of Dongguan at high standard and integrating into the Shenzhen Pilot Demonstration Area in 2025. These policies have a positive effect on the demand for travel using expressways and are beneficial to the expressway business environment in the long run by promoting convenient transportation connection within the Bay Area, which drives the flow of people and logistics.

These policy documents demonstrate that the Bay Area, a focus area of domestic economic development, has been recognised by the government and various parties as a focal point. The short-term economic shock caused by the COVID-19 pandemic will not change the general favourable trend of the economy within the area led by the development of the Bay Area.

Latest Updates on Industry Policies

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 COVID-19 pandemic, 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 (from 24 January 2020 to 30 January 2020) extended to 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 decreased.

Waiver of Tolls on Toll Roads During the COVID-19 pandemic

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 COVID-19 pandemic, 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 COVID-19 pandemic, tolls of toll roads is waived nationwide during the period of the prevention and control of the pandemic caused by COVID-19, and the specific end date is subject to further notice. After such period, pursuant to the Notice from the Ministry of Transport on Resumption of Toll Fees Collection on Toll Roads issued on 28 April 2020, with the approval of the State Council, toll roads nationwide have resumed toll fees collection for all vehicles legally travelling through the toll roads from 00:00 a.m. on 6 May 2020. During the aforesaid period, tolls on the GS Superhighway and the GZ West Superhighway operated by the Group were waived for 79 days in total, bringing negative impact on the business performance of the Group.

Removal of provincial boundary expressway toll stations nationwide

Guangdong Province has completed works relating to the removal of provincial boundary expressway toll stations by the end of 2019, switched the systems successfully and formally merged itself into the national network. Toll system on the GS Superhighway and the GZ West Superhighway has also been connected to the national network in standard specification as required, and enhancement has been made to revolve issues arose in the early stage of switching to the new system. The two expressways are currently capable of offering quality service of fast access to the public.

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. In the second half of 2020, tolls collected through means of ETC payment cards on the GS Superhighway and the GZ West Superhighway accounted for approximately 60% of the overall toll revenue, while the traffic volume of vehicles using ETC payment cards accounted for approximately 64% of the overall traffic volume. As there is still much room for the percentage of traffic volume using ETC payment cards compared to more than 90% of the national target, the gradual increase of users may have a slight impact on the toll revenue of the Group in the future.

New tariff standard for highway in Guangdong Province

Tariff standard for expressways within Guangdong Province has been revised based on PRC's latest industry standard on Vehicle Classification of the Toll for Highway since 1 January 2020. According to which, passenger vehicles are classified into four types, trucks and special motor vehicles are classified into six types, and the basic tariff rate remains unchanged at RMB0.6 per kilometre for each vehicle for the expressways with 6 lanes or above. Details on classification and tariff multiplier are set out in the table below. After the implementation of the new tariff standard, average toll revenue per vehicle (after considering ETC discount adjustment) of the GS Superhighway and the GZ West Superhighway in 2020 remained basically the same as the corresponding period of last year, the overall toll revenue was not affected.

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

Supporting policies in relation to domestic automobile sales

The domestic automobile consumption market continued to pick up. In 2020, the sales volume of automobiles was approximately 25.31 million units, representing a YoY decrease of 2%, which was significantly contracted as compared with the YoY decrease of 17% in the first half of the year and overall situation was better than the market expectation. In November 2020, the State Council issued the Development Plan of New Energy Vehicle Industry (2021–2035), which will further increase the penetration rate of new energy vehicles. Furthermore, the purchase subsidy policy for new energy vehicles, will also help drive the growth of new energy vehicle sales. Entering 2021, Ministry of Commerce issued Guidelines for Promoting Automobile Consumption in Business Area in February. In terms of expanding consumption of new vehicles, it proposed to enhance the automobile purchase restriction policy and refrain from introducing new purchase restrictions, in order to stabilise the automobile consumption in cities. It also proposed measures such as supporting automobile consumption in rural areas as well as promoting new energy vehicle sales. It is believed that the policy will continue to inject new momentum into automobile sales. The supporting policies related to automobile sales have a positive effect on increasing the overall automobile ownership, which is beneficial to the expressway industry.

Guangzhou – Shenzhen Superhighway

Project Summary

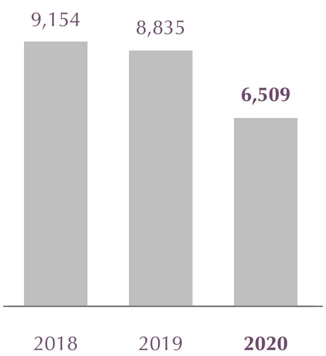
Location	Guangzhou to Shenzhen, Guangdong, PRC
Length	122.8 km
Lanes	A total of 6 lanes in dual directions, except for certain sections being 10 lanes
Class	Expressway
Toll Collection Period	July 1997–June 2027
Profit Sharing Ratio	Year 1–10: 50% Year 11–20: 48% Year 21–30: 45%

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. In 2020, the average daily toll revenue and average daily full-length equivalent traffic both fell 26% YoY to RMB6.51 million and 74,000 vehicles respectively. Its total toll revenue for the year amounted to RMB2,382 million. The significant decrease in toll revenue and traffic volume was mainly due to the waiver of tolls effective from 17 February 2020 to 5 May 2020 according to the notice from the Ministry of Transport. Toll revenue and traffic volume contributed by passenger vehicles accounts for 68% and 81% of the toll revenue and full-length equivalent traffic of the GS Superhighway respectively.

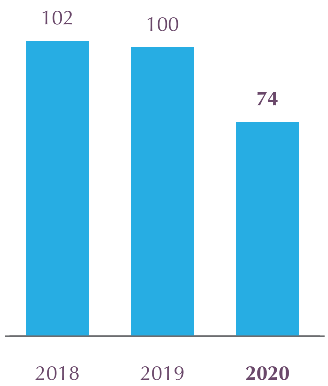
Despite the economic impact of the COVID-19 pandemic on the cities along the GS Superhighway, economic activities gradually resumed and the GDP of Guangzhou, Dongguan and Shenzhen recorded YoY annual growth of 2.7%, 1.1% and 3.1% respectively as compared to the negative growth experienced in the first quarter of 2020. Following the resumption of toll collection for toll roads nationwide from 6 May 2020 and driven by the economic recovery of the cities along the expressway, the performance of the GS Superhighway rebounded significantly in the second half of 2020 with average daily toll revenue and average daily full-length equivalent traffic increasing by 2% and 1% YoY to RMB9.14 million and 103,000 vehicles respectively. In particular, the average daily toll revenue and average daily full-length equivalent traffic of passenger vehicles still recorded a slight decrease, while the average daily toll revenue and average daily full-length equivalent traffic of trucks recorded a relatively higher growth, which was in line with the circumstances of the reducing number of trips of the general public and the continuous growth of export freights under the pandemic.

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. 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.

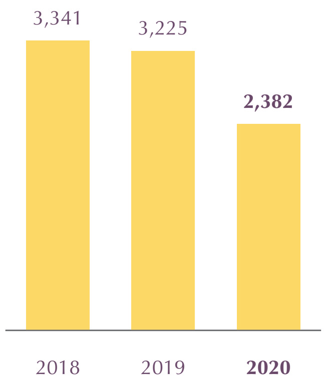
Average Daily Toll Revenue#
(RMB thousand)



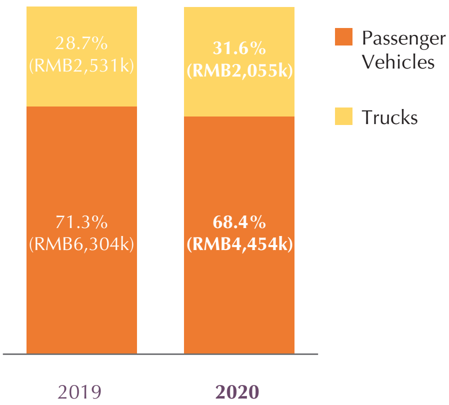
Average Daily Full-Length Equivalent Traffic
(No. of vehicles in thousand)



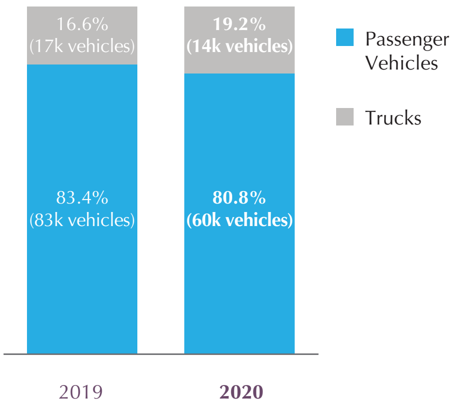
Annual Toll Revenue#
(RMB million)



Average Daily Toll Revenue Breakdown by Vehicle Type



Average Daily Full-Length Equivalent Traffic Breakdown by Vehicle Type



Including tax

According to the information published by the relevant authorities of the Shenzhen Municipal Government, the reconstruction of the Huanggang Port in Shenzhen next to the Huanggang enrty and exit point of the GS Superhighway is in progress. The demolition of the passenger clearance building was completed in 2020 and will be redeveloped at the original site. Currently, a temporary passenger clearance site was set up to handle cross-border travellers and vehicles. The new passenger clearance building of Huanggang Port is expected to be completed by the end of 2022, which is positioned as a traveler-only checkpoint under the "co-location arrangement", where the cargo inspection function will be cancelled, and will be developed into a super port and integrated transportation hub that radiates the Bay Area and engages globally. The increased passenger clearance capacity at the new port has a positive effect on passenger vehicles travelling to the port through the GS Superhighway. Yet given the cancellation of cargo inspection function, cross-border freight vehicles will no longer require to travel to the port through the GS Superhighway, the Group will closely monitor the specific arrangements in the future and assess the impact on the GS Superhighway.

The Shenzhen section Phase I and Dongguan section of Shenzhen Outer Ring Expressway officially opened to traffic at the end of 2020. It is connected to the Guangshen Coastal Expressway in the west and the Huiyan Expressway in the east, and is another east-west expressway located north of Jihe Expressway. Shenzhen Outer Ring Expressway is connected to the Guangshen Coastal Expressway, GS Superhighway, Nanguang Expressway, Longda Expressway and Meiguan Expressway. As the Songgang interchange connecting with the GS Superhighway has not yet been opened, vehicles travelling to the Shenzhen Outer Ring Expressway cannot access to the GS Superhighway at the moment, which may cause diversion impact on the GS Superhighway. Due to the short opening period, the impact is still subject to further observation.

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, together with the Guangdong Province Expressway Network Plan (2020–2035) issued by the Department of Transportation of Guangdong Province in May 2020, which restates the expansion plan of expressways, including the GS Superhighway, the expansion of the GS Superhighway will be accelerated as planned.

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. A steering committee was established by the GS JV to be responsible for related works, and to actively communicate with the relevant local governments and departments to collect opinions from various parties, to deepen the content of the feasibility report and ensure alignment with local government planning. The preliminary feasibility report of the expansion work has been completed at the end of 2020 and went through preliminary review by relevant government departments in January 2021. In the next stage, the feasibility report of the expansion work will be further revised pursuant to the comments received from the preliminary review and subsequent to the revisions, the process to submit application for work approval will be entered. Pending to the official approval by relevant government departments, the construction scale and estimated cost for the expansion work would be finalised. According to the preliminary feasibility report of the expansion work, the expansion of the GS Superhighway involves 118.2km, from its current 6 lanes in dual directions to 8–12 lanes at different sections, with a preliminary estimated cost of RMB47.1 billion, yet the final construction scale and estimated cost are to be determined. On the other hand, the tender for survey and design work is carried out simultaneously to shorten the time for preparatory work and accelerate the project progress in order to strive to officially commence the expansion work in 2022.

Potential Land Development and Utilisation of GS Superhighway

The Company has entered into a memorandum of cooperation and framework agreements with Guangdong Highway Construction, the joint venture partner of the GS JV, with respect to the principles of cooperation in relation to the development and utilisation of land along the GS Superhighway in October 2019, to jointly strive for the opportunities of integrated development and realisation of value for the GS Superhighway's stock of land alongside.

Studies on the planning of land along the GS Superhighway has combined with the feasibility study on the expansion work of the GS Superhighway in order to promote the planning scheme of the integration of certain interchange transformations and development and utilisation of land simultaneously. The aim is to integrate the expansion with development and utilisation of land, and seek a win-win solution that is in line with the land planning of the local government. The Guangzhou Xintang project is a demonstration pilot project for traffic transformation and land space composite utilisation of expressways in Guangdong Province. It is a template for the transformation of other interchanges along the GS Superhighway and is of positive significance to the projects in other areas along the route. However, the development and utilisation of land is subject to procedures for the change of land use and the obtaining of land use rights for future development according to relevant urban planning and regulations, which remain uncertain at the current stage.

Guangzhou – Zhuhai West Superhighway

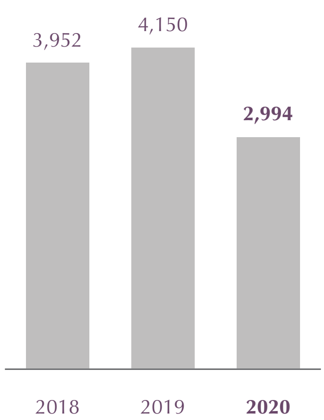
Project Summary

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%

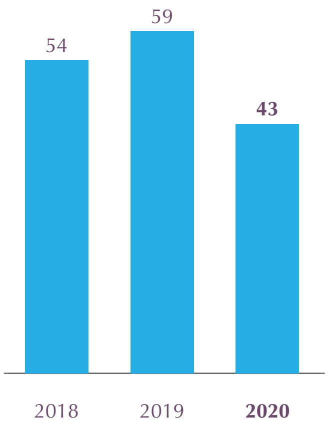
The GZ West Superhighway is the expressway artery between the city centres of Guangzhou and Zhuhai, and offers access to the HZM Bridge. In 2020, the average daily toll revenue and average daily full-length equivalent traffic fell 28% and 27% YoY to RMB2.99 million and 43,000 vehicles respectively. Its total toll revenue for the year amounted to RMB1,096 million. The significant decrease in toll revenue and traffic volume was mainly due to the waiver of tolls effective from 17 February 2020 to 5 May 2020 according to the notice from the Ministry of Transport and the diversion impact caused by the conversion of Foshan Ring Road into a toll expressway and the closure and transformation of the Shizhou toll station since August 2020. Toll revenue and traffic volume contributed by passenger vehicles accounts for 67% and 79% of the toll revenue and full-length equivalent traffic of the GZ West Superhighway respectively.

The GZ West Superhighway runs through four major cities on the west bank of the Bay Area, namely Guangzhou, Foshan, Zhongshan and Zhuhai. Affected by the COVID-19 pandemic, the GDP of the above cities has experienced negative growth in the first quarter of 2020 and as economic activities gradually resumed, the GDP of those cities recorded YoY annual growth of 2.7%, 1.6%, 1.5% and 3.0% respectively. Following the resumption of toll collection for toll roads nationwide from 6 May 2020 and driven by the economic recovery of the cities along the expressway, the performance of the GZ West Superhighway has stabilised simultaneously. However, due to diversion impact caused by the conversion of Foshan Ring Road into a toll expressway and the closure and transformation of the Shizhou toll station, the average daily toll revenue and average daily full-length equivalent traffic in the second half of 2020 decreased by 3% and 5% YoY to RMB4.21 million and 60,000 vehicles respectively. In particular, the average daily toll revenue and average daily full-length equivalent traffic of passenger vehicles recorded a decrease, while the average daily toll revenue and average daily full-length equivalent traffic of trucks recorded growth, which was in line with the circumstances of the reducing number of trips of the general public and the continuous growth of export freights under the pandemic.

