SHENZHEN INVESTMENT HOLDINGS BAY AREA DEVELOPMENT COMPANY LIMITED

(incorporated in the Cayman Islands with limited liability)

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

ANNUAL REPORT **2021**

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 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. Shenzhen Expressway Corporation Limited, a company listed on The Stock Exchange of Hong Kong Limited (Stock Code: 548) and Shanghai Stock Exchange (Stock code: 600548), became the controlling shareholder of the Company on 11 January 2022.

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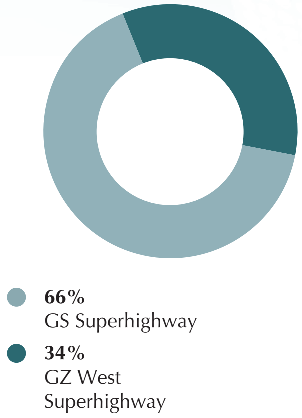
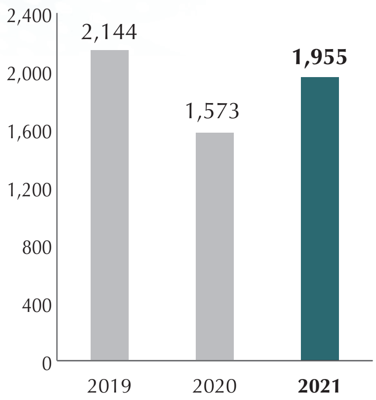
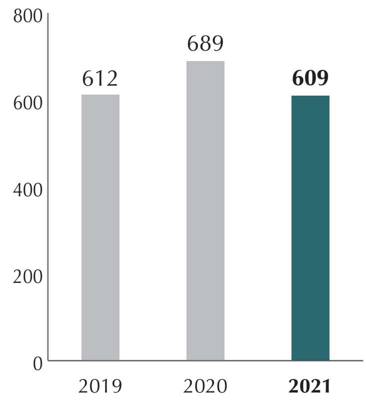
The Group's Share of Net Toll Revenue by Expressway for 2021



The Group's Share of Net Toll Revenue
(RMB million)



Profit Attributable to Owners of the Company
(RMB million)



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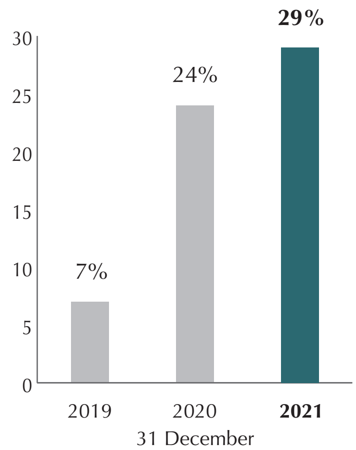

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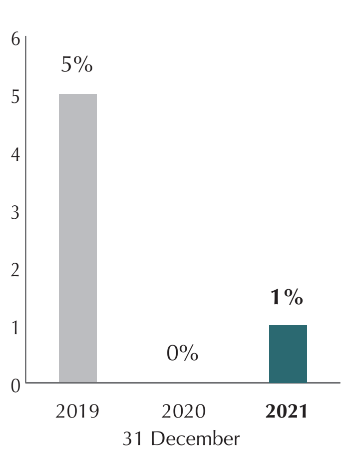


5-Year Financial Summary

The financial summary of the Group for the year ended 30 June 2018 to the year ended 31 December 2021. 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 (RMB million)

	2017/18	2H 2018	2019	2020	**2021**
Share of results of joint ventures	724	340	701	295	**657**
Corporate results	(58)	(32)	(80)	(10)	**(39)**
Gain on partial disposal of a joint venture (net of tax)	–	–	–	409	**–**
Profit for the year/period	666	308	621	694	**618**
Profit for the year/period attributable to:					
Owners of the Company	**656**	**304**	**612**	**689**	**609**
Non-controlling interests	10	4	9	5	**9**
Profit for the year/period	**666**	**308**	**621**	**694**	**618**

Segment Revenue and Results (RMB million)

	2017/18	2H 2018	2019	2020	**2021**
Revenue	**2,162**	**1,120**	**2,144**	**1,573**	**1,974**
GS Superhighway	1,499	743	1,409	1,041	**1,289**
GZ West Superhighway	663	377	735	532	**666**
Xintang Residential Project	–	–	–	–	**19**
EBITDA	**1,889**	**983**	**1,875**	**1,277**	**1,749**
GS Superhighway(1)	1,309	663	1,248	860	**1,194**
GZ West Superhighway	580	320	627	418	**560**
Xintang Residential Project	–	–	0	(1)	**(5)**
Depreciation and amortisation	**(692)**	**(358)**	**(690)**	**(693)**	**(706)**
GS Superhighway	(463)	(232)	(445)	(450)	**(469)**
GZ West Superhighway	(229)	(126)	(245)	(243)	**(237)**
Xintang Residential Project	–	–	–	–	**–**
Interest and tax	**(538)**	**(270)**	**(511)**	**(370)**	**(444)**
GS Superhighway	(325)	(164)	(316)	(189)	**(259)**
GZ West Superhighway	(213)	(106)	(193)	(140)	**(160)**
Xintang Residential Project	–	–	(2)	(41)	**(25)**
Segment results(2)	**659**	**355**	**674**	**214**	**599**
GS Superhighway	521	267	487	221	**466**
GZ West Superhighway	138	88	189	35	**163**
Xintang Residential Project	–	–	(2)	(42)	**(30)**
Segment corporate results(3)	**(15)**	**(10)**	**(31)**	**(2)**	**(6)**
Gain on partial disposal of a joint venture (net of tax)	–	–	–	409	**–**
Net exchange gain/(loss)	22	(37)	(22)	73	**25**
Profit for the year/period	666	308	621	694	**618**
Profit for the year/period attributable to:					
Owners of the Company	**656**	**304**	**612**	**689**	**609**
Non-controlling interests	10	4	9	5	**9**
Profit for the year/period	**666**	**308**	**621**	**694**	**618**

5-Year Financial Summary

Consolidated Statement of Financial Position Prepared (RMB million)

	As at 30 June	As at 31 December			
	2018	2018	2019	2020	**2021**
Interests in joint ventures	4,852	4,798	4,858	4,674	**4,971**
Bank balances and cash	691	140	50	519	**1,552**
Structured deposit	–	–	–	801	**351**
Time deposit with original maturity over three months	–	–	–	240	**–**
Dividend receivable from a joint venture	74	–	–	–	**–**
Interest-bearing loans to a joint venture	–	–	311	350	**264**
Investment/Equity instrument at fair value through other comprehensive income	5	11	23	31	**20**
Property and equipment	0	1	2	2	**2**
Other current assets	4	0	1	2	**11**
Total assets	**5,626**	**4,950**	**5,245**	**6,619**	**7,171**
Bank loans	–	–	281	1,078	**1,936**
PRC withholding tax liabilities	70	70	81	76	**131**
Interim dividend payable	371	–	–	306	**–**
Tax payables	–	–	–	147	**10**
Other current liabilities	10	11	13	10	**16**
Total liabilities	**451**	**81**	**375**	**1,617**	**2,093**
Non-controlling interests	27	30	24	24	**22**
Equity attributable to owners of the Company	**5,148**	**4,839**	**4,846**	**4,978**	**5,056**

5-Year Financial Summary

Consolidated Statement of Cash Flows (RMB million)

	2017/18	2H 2018	2019	2020	**2021**
Net cash used in operating activities	(36)	(14)	(39)	(51)	**(183)**
Net cash from (used in) investing activities					
– Purchase of structured deposit	–	–	–	(800)	**(1,045)**
– Placement of time deposit with original maturity over three months	–	–	–	(240)	**–**
– Advance to a joint venture	–	–	(309)	(559)	**(526)**
– 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 interests	–	–	–	533	**–**
– Net dividends received	911	449	613	495	**777**
– Repayment from a joint venture	–	–	–	–	**172**
– Withdrawal of time deposit with original maturity over three months	–	–	–	–	**240**
– Withdrawal of structure deposit	–	–	–	–	**1,495**
– Others	19	8	2	(6)	**110**
Net cash (used in) from financing activities					
– New bank loans raised	–	266	546	3,190	**2,466**
– Bank loans repaid	–	(266)	(265)	(2,318)	**(1,575)**
– Dividends paid	(674)	(1,001)	(639)	(323)	**(879)**
– Others	–	(1)	(1)	(16)	**(21)**
Net increase (decrease) in cash and cash equivalents	220	(559)	(96)	463	**1,031**
Cash and cash equivalents at the beginning of year/period	469	691	140	50	**519**
Effect of foreign exchange rate changes	2	8	6	6	**2**
Cash and cash equivalents at the end of year/period	691	140	50	519	**1,552**
Total bank balances and cash	**691**	**140**	**50**	**519**	**1,552**

Per Share Basis

	2017/18	2H 2018	2019	2020	**2021**
Basic earnings per share (RMB cents)	21.3	9.9	19.9	22.4	**19.8**
Dividend per share (RMB cents)					
– Interim	11.6	–	9.8	–	**9.3**
– Special interim	–	–	–	10.0	**–**
– Final	9.7	9.9	10.1	9.1	**10.45**
– Special final	10.0	–	–	–	**–**
Net asset value per share (RMB)	1.7	1.6	1.6	1.6	**1.6**
Regular dividend payout ratio[4]	100%	100%	100%	100%	**100%**

5-Year Financial Summary

Financial Ratios

	As at 30 June 2018	As at 31 December 2018	2019	2020	2021
Return on equity attributable to owners of the Company	13%	12%[6]	13%	14%	**12%**
Debt to asset ratio (Total liabilities to total assets)	8%	2%	7%	24%	**29%**
Gearing ratio (Net debt[5] to equity attributable to owners of the Company)	–	–	5%	–	**1%**

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) Net debt is defined as total bank loans less the bank balances and cash, structured deposit and time deposit of the Group.

(6) Annualised figure.

Chairman's Statement

I am truly honored to be appointed by the Board as the Executive Director and the Chairman of the Board on 31 December 2021. The transaction on approximately 71.83% of the issued shares of the Company between Shenzhen Expressway and SIHC also completed on 11 January 2022, and Shenzhen Expressway became the controlling Shareholder of the Company. Shenzhen Expressway is the first enterprise in Shenzhen listed in both Hong Kong and Shanghai engaging primarily in the investment, construction and operation management in the fields of urban and transportation infrastructure as well as large-scale environmental protection industry. Being a major provider of construction and operation of transportation infrastructure in the Guangdong-Hong Kong-Macao Greater Bay Area, the attributable mileage of high-grade highways invested or operated covers over 600km. Capitalising on our controlling Shareholder's extensive and integrated capabilities on expressway investment, construction, operations and management, experiences on land development and construction, and premier resources on assets, synergistic effects will be created with the Group's businesses, further enhancing the operating effectiveness of the GS Superhighway and the GZ West Superhighway, accelerating the implementation of the expansion of GS Superhighway and the potential land development projects along the route, expanding the Group's asset scale and business development capabilities, further enhancing the Group's profitability and investment value, and creating stable and good returns for the Shareholders.

Financial Results and Dividend Proposal

On behalf of the Board, I am delighted to report to the Shareholders the final results of the Group for 2021. The revenue from investment projects attributable to the Group was RMB1,974 million, representing a YoY increase of 25%, mainly due to implementation of the nationwide toll free policy for 79 days during 2020, applicable to the expressway projects, resulting in a low comparison base. The profit attributable to owners of the Company amounted to RMB609 million, representing a YoY decline of 12%, and a basic earnings per share was RMB19.77 cents. Excluding the one-off net profit of approximately RMB409 million as recorded from the disposal of the equity interests of Xintang JV in 2020, the profit attributable to owners of the Company would have increased 118% YoY.

The Board has proposed a final dividend of RMB10.45 cents per share for year 2021 with a dividend payout ratio amounting to 100% of total dividend to the profit attributable to owners of the Company. Payment of the final dividend is subject to approval at the 2022 Annual General Meeting.

Chairman's Statement

Operating Environment

In 2021, the global economy was picking up under the backdrop of the evolving COVID-19 pandemic. The GDP, regardless of the developed economies or emerging economies, resumed its growth. As the COVID-19 vaccination becomes widely available, various governments have restarted economic activities. Although demands have resumed rapidly, shortages on supply still subsist and the price of raw materials and energies continues to increase, which has prompted the problem of high inflation. Coupled with the global outbreak of the new variant strand, which is more infectious, the road to global economy recovery is still paved with risks and uncertainties. However, facing such difficult and complicated external environment, the PRC adheres to the general working guideline of making progress while maintaining stability. With scientific coordination of the prevention and control of the pandemic, and economic and social development, the GDP throughout 2021 saw a YoY growth of 8.1%, making its economic growth ranking among the top of the leading economies across the globe. With a total economic output further elevating to a new laurel of RMB114 trillion, the PRC has secured a second place in the world, realising a favorable kick-off for the "14th Five-Year" Plan. In 2021, the GDP of Guangdong Province also saw a YoY increase of 8.0% with a total economic output exceeding RMB12 trillion, demonstrating a growth which aligns to that of the PRC. The economy of Guangdong Province resumes stability will create a favorable economic environment for the Group's businesses.

Business Review and Prospects

During the year under review, the operation performance of the GS Superhighway and the GZ West Superhighway of the Group fluctuated with the COVID-19 pandemic. The average daily toll revenue and average daily full-length equivalent traffic first rose then fell during the year and still recorded a relatively substantial YoY growth was mainly because the GS Superhighway and the GZ West Superhighway implemented the nationwide toll free policy in 2020 for 79 days, resulting in a low comparison base in the first half of the year. As for the second half of the year, as there were confirmed local cases of COVID-19 in Guangdong Province as well as other cities and provinces in the PRC, the prevention and control measures were enhanced in various places, which had led to the decline in tolls revenue and traffic. Moreover, as the surrounding road network was being improved, such as the newly opened Shenzhen Outer Ring Expressway, Phase II of the Nanping Highway and Huangpu Express Line have also contributed to the diversion effect for the GS Superhighway and the GZ West Superhighway respectively. As for the business development, the studies on land development and utilisation for Luogang Interchange of the GS Superhighway has been completed, relevant government departments has also issued a public consultation notice on the change of the nature of land use around Luogang Interchange to Type II residential (inclusive of commercial use). If the change of the nature of land use is implemented, it would reference to the model of the Xintang project for development in the next stage. The Xintang project, as to 15% equity interests owned by the Group, has been named as the Grand Park City. The pre-sale of a portion of the residential units of the first phase has commenced in May 2021 with the annual contracted sales amounting to approximately RMB1,368 million.

Chairman's Statement

In 2022, with the support of the controlling Shareholder, the Group will define the "14th Five-Year development strategy" to achieve further improvement in the Group's expressway business and land development business along the expressway, and seise the significant opportunities arising from the development of the Guangdong-Hong Kong-Macao Greater Bay Area, and strengthen communication and cooperation with the controlling Shareholder and the government, and actively promote project investment, mergers and acquisitions to rapidly enhance the Group's asset scale, revenue and profitability, and actively explore and cultivate new businesses, explore new growth driver for profit, and ensure the sustainable and healthy development of the Group. In 2022, the Group will continue to proactively communicate, coordinate and discuss with government departments and partners at all levels to achieve a win-win plan for government, public and investors that integrates the expansion of the GS Superhighway with land development, so as to maximise the return of the Group in the expansion of the GS Superhighway. The Group will make every effort to complete the compilation of the feasibility report of the expansion of the GS Superhighway, and enter into the stage to submit application for work approval, striving to officially commence the expansion work in 2023. Through various innovative investment and financing models, the Group will give full play to the advantages as an overseas diversified financing platform to ensure a reasonable commercial return on project investment and protect the interests of Shareholders. Based on the basis of the feasibility report, the studies on the planning that integrates the expansion with land development of Dongguan section and Shenzhen section will be completed and the roadmap to land development will be formulated. The process of land and resource revitalisation and utilisation will be accelerated, and to strive for the smooth implementation of Luogang Interchange project during the year. The Group will fully utilise the synergies with its controlling Shareholder and actively acquire quality resources in the Guangdong-Hong Kong-Macao Greater Bay Area to further enhance the Group's expressway business strength and industry competitiveness.

The GS Superhighway and GZ West Superhighway operated by the Group are located in the core area of the Bay Area. The GS Superhighway is an important channel for the Guangzhou-Shenzhen-Hong Kong-Macao Science and Technology Innovation Corridor and is of great significance to social and economic development, and urban traffic. The construction of the Bay Area, which brings about the high-quality economic development within the area, is an important cornerstone for the sustainable and stable development of the Group's businesses. Since the promulgation of the "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" (《粵港澳大灣區發展規劃綱要》) in 2019, the PRC and Guangdong Province have been issuing a series of policies in support of the acceleration of the implementation of the construction progress of the Bay Area. As described in the "Outline of the 14th Five-Year Plan for National Economic and Social Development of Guangdong Province and the Long-Range Objectives Through the Year 2035" (《廣東省國民經濟和社會發展第十四個五年規劃和2035年遠景目標綱要》) issued in April 2021, Guangdong Province has specifically designated the Bay Area as a major platform to guide and drive the whole province to become a strong engine driving the high-quality development for the economy of the PRC, participating the domestic and international dual circulation in a high level, building up a strategic focus of new development pattern, and providing a stronger support for the fully construction of socialistic modernisation of Guangdong Province. The "Overall Plan for the Construction of the Hengqin Guangdong-Macao Intensive Cooperation Zone" (《橫琴粵澳深度合作區建設總體方案》) and the "Comprehensive Deepening of the Reform and Opening-up Plan for Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone" (《全面深化前海深港現代服務業合作區改革開放方案》) were issued respectively in September of the same year, will have an important meaning in respect of the fully implementation of the construction of the Bay Area, enhancing the cooperation level and the interconnectivity among Guangdong-Hong Kong-Macao. Under the support of national policies, the Group is highly confident on the prospects of the Bay Area.

With the full support of Shenzhen Expressway, I believe that by optimising the corporate governance and operation mechanism, promoting the resource integration, capital operation and business synergy of both parties, the Group will promote high-quality sustainable development and create better returns for the Shareholders.

Appreciation

On behalf of the Company, I would like to take this opportunity to express my sincere gratitude to our Shareholders, banks, business partners and friends from all walks of life for their support and trust in the development of the Bay Area Development. I would also like to thank the Directors and senior management for their wise contribution, and our staff for their unity, cooperation and diligence. In 2022, in the face of various challenges and arduous tasks, all staff of the Company will seise opportunities, forge ahead, stand at a new starting point, continue to contribute to the construction of the Bay Area, and strive to achieve a new level of development of the Company.

Wei HU*
Chairman

Hong Kong, 25 February 2022

* *For identification purpose only*

Dividend and Closure of Register

Final Dividend

The Board has proposed a final dividend of RMB10.45 cents per share (equivalent to HK12.880879 cents per share at the exchange rate of RMB1:HK$1.23262) for the year ended 31 December 2021. Together with the interim dividend of RMB9.3 cents per share (equivalent to HK11.147631 cents per share at the exchange rate of RMB1:HK$1.19867) which paid on Friday, 22 October 2021, the total regular dividends for the year ended 31 December 2021 will amount to RMB19.75 cents per share (equivalent to HK24.028510 cents per share) which is 117% more than the total regular dividends of RMB9.1 cents per share (excluding the special interim dividend of RMB10 cents per share) of last year. The total regular dividends for the year ended 31 December 2021 represented a regular dividend payout ratio of 100% of the profit attributable to owners of the Company.

Subject to Shareholders' approval at the 2022 Annual General Meeting to be held on Friday, 29 April 2022, the proposed final dividend will be paid on Friday, 15 July 2022 to Shareholders whose names have been registered at the close of business on Friday, 6 May 2022.

If the proposed final dividend is approved by the Shareholders at the 2022 Annual General Meeting, it will be payable in cash in RMB or HK Dollars, or a combination of these currencies, at the exchange rate of RMB to HKD as published by The People's Bank of China on Friday, 25 February 2022 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 Tuesday, 31 May 2022. **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 2022 Annual General Meeting to be held on Friday, 29 April 2022, the Register of Members of the Company will be closed from Tuesday, 26 April 2022 to Friday, 29 April 2022, 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 2022 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, 25 April 2022.

To ascertain shareholders' entitlement to the proposed final dividend, the Register of Members of the Company will be closed for one day on Friday, 6 May 2022, if and only if the proposed final dividend is approved by the Shareholders at the 2022 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 Thursday, 5 May 2022.

Profile of Directors

Mr. Wei HU*

Aged 59, Mr. HU was appointed as an Executive Director, the Chairman of the Board, a member and the chairman of the Executive Committee of the Company on 31 December 2021, and a member and the chairman of the Nomination Committee of the Company on 1 January 2022. He is a senior economist and graduated from Changsha Railway University (now known as Central South University) with a bachelor's degree in Foreign Languages (English). He also obtained a EMBA from Xiamen University. Mr. Hu has extensive experiences in corporate operation, corporate management including investment, financing, capital operations, auditing and risk management, and experience in overseas enterprises.

Mr. Hu had worked in China Everbright Bank from October 2001 to August 2011, and had been appointed as a vice president of Shenzhen International Holdings Limited, a company listed on The Stock Exchange of Hong Kong Limited (Stock Code: 152) from August 2011 to May 2017, then being appointed as an executive director in May 2017, and re-appointed as a non-executive director in September 2020. Mr. Hu joined Shenzhen Expressway Corporation Limited (formerly known as Shenzhen Expressway Company Limited), a company listed on The Stock Exchange of Hong Kong Limited (Stock Code: 548) and Shanghai Stock Exchange (Stock code: 600548) as a non-executive director in January 2012, and has been appointed as an executive director, and chairman since January 2015.

