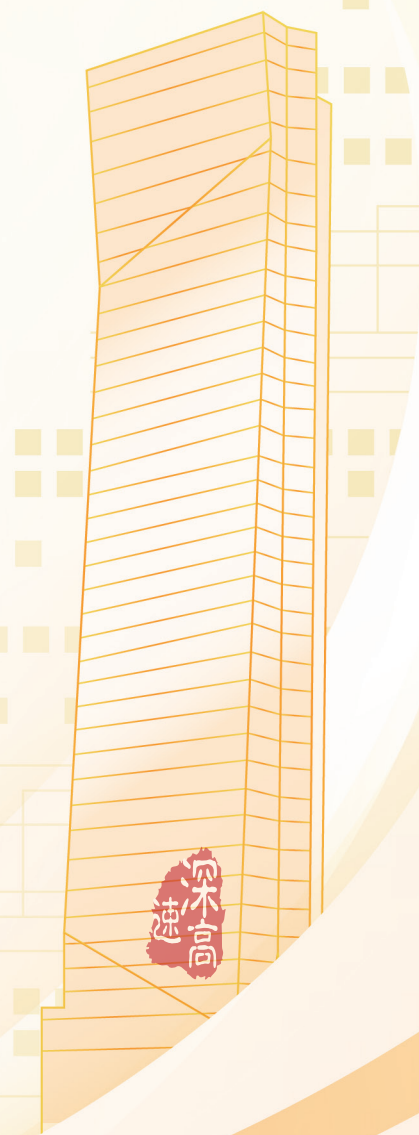
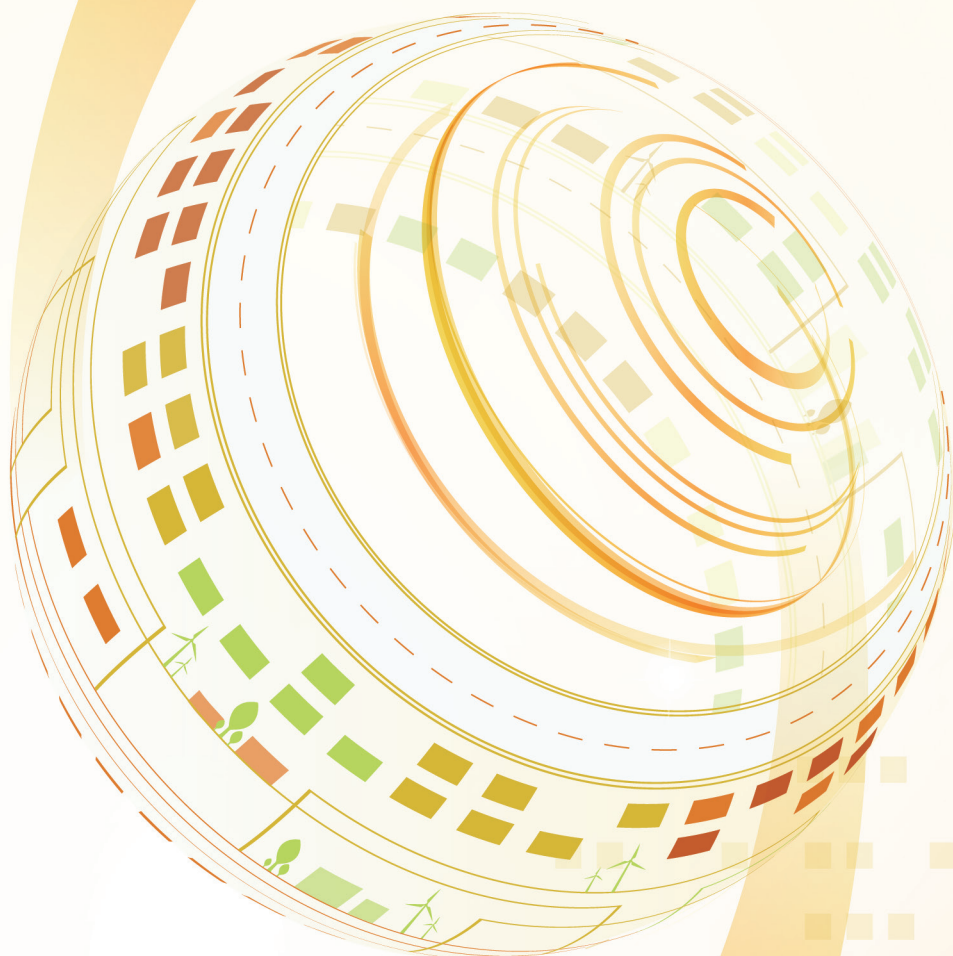




深圳高速公路集团股份有限公司 SHENZHEN EXPRESSWAY CORPORATION LIMITED

(A joint stock limited company incorporated in the People's Republic of China with limited liability)
(Stock Code: 600548 (SSE) 00548 (HKEx))