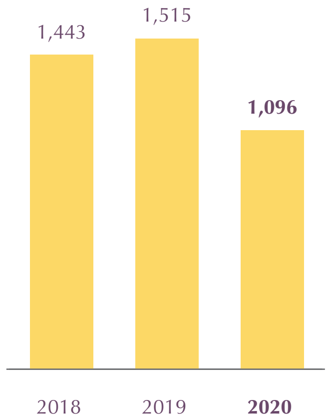
Average Daily Toll Revenue#
(RMB thousand)



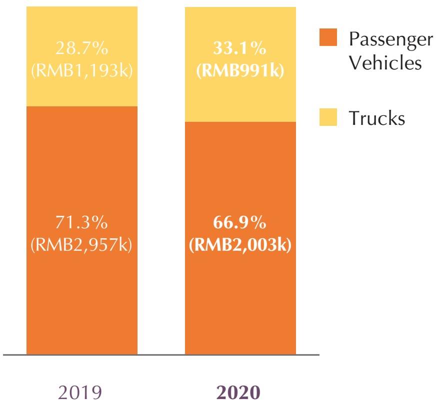
Average Daily Full-Length Equivalent Traffic
(No. of vehicles in thousand)



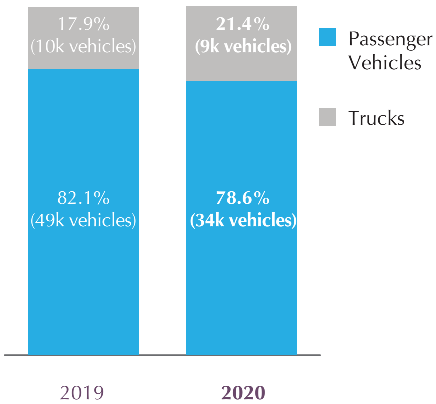
Annual Toll Revenue#
(RMB million)



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, and has been converted from a toll-free local road into a toll expressway from 2020. With its connection with Guangzhou-Zhongshan-Jiangmen Expressway and Jiangmen Zhuhai Expressway, an expressway corridor that runs mostly parallel to the GZ West Superhighway is then formed, linking up Foshan, Jiangmen and western Zhuhai. The conversion of the above section into a toll expressway has caused a slight diversion impact on the GZ West Superhighway, but the impact has gradually faded out in the fourth quarter of 2020.

To comply with Foshan government's plan on development of Sanlongwan area, the Shizhou toll station on the GZ West Superhighway carried out ramp expansion, toll station transformation and landscape improvement starting from mid-August 2020. The transformation work was completed one month earlier than expected and was re-opened on 1 January 2021. The station was officially renamed as Sanlongwan toll station, which is in line with the planning of the local government. The transformation work helps improve the capacity of the toll station to handle traffic flow, and will benefit from the development of the area and the continuous growth of traffic volume in the long run, which will have a positive effect on the increase in traffic volume of the GZ West Superhighway.

The Huangpu Express Line was fully opened at the end of December 2020. By connecting with Ronggui Outer Ring Road and Bigui Road, a local road connecting Shunde and Zhongshan was formed, which is mostly parallel to the Ronggui toll station and Zhongshan West toll station section of the GZ West Superhighway. On the other hand, the third phase of the Guangzhou-Zhongshan-Jiangmen Expressway commenced operation at the end of December 2020, connecting the second phase of the Guangzhou-Zhongshan-Jiangmen Expressway in the west and the Dongxin Expressway in the east. Of which, Dongfeng and Nantou North (which interconnected with Nantou interchange of the GZ West Superhighway) section has not yet been opened. The Group will continue to closely monitor to changes in the surrounding road network, which may cause slight diversion impact on the GZ West Superhighway.

The GZ West Superhighway is the main expressway artery between Guangzhou and Zhuhai, and is highly accessible to the Hengqin New Zone and the HZM Bridge through the expressway network connecting Zhuhai. The new port in Hengqin was officially opened in August 2020, which greatly enhances the custom clearance capability and efficiency of the port and facilitates the flow of people and trade between Guangdong and Macao. On the other hand, in November 2020, the Guangdong Provincial Public Security Department issued the Administrative Measures of Guangdong Province on the Entry of Motor Vehicles into and out of the Mainland via the Zhuhai Highway Port of the Hong Kong-Zhuhai-Macao Bridge (Draft for Comments), which announced that the entry of single-licensed vehicles into and out of the Mainland via the Zhuhai Port of the HZM Bridge will be further eased. The permitted driving area is expanded from the current Zhuhai Hengqin area to the entire Guangdong Province, serving as an experience to the policy of expanding the permission of Hong Kong vehicles into and out of the Guangdong Province via the HZM Bridge. It is expected that the three local governments will further open up cross-border road transportation to increase the usage of the HZM Bridge and the flow of people and logistics between the three regions, which will have a positive effect on the traffic volume of the GZ West Superhighway in the long run.

Guangzhou Xintang Residential Project

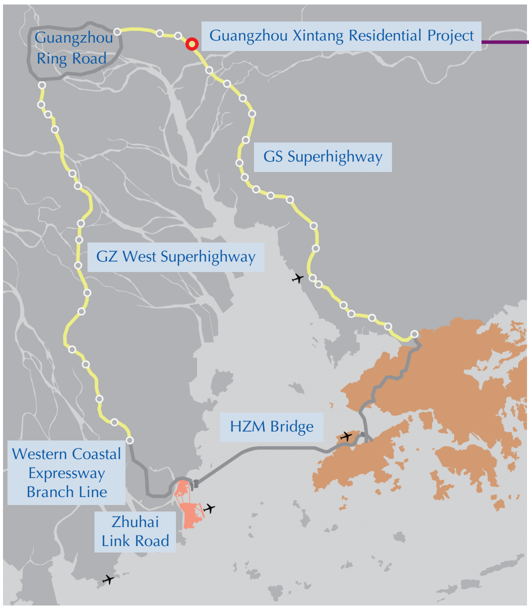
Project Summary

Location	Xintang Town, Zengcheng District, Guangzhou, Guangdong, PRC
Nature of Development	Residential Project
Stake	15%
Total Site Area	Approximately 200,000 square metres
Gross Floor Area	Approximately 600,000 square metres

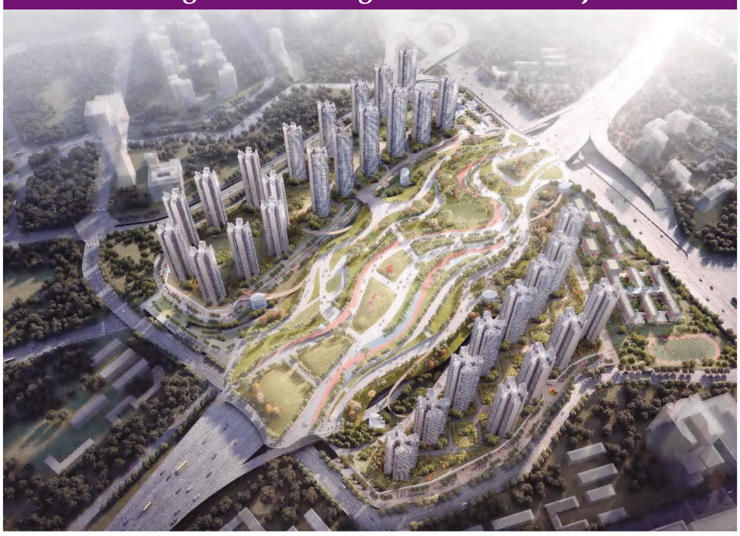
Xintang JV, jointly established by the Group and the subsidiaries of GPCG, successfully acquired the land use rights of the Project Land for residential use of Xintang Interchange for RMB4.124 billion through bidding in December 2019. The land parcel has a total site area of approximately 200,000 square metres and a total gross floor area of approximately 600,000 square metres. In order to introduce professional property developer to jointly engage in the construction of the residential project, during the year under review, the Group and GPCG (through Guangdong Highway Construction) disposed of an aggregate of 60% equity interest in the Xintang JV (representing 22.5% equity interest owned by the Group and 37.5% equity interest owned by Guangdong Highway Construction) and the corresponding shareholders' loans to CR Land through public tender. The Disposal was completed in September 2020 and realised the pre-tax gain on Disposal of approximately RMB545 million and the post-tax profit from Disposal of approximately RMB409 million. Currently, the Group remains to own 15% equity interest in the Xintang JV.

During the year under review, the transformation works of interchange and the construction of the residential and ancillary work of the Xintang residential project has commenced, of which the construction of the residential and ancillary work is planned to be carried out in three phases. It is expected that the pre-sale of a portion of the residential units in the first phase will commence in 2021, with the annual sales target comprising a gross floor area of approximately 70,000 square metres, which can be delivered to the buyers and revenue will be recognised in 2023 the earliest.

Location of Guangzhou Xintang Residential Project



Demonstration Diagram of Guangzhou Xintang Residential Project



The Group's results for the year ended 31 December 2020 were as follows:

	Year ended 31 December									
	2019					2020				
RMB million	Revenue	EBITDA	Depreciation and amortisation	Interest and tax	Results	Revenue	EBITDA	Depreciation and amortisation	Interest and tax	Results
Group's share project contributions:										
Toll expressway projects										
– GS Superhighway [Note 1]	1,409	1,248	(445)	(316)	487	**1,041**	**860**	**(450)**	**(189)**	**221**
– GZ West Superhighway	735	627	(245)	(193)	189	**532**	**418**	**(243)**	**(140)**	**35**
Sub-total	2,144	1,875	(690)	(509)	676	**1,573**	**1,278**	**(693)**	**(329)**	**256**
Land development and utilisation project										
– Xintang Interchange	–	0	–	(2)	(2)	**–**	**(1)**	**–**	**(41)**	**(42)**
Total	2,144	1,875	(690)	(511)	674	**1,573**	**1,277**	**(693)**	**(370)**	**214**
YoY change						**–27%**	**–32%**	**0.4%**	**–28%**	**–68%**
Corporate:										
Bank deposits interest income					2					**9**
Investment income from structured deposit					–					**2**
Interest income of loans to a JV					2					**50**
Gain on disposal of 22.5% equity interest in Xintang JV					–					**545**
Other income					3					**4**
General and administrative expenses and depreciation					(37)					**(36)**
Finance costs					(1)					**(17)**
Income tax expense					(0)					**(150)**
Sub-total					(31)					**407**
Profit before net exchange (loss)/gain					643					**621**
YoY change										**–3%**
Net exchange (loss)/gain					(22)					**73**
Profit for the year					621					**694**
Profit attributable to non-controlling interests					(9)					**(5)**
Profit attributable to owners of the Company					612					**689**
YoY change										**13%**

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 expressway projects namely the GS Superhighway and the GZ West Superhighway operated by two joint ventures decreased by 27% to RMB1,573 million in 2020 from RMB2,144 million in 2019, of which the net toll revenue of the GS Superhighway decreased by 26% to RMB1,041 million in 2020 from RMB1,409 million in 2019; net toll revenue of the GZ West Superhighway decreased by 28% to RMB532 million in 2020 from RMB735 million in 2019. The main reasons for the decrease in toll revenue include: according to the notice from the Ministry of Transport in the PRC, in light of the COVID-19 pandemic, the policy of waiver of tolls was implemented on toll roads nationwide from 17 February 2020 to 5 May 2020 (both days inclusive), which was applicable to the GS Superhighway and the GZ West Superhighway (details of which were set out in the announcements of the Company dated 17 February 2020 and 29 April 2020). The GS Superhighway and the GZ West Superhighway had resumed toll fees collection for all vehicles from 00:00 a.m. on 6 May 2020; 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 (from 24 January 2020 to 30 January 2020) extended to 16 days (ended on 8 February 2020); and from 1 July 2019, the ETC discount had been increased from 2% to 5%.

The Group's share of the aggregate EBITDA of its two toll expressways (excluding net exchange difference on the GS JV's US Dollar and HK Dollar loans) decreased by 32% to RMB1,278 million in 2020 from RMB1,875 million in 2019. As the toll revenue of the GS Superhighway and the GZ West Superhighway recorded a decrease in 2020, the Group's share of the EBITDA of the GS Superhighway decreased by 31% to RMB860 million in 2020 from RMB1,248 million in 2019; the Group's share of the EBITDA of the GZ West Superhighway fell by 33% to RMB418 million in 2020 from RMB627 million in 2019.

Affected by the COVID-19 pandemic, the full-length equivalent traffic (including tolled and toll-free) of the GS Superhighway and the GZ West Superhighway for the first half of 2020 decreased slightly as compared with the first half of 2019. However, since the resumption of toll collection of toll roads nationwide from 6 May 2020, the performance of the GS Superhighway rebounded significantly in the second half of 2020 with the full-length equivalent traffic increasing by 1% YoY, which was driven by the economic recovery in the PRC. The Group's share of depreciation and amortisation charges of the GS Superhighway amounted to RMB450 million, representing a slight increase from RMB445 million in 2019; the performance of the GZ West Superhighway returned stable simultaneously. However, due to the diversion effect caused by the conversion of Foshan Ring Road into a toll expressway and the closure and renovation of Shizhou Toll Station, the full-length equivalent traffic in the second half of 2020 decreased by 5% YoY. The Group's share of depreciation and amortisation charges of the GZ West Superhighway amounted to RMB243 million, representing a slight decrease from RMB245 million in 2019. Overall, the Group's share of aggregate depreciation and amortisation charges of the two toll expressways amounted to RMB693 million, representing a slight increase from RMB690 million in 2019.

In 2019 and 2020, the applicable PRC EIT rate for both the GS JV and the GZ West JV was 25%. The Group's share of tax expenses of two joint ventures also declined, mainly due to the reduction in toll revenue as a result of the implementation of the policy of waiver of tolls. In addition, the bank loans of the GS JV are mainly denominated in US dollars. The Group's share of the GS JV's interest and tax expenses decreased significantly by 40% to RMB189 million from RMB316 million in 2019, benefiting from the four rounds of US Federal Funds Rate reduction since July 2019 with a total cut of 2.25%. In addition, the GZ West JV repaid the principal of the bank loans of RMB848 million and RMB253 million (at JV level) in advance with its cash surplus in 2019 and 2020 respectively, and benefiting from the transition of the interest rate of RMB loans from the benchmark interest rate of the People's Bank of China to the loan prime rate as the pricing basis, the interest rate was declined, leading to the further reduction of the interest expenses of the GZ West JV. The Group's share of the interest and tax expenses of the GZ West JV decreased by 27% to RMB140 million in 2020 from RMB193 million in 2019. The Group's share of aggregate interest and tax in the two joint ventures decreased by 35% to RMB329 million in 2020 from RMB509 million in 2019.

Affected by the decrease in toll revenue of the GS Superhighway, the Group's share of net profit of the GS JV was RMB221 million, representing a decrease of 55% from the net profit of RMB487 million in 2019; the Group's share of net profit of the GZ West Superhighway was RMB35 million, representing a decrease of 81% from the net profit of RMB189 million in 2019. The Group's share of total net profit of the two expressway projects (excluding net exchange difference on the GS JV's US Dollar and HK Dollar loans) was RMB256 million, representing a decrease of 62% from the net profit of RMB676 million in 2019.

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, Guangdong Highway Construction, Lealu Investment and Leaxin Investment entered into the JV Agreement and JV Articles, pursuant to which, Shenwan Infrastructure, Guangdong Highway Construction, Lealu Investment and Leaxin Investment 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 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). 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. As set out in the announcements of the Company dated 12 June 2020, 19 July 2020 and 10 September 2020 and the circular of the Company dated 20 October 2020 respectively, the Group (through Shenwan Infrastructure) and GPCG (through Guangdong Highway Construction) disposed of an aggregate of 60% equity interest in the Xintang JV (representing 22.5% equity interest held by Shenwan Infrastructure and 37.5% equity interest held by Guangdong Highway Construction) together with their respective rights in the corresponding proportion of the shareholders' loans to Xintang JV (including the outstanding accrued interests thereof) through public tender ("Disposal"). On 10 September 2020, Shenwan Infrastructure and Guangdong Highway Construction (as transferor) and Shenzhen Run Investment (as transferee) entered into a transaction contract in respect of the Disposal. On the same day, Shenwan Infrastructure, Lealu Investment, Leaxin Investment and Shenzhen Run Investment entered into the New JV Agreement and Amended JV Articles. The Group (through Shenwan Infrastructure), GPCG (through Lealu Investment and Leaxin Investment) and Shenzhen Run Investment holds 15%, 25% (in aggregate) and 60% of its equity respectively. On 17 September 2020, the consideration received by Shenwan Infrastructure from the Disposal was approximately RMB1,090 million, including (i) the consideration for the disposal of its 22.5% equity interest in Xintang JV of approximately RMB558 million; and (ii) its 22.5% shareholder's loans (together with the outstanding accrued interests thereof) as at 31 December 2019, its Post-Valuation Date Interests and Post-Valuation Date Shareholders' Loans and Interests in aggregate of approximately RMB532 million. The Disposal realised the pre-tax gain on Disposal of approximately RMB545 million and the post-tax profit from Disposal of approximately RMB409 million for the Group. In 2020, the Group's share of the loss of Xintang JV was approximately RMB42 million, compared to the loss of RMB2 million in 2019.