Mr. Tianliang ZHANG*

Aged 59, Mr. ZHANG was appointed as an Executive Director, the General Manager and a member of the Executive Committee 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. Jianming WU*

Aged 41, Mr. WU was appointed as an Executive Director, the Executive General Manager and a member of the Executive Committee of the Company on 4 February 2022. He is a senior engineer and graduated from Jilin Jianzhu University* (吉林建築大學) with a bachelor's degree in Transportation Civil Engineering* (交通土建專業). Mr. WU was the general manager of Shenzhen Expressway Construction Development Company Limited* (深圳高速建設發展有限公司) ("SZ Construction"), which is a wholly-owned subsidiary of Shenzhen Expressway Corporation Limited ("Shenzhen Expressway", together with its subsidiaries, the "SZ Expressway Group"), a company listed on The Stock Exchange of Hong Kong Limited (Stock Code: 548) and the intermediate holding company of the Company.

Mr. WU has extensive experience in project and corporate management. He joined SZ Expressway Group in 2004 and had worked in various projects of the SZ Expressway Group. Mr. WU had been appointed as a deputy general manager of SZ Construction from May 2017 to January 2019. Since February 2019, Mr. WU has been appointed as a general manager of SZ Construction and a general manager of Waihuan Project Management Office* (外環項目管理處). In addition, he has successively held the positions of the deputy general manager of Jihe Reconstruction and Expansion Project Management Office* (機荷改擴建項目管理處) of the SZ Expressway Group since April 2019, an executive director of Shenzhen Expressway Asphalt Technology Company Limited* (深圳高速瀝青科技有限公司) since April 2021 and a director of SZ Shenzhen Expressway Financial Leasing Company Limited* (深圳深高速融資租賃有限公司) since September 2021, both companies being non-wholly owned subsidiaries of Shenzhen Expressway.

Mr. Cheng WU*

Aged 52, Mr. WU was appointed as an Executive Director, the Deputy General Manager and a member of the Executive Committee 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.

* *For identification purpose only*

Profile of Directors

Mr. Ji LIU*

Aged 46, Mr. LIU was appointed as an Executive Director, the Deputy General Manager, secretary to the Board and a member of the Executive Committee of the Company, 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 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 Corporation Limited (formerly known as 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*

Profile of Directors

Mr. Junye CAI*

Aged 38, 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 September 2016, he joined Taiping Investment Holdings Company Limited (now renamed as Taiping Capital Asset Management Co., Ltd.* (太平資本保險資產管理有限公司)) served as managing director of the Debt Investment Division and the Innovative Product 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* (太平金控股權投資基金管理(深圳)有限公司) in April 2020 and currently the legal representative and general manager of Taiping Financial Holdings Fund Management (Shenzhen) Company Limited* (太平金控股權投資基金管理(深圳)有限公司).

Mr. Weiguo ZONG*

Aged 42, 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 redesignated 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*

Profile of Directors

Mr. Brian David Man Bun LI JP

Aged 47, 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, as the chairman of the Remuneration Committee on 11 April 2018 and as a member of the Nomination Committee on 1 January 2022. 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 Smart Energy Company Limited (formerly known as Towngas China Company Limited), China Overseas Land & Investment Limited and Guangdong Investment Limited, all 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 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.

Mr. Yu Lung CHING

Aged 52, Mr. CHING was appointed as an Independent Non-executive Director, a member and the chairman of the Audit Committee, a member of the Remuneration Committee of the Company on 11 April 2018 and a member of the Nomination Committee of the Company on 1 January 2022. He has more than 29 years of experience in auditing, corporate finance and accounting. Mr. CHING is currently the chief financial officer of a listed company on the Main Board of the Stock Exchange. He obtained a bachelor's degree in business administration from the Chinese University of Hong Kong and executive master's degree in business administration from Tsinghua University in 1992 and 2006, respectively. Mr. CHING is a fellow member of Hong Kong Institute of Certified Public Accountants and Association of Chartered Certified Accountants and a member of the American Institute of Certified Public Accountants. Mr. CHING is an Independent Non-executive Director of Hopson Development Holdings Limited (stock code: 754), Ngai Hing Hong Company Limited (stock code: 1047) and Termbray Industries International (Holdings) Limited (stock code: 93), all of which are listed on the Main Board of the Stock Exchange. He resigned as an Independent Non-executive Director of AMVIG Holdings Limited (previously listed on the Stock Exchange, stock code: 2300, and delisted with effect from 20 April 2021) with effect from 19 May 2021.

Profile of Directors

Mr. Tony Chung Nin KAN SBS, JP

Aged 71, Mr. KAN was appointed as an Independent Non-executive Director, a member of the Audit Committee, a member of the Remuneration Committee of the Company on 11 April 2018 and a member of the Nomination Committee of the Company on 1 January 2022. 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.

Profile of Directors

Mr. Peng XUE*

Aged 51, Mr. XUE was appointed as an Independent Non-executive Director of the Company on 4 February 2022. He is the company secretary, authorised representative and the general manager of the operations management center of SITC International Holdings Company Limited ("SITC", together with its subsidiaries, "SITC Group"), a company listed on the Stock Exchange (Stock Code: 1308). Mr. XUE had been a director of SITC from January 2008 to March 2021. From January 2008 to May 2013, he served as a chief financial officer of SITC. Mr. XUE has been appointed as the general manager of the operations management center of the SITC Group since July 2017. Mr. XUE has also been appointed as an independent non-executive director of China Beststudy Education Group, a company listed on the Stock Exchange (Stock Code: 3978) since 3 December 2018.

Mr. XUE graduated from Shandong Province Foreign Trade and Economic University* (山東省對外貿易經濟學校) in 1991 majoring in financial accounting, and graduated from Shandong University of Economics* (山東經濟學院) in 1997 majoring in accounting. He was qualified as an intermediate accountant in 2004 and also obtained an undergraduate degree in Accounting from Renmin University of China* (中國人民大學) in 2006. He received a master's degree in Business Administration from China Europe International Business School* (中歐國際工商學院) in 2011. He obtained a master's degree in Corporate Governance by The Open University of Hong Kong in 2019 and was also qualified of the fellowship of The Hong Kong Institute of Chartered Secretaries (now known as The Hong Kong Chartered Governance Institute) and Institute of Chartered Secretaries and Administrators (now known as The Chartered Governance Institute) and Chartered Governance Professional.

* *For identification purpose only*

Overall Business Performance

During the year under review, the aggregate average daily toll revenue of the GS Superhighway and the GZ West Superhighway increased by 25% YoY to RMB11.84 million and the total toll revenue amounted to RMB4,323 million. Toll revenue first rose then fell during the year and still recorded a relatively substantial YoY growth was mainly due to the fact that nationwide toll free policies implemented during the COVID-19 pandemic in 2020, which included the policy of waiver of tolls on toll roads nationwide for 79 days in total from 17 February 2020 to 5 May 2020 and the Holiday Toll-free Policy for small passenger vehicles with 7 seats or less during the Lunar New Year holiday in 2020, extending from the original 7 days to 16 days, as compared to normal toll fees collection during the corresponding period in 2021. As a result, the toll revenue in the first half of 2021 recorded a significant increase due to a relatively low comparison base. However, since May 2021, local confirmed cases of COVID-19 have appeared in Guangdong Province and other provinces and cities in Mainland China. Thus, citizen have travelled less frequently, resulting in a YoY decrease in toll revenue in the second half of 2021, partly offset the increase in the first half of the year. The average daily toll revenue and average daily full-length equivalent traffic of the GS Superhighway grew 24% and 26% YoY to RMB8.09 million and 93,000 vehicles respectively; the average daily toll revenue and average daily full-length equivalent traffic of the GZ West Superhighway grew 26% and 23% YoY to RMB3.76 million and 53,000 vehicles respectively.

The COVID-19 pandemic continued to pose adverse impact on the operational performance of the GS Superhighway and the GZ West Superhighway, which was mainly reflected in three aspects. Firstly, when local confirmed cases of COVID-19 emerged, local governments strictly implemented pandemic prevention and control measures, and relevant measures restricted cross-regional mobility and city travel of citizens. Secondly, the PRC government encouraged people to stay local during the Lunar New Year holiday, which led to a lower traffic flow during the Spring Festival travel rush than its pre-pandemic level. Thirdly, people have changed their travel habits and travelled less frequently to lower the risk of infection, the peak season for tourism activities in summer no longer exists. In addition, the operational performance of the GS Superhighway and the GZ West Superhighway was also affected by the newly opened expressways and local roads surrounding them which diverted their traffic flow.

The Xintang interchange residential project has been named as the Grand Park City, and the pre-sale of a portion of the residential units in the first phase has commenced in May 2021. During the year under review, the contracted sales amounted to approximately RMB1,368 million.

Year	2020	2021	% Change
At JV level			
GS Superhighway			
Average daily toll revenue# (RMB '000)	6,509	**8,087**	24%
Average daily full-length equivalent traffic* (No. of vehicles '000)	74	**93**	26%
GZ West Superhighway			
Average daily toll revenue# (RMB '000)	2,994	**3,758**	26%
Average daily full-length equivalent traffic* (No. of vehicles '000)	43	**53**	23%

\# Including tax

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

Project Summary

Guangzhou — Shenzhen Superhighway

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%

Guangzhou — Zhuhai West Superhighway

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%

Grand Park City

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

Operating Environment

Domestic and External Economic Situation

Despite facing multiple challenges such as the complicated and difficult international environment and the spread of the local COVID-19 cases, Mainland China's economy achieved high-quality development in 2021, maintaining its leading position in the world, and continuing to show a trend of recovery. Major macroeconomic indicators such as industrial production, imports and exports trades and retail sales of consumer goods maintained a fast-growing trend. The GDP of Mainland China increased by 8.1% throughout the year, creating a solid foundation for the "14th Five-Year Plan" in its beginning year. The economy of Guangdong Province maintained a recovery trend simultaneously, with an annual GDP growth of 8.0%. Worldwide economic growth recovered in 2021, but the pace of economic recovery varies across countries. Influenced by the lingering effect of the COVID-19 pandemic, problems such as supply and demand imbalances, rising price of natural resources, and intensifying inflation pressures will hinder the economic recovery, together with the market anticipation of the start of the rate-hike cycles in the United States and other major economies and the continued spread of the new coronavirus variant virus, creating an even more complex global economic environment. Under such complicated economic environment, the trend of sustained economic recovery in Mainland China remained unchanged. It is expected that the country will continue its proactive fiscal policy and prudent monetary policy, which will stably promote high-quality macroeconomic development. Meanwhile, the PRC government reiterated the direction of continuing the implementation of tax and fee reduction measures, which will provide further support for the healthy development of small and medium-sized enterprises. The stable economic environment of the country lays a solid foundation for the operation of the expressway industry.

The Regional Comprehensive Economic Partnership (《區域全面經濟夥伴關係協定》) (RCEP), a large-scale regional trading agreement jointly promoted by ASEAN and 15 free trade partners including China and Japan, came into effect on 1 January 2022. By reducing tariffs, expanding market access, and adopting trade and investment facilitation measures, RCEP promotes the free flow and efficient agglomeration of the factors of production, and will push forward the formation of a large integrated market, which will help further promoting regional trade and investment, promote confidence in economic recovery, and will eventually add new momentum to the prosperity and development regionally and globally. RCEP will enhance the connectivity of markets, resources and factors between China and RCEP member countries, stabilise the industrial chain and supply chain, improve the level of participation in global and regional value chains, and accelerate the formation of a new development pattern with domestic circulation to dominant and domestic and international dual-circulation reinforcing each other. Guangdong Province is the largest province in China's foreign trade. In 2021, the total imports and exports value reached a record high, breaking through RMB8 trillion for the first time, and the scale of foreign trade accounted for one-fifth of the total number in the country. The growth of trade will definitely provide a driving force for the further expansion of the import and export industry and the transportation industry, and expressway industry will be benefited by the continuous growth of passenger and freight traffic.

Development of the Bay Area

The "Outline Development Plan for the Guangdong-Hong Kong-Macao Greater Bay Area" (《粵港澳大灣區發展規劃綱要》) (the "Outline Plan") was released in 2019 and is a major national development strategy. The Bay Area is composed of the four central cities of Hong Kong, Macao, Guangzhou and Shenzhen as the core engines of regional development, plus important hub cities such as Zhuhai, Foshan, Huizhou, Dongguan, Zhongshan, Jiangmen and Zhaoqing, with a total area of approximately 56,000 square kilometers. In 2020, the total population of the region exceeded 86 million, and the GDP exceeded RMB11 trillion, accounting for approximately 12% of the GDP. It is expected that a healthy growth would be maintained in 2021. The Bay Area will be one of the most economically active regions with dominant regional advantages and huge development potential.

The Central Committee of the Communist Party of China and the State Council successively issued the "Overall Plan for the Construction of the Hengqin Guangdong-Macao Intensive Cooperation Zone" (《橫琴粵澳深度合作區建設總體方案》) (the "Hengqin Plan") and the "Comprehensive Deepening of the Reform and Opening-up Plan for Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone" (《全面深化前海深港現代服務業合作區改革開放方案》) (the "Qianhai Plan") in September 2021, leading the development direction of the two cooperation zones. One of the strategic positioning of the Hengqin plan is to facilitate the construction of a new highland in the Bay Area and fully develop the institutional innovation potential of the Bay Area, with an aim to strongly support the leading role of the Macao-Zhuhai Pole to the Bay Area and promote the development of west coast of the Pearl River with enhanced comprehensive strength and competitiveness of the cooperation zone. The Qianhai Plan further expands the development space of the cooperation zone in Qianhai, with the total area expanded from 14.92 square kilometres to 120.56 square kilometres. It proposes specific measures in building a comprehensive deepening reform and innovative test platform in the Bay Area as well as a high-level gateway and hub for opening-up, including promoting the innovative development of the modern service industry, accelerating the reform and innovation of the scientific and technological development system and mechanism, and expanding the opening up of the financial industry, which are important measures in relation to building a new pattern of high-level opening up. The introduction of these two plans marks the entry of a new phrase in the construction of Hengqin and Qianhai, and is regarded as major measures for the in-depth implementation of the Outline Plan for the purpose of making the Bay Area a core engine with international competitiveness and further driving the domestic and international dual circulation reinforcing each other through accelerating the integrated development of the Bay Area and promoting market connectivity. According to the "2022 Guangdong Provincial Government Work Report" (《二零二二年廣東省政府工作報告》), profoundly promoting the "dual-zone" construction and the Shenzhen comprehensive reform pilot, comprehensively facilitating the construction of Hengqin and Qianhai cooperation zones, as well as firmly promoting the implementation of major national development strategies are being listed as the top priority in 2022. There will be 968 key projects in the Bay Area, with an annual planned investment of RMB548.9 billion. The development of the Bay Area is progressing smoothly, the Group will continue to take advantage of the unique geographical advantage of its highway assets connecting core cities in the Bay Area to seek more investment opportunities.

"The "14th Five-Year Plan" for Science and Technology Innovation of Guangdong Province" (《廣東省科技創新「十四五」規劃》) was officially issued and implemented in October 2021, emphasising the measures to promote the development of the Bay Area into a technological and industrial innovation highland with global influence, including further building the Guangzhou-Shenzhen-Hong Kong-Macao Science and Technology Innovation Corridor, giving full play to the role of carriers for cooperation zones such as the Guangdong-Macao In-Depth Cooperation Zone in Hengqin and the Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone, comprehensively deepening Guangdong-Hong Kong-Macao scientific and technological cooperation as well as driving the innovation and coordinated development of "One Core Region, One Belt and One Area" Initiative for the purpose of promoting closer integration between regions. With the comprehensively deepened construction of the Guangzhou-Shenzhen-Hong Kong-Macao Science and Technology Innovation Corridor, the convergence and free flow of innovative elements such as talents, capital, information and technology in the Bay Area will be accelerated, which are conducive to the operating environment of the GS Superhighway and GZ West Superhighway that are located in the Guangzhou-Shenzhen-Hong Kong-Macao Science and Technology Innovation Corridor, and thus provides strong support for the Group's business development.

Latest Updates on Industry Policies

Differentiated tariff for expressway

According to the "Plan on Implementing Differentiated Tariff for Expressway Nationwide" (《全面推廣高速公路差異化收費實施方案》) jointly promulgated by the Ministry of Transport of the PRC, the National Development and Reform Commission and the Ministry of Finance of the PRC in June 2021, a differentiated tariff scheme shall be adopted for expressway nationwide, with the aim of improving the efficiency of expressway network on an ongoing basis, while reducing the costs of travelling on expressways, and promoting the realisation of cost reduction and efficiency enhancement for the logistics industry. A suitable differentiated tariff scheme for expressway shall be carried out based on road sections, vehicle types, time period, entrances and exits, directions or payment methods. The detailed plans and implementation arrangements of Guangdong province will be published in due course, and the Group will pay close attention to such plans and assess its impacts.

Supportive policies for vehicle sales in Mainland China

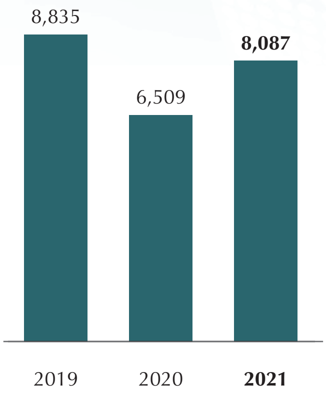
In 2021, the sales of vehicles in the Mainland China maintained steady growth. The annual vehicle sales amounted to approximately 26.28 million units, representing a YoY increase of 4%, which ended a three-year downward trend. Of which the sales of new energy vehicles continued to rocket upward with a YoY increase of 1.6 times to approximately 3.52 million units, ranking first in the world for seven consecutive years.

In order to boost consumer confidence and comprehensively promote consumption, the Guangdong Provincial Government issued the "Several Policy and Measures on Promoting Urban Consumption" (《關於促進城市消費的若干政策措施》) in October 2021. In terms of expanding vehicle sales, it is proposed that the restrictions on automobile licensing indicators in Guangzhou and Shenzhen shall be gradually relaxed while vigorously promote the use of energy-saving vehicles and new energy vehicles. The incremental indicators for energy-saving small vehicles in Guangzhou is increased to 80,000 units during 2021 to 2022. In Shenzhen, in order to stimulate the sales of new energy small vehicles, the application conditions for new energy small vehicles are further relaxed and certain restrictions including social security are cancelled. In addition, it also encourages automobile service providers to explore the integrated consumption model of accommodation and transportation, establish an automobile station integrating extended services such as catering, shopping, accommodation, leisure and cultural tourism, and cultivate automobile cultural tourism consumption. The measures have a positive effect on releasing consumer demand and expanding the automobile market, which can further increase the overall car ownership, and is favourable to the expressway industry.

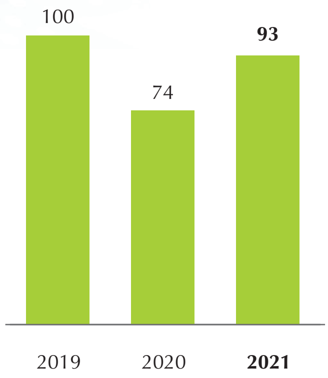
GS Superhighway

The GS Superhighway is a main expressway connecting the three major cities — Guangzhou, Dongguan and Shenzhen on the eastern bank of Bay Area to Hong Kong. The economic recovery of the cities along the expressway was stable. The GDP of Guangzhou, Dongguan and Shenzhen rose 8.1%, 8.2% and 6.7% YoY respectively in 2021, underpinning the sound operation performance of the GS Superhighway. In 2021, the average daily toll revenue and average daily full-length equivalent traffic grew by 24% and 26% YoY to RMB8.09 million and 93,000 vehicles respectively. Its total toll revenue for the year amounted to RMB2,952 million. The significant YoY increase in toll revenue and traffic volume in the first half of 2021 was mainly due to the implementation of the policy of waiver of tolls from 17 February 2020 to 5 May 2020 pursuant to the notice from the Ministry of Transport of the PRC, and 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, resulting in a low comparison base as compared to normal toll fees collection during the corresponding period of 2021. In the second half of 2021, the toll revenue and traffic volume recorded negative YoY growth, and partially offset the increase in the first half of the year, which was mainly due to the emergence of local confirmed cases of COVID-19 in Guangdong Province and other provinces and cities, including Guangzhou, Dongguan and Shenzhen along the GS Superhighway, leading to a reduction in citizen's travel during the period. Toll revenue and traffic volume contributed by passenger vehicles accounts for 70.4% and 81.3% of the toll revenue and full-length equivalent traffic of the GS Superhighway respectively. The amount of tolls collected and traffic volume of vehicles using ETC payment cards accounted for approximately 65% and 66% of the toll revenue and traffic volume of the GS Superhighway respectively.