2021 Annual Report

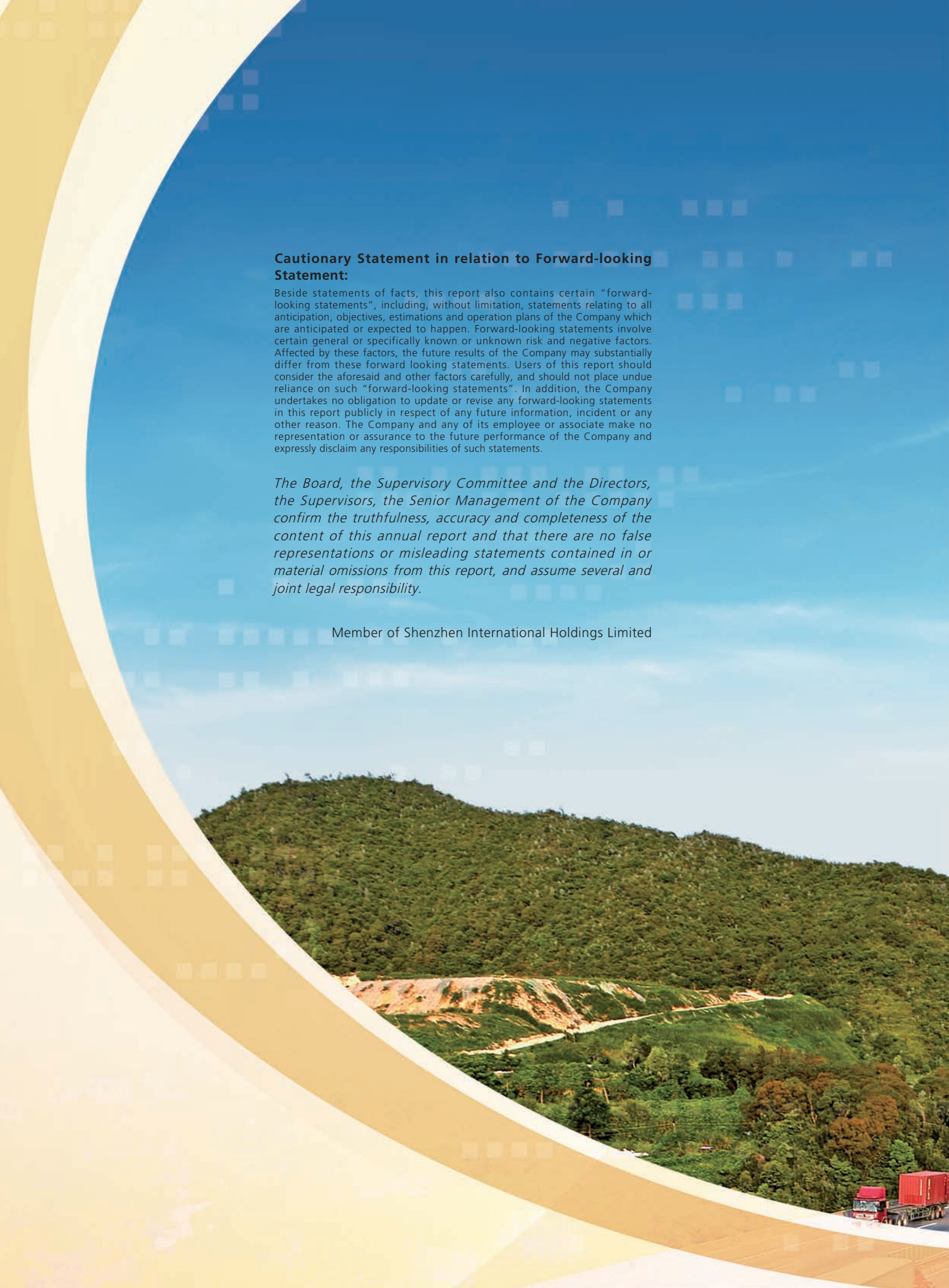


Cautionary Statement in relation to Forward-looking Statement:

Beside statements of facts, this report also contains certain “forward-looking statements”, including, without limitation, statements relating to all anticipation, objectives, estimations and operation plans of the Company which are anticipated or expected to happen. Forward-looking statements involve certain general or specifically known or unknown risk and negative factors. Affected by these factors, the future results of the Company may substantially differ from these forward looking statements. Users of this report should consider the aforesaid and other factors carefully, and should not place undue reliance on such “forward-looking statements”. In addition, the Company undertakes no obligation to update or revise any forward-looking statements in this report publicly in respect of any future information, incident or any other reason. The Company and any of its employee or associate make no representation or assurance to the future performance of the Company and expressly disclaim any responsibilities of such statements.

The Board, the Supervisory Committee and the Directors, the Supervisors, the Senior Management of the Company confirm the truthfulness, accuracy and completeness of the content of this annual report and that there are no false representations or misleading statements contained in or material omissions from this report, and assume several and joint legal responsibility.

Member of Shenzhen International Holdings Limited



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Definition and Cautionary Statement

I. Definition

In this report, the following expressions shall have the meanings set out below unless the context otherwise requires:

Reporting Period, Period, Year	For the twelve months ended 31 December 2021.
Reporting Date	The date on which this Annual Report 2021 of the Company is approved by the Board, i.e. 29 March 2022.
YOY	Year-on-year change rate as compared to the same period of 2020.
The Company, Company, Shenzhen Expressway	Shenzhen Expressway Corporation Limited.
The Group, Group	The Company and its consolidated subsidiaries.
A Shares	Renminbi-denominated ordinary shares of the Company which were issued in the PRC and subscribed in RMB and are listed on SSE.
H Shares	Overseas-listed foreign shares of the Company which were issued in Hong Kong and subscribed in HK\$ and are listed on HKEx.
CSRC	China Securities Regulatory Commission.
SFC	Securities and Futures Commission of Hong Kong.
SSE	The Shanghai Stock Exchange.
HKEx	The Stock Exchange of Hong Kong Limited.
Hong Kong	Hong Kong Special Administrative Region of the PRC.
Listing Rules	The Rules Governing the Listing of Securities on HKEx and/or the Rules Governing the Listing of Stocks on SSE (as the case may be).
CASBE	The Accounting Standards for Business Enterprises (2006) of the PRC and the specific accounting standards as well as relevant provisions issued later.
NDRC	National Development and Reform Commission (中華人民共和國國家發展和改革委員會).