The Group

In 2020, the Group's aggregate bank deposits interest income and investment income increased from RMB2 million in 2019 to RMB11 million in 2020, mainly due to a consideration of approximately RMB1,090 million was received from the Disposal in September 2020 and therefore the bank deposit balances increased. Since December 2019, based on its shareholding percentage, the Group (through Shenwan Infrastructure) has made one to three-year shareholder's loans at annual interest rates of 6% to 8%. On the other hand, the Group's newly drawn bank loans amounted to a total of approximately RMB797 million in 2020, mainly for shareholder's loans invested in the Xintang JV and general working capital purposes. As a result, the interest expenses of bank loans increased from approximately RMB1 million in 2019 to RMB17 million. Income tax expenses mainly represent (i) as set out in the paragraph under "Land Development and Utilisation Project", the Disposal realised the pre-tax gain on Disposal of approximately RMB545 million; and (ii) the provision on interest income from the investment of shareholder's loans to Xintang JV, in which the applicable PRC EIT rate for Shenwan Infrastructure is 25%. Overall, the Group's (excluding joint ventures) profit increased to RMB407 million in 2020 from a loss of RMB31 million in 2019.

Benefiting from the appreciation of RMB in the second half of 2020, the net exchange gain (including the exchange gain from the Group's share of the US Dollar and Hong Kong Dollar loans of the GS JV) amounted to RMB73 million, compared to the net exchange loss of RMB22 million recorded in 2019. The profit attributable to owners of the Company amounted to RMB689 million, representing an increase of 13% from the profit of RMB612 million in 2019.

Outlook

In January 2020, the novel coronavirus pneumonia broke out and spread across Mainland China. In the period of COVID-19 pandemic prevention and control, the policy of waiver of tolls was implemented on toll roads nationwide from 17 February 2020 to 5 May 2020 (both days inclusive). During the implementation of the policy of waiver of tolls, the revenue of the GS Superhighway and the GZ West Superhighway was interrupted, which had a negative impact on the Group's business performance for the first half of 2020. However, in the second half of 2020, the RMB exchange rate continued to rise, which had a positive impact on the US Dollar and Hong Kong Dollar loans of the GS JV. With the COVID-19 pandemic in Mainland China eased and under control, the Group believes that the stable core business of the GS Superhighway and the GZ West Superhighway will continue to support the Group's future performance enhancement. 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 Bay Area, the construction of the "Guangzhou-Shenzhen-Hong Kong-Macao" Science and Technology Innovation Corridor and the Shenzhen Pilot Demonstration Area; (ii) the core business of the GZ West Superhighway is growing steadily and will continue to be benefited from the robust development of the economy and road network, including the HZM Bridge which opened in October 2018, the economic development of the Bay Area, and the construction of the "Guangzhou-Shenzhen-Hong Kong-Macao" Science and Technology Innovation Corridor; (iii) the interest rates of the US Dollar and Hong Kong Dollar loans are expected to remain low for a period of time which will continue to be favourable to the Group and the GS JV in terms of interest expenses in 2021; and (iv) the Xintang project introduced a strategic partner to optimise the shareholder structure (details of which were set out in the announcements of the Company dated 12 June, 19 July and 10 September 2020) and push ahead with the construction of residential projects, which will enhance the benefit of the project.

Although the Group recorded a loss for the first time in the first half of 2020 and the Board did not declare the payment of interim dividend, the Board believes that part of the profit obtained from the disposal of 22.5% equity interest in the Xintang JV by the Group would be returned to shareholders through special interim dividend, sharing the initial positive results of the Group's engagement in the potential land development and utilisation project of the GS Superhighway with shareholders. However, the special interim dividend is not included in the full-year regular dividend payout ratio target of 100%. With the easing of the pandemic and recovery of the economy in Mainland China, the Board believes that the Group's full-year regular dividend payout ratio target of 100% on recurring income will be maintained, taking into account the stable dividend payments of the GS JV and that the GZ West JV commenced to pay dividends to the Group since 2020.

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 15%, 25% (in aggregate) and 60% by the Group (through Shenwan Infrastructure), GPCG (through Lealu Investment and Leaxin Investment) and Shenzhen Run Investment pursuant to the New JV Agreement and Amended JV Articles entered into on 10 September 2020. 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 Shenwan Infrastructure, Lealu Investment, Leaxin Investment and Shenzhen Run Investment, will contribute the respective amounts of up to RMB1,020 million, RMB1,360 million, RMB340 million and RMB4,080 million, representing 15%, 20%, 5% and 60% 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 the 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.

As of 31 December 2020

	Maximum total amount to be contributed to the Xintang JV RMB million	Maximum contribution amount attributable to the Group (15% equity interest) Note 3 RMB million	Time of contribution
I. Land premium of the Project Land			
Shareholder's loan	2,062.80	309.42	Contributed
Shareholder's loan	2,061.20	309.18	Contributed in January 2021
Total Note 1	**4,124.00**	**618.60**	
II. Ancillary works			
Shareholder's loan	330.00	49.50	Contributed
Shareholder's loan	150.00	22.50	Contributed in January 2021
Shareholder's loan	2,011.00	301.65	2021–2022 (Expected)
Total Note 2	**2,491.00**	**373.65**	
III. Others			
Registered capital	10.00	1.50	Contributed
Shareholder's loan	30.00	4.50	Contributed
Shareholder's loan	118.80	17.82	Contributed in January 2021
Shareholder's loan	26.20	3.93	2021–2022 (Expected)
Total	**185.00**	**27.75**	
Total Upper Limit	**6,800.00**	**1,020.00**	

Notes:
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.
2. Xintang JV entered into the Ancillary Works Construction and Management Agreement with Guangdong Highway Construction for the provision of construction and management services in relation to the Ancillary Works, in accordance with the requirements of the grant contract for the state-owned construction land use rights in respect of the Project Land, at a fixed contract sum of RMB2,491 million (details of which were set out in the announcement of the Company dated 30 March 2020).
3. On 10 September 2020, the Group disposed and transferred 22.5% of the equity interest in the Xintang JV and the corresponding shareholder's loans (including the outstanding accrued interests thereof). The equity interest in the Xintang JV was reduced from 37.5% to 15%.

The Group has duly made arrangement to meet the capital need of the Xintang JV. On 31 December 2020, the Group contributed RMB365 million in aggregate to the Xintang JV (comprising registered capital of RMB1.50 million and shareholder's loans of RMB363 million). Approximately up to RMB655 million of contribution has not yet been invested and the Group has cash on hand of RMB1,561 million and an unutilised long-term financing signed with the bank in 2020 of RMB1,394 million, which are adequate to meet future funding needs.

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 2019 RMB million	**31 December 2020 RMB million**		31 December 2019 RMB million	**31 December 2020 RMB million**
Bank balances and cash (including bank structured and time deposits)	50	**1,561**	Bank loans	281	**1,078**
Shareholder's loans to a JV	309	**336**	Tax payables	–	**147**
Interest receivable of shareholder's loans to a JV	2	**56**	Other liabilities	93	**86**
Other assets	25	**34**	Special interim dividend payable	–	**306**
	386	**1,987**		374	**1,617**
			Net assets of the Group	12	**370**

The Group's share of JVs

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

	31 December 2019 RMB million	**31 December 2020 RMB million**		31 December 2019 RMB million	**31 December 2020 RMB million**
Bank balances and cash	218	**446**	Bank loans		
Concession intangible assets	3,758	**3,425**	– USD	1,112	**1,039**
Property and equipment	256	**226**	– HKD	95	**90**
Other assets	44	**41**	– RMB	563	**506**
			Other loan	10	**10**
			Other liabilities	558	**683**
	4,276	**4,138**		2,338	**2,328**
			Net assets of GS JV	1,938	**1,810**

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

	31 December 2019 RMB million	**31 December 2020 RMB million**		31 December 2019 RMB million	**31 December 2020 RMB million**
Bank balances and cash	47	**93**	Bank loans	2,641	**2,500**
Concession intangible assets	5,729	**5,538**	Balances with a JV partner	456	**484**
Property and equipment	183	**180**	Other liabilities	389	**455**
Balances with a JV	456	**484**			
Other assets	21	**21**			
	6,436	**6,316**		3,486	**3,439**
			Net assets of GZ West JV	2,950	**2,877**

Xintang JV (The Group's shared portion: 15% (2019: 37.5%)) [Note]

	31 December 2019 RMB million	**31 December 2020 RMB million**		31 December 2019 RMB million	**31 December 2020 RMB million**
Bank balances and cash	4	**5**	Shareholder's loans	309	**336**
Project Land deposit paid	277	**–**	Interest payable of shareholder's loans	2	**56**
Project Land cost	–	**620**	Project Land premium payable	–	**319**
Other assets	11	**31**	Other liabilities	11	**–**
	292	**656**		322	**711**
			Net liabilities of Xintang JV	(30)	**(55)**

	31 December 2019 RMB million	**31 December 2020 RMB million**		31 December 2019 RMB million	**31 December 2020 RMB million**
			Total liabilities	6,520	**8,095**
			Equity attributable to owners of the Company	4,846	**4,978**
			Non-controlling interests	24	**24**
Total Assets	11,390	**13,097**	**Total Shareholder's Equity and Liabilities**	11,390	**13,097**
			Total net assets	4,870	**5,002**

Note: On 10 September 2020, the Group disposed and transferred 22.5% of the equity interest in the Xintang JV and the corresponding shareholder's loans (including the outstanding accrued interests thereof). The equity interest in the Xintang JV was reduced from 37.5% to 15%.

Liquidity and Financial Resources

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

Corporate Level

	31 December 2019 RMB million	**31 December 2020 RMB million**		31 December 2019 RMB million	**31 December 2020 RMB million**
Bank balances and cash (including bank structured and time deposits)	50	**1,561**	Bank loans	281	**1,078**
Shareholder's loans to a JV [Note 1]	309	**336**			
	359	**1,897**		281	**1,078**

Net cash [Note 2]: RMB483 million (31 December 2019: Net debt [Note 3] RMB231 million)
Net cash and shareholder's loans to a JV: RMB819 million
(31 December 2019: Net debt and shareholder's loans to a JV RMB78 million)

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

	31 December 2019 RMB million	**31 December 2020 RMB million**		31 December 2019 RMB million	**31 December 2020 RMB million**
Bank balances and cash	269	**544**	Bank and other loans		
			– GS JV	1,780	**1,645**
			– GZ West JV	2,641	**2,500**
			Shareholder's loans		
			– Xintang JV	309	**336**
	269	**544**		4,730	**4,481**

Net debt [Note 3]: RMB3,601 million (31 December 2019: RMB4,152 million)
Net debt and shareholder's loans to a JV: RMB3,937 million (31 December 2019: RMB4,461 million)

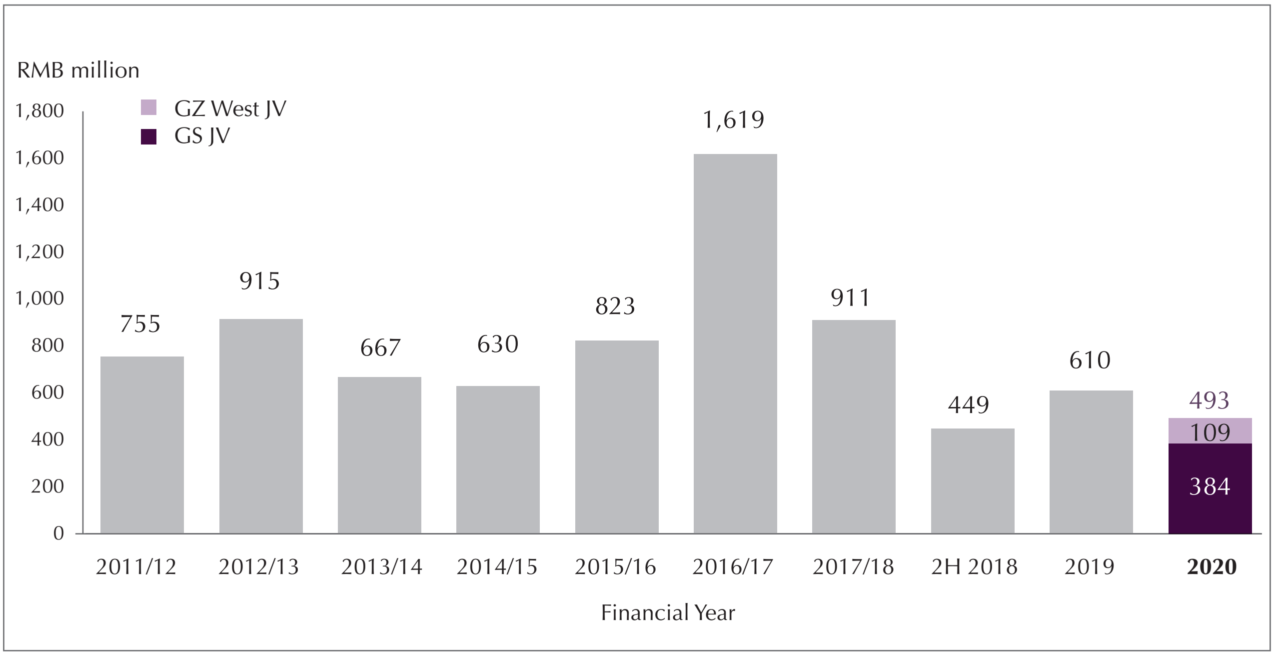
Note 1: Shareholder's loans made by the Group to the Xintang JV, utilised as land premium for the bidding of the Project Land and costs of the ancillary works
Note 2: Net cash: Bank balances and cash (including bank structured and time deposits) less bank and other loans
Note 3: Net debt: Bank and other loans less bank balances and cash (including bank structured and time deposits, if any)

	31 December 2019 RMB million	**31 December 2020 RMB million**
Total debt		
– Corporate level	281	**1,078**
– Share of JVs Note 1	5,186	**4,965**
Net debt Note 2	5,148	**3,938**
Total assets (including total assets of corporate level and share of JVs)	11,390	**13,097**
Equity attributable to owners of the Company	4,846	**4,978**
Total debt/total assets ratio	48%	**46%**
Gearing ratio	106%	**79%**

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

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

Post-tax Cash Dividends from JVs to the Group



For the year ended 30 June 2017, the GS JV obtained an additional eight-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.

The implementation of policy of waiver of tolls on toll roads nationwide from 17 February to 5 May 2020 (both days inclusive), the two joint ventures recorded no revenue during this period and caused GS JV to postpone the partial payment of dividends in 2020, reserving funds for its operating expenses.

Bank and Other Borrowings

On 31 December 2020, the corporate level had HK Dollar bank loan of equivalent to approximately RMB1,078 million, together with the bank and other borrowings of the JVs shared by the Group amounted to approximately RMB4,145 million (including US Dollar bank loans of equivalent to RMB1,039 million, HK Dollar bank loan of equivalent to RMB90 million and RMB bank and other loans of RMB3,016 million, but excluding the shareholder's loans) totalling approximately RMB5,223 million (31 December 2019: RMB4,702 million) with the following profile:

(a) 99.8% (31 December 2019: 99.8%) consisted of bank loans and 0.2% (31 December 2019: 0.2%) of other loan; and

(b) 58% (31 December 2019: 68%) was denominated in RMB; 20% (31 December 2019: 24%) was denominated in US Dollar and 22% (31 December 2019: 8%) was denominated in HK Dollar.

Debt Maturity Profile

As at 31 December 2020, whereas the maturity profile of the bank and other borrowings (excluding shareholder's loans) at corporate level and the Group's share of JVs were shown below, together with the corresponding comparatives as at 31 December 2019:

Corporate Level

	31 December 2019		**31 December 2020**	
	RMB million	%	**RMB million**	**%**
Repayable within 1 year	281	100%	**324**	**30%**
Repayable between 1 and 5 years	–	–	**754**	**70%**
	281	100%	**1,078**	**100%**

The Group's share of JVs

	31 December 2019		**31 December 2020**	
	RMB million	%	**RMB million**	**%**
Repayable within 1 year	338	8%	**352**	**8%**
Repayable between 1 and 5 years	2,890	65%	**3,314**	**80%**
Repayable beyond 5 years	1,193	27%	**479**	**12%**
	4,421	100%	**4,145**	**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 corporate level 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 minimising its funding costs and enhance return on its financial assets. As at 31 December 2020, 99.7% of the bank balances and cash (including bank structured deposit, details of which were set out in the announcement of the Company dated 11 December 2020) at the corporate level (excluding JVs) were denominated in RMB and the remaining 0.3% were denominated in HK Dollar. In 2020, the overall treasury yield on bank deposits (including bank structured deposit) at the corporate level was 2.16% whereas 2.19% of 2019.