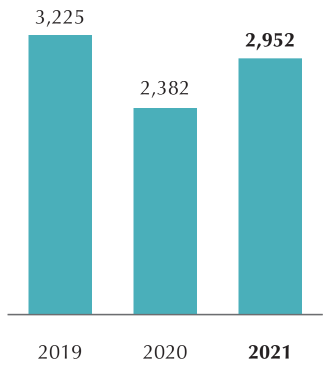
Average Daily Toll Revenue#
(RMB thousand)



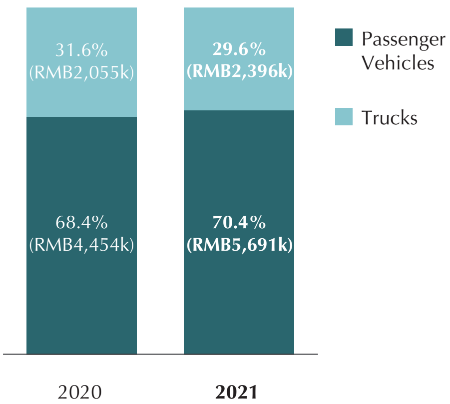
Average Daily Full-Length Equivalent Traffic
(No. of vehicles in thousand)



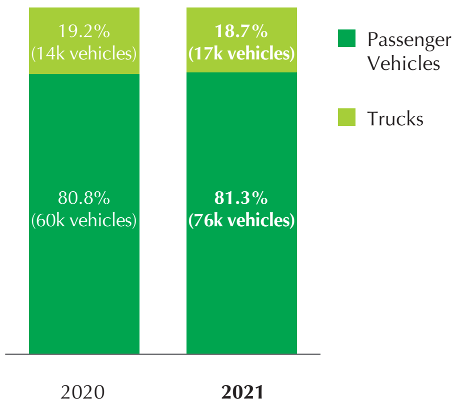
Annual Toll Revenue#
(RMB million)



Average Daily Toll Revenue Breakdown by Vehicle Type



Average Daily Full-Length Equivalent Traffic Breakdown by Vehicle Type



\# Including tax

During the year under review, the newly opened expressways and local roads around the GS Superhighway also had a diversion impact on it. The Shenzhen section Phase I, Dongguan section and Shenzhen section Phase II of Shenzhen Outer Ring Expressway opened to traffic at the end of 2020 and January 2022 respectively. The fully opened Shenzhen Outer Ring Expressway is another east-west expressway located north of Jihe Expressway, and is connected to several expressways such as the Guangshen Coastal Expressway, the GS Superhighway, the Nanguang Expressway, the Longda Expressway and the 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 has caused diversion impact on the GS Superhighway. The diversion impact is expected to continue in 2022. In addition, Phase II of the Nanping Highway linking the Qianhai sub-district was open to traffic in July 2021. Vehicles can travel to and from the Guangshen Coastal Expressway through roads in the Qianhai sub-district, which has caused slight diversion impacts on the GS Superhighway.

Phase II of the Dongguan-Panyu Expressway was open to traffic at the end of 2021, extending eastward to the Dongguan-Shenzhen Expressway from the current connection of the GS Superhighway in the Houjienan interchange. The newly opened road section has become a new path for highway users to travel to and from the Nansha Bridge. Due to the short opening period, the impact on the GS Superhighway is still subject to further observation.

Expansion of GS Superhighway

The expansion of the GS Superhighway continues to advance as planned. The feasibility report of the expansion work is currently subject to revision pursuant to the comments received from the preliminary review by relevant government departments and the investigation results of the survey and design work. After the revisions, the stage to submit application for work approval will be entered in order to strive to officially commence the expansion work in 2023. 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 is pending to the official approval by relevant government departments and is to be determined.

Potential Land Development and Utilisation of GS Superhighway

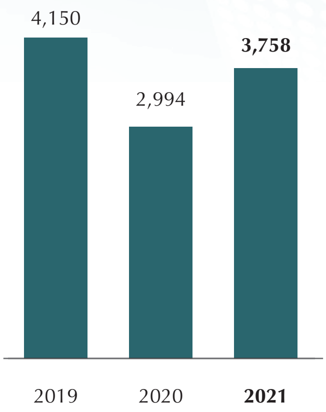
During the year under review, the Company and Guangdong Highway Construction have completed the studies on the planning that integrates the expansion with land development of Luogang Interchange, and submitted it to relevant government departments. Subsequently, Huangpu District of Guangzhou Municipal Planning and Natural Resources Bureau issued a public consultation notice from 18 September to 25 October 2021 on the change of the nature of land use around Luogang Interchange to Type II residential (inclusive of commercial use). Based on usual procedure, after the public consultation, the relevant government departments will examine the planning as published and will make decision on whether to change or adjust the nature of the land use. The relevant government departments have not announced the relevant decision yet. If the planning is implemented, Luogang Interchange would be reconstructed to vacate land for residential development (inclusive of commercial use). The government shall resume the vacated land plots from GS JV in accordance with the relevant laws and regulations, and will put up for bidding and auction. Currently, GS JV is negotiating with the local government on the exact size of the land parcels that will be handed over and the terms of the resumption (including the compensation sum). The Company is also negotiating with Guangdong Highway Construction to establish a joint venture pursuant to the terms of a memorandum of collaboration entered into in 2019, and will participate in the bidding for land use rights after the resumed land plot is put up for auction by the local government. 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.

The Company and Guangdong Highway Construction are promoting the studies on the planning that integrates the expansion with land development of Dongguan section and Shenzhen section. In particular, Daojiao Interchange and Xinqiao Interchange will be the key projects for study on feasibility in the next stage, and will further communicate with relevant government authorities proactively.

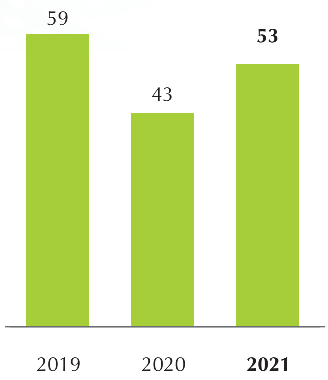
GZ West Superhighway

The GZ West Superhighway is the expressway artery between the city centres of Guangzhou and Zhuhai, and offers access to the HZM Bridge. The economy of cities along the expressway recovered at a solid pace. The GDP of Guangzhou, Foshan, Zhongshan and Zhuhai rose 8.1%, 8.3%, 8.2% and 6.9% YoY respectively in 2021, underpinning the stable operation performance of the GZ West Superhighway. In 2021, the average daily toll revenue and average daily full-length equivalent traffic grew by 26% and 23% YoY to RMB3.76 million and 53,000 vehicles respectively. Its total toll revenue for the year amounted to RMB1,372 million. The significant YoY increase in toll revenue and traffic volume in the first half of 2021 was mainly due to the implementation of the policy of waiver of tolls from 17 February 2020 to 5 May 2020 pursuant to the notice from the Ministry of Transport of the PRC, and 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, resulting in a low comparison base as compared to normal toll fees collection during the corresponding period of 2021. In the second half of 2021, the toll revenue and traffic volume recorded negative YoY growth, and partially offset the increase in the first half of the year, which was mainly due to the emergence of local confirmed cases of COVID-19 in Guangdong Province and other provinces and cities, including the cities along the GZ West Superhighway such as Guangzhou, Foshan, Zhongshan and Zhuhai, leading to a reduction in citizen’s travel during the period and the peak season for tourism activities in Zhuhai and Hengqin in summer no longer existed as well. Toll revenue and traffic volume contributed by passenger vehicles accounts for 67.6% and 78.3% of the toll revenue and full-length equivalent traffic of the GZ West Superhighway respectively. The amount of tolls collected and traffic volume of vehicles using ETC payment cards accounted for approximately 65% and 66% of the toll revenue and traffic volume of the GZ West Superhighway respectively.

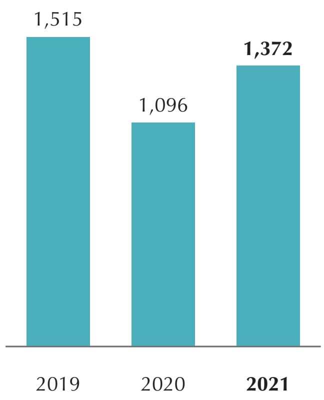
Average Daily Toll Revenue#
(RMB thousand)



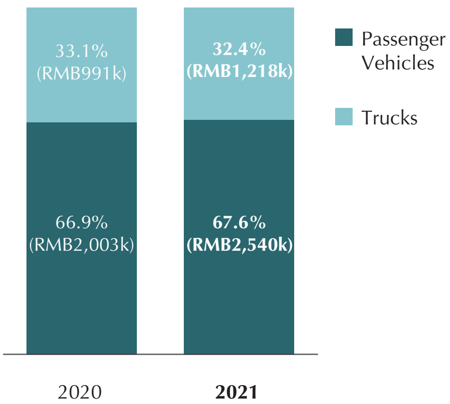
Average Daily Full-Length Equivalent Traffic
(No. of vehicles in thousand)



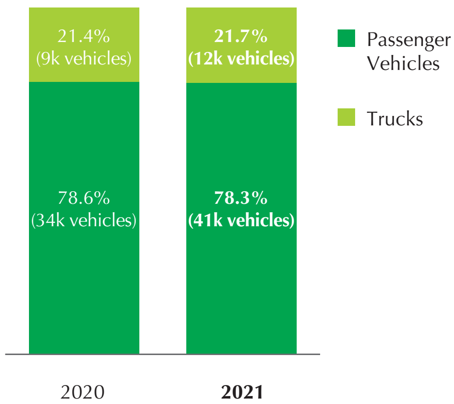
Annual Toll Revenue#
(RMB million)



Average Daily Toll Revenue Breakdown by Vehicle Type



Average Daily Full-Length Equivalent Traffic Breakdown by Vehicle Type



Including tax

During the year under review, the newly opened local roads and road improvement projects around the GZ West Superhighway has also caused diversion impact on it. The Huangpu Express Line was fully opened at the end of December 2020. By connecting with the Ronggui Outer Ring Road and the Bigui Road, another local road connecting Shunde and Zhongshan was formed. As it runs mostly parallel to the Ronggui toll station and Zhongshan West toll station section of the GZ West Superhighway, it has caused diversion impact on the GZ West Superhighway. In addition, the reconstruction project of Zhongshan Shalang and Guhe section of National Highway 105 was completed successively in the second half of 2021. Smooth flow of National Highway 105 after the completion of the reconstruction project induced some vehicles to return travelling the National Highway.

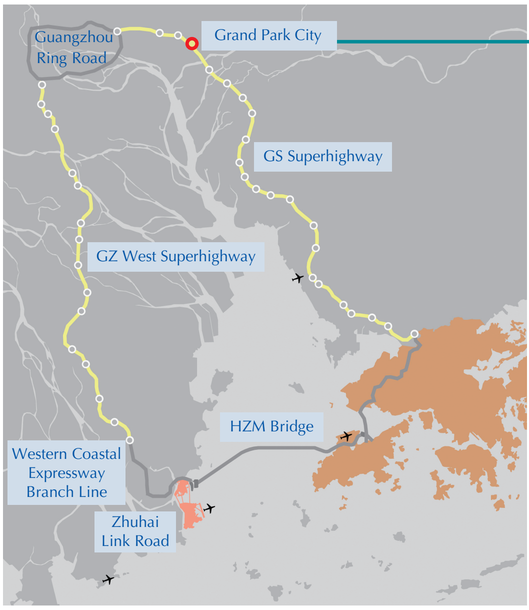
Phase IV of the Guangzhou-Zhongshan-Jiangmen Expressway was opened at the end of December 2021, representing the full opening of the Guangzhou-Zhongshan-Jiangmen Expressway. It is another east-west channel on the west bank of the Pearl River, which is connected with several expressways such as the Dongxin Expressway, the GZ West Superhighway and the Foshan-Jiangmen Expressway. The newly opened section is interconnected at the Nantoubei interchange of the GZ West Superhighway. Due to the short opening period, the impact is still subject to further observation.

To comply with Foshan government's plan on development of Sanlongwan area, the Shizhou toll station on the GZ West Superhighway was re-opened on 1 January 2021 and renamed as Sanlongwan toll station, after closure for reconstruction work to improve the capacity of the toll station and landscape. According to the "Overall Development Plan for Foshan Sanlongwan High-End Innovation Cluster (2020-2035)" (《佛山三龍灣高端創新集聚區發展總體規劃(2020–2035年）》), Sanlongwan sub-district includes Chan Cheng district, Nanhai district, Shunde district in Foshan, with planned areas of 130 square kilometres. Serving as the core channel of Foshan to drive forward the construction of the Bay Area, and the key innovation platform for the construction of an international science and innovation center in the Bay Area, Sanlongwan sub-district strives to achieve regional GDP target of RMB80 billion in 2025 and RMB200 billion in 2035. There are 12 key industrial projects in the near term, which include International Intelligent-innovation Park, Da-Jiang Innovations Technology Research and Development and Production Base in Shunde, Midea-KUKA Intelligent Science and Technology Park and New Material Research Institute of Tsinghua. Such plan will be conductive to global high-end innovation cluster in Foshan. Building an advanced manufacturing system to realise independence and controllability plays an important role in establishing an advanced manufacturing base with competitiveness at the international level in the Bay Area. Under the comprehensive plan, the movement of people and logistics in the Sanlongwan sub-district will achieve a continuous growth, which has a positive impact on the operation performance of the GZ West Superhighway over the long term.

Grand Park City

The Xintang interchange residential project has been named as the Grand Park City, with a total gross floor area of approximately 600,000 square metres. The construction will be carried out in three phases and the pre-sale of a portion of the residential units of the first phase has commenced in May 2021. Part of the sales revenue has been recognised based on completion stage since 2021. During the year under review, affected by the pandemic and market condition, approximately 70% of the annual sales target of 70,000 square meters was recorded with the contracted sales amounting to approximately RMB1,368 million, representing the average sales price of RMB28,000 per square metre. The construction of residential units has been smoothly proceeded as scheduled so far. The first phase consists of 7 blocks, of which 4 blocks have been topped out and the remaining 3 blocks are expecting to top out by mid 2022 successively. The construction of the second phase is expected to start in mid-2022.

Location of Grand Park City



Demonstration Diagram of Grand Park City

The Group's results for the year ended 31 December 2021 were as follows:

	Year ended 31 December									
	2020					**2021**				
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]	1,041	860	(450)	(189)	221	**1,289**	**1,194**	**(469)**	**(259)**	**466**
— GZ West Superhighway	532	418	(243)	(140)	35	**666**	**560**	**(237)**	**(160)**	**163**
Sub-total	1,573	1,278	(693)	(329)	256	**1,955**	**1,754**	**(706)**	**(419)**	**629**
Land development and utilisation project										
— Xintang Interchange	–	(1)	–	(41)	(42)	**19**	**(5)**	**(0)**	**(25)**	**(30)**
Total	1,573	1,277	(693)	(370)	214	**1,974**	**1,749**	**(706)**	**(444)**	**599**
YoY change						**25%**	**37%**	**2%**	**20%**	**180%**
Corporate:										
Bank deposits interest income					9					**36**
Investment income from bank structured deposits					2					**7**
Interest income of loans to a JV					50					**39**
Gain on disposal of 22.5% equity interest in Xintang JV					545					**–**
Other income and other gain					4					**15**
General and administrative expenses and depreciation					(36)					**(42)**
Finance costs					(17)					**(21)**
Income tax expense					(150)					**(40)**
Sub-total					407					**(6)**
Profit before net exchange gain					621					**593**
YoY change										**-5%**
Net exchange gain					73					**25**
Profit for the year					694					**618**
Profit attributable to non-controlling interests					(5)					**(9)**
Profit attributable to owners of the Company					689					**609**
YoY change										**-12%**

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

Toll Expressway Projects

The Group's share of net toll revenue of the expressway projects namely the GS Superhighway and the GZ West Superhighway operated by two joint ventures increased by 24% to RMB1,955 million from RMB1,573 million in 2020, of which the net toll revenue of the GS Superhighway increased by 24% to RMB1,289 million from RMB1,041 million in 2020; the net toll revenue of the GZ West Superhighway increased by 25% to RMB666 million from RMB532 million in 2020. The main reasons for the increase in toll revenue include: according to the notice from the Ministry of Transport of the PRC last year, 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 collection for all vehicles from 00:00 a.m. on 6 May 2020; in addition, the Holiday Toll-free Policy for small passenger vehicles with 7 seats or less during the Lunar New Year in 2020 extended from the original 7 days (from 24 January 2020 to 30 January 2020) to 16 days (ended on 8 February 2020).

The Group's share of aggregate EBITDA of its two toll expressways (excluding net exchange differences on the GS JV's US Dollar and HK Dollar denominated loans) increased by 37% to RMB1,754 million from RMB1,278 million in 2020. The Group's share of EBITDA of the GS Superhighway increased by 39% to RMB1,194 million from RMB860 million in 2020; the Group's share of EBITDA of the GZ West Superhighway increased by 34% to RMB560 million from RMB418 million in 2020, which is mainly attributable to the resumption of toll collection for the GS Superhighway and the GZ West Superhighway during the year 2021.

As driven by the domestic economic recovery, the actual full-length equivalent traffic (including tolled and toll-free) of the GS Superhighway and the GZ West Superhighway during the year 2021 increased as compared with 2020, of which the actual full-length equivalent traffic of the GS Superhighway increased by 0.4% as compared with 2020. The Group's share of depreciation and amortisation charges of the GS Superhighway amounted to RMB469 million, representing an increase of 4% from RMB450 million as compared with 2020; if excluding the depreciation and amortisation expenses of other fixed assets, the depreciation and amortisation expenses of concession intangible assets increased by 2% to RMB330 million in 2021 from RMB322 million in 2020. The performance of the GZ West Superhighway resumed stable simultaneously with the actual full-length equivalent traffic increased by 2% as compared with 2020. The Group's share of depreciation and amortisation charges of the GZ West Superhighway amounted to RMB237 million, representing a decrease of 2% from RMB243 million as compared with the 2020; if excluding the depreciation and amortisation expenses of other fixed assets, the depreciation and amortisation expenses of concession intangible assets increased by 2% to RMB215 million in 2021 from RMB211 million in 2020. Overall, the Group's share of aggregate depreciation and amortisation charges of the two toll expressways amounted to RMB706 million, representing an increase of 2% from RMB693 million as compared with 2020.

Since the bank loans of the GS JV are mainly denominated in US Dollar, benefiting from the US Federal Funds Rate reduction of 1.5% in the first half of 2020 and the interest rate of RMB denominated loans was in transition 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. The Group's share of interest expenses of the GS JV decreased by 33% to RMB38 million from RMB57 million in 2020; the GZ West JV repaid the principal of bank loans of RMB253 million and RMB348 million (at JV level) in advance with its cash surplus in 2020 and 2021 respectively, and benefiting from the transition of the interest rate of certain RMB denominated 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 further reduction of interest expenses of the GZ West JV. The Group's share of interest expenses of the GZ West JV decreased by 16% to RMB95 million from RMB113 million in 2020. The applicable PRC EIT rate for both the GS JV and the GZ West JV is 25%. With the increase in toll revenue, the Group's share of tax expenses of the GS JV increased by 67% to RMB221 million from RMB132 million in 2020, while the Group's share of tax expenses of the GZ West JV also increased significantly by 141% to RMB65 million from RMB27 million in 2020. Overall, the Group's share of interest and tax expenses in the two joint ventures in aggregate increased by 27% to RMB419 million from RMB329 million in 2020.

Due to the resumption of toll collection, in 2021, the Group's share of net profit of the GS JV was RMB466 million, representing an increase of 111% as compared to a net profit of RMB221 million in 2020; while the Group's share of net profit of the GZ West JV was RMB163 million, representing a significant increase of 366% as compared to a net profit of RMB35 million in 2020. The Group's share of aggregate net profit of the two expressway projects (excluding net exchange differences on the GS JV's US Dollar and HK Dollar denominated loans) was RMB629 million, representing an increase of 146% as compared to a net profit of RMB256 million in 2020.

Land Development and Utilisation Project

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 (the "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.

In 2021, the addition of one-year shareholder's loans of RMB2.56 billion (of which the Group accounted for approximately RMB384 million) in aggregate was made by the Parties to the Xintang JV in proportion to their shareholdings, which was mainly used for the final payment of the land premium of the Project Land. The interest rate of the shareholder's loans was 8% per annum. The Group has invested a total of approximately RMB749 million (including registered capital of RMB1.50 million and shareholder's loans of approximately RMB747 million) in the Xintang JV (excluded the rights upon the Disposal). In order to meet the relevant bank financing requirements in Mainland China, on 30 June 2021, the Xintang JV increased its registered capital from RMB10 million to RMB3.04 billion through a debt-for-equity swap base on the existing shareholder's loans, and the shareholder's loans contributed by the Parties accordingly decreased from approximately RMB4,983 million to approximately RMB1,953 million; the registered capital contributed by the Group (through Shenwan Infrastructure) increased from RMB1.50 million to approximately RMB456 million based on its shareholding percentage, and the shareholder's loans decreased from approximately RMB747 million to approximately RMB293 million. As Xintang JV further repaid shareholders' loans to the Parties based on its shareholding percentage, the Group's shareholders' loans to Xintang JV amounted to approximately RMB263 million as of 31 December 2021. Xintang JV has officially pre-sold certain residential units commencing May 2021 and has commenced to recognise the revenue based on completion stage. It is expected that Xintang JV would contribute profit in 2023.

The Group

In 2021, the aggregate amount of the Group's interest income from bank deposits and investment income from bank structured deposits increased to RMB43 million from approximately RMB11 million in 2020, mainly due to a consideration of approximately RMB1.09 billion received from the Disposal in September 2020 and therefore the balances of bank deposits and the structured deposits increased. Since December 2019, based on its shareholding percentage, the Group (through Shenwan Infrastructure) has made shareholder's loans at 8% per annum to the Xintang JV, which was financed by its internal fundings and bank financing.