MOT	Ministry of Transport of the People's Republic of China (中華人民共和國交通運輸部).
National Energy Administration	National Energy Administration of the People's Republic of China (中華人民共和國國家能源局).
Ministry of Finance	Ministry of Finance of the People's Republic of China (中華人民共和國財政部).
Ministry of Industry and Information Technology	Ministry of Industry and Information Technology of the People's Republic of China (中華人民共和國工業和信息化部).
Shenzhen SASAC	State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People's Government (深圳市人民政府國有資產監督管理委員會).
Shenzhen Transport Bureau	Transport Bureau of Shenzhen Municipality (深圳市交通運輸局), formerly known as Transport Commission of Shenzhen Municipality (深圳市交通運輸委員會).
SIHC	Shenzhen Investment Holdings Company Limited (深圳市投資控股有限公司).
Shenzhen International	Shenzhen International Holdings Limited (深圳國際控股有限公司).
XTC Company	Xin Tong Chan Development (Shenzhen) Company Limited (新通產實業開發(深圳)有限公司), formerly known as Shenzhen Freeway Development Company Limited (深圳市高速公路開發公司).
SGH Company	Shenzhen Shen Guang Hui Highway Development Company Limited (深圳市深廣惠公路開發有限公司), formerly known as Shenzhen Shen Guang Hui Highway Development Company (深圳市深廣惠公路開發總公司).
CMET	China Merchants Expressway Network & Technology Holdings Company Limited (招商局公路網絡科技控股股份有限公司), formerly known as China Merchants Hua Jian Highway Investment Company Limited (招商局華建公路投資有限公司).
GDRB Company	Guangdong Roads and Bridges Construction Development Company Limited (廣東省路橋建設發展有限公司).
Shenzhen International (Shenzhen)	Shenzhen International Holdings (SZ) Limited (深國際控股(深圳)有限公司), formerly known as Yiwan Industry Development (Shenzhen) Company Limited (怡萬實業發展(深圳)有限公司).
Fund Company	Shenzhen Expressway Private Equity Industrial Investment Fund Management Company Limited (深圳高速私募產業投資基金管理有限公司).
Vanke	China Vanke Company Limited (萬科企業股份有限公司).

Definition and Cautionary Statement

Bank of Guizhou	Bank of Guizhou Company Limited (貴州銀行股份有限公司).
Longda Company	Shenzhen Longda Expressway Company Limited (深圳龍大高速公路有限公司).
Coastal Company	Shenzhen Guangshen Coastal Expressway Investment Company Limited (深圳市廣深沿江高速公路投資有限公司).
Outer Ring Company	Shenzhen Outer Ring Expressway Investment Company Limited (深圳市外環高速公路投資有限公司).
Yichang Company	Hunan Yichang Expressway Development Company Limited (湖南益常高速公路開發有限公司).
Magerk Company	Hubei Magerk Expressway Management Company Limited (湖北馬鄂高速公路經營有限公司).
Qinglian Company	Guangdong Qinglian Highway Development Company Limited (廣東清連公路發展有限公司).
Shenchang Company	Changsha Shenchang High Speed Trunk Road Company Limited (長沙市深長快速幹道有限公司).
Qinglong Company	Shenzhen Qinglong Expressway Company Limited (深圳清龍高速公路有限公司).
Huayu Company	Shenzhen Huayu Expressway Investment Company Limited (深圳市華昱高速公路投資有限公司).
Jiangzhong Company	Guangdong Jiangzhong Expressway Company Limited (廣東江中高速公路有限公司).
Yangmao Company	Guangdong Yangmao Expressway Company Limited (廣東陽茂高速公路有限公司).
GZ W2 Company	Guangzhou Western Second Ring Expressway Company Limited (廣州西二環高速公路有限公司).
Guangyun Company	Yunfu Guangyun Expressway Company Limited (雲浮市廣雲高速公路有限公司).
Nanjing Third Bridge Company	Nanjing Yangtze River Third Bridge Company Limited (南京長江第三大橋有限責任公司).
Guishen Company	Guizhou Guishen Investment Development Company Limited (貴州貴深投資發展有限公司).

Property Management Company	Shenzhen Expressway Property Management Company Limited (深圳高速物業管理有限公司).
Advertising Company	Shenzhen Expressway Advertising Company Limited (深圳市高速廣告有限公司).
Yunji Intelligent (Consulting Company)	Yunji Intelligent Engineering Holding Company Limited (雲基智慧工程股份有限公司), formerly known as Shenzhen Expressway Engineering Consulting Company Limited (深圳高速工程顧問有限公司).
Operation Development Company	Shenzhen Expressway Operation Development Company Limited (深圳高速運營發展有限公司).
Construction Company	Shenzhen Expressway Construction Development Company Limited (深圳高速建設發展有限公司).
Architecture Technology Company	Shenzhen Expressway Architecture Technology Development Company Limited (深圳高速建築科技發展有限公司).
Infrastructure and Environmental Protection Company	Shenzhen Expressway Infrastructure and Environmental Protection Development Company Limited (深圳深高速基建環保開發有限公司).
Investment Company	Shenzhen Expressway Investment Company Limited (深圳深高速投資有限公司).
Environmental Company	Shenzhen Expressway Environmental Company Limited (深圳高速環境有限公司).
Guangming Environmental	Shenzhen Guangming Environment Technology Company Limited (深圳光明深高速環境科技有限公司).
Business Company	Shenzhen Expressway Bussiness Company Limited (深圳深高速商務有限公司).
JEL	Jade Emperor Limited (捷德安派有限公司).
Maxprofit	Maxprofit Gain Limited.
Mei Wah Company	Mei Wah Industrial (Hong Kong) Limited (美華實業(香港)有限公司).
Fameluxe Investment	Fameluxe Investment Limited (豐立投資有限公司).
Meiguan Company	Shenzhen Meiguan Expressway Company Limited (深圳市梅觀高速公路有限公司).