Contingent Liability

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 Sino-foreign Equity Joint Venture Enterprise, 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, was required to undertake the financial obligations of the GS JV to the extent of HK$702 million (the "Financial Obligations") when the GS JV failed to meet its financial obligations during the joint venture operation period. In March 2019, the Law of the PRC on Foreign Investment (the "Foreign Investment Law") was promulgated by the National People's Congress of the PRC. The Foreign Investment Law came into effect on 1 January 2020, according to which, the Law of the PRC on Sino-foreign Equity Joint Venture Enterprise previously applicable to the GS JV, was repealed on the same day, and the Financial Obligations were terminated accordingly.

Except for the above, the Group had no other material contingent liability as at 31 December 2020.

Material Acquisition or Disposal

As mentioned in the title "Land Development and Utilisation Project", in 2020, the Group (through Shenwan Infrastructure) and GPCG (through Guangdong Highway Construction which is a non wholly-owned subsidiary of GPCG) disposed of an aggregate of 60% equity interest in the Xintang JV (representing 22.5% equity interest held by Shenwan Infrastructure and 37.5% equity interest held by Guangdong Highway Construction) together with their respective rights in the corresponding proportion of the shareholders' loans to Xintang JV (including the outstanding accrued interests thereof) through public listing.

Except for the above, the Company's subsidiaries and associated companies did not make material acquisitions or disposals as at 31 December 2020.

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 recognise 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 2020, the Group (excluding JV companies) had 39 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

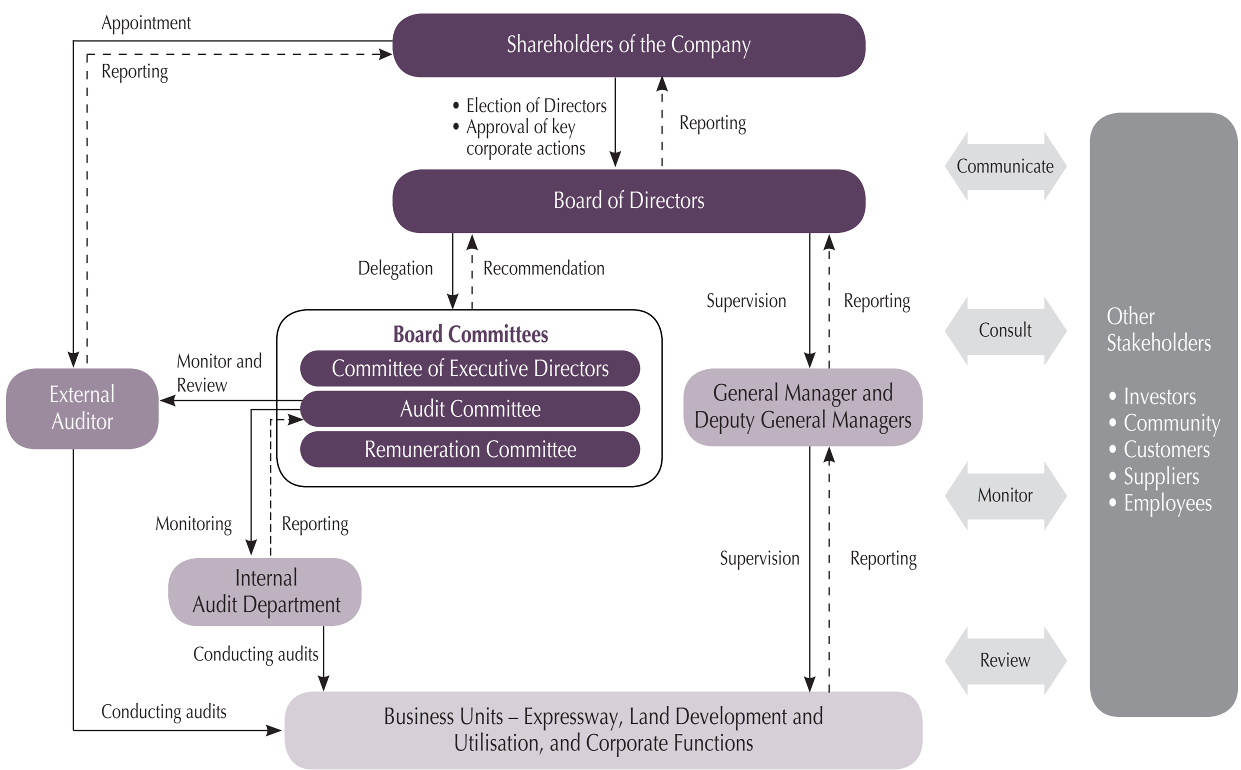
The Company is committed to the principles of corporate governance and corporate responsibility consistent with prudent management. It is the belief of the Board that such commitment will in the long term serve to enhance shareholders' value. The Board has set up procedures on corporate governance that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

During the year under review, 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



Corporate Governance Report

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 12 to 17 of this Annual Report. The remuneration of the Executive Directors, who are regarded as senior management of the Company, are disclosed in note 12 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. Weiguo ZONG* was appointed by the Board as a Non-executive Director on 12 August 2020. 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. Mr. Weiguo ZONG* shall hold office until the 2021 Annual General Meeting after his appointment and, being eligible, offer himself for re-election.

* *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 have 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 annual financial statements for the year ended 31 December 2019 and the interim financial statements for the six months ended 30 June 2020
- 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 2020 and for the year ending 31 December 2021
- to review the performance indicators for 2020 operating results 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 2020, the attendance records of the following Directors at Board Meeting, Audit Committee Meeting, Remuneration Committee Meeting and the 2020 Annual General Meeting are as follows:

	Number of meetings attended/held			
Name of Directors	**Board Meeting**	**Audit Committee Meeting**	**Remuneration Committee Meeting**	**2020 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. Weiguo ZONG *				
(appointed on 12 August 2020)	2/2	N/A	N/A	N/A
Mr. Jiyang TANG*				
(resigned on 12 August 2020)	2/2	N/A	N/A	1/1
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	3/3	2/2	0/1
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 Director			
Mr. Zhengyu LIU*	✓	✓	✓
Mr. Junye CAI *	✓	✓	✓
Mr. Weiguo ZONG * (appointed on 12 August 2020)	✓	✓	✓
Mr. Jiyang TANG* (resigned on 12 August 2020)	✓	✓	✓
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.

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 81 to 86 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.

* *For identification purpose only*

During the year ended 31 December 2020, 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	**1,870**
Non-audit services:	
Interim review	**403**
Statement of indebtedness and sufficiency of working capital issued in connection with major and connected transactions	**660**
Others	**237**
Total	**3,170**

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.

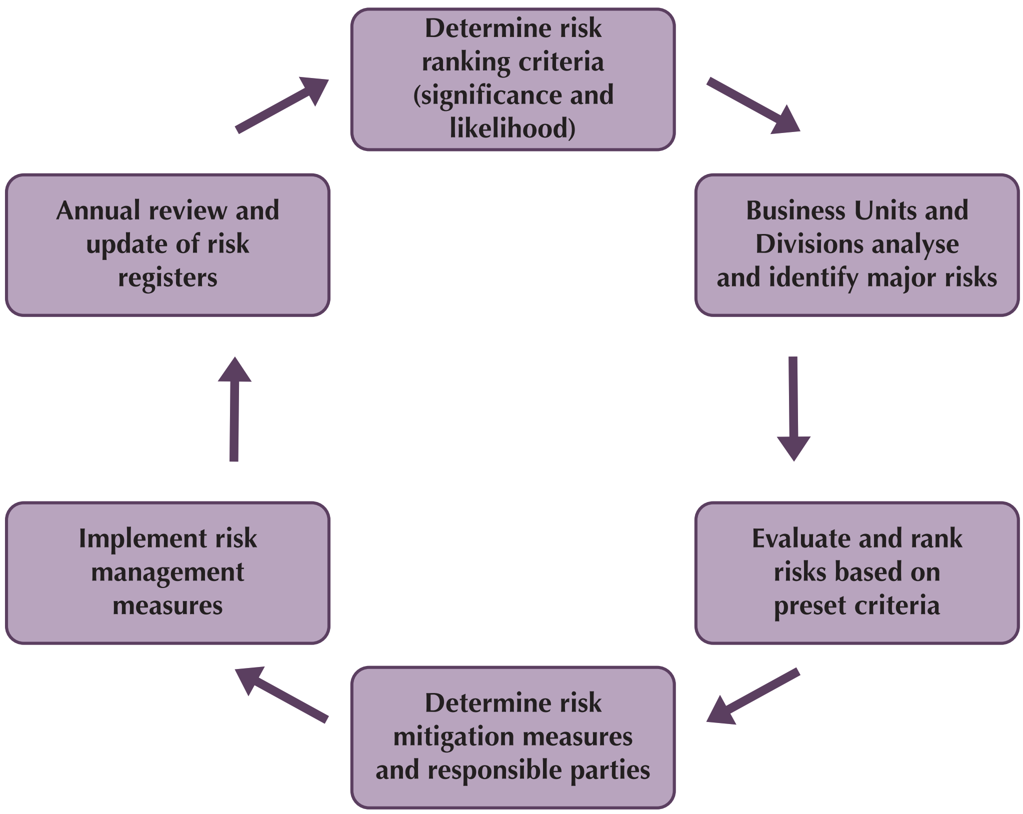
The Board, as the top strategy and policy setting body of the Group, provides oversight to the Group's management under the leadership of the General Manager. Clear corporate governance structure (as depicted on page 49 of our Corporate Governance Report) and reporting lines have been established with 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 2020, impacts from the macro environment and road safety contributed to the most highly-ranked risks of the Group's main business segments. 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	Business Segment	Risk Change in 2020
Regulatory and Political	Political instability, unfavourable government policies, regulations and legislative changes, such as the implementation of the policy of waiver of tolls on toll roads nationwide in response to the prevention and control measures for the COVID-19 pandemic by the Ministry of Transport of the PRC.	Expressway Land Development and Utilisation	↔ ↔
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.	Expressway Land Development and Utilisation	↔ ↔
Economic and Financial	Revenue/profit reduction due to economic downturn caused by COVID-19 pandemic, negative developments in financial and vehicles markets, credit crunch and refinancing risks, currency fluctuations and interest rate increases (in particular RMB and USD).	Expressway	↔
Operating	Safety risks resulting from any failure to perform the responsibility of road safety management	Expressway	↔

Remarks:

↔ Inherent risks (risks before mitigation measures) remain stable

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 2020 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 an 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 under review.

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 2020 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 22 May 2020. The 2021 Annual General Meeting has been scheduled to be held on 30 April 2021.

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 2020.

Principal Activities

The Company is an investment holding company. The Group focuses on initiation, promotion, development and operation of toll expressways and bridges as well as land development and utilisation along with the GS Superhighway in the PRC through its joint ventures established in the PRC. The principal activities of the Group's principal subsidiaries and the joint ventures are set out in notes 28 and 16 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 9 and the Management Discussion and Analysis on pages 18 to 48 of this Annual Report. Also, the financial risk management objectives and policies of the Group can be found in note 27 to the consolidated financial statements. Particulars of important events affecting the Group that have occurred since the end of the year ended 31 December 2020, if applicable, are provided in the Chairman's Statement on pages 6 to 9, the Management Discussion and Analysis on pages 18 to 48 and this Report of the Directors on pages 68 to 80 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 9, pages 18 to 48, pages 49 to 67 and pages 68 to 80 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 2020 are set out in the Consolidated Statement of Profit or Loss and Other Comprehensive Income on page 87.

Dividends

The Directors recommend the payment of a final dividend of RMB9.1 cents per share (equivalent to HK10.936835 cents per share at the exchange rate of RMB1:HK$1.20185) (year ended 31 December 2019: a final dividend of RMB10.1 cents per share (equivalent to HK11.320989 cents per share)) in respect of the year ended 31 December 2020.

Together with the special interim dividend of RMB10.0 cents per share (equivalent to HK11.787600 cents per share) to be paid on 26 February 2021 (year ended 31 December 2019: interim dividend of RMB9.8 cents per share (equivalent to HK10.971394 cents per share)), the total dividends for the year will be RMB19.1 cents per share (equivalent to HK22.724435 cents per share) (year ended 31 December 2019: RMB19.9 cents per share (equivalent to HK22.292383 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 18 to 32.

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 2020 are set out in note 16 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 18 to 32.

Share Capital

Details of the movements in share capital of the Company during the year are set out in note 22 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 89.

Details of the distributable reserve of the Company during the year are set out in note 23 to the consolidated financial statements and the Company's distributable reserve at 31 December 2020 amounted to approximately RMB3,166 million (31 December 2019: RMB3,373 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 18 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 12 to 17. Changes of Directors during the year under review and up to date of this report are as follows:
Mr. Jiyang TANG* (resigned as a Non-executive Director on 12 August 2020)
Mr. Weiguo ZONG* (appointed as a Non-executive Director on 12 August 2020)

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. Zhengyu LIU*, Mr. Tianliang ZHANG*, Mr. Cheng WU*, Mr. Ji LIU*, Mr. Yu Lung CHING and Mr. Tony Chung Nin KAN shall retire from office at the 2021 Annual General Meeting and, being eligible, offered themselves for re-election.

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. Weiguo ZONG*, who was appointed as Non-executive Director on 12 August 2020, shall hold office until the 2021 Annual General Meeting after his appointment and, being eligible, offered himself for re-election.

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.

* *For identification purpose only*

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 2020, 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 2020 and accordingly no dividend income was received in respect of shares held upon the trust for the Share Award Scheme (year ended 31 December 2019: Nil) during the year.

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 2020 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 2021 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 Group are members of the state-managed retirement benefit schemes operated by the PRC government. The Group 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 2020 are RMB1,527,000 (year ended 31 December 2019: RMB1,651,000).

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 2020, 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 2020, 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 2020.

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.

Major and Connected Transactions

(A) Agreements Relating to Development of the Project Land and Expansion on Xintang Interchange Main Alignment

On 30 March 2020, Xintang JV entered into the Ancillary Works Construction and Management Agreement to engage Guangdong Highway Construction to provide construction and management services in relation to the Ancillary Works in accordance with the requirements of the grant contract for the state-owned construction land use rights in respect of the Project Land at a fixed contract sum of RMB2,491,000,000. In connection with the construction of the Ancillary Works which would be carried out in the Xintang area, Xintang JV had also agreed to indemnify GS Superhighway JV (being the owner and operator of the GS Superhighway) for any operational loss sustained by it due to the construction of the Ancillary Works (including but not limited to any loss of toll fees, costs for demolition of fixtures and structures, costs for additional manpower, facilities, equipment and coordination required to maintain normal operation of the GS Superhighway, etc.) and the amount of the Indemnity would be paid by Xintang JV to GS Superhighway JV out of the contract sum of RMB2,491,000,000 as mentioned above. Xintang JV was owned as to 62.5% (in aggregate) by GPCG (being a connected person of the Company at the subsidiary level) and 37.5% by the Group. Given that the provision of the Indemnity by Xintang JV (being an associate of a connected person of the Company at the subsidiary level) to GS Superhighway JV (being a deemed subsidiary of the Company) was conducted on normal commercial terms or better and was not secured by any assets of the Group, the Ancillary Works Construction and Management Agreement (containing the Indemnity) was therefore a fully exempt connected transaction of the Company pursuant to rule 14A.90 of the Listing Rules.

On the same day of the Ancillary Works Construction and Management Agreement, the following agreements were entered into between the Group and Guangdong Highway Construction which constituted connected transactions of the Company at the subsidiary level under Chapter 14A of the Listing Rules and major transactions under Chapter 14 of the Listing Rules (when aggregated with the maximum contribution of RMB2,550,000,000 by the Group to Xintang JV as disclosed in the announcement of the Company dated 29 November 2019):

(1) Ancillary Works Construction and Management Costs Sharing Agreement

On 30 March 2020, Hopewell China Development entered into an agreement with Guangdong Highway Construction whereby Hopewell China Development and Guangdong Highway Construction had agreed to the sharing of the costs overrun and savings between themselves with respect to the Actual Costs in relation to the Ancillary Works.

(2) Xintang Interchange Main Alignment Expansion Project Management Agreement

On 30 March 2020, GS Superhighway JV entered into an agreement with Guangdong Highway Construction whereby GS Superhighway JV had agreed to engage Guangdong Highway Construction to provide management services for the Xintang Interchange Main Alignment Expansion Project at a management fee of not exceeding RMB150,000,000.