As set out in the paragraphs under the "Land Development and Utilisation Project", on 10 September 2020, Shenwan Infrastructure, Guangdong Highway Construction and Shenzhen Run Investment entered into a transaction contract in respect of the Disposal. 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.

The Group's newly drawn bank loans amounted to a total of approximately RMB858 million in 2021, which were mainly used for the shareholder's loans invested in the Xintang JV and general working capital purposes. During the year under review, despite the increase in bank loans, the interest rate of bank loans decreased as compared with that of last year. The interest expense of bank loans, amounted to approximately RMB21 million, which was only 24% higher than that of approximately RMB17 million in 2020.

Income tax expenses mainly represent the provision for the interest income from the contribution of shareholder's loans to the Xintang JV by Shenwan Infrastructure, where the applicable PRC EIT rate is 25%; and the provision on the undistributed earnings of Shenwan Infrastructure, according to the prevailing tax laws in the PRC, the withholding tax shall be imposed at a preferential tax rate of 5% (normally at 10%) when Shenwan Infrastructure declares its earnings. Overall, the loss of the Group (excluding JVs) amounted to approximately RMB6 million in 2021. The profit for 2020 was approximately RMB407 million (included a net profit on disposal of 22.5% equity interests in Xintang JV amounted to RMB409 million).

Benefiting from the appreciation of RMB commenced from the second half of 2020, the net exchange gain of 2021 (including the Group's share of exchange gain on the US Dollar and HK Dollar denominated loans of the GS JV) amounted to RMB25 million, as compared to the net exchange gain of RMB73 million recorded in 2020. As a result, the profit attributable to owners of the Company amounted to RMB609 million, representing a decrease of 12% from RMB689 million as compared with 2020. If excluding the net profit on disposal of 22.5% equity interest in Xintang JV amounted to RMB409 million in 2020, there was an increase of RMB329 million, a rise of 118%.

Outlook

The year of 2022 will be a challenging year. There is a risk of spread of the new COVID-19, and the interest rate of US Dollar would increase. However, supporting policies was provided by Mainland China to stabilise economic development, and the appreciation of RMB commenced from the second half in 2020, which had a positive impact on the GS JV. 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) RMB denominated loans of GS JV benefited from adopting the lower loan prime rate as the pricing basis. The one-year loan prime rate decreased by a total of 0.1% in December 2021 and January 2022 respectively, and the five-year loan prime rate decreased by 0.05% in January 2022, thereby further reducing financing costs; (iii) the core business of the GZ West Superhighway is growing steadily and will continue to be benefited from the robust development of the economy, including the economic development of the Bay Area, and the construction of the Guangzhou-Shenzhen-Hong Kong-Macao Science and Technology Innovation Corridor; (iv) the GZ West JV early repaid the principal of bank loans with its cash surplus and the interest rate of certain loans was declined, leading to expected further decrease of interest expenses; and (v) the Grand Park City had commenced pre-sale of certain residential units.

As the domestic economic growth tends to be stable, the GS JV has paid stable dividends to the Group every year and the GZ West JV has distributed dividends to the Group since 2020. As the financial situation of the Group remains robust, the Board believes that the Group's full-year regular dividend payout ratio target of 100% on recurring income will be maintained.

Financing of the Group

As set out in the paragraphs under the "Land Development and Utilisation Project", the Group (through Shenwan Infrastructure), GPCG (through Lealu Investment and Leaxin Investment) and Shenzhen Run Investment owns 15%, 25% (in aggregate) and 60% of equity interests in the Xintang JV respectively 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.

The Group has duly made arrangement to meet the capital need of the Xintang JV. On 31 December 2021, the Group contributed approximately RMB944 million to the Xintang JV (comprising registered capital of approximately RMB456 million, shareholder's loans of approximately RMB263 million, and the shareholder's guarantee for bank financing of approximately RMB225 million).

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 2020 RMB million	**31 December 2021 RMB million**		31 December 2020 RMB million	**31 December 2021 RMB million**
Bank balances and cash, bank structured deposits	1,561	**1,903**	Bank loans	1,078	**1,936**
Shareholder's loan to a JV	336	**263**	Tax liabilities	147	**139**
Interest receivable of shareholder's loan to a JV	56	**1**	Dividend payable	306	**–**
Other assets	34	**33**	Other liabilities	86	**18**
	1,987	**2,200**		1,617	**2,093**
			Net assets of the Group	370	**107**

The Group's share of JVs

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

	31 December 2020 RMB million	**31 December 2021 RMB million**		31 December 2020 RMB million	**31 December 2021 RMB million**
Bank balances and cash	446	**250**	Bank loans		
Concession intangible assets	3,425	**3,017**	– USD	1,039	**882**
Property and equipment	226	**276**	– HKD	90	**76**
Other assets	41	**92**	– RMB	506	**394**
			Other loan	10	**11**
			Other liabilities	683	**687**
	4,138	**3,635**		2,328	**2,050**
			Net assets of GS JV	1,810	**1,585**

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

	31 December 2020 RMB million	**31 December 2021 RMB million**		31 December 2020 RMB million	**31 December 2021 RMB million**
Bank balances and cash	93	**85**	Bank loans	2,500	**2,143**
Concession intangible assets	5,538	**5,323**	Balances with a JV partner	484	**514**
Property and equipment	180	**163**	Other liabilities	455	**442**
Balances with a JV	484	**514**			
Other assets	21	**17**			
	6,316	**6,102**		3,439	**3,099**
			Net assets of GZ West JV	2,877	**3,003**

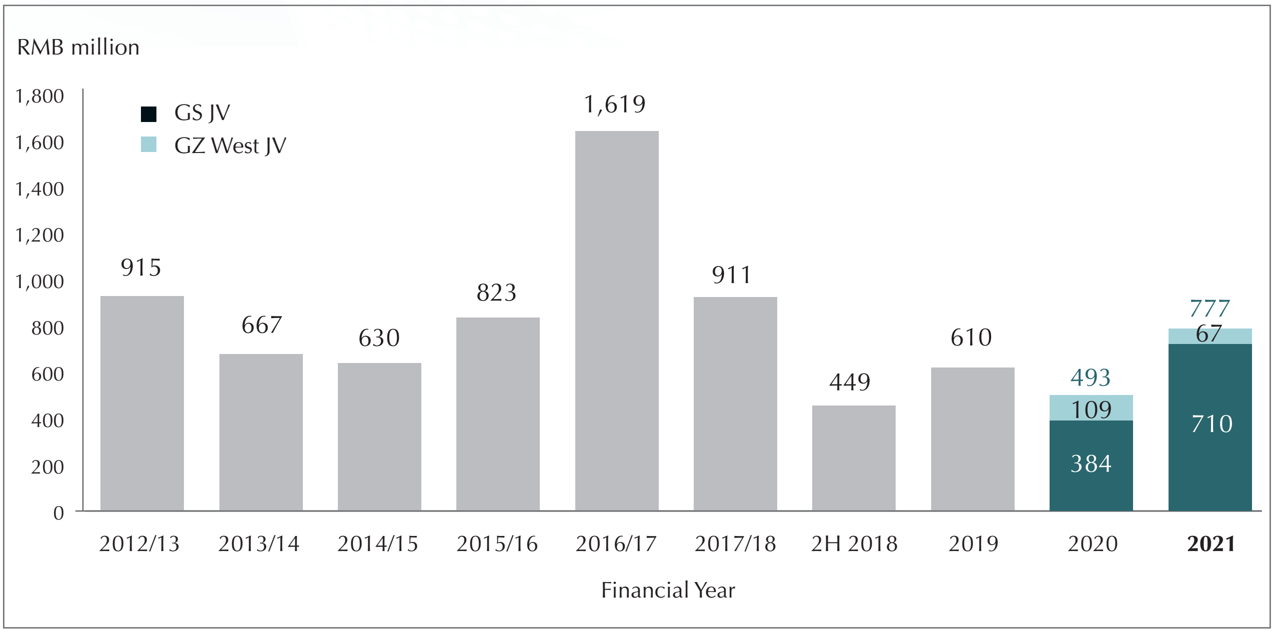
Xintang JV (The Group's shared portion: 15%)

	31 December 2020 RMB million	**31 December 2021 RMB million**		31 December 2020 RMB million	**31 December 2021 RMB million**
Bank balances and cash	5	**33**	Shareholder's loan	336	**263**
Project Land cost	620	**805**	Shareholder's loan interest payable	56	**1**
Other assets	31	**38**	Bank loan	–	**7**
			Project Land premium payable	319	**–**
			Contract Liabilities	–	**160**
			Other liabilities	–	**61**
	656	**876**		711	**492**
			Net (liabilities)/assets of Xintang JV	(55)	**384**

	31 December 2020 RMB million	**31 December 2021 RMB million**		31 December 2020 RMB million	**31 December 2021 RMB million**
			Total liabilities	8,095	**7,734**
			Equity attributable to owners of the Company	4,978	**5,057**
			Non-controlling interests	24	**22**
Total Assets	13,097	**12,813**	**Total Shareholder's Equity and Liabilities**	13,097	**12,813**
			Total net assets	5,002	**5,079**

Liquidity and Financial Resources

Cash Dividends (Net of Tax) from JVs to the Group



For the year ended 30 June 2017, the GS JV obtained an additional bank loan facility amounting to RMB2 billion to reimburse past capital expenditure advanced by its shareholders. Subsequently for the year ended 30 June 2018, 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 2020 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 2021, the Group had HK Dollar bank loan of equivalent to approximately RMB1,936 million, together with the bank and other borrowings of the JVs shared by the Group amounted to approximately RMB3,513 million (including US Dollar bank loans of equivalent to RMB882 million, HK Dollar bank loan of equivalent to RMB76 million and RMB bank and other loans of RMB2,555 million, but excluding the shareholder's loans) totalling approximately RMB5,449 million (31 December 2020: approximately RMB5,223 million) with the following profile:

(a) 99.8% (31 December 2020: 99.8%) consisted of bank loans and 0.2% (31 December 2020: 0.2%) of other loan; and

(b) 47% (31 December 2020: 58%) was denominated in RMB; 16% (31 December 2020: 20%) was denominated in US Dollar and 37% (31 December 2020: 22%) was denominated in HK Dollar.

Debt Maturity Profile

As at 31 December 2021, 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 2020:

Corporate Level

	31 December 2020		**31 December 2021**	
	RMB million	%	**RMB million**	**%**
Repayable within 1 year	324	30%	**882**	**46%**
Repayable between 1 and 5 years	754	70%	**1,054**	**54%**
	1,078	100%	**1,936**	**100%**

The Group's share of JVs

	31 December 2020		**31 December 2021**	
	RMB million	%	**RMB million**	**%**
Repayable within 1 year	352	8%	**220**	**6%**
Repayable between 1 and 5 years	3,314	80%	**2,541**	**72%**
Repayable beyond 5 years	479	12%	**752**	**22%**
	4,145	100%	**3,513**	**100%**

Interest Rate and Exchange Rate Exposure

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

Treasury Policies

The Group continues to adopt proactive but prudent treasury policies in its financial and funding management and closely monitors its liquidity, financial resources, interest rate and the exchange rate movements, with a view to minimising its funding costs and enhance return on its financial assets. The reasonable and efficient use of temporary idle funds will enhance the overall capital gain of the Group, which is consistent with the core objectives of the Group to ensure capital safety and liquidity, for example the impact of risk factors on the expected rate of return of the bank structured deposits with guaranteed principal is low, but the Group could get a higher return as compared with fixed term deposits in commercial banks in the PRC. As at 31 December 2021, 99.7% of the Group's bank balances and cash (including bank structured deposit) were denominated in RMB and the remaining 0.3% were denominated in HK Dollar. In 2021, the overall treasury yield on bank deposits (including bank structured deposit) of the Group was 3.06% whereas 2.16% in 2020.

Guarantee

As at 31 December 2021, the banking facilities of a wholly-owned subsidiary of the Company amounting to RMB3,737,180,000 (2020: RMB5,956,394,000) were guaranteed by the Company. The Company is able to control the utilisation of the facilities.

During the year, a non-wholly-owned subsidiary of the Company has provided a corporate guarantee to a bank to secure a banking facility granted to a joint venture amounting to RMB225,000,000. At 31 December 2021, the amount utilised by the joint venture was RMB7,051,000. In the opinion of the Directors, the fair value of the financial guarantee is insignificant.

Material Acquisition or Disposal

The Company's subsidiaries and associated companies did not make any material acquisitions or disposals during the year ended 31 December 2021.

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 2021, the Group (excluding JV companies) had 40 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.

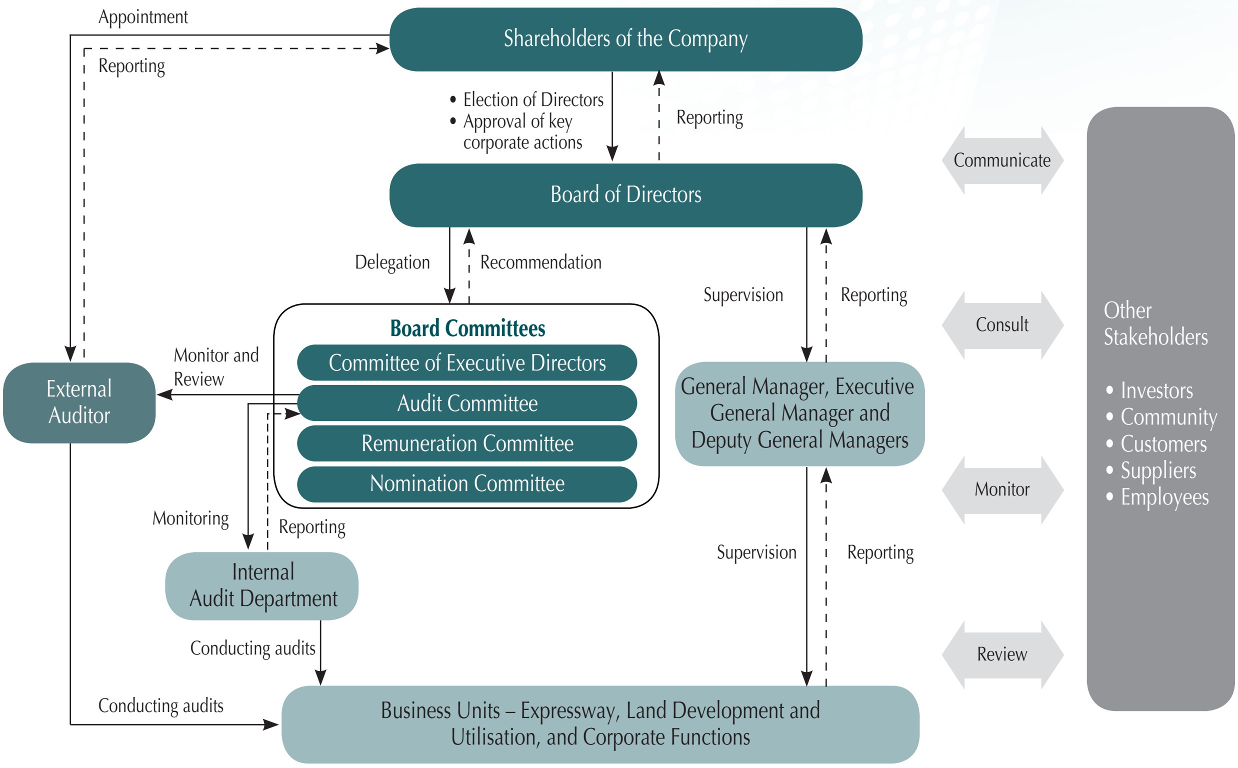
During the year, the Company complied with all the code provisions that were in force as set out in the CG Code except for the deviation from code provision A.5.1 which is explained below.

Code Provision A.5.1

The Company did not have a nomination committee as the Company already had the policies and procedures for selection and nomination of Directors in place. The Board as a whole regularly reviewed the plans for orderly succession for appointments to the Board and its structure, size, composition and diversity. If the Board considered that it was necessary to appoint new Director(s), it would set down the relevant appointment criteria which might 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) would normally be made by the Chairman of the Board (the "Chairman") and/or the general manager of the Company (the "General Manager") and subject to the Board's approval. External consultants might be engaged, if necessary, to access a wider range of potential candidate(s).

On 1 January 2022, the Company has established the Nomination Committee which is chaired by the Chairman and comprises three Independent Non-executive Directors. Details of establishment of the Nomination Committee were set out in the announcement of the Company dated 31 December 2021. The terms of reference setting out the authority of the Nomination Committee and its duties are available on the Company's website and the HKEx website.

Corporate Governance Structure



Board of Directors

The Board

The Company is managed through the Board which currently comprises five Executive Directors (including the Chairman), two Non-executive Directors and four Independent Non-executive Directors. Over 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 13 to 19 of this Annual Report.

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 of the Company or Director, 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 after their appointments during the year and have disclosed to the Company the major offices they held in public companies or organisations 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

During the year, Mr. Zhengyu LIU* served as the Chairman until his resignation on 31 December 2021 and was 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. Following the resignation of Mr. Zhengyu LIU*, Mr. Wei HU* served as the Chairman with effect from 31 December 2021.

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

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

During the year, all Non-executive Directors (including Independent Non-executive Directors) were 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. Wei HU* was appointed by the Board as an Executive Director and the Chairman on 31 December 2021. Both Mr. Jianming WU* and Mr. Peng XUE* were appointed by the Board as an Executive Director and an Independent Non-executive Director respectively on 4 February 2022. The Board has taken into consideration their background, experience and professional skills, the recommendation of the Nomination Committee and the written confirmation of independence of Mr. Peng XUE* and considered that they could provide support towards the effective discharge of the duties and responsibilities of the Board. Mr. Wei HU*, Mr. Jianming WU* and Mr. Peng XUE* shall hold office until the 2022 Annual General Meeting after their appointments and, being eligible, offer themselves 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.

In addition, the Company 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. On 1 January 2022, the Company has also established the Nomination Committee which is chaired by the Chairman and comprises 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 requirements 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 external auditor
- to approve the remuneration and terms of engagement of external auditor
- to review and monitor 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 approval by 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 included:

- to consider and approve the remuneration and terms of engagement of external auditor
- to review the annual financial statements for the year ended 31 December 2020 and the interim financial statements for the six months ended 30 June 2021
- to review the work performed by Internal Audit Department of the Company
- to review the Group's risk management and internal control systems and 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 authority of the Audit Committee and its duties are available on the Company's website and the HKEx website.

Remuneration Committee

The Remuneration Committee comprises 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 of the Company 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 Non-executive Directors (including Independent Non-executive Directors)

Principal works performed during the year included:

- to review the level of Directors' fees and make recommendations to the Board on the Directors' fees for the year ended 31 December 2021
- to review the performance assessment and the performance bonus of individual Executive Directors for both the years of 2019 and 2020 and make recommendations to the Board for approval

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

Attendance at Meetings

During the year ended 31 December 2021, the attendance records of the following Directors at Board meeting, Audit Committee meeting, Remuneration Committee meeting and the 2021 Annual General Meeting are as follows:

Name of Directors	Board Meeting	Audit Committee Meeting	Remuneration Committee Meeting	2021 Annual General Meeting
	Number of meetings attended/held			
Executive Directors				
Mr. Wei HU*				
Chairman (appointed on 31 December 2021)	N/A	N/A	N/A	N/A
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
Non-executive Directors				
Mr. Zhengyu LIU*				
Chairman (resigned on 31 December 2021)	4/4	N/A	N/A	0/1
Mr. Junye CAI*	4/4	N/A	N/A	1/1
Mr. Weiguo ZONG *	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	1/1

* *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, 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 on-going 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 Business
Executive Directors	✔	✔	✔
Mr. Wei HU* (appointed on 31 December 2021)	✔	✔	✔
Mr. Tianliang ZHANG*	✔	✔	✔
Mr. Cheng WU*	✔	✔	✔
Mr. Ji LIU*	✔	✔	✔
Non-executive Directors			
Mr. Zhengyu LIU* (resigned on 31 December 2021)	✔	✔	✔
Mr. Junye CAI*	✔	✔	✔
Mr. Weiguo ZONG*	✔	✔	✔
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 of the Company (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 external auditor as well as approving the terms of engagement and remuneration.

* *For identification purpose only*

During the year ended 31 December 2021, 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	1,940
Non-audit services:	
Interim review	383
Others	221
Total	**2,544**

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. The Group commits to implement the risk management and internal control systems compatible with the COSO (Committee of Sponsoring Organisations 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 regular quarterly 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 realised 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 been in force. The policy provides a platform for employees raising serious concerns internally, without fear of reprisal or victimisation, in a responsible and effective manner.