Definition and Cautionary Statement

Jihe East Company	Shenzhen Jihe Expressway (Eastern Section) Company Limited (深圳機荷高速公路東段有限公司).
Meiguan Expressway	The expressway from Meilin to Guanlan in Shenzhen City. The Toll Free Section of Meiguan Expressway refers to the section from Meilin to Guanlan with a mileage of approximately 13.8 km, which has become toll-free from 24:00 on 31 March 2014. The Toll Section of Meiguan Expressway refers to the section from Shenzhen-Dongguan border to Guanlan with a mileage of approximately 5.4 km which remains toll collection.
Jihe Expressway	The expressway from Shenzhen International Airport to He'ao in Shenzhen City, comprising Jihe East (Qinghu to He'ao) and Jihe West (Airport to Qinghu).
Yanba Expressway	The expressway from Yantian to Bagang in Shenzhen City, with an original tolled mileage of approximately 29.1km, started to be toll-free from 0:00 on 7 February 2016 and was transferred to Shenzhen Transport Bureau from 0:00 on 1 January 2019.
Yanpai Expressway	The expressway from Yantian to Paibang in Shenzhen City, also referred to as Yantian Subsidiary Road of Jihe Expressway, had an original tolled mileage of approximately 15.6km. It started to be toll-free from 0:00 on 7 February 2016 and was transferred to Shenzhen Transport Bureau from 0:00 on 1 January 2019.
Nanguang Expressway	The expressway from Xili to Gongming in Shenzhen City, with an original tolled mileage of approximately 31km, started to be toll-free from 0:00 on 7 February 2016 and was transferred to Shenzhen Transport Bureau from 0:00 on 1 January 2019.
Shuiguan Expressway	The expressway from Shuijingcun to Guanjintou in Shenzhen City.
Shuiguan Extension	An extension to Shuiguan Expressway, Phase I of Qingping Expressway (the expressway from Yulongkeng to Pinghu in Shenzhen City).
Outer Ring Project	The project of Shenzhen section of Outer Ring Expressway in Shenzhen City (referred to as Outer Ring Expressway), among which, the 35.67km from Shajing to Guanlan and the 15.06km from Longcheng to Pingdi, totaling approximately 51km (referred to as Outer Ring Phase I), opened to traffic on 29 November 2020. The 9.35km from the end of Longgang Section of Outer Ring Phase I to Danzi Avenue via Pingdi etc. (referred to as Outer Ring Phase II) opened to traffic on 1 January 2022. The 16.8km from Kengzi to Yanba Expressway (referred to as Outer Ring Phase III) is carrying out preliminary work such as survey and design.
Coastal Project	The section from Nanshan, Shenzhen to Dongbao River (the boundary between Dongguan and Shenzhen) (referred to as Coastal Expressway (Shenzhen Section)) of the coastal expressway from Guangzhou to Shenzhen (referred to as Coastal Expressway). Among which, the project of main line of Coastal Expressway (Shenzhen Section) and facilities referred to as Coastal Phase I , and the project of the ramp bridge of airport interchange of Coastal Expressway (Shenzhen Section) and facilities referred to as Coastal Phase II .

Longda Expressway	The expressway from Longhua, Shenzhen to Dalingshan, Dongguan. Starting from 0:00 on 7 February 2016, a total of 23.8km of the Shenzhen section of Longda (i.e. the section from Longhua Shenzhen to Nanguang expressway ramp access) has been operated by card access with the toll exempted, and had been transferred to Shenzhen Transport Bureau from 0:00 on 1 January 2019. The Toll Section of Longda Expressway refers to the section about 4.426km north of Songgang to Guanfo expressway, which still retains tolling.
Qinglian Project	Qinglian Expressway , from Qingyuan to Lianzhou.
Yangmao Expressway	The expressway from Yangjiang to Maoming.
GZ W2 Expressway	The section from Xiaotang to Maoshan of Guangzhou Ring Expressway, also referred to as Guangzhou Western Second Ring Expressway.
Wuhuang Expressway	The expressway from Wuhan to Huangshi.
Changsha Ring Road	Changsha Ring Expressway (North-Western Section).
Nanjing Third Bridge	Nanjing Yangtze River Third Bridge.
Yichang Project	The expressway from Yiyang to Changde in Hunan (referred to as Yichang Expressway) and Changde connection line.
Three Projects	Nanguang Expressway, Yanpai Expressway and Yanba Expressway (referred to as the Three Projects). On 30 November 2015, the Company entered into the Three Expressways agreement with the Shenzhen Transport Bureau in relation to the toll adjustment of the Three Projects. The Three Projects have been transferred to Shenzhen Transport Bureau from 0:00 on 1 January 2019.
Four Expressways	Nanguang Expressway, Yanpai Expressway, Yanba Expressway and the Shenzhen section of Longda Expressway (referred to as the Four Expressways), all of which have been transferred to Shenzhen Transport Bureau from 0:00 on 1 January 2019.
SIICH	Shenzhen Investment International Capital Holdings Company Limited (深圳投控國際資本控股有限公司), a wholly-owned subsidiary of SIHC.
SIICHIC	Shenzhen Investment International Capital Holdings Infrastructure Company Limited (深圳投控國際資本控股基建有限公司).
Bay Area Development	Shenzhen Investment Holdings Bay Area Development Company Limited (深圳投控灣區發展有限公司), a company listed on the HKEx, stock code: 00737.