GS Superhighway JV was a deemed subsidiary of the Company. Guangdong Highway Construction, being a substantial shareholder of GS Superhighway JV, was a connected person of the Company at the subsidiary level. Accordingly, the entering into of (i) the Ancillary Works Construction and Management Costs Sharing Agreement between Hopewell China Development (a subsidiary of the Company) and Guangdong Highway Construction; and (ii) the Xintang Interchange Main Alignment Expansion Project Management Agreement between GS Superhighway JV and Guangdong Highway Construction, constituted connected transactions of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

The Directors (including the independent non-executive Directors) had approved the transactions contemplated under the Transaction Documents and had confirmed that the terms of the Transaction Documents were fair and reasonable, the transactions contemplated thereunder were on normal commercial terms and in the ordinary and usual course of the Group's business, and were in the interests of the Company and the Shareholders as a whole. Accordingly, under Chapter 14A of the Listing Rules, the Transaction Documents were only subject to the reporting and announcement requirements, but exempt from the circular, independent financial advice and shareholders' approval requirements pursuant to rule 14A.101 of the Listing Rules.

Nonetheless, as one of the applicable percentage ratios in relation to the Transaction Documents (when aggregated with the maximum contribution of RMB2,550,000,000 by the Group to Xintang JV as disclosed in the announcement of the Company dated 29 November 2019) exceeded 25% but all of them were less than 100%, the Transaction Documents constitute major transactions of the Company and were subject to the reporting, announcement and shareholders' approval requirements under Chapter 14 of the Listing Rules.

A written Shareholders' approval had been obtained from SIICHIC for the approval of the Transaction Documents pursuant to rule 14.44 of the Listing Rules on 8 April 2020. As at the date of such approval, SIICHIC held 2,213,449,666 Shares, representing approximately 71.83% of the issued share capital of the Company. As a result, no general meeting was required to be convened by the Company to approve the Transaction Documents under Chapter 14 of the Listing Rules.

Details of agreements relating to development of the Project Land and expansion on Xintang interchange main alignment were set out in the circular of the Company dated 22 April 2020.

(B) Disposal of 22.5% and 37.5% Equity Interest in Xintang JV and the Corresponding Shareholders' Loans by the Group and the GPCG Respectively

On 10 September 2020, Shenwan Infrastructure and Guangdong Highway Construction, as the Vendors, and Shenzhen Run Investment, as the Purchaser, entered into the Transaction Agreement in respect of the Disposal. The transaction price of RMB1,985,689,026.68 for the Subject Equity Interest and Subject Shareholders' Loans and Interests as at 31 December 2019 is the highest bidding price obtained through the online bidding process under the Public Tender, among which RMB744,633,385.01 should be paid to Shenwan Infrastructure and RMB1,241,055,641.67 should be paid to Guangdong Highway Construction. In addition to the payment of the transaction price mentioned above, (i) the Post-Valuation Date Interests and (ii) the Post-Valuation Date Shareholders' Loans and Interests (on a dollar-for-dollar basis) should also be paid by the Purchaser to the Vendors as part of the total consideration for the Subject Interests.

On 10 September 2020, Shenwan Infrastructure, Lealu Investment, Leaxin Investment and the Purchaser entered into the New JV Agreement and the Amended JV Articles to regulate their respective rights and obligations in relation to the management, operation and affairs of Xintang JV after the Purchaser became a shareholder of Xintang JV. Guangdong Highway Construction, Lealu Investment and Leaxin Investment were all subsidiaries within the GPCG. To the best of the Directors' knowledge, information and belief having made all reasonable enquiries, the Purchaser and its ultimate beneficial owner were independent third parties and were not connected with the Company or its connected persons.

Guangdong Highway Construction, being a substantial shareholder of GS Superhighway JV (a deemed subsidiary of the Company), was a connected person of the Company at the subsidiary level under Chapter 14A of the Listing Rules. The Disposal, being a joint disposal by Shenwan Infrastructure and Guangdong Highway Construction, and the New JV Agreement and the Amended JV Articles entered into among Shenwan Infrastructure, Lealu Investment (being a subsidiary of Guangdong Highway Construction), Leaxin Investment (being an indirect subsidiary of the holding company of Guangdong Highway Construction) and the Purchaser, together constituted 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) had approved the Transaction Documents and the Directors (including the independent non-executive Directors) have confirmed that the terms of the Transaction Documents were fair and reasonable, on normal commercial terms (though not in the ordinary and usual course of business of the Group) and in the interests of the Company and the Shareholders as a whole. By reason of the aforesaid, the Transaction Documents were subject to the reporting and announcement requirements, but exempt from the circular, independent financial advice and Shareholders' approval requirements pursuant to rule 14A.101 of the Listing Rules.

Nonetheless, as one or more of the applicable percentage ratios in relation to the Transaction Documents exceed 25% but all of them are less than 75%, the transaction contemplated thereunder also constituted a major transaction of the Company under Chapter 14 of the Listing Rules, and were therefore subject to the reporting, announcement and the Shareholders' approval requirements under Chapter 14 of the Listing Rules.

On 10 September 2020, SIICHIC held 2,213,449,666 Shares, representing approximately 71.83% of the issued share capital of the Company. On the same day, the Company had obtained the written shareholders' approval from SIICHIC with respect to the Transaction Documents and the transaction contemplated thereunder. Accordingly, no extraordinary general meeting of the Company was required to be convened for the approval of the Transaction Documents pursuant to rule 14.44 of the Listing Rules.

Details of disposal of 22.5% and 37.5% equity interest in Xintang JV and the corresponding shareholders' loans by the Group and the GPCG respectively were set out in the circular of the Company dated 20 October 2020.

The Company has complied with the disclosure requirements in accordance with Chapter 14A of the Listing Rules with respect to the above transactions. Save as disclosed above, during the year, 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 31 to the consolidated financial statements constitutes a connected transaction under Chapter 14A of the Listing Rules.

Discloseable Transaction

On 11 December 2020, Shenwan Infrastructure entered into the Structured Deposits Agreement with Bank of Beijing Shenzhen Branch, pursuant to which Shenwan Infrastructure agreed to purchase structured deposits of RMB800 million using internal resources with term of deposits from 14 December 2020 (inclusive) to 13 January 2021 (exclusive) (30 days). The expected annualised rate of return was 1.35% to 3.81%. Bank of Beijing Shenzhen Branch shall provide Shenzhen Infrastructure with full coverage for the principal amount, and pay Shenzhen Infrastructure the return that it is entitled to (if any) based on the price performance of the linked product in accordance with the relevant provisions as stipulated in the Structured Deposits Agreement. Shenwan Infrastructure has no right of early termination (redemption) for this product. Bank of Beijing Shenzhen Branch has the right to the early termination of this product and the Structured Deposits Agreement according to the actual operational situation.

As one or more of the applicable percentage ratios (as calculated under Rule 14.07 of the Listing Rules) in respect of the Structured Deposits Agreement exceeded 5% but all of them were less than 25%, the purchase of structured deposits under the Structured Deposits Agreement constituted a discloseable transaction of the Company under Chapter 14 of the Listing Rules and was subject to the notification and announcement requirements under the Listing Rules.

Details of purchase of structure deposits were set out in the announcement of the Company dated 11 December 2020.

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 2021 Annual General Meeting.

On behalf of the Board

Zhengyu LIU*
Chairman

Hong Kong, 25 February 2021

* *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
(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 87 to 140, which comprise the consolidated statement of financial position as at 31 December 2020, 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 2020, 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 16 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. As set out in note 5(i) to the consolidated financial statements, the interests in JVs as at 31 December 2020 amounted to RMB4,673,688,000 and the share of results of JVs for the year then ended 31 December 2020 amounted to RMB295,090,000. 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 RMB625,596,000 for the year ended 31 December 2020 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.	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 – 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 2020 and share of results of JVs for the year ended 31 December 2020 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. As further disclosed in note 5(ii) to the consolidated financial statements, the interests in JVs as at 31 December 2020 amounted to RMB4,673,688,000 and share of results of JVs for the year then ended 31 December 2020 amounted to RMB295,090,000. Included in the interests in JVs, there was a provision of resurfacing obligations of the JVs shared by the Group amounting to RMB256,694,000 as at 31 December 2020. 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.	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 • 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.

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.

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.

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

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

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

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

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
25 February 2021

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2020

	NOTES	2019 RMB'000	**2020 RMB'000**
Other income	7	7,414	**64,178**
Other gain and loss	8	(5,748)	**13,378**
Gain on partial disposal of a joint venture	16	–	**545,181**
Depreciation		(361)	**(575)**
General and administrative expenses		(36,930)	**(35,199)**
Finance costs		(1,306)	**(17,266)**
Share of results of joint ventures	9	700,552	**295,090**
Profit before tax		663,621	**864,787**
Income tax expense	10	(42,646)	**(171,004)**
Profit for the year	11	620,975	**693,783**
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		10,350	**7,560**
Item that may be reclassified subsequently to profit or loss:			
Exchange (loss) gain arising on translation of foreign operations		(2,127)	**64,359**
Total comprehensive income for the year		629,198	**765,702**
Profit for the year attributable to:			
Owners of the Company		612,026	**688,661**
Non-controlling interests		8,949	**5,122**
		620,975	**693,783**
Total comprehensive income attributable to:			
Owners of the Company		620,249	**760,580**
Non-controlling interests		8,949	**5,122**
		629,198	**765,702**
		RMB cents	**RMB cents**
Earnings per share	13		
Basic		19.86	**22.35**

Consolidated Statement of Financial Position

As at 31 December 2020

	NOTES	2019 RMB'000	2020 RMB'000
ASSETS			
Non-current Assets			
Interests in joint ventures	16	4,858,483	**4,673,688**
Equity instrument at fair value through other comprehensive income	17	22,600	**31,000**
Property and equipment	18	1,546	**2,111**
Amount due from a joint venture	19	311,224	**322,792**
		5,193,853	**5,029,591**
Current Assets			
Deposits and prepayments		820	**545**
Interest and other receivables		68	**1,208**
Amount due from a joint venture	19	–	**27,041**
Structured deposit	20	–	**801,503**
Time deposit with original maturity over three months	21	–	**240,000**
Bank balances and cash	21	49,785	**519,042**
		50,673	**1,589,339**
Total Assets		5,244,526	**6,618,930**
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	22	270,603	**270,603**
Share premium and reserves		4,575,455	**4,707,513**
Equity attributable to owners of the Company		4,846,058	**4,978,116**
Non-controlling interests		24,020	**23,586**
Total Equity		4,870,078	**5,001,702**
Non-current Liabilities			
Bank loans	25	–	**754,002**
Deferred tax liabilities	24	80,668	**76,025**
		80,668	**830,027**
Current Liabilities			
Payables and accruals		12,811	**10,255**
Bank loans	25	280,969	**324,347**
Dividend payables		–	**306,030**
Tax payables		–	**146,569**
		293,780	**787,201**
Total Liabilities		374,448	**1,617,228**
Total Equity and Liabilities		5,244,526	**6,618,930**
Cash and cash equivalents		49,785	**519,042**

Tianliang ZHANG*	**Ji LIU***
Director	*Director*

* *For identification purpose only*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2020

	Attributable to owners of the Company								
	Share capital RMB'000	Share premium RMB'000	People's Republic of China ("PRC") statutory reserves RMB'000	Investment revaluation reserve RMB'000	Translation reserve RMB'000	Retained profits RMB'000	Sub-total RMB'000	Non-controlling interests RMB'000	Total RMB'000
As at 1 January 2019	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 14)	–	–	–	–	–	(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**
Fair value gain on investment in equity instrument at fair value through other comprehensive income, net of tax	**–**	**–**	**–**	**7,560**	**–**	**–**	**7,560**	**–**	**7,560**
Exchange gain on translation of foreign operations	**–**	**–**	**–**	**–**	**64,359**	**–**	**64,359**	**–**	**64,359**
Profit for the year	**–**	**–**	**–**	**–**	**–**	**688,661**	**688,661**	**5,122**	**693,783**
Total comprehensive income for the year	**–**	**–**	**–**	**7,560**	**64,359**	**688,661**	**760,580**	**5,122**	**765,702**
Transfer between reserves	**–**	**–**	**(574)**	**–**	**–**	**574**	**–**	**–**	**–**
Dividends recognised as distribution during the year (Note 14)	**–**	**–**	**–**	**–**	**–**	**(628,522)**	**(628,522)**	**–**	**(628,522)**
Dividends paid to non-controlling interests	**–**	**–**	**–**	**–**	**–**	**–**	**–**	**(5,556)**	**(5,556)**
As at 31 December 2020	**270,603**	**2,337,689**	**108,590**	**23,183**	**(298,094)**	**2,536,145**	**4,978,116**	**23,586**	**5,001,702**

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.

Consolidated Statement of Cash Flows

For the year ended 31 December 2020

	2019 RMB'000	2020 RMB'000
OPERATING ACTIVITIES		
Profit before tax	663,621	**864,787**
Adjustments for:		
Dividend income from equity instrument at fair value through other comprehensive income	(3,120)	**(1,100)**
Interest income	(4,080)	**(58,476)**
Investment income from structured deposit	–	**(1,503)**
Interest expense	1,280	**15,791**
Gain on partial disposal of a joint venture	–	**(545,181)**
Gain on disposal of property and equipment	(144)	**–**
Net exchange loss (gain)	5,892	**(13,378)**
Depreciation of property and equipment	361	**575**
Share of profit of joint ventures	(700,552)	**(295,090)**
Operating cash flows before movements in working capital	(36,742)	**(33,575)**
Increase in interest and other receivables	(68)	**(225)**
(Increase) decrease in deposits and prepayments	(142)	**275**
Decrease in payables and accruals	(1,685)	**(13,903)**
Cash used in operating activities	(38,637)	**(47,428)**
Income tax paid	–	**(3,468)**
NET CASH USED IN OPERATING ACTIVITIES	(38,637)	**(50,896)**
INVESTING ACTIVITIES		
Placement of structured deposit	–	**(800,000)**
Advance to a joint venture	(309,300)	**(558,750)**
Placement of time deposit with original maturity over three months	–	**(240,000)**
Expenses arising from partial disposal of a joint venture	–	**(12,717)**
Purchases of property and equipment	(616)	**(1,140)**
Proceeds on partial disposal of a joint venture and assignment of shareholder's loans and interests thereon	–	**1,090,432**
Dividends received (net of PRC withholding tax)	613,449	**494,707**
Interest received	2,170	**8,025**
Capital injection to a joint venture	(3,750)	**–**
Proceeds on disposal of property and equipment	144	**–**
NET CASH FROM (USED IN) INVESTING ACTIVITIES	302,097	**(19,443)**
FINANCING ACTIVITIES		
New bank loans raised	546,221	**3,190,168**
Bank loans repaid	(265,252)	**(2,318,054)**
Interest paid	(1,123)	**(15,575)**
Dividends paid to:		
– owners of the Company	(624,064)	**(317,710)**
– non-controlling interests of a subsidiary	(15,162)	**(5,556)**
NET CASH (USED IN) FROM FINANCING ACTIVITIES	(359,380)	**533,273**
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS	(95,920)	**462,934**
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	140,087	**49,785**
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	5,618	**6,323**
CASH AND CASH EQUIVALENTS CARRIED FORWARD	49,785	**519,042**

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 (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 28 and 16 respectively.

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

2. Significant Events in the Current Year

(i) 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" (《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》) 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 would 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 commenced from 00:00 a.m. on 17 February 2020 till the end of the prevention and control of the epidemic, which applied 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 applied to vehicles on networked toll expressways according to the time of leaving the exit of the toll lane (the "Toll-free Period"). Pursuant to the "Notice from the Ministry of Transport on Resumption of Toll fees Collection on Toll Roads" (《交通運輸部關於恢復收費公路收費的公告》) issued by the Ministry of Transport of the PRC on 28 April 2020, with the approval of the State Council, saved for the designated vehicles which were subject to the statutory free passage policy prior to the implementation of the Notice for which the toll-free policy would continue to be applied, toll roads nationwide (including toll bridges and tunnels) resumed toll fees collection for all vehicles legally travelling through the toll roads from 00:00 on 6 May 2020.

According to the above, the Notice was applicable to Guangzhou-Shenzhen Superhighway ("GS Superhighway") and Guangzhou-Zhuhai West Superhighway ("GZ West Superhighway") operated by the Group's joint ventures. All vehicles legally travelling through those expressways during the Toll-free Period were waived from tolls. Since toll income constitutes the primary source of revenue of the Group's joint ventures, the implementation of the Notice resulted in a negative impact on the business performance of the Group during the current year.

(ii) On 10 September 2020, the Group entered into an agreement to dispose of 22.5% equity interest of Guangzhou Zhentong Development Company Limited (廣州臻通實業發展有限公司) ("Xintang JV"), together with the transfer of its rights in the corresponding portion of its shareholders' loans advanced to Xintang JV and the outstanding interests accrued thereon, through a public tender process in the PRC (the "Partial Disposal"). The Group holds 15% equity interest of Xintang JV after the completion of the Partial Disposal. Details of the Partial Disposal are set out in note 16.