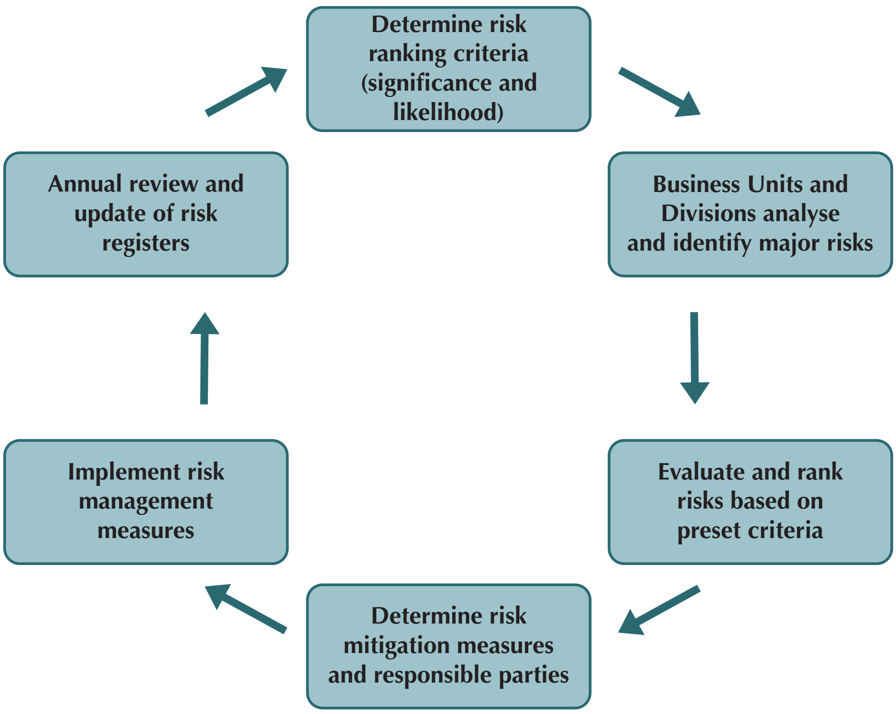
The Board, as the top strategy and policy setting body of the Group, provides oversight to the Group's management under the leadership of the General Manager. Clear corporate governance structure (as depicted on page 47 of our Corporate Governance Report) and reporting lines have been established with 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 the Company of each business unit for 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 operational and finance management to discuss business performance, budget variances, forecasts, market outlooks, and to address any operation and finance related matters.

Senior management of the Company 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 annually. 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 auditor informs senior management and the Audit Committee on the operation of financial controls reviewed as part of the statutory audit. Findings and risk concerns of internal auditor 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 auditor and reported to the Audit Committee.

Risk Management and Internal Control Review

During the year, 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. These reviews 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 2021, 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 2021
Regulatory and Political	Political instability, unfavourable government policies, regulations and legislative changes.	Expressway Land Development and Utilisation	↔ ↔
Commercial	Market risks resulting from increasing local competition, government toll-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 of the Company, 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 which are performance-related elements. No Director is allowed to approve his/her own remuneration.

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 ended 31 December 2021 had been approved by the shareholders at the 2021 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.

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 a monthly basis on the Company's website. When announcements are made through the Stock Exchange, the same information is also 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 meeting to response shareholders' questions. The 2021 Annual General Meeting was held at The Glass Pavilion, 3/F., Kowloonbay International Trade & Exhibition Centre, 1 Trademart Drive, Kowloon Bay, Kowloon, Hong Kong on 30 April 2021. The 2022 Annual General Meeting has been scheduled to be held on 29 April 2022.

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 of the Company to answer queries. To further facilitate exchange of opinions, the senior management of 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 of the Company 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 2021.

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 29 and 15 to the consolidated financial statements respectively.

Business Review

A review of the business of the Group during the year, a discussion on the Group's future business development and description of the principal risks and uncertainties the Company may be facing are provided in the Chairman's Statement on pages 7 to 10 and the Management Discussion and Analysis on pages 20 to 45 of this Annual Report. Also, the financial risk management objectives and policies of the Group can be found in note 28 to the consolidated financial statements. Particulars of important events affecting the Group that have occurred since the end of the year ended 31 December 2021, if applicable, are provided in the Chairman's Statement on pages 7 to 10, the Management Discussion and Analysis on pages 20 to 45 and this Report of the Directors on pages 66 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 6 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 7 to 10, pages 20 to 45, pages 46 to 65 and pages 66 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 2021 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 RMB10.45 cents per share (equivalent to HK12.880879 cents per share at the exchange rate of RMB1:HK$1.23262) (year ended 31 December 2020: a final dividend of RMB9.1 cents per share (equivalent to HK10.936835 cents per share)) in respect of the year ended 31 December 2021.

Together with the interim dividend of RMB9.3 cents per share (equivalent to HK11.147631 cents per share) paid on 22 October 2021 (year ended 31 December 2020: special interim dividend of RMB10.0 cents per share (equivalent to HK11.787600 cents per share)), the total dividends for the year will be RMB19.75 cents per share (equivalent to HK24.028510 cents per share) (year ended 31 December 2020: RMB19.1 cents per share (equivalent to HK22.724435 cents per share)).

Major Projects and Events

Details regarding major projects undertaken by the Group and events that have taken place during the year are incorporated under the section "Business Review" as set out on pages 20 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 2021 are set out in note 15 to the consolidated financial statements. In addition, discussion of the Group's investment strategy for the significant investments are incorporated under the section "Business Review" as set out on pages 20 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 2021 amounted to approximately RMB3,185 million (31 December 2020: RMB3,166 million) which represented retained profits and share premium of the Company as at that date.

Fixed Assets

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

Major Customers and Suppliers

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

Directors

The Directors and their profiles as at the date of this report are set out on pages 13 to 19. Changes of Directors during the year and up to date of this report are as follows:

Mr. Zhengyu LIU*	(resigned as a Non-executive Director on 31 December 2021)
Mr. Wei HU*	(appointed as an Executive Director on 31 December 2021)
Mr. Jianming WU*	(appointed as an Executive Director on 4 February 2022)
Mr. Peng XUE*	(appointed as an Independent Non-executive Director on 4 February 2022)

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. Junye CAI* shall retire from office at the 2022 Annual General Meeting and, being eligible, offered himself 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. Wei HU* (appointed as Executive Director on 31 December 2021), Mr. Jianming WU * (appointed as Executive Director on 4 February 2022) and Mr. Peng XUE* (appointed as Independent Non-executive Director on 4 February 2022), shall hold office until the 2022 Annual General Meeting after their appointments and, being eligible, offered themselves for re-election.

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 2021, the interests and short positions of the Directors and chief executives of the Company in the shares, underlying shares and debentures of the Company or any of its associated corporation (within the meaning of Part XV of the SFO) as recorded in the register required to be kept by the Company under section 352 of Part XV of the SFO or as otherwise required to be notified to the Company and the Stock Exchange pursuant to the Model Code contained in the Listing Rules are set out as follows:

Long positions in H shares of Shenzhen Expressway, an associated corporation of the Company:

Director	Number of H shares held	Approximate percentage to the issued H shares of Shenzhen Expressway	Nature of interests	Capacity
Wei HU*	200,000	0.0268%	Personal	Beneficial owner

Long positions in ordinary shares of Shenzhen International, an associated corporation of the Company:

Director	Number of ordinary shares held	Approximate percentage to the issued share capital of Shenzhen Expressway	Nature of interests	Capacity
Wei HU*	315	0.00001%	Personal	Beneficial owner

Interests in share options of Shenzhen International, an associated corporation of the Company:

Director	Outstanding share options[(1)]	Change during the year Adjustment	Granted	Exercised	Lapsed	Expired	Nature of interests	Capacity
Wei HU*	1,266,502	93,054	–	–	–	–	Personal	Beneficial owner

Note:

(1) The share options under share option scheme were granted on 26 May 2017 and could be exercised during the period from 26 May 2019 to 25 May 2022 pursuant to the grant conditions. On 23 June 2021, Shenzhen International adjusted the exercise price and quantity of the outstanding options. The exercise price was adjusted from HK$10.223 per share to HK$9.472 per share.

Save as disclosed above, as at 31 December 2021, none of the Directors or the chief executives of the Company had any other 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 should be valid and effective for a period of 15 years commencing on the Adoption Date, provided that no new award should be granted on or after the 10th anniversary of the Adoption Date. The Share Award Scheme expired on 24 January 2022. 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 was 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 was a Director, the Remuneration Committee) might, from time to time, at its absolute discretion and subject to such terms and conditions as it might think fit select an employee for participation in the Share Award Scheme and determined the number of shares to be awarded. The Board should not grant any award of shares which would result in the total number of issued shares which were the subject of awards granted by the Board under the Share Award Scheme (but not counting any which had lapsed or had 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 2021 and accordingly no dividend income was received in respect of shares held upon the trust for the Share Award Scheme (year ended 31 December 2020: 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 2021 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 2022 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). During the year, all the Non-executive Directors (including Independent Non-executive Directors) were 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. As at 31 December 2021, 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 2021 are RMB2,660,000 (year ended 31 December 2020: RMB1,527,000).

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 2021, 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 Expressway Company Limited (now known as Shenzhen Expressway Corporation Limited) ("Shenzhen Expressway") (深圳高速公路股份有限公司(現稱深圳高速公路集團股份有限公司))(i)	Interests of controlled corporation	2,213,449,666 (L)	71.83
Shenzhen International Holdings Limited ("Shenzhen International") (深圳國際控股有限公司)(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

Name	Capacity	Number of shares	Approximate % of total number of issued shares
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.

Pursuant to the sale and purchase agreement made between Shenzhen Investment International Capital Holdings Co., Ltd. (the "Vendor") and Mei Wah Industrial (Hong Kong) Ltd. (the "Purchaser") dated 10 August 2021 (the "S&P Agreement"), the Vendor conditionally agreed to sell 100% interest in SIICHIC at a consideration of no more than HK$4.67 per share to the Purchaser.

The S&P Agreement was completed on 11 January 2022. All the issued shares of SIICHIC (a company which directly holds 2,213,449,666 Shares) were delivered to the Purchaser on 11 January 2022. The Purchaser was wholly-owned by Shenzhen Expressway, which in turn was a subsidiary of Shenzhen International. The interests of the Purchaser, Shenzhen Expressway and Shenzhen International represented the same block of Shares and were deemed under the SFO to have same interests with each other.

Please refer to the paragraphs under the heading of "The Sale and Purchase of Shares of the Company" in this report for details.

(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 2021, 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 2021.

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.

Connected Transaction

On 29 June 2021, GS Superhighway JV entered into a survey and design contract (the "Survey and Design Contract") with Guangdong Communication Planning & Design Institute Group Co., Ltd.* (廣東省交通規劃設計研究院集團股份有限公司) (the "Contractor") to engage the Contractor to provide services in relation to the survey and design for the Guangzhou section of the Road Expansion Project. The scope of services to be provided by the Contractor includes survey and design of routes, subgrades, pavements, bridges and culverts, route crossings, landscape greening, services and facilities along the routes, etc. together with the preparation of survey and design reports and proposals, budgets estimations and other documentations relating thereto.

The service fee for the provision of the services under the Survey and Design Contract should be RMB46,462,831 (the "Service Fee"), among which, up to 97% of the Service Fee should be payable by GS Superhighway JV to the Contractor by way of progress payments based on tasks completed by the Contractor throughout the process (including delivery of requisite designs, drawings, reports, written analysis and opinions and other documentations, etc. by the Contractor) and the remaining 3% of the Service Fee would be withheld as retention monies which would be paid after the relevant certificate of completion in respect of the completion of the construction works on the entire Road Expansion Project was issued by the relevant government authority in the PRC.

* *For identification purpose only*

GS Superhighway JV had conducted a bidding process through the Guangzhou Public Resources Trading Center* (廣州公共資源交易中心) to obtain tenderers for the services required under the Survey and Design Contract. The Contractor was the successful tenderer and the Service Fee was determined under such bidding process taking into account the scope of tasks/services required under the Survey and Design Contract, the professional expertise, experience, quality, personnel, credit rating, track record and compliance performance of the tenderers and the technical proposals and service fees submitted by the tenderers. The GS Superhighway JV was of the view that the entering into of the Survey and Design Contract will move the progress of the Road Expansion Project forward and as an important step to achieve the expansion works commencement target in 2022.

The Service Fee was funded by internal resources and bank financing of GS Superhighway JV.

Given that the Contractor was owned as to 40% by Guangdong Provincial Communication Group Company Limited* (廣東省交通集團有限公司), being the holding company of Guangdong Provincial Highway Construction Company Limited* (廣東省公路建設有限公司) ("Guangdong Highway Construction"), the substantial shareholder of GS Superhighway JV (a deemed subsidiary of the Company), the Contractor was an associate of Guangdong Highway Construction, and thus a connected person of the Company at the subsidiary level. The Survey and Design Contract therefore constituted a connected transaction of the Company at the subsidiary level under Chapter 14A of the Listing Rules.

As one or more of the applicable percentage ratios in relation to the Survey and Design Contract exceeded 1% but all of them were less than 5%, the Survey and Design Contract was only subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

The Directors (including the independent Non-executive Directors) had approved the Survey and Design Contract and considered that the terms thereunder were fair and reasonable and on normal commercial terms, and the entering into of the Survey and Design Contract was in the ordinary and usual course of business of the Group and in the interest of the Company and the Shareholders as a whole.

Details of the Survey and Design Contract were set out in the announcement of the Company dated 29 June 2021.

* *For identification purpose only*

The Sale and Purchase of Shares of the Company

On 15 March 2021, SIHC, the ultimate controlling shareholder of the Company, entered into a memorandum of understanding (the "MOU") with Shenzhen Expressway Company Limited (subsequently renamed as Shenzhen Expressway Corporation Limited on 20 December 2021, "Shenzhen Expressway") in relation to the possible sale and purchase of the shares of the Company.

According to publicly available information, Shenzhen Expressway is a company incorporated in the PRC, the shares of which are listed on the Stock Exchange (Stock Code: 548) and Shanghai Stock Exchange (SSE Stock Code: 600548), which is a subsidiary of Shenzhen International Holdings Limited, a company listed on the Stock Exchange ("Shenzhen International", Stock Code: 152), which in turn is owned as to approximately 43.39% by SIHC. SIHC is ultimately controlled by the State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipality. According to the information provided by Shenzhen Expressway, the principal activities of Shenzhen Expressway and its subsidiaries are the investment, construction, operation and management of toll highways and environmental protection business in PRC.

Pursuant to the MOU, Shenzhen Expressway intended to purchase, and SIHC intended to sell all its interest in the 2,213,449,666 Shares, representing approximately 71.83% of the total issued Shares (the "Possible Transaction"). The Possible Transaction was subject to further negotiation and execution of a formal sale and purchase agreement between the parties. Details of the MOU and the Possible Transaction were set out in the announcement of the Company dated 15 March 2021.

Shenzhen Expressway had made an application for a waiver from the obligation to make a mandatory general offer under Note 6(a) of Rule 26.1 of the Hong Kong Code on Takeovers and Mergers (the "Takeovers Code") from the executive, and the executive has granted such waiver on 13 April 2021. For the purposes of the Takeovers Code, the offer period has ended on 14 April 2021. Details of grant of mandatory general offer waiver by the executive were set out in the announcement of the Company dated 14 April 2021.

On 10 August 2021, Shenzhen Investment International Capital Holdings Co., Limited. (the "Vendor"), a wholly-owned subsidiary of SIHC, entered into a sale and purchase agreement (the "Agreement") with Mei Wah Industrial (Hong Kong) Limited (the "Purchaser"), a wholly-owned subsidiary of Shenzhen Expressway, to materialise the Possible Transaction. Pursuant to the Agreement, the Vendor conditionally agreed to sell, and the Purchaser conditionally agreed to purchase all the issued shares of Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd. (the "Target Company") at a total consideration of HK$2,450,034,805.18, with the Purchaser further conditionally agreeing to finance the repayment of the loans owing by the Target Company to the Vendor in the aggregate principal amount of approximately USD700,000,000 and several existing bank loans owing by the Target Company to certain banks, in the aggregate principal amount of approximately HK$2,429,495,000 (the "Transaction").

Reference is also made to the announcement of the Company dated 17 September 2018 relating to, among other things, the agreement between the SIHC, the Vendor and the trustee of CMF Global Quantitative Stable Segregated Portfolio ("CMF Fund") that CMF Fund may, during the period of three months prior to the fifth anniversary of the then completion date of the placing of certain shares of the Company to CMF Fund (the "Fifth Anniversary Date"), give a one-off notification to SIHC and the Vendor (or either of them) that CMF Fund intends to, on or within six months after the Fifth Anniversary Date, dispose of all or part of the then placing shares on-market and/or off-market to independent third party(ies) ("Disposal(s)"), and if the aggregate amount of the consideration received by CMF Fund under the Disposal(s) is less than the total investment costs of CMF Fund and its investor, SIHC and the Vendor (or either of them) will pay to CMF Fund the difference in cash (the "Payment Obligation"). SIHC, the Vendor, the Purchaser and Shenzhen Expressway have agreed that the Purchaser and Shenzhen Expressway will, after completion of the Transaction, perform the Payment Obligation (if any) towards CMF Fund (estimated to be not more than HK$139,000,000).

Completion of the Transaction was subject to the fulfilment of certain conditions precedent, including among others, approval by the independent shareholders of each of Shenzhen Expressway and its holding company, Shenzhen International, at their respective general meeting. Details of sale and purchase of shares by controlling shareholder were set out in the announcement of the Company dated 10 August 2021.

On 10 December 2021, the relevant resolution approving the Agreement and the transactions contemplated thereunder was approved by the independent shareholders of Shenzhen Expressway at its extraordinary general meeting and the independent shareholders of Shenzhen International at its special general meeting. Details of further update on the sale and purchase of shares of the Target Company by controlling shareholder were set out in the announcement of the Company dated 10 December 2021.

On 11 January 2022, completion of the sale and purchase of all the issued shares in the Target Company under the Agreement had taken place. Upon completion of the Transaction, the Purchaser, Shenzhen Expressway and Shenzhen International become the intermediate controlling shareholders of the Company, with the Purchaser (through its 100% shareholding interest in the Target Company) indirectly holding approximately 71.83% of the total issued shares of the Company. Since the Purchaser is a wholly-owned subsidiary of Shenzhen Expressway, being a subsidiary of Shenzhen International, which in turn is controlled by SIHC, SIHC remains the ultimate controlling shareholder of the Company upon completion of the Transaction. Details of completion of the sale and purchase of shares of the Target Company by controlling shareholder were set out in the announcement of the Company dated 11 January 2022.

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 2022 Annual General Meeting.

On behalf of the Board

Wei HU*
Chairman

Hong Kong, 25 February 2022

* *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 149, which comprise the consolidated statement of financial position as at 31 December 2021, 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 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with International Financial Reporting Standards ("IFRSs") and have been properly prepared in compliance with the disclosure requirements of Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

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

Key Audit Matters (continued)

Key audit matter	How our audit addressed the key audit matter
Interests in joint ventures ("JVs") and share of results of JVs — Amortisation of concession intangible assets of the JVs	
We identified the amortisation of concession intangible assets of the JVs as a key audit matter because significant judgements are required in determining the estimation of future traffic volume which has an impact on the carrying value of the concession intangible assets of the JVs as at year end and the amortisation charges for the current and future years. As set out in note 15 to the consolidated financial statements, the two JVs of the Group are engaged in the development, operation and management of expressways under service concession agreements with the right to collect tolls for operating two expressways in Guangdong Province of the People's Republic of China (the "PRC"), one of which runs between Shenzhen and Guangzhou and the other one links Guangzhou, Zhongshan and Zhuhai with the toll collection periods ranging from 25 years to 30 years. The Group has accounted for its interests in these JVs using the equity method of accounting. As set out in note 4(i) to the consolidated financial statements, the interests in JVs as at 31 December 2021 amounted to RMB4,971,183,000 and the share of results of JVs for the year then ended 31 December 2021 amounted to RMB656,758,000. 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 RMB639,763,000 for the year ended 31 December 2021 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 2021 and share of results of JVs for the year ended 31 December 2021 under the equity method of accounting for the reason stated in the above key audit matter. As disclosed in note 4(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 4(ii) to the consolidated financial statements, the interests in JVs as at 31 December 2021 amounted to RMB4,971,183,000 and share of results of JVs for the year then ended 31 December 2021 amounted to RMB656,758,000. Included in the interests in JVs, there was a provision of resurfacing obligations of the JVs shared by the Group amounting to RMB276,056,000 as at 31 December 2021. 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 basis 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 Leung Chui Shan.