Definition and Cautionary Statement

GS Expressway	The Guangzhou-Shenzhen section of Beijing-Hong Kong & Macao Expressway (G4), starting from Huangcun interchange in Tianhe District, Guangzhou in the north, ends at Huanggang Check Point in Futian District, Shenzhen in the south, with a total length of approximately 122.8km.
GZ West Expressway	Guangzhou-Zhuhai West Expressway, comprising Phase I, Phase II and Phase III, starts from Hainan interchange of Liwan District, Guangzhou in the north and to Yuehuan Interchange of Tanzhou Town, Zhongshan in the south, with a total length of approximately 98km.
Cargo Organisation Adjustment Project	The entrusted construction project of the highway toll stations and ancillary facilities undertaken by the Company due to the implementation of the freight traffic organisation adjustment of Shenzhen.
Shenshan Environmental Park Project	The entrusted construction and management project for the whole process in relation to the infrastructure and ancillary projects for Shenshan Eco-Environmental Science and Technology Industrial Park undertaken by the Group.
Guilong Project	The construction project of phase I of Guilong Road in Longli, Guizhou under BT model and the primary development project of relevant land undertaken by the Group.
CCCC Second Highway	CCCC Second Highway Engineering Co., Ltd. (中交第二公路工程局有限公司).
Duohua Bridge Project	A road construction project from Jichang Village to Duohua Village in Longli County undertaken by Guishen Company under BT model. The major work of the project is Duohua Bridge.
Guilong Holdings	Guizhou Guilong Holdings (Group) Company Limited (貴州貴龍實業(集團)有限公司).
Resettlement Project	The entrusted construction project of Wangguan Comprehensive Resettlement Building of Guilong Economic Zone undertaken by the Group in Longli, Guizhou, comprising Resettlement phase I and Resettlement phase II .
Bimeng Project	The Bimeng Garden community resettlement project in Longli, Guizhou undertaken by the Group with BT model.
Guizhou Property	Guizhou Shenzhen Expressway Property Company Limited (貴州深高速置地有限公司).
Guizhou Hengtongli	Guizhou Hengtongli Property Company Limited (貴州恒通利置業有限公司).
Land of Longli Project	The peripheral land of Guilong Project and the Duohua Bridge Project were successfully bid by the Group. As at the end of the Reporting Period, the Group has cumulatively won the bids for the land of Longli Project with an area of approximately 3,037 mu, including 2,770 mu for Guilong Project and 268 mu for the Duohua Bridge Project.

Guilong Development Project	The proprietary secondary development project with an area of over 1,000 mu, conducted by the Group on Guilong Project, which has been approved by the Board.
Meilin Checkpoint Renewal Project	The Urban Renewal Project of Meilin Checkpoint of Minzhi Office in Longhua District, the entity which carried out the project is United Land Company and area of the land is approximately 96,000 square meters.
Water Planning Company	Shenzhen Water Planning & Design Institute Company Limited (深圳市水務規劃設計院股份有限公司), a company listed on the SZSE, stock code: 301038.
Derun Environment	Chongqing Derun Environment Company Limited (重慶德潤環境有限公司).
Water Asset	Chongqing Water Asset Management Company Limited (重慶市水務資產經營有限公司).
Chongqing Water	Chongqing Water Group Company Limited (重慶水務集團股份有限公司), a company listed on the SZSE, stock code: 601158.
Sanfeng Environment	Chongqing San Feng Environmental Industrial Group Company Limited (重慶三峰環境集團股份有限公司), a company listed on the SSE, stock code: 601827.
Suez Group	Suez Group, France (法國蘇伊士集團).
SITA Asia Pacific	SITA Asia Pacific Limited (升達亞洲有限公司)
Nanjing Wind Power	Nanjing Wind Power Technology Company Limited (南京風電科技有限公司).
Baotou Nanfeng	Baotou Nanfeng Wind Power Technology Company Limited (包頭市南風風電科技有限公司).
Damao Ningyuan	Damao Ningyuan Wind Power Company Limited (達茂旗寧源風力發電有限公司), a wholly-owned subsidiary of Baotou Nanfeng.
Damao Ningxiang	Damao Ningxiang Wind Power Company Limited (達茂旗寧翔風力發電有限公司), a wholly-owned subsidiary of Baotou Nanfeng.
Damao Ningfeng	Damao Ningfeng Wind Power Company Limited (達茂旗寧風風力發電有限公司), a wholly-owned subsidiary of Baotou Nanfeng.
Damao Nanchuan	Damao Nanchuan Wind Power Company Limited (達茂旗南傳風力發電有限公司), a wholly-owned subsidiary of Baotou Nanfeng.

Definition and Cautionary Statement

Lingxiang Company	Baotou Lingxiang New Energy Company Limited (包頭市陵翔新能源有限公司), a wholly-owned subsidiary of Baotou Nanfeng.
New Energy Company	Shenzhen Expressway New Energy Holdings Company Limited (深圳高速新能源控股有限公司).
Guangdong New Energy	Shenzhen Expressway (Guangdong) New Energy Investment Company Limited (深高速(廣東)新能源投資有限公司).
Huaian Zhongheng	Huaian Zhongheng New Energy Company Limited (淮安中恒新能源有限公司).
SPIC Fujian Company	State Power Investment Corporation Fujian Electric Power Company Limited (國家電投集團福建電力有限公司).
Avis	Nanjing Avis Transmission Technology Company Limited (南京安維士傳動技術股份公司).
Fenghe Energy	Shenzhen Fenghe Energy Investment Limited (深圳峰和能源投資有限公司).
Yongcheng Zhuneng	Yongcheng Zhuneng New Energy Technology Company Limited (永城市助能新能源科技有限公司).
Shenzhen Zhuneng	Shenzhen Zhuneng New Energy Technology Company Limited (深圳助能新能源科技有限公司).
Yongcheng Zhuneng Project	The 32MW wind power project in Yongcheng City, Shangqiu City, Henan Province.
Zhongwei Xintang	Ningxia Zhongwei Xintang New Energy Company Limited (寧夏中衛新唐新能源有限公司).
Zhongwei Gantang Project	The 49.5MW wind power project in Gantang, Zhongwei City, Ningxia Province, fully owned by Zhongwei Xintang.
Mulei Wind Power Project	The wind power project of Changji Mulei Laojunmiao Wind Farm in Xinjiang Zhundong New Energy Base, including Qianzhi, Qianhui and QianXin projects.
Qianzhi	Mulei County Qianzhi New Energy Development Company Limited (木壘縣乾智能源開發有限公司).
Qianhui	Mulei County Qianhui New Energy Development Company Limited (木壘縣乾慧能源開發有限公司).