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

Amendments to IFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the Amendments to References to the Conceptual Framework in IFRS Standards and the following amendments to IFRSs issued by the International Accounting Standards Board ("IASB") for the first time, which are mandatorily effective for the annual period beginning on or after 1 January 2020 for the preparation of the consolidated financial statements:

Amendments to IAS 1 and IAS 8	Definition of Material
Amendments to IFRS 3	Definition of a Business
Amendments to IFRS 9, IAS 39 and IFRS 7	Interest Rate Benchmark Reform

The application of the Amendments to References to the Conceptual Framework in IFRS Standards and the amendments to IFRSs in the current year had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

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 and the related Amendments[1]
Amendment to IFRS 16	COVID-19-Related Rent Concessions[4]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform – Phase 2[5]
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[1]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to IAS 8	Definition of Accounting Estimates[1]
Amendments to IAS 16	Property, Plant and Equipment: Proceeds before Intended Use[2]
Amendments to IAS 37	Onerous Contracts – Cost of Fulfilling a Contract[2]
Amendments to IFRS Standards	Annual Improvements to IFRS Standards 2018–2020[2]

1 Effective for annual periods beginning on or after 1 January 2023.
2 Effective for annual periods beginning on or after 1 January 2022.
3 Effective for annual periods beginning on or after a date to be determined.
4 Effective for annual periods beginning on or after 1 June 2020.
5 Effective for annual periods beginning on or after 1 January 2021.

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

New and amendments to IFRSs in issue but not yet effective (continued)

In addition to the above new and amendments to IFRSs, a revised Conceptual Framework for Financial Reporting was issued in 2019. 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 2021.

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. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies

4.1 Basis of preparation of consolidated financial statements

The consolidated financial statements have been prepared in accordance with IFRSs issued by the IASB. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. 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.

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.

4. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

4.1 Basis of preparation of consolidated financial statements (continued)

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.

4.2 Significant accounting policies

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.

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

4. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

4.2 Significant accounting policies (continued)

Basis of consolidation (continued)

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.

4. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

4.2 Significant accounting policies (continued)

Interests in joint ventures (continued)

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.

When the Group ceases to have joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss. When the Group retains an interest in the former joint venture and the retained interest is a financial asset within the scope of IFRS 9, the Group measures the retained interest at fair value at that date and the fair value is regarded as its fair value on initial recognition. The difference between the carrying amount of the joint venture and the fair value of any retained interest and any proceeds from disposing of the relevant interest in the joint venture is included in the determination of the gain or loss on disposal of the joint venture. In addition, the Group accounts for all amounts previously recognised in other comprehensive income in relation to that joint venture on the same basis as would be required if that joint venture had directly disposed of the related assets or liabilities. Therefore, if a gain or loss previously recognised in other comprehensive income by that joint venture would be reclassified to profit or loss on the disposal of the related assets or liabilities, the Group reclassifies the gain or loss from equity to profit or loss (as a reclassification adjustment) upon partial disposal of the relevant joint venture.

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.

4. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

4.2 Significant accounting policies (continued)

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 losses, 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.

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.

4. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

4.2 Significant accounting policies (continued)

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.

Leases

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application or arising from business combinations, 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 office 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.

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under “other income “.

4. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

4.2 Significant accounting policies (continued)

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.

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.

4. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

4.2 Significant accounting policies (continued)

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.

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.

4. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

4.2 Significant accounting policies (continued)

Taxation (continued)

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.

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 ("FVTPL")) 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 FVTPL 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.

4. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

4.2 Significant accounting policies (continued)

Financial instruments (continued)

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 FVTPL, 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.

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.

4. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Classification and subsequent measurement of financial assets (continued)

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 line item in profit or loss.

Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss excludes any dividend or interest earned on the financial asset and is included in the "other income "line item.

Impairment of financial assets

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including interest and other receivables, amount due from a joint venture, time deposit with original maturity over three months and bank balances and cash) which are subject to impairment assessment 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. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

4.2 Significant accounting policies (continued)

Financial instruments (continued)

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, in which case 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. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment 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. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment 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 and 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.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- 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. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

4.2 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, bank loans and dividend payables are subsequently measured at amortised cost, using the effective interest method.

4. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

4.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial liabilities and equity (continued)

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.

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.

4. Basis of Preparation of Consolidated Financial Statements and Significant Accounting Policies (continued)

4.2 Significant accounting policies (continued)

Impairment on property and equipment (continued)

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 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.

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

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 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 16.

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.

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)

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

As at 31 December 2020, the interests in joint ventures amounted to RMB4,673,688,000 (2019: RMB4,858,483,000) and the share of results of joint ventures for the year then ended 31 December 2020 amounted to RMB295,090,000 (2019: RMB700,552,000). Included in the share of results of joint ventures was an amount of RMB625,596,000 (2019: RMB624,304,000), 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 (2019: less) than the amortisation estimated in the prior financial year based on the then expected traffic volumes for future financial years and the effect on share of results of joint ventures is approximate to RMB66,835,000 (2019: RMB26,393,000).

(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 2020, the interests in joint ventures amounted to RMB4,673,688,000 (2019: RMB4,858,483,000) and share of results of joint ventures for the year then ended 31 December 2020 amounted to RMB295,090,000 (2019: RMB700,552,000). Included in the interests in joint ventures was an amount of RMB256,694,000 (2019: RMB236,207,000), 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.

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 (continued)

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 joint ventures ("interest and tax"), and segment results. The CODM is more specifically focused on individual toll expressways projects and land development and utilisation project jointly operated and managed by the Group and the relevant joint venture partners during the year. Accordingly, the Group's reportable and operating segments under IFRS 8 "Operating Segments" are therefore as follows:

– GS Superhighway
– GZ West Superhighway
– Xintang Interchange

6. Segment Information (continued)

Information regarding the above segments is reported below.

Segment revenue and results

	2019					2020				
	Segment revenue RMB'000	EBITDA RMB'000	Depreciation and amortisation RMB'000	Interest and tax RMB'000	Segment results RMB'000	Segment revenue RMB'000	EBITDA RMB'000	Depreciation and amortisation RMB'000	Interest and tax RMB'000	Segment results RMB'000
Toll expressway projects										
GS Superhighway	1,408,888	1,248,307	(445,024)	(315,899)	487,384	1,040,756	859,495	(449,886)	(188,433)	221,176
GZ West Superhighway	735,380	626,703	(245,029)	(192,748)	188,926	531,899	418,468	(243,289)	(140,305)	34,874
	2,144,268	1,875,010	(690,053)	(508,647)	676,310	1,572,655	1,277,963	(693,175)	(328,738)	256,050
Land development and utilisation project										
Xintang Interchange	–	38	–	(1,924)	(1,886)	–	(554)	–	(41,482)	(42,036)
Total	2,144,268	1,875,048	(690,053)	(510,571)	674,424	1,572,655	1,277,409	(693,175)	(370,220)	214,014
Corporate interest income from bank deposits					2,156					8,939
Corporate investment income from structured deposit					–					1,503
Corporate interest income from loans made by the Group to a joint venture					1,924					49,537
Gain on partial disposal of a joint venture					–					545,181
Other income					3,478					4,199
Corporate general and administrative expenses and depreciation					(37,291)					(35,774)
Corporate finance costs					(1,306)					(17,266)
Corporate income tax expense					(776)					(149,683)
Net exchange (loss) gain (net of related income tax) (Note)					(21,634)					73,133
Profit for the year					620,975					693,783
Profit for the year attributable to non-controlling interests					(8,949)					(5,122)
Profit for the year attributable to owners of the Company					612,026					688,661

Note: Net exchange (loss) gain (net of related income tax) is composed of the Group's share of the exchange gain (net of related income tax) of a joint venture of RMB59,755,000 (2019: net exchange loss (net of related income tax) of RMB15,742,000) and the net exchange gain of the Group of RMB13,378,000 (2019: net exchange loss of RMB5,892,000).

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) respectively 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.

6. Segment Information (continued)

Segment revenue and results (continued)

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:

	2019 RMB'000	2020 RMB'000
Total segment results	674,424	**214,014**
Add:		
Net exchange (loss) gain (net of related income tax)	(15,742)	**59,755**
Withholding tax attributed to the dividend received from and the undistributed earnings of the joint ventures	41,870	**21,321**
Share of results of joint ventures as presented in consolidated statement of profit or loss and other comprehensive income	700,552	**295,090**

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 from bank deposits and amount due from a joint venture and investment income from structured deposit. Such amount relating to the joint ventures are eliminated under equity method of accounting to reconcile from "Segment total" to "Consolidated total".

Year	GS Superhighway RMB'000	GZ West Superhighway RMB'000	Xintang Interchange RMB'000	Segment total RMB'000	Elimination RMB'000	Unallocated RMB'000	Consolidated total RMB'000
2019	4,067	1,137	55	5,259	(5,259)	4,080	4,080
2020	**8,979**	**2,186**	**114**	**11,279**	**(11,279)**	**59,979**	**59,979**

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, equity instrument at FVTOCI and property and equipment located in the PRC amounting to RMB1,782,000 (2019: RMB1,546,000) 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

	2019 RMB'000	2020 RMB'000
Interest income from:		
Bank deposits	2,156	**8,939**
Amount due from a joint venture	1,924	**49,537**
Investment income from structured deposit	–	**1,503**
Government grants (Note)	–	**1,027**
Dividend income from equity instrument at FVTOCI	3,120	**1,100**
Others	214	**2,072**
	7,414	**64,178**

Note: During the current year, the Group recognised government grants of RMB1,027,000 in respect of COVID-19-related subsidies, of which RMB1,027,000 relates to Employment Support Scheme provided by the Hong Kong Government.

8. Other Gain and Loss

	2019 RMB'000	2020 RMB'000
Net exchange (loss) gain	(5,892)	**13,378**
Gain on disposal of property and equipment	144	**–**
	(5,748)	**13,378**

9. Share of Results of Joint Ventures

	2019 RMB'000	2020 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 16)	792,358	**388,039**
Amortisation of additional cost of investments in joint ventures	(91,806)	**(92,949)**
Share of imputed interest expenses incurred by a joint venture on interest-free registered capital contributions made by the Group	(52,499)	**(55,784)**
Imputed interest income recognised by the Group on interest-free registered capital contributions made by the Group	52,499	**55,784**
	700,552	**295,090**

10. Income Tax Expense

	2019 RMB'000	2020 RMB'000
The tax charge comprises:		
PRC Enterprise Income Tax ("EIT")	33,016	**176,487**
Deferred tax (Note 24)	9,630	**(5,483)**
	42,646	**171,004**

No provision for Hong Kong Profits Tax has been made as there was no assessable profit derived from or arising in Hong Kong for both years.

The EIT charge of the Group for the year ended 31 December 2020 included an amount of RMB26,340,000 (2019: RMB32,704,000) representing the 5% withholding tax imposed on dividends declared during the year by joint ventures 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 year can be reconciled to the profit before tax per consolidated statement of profit or loss and other comprehensive income as follows:

	2019 RMB'000	2020 RMB'000
Profit before tax	663,621	**864,787**
Tax at normal PRC income tax rate of 25% (2019: 25%)	165,905	**216,197**
Effect of different tax rates on income tax expense	(503)	**(469)**
Tax effect of income not taxable for tax purposes	(611)	**(5,532)**
Tax effect of expenses not deductible for tax purposes	11,123	**13,260**
Tax effect of share of results of joint ventures	(175,138)	**(73,773)**
Withholding tax on earnings distributed by joint ventures	41,870	**21,321**
Income tax expense	42,646	**171,004**

11. Profit for the Year

	2019 RMB'000	2020 RMB'000
Profit for the year has been arrived at after charging:		
Auditor's remuneration	1,542	**1,668**
Directors' emoluments (Note 12)	8,279	**8,037**
Other staff costs	15,315	**17,530**
Total staff costs	23,594	**25,567**
Depreciation of property and equipment	361	**575**
Finance costs (Note)	1,306	**17,266**
Short-term lease expense	1,648	**1,791**

Note: The amount represents the bank charges and bank loan interests for both years.

12. Directors' and Five Highest Paid Individuals' Emoluments

Directors' emoluments

The emoluments paid or payable to each of the 9 (2019: 9) Directors were as follows:

	2019					2020				
	Directors' fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000	Contribution to retirement benefits plans RMB'000	Total RMB'000	Directors' fees RMB'000	Salaries and other benefits RMB'000	Discretionary bonus RMB'000	Contribution to retirement benefits plans RMB'000	Total RMB'000
Non-executive Directors										
Zhengyu LIU* (Note a)	–	–	–	–	–	–	–	–	–	–
Qingyong GU* (Note b)	65	–	–	–	65	–	–	–	–	–
Junye CAI*	308	–	–	–	308	313	–	–	–	313
Jiyang TANG* (Note c)	243	–	–	–	243	195	–	–	–	195
Weiguo ZONG* (Note d)	–	–	–	–	–	118	–	–	–	118
Executive Directors										
Tianliang ZHANG*	176	1,102	933	287	2,498	179	1,010	886	255	2,330
Cheng WU*	176	964	633	270	2,043	179	853	722	233	1,987
Ji LIU*	176	959	633	270	2,038	179	858	722	233	1,992
Independent Non-executive Directors										
Brian David Man Bun LI	370	–	–	–	370	376	–	–	–	376
Yu Lung CHING	370	–	–	–	370	376	–	–	–	376
Tony Chung Nin KAN	344	–	–	–	344	350	–	–	–	350
	2,228	3,025	2,199	827	8,279	2,265	2,721	2,330	721	8,037

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* did not receive any emolument in his capacity as a Non-executive Director of the Company and the Chairman of the Board for both years.

(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. Jiyang TANG* was appointed as a Non-executive Director of the Company on 19 March 2019 and ceased to act as a Non-executive Director of the Company on 12 August 2020.

(d) Mr. Weiguo ZONG* was appointed as a Non-executive Director of the Company on 12 August 2020.

* For identification purpose only

12. 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 (2019: 3) were Directors whose details of their emoluments are disclosed above.

The emoluments of the remaining 2 (2019: 2) highest paid employees were as follows:

	2019 RMB'000	**2020 RMB'000**
Salaries and other benefits	2,113	**2,265**
Discretionary bonus	254	**274**
Contribution to retirement benefits plans	32	**32**
	2,399	**2,571**

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

	2019 No. of employees	**2020 No. of employees**
HK$1,000,001 to HK$1,500,000	2	**2**

During the years ended 31 December 2019 and 2020, 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 both years.

13. Earnings Per Share

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

	2019 RMB'000	**2020 RMB'000**
Earnings for the purpose of basic earnings per share	612,026	**688,661**

	Number of shares	
	2019	**2020**
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 both years.

14. Dividends

	2019 RMB'000	2020 RMB'000
Dividends recognised as a distribution during the year:		
Interim dividend for the year ended 31 December 2019 paid of RMB9.8 cents (equivalent to HK10.971394 cents) per share	305,852	–
Final dividend for the year ended 31 December 2019 paid of RMB10.1 cents (equivalent to HK11.320989 cents) (2019: for the six months ended 31 December 2018 paid of RMB9.9 cents (equivalent to HK11.615472 cents)) per share	307,573	**320,807**
Special interim dividend for the year ended 31 December 2020 payable of RMB10 cents (equivalent to HK11.787600 cents) per share	–	**307,715**
	613,425	**628,522**

	2019 RMB'000	2020 RMB'000
Proposed dividend:		
Final dividend for the year ended 31 December 2020 proposed of RMB9.1 cents (equivalent to HK10.936835 cents) (2019: for the year ended 31 December 2019 paid of RMB10.1 cents (equivalent to HK$11.320989 cents)) per share	311,251	**280,434**

A final dividend in respect of the year ended 31 December 2020 of RMB9.1 cents (equivalent to HK10.936835 cents) per share is proposed by the Board of the 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.

15. 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 12% 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. As at 31 December 2020, 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 2020 are RMB1,527,000 (2019: RMB1,651,000).