Deloitte Touche Tohmatsu
Certified Public Accountants

Hong Kong
25 February 2022

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021

	NOTES	2020 RMB'000	**2021 RMB'000**
Other income	6	64,178	**84,950**
Other gain and loss	7	13,378	**19,627**
Gain on partial disposal of a joint venture	15	545,181	**–**
Depreciation		(575)	**(1,034)**
General and administrative expenses		(35,199)	**(41,124)**
Finance costs		(17,266)	**(20,651)**
Share of results of joint ventures	8	295,090	**656,758**
Profit before tax		864,787	**698,526**
Income tax expense	9	(171,004)	**(80,440)**
Profit for the year	10	693,783	**618,086**
Other comprehensive income (expense)			
Item that will not be reclassified to profit or loss:			
Fair value gain (loss) on investment in equity instrument at fair value through other comprehensive income, net of tax		7,560	**(9,810)**
Item that may be reclassified subsequently to profit or loss:			
Exchange gain arising on translation of foreign operations		64,359	**46,870**
Total comprehensive income for the year		765,702	**655,146**
Profit for the year attributable to:			
Owners of the Company		688,661	**609,208**
Non-controlling interests		5,122	**8,878**
		693,783	**618,086**
Total comprehensive income attributable to:			
Owners of the Company		760,580	**646,268**
Non-controlling interests		5,122	**8,878**
		765,702	**655,146**
		RMB cents	***RMB cents***
Earnings per share	12		
Basic		22.35	**19.77**

Consolidated Statement of Financial Position

As at 31 December 2021

	NOTES	2020 RMB'000	2021 RMB'000
ASSETS			
Non-current Assets			
Interests in joint ventures	15	4,673,688	**4,971,183**
Equity instrument at fair value through other comprehensive income	16	31,000	**20,100**
Property and equipment	17	2,111	**1,768**
Right-of-use asset	18	–	**4,999**
Amount due from a joint venture	19	322,792	**–**
		5,029,591	**4,998,050**
Current Assets			
Deposits and prepayments		545	**735**
Interest and other receivables		1,208	**5,621**
Amount due from a joint venture	19	27,041	**263,636**
Structured deposit	20	801,503	**351,381**
Time deposit with original maturity over three months	21	240,000	**–**
Bank balances and cash	21	519,042	**1,552,319**
		1,589,339	**2,173,692**
Total Assets		6,618,930	**7,171,742**
EQUITY AND LIABILITIES			
Capital and Reserves			
Share capital	22	270,603	**270,603**
Share premium and reserves		4,707,513	**4,785,775**
Equity attributable to owners of the Company		4,978,116	**5,056,378**
Non-controlling interests		23,586	**22,107**
Total Equity		5,001,702	**5,078,485**
Non-current Liabilities			
Lease liability	24	–	**3,335**
Bank loans	25	754,002	**1,053,922**
Deferred tax liabilities	26	76,025	**130,746**
		830,027	**1,188,003**
Current Liabilities			
Payables and accruals		10,255	**10,857**
Lease liability	24	–	**1,674**
Bank loans	25	324,347	**882,353**
Dividend payables		306,030	**–**
Tax payables		146,569	**10,370**
		787,201	**905,254**
Total Liabilities		1,617,228	**2,093,257**
Total Equity and Liabilities		6,618,930	**7,171,742**
Cash and cash equivalents		519,042	**1,552,319**

Tianliang ZHANG*
Director

Ji LIU*
Director

* *For identification purpose only*

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021

	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 2020	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 13)	–	–	–	–	–	(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
Fair value loss on investment in equity instrument at fair value through other comprehensive income, net of tax	–	–	–	(9,810)	–	–	(9,810)	–	(9,810)
Exchange gain on translation of foreign operations	–	–	–	–	46,870	–	46,870	–	46,870
Profit for the year	–	–	–	–	–	609,208	609,208	8,878	618,086
Total comprehensive (expense) income for the year	–	–	–	(9,810)	46,870	609,208	646,268	8,878	655,146
Transfer between reserves	–	–	500	–	–	(500)	–	–	–
Dividends recognised as distribution during the year (Note 13)	–	–	–	–	–	(568,006)	(568,006)	–	(568,006)
Dividends paid to non-controlling interests	–	–	–	–	–	–	–	(10,357)	(10,357)
As at 31 December 2021	270,603	2,337,689	109,090	13,373	(251,224)	2,576,847	5,056,378	22,107	5,078,485

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 2021

	2020 RMB'000	2021 RMB'000
OPERATING ACTIVITIES		
Profit before tax	864,787	**698,526**
Adjustments for:		
Dividend income from equity instrument at fair value through other comprehensive income	(1,100)	**(604)**
Interest income	(58,476)	**(75,310)**
Investment income from structured deposit	(1,503)	**(6,947)**
Interest expense	15,791	**20,566**
Gain on partial disposal of a joint venture	(545,181)	**–**
Write back of unrealised loss related to partial disposal of a joint venture in prior year	–	**(12,056)**
Net exchange gain	(13,378)	**(7,571)**
Depreciation of property and equipment	575	**887**
Depreciation of right-of-use asset	–	**147**
Share of results of joint ventures	(295,090)	**(656,758)**
Operating cash flows before movements in working capital	(33,575)	**(39,120)**
Increase in interest and other receivables	(225)	**(4,518)**
Decrease (increase) in deposits and prepayments	275	**(190)**
(Decrease) increase in payables and accruals	(13,903)	**12,407**
Cash used in operating activities	(47,428)	**(31,421)**
Income tax paid	(3,468)	**(157,410)**
Income tax refund	–	**5,783**
NET CASH USED IN OPERATING ACTIVITIES	(50,896)	**(183,048)**
INVESTING ACTIVITIES		
Withdrawal of structured deposit	–	**1,495,000**
Dividends received (net of PRC withholding tax)	494,707	**777,048**
Withdrawal of time deposit with original maturity over three months	–	**240,000**
Repayment from a joint venture	–	**172,000**
Interest received	8,025	**110,693**
Placement of structured deposit	(800,000)	**(1,045,000)**
Advance to a joint venture	(558,750)	**(526,000)**
Purchases of property and equipment	(1,140)	**(544)**
Proceeds on partial disposal of a joint venture and assignment of shareholder's loans and interests thereon	1,090,432	**–**
Placement of time deposit with original maturity over three months	(240,000)	**–**
Expenses arising from partial disposal of a joint venture	(12,717)	**–**
NET CASH (USED IN) FROM INVESTING ACTIVITIES	(19,443)	**1,223,197**
FINANCING ACTIVITIES		
New bank loans raised	3,190,168	**2,465,686**
Bank loans repaid	(2,318,054)	**(1,575,163)**
Interest paid on bank loans	(15,575)	**(20,239)**
Repayment of lease liability	–	**(137)**
Interest paid on lease liability	–	**(16)**
Dividends paid to:		
— owners of the Company	(317,710)	**(868,522)**
— non-controlling interests of a subsidiary	(5,556)	**(10,357)**
NET CASH FROM (USED IN) FINANCING ACTIVITIES	533,273	**(8,748)**
NET INCREASE IN CASH AND CASH EQUIVALENTS	462,934	**1,031,401**
CASH AND CASH EQUIVALENTS BROUGHT FORWARD	49,785	**519,042**
EFFECT OF FOREIGN EXCHANGE RATE CHANGES	6,323	**1,876**
CASH AND CASH EQUIVALENTS CARRIED FORWARD	519,042	**1,552,319**

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"). As at 31 December 2021, the Company's immediate holding company and ultimate holding company are Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd. (深圳投控國際資本控股基建有限公司) ("SIICHIC"), a company incorporated in the British Virgin Islands with limited liability, and Shenzhen Investment Holdings Co., Ltd (深圳市投資控股有限公司) ("SIHC"), a company established in the PRC with limited liability, respectively. During the year, Shenzhen Investment International Capital Holdings Co., Limited (深圳投控國際資本控股有限公司), intermediate holding company of the Company entered into an agreement with Mei Wah Industrial (Hong Kong) Limited ("Mei Wah") to dispose of all of its equity interest in SIICHIC. The transaction was completed on 11 January 2022 and Mei Wah became an intermediate holding company of the Company. Since Mei Wah is controlled by SIHC, SIHC remains the ultimate holding company of the Company upon completion of the transaction.

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 29 and 15 respectively.

The Company's functional currency and presentation currency are Renminbi ("RMB").

2. 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 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 2021 for the preparation of the consolidated financial statements:

Amendments to IFRS 16	Covid-19-Related Rent Concessions
Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16	Interest Rate Benchmark Reform — Phase 2

Except as described below, the application of the amendments to IFRSs in the current year has 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.

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

Amendments to IFRSs that are mandatorily effective for the current year (continued)

Impacts on application of Amendments to IFRS 9, IAS 39, IFRS 7, IFRS 4 and IFRS 16 "Interest Rate Benchmark Reform — Phase 2"

The Group has applied the amendments for the first time in the current year. The amendments relate to changes in the basis for determining the contractual cash flows of financial assets, financial liabilities and lease liability as a result of interest rate benchmark reform, specific hedge accounting requirements and the related disclosure requirements applying IFRS 7 "Financial Instruments: Disclosures".

As at 1 January 2021 and 31 December 2021, the Group had bank loans with carrying amount of RMB1,078,349,000 and RMB1,936,275,000 respectively, the interests of which are indexed to benchmark rates that will or may be subject to interest rate benchmark reform, i.e. Hong Kong Interbank Offered Rate ("HIBOR").

The amendments have had no impact on the consolidated financial statements as none of the relevant contracts has been transitioned to the relevant replacement rates during the year. The Group will apply the practical expedient in relation to the changes in contractual cash flows resulting from the interest rate benchmark reform for bank loans measured at amortised cost. Additional disclosures as required by IFRS 7 are set out in note 28.

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[3]
Amendments to IFRS 3	Reference to the Conceptual Framework[2]
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[4]
Amendment to IFRS 16	Covid-19-Related Rent Concessions beyond 30 June 2021[1]
Amendments to IAS 1	Classification of Liabilities as Current or Non-current[3]
Amendments to IAS 1 and IFRS Practice Statement 2	Disclosure of Accounting Policies[3]
Amendments to IAS 8	Definition of Accounting Estimates[3]
Amendments to IAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[3]
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 April 2021.
[2] Effective for annual periods beginning on or after 1 January 2022.
[3] Effective for annual periods beginning on or after 1 January 2023.
[4] Effective for annual periods beginning on or after a date to be determined.

Except for Amendments to IAS 1 "Classification of Liabilities as Current or Non-current" mentioned below, the Directors anticipate that the application of all other new and amendments to IFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

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

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

Amendments to IAS 1 "Classification of Liabilities as Current or Non-current"

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within twelve months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying IAS 32 "Financial Instruments: Presentation".

As at 31 December 2021, the Group's rights to defer settlement for borrowings of RMB1,053,922,000 are subject to compliance with certain financial ratios within twelve months from the reporting date. Such borrowings were classified as non-current as the Group met such ratios at 31 December 2021. The Group will assess the potential impacts of the amendments in relation to the borrowings with financial and other covenants. The impacts on application, if any, will be disclosed in the Group's future consolidated financial statements.

Except for as disclosed above, the application of the amendments will not result in reclassification of the Group's other liabilities as at 31 December 2021.

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

3.1 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, except for share-based payment transactions that are within the scope of IFRS 2 "Share-based Payment", leasing transactions that are accounted for in accordance with IFRS 16 "Leases", and measurements that have some similarities to fair value but are not fair value, such as net realisable value in IAS 2 "Inventories" or value in use in IAS 36 "Impairment of Assets".

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.

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

3.2 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.

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.

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

3.2 Significant accounting policies (continued)

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 a 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.

An investment in a joint venture is accounted for using the equity method from the date on which the investee becomes a joint venture. On acquisition of the investment in a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

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 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.

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

3.2 Significant accounting policies (continued)

Interests in joint ventures (continued)

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 "Financial Instruments", 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.

When the Group reduces its ownership interest in a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

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.

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

3.2 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.

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

3.2 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 of IFRS 16 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.

The Group as a lessee

Short-term leases

The Group applies the short-term lease recognition exemption to leases of car parks, office and staff quarters that have a lease term of twelve months or less from the commencement date and do not contain a purchase option. Lease payments on short-term leases are recognised as expense on a straight-line basis over the lease term.

Right-of-use asset

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability; and
- any initial direct costs incurred by the Group.

Right-of-use asset is measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liability.

Right-of-use asset in which the Group is reasonably certain to obtain ownership of the underlying leased asset at the end of the lease term is depreciated from commencement date to the end of the useful life. Otherwise, right-of-use asset is depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use asset as a separate line item on the consolidated statement of financial position.

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

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Refundable rental deposit

Refundable rental deposit paid is accounted under IFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use asset.

Lease liability

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include fixed payments (including in-substance fixed payments) less any lease incentives receivable.

After the commencement date, lease liability is adjusted by interest accretion and lease payments.

The Group remeasures lease liability (and makes a corresponding adjustment to the related right-of-use asset) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liability as a separate line item on the consolidated statement of financial position.

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

3.2 Significant accounting policies (continued)

Leases (continued)

The Group as a lessee (continued)

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liability by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

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”.

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

3.2 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.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another IFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees after deducting any amount already paid.

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

3.2 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.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use asset and the related lease liability, the Group first determines whether the tax deductions are attributable to the right-of-use asset or the lease liability.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies IAS 12 requirements to the leasing transaction as a whole. Temporary differences relating to right-of-use assets and lease liabilities are assessed on a net basis. Excess of depreciation on right-of-use assets over the lease payments for the principal portion of lease liabilities results in net deductible temporary differences.

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

3.2 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 taxation 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.

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

3.2 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 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. 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.

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

3.2 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) and other item (financial guarantee contract) 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 twelve months after the reporting date. Assessments 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.

For all instruments, the Group measures the loss allowance equal to 12-month ECL, unless 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.

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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.

For financial guarantee contract, the date that the Group becomes a party to the irrevocable commitment is considered to be the date of initial recognition for the purposes of assessing impairment. In assessing whether there has been a significant increase in the credit risk since initial recognition of financial guarantee contract, the Group considers the changes in the risk that the specified debtor will default on the contract.

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.

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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:

- significant financial difficulty of the issuer or the borrower;
- a breach of contract, such as a default or past due event;
- 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;
- it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or
- the disappearance of an active market for that financial asset because of financial difficulties.

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.

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (continued)

Impairment of financial assets (continued)

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 a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contract for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

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.

Except for financial guarantee contract, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amount.

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Financial assets (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 or 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 the Company are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

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

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with IFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

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

3.2 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.

Changes in the basis for determining the contractual cash flows as a result of interest rate benchmark reform

For changes in the basis for determining the contractual cash flows of a financial asset or financial liability to which the amortised cost measurement applies as a result of interest rate benchmark reform, the Group applies the practical expedient to account for these changes by updating the effective interest rate, such change in effective interest rate normally has no significant effect on the carrying amount of the relevant financial asset or financial liability.

A change in the basis for determining the contractual cash flows is required by interest rate benchmark reform if and only if, both these conditions are met:

- the change is necessary as a direct consequence of interest rate benchmark reform; and
- the new basis for determining the contractual cash flows is economically equivalent to the previous basis (i.e. the basis immediately preceding the change).

For other changes made to a financial asset or financial liability in addition to changes to the basis for determining the contractual cash flows required by interest rate benchmark reform, the Group first applies the practical expedient to the changes required by interest rate benchmark reform by updating the effective interest rate. The Group then applies the applicable requirements in IFRS 9 on modification of a financial asset or a financial liability to the additional changes to which the practical expedient does not apply.

Impairment on property and equipment and right-of-use asset

At the end of the reporting period, the Group reviews the carrying amounts of its property and equipment and right-of-use asset 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 and right-of-use asset 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.

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

3.2 Significant accounting policies (continued)

Financial instruments (continued)

Impairment on property and equipment and right-of-use asset (continued)

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

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

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

Where an impairment subsequently reverses, the carrying amount of the asset (or 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.

4. Critical Accounting Judgements and Key Sources of Estimation Uncertainty

In the application of the Group's accounting policies, which are described in note 3, the Directors are required to make judgements, estimates and assumptions about the carrying amounts of assets and liabilities that are not readily apparent from other sources. The estimates and associated assumptions are based on historical experience and other factors that are considered to be relevant. Actual results may differ from these estimates.

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

Critical judgements in applying accounting policies

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

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

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

Key sources of estimation uncertainty

The followings 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 within the next financial year.

4. 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

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

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

As at 31 December 2021, the interests in joint ventures amounted to RMB4,971,183,000 (2020: RMB4,673,688,000) and the share of results of joint ventures for the year then ended 31 December 2021 amounted to RMB656,758,000 (2020: RMB295,090,000). Included in the share of results of joint ventures was an amount of RMB639,763,000 (2020: RMB625,596,000), 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 (2020: 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 RMB97,685,000 (2020: RMB66,835,000).

(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 2021, the interests in joint ventures amounted to RMB4,971,183,000 (2020: RMB4,673,688,000) and share of results of joint ventures for the year then ended 31 December 2021 amounted to RMB656,758,000 (2020: RMB295,090,000). Included in the interests in joint ventures was an amount of RMB276,056,000 (2020: RMB256,694,000), which represented the share of provision for the resurfacing obligations of the joint ventures of the Group.

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

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

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

The management is 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.

5. 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, includes segment revenue, the Group's share of joint ventures' earnings before interest, tax, depreciation and amortisation and 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 excluding 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:

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

5. Segment Information (continued)

Information regarding the above segments is reported below.

Segment revenue and results

	2020					2021				
	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	1,040,756	859,495	(449,886)	(188,433)	221,176	1,289,560	1,193,530	(468,721)	(258,666)	466,143
GZ West Superhighway	531,899	418,468	(243,289)	(140,305)	34,874	665,803	560,385	(237,528)	(159,973)	162,884
	1,572,655	1,277,963	(693,175)	(328,738)	256,050	1,955,363	1,753,915	(706,249)	(418,639)	629,027
Land development and utilisation project										
Xintang Interchange	–	(554)	–	(41,482)	(42,036)	18,632	(5,329)	(90)	(24,706)	(30,125)
Total	1,572,655	1,277,409	(693,175)	(370,220)	214,014	1,973,995	1,748,586	(706,339)	(443,345)	598,902
Corporate interest income from bank deposits					8,939					36,325
Corporate investment income from structured deposit					1,503					6,947
Corporate interest income from loans made by the Group to a joint venture					49,537					38,985
Gain on partial disposal of a joint venture					545,181					–
Other income and other gain					4,199					14,749
Corporate general and administrative expenses and depreciation					(35,774)					(42,158)
Corporate finance costs					(17,266)					(20,651)
Corporate income tax expense					(149,683)					(40,303)
Net exchange gain (net of related income tax) (Note)					73,133					25,290
Profit for the year					693,783					618,086
Profit for the year attributable to non-controlling interests					(5,122)					(8,878)
Profit for the year attributable to owners of the Company					688,661					609,208

Note: Net exchange 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 RMB17,719,000 (2020: RMB59,755,000) and the net exchange gain of the Group of RMB7,571,000 (2020: RMB13,378,000).

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 and revenue from sales of properties received, and receivable (net of value-added tax) from land development and utilisation project 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.

5. 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:

	2020 RMB'000	2021 RMB'000
Total segment results	214,014	**598,902**
Add:		
Net exchange gain (net of related income tax)	59,755	**17,719**
Withholding tax attributed to the dividend received from and the undistributed earnings of the joint ventures	21,321	**40,137**
Share of results of joint ventures as presented in consolidated statement of profit or loss and other comprehensive income	295,090	**656,758**

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
2020	8,979	2,186	114	11,279	(11,279)	59,979	59,979
2021	**10,237**	**1,496**	**564**	**12,297**	**(12,297)**	**82,257**	**82,257**

Geographical information

The operations of the Group's joint ventures are located in the PRC. All of the joint ventures' revenue from external customers was generated from the services provided in the PRC and the location of the non-current assets excluding interests in joint ventures, amount due from a joint venture and equity instrument at FVTOCI, property and equipment and right-of-use asset located in the PRC amounting to RMB1,044,000 (2020: RMB1,782,000) 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.

6. Other Income

	2020 RMB'000	**2021** **RMB'000**
Interest income from:		
Bank deposits	8,939	**36,325**
Amount due from a joint venture	49,537	**38,985**
Investment income from structured deposit	1,503	**6,947**
Government grants (Note)	1,027	**–**
Dividend income from equity instrument at FVTOCI	1,100	**604**
Others	2,072	**2,089**
	64,178	**84,950**

Note: The Group recognised government grants of RMB1,027,000 in respect of COVID-19-related subsidies, of which RMB1,027,000 related to Employment Support Scheme provided by the Hong Kong Government for the year ended 31 December 2020 (2021: nil).

7. Other Gain and Loss

	2020 RMB'000	**2021** **RMB'000**
Net exchange gain	13,378	**7,571**
Write back of unrealised loss related to partial disposal of a joint venture in prior year	–	**12,056**
	13,378	**19,627**

8. Share of Results of Joint Ventures

	2020 RMB'000	**2021** **RMB'000**
Share of results of joint ventures before share of imputed interest expenses incurred by a joint venture on interest-free registered capital contributions made by the Group and amortisation of additional cost of investments in joint ventures (Note 15)	388,039	**752,059**
Amortisation of additional cost of investments in joint ventures	(92,949)	**(95,301)**
Share of imputed interest expenses incurred by a joint venture on interest-free registered capital contributions made by the Group	(55,784)	**(59,280)**
Imputed interest income recognised by the Group on interest-free registered capital contributions made by the Group	55,784	**59,280**
	295,090	**656,758**

9. Income Tax Expense

	2020 RMB'000	2021 RMB'000
The tax charge comprises:		
PRC Enterprise Income Tax ("EIT")		
The Group	176,487	30,412
Refund of EIT of a subsidiary recognised in prior year	–	(5,783)
Deferred tax (Note 26)	(5,483)	55,811
	171,004	80,440

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 2021 included an amount of RMB9,141,000 (2020: RMB26,340,000) 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:

	2020 RMB'000	2021 RMB'000
Profit before tax	864,787	698,526
Tax at normal PRC income tax rate of 25% (2020: 25%)	216,197	174,632
Effect of different tax rates on income tax expense	(469)	(95)
Tax effect of income not taxable for tax purposes	(5,532)	(9,174)
Tax effect of expenses not deductible for tax purposes	13,260	14,314
Tax effect of share of results of joint ventures	(73,773)	(164,189)
Withholding tax	21,321	64,952
Income tax expense	171,004	80,440

10. Profit for the Year

	2020 RMB'000	2021 RMB'000
Profit for the year has been arrived at after charging:		
Auditor's remuneration	1,668	**1,946**
Directors' emoluments (Note 11)	8,037	**8,967**
Other staff costs	17,530	**18,393**
Total staff costs	25,567	**27,360**
Depreciation of property and equipment	575	**887**
Depreciation of right-of-use assets	–	**147**
Short-term lease expense	1,791	**2,405**
Interest on bank loans and finance charges	17,266	**20,635**
Interest on lease liability	–	**16**
Total finance costs	17,266	**20,651**

11. Directors' and Five Highest Paid Individuals' Emoluments

Directors' emoluments

The emoluments paid or payable to each of the 8 (2020: 9) Directors were as follows:

	2020					2021				
	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
Executive Directors										
Wei HU* (Note a)	–	–	–	–	–	–	–	–	–	–
Tianliang ZHANG*	179	1,010	886	255	2,330	166	999	1,154	391	2,710
Cheng WU*	179	853	722	233	1,987	166	875	940	345	2,326
Ji LIU*	179	858	722	233	1,992	166	873	941	345	2,325
Non-executive Directors										
Zhengyu LIU* (Note b)	–	–	–	–	–	–	–	–	–	–
Junye CAI*	313	–	–	–	313	291	–	–	–	291
Jiyang TANG* (Note c)	195	–	–	–	195	–	–	–	–	–
Weiguo ZONG* (Note d)	118	–	–	–	118	291	–	–	–	291
Independent Non-executive Directors										
Brian David Man Bun LI	376	–	–	–	376	350	–	–	–	350
Yu Lung CHING	376	–	–	–	376	350	–	–	–	350
Tony Chung Nin KAN	350	–	–	–	350	324	–	–	–	324
	2,265	2,721	2,330	721	8,037	2,104	2,747	3,035	1,081	8,967

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 of the Company.