QianXin	Mulei County QianXin New Energy Development Company Limited (木壘縣乾新能源開發有限公司).
Guangming Environmental Park Project	The Shenzhen Guangming Environmental Park PPP Project invested and constructed by the Company under the BOT model.
Bioland	Shenzhen Expressway Bioland Environmental Technologies Corp., Ltd (深高藍德環保科技集團股份有限公司).
Lisai Environmental	Shenzhen Lisai Environmental Technology Limited (深圳市利賽環保科技有限公司).
Unitoll Services	Guangdong Unitoll Services Incorporated (廣東聯合電子服務股份有限公司).
United Land	Shenzhen International United Land Company Limited (深圳市深國際聯合置地有限公司).
Gaoleyi	Shenzhen Expressway Gaoleyi Health and Elderly Care Services Limited (深圳高速高樂亦健康養老有限公司).
Fengrunjiu	Shenzhen Guangming Fengrunjiu Health Services Limited (深圳光明鳳潤玖健康服務有限公司)
One Apartment	Shenzhen Expressway One Apartment Management Company Limited (深圳市深高速壹家公寓管理有限公司).
Engineering Development Company	Shenzhen Expressway Engineering Development Company Limited (深圳高速工程發展有限公司), formerly known as Guangdong Boyuan Construction Engineering Company Limited (廣東博元建設工程有限公司).
Asphalt Technology Company	Shenzhen Expressway Asphalt Technology Development Company Limited (深圳高速青科技发展有限公司).
Qiantai Company	Shenzhen Shenshan Special Cooperation Zone Qiantai Technology Company Limited (深圳深汕特別合作區乾泰技術有限公司).
Logistics Financial Company	China Logistics Financial Services Limited (中國物流金融服務有限公司).
SZI (HK)	Shenzhen International Limited (深國際有限公司).
SZI Logistics	Shenzhen International Logistics Development Company Limited (深圳市深國際物流發展有限公司).

Definition and Cautionary Statement

Financial Leasing Company	Shenzhen Expressway Financial Leasing Company Limited (深圳市深高速融資租賃有限公司), formerly known as Shenzhen International Financial Leasing Company Limited (深圳市深國際融資租賃有限公司).
PPP (model)	Public-Private-Partnership model, refer to a partnership on the basis of concession agreement for the construction of urban infrastructure projects or the provision of public goods and services between the government and private organisations. PPP model ultimately makes both parties of the cooperation get more favourable results than those who act alone expected, by signing the contract to define the rights and obligations of both parties, to ensure the smooth completion of cooperation.
BOT (model)	Build-Operate-Transfer model, refer to the infrastructure model of investment, construction and operation. On premised on an agreement between the government and the private sector, the government issues a franchise to the private sector to allow it to raise funds for a certain period of time to build an infrastructure, manage and operate the facility and its corresponding products and services.
EPC (model)	Engineering Procurement Construction model means the Company is entrusted by the owner to carry out the whole process or several stages of contracting for the design, procurement, construction, and trial operation of a construction project in accordance with the contract. Usually, the company is responsible for the quality, safety, cost and schedule of the contracted project under the conditions of the total price contract.
BIM	Building Information Modelling, which is a model equipped with a complete and realistic construction database by building a virtual three-dimensional construction model and using digitisation technology. It is a digitised tool applied to engineering design, construction and management. Meanwhile, the model plays a key role in enhancing productivity, saving costs and shortening construction periods.
ETC	Electronic Toll Collection, a system used to electronically collect tolls on highways.
Coastal Freight Compensation Scheme	The scheme that all types of freight cars passing through the Coastal Project will be charged 50% of the normal toll fees standard from 1 March 2018 to 31 December 2020, and Shenzhen Transport Bureau compensates to Coastal Company for RMB302 million. Upon the expiry of the toll adjustment agreement, Shenzhen Transport Bureau, the Company and Coastal Company entered into the freight compensation agreement, wherein it is agreed that during the period from 1 January 2021 to 31 December 2024, the vehicles passing the Coastal Project should be charged at 50% of the standard rate of the toll, and such toll waived by the Company and Coastal Company shall be compensated by the government in a one-off manner in March of the following year.

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

Note :

1. For principal business of the investee companies of the Company, please refer to the Group Structure in "Introduction of the Company" of this report.
2. For information on the projects operated, invested and managed by the Company, please refer to the website of the Company at <http://www.sz-expressway.com>.

II. Cautionary Statement on Risk

Detailed analysis and description on the future operation and development of the Group were set out in "Management Discussion and Analysis" of this Annual report. Investors' inspection and attention are reminded.