16. Interests in Joint Ventures

	2019 RMB'000	2020 RMB'000
Unlisted investments:		
At cost		
Cost of investment in a joint venture	2,024,539	**2,022,289**
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)	1,582,767	**1,473,604**
Less: Unrealised profit on disposal of land	(32,611)	**(13,044)**
Less: Share of accumulated imputed interest expenses incurred by a joint venture on interest-free registered capital contributions made by the Group	(483,895)	**(539,679)**
Less: Accumulated amortisation of additional cost of investments	(1,665,141)	**(1,758,090)**
	3,945,877	**3,705,298**
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	483,895	**539,679**
	912,606	**968,390**
	4,858,483	**4,673,688**

Particulars of the Group's joint ventures as at 31 December 2019 and 2020 are as follows:

Name of company	Place of establishment and principal place of operation	Fully paid registered capital 2019	Fully paid registered capital 2020	Principal activity	Proportion of registered capital contribution 2019	Proportion of registered capital contribution 2020	Proportion of voting rights held 2019	Proportion of voting rights held 2020
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	RMB10,000,000 (Note iii)	**RMB10,000,000 (Note iii)**	Land development and utilisation	37.5%	**15% (Note iii)**	37.5%	**15% (Note iii)**

* For identification purpose

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.

16. 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.

16. 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 2019 and 2020, 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.

As at 31 December 2019 and 2020, the fully paid registered capital of Xintang JV was RMB10,000,000.

As at 31 December 2019, 37.5% of the registered capital was contributed by the Group. As at 31 December 2020, the Group held 15% equity interest in the Xintang JV upon completion of the Partial Disposal.

A gain on the Partial Disposal of approximately RMB545,181,000 is recognised during the year ended 31 December 2020, which is based on the consideration received from the Partial Disposal of approximately RMB1,090,432,000 less corresponding portion of its shareholder's loans advanced to Xintang JV and the outstanding interests accrued thereon up to 17 September 2020 of approximately RMB532,534,000 less related fees of approximately RMB12,717,000 and taking into consideration that the Group's 22.5% equity interest of Xintang JV on the completion date amounted to zero.

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.

16. Interests in Joint Ventures (continued)

Summarised financial information of joint ventures (continued)

In respect of the years ended 31 December 2019 and 2020:

	2019				2020			
	GS JV RMB'000	GZ West JV RMB'000	Xintang 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	565,170	366,782	–		501,494	360,173	53	
Concession intangible assets	6,540,804	11,388,116	–		6,002,325	11,005,698	–	
Other	–	–	–		–	–	65,769	
	7,105,974	11,754,898	–		6,503,819	11,365,871	65,822	
Current assets								
Bank balances and cash								
– Cash and cash equivalents	433,605	94,197	10,060		990,006	185,506	34,144	
– Time deposit with original maturity over three months	50,000	–	–		–	–	–	
Inventory	–	–	–		–	–	4,343,205	
Others	98,173	42,290	854,480		90,574	42,965	110,489	
	581,778	136,487	864,540		1,080,580	228,471	4,487,838	
Non-current liabilities								
Resurfacing obligations	(416,701)	(122,269)	–		(453,555)	(130,074)	–	
Non-current financial liabilities								
– Bank and other loans	(3,236,989)	(5,253,621)	–		(2,967,969)	(4,917,121)	–	
Balances of interest-free registered capital contribution made by joint venture partners	–	(1,825,211)	–		–	(1,936,779)	–	
Balances with joint venture partners	–	–	(829,932)		–	–	(2,419,765)	
Deferred income related to government subsidy	–	–	–		(330,463)	(16,134)	–	
Others	(169,978)	(309,380)	–		(139,839)	(339,533)	(3,979)	
	(3,823,668)	(7,510,481)	(829,932)		(3,891,826)	(7,339,641)	(2,423,744)	
Current liabilities								
Current financial liabilities								
– Bank loans	(718,356)	(28,500)	–		(688,209)	(84,000)	–	
– Interest payable	(4,914)	(7,115)	–		(3,149)	(6,328)	–	
Balances with joint venture partners	–	–	–		–	–	(180,273)	
Consideration payable related to land development project	–	–	–		–	–	(2,062,000)	
Others	(715,384)	(285,083)	(29,637)		(648,299)	(370,819)	(75,083)	
	(1,438,654)	(320,698)	(29,637)		(1,339,657)	(461,147)	(2,317,356)	
Net assets (liabilities) of joint ventures	2,425,430	4,060,206	4,971		2,352,916	3,793,554	(187,440)	
Proportion of the Group's interest	45%	50%	37.5%		45%	50%	15%	
Net assets (liabilities) shared by the Group	1,091,444	2,030,103	1,864	3,123,411	1,058,812	1,896,777	(28,116)	2,927,473
Other adjustment	–	–	–	–	–	–	(14,306)	(14,306)
Elimination of unrealised profit on disposal of land (Note i)	(32,611)	–	–	(32,611)	(13,044)	–	–	(13,044)
Effect of change in profit sharing ratio of a joint venture over the operation period in prior year	–	–	–	–	625	–	–	625
Interest-free registered capital contributions made by the Group at amortised cost	–	912,606	–	912,606	–	968,390	–	968,390
Net assets (liabilities) contributable to the Group	1,058,833	2,942,709	1,864	4,003,406	1,046,393	2,865,167	(42,422)	3,869,138
Carrying amount of additional cost of investment	819,638	35,439	–	855,077	727,454	34,674	–	762,128
Share of net liabilities against amount due from a joint venture (Note 19)	–	–	–	–	–	–	42,422	42,422
Carrying amount of the Group's interest in joint ventures	1,878,471	2,978,148	1,864	4,858,483	1,773,847	2,899,841	–	4,673,688
Carrying amount of interest in joint ventures to the Group's total assets	36%	57%	0%		27%	44%	0%	

16. Interests in Joint Ventures (continued)

Summarised financial information of joint ventures (continued)

	2019				2020			
	GS JV RMB'000	GZ West JV RMB'000	Xintang JV RMB'000	Total RMB'000	GS JV RMB'000	GZ West JV RMB'000	Xintang JV RMB'000	Total RMB'000
Toll revenue (net of value-added tax)	3,130,862	1,470,760	–		2,312,792	1,063,798	–	
Construction revenue	198,655	7,255	–		10,968	7,255	–	
Total revenue	3,329,517	1,478,015	–		2,323,760	1,071,053	–	
Construction costs	(198,655)	(7,255)	–		(10,968)	(7,255)	–	
Other income and other expense	179,687	44,877	146		288,532	57,158	5,999	
Provision of resurfacing charges	(19,230)	(14,621)	–		(36,854)	(7,806)	–	
Toll expressway operation expenses	(387,716)	(190,504)	–		(438,904)	(209,615)	–	
General and administrative expenses	(103,760)	(57,106)	(44)		(96,500)	(66,598)	(9,948)	
Depreciation and amortisation charges	(786,648)	(488,513)	–		(794,894)	(485,048)	–	
Finance costs	(178,540)	(254,670)	(5,132)		(128,134)	(226,035)	(254,230)	
Income tax (charge) credit	(440,939)	(110,857)	–		(277,164)	(50,824)	65,769	
Profit (loss) for the year (Note ii)	1,393,716	399,366	(5,030)		828,874	75,030	(192,410)	
Proportion of the Group's interest	45%	50%	37.5%		45%	50%	37.5%/15%	
Profit (loss) shared by the Group	627,172	199,683	(1,886)	824,969	372,993	37,515	(42,036)	368,472
Elimination of unrealised profit on disposal of land (Note i)	(32,611)	–	–	(32,611)	19,567	–	–	19,567
	594,561	199,683	(1,886)	792,358	392,560	37,515	(42,036)	388,039
Dividends received (net of PRC withholding tax)	613,449	–	–	613,449	385,403	109,304	–	494,707

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 handed over in 2020. 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 during the year ended 31 December 2019. During the year ended 31 December 2020, upon completion of the Partial Disposal of Xintang JV, unrealised profit amounting to RMB19,567,000 is released.

(ii) Profit for the year of GS JV included the amount of RMB132,789,000 representing the exchange gain (net of related income tax) (2019: exchange loss (net of related income tax) of RMB34,982,000).

17. Equity Instrument at Fair Value Through Other Comprehensive Income

The Group holds the interest in unlisted limited company established in the PRC (the "Investment"), which 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.

18. Property and Equipment

	Motor vehicles RMB'000	Furniture, fixtures and equipment RMB'000	Total RMB'000
COST			
As at 1 January 2019	1,610	4,679	6,289
Additions	–	616	616
Disposal	(337)	(19)	(356)
As at 31 December 2019	**1,273**	**5,276**	**6,549**
Additions	**758**	**382**	**1,140**
As at 31 December 2020	**2,031**	**5,658**	**7,689**
DEPRECIATION			
As at 1 January 2019	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**
Charge for the year	**356**	**219**	**575**
As at 31 December 2020	**738**	**4,840**	**5,578**
CARRYING AMOUNTS			
As at 31 December 2019	891	655	1,546
As at 31 December 2020	**1,293**	**818**	**2,111**

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.

19. Amount Due From a Joint Venture

As at 31 December 2020, taking into account the sharing of losses from Xintang JV, the amount due from a joint venture represented an amount due from Xintang JV of approximately RMB322,792,000 (2019: RMB311,224,000) which is unsecured, interest bearing at 8% (2019: 8%) per annum and repayable in 2022 and 2023. Based on the Group's contribution plan over the investment in Xintang JV, the Directors consider the amount forms part of the Group's net investment in Xintang JV which accordingly constituted the interest in Xintang JV for sharing losses from Xintang JV.

In addition, an amount of RMB27,041,000 (2019: nil) is unsecured, interest bearing at 6% per annum and repayable in 2021. The Directors expect that the additional loan will be recovered within the next twelve months from the reporting date based on the Group's contribution plan.

Accordingly, RMB322,792,000 is classified as non-current asset and RMB27,041,000 is classified as current asset for the purpose of presentation in the consolidated statement of financial position.

Details of impairment assessment are set out in note 27.

20. Structured Deposit

As at 31 December 2020, the Group's structured deposit represents financial product issued by the bank, with maturity of 30 days on 13 January 2021 and an expected return at 3.81% per annum. The investment in financial product is classified as financial assets at FVTPL at initial recognition and measured at fair value at the end of the reporting period. The Directors consider the fair value of the financial product approximate to the carrying amount as at 31 December 2020 because of the short maturity.

21. Bank Balances and Cash/Time Deposit With Original Maturity Over Three Months

As at 31 December 2020, bank balances and cash comprised cash held by the Group and bank balances which carried interest at market rates ranging from 0.01% to 2.9% (2019: 0.01% to 4.57%) per annum.

As at 31 December 2020, time deposit with original maturity over three months carried interest at prevailing market rate at 3.95% (2019: nil) per annum.

Analysis of bank balances and cash and the time deposit with original maturity over three months of the Group by currency:

	2019	***2020***
	RMB'000	***RMB'000***
RMB	2,916	**754,902**
HKD	46,865	**4,131**
United States dollars ("USD")	4	**9**
	49,785	**759,042**

Details of impairment assessment are set out in note 27.

22. Share Capital

	Number of shares	***Nominal amount***
		HK$'000
Ordinary shares of HK$0.1 each		
Authorised:		
As at 1 January 2019, 31 December 2019 and 2020	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 January 2019, 31 December 2019 and 2020	3,081,690,283	308,169	270,603

22. 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 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 years presented.

23. Company's Statement of Financial Position

	2019 RMB'000	2020 RMB'000
ASSETS		
Non-current Assets		
Investments in subsidiaries	1,445,326	**1,341,358**
Amount due from a subsidiary	1,693,379	**1,685,291**
	3,138,705	**3,026,649**
Current Assets		
Deposits and prepayments	400	**332**
Interest receivables	–	**915**
Amounts due from subsidiaries	302,910	**875,412**
Bank balances and cash	1,533	**492,447**
	304,843	**1,369,106**
Total Assets	3,443,548	**4,395,755**
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	270,603	**270,603**
Share premium and reserves	3,002,569	**2,795,374**
	3,273,172	**3,065,977**
Current Liabilities		
Payables and accruals	3,371	**2,878**
Dividend payables	–	**306,030**
Amounts due to subsidiaries	167,005	**1,020,870**
Total Liabilities	170,376	**1,329,778**
Total Equity and Liabilities	3,443,548	**4,395,755**
Cash and cash equivalents	1,533	**492,447**

Tianliang ZHANG*
Director

Ji LIU*
Director

* *For identification purpose only*

23. 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 2020, the Company's reserves available for distribution to its shareholders amounting to RMB3,165,974,000 (2019: RMB3,373,169,000), comprising retained profits of RMB828,285,000 (2019: RMB1,035,480,000) and share premium of RMB2,337,689,000 (2019: RMB2,337,689,000).

	Share premium RMB'000	Translation reserve RMB'000 (Note)	Retained profits RMB'000	Total RMB'000
As at 1 January 2019	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 14)	–	–	(613,425)	(613,425)
As at 31 December 2019	**2,337,689**	**(370,600)**	**1,035,480**	**3,002,569**
Profit and total comprehensive income for the year	**–**	**–**	**421,327**	**421,327**
Dividends recognised as distribution during the year (Note 14)	**–**	**–**	**(628,522)**	**(628,522)**
As at 31 December 2020	**2,337,689**	**(370,600)**	**828,285**	**2,795,374**

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.

24. Deferred Tax Liabilities

The movement of deferred tax liabilities is as follows:

	Fair value change on investment in equity instrument at FVTOCI RMB'000	Tax on undistributed earnings of the joint ventures RMB'000	Others RMB'000	Total RMB'000
As at 1 January 2019	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**
Charge (credit) to profit or loss	**–**	**21,321**	**(464)**	**20,857**
Charge to other comprehensive income	**840**	**–**	**–**	**840**
Release to profit or loss upon payment of withholding tax	**–**	**(26,340)**	**–**	**(26,340)**
As at 31 December 2020	**3,032**	**72,993**	**–**	**76,025**

25. Bank Loans

	2019 RMB'000	**2020 RMB'000**
Unsecured (Note)	280,969	**1,078,349**
The bank loans comprise:		
Variable rate loans	280,969	**1,078,349**

Note: As at 31 December 2019 and 2020, the bank loans are 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:

	2019 RMB'000	**2020 RMB'000**
HKD	280,969	**1,078,349**

25. Bank Loans (continued)

	2019 RMB'000	2020 RMB'000
The borrowings are repayable as follows:		
On demand or within one year	280,969	**324,347**
In the third to fifth years inclusive	–	**754,002**
	280,969	**1,078,349**
Less: Amounts due for settlement within one year (shown under current liabilities)	(280,969)	**(324,347)**
Amounts due for settlement after one year	–	**754,002**

As at 31 December 2020, variable rate HKD denominated bank loans carried interests ranging from Hong Kong Interbank Offered Rate ("HIBOR") plus 0.98% to HIBOR plus 1% per annum (2019: HIBOR plus 1.05% to HIBOR plus 1.2% per annum).

26. 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 year.

27. Financial Instruments

(a) Categories of financial instruments

	2019 RMB'000	**2020 RMB'000**
Financial assets		
Financial assets at amortised cost	361,077	**1,110,083**
Equity instrument at FVTOCI	22,600	**31,000**
Structured deposit at FVTPL	–	**801,503**
	383,677	**1,942,586**
Financial liabilities		
Financial liabilities at amortised cost	290,622	**1,391,071**

(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.

27. Financial Instruments (continued)

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

(i) Foreign currency risk (continued)

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	
	2019	**2020**	2019	**2020**
	RMB'000	**RMB'000**	RMB'000	**RMB'000**
USD	4	**9**	–	**–**
HKD	46,865	**4,131**	285,054	**1,388,508**

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

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 2020, 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 2020, 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 RMB69,219,000 (2019: RMB11,909,000).

As at 31 December 2020, 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 RMB39,600,000 (2019: RMB42,392,000).

27. 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 25 and 21 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 21. 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 2020, 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 (2019: 100) basis points higher/lower, the profit for the year attributable to owners of the Company for the current period would increase/decrease by RMB5,593,000 (2019: RMB2,331,000).

As at 31 December 2020, 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 (2019: 100) basis points higher/lower, the profit for the year attributable to owners of the Company for the current period would decrease/increase by RMB25,500,000 (2019: RMB29,383,000).

(iii) Credit risk and impairment assessment

The Group's credit risk is primarily attributable to its interest and other receivables, amount due from a joint venture, time deposit with original maturity over three months and bank balances.

As at 31 December 2020, 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.

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.

27. Financial Instruments (continued)

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

(iii) Credit risk and impairment assessment (continued)

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*
As at 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
As at 31 December 2020				
Financial assets at amortised cost				
– Amount due from a joint venture	**N/A**	**Low risk**	**12-month ECL**	**349,833**
– Bank balances and cash	**A+**	**N/A**	**12-month ECL**	**519,042**
– Time deposit with original maturity over three months	**AA+**	**N/A**	**12-month ECL**	**240,000**

(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.

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 0.98% to HIBOR plus 1% per annum. All other financial liabilities are non-interest bearing.