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

Directors' emoluments (continued)

Notes:

(a) Mr. Wei HU* was appointed as an Executive Director and the Chairman of the Board of Directors of the Company on 31 December 2021.

(b) Mr. Zhengyu LIU* ceased to act as a Non-executive Director and the Chairman of the Board of Directors of the Company on 31 December 2021.

(c) Mr. Jiyang TANG* 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

Five highest paid individuals' emoluments

Of the five individuals with the highest emoluments in the Group, 3 (2020: 3) were Directors whose details of their emoluments are disclosed above.

The emoluments of the remaining 2 (2020: 2) highest paid employees were as follows:

	2020 *RMB'000*	***2021*** ***RMB'000***
Salaries and other benefits	2,265	**2,084**
Discretionary bonus	274	**281**
Contribution to retirement benefits plans	32	**30**
	2,571	**2,395**

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

	2020 *No. of* *employees*	***2021*** ***No. of*** ***employees***
HK$1,000,001 to HK$1,500,000	2	**2**

During the years ended 31 December 2020 and 2021, 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.

12. Earnings Per Share

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

	2020 RMB'000	**2021 RMB'000**
Earnings for the purpose of basic earnings per share	688,661	**609,208**

	Number of shares	
	2020	**2021**
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.

13. Dividends

	2020 RMB'000	**2021 RMB'000**
Dividends recognised as a distribution during the year:		
Final dividend for the year ended 31 December 2020 paid of RMB9.1 cents (equivalent to HK10.936835 cents) (2020: for the year ended 31 December 2019 paid of RMB10.1 cents (equivalent to HK11.320989 cents)) per share	320,807	**281,511**
Special interim dividend for the year ended 31 December 2020 paid of RMB10 cents (equivalent to HK11.787600 cents) per share	307,715	**–**
Interim dividend for the year ended 31 December 2021 paid of RMB9.3 cents (equivalent to HK11.147631 cents) per share	–	**286,495**
	628,522	**568,006**

	2020 RMB'000	**2021 RMB'000**
Proposed dividend:		
Final dividend for the year ended 31 December 2021 proposed of RMB10.45 cents (equivalent to HK12.880879 cents) (2020: for the year ended 31 December 2020 proposed of RMB9.1 cents (equivalent to HK10.936835 cents)) per share	280,434	**322,037**

A final dividend in respect of the year ended 31 December 2021 of RMB10.45 cents (equivalent to HK12.880879 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.

14. Retirement Benefits Plans

The Group has established the Mandatory Provident Fund Scheme (the "MPF Scheme") for its Hong Kong employees. The assets of the scheme are held separately in funds which are under the control of independent trustees. The retirement benefit scheme contributions charged to profit or loss represent contributions paid or payable by the Group to the scheme at 5% of each of the employees' monthly relevant income capped at HK$30,000. In addition, the PRC employees employed by the Group are members of the state-managed retirement benefit schemes operated by the PRC Government. The Group is required to contribute 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. At 31 December 2021, 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 2021 are RMB2,660,000 (2020: RMB1,527,000).

15. Interests in Joint Ventures

	2020 RMB'000	**2021** **RMB'000**
Unlisted investments:		
At cost		
Cost of investment in a joint venture	2,022,289	**2,476,789**
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)	1,473,604	**1,411,900**
Less: Unrealised profit on disposal of land	(13,044)	**(13,044)**
Less: Share of accumulated imputed interest expenses incurred by a joint venture on interest-free registered capital contributions made by the Group	(539,679)	**(598,959)**
Less: Accumulated amortisation of additional cost of investments	(1,758,090)	**(1,853,391)**
	3,705,298	**3,943,513**
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	539,679	**598,959**
	968,390	**1,027,670**
	4,673,688	**4,971,183**

15. Interests in Joint Ventures (continued)

Particulars of the Group's joint ventures as at 31 December 2020 and 2021 are as follows:

Name of company	Place of establishment and principal place of operation	Fully paid registered capital 2020	Fully paid registered capital 2021	Principal activity	Proportion of registered capital contribution 2020	Proportion of registered capital contribution 2021	Proportion of voting rights held 2020	Proportion of voting rights held 2021
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)	**RMB3,040,000,000 (Note iii)**	Land development and utilisation	15%	**15%**	15%	**15%**

* 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.

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.

15. Interests in Joint Ventures (continued)

(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.

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 2020 and 2021, 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.

15. Interests in Joint Ventures (continued)

(iii) Xintang JV

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

On 10 September 2020, the Group entered into an agreement to dispose of 22.5% equity interest of 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 held 15% equity interest in the Xintang JV upon completion of the Partial Disposal.

A gain on Partial Disposal of RMB545,181,000 was recognised during the year ended 31 December 2020, which was based on the consideration received from the Partial Disposal of RMB1,090,432,000 less corresponding portion of its shareholder's loans advanced to Xintang JV and outstanding interests accrued thereon up to 17 September 2020 of RMB532,534,000 less related fees of 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.

As at 31 December 2020, the fully paid registered capital of Xintang JV was RMB10,000,000. During the year ended 31 December 2021, the fully paid registered capital was increased from RMB10,000,000 to RMB3,040,000,000 and the Group had capitalised an amount due from a joint venture of RMB454,500,000 into capital contribution of the joint venture on a dollar-to-dollar basis.

As at 31 December 2020 and 2021, the Group held 15% equity interest in the Xintang JV. The Group is able to exercise joint control over Xintang JV which the decisions about the relevant activities require the unanimous consent of the Group and the other shareholders. Accordingly, Xintang JV is regarded as a joint venture of the Group.

Summarised financial information of joint ventures

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

15. Interests in Joint Ventures (continued)

Summarised financial information of joint ventures (continued)

In respect of the years ended 31 December 2020 and 2021:

	2020				2021			
	GS JV RMB'000	GZ JV West RMB'000	Xintang JV RMB'000	Total RMB'000	GS JV RMB'000	GZ JV West RMB'000	Xintang JV RMB'000	Total RMB'000
Non-current assets								
Property and equipment	501,494	360,173	53		457,252	325,139	1,007	
Concession intangible assets	6,002,325	11,005,698	–		5,462,841	10,577,563	–	
Right-of-use assets	–	–	–		2,170	–	581	
Others	–	–	65,769		–	–	132,433	
	6,503,819	11,365,871	65,822		5,922,263	10,902,702	134,021	
Current assets								
Bank balances and cash	990,006	185,506	34,144		556,446	169,817	221,657	
Inventory	–	–	4,343,205		–	–	5,441,125	
Others	90,574	42,965	110,489		201,959	30,034	117,885	
	1,080,580	228,471	4,487,838		758,405	199,851	5,780,667	
Non-current liabilities								
Resurfacing obligations	(453,555)	(130,074)	–		(485,418)	(140,121)	–	
Non-current financial liabilities								
— Bank and other loans	(2,967,969)	(4,917,121)	–		(2,775,512)	(4,072,784)	(47,508)	
Balances of interest-free registered capital contributions made by joint venture partners	–	(1,936,779)	–		–	(2,055,340)	–	
Balances with joint venture partners	–	–	(2,419,765)		–	–	–	
Deferred income related to government subsidy	(330,463)	(16,134)	–		(324,050)	(12,737)	–	
Lease liabilities	–	–	–		(1,024)	–	–	
Others	(139,839)	(339,533)	(3,979)		(98,924)	(332,404)	–	
	(3,891,826)	(7,339,641)	(2,423,744)		(3,684,928)	(6,613,386)	(47,508)	
Current liabilities								
Current financial liabilities								
— Bank loans	(688,209)	(84,000)	–		(252,714)	(213,541)	–	
— Interest payable	(3,149)	(6,328)	–		(2,026)	(5,206)	–	
Balances with joint venture partners	–	–	(180,273)		–	–	(1,757,573)	
Consideration payable related to land development project	–	–	(2,062,000)		–	–	–	
Receipt in advance related to land development project	–	–	–		–	–	(1,067,475)	
Lease liabilities	–	–	–		(1,186)	–	(596)	
Others	(648,299)	(370,819)	(75,083)		(621,685)	(391,769)	(399,808)	
	(1,339,657)	(461,147)	(2,317,356)		(877,611)	(610,516)	(3,225,452)	
Net assets (liabilities) of joint ventures	2,352,916	3,793,554	(187,440)		2,118,129	3,878,651	2,641,728	
Proportion of the Group's interest	45%	50%	15%		45%	50%	15%	
Net assets (liabilities) shared by the Group	1,058,812	1,896,777	(28,116)	2,927,473	953,158	1,939,326	396,260	3,288,744
Other adjustment	–	–	(14,306)	(14,306)	–	–	–	–
Elimination of unrealised profit on disposal of land (Note i)	(13,044)	–	–	(13,044)	(13,044)	–	–	(13,044)
Effect of change in profit sharing ratio of a joint venture over the operation period in prior year	625	–	–	625	986	–	–	986
Interest-free registered capital contributions made by the Group at amortised cost	–	968,390	–	968,390	–	1,027,670	–	1,027,670

15. Interests in Joint Ventures (continued)

Summarised financial information of joint ventures (continued)

	2020				2021			
	GS JV RMB'000	GZ JV West RMB'000	Xintang JV RMB'000	Total RMB'000	GS JV RMB'000	GZ JV West RMB'000	Xintang JV RMB'000	Total RMB'000
Net assets (liabilities) contributable to the Group	1,046,393	2,865,167	(42,422)	3,869,138	941,100	2,966,996	396,260	4,304,356
Carrying amount of additional cost of investment	727,454	34,674	–	762,128	632,974	33,853	–	666,827
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	1,773,847	2,899,841	–	4,673,688	1,574,074	3,000,849	396,260	4,971,183
Carrying amount of interest in joint ventures to the Group's total assets	27%	44%	0%		22%	42%	6%	
Toll revenue (net of value-added tax)	2,312,792	1,063,798	–		2,865,690	1,331,605	–	
Revenue from sales of properties (net of value-added tax)	–	–	–		–	–	124,215	
Construction revenue	10,968	7,255	–		–	13,720	–	
Total revenue	2,323,760	1,071,053	–		2,865,690	1,345,325	124,215	
Cost of sales of properties	–	–	–		–	–	(84,996)	
Construction costs	(10,968)	(7,255)	–		–	(13,720)	–	
Other income and other expense	288,532	57,158	5,999		335,899	62,327	5,375	
Provision of resurfacing charges	(36,854)	(7,806)	–		(31,864)	(10,047)	–	
Toll expressway operation expenses	(438,904)	(209,615)	–		(377,695)	(192,726)	–	
General and administrative expenses	(96,500)	(66,598)	(9,948)		(87,240)	(70,389)	(80,125)	
Depreciation and amortisation charges	(794,894)	(485,048)	–		(831,646)	(473,414)	(597)	
Finance costs	(128,134)	(226,035)	(254,230)		(84,254)	(190,899)	(231,369)	
Income tax (charge) credit	(277,164)	(50,824)	65,769		(433,637)	(111,817)	66,664	
Profit (loss) for the year (Note ii)	828,874	75,030	(192,410)		1,355,253	344,640	(200,833)	
Proportion of the Group's interest	45%	50%	37.5%/15%		45%	50%	15%	
Profit (loss) shared by the Group	372,993	37,515	(42,036)	368,472	609,864	172,320	(30,125)	752,059
Elimination of unrealised profit on disposal of land (Note i)	19,567	–	–	19,567	–	–	–	–
	392,560	37,515	(42,036)	388,039	609,864	172,320	(30,125)	752,059
Dividends received (net of PRC withholding tax)	385,403	109,304	–	494,707	709,538	66,966	–	776,504

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 exchange gain (net of related income tax) of RMB39,376,000 (2020: RMB132,789,000).

16. 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.

17. Property and Equipment

	Motor vehicles RMB'000	*Furniture, fixtures and equipment* RMB'000	*Total* RMB'000
COST			
As at 1 January 2020	1,273	5,276	6,549
Additions	758	382	1,140
As at 31 December 2020	**2,031**	**5,658**	**7,689**
Additions	**–**	**544**	**544**
Write-off	**–**	**(345)**	**(345)**
As at 31 December 2021	**2,031**	**5,857**	**7,888**
DEPRECIATION			
As at 1 January 2020	382	4,621	5,003
Charge for the year	356	219	575
As at 31 December 2020	**738**	**4,840**	**5,578**
Charge for the year	**406**	**481**	**887**
Write-off	**–**	**(345)**	**(345)**
As at 31 December 2021	**1,144**	**4,976**	**6,120**
CARRYING AMOUNTS			
As at 31 December 2020	1,293	818	2,111
As at 31 December 2021	**887**	**881**	**1,768**

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

18. Right-of-Use Asset

	Office premises *RMB'000*
As at 31 December 2021	
Carrying amount	4,999
For the year ended 31 December 2021	
Depreciation charge	147

	2020 *RMB'000*	***2021*** ***RMB'000***
Total cash outflow for leases	1,791	**2,558**
Additions to right-of-use asset	–	**5,146**

The Group leases office premises for its operations. Lease contracts are entered into for fixed term of 1 to 3 years (2020: 1 year). Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

During the year ended 31 December 2021, the Group recognised addition of right-of-use asset and lease liability amounting to RMB5,146,000 and RMB5,146,000 respectively, and it made total cash outflow for leases amounting to RMB153,000.

Restrictions or covenants on leases

The lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

In addition, the Group regularly entered into short-term leases for car parks, office and staff quarters, of which the Group applies the short-term lease recognition exemption to leases of such properties. For the year ended 31 December 2021, the Group incurred expense relating to short-term leases amounting to RMB2,405,000 (2020: RMB1,791,000). As at 31 December 2021 and 2020, the portfolio of short-term leases is similar to the portfolio of short-term leases to which the short-term lease expense disclosed above.

19. Amount Due From a Joint Venture

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 RMB322,792,000 which is unsecured, interest bearing at 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 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.

At 31 December 2021, the Group changed the contribution plan to enter loan agreements with Xintang JV to conclude all amount due as unsecured, interest bearing at 8% per annum and repayable within one year. Accordingly, the whole amount due from a joint venture of RMB263,636,000 is classified as current asset (2020: 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 28.

20. Structured Deposit

At 31 December 2021, the Group's structured deposit represent financial products issued by a bank, with maturity of 90 days on 24 February 2022 (2020: 30 days on 13 January 2021) and an expected return at 4% (2020: 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 products approximate to the carrying amount as at 31 December 2020 and 2021 because of the short maturity.

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

As at 31 December 2021, bank balances and cash comprised cash held by the Group and bank balances which carried interest at market rates ranging from 0.01% to 3.96% (2020: 0.01% to 2.9%) per annum.

At 31 December 2020, time deposit with original maturity over three months carried interest at prevailing market rate at 3.95% per annum.

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

	2020 RMB'000	**2021** **RMB'000**
RMB	754,902	**1,546,621**
HKD	4,131	**5,698**
United States dollars ("USD")	9	**–**
	759,042	**1,552,319**

Details of impairment assessment are set out in Note 28.

22. Share Capital

	Number of shares	***Nominal amount*** *HK$'000*
Ordinary shares of HK$0.1 each		
Authorised:		
As at 1 January 2020, 31 December 2020 and 2021	10,000,000,000	1,000,000

	Number of shares	***Nominal amount*** *HK$'000*	 *Equivalent to RMB'000*
Issued and fully paid:			
As at 1 January 2020, 31 December 2020 and 2021	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. The Share Award Scheme expired on 24 January 2022. 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

	2020 RMB'000	2021 RMB'000
ASSETS		
Non-current Assets		
Investments in subsidiaries	1,341,358	**1,125,484**
Amount due from a subsidiary	1,685,291	**1,698,236**
	3,026,649	**2,823,720**
Current Assets		
Deposits and prepayments	332	**489**
Interest receivables	915	**810**
Amounts due from subsidiaries	875,412	**1,498,851**
Bank balances and cash	492,447	**644,275**
	1,369,106	**2,144,425**
Total Assets	4,395,755	**4,968,145**
EQUITY AND LIABILITIES		
Capital and Reserves		
Share capital	270,603	**270,603**
Share premium and reserves	2,795,374	**2,814,743**
	3,065,977	**3,085,346**
Current Liabilities		
Payables and accruals	2,878	**3,227**
Dividend payables	306,030	**–**
Amounts due to subsidiaries	1,020,870	**1,879,572**
Total Liabilities	1,329,778	**1,882,799**
Total Equity and Liabilities	4,395,755	**4,968,145**
Cash and cash equivalents	492,447	**644,275**

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 2021, the Company's reserves available for distribution to its shareholders amounting to RMB3,185,343,000 (2020: RMB3,165,974,000), comprising retained profits of RMB847,654,000 (2020: RMB828,285,000) and share premium of RMB2,337,689,000 (2020: RMB2,337,689,000).

	Share premium *RMB'000*	***Translation reserve*** *RMB'000* *(Note)*	***Retained profits*** *RMB'000*	***Total*** *RMB'000*
As at 1 January 2020	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 13)	–	–	(628,522)	(628,522)
As at 31 December 2020	**2,337,689**	**(370,600)**	**828,285**	**2,795,374**
Profit and total comprehensive income for the year	**–**	**–**	**587,375**	**587,375**
Dividends recognised as distribution during the year (Note 13)	**–**	**–**	**(568,006)**	**(568,006)**
As at 31 December 2021	**2,337,689**	**(370,600)**	**847,654**	**2,814,743**

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. Lease Liability

	2021 RMB'000
Lease liability payable:	
Within one year	1,674
Within a period of more than one year but not exceeding two years	1,755
Within a period of more than two years but not exceeding five years	1,580
	5,009
Less: Amount due for settlement within one year (shown under current liabilities)	(1,674)
Amounts due for settlement after one year	3,335

No extension options are included in any of the lease agreements entered by the Group. The weighted average incremental borrowing rate applied by the relevant group entity is 3.85% per annum (2020: N/A). The lease liability is measured at the present value of the lease payments that are not yet paid, and the lease obligations are denominated in the currency that is same as the functional currency of the relevant group entity.

25. Bank Loans

	2020 RMB'000	2021 RMB'000
Unsecured (Note)	1,078,349	1,936,275
The bank loans comprise:		
Variable rate loans	1,078,349	1,936,275

Note: As at 31 December 2020 and 2021, the bank loans are guaranteed by the Company.

25. Bank Loans (continued)

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

	2020 *RMB'000*	***2021*** ***RMB'000***
HKD	1,078,349	**1,936,275**

	2020 *RMB'000*	***2021*** ***RMB'000***
The borrowings are repayable as follows:		
On demand or within one year	324,347	**882,353**
Within a period of more than one year but not exceeding two years	–	**65,360**
Within a period of more than two years but not exceeding five years	754,002	**988,562**
	1,078,349	**1,936,275**
Less: Amounts due for settlement within one year (shown under current liabilities)	(324,347)	**(882,353)**
Amounts due for settlement after one year	754,002	**1,053,922**

As at 31 December 2021, variable rate HKD denominated bank loans carried interests ranging from HIBOR plus 0.88% to HIBOR plus 1.5% per annum (2020: HIBOR plus 0.98% to HIBOR plus 1% per annum).

26. 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 subsidiary and joint ventures*** *RMB'000*	***Tax on dividends from a joint venture reinvested*** *RMB'000*	***Others*** *RMB'000*	***Total*** *RMB'000*
As at 1 January 2020	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**
Charge to profit or loss	**–**	**64,952**	**–**	**–**	**64,952**
Credit to other comprehensive income	**(1,090)**	**–**	**–**	**–**	**(1,090)**
Reclassification	**–**	**(30,737)**	**30,737**	**–**	**–**
Release to profit or loss upon payment of withholding tax	**–**	**(9,141)**	**–**	**–**	**(9,141)**
As at 31 December 2021	**1,942**	**98,067**	**30,737**	**–**	**130,746**

27. 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 consists of net debt, which includes the borrowings and lease liability disclosed in notes 25 and 24 respectively, net of cash and cash equivalents and 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.