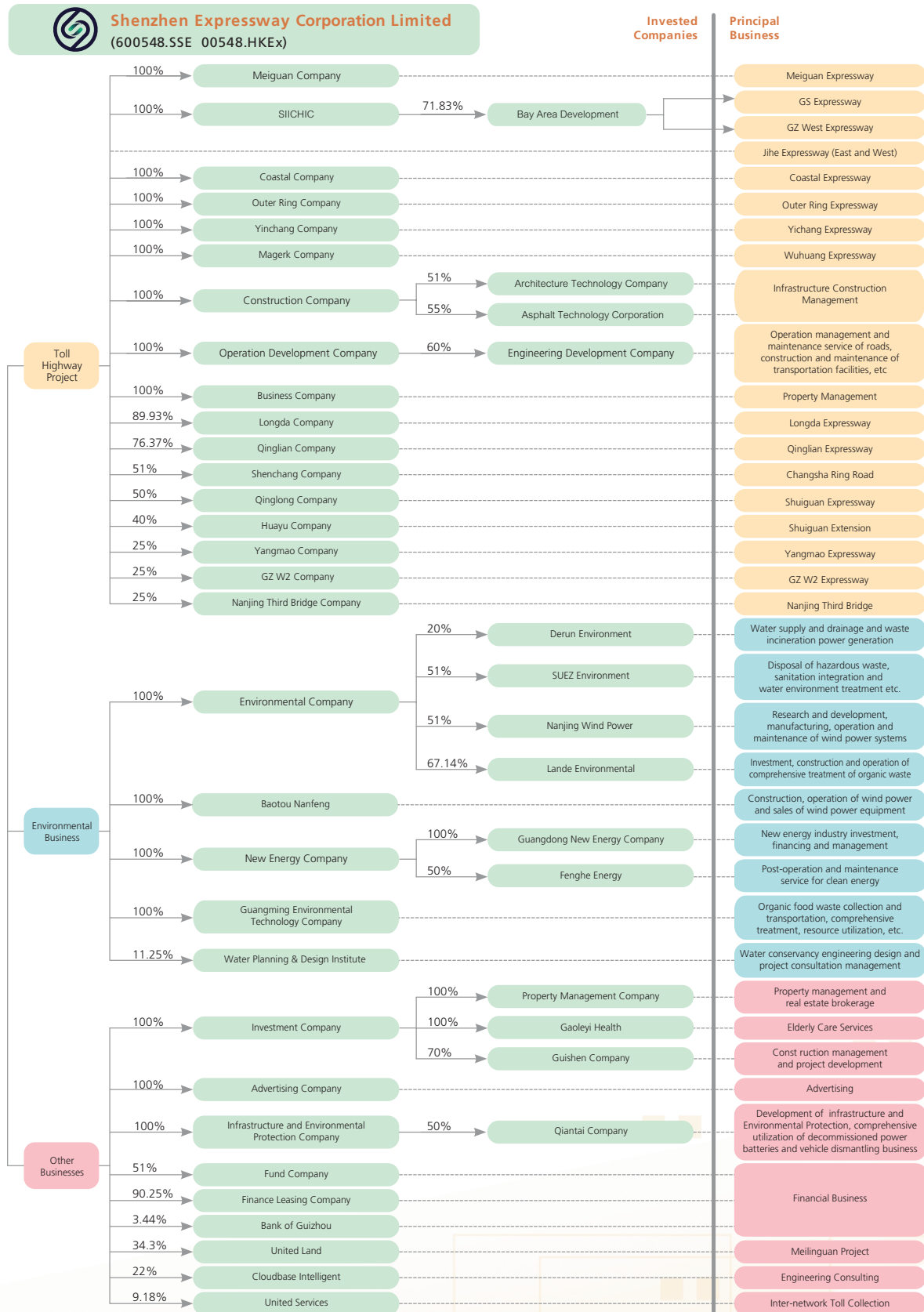
Introduction of the Company

Incorporated in Shenzhen on 30 December 1996, the Company principally engages in the investment, construction, operation and management of toll highways and roads, as well as the general-environmental protection business. At present, the general-environmental protection business includes recovery and solid waste management and clean energy business. In addition, the Company provides outstanding construction management and highways operation management services for the government and other enterprises. Building on relevant management experience and resources and relying on its core business, the Company has launched in the related businesses such as project development and management, road operation and maintenance, intelligent traffic system, construction consultation, urban complex and industrial financial services.

As of the date of this Report, the Company operated and invested in a total of 17 toll highway projects. The total mileage of the high-grade highways invested in or operated by the Company (on equity basis) is approximately 604km, of which 5.7km remains under construction. The Company has also actively participated in various regional urban infrastructure development projects while investing in more than 15 projects in the field of environmental protection, clean energy and finance. The Company has set up platform companies for investment, construction, operation, environment, urban infrastructure and new energy, etc..

A total of 2,180,770,326 ordinary shares are issued by the Company, of which 1,433,270,326 A Shares are listed on SSE and 747,500,000 H Shares are listed on HKEx, representing approximately 65.72% and 34.28% of the total share capital of the Company, respectively. XTC Company, one of the promoters of the Company and currently a wholly-owned subsidiary of Shenzhen International (stock code: 00152) which is listed on HKEx, is currently holding approximately 30.03% of the Company's shares as the largest shareholder of the Company. Shenzhen International has become the indirect controlling shareholder of the Company, indirectly holding more than 50% of the Company's shares since December 2008.

As at the Reporting Date, the Group's investee companies and equity structure are as follows:



Note: This structure chart only includes the first level and second level subsidiaries of the Group, and the third level and below subsidiaries are not listed.