27. Financial Instruments (continued)

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

(iv) Liquidity risk (continued)

The following table details the Group's remaining contractual maturity for its financial liabilities based on agreed payment terms. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows. To the extent that interest flows are floating, the undiscounted amount is derived from current interest rate at the end of the reporting period.

	Weighted average effective interest rate %	*Repayable on demand or less than 1 year RMB'000*	*1 year to 5 years RMB'000*	*Total undiscounted cash flows RMB'000*	*Total carrying amount RMB'000*
As at 31 December 2019					
Other payables	–	9,653	–	9,653	9,653
Bank loans:					
– variable rate	4.24	281,521	–	281,521	280,969
		291,174	–	291,174	290,622

	Weighted average effective interest rate %	***Repayable on demand or less than 1 year RMB'000***	***1 year to 5 years RMB'000***	***Total undiscounted cash flows RMB'000***	***Total carrying amount RMB'000***
As at 31 December 2020					
Other payables	**–**	**6,692**	**–**	**6,692**	**6,692**
Dividend payables	**–**	**306,030**	**–**	**306,030**	**306,030**
Bank loans:					
– variable rate	**1.23**	**333,913**	**774,037**	**1,107,950**	**1,078,349**
		646,635	**774,037**	**1,420,672**	**1,391,071**

27. Financial Instruments (continued)

(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).

Financial assets	2019	*2020*	*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: RMB22,600,000	**Unlisted equity investment: RMB31,000,000**	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
Structured deposit	Nil	**RMB801,503,000**	Level 3	Discounted cash flow	Discount rate	The higher the discount rate, 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 RMB814,000 (2019: RMB347,000). 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 RMB1,482,000 (2019: RMB668,000).

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.

28. Particulars of Principal Subsidiaries

The following list contains the particulars of the subsidiaries of the Company at 31 December 2019 and 2020 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
		2019	2020	2019	2020	2019	2020	
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	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	Ordinary share RMB315,050,000	**Ordinary share RMB858,800,000**	97.5%	**97.5%**	97.5%	**97.5%**	Investment holding

Except 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 year.

29. Capital Commitments

As at 31 December 2019 and 2020, the Group has no outstanding capital commitment.

30. 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 *RMB'000*	***Dividends payable*** *RMB'000*	***Interest payable*** *RMB'000*	***Total*** *RMB'000*
As at 1 January 2019	–	–	–	–
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**
Financing cash flows	**872,114** (Note)	**(323,266)**	**(15,575)**	**533,273**
Dividends declared	**–**	**634,078**	**–**	**634,078**
Interest expense	**–**	**–**	**15,791**	**15,791**
Exchange difference	**(74,734)**	**(4,782)**	**(20)**	**(79,536)**
As at 31 December 2020	**1,078,349**	**306,030**	**353**	**1,384,732**

Note: The financing cash flows of bank loans including new bank loans raised of RMB3,190,168,000 (2019: RMB546,221,000) and bank loans repaid of RMB2,318,054,000 (2019: RMB265,252,000) during the year.

31. Related Party Transactions

Other than as disclosed elsewhere in these consolidated financial statements, during the year ended 31 December 2020, the Group entitled to receive interest income from a joint venture of RMB49,537,000 (2019:RMB1,924,000).

Compensation of key management personnel

The remuneration of key management personnel who are all Directors is disclosed in note 12.

32. Guarantee

As at 31 December 2020, the banking facilities of the Company's wholly-owned subsidiary of RMB5,956,394,000 (2019: RMB1,256,732,000) were guaranteed by the Company. The Company is able to control the utilisation of the facilities.

33. Approval of Financial Statements

The consolidated financial statements on pages 87 to 140 were approved and authorised for issue by the Board of Directors on 25 February 2021.

Appendix – Consolidated Financial Information (Prepared under proportionate consolidation method)

Consolidated Statement of Profit or Loss

For the year ended 31 December 2020
(FOR INFORMATION PURPOSE ONLY)

	2019 *RMB'000*	***2020*** ***RMB'000***	*2019* *HK$'000*	***2020*** ***HK$'000***
Toll revenue	2,144,268	**1,572,655**	2,429,924	**1,783,753**
Revenue on construction	93,022	**34,262**	103,627	**40,669**
Turnover	2,237,290	**1,606,917**	2,533,551	**1,824,422**
Other income and other expense (Note i)	98,656	**290,893**	112,883	**332,102**
Gain on partial disposal of a joint venture	–	**545,181**	–	**618,877**
Construction costs	(93,022)	**(34,262)**	(103,627)	**(40,669)**
Provision for resurfacing charges	(15,964)	**(20,487)**	(18,291)	**(23,042)**
Toll expressway operation expenses	(269,724)	**(302,314)**	(304,756)	**(346,979)**
General and administrative expenses	(112,192)	**(113,414)**	(126,864)	**(128,156)**
Depreciation and amortisation charges	(690,415)	**(693,751)**	(782,495)	**(780,589)**
Finance costs (Note ii)	(237,157)	**(271,953)**	(269,050)	**(304,758)**
Profit before tax	917,472	**1,006,810**	1,041,351	**1,151,208**
Income tax expense	(296,497)	**(313,027)**	(336,499)	**(356,315)**
Profit for the year	620,975	**693,783**	704,852	**794,893**
Profit for the year attributable to:				
Owners of the Company	612,026	**688,661**	694,703	**789,031**
Non-controlling interests	8,949	**5,122**	10,149	**5,862**
	620,975	**693,783**	704,852	**794,893**

Notes:

(i) OTHER INCOME AND OTHER EXPENSE

	2019 *RMB'000*	***2020*** ***RMB'000***	*2019* *HK$'000*	***2020*** ***HK$'000***
Interest income from:				
Bank deposits	7,414	**21,721**	8,365	**24,961**
Loan made by the Group to a joint venture	1,924	**49,537**	2,142	**54,991**
Imputed interest income on interest-free registered capital contributions made by the Group to a joint venture	26,249	**27,892**	29,754	**31,361**
Net exchange (loss) gain	(26,881)	**93,051**	(28,750)	**107,968**
Rental income	23,174	**23,458**	26,473	**26,269**
Others	66,776	**75,234**	74,899	**86,552**
	98,656	**290,893**	112,883	**332,102**

(ii) FINANCE COSTS

	2019 *RMB'000*	***2020*** ***RMB'000***	*2019* *HK$'000*	***2020*** ***HK$'000***
Interest on:				
Bank loans	208,164	**185,752**	236,227	**208,237**
Loans made by joint venture partners	1,924	**43,206**	2,142	**47,986**
Interest on instalment payment of land premium	–	**12,894**	–	**14,705**
Imputed interest on interest-free registered capital contributions made by a joint venture partner	26,249	**27,892**	29,754	**31,361**
Others	608	**648**	689	**729**
	236,945	**270,392**	268,812	**303,018**
Other financial expenses	212	**1,561**	238	**1,740**
	237,157	**271,953**	269,050	**304,758**

Appendix – Consolidated Financial Information (Prepared under proportionate consolidation method)

Consolidated Statement of Financial Position

As at 31 December 2020

(FOR INFORMATION PURPOSE ONLY)

	2019 RMB'000	**2020 RMB'000**	2019 HK$'000	**2020 HK$'000**
ASSETS				
Non-current Assets				
Property and equipment	440,724	**405,760**	490,966	**481,636**
Concession intangible assets	9,487,517	**8,964,620**	10,569,094	**10,641,005**
Balance with a joint venture	456,303	**484,195**	508,322	**574,739**
Loans made by the Group to a joint venture	311,224	**365,214**	346,704	**433,509**
Equity instrument at fair value through other comprehensive income	22,600	**31,000**	25,176	**36,797**
	10,718,368	**10,250,789**	11,940,262	**12,167,686**
Current Assets				
Inventories	11,858	**619,979**	13,210	**735,915**
Deposits and prepayments	310,525	**24,467**	345,924	**29,042**
Interest and other receivables	31,411	**57,662**	34,992	**68,444**
Loans made by the Group to a joint venture	–	**27,041**	–	**32,098**
Structured deposit	–	**801,503**	–	**951,384**
Time deposit with original maturity over three months	–	**240,000**	–	**284,880**
Pledged bank balances and deposits of joint ventures	258,395	**530,634**	287,852	**629,863**
Bank balances and cash				
– The Group	49,785	**519,042**	55,461	**616,103**
– Joint ventures	10,098	**12,743**	11,249	**15,126**
	672,072	**2,833,071**	748,688	**3,362,855**
Total Assets	11,390,440	**13,083,860**	12,688,950	**15,530,541**

Consolidated Statement of Financial Position (continued)

As at 31 December 2020

(FOR INFORMATION PURPOSE ONLY)

	2019 RMB'000	2020 RMB'000	2019 HK$'000	2020 HK$'000
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	270,603	**270,603**	308,169	**308,169**
Share premium and reserves	4,575,455	**4,707,513**	5,090,339	**5,600,854**
Equity attributable to owners of the Company	4,846,058	**4,978,116**	5,398,508	**5,909,023**
Non-controlling interests	24,020	**23,586**	26,758	**27,996**
Total Equity	4,870,078	**5,001,702**	5,425,266	**5,937,019**
Non-current Liabilities				
Bank and other loans				
– The Group	–	**754,002**	–	**895,000**
– Joint ventures	4,083,492	**3,794,182**	4,549,010	**4,503,695**
Balance with a joint venture partner	456,252	**484,144**	508,265	**574,679**
Loans made by joint venture partners	311,224	**362,965**	346,704	**430,840**
Resurfacing obligations	236,207	**256,694**	263,134	**304,696**
Deferred tax liabilities	280,952	**267,802**	312,981	**317,880**
Other non-current liabilities	37,160	**192,332**	41,396	**228,298**
	5,405,287	**6,112,121**	6,021,490	**7,255,088**
Current Liabilities				
Provision, other payables, accruals and deposits received	411,942	**750,493**	458,904	**890,835**
Dividend payable	–	**306,030**	–	**363,257**
Bank loans				
– The Group	280,969	**324,347**	313,000	**385,000**
– Joint ventures	337,510	**351,694**	375,986	**417,461**
Loans made by joint venture partners	–	**27,041**	–	**32,098**
Other interest payable	5,926	**4,934**	6,601	**5,857**
Tax liabilities	78,728	**205,498**	87,703	**243,926**
	1,115,075	**1,970,037**	1,242,194	**2,338,434**
Total Liabilities	6,520,362	**8,082,158**	7,263,684	**9,593,522**
Total Equity and Liabilities	11,390,440	**13,083,860**	12,688,950	**15,530,541**

Glossary

"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
"2H 2018"	the six months ended 31 December 2018
"2019"	the year ended 31 December 2019
"2020"	the year ended 31 December 2020
"2021 Annual General Meeting"	the annual general meeting of the Company to be held on Friday, 30 April 2021
"Amended JV Articles"	the amended articles of the Xintang JV dated 10 September 2020 entered into and adopted by the Parties, as disclosed in the Company's announcement dated 10 September 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
"Company"	Shenzhen Investment Holdings Bay Area Development Company Limited (formerly known as Hopewell Highway Infrastructure Limited), a company incorporated in the Cayman Islands with limited liability

Glossary

"COVID-19 pandemic"	coronavirus disease (COVID-19) pandemic
"Director(s)"	director(s) of the Company
"Disposal"	the Group (through Shenwan Infrastructure) and GPCG (through Guangdong Highway Construction) disposed of an aggregate of 60% equity interest in the Xintang JV (representing 22.5% equity interest held by Shenwan Infrastructure and 37.5% equity interest held by Guangdong Highway Construction) together with their respective rights in the corresponding proportion of the shareholder's loan to Xintang JV (including the outstanding accrued interests thereof) through public listing, as disclosed in the Company's announcement dated 12 June 2020, 19 July 2020 and 10 September 2020 and the circular of the Company dated 20 October 2020
"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"	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

Glossary

"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
"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

Glossary

"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
"net toll revenue"	toll revenue after related tax
"New JV Agreement"	the joint venture agreement dated 10 September 2020 entered into among the Parties in relation to the Xintang JV, as disclosed in the Company's announcement dated 10 September 2020
"Outline Plan"	the Outline Development Plan for Guangdong-Hong Kong-Macao Greater Bay Area
"Parties"	collectively, Shenwan Infrastructure, Lealu Investment, Leaxin Investment and Shenzhen Run Investment, and each a "Party"
"Post-Valuation Date Interests"	the interests further accrued on the shareholders' loans advanced to the Xintang JV corresponding to the respective percentages of equity interest (including the outstanding interests accrued thereon) to be disposed of under the Disposal as at 31 December 2019 at the rate of 8 per cent per annum during the period from 1 January 2020 up to the date of full settlement of the total consideration under the Disposal on a dollar-for-dollar basis, as disclosed in the Company's announcement dated 10 September 2020

Glossary

"Post-Valuation Date Shareholders' Loans and Interests"	the shareholders' loans further advanced to the Xintang JV during the period from 1 January 2020 up to the date of full settlement of the total consideration under the Disposal corresponding to the respective percentages of equity interest in the Xintang JV to be transferred to Shenzhen Run Investment under the Disposal together with interests accrued thereon at the rate of 8 per cent per annum from the date of advancement of such shareholders' loans up to the date of full settlement of the total consideration under the Disposal on a dollar-for-dollar basis, as disclosed in the Company's announcement dated 10 September 2020
"PRC"	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

Glossary

"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 Infrastructure 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
"Shenzhen Run Investment"	Shenzhen Run Investment Consulting Co., Ltd.* (深圳市潤投咨詢有限公司), a company established in the PRC with limited liability
"toll revenue"	toll revenue including tax
"Total Upper Limit"	The maximum total amount of contribution (whether by way of registered capital, shareholders' loans, or in any other nature) by the Parties to Xintang JV shall not exceed RMB6.8 billion, as disclosed in the Company's announcement dated 10 September 2020
"US"	the United States of America
"USD" or "US Dollar(s)"	United States Dollars, the lawful currency of the United States of America
"Xintang JV"	Guangzhou Zhentong Development Company Limited* (廣州臻通實業發展有限公司), a joint venture established in the PRC for the development of the Project Land, the equity interest of which is originally held as to 37.5%, 37.5%, 20% and 5% by Shenwan Infrastructure, Guangdong Highway Construction, Lealu Investment and Leaxin Investment respectively. After the Disposal, the equity interest of the joint venture is held as to 15%, 20%, 5% and 60% by Shenwan Infrastructure, Lealu Investment, Leaxin Investment and Shenzhen Run Investment respectively, as disclosed in the Company's announcement dated 10 September 2020
"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. Weiguo ZONG* *(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
Certified Public Accountants
Registered Public Interest Entity Auditors

Registered Office

P.O. Box 309
Ugland House
Grand Cayman
KY1-1104
Cayman Islands

Principal Place of Business

Room 63-02, 63rd Floor
Hopewell Centre
183 Queen's Road East
Wan Chai, Hong Kong
Tel: (852) 2528 4975
Fax: (852) 2861 0177

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 Beijing Co., Ltd. Shenzhen Branch
Bank of China (Hong Kong) Limited
CMB Wing Lung Bank Limited
Guangdong Huaxing Bank
Industrial Bank Co., Ltd. Hong Kong Branch
Shanghai Pudong Development Bank Co., Ltd.

\+ *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
Grand Cayman
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

Tel: (852) 2863 2502
Fax: (852) 2861 0177
Email: ir@sihbay.com

Website

www.sihbay.com

Financial Calendar

Announcement of special interim dividend for the year ended 31 December 2020	27 November 2020
Ex-dividend date	21 January 2021
Record date	25 January 2021
Deadline for submission of dividend election form	16 February 2021
Final results announcement for the year ended 31 December 2020 and proposed final dividend payable	25 February 2021
Special interim dividend payable ***Special interim dividend: RMB10 cents or HK11.787600 cents per share***	26 February 2021
Closure of Register of Members for eligibility to attend the 2021 Annual General Meeting	27 April 2021 to 30 April 2021 *(both days inclusive)*
2021 Annual General Meeting	30 April 2021
Ex-dividend date	4 May 2021
Closure of Register of Members for entitlement of proposed final dividend	6 May 2021
Deadline for submission of dividend election form	15 July 2021
Proposed final dividend payable[#] ***Final dividend: RMB9.1 cents or HK10.936835 cents per share***	27 July 2021

[#] Subject to approval by Shareholders at the 2021 Annual General Meeting to be held on 30 April 2021.

SHENZHEN INVESTMENT HOLDINGS
BAY AREA DEVELOPMENT COMPANY LIMITED

(incorporated in the Cayman Islands with limited liability)

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