28. Financial Instruments

(a) Categories of financial instruments

	2020	***2021***
	RMB'000	***RMB'000***
Financial assets		
Financial assets at amortised cost	1,110,083	**1,821,725**
Equity instrument at FVTOCI	31,000	**20,100**
Structured deposit at FVTPL	801,503	**351,381**
	1,942,586	**2,193,206**
Financial liabilities		
Financial liabilities at amortised cost	1,391,071	**1,942,327**

(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.

28. Financial Instruments (continued)

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

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

(i) Foreign currency risk

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

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

	Assets		Liabilities	
	2020 RMB'000	**2021 RMB'000**	2020 RMB'000	**2021 RMB'000**
USD	9	**–**	–	**–**
HKD	4,131	**5,698**	1,388,508	**1,940,612**

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 2021, 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 2021, 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 year would decrease/increase by RMB96,746,000 (2020: RMB69,219,000).

28. Financial Instruments (continued)

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

(i) Foreign currency risk (continued)

Sensitivity analysis (continued)

As at 31 December 2021, 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 year would increase/decrease by RMB33,608,000 (2020: RMB39,600,000).

(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 (see note 21) and lease liability (see note 24). The management continues to monitor the fair value interest rate exposure of the Group.

A fundamental reform of major interest rate benchmarks is being undertaken globally, including the replacement of some interbank offered rates ("IBORs") with alternative nearly risk-free rates. Details of the impacts on the Group's risk management strategy arising from the interest rate benchmark reform are set out under "interest rate benchmark reform" in this note.

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 2021, 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 (2020: 100) basis points higher/lower, the profit for the year attributable to owners of the Company for the current year would decrease/increase by RMB3,840,000 (2020: RMB5,593,000).

As at 31 December 2021, 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 (2020: 100) basis points higher/lower, the profit for the year attributable to owners of the Company for the current year would decrease/increase by RMB22,523,000 (2020: RMB25,500,000).

28. Financial Instruments (continued)

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

(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.

At 31 December 2021, 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.

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.

For financial guarantee contract, the aggregate amount of outstanding financial guarantee issued to a bank in respect of a bank facility granted to a joint venture that the Group could be required to pay amounted to RMB225,000,000 as at 31 December 2021. RMB7,051,000 of the outstanding financial guarantees attributable to the Group's shareholding has been utilised by the joint venture. The fair value of the financial guarantee, as at the date of initial recognition, was considered insignificant. At the end of the reporting period, the management has performed impairment assessment, and concluded that there has been no significant increase in credit risk since initial recognition of the financial guarantee contract. Accordingly, the loss allowance for the financial guarantee contract issued by the Group is measured at an amount equal to 12-month ECL. No loss allowance was recognised in the profit or loss.

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

28. Financial Instruments (continued)

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

(iii) Credit risk and impairment assessment (continued)

The table below detail the credit risk exposures of the Group's financial assets, which are subject to ECL assessment, for the low risk which is representing low risk of default and does not have any past-due amounts.

	External credit rating	***Internal credit rating***	***12-month or lifetime ECL***	***Gross carrying amount*** *RMB'000*
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
As at 31 December 2021				
Financial assets at amortised cost				
— Amount due from a joint venture	**N/A**	**Low risk**	**12-month ECL**	**263,636**
— Bank balances and cash	**A+**	**N/A**	**12-month ECL**	**1,552,319**
— Financial guarantee contract (Note)	**N/A**	**Low risk**	**12-month ECL**	**225,000**

Note: For the financial guarantee contract, the gross carrying amount represents the maximum amount the Group has guaranteed under the contract.

28. Financial Instruments (continued)

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

(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 0.88% to HIBOR plus 1.5% (2020: HIBOR plus 0.98% to HIBOR plus 1%) per annum. All other financial liabilities are non-interest bearing.

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*
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

	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***
At 31 December 2021					
Other payables	**–**	**6,052**	**–**	**6,052**	**6,052**
Lease liability	**3.85**	**1,838**	**3,461**	**5,299**	**5,009**
Bank loans:					
— variable rate	**1.41**	**901,684**	**1,085,523**	**1,987,207**	**1,936,275**
Financial guarantee	**–**	**225,000**	**–**	**225,000**	**–**
		1,134,574	**1,088,984**	**2,223,558**	**1,947,336**

28. Financial Instruments (continued)

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

(iv) Liquidity risk (continued)

The amount included above for financial guarantee contract is the maximum amount the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the management considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments are subject to change if changes in variable interest rates differ to those estimates of interest rates determined at the end of the reporting period.

(v) Interest rate benchmark reform

As listed in note 25, the Group's HIBOR bank loans will be subject to the interest rate benchmark reform. The Group is closely monitoring the market and managing the transition to new benchmark interest rates, including announcements made by the relevant IBOR regulators.

While the Hong Kong Dollar Overnight Index Average ("HONIA") has been identified as an alternative to HIBOR, there is no plan to discontinue HIBOR. The multi-rate approach has been adopted in Hong Kong, whereby HIBOR and HONIA will co-exist.

For the floating rate loans that are linked to HIBOR, the management expects the HIBOR will continue to maturity. Accordingly, the management does not expect there is significant uncertainty or risks arising from the interest rate benchmark reform.

(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).

28. Financial Instruments (continued)

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

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

Financial assets	*2020*	*2021*	*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: RMB31,000,000	**Unlisted equity investment: RMB20,100,000**	Level 3	Market Approach	Price-to-earnings multiples of several comparable companies with average at 7.78 (2020: 18.82)	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 with average at 6.33 (2020: 7.42)	The higher the multiples, the higher the fair value
					Risk adjustment for a discount on lack of marketability at 27% (2020: 30%)	The higher the discount, the lower the fair value
Structured deposit	RMB801,503,000	**RMB351,381,000**	Level 3	Discounted cash flow	Potential return rate of 1.35% to 4.00% (2020: 1.35% to 3.81%) per annum	The higher the potential return 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 RMB241,000 (2020: RMB814,000). 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 RMB728,000 (2020: RMB1,482,000).

A slight increase in the potential return rate used in isolation would result in a slight decrease in the fair value measurement of the structured deposit, and vice versa.

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. Financial Instruments (continued)

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

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

Reconciliation of Level 3 fair value measurements

	Equity instrument at FVTOCI	*Structured deposit*
	RMB'000	*RMB'000*
At 1 January 2020	22,600	–
Total gains:		
— in profit or loss	–	1,503
— in other comprehensive income	7,560	–
Placement	–	800,000
Deferred tax	840	–
At 31 December 2020	**31,000**	**801,503**
Total gains (losses):		
— in profit or loss	**–**	**6,947**
— in other comprehensive income	**(9,810)**	**–**
Placement	**–**	**1,045,000**
Withdrawal	**–**	**(1,495,000)**
Interest received	**–**	**(7,069)**
Deferred tax	**(1,090)**	**–**
At 31 December 2021	**20,100**	**351,381**

Required for Level 3 recurring fair value measurements only

Of the total gains or losses for the year included in profit or loss, RMB6,947,000 gain (2020: RMB1,503,000 gain) relates to structured deposit held at the end of the current reporting period. Investment income from structured deposit is included in 'other income'.

Included in other comprehensive income is an amount of RMB9,810,000 loss (2020: RMB7,560,000 gain) relating to unlisted equity securities classified as equity instruments at FVTOCI held at the end of the current reporting period and is reported as changes of investment revaluation reserve.

29. Particulars of Principal Subsidiaries

The following list contains the particulars of the subsidiaries of the Company at 31 December 2020 and 2021 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*
		2020	***2021***	*2020*	***2021***	*2020*	***2021***	
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$2 Non-voting deferred shares HK$Nil**	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$2 Non-voting deferred shares HK$Nil**	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 RMB858,800,000	**Ordinary share RMB1,473,535,997**	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.

* No financial information of the non-wholly owned subsidiaries is disclosed in the consolidated financial statements as the non-controlling interests are not material to the Group.

30. Capital Commitments

As at 31 December 2020 and 2021, the Group has no outstanding capital commitment.

31. 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	***Lease liabilities***	***Dividends payables***	***Interest payable***	***Total***
	RMB'000	*RMB'000*	*RMB'000*	*RMB'000*	*RMB'000*
As at 1 January 2020	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**
New lease entered	**–**	**5,146**	**–**	**–**	**5,146**
Financing cash flows	**890,523** (Note)	**(153)**	**(878,879)**	**(20,239)**	**(8,748)**
Dividends declared	**–**	**–**	**578,363**	**–**	**578,363**
Interest expense	**–**	**16**	**–**	**20,550**	**20,566**
Exchange difference	**(32,597)**	**–**	**(5,514)**	**(17)**	**(38,128)**
As at 31 December 2021	**1,936,275**	**5,009**	**–**	**647**	**1,941,931**

Note: The financing cash flows of bank loans including new bank loans raised of RMB2,465,686,000 (2020: RMB3,190,168,000) and bank loans repaid of RMB1,575,163,000 (2020: RMB2,318,054,000) during the year.

32. Major Non-Cash Transactions

(a) During the year ended as at 31 December 2021, the Group entered into a leasing arrangement for the use of asset and recognised right-of-use asset and lease liability of RMB5,146,000 and RMB5,146,000 respectively at the inception of the lease.

(b) During the year ended 31 December 2021, the Group had capitalised an amount due from a joint venture of RMB454,500,000 capital contribution of the joint venture on a dollar-to-dollar basis.

33. Related Party Transactions

Other than as disclosed elsewhere in these consolidated financial statements, during the year ended 31 December 2021, the Group entitled to receive interest income from a joint venture of RMB38,985,000 (2020:RMB49,537,000).

Compensation of key management personnel

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

34. Guarantee

As at 31 December 2021, the banking facilities of a wholly-owned subsidiary of the Company amounting to RMB3,737,180,000 (2020: RMB5,956,394,000) were guaranteed by the Company. The Company is able to control the utilisation of the facilities.

During the year, a non-wholly-owned subsidiary of the Company has provided a corporate guarantee to a bank to secure a banking facility granted to a joint venture amounting to RMB225,000,000. At 31 December 2021, the amount utilised by the joint venture was RMB7,051,000. In the opinion of the Directors, the fair value of the financial guarantee is insignificant.

35. Approval of Financial Statements

The consolidated financial statements on pages 87 to 149 were approved and authorised for issue by the Board of Directors on 25 February 2022.

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

Consolidated Statement of Profit or Loss

For the year ended 31 December 2021
(FOR INFORMATION PURPOSE ONLY)

	2020 RMB'000	**2021 RMB'000**	2020 HK$'000	**2021 HK$'000**
Toll revenue	1,572,655	**1,955,363**	1,783,753	**2,357,700**
Revenue from sales of properties	–	**18,632**	–	**22,578**
Revenue on construction	34,262	**6,860**	40,669	**8,397**
Turnover	1,606,917	**1,980,855**	1,824,422	**2,388,675**
Other income and other expense (Note i)	290,893	**317,342**	332,102	**383,118**
Gain on partial disposal of a joint venture	545,181	**–**	618,877	**–**
Cost of sales of properties	–	**(12,749)**	–	**(15,453)**
Construction costs	(34,262)	**(6,860)**	(40,669)	**(8,397)**
Provision for resurfacing charges	(20,487)	**(19,362)**	(23,042)	**(23,342)**
Toll expressway operation expenses	(302,314)	**(266,326)**	(346,979)	**(322,346)**
General and administrative expenses	(113,414)	**(127,597)**	(128,156)	**(154,200)**
Depreciation and amortisation charges	(693,751)	**(707,371)**	(780,589)	**(852,928)**
Finance costs (Note ii)	(271,953)	**(218,361)**	(304,758)	**(262,952)**
Profit before tax	1,006,810	**939,571**	1,151,208	**1,132,175**
Income tax expense	(313,027)	**(321,485)**	(356,315)	**(387,415)**
Profit for the year	693,783	**618,086**	794,893	**744,760**
Profit for the year attributable to:				
Owners of the Company	688,661	**609,208**	789,031	**734,054**
Non-controlling interests	5,122	**8,878**	5,862	**10,706**
	693,783	**618,086**	794,893	**744,760**

Notes:

(i) OTHER INCOME AND OTHER EXPENSE

	2020 RMB'000	**2021 RMB'000**	2020 HK$'000	**2021 HK$'000**
Interest income from:				
Bank deposits	21,721	**55,568**	24,961	**66,980**
Loan made by the Group to a joint venture	49,537	**38,985**	54,991	**46,814**
Imputed interest income on interest-free registered capital contributions made by the Group to a joint venture	27,892	**29,640**	31,361	**35,742**
Net exchange gain	93,051	**31,196**	107,968	**38,034**
Rental income	23,458	**24,885**	26,269	**30,026**
Others	75,234	**137,068**	86,552	**165,522**
	290,893	**317,342**	332,102	**383,118**

(ii) FINANCE COSTS

	2020 RMB'000	**2021 RMB'000**	2020 HK$'000	**2021 HK$'000**
Interest on:				
Bank loans	185,752	**153,112**	208,237	**184,478**
Loans made by joint venture partners	43,206	**33,553**	47,986	**40,269**
Interest on instalment payment of land premium	12,894	**1,145**	14,705	**1,370**
Imputed interest on interest-free registered capital contributions made by a joint venture partner	27,892	**29,640**	31,361	**35,742**
Others	648	**710**	729	**854**
	270,392	**218,160**	303,018	**262,713**
Other financial expenses	1,561	**201**	1,740	**239**
	271,953	**218,361**	304,758	**262,952**

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

Consolidated Statement of Financial Position

As at 31 December 2021

(FOR INFORMATION PURPOSE ONLY)

	2020 *RMB'000*	**2021** ***RMB'000***	2020 *HK$'000*	**2021** ***HK$'000***
ASSETS				
Non-current Assets				
Property and equipment	405,760	**440,730**	481,636	**539,453**
Concession intangible assets	8,964,620	**8,339,889**	10,641,005	**10,208,024**
Right-of-use assets	–	**6,063**	–	**7,421**
Balance with a joint venture	484,195	**513,835**	574,739	**628,934**
Loans made by the Group to a joint venture	365,214	**–**	433,509	**–**
Equity instrument at fair value through other comprehensive income	31,000	**20,100**	36,797	**24,603**
	10,250,789	**9,320,617**	12,167,686	**11,408,435**
Current Assets				
Inventories	619,979	**803,725**	735,915	**983,759**
Deposits and prepayments	24,467	**16,563**	29,042	**20,273**
Interest and other receivables	57,662	**112,538**	68,444	**137,746**
Loans made by the Group to a joint venture	27,041	**263,636**	32,098	**322,690**
Structured deposit	801,503	**351,381**	951,384	**430,090**
Time deposit with original maturity over three months	240,000	**–**	284,880	**–**
Pledged bank balances and deposits of joint ventures	530,634	**284,002**	629,863	**347,619**
Bank balances and cash				
– The Group	519,042	**1,552,319**	616,103	**1,900,039**
– Joint ventures	12,743	**84,556**	15,126	**103,496**
	2,833,071	**3,468,720**	3,362,855	**4,245,712**
Total Assets	13,083,860	**12,789,337**	15,530,541	**15,654,147**

Consolidated Statement of Financial Position (continued)

As at 31 December 2021

(FOR INFORMATION PURPOSE ONLY)

	2020 RMB'000	2021 RMB'000	2020 HK$'000	2021 HK$'000
EQUITY AND LIABILITIES				
Capital and Reserves				
Share capital	270,603	270,603	308,169	308,169
Share premium and reserves	4,707,513	4,785,775	5,600,854	5,880,837
Equity attributable to owners of the Company	4,978,116	5,056,378	5,909,023	6,189,006
Non-controlling interests	23,586	22,107	27,996	27,059
Total Equity	5,001,702	5,078,485	5,937,019	6,216,065
Non-current Liabilities				
Bank and other loans				
– The Group	754,002	1,053,922	895,000	1,290,000
– Joint ventures	3,794,182	3,292,534	4,503,695	4,030,062
Balance with a joint venture partner	484,144	513,785	574,679	628,872
Loans made by joint venture partners	362,965	–	430,840	–
Resurfacing obligations	256,694	276,056	304,696	337,893
Deferred tax liabilities	267,802	295,099	317,880	361,201
Lease liabilities	–	3,796	–	4,647
Other non-current liabilities	192,332	184,954	228,298	226,384
	6,112,121	5,620,146	7,255,088	6,879,059
Current Liabilities				
Provision, other payables, accruals and deposits received	750,493	631,650	890,835	773,139
Lease liabilities	–	2,297	–	2,812
Dividend payable	306,030	–	363,257	–
Bank loans				
– The Group	324,347	882,353	385,000	1,080,000
– Joint ventures	351,694	220,491	417,461	269,882
Loans made by joint venture partners	27,041	262,920	32,098	321,814
Other interest payable	4,934	4,878	5,857	5,970
Tax liabilities	205,498	86,117	243,926	105,406
	1,970,037	2,090,706	2,338,434	2,559,023
Total Liabilities	8,082,158	7,710,852	9,593,522	9,438,082
Total Equity and Liabilities	13,083,860	12,789,337	15,530,541	15,654,147

Glossary

"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"	the year ended 31 December 2021
"2022 Annual General Meeting"	the annual general meeting of the Company to be held on Friday, 29 April 2022
"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
"Audit Committee"	the audit committee of the Company
"Bay Area"	Guangdong-Hong Kong-Macao Greater Bay Area, a national development strategy of the PRC
"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
"COVID-19 pandemic"	coronavirus disease (COVID-19) pandemic
"Director(s)"	director(s) of the Company

Glossary

"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 tendering, 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)
"Group"	the Company and its subsidiaries
"GS JV	Guangzhou-Shenzhen-Zhuhai Superhighway Company Limited, the joint venture established for the GS Superhighway
"GS Superhighway"	Guangzhou-Shenzhen Superhighway
"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
"GZ West JV	Guangdong Guangzhou-Zhuhai West Superhighway Company Limited, the joint venture company established for the GZ West Superhighway
"GZ West Superhighway"	Guangzhou-Zhuhai West Superhighway, also known as the Western Delta Route
"Hengqin Plan"	Overall Plan for the Construction of the Hengqin Guangdong-Macao Intensive Cooperation Zone
"HK$", "HKD" or "HK Dollar(s)"	Hong Kong Dollars, the lawful currency of Hong Kong

Glossary

"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)
"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
"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 Guangdong Leatop Real Estate Investment Co., Ltd.* (廣東利通置業投資有限公司)
"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
"Nomination Committee"	the nomination committee of the Company
"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"
"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

Glossary

"Qianhai Plan"	Comprehensive Deepening of the Reform and Opening-up Plan for Qianhai Shenzhen-Hong Kong Modern Service Industry Cooperation Zone
"RMB"	Renminbi, the lawful currency of the PRC
"SFO"	The Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)
"Share(s)"	ordinary share(s) of HK$0.10 each in the share capital of the Company
"Shareholder(s)"	shareholder(s) of the Company
"Share Award Scheme"	the share award scheme adopted by the Board on 25 January 2007
"Shenwan Infrastructure"	Shenwan Bay Area Infrastructure (Shenzhen) Company Limited* (深灣基建(深圳)有限公司), a company established in the PRC with limited liability established by the Company for the purpose of investing into the Xintang JV
"Shenzhen Pilot Demonstration Area"	"Guidelines on Supporting Shenzhen in Building a Pilot Demonstration Area of Socialism with Chinese Characteristics"*《關於支持深圳建設中國特色社會主義先行示範區的意見》released by the State Council in August 2019, a national development strategy of the PRC
"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
"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" or "Target Company"	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
"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

Glossary

"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. Wei HU* *(Executive Director and Chairman)*
Mr. Tianliang ZHANG*
(Executive Director and General Manager)
Mr. Jianming WU*
(Executive Director and Executive 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)
Mr. Peng XUE*
(Independent Non-executive Director)

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

Nomination Committee
Mr. Wei HU* *(Chairman)*
Mr. Brian David Man Bun LI JP
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

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Room 63-02, 63rd Floor
Hopewell Centre
183 Queen's Road East
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Listing Information
The Stock Exchange of Hong Kong Limited
HKD-traded Ordinary Shares (Stock Code: 737)
RMB-traded Ordinary Shares (Stock Code: 80737)

Principal Bankers+
Agricultural Bank of China Limited
Bank of China (Hong Kong) Limited
Chong Hing Bank Limited
CMB Wing Lung Bank Limited
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.

International Securities Identification Number
ISIN code (HKD counter) KYG8088A1168
ISIN code (RMB counter) KYG8088A1085

Investor Relations
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Fax: (852) 2861 0177
Email: ir@sihbay.com

Website
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Financial Calendar

Interim dividend announcement	20 August 2021
Exchange rate determined for payment of interim dividend in Hong Kong Dollars	20 August 2021
Closure of register of members	6 September 2021
Deadline for submission of dividend election form	24 September 2021
Interim dividend payable ***Interim dividend: RMB9.3 cents or HK11.147631 cents per share***	22 October 2021
Final results announcement for the year ended 31 December 2021 and proposed final dividend payable	25 February 2022
Closure of Register of Members for eligibility to attend the 2022 Annual General Meeting	26 April 2022 to 29 April 2022 *(both days inclusive)*
2022 Annual General Meeting	29 April 2022
Ex-dividend date	4 May 2022
Closure of Register of Members for entitlement of proposed final dividend	6 May 2022
Deadline for submission of dividend election form	31 May 2022
Proposed final dividend payable# ***Final dividend: RMB10.45 cents or HK12.880879 cents per share***	15 July 2022

Subject to approval by shareholders at the 2022 Annual General Meeting to be held on 29 April 2022.

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