Financial and Operational Highlights

I. Financial Data and Financial Indicators of the Year

Item (Unit: RMB)	2021	2020	Change as compared to last year (%)	2019	
				After adjustment	Before adjustment
Revenue	10,871,924,008.52	8,026,737,099.99	35.45	6,390,295,110.82	6,185,825,111.97
Net profit attributable to owners of the Company	2,606,254,756.43	2,054,523,306.30	26.85	2,564,317,594.25	2,499,484,975.75
Net profit attributable to owners of the Company – excluding non-recurring items	2,335,503,841.79	1,957,015,513.64	19.34	2,243,627,358.26	2,243,627,358.26
Net cash flows from operating activities	3,941,530,767.73	1,100,633,933.07	258.11	1,695,357,337.06	1,751,428,675.07

Item (Unit: RMB)	As at 31 Dec 2021	As at 31 Dec 2020	Change as compared to last year (%)	As at 31 Dec 2019	
				After adjustment	Before adjustment
Owners' equity attributable to owners of the Company	24,638,965,669.92	23,042,941,782.92	6.93	18,525,888,505.26	18,374,542,643.63
Total assets	60,613,494,756.12	55,144,962,042.63	9.92	45,658,413,658.91	44,923,734,271.98

Item	2021	2020	Change as compared to last year (%)	2019	
				After adjustment	Before adjustment
Earnings per share – basic (RMB/share)	1.110	0.936	18.59	1.176	1.146
Earnings per share – diluted (RMB/share)	1.110	0.936	18.59	1.176	1.146
Earnings per share excluding non-recurring items – basic (RMB/share)	0.985	0.891	10.55	1.029	1.029
Return on equity – weighted average (%)	12.24	10.83	Increase 1.41 pct.pt	13.73	14.14
Return on equity excluding non-recurring items – weighted average (%)	10.87	10.34	Increase 0.53 pct.pt	12.11	12.62

Description of Principal Accounting Data and Financial Indicators of the Company for the first three years at the end of the Reporting Period:

- In 2020, due to the consolidation of Financial Leasing Company, Logistics Finance Company and Longda Company into the Group as a jointly controlled entity, the Company adjusted the data of consolidated financial statements before 2020 retrospectively pursuant to relevant requirements under the Accounting Standards for Business Enterprises. For details, please refer to the relevant content in Note VI of the Financial Statements of 2020 Annual Report.
- In 2020, the company issued RMB4 billion of perpetual bonds, which were included in other equity instruments. The impact of perpetual bonds was deducted when calculating the above earnings per share and weighted average return on net assets pursuant to relevant requirements.

II. Major quarterly Financial Data for 2021

Item (Unit: RMB)	The first quarter (Jan-Mar)	The second quarter (Apr-Jun)	The third quarter (Jul-Sept)	The fourth quarter (Oct-Dec)
Revenue	1,962,015,531.22	2,249,122,448.62	2,414,993,814.35	4,245,792,214.33
Net profit attributable to owners of the Company	540,534,999.13	678,796,456.73	708,364,351.34	678,558,949.23
Net profit attributable to owners of the Company – excluding non-recurring items	526,396,601.15	662,513,371.66	702,932,671.63	443,661,197.35
Net cash flows from operating activities	677,216,593.31	1,056,389,709.35	926,083,507.96	1,281,840,957.11

III. Non-recurring items and their amounts

Non-recurring item (Unit: RMB)	2021	Notes	2020	2019
Gains or losses from disposal of non-current assets	42,728,445.20	Income from the transfer of equity interest in an associated company and compensation received from the government for expropriation of certain land along the expressway, etc.	74,529.31	262,593,251.67
Government grants recognised in the profit or loss for the period, except for those which are closely related to the Company's normal business operation, qualified with the requirements under national policies and continuously entitled to government subsidies on a fixed amount or fixed quantity basis	61,495,011.45	Subsidy granted by the government for headquarter economy development, and cancellation of subsidy for provincial toll stations, etc.	35,349,930.60	-
Capital occupation fee received from non-financial corporation recognised in the profit or loss for the period	5,055,604.11		8,890,000.00	595,434.57
The investment cost of obtaining subsidiaries, associated companies and joint ventures was lower than the income from the identifiable net asset fair value recognized from the investee units at the time of obtaining such investment	5,772,764.94	The investment cost of the newly invested associated companies during the current period was lower than the income from the identifiable net asset fair value recognized from the investee unit at the time of obtaining such investment.	-	-
The net profit and loss of a subsidiary from the beginning of merger to the combined date under the same control	-		43,219,171.98	72,194,997.65
Profit and loss from fair value changes arising from the held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, and derivative financial liabilities other than those from the effective hedging business in relation to the normal operation of the Company; and the investment income from the disposal of held-for-trading financial assets, derivative financial assets, held-for-trading financial liabilities, derivative financial liabilities and other debt investments	233,230,358.31	(1) To mitigate the exchange rate risk, foreign exchange forwards were arranged for the Company's overseas bonds of USD300 million. During the Reporting Period, the foreign exchange forward contracts were due for delivery, and the accumulated gains and losses from changes in fair value were carried forward and recognised as the profit and loss under contract delivery. (2) Profits from changes in fair value arising from the equity interests held in Water Planning Company and Guangdong UETC. (3) The compensation receivable for subsidiaries' failure in fulfilling their performance commitment.	-24,388,020.67	81,946,510.00
The net income of entrusted management fee on entrusted operation	-		4,107,007.54	8,214,015.10
Other non-operating income and expenditure excluding above items	17,001,564.68	Receipt of income including compensation from litigation, etc.	-3,194,187.26	175,940.45
Other profit/loss items which fall under the definition of non-recurring item	-		41,165,853.24	49,934,132.73
Less: Income tax effects	88,630,604.94		2,555,033.39	88,741,749.89
Minority shareholder's interest effects (after taxes)	5,902,229.11		5,161,458.69	66,222,296.29
Total	270,750,914.64		97,507,792.66	320,690,235.99

Financial and Operational Highlights

IV. Item Measured at Fair Value

Unit: Yuan, Currency: RMB

Item	Opening Balance	Ending Balance	Change during the Period	Effects on the total amount of Profit of the Reporting Period
Transactional financial assets (Liabilities are expressed with "-")	-83,677,813.21	-	83,677,813.21	83,677,813.21
Transactional financial assets (Liabilities are expressed with "-")	-	212,637,357.38	212,637,357.38	212,637,357.38
Other non-current financial assets	1,605,891,286.54	718,746,474.26	-887,144,812.28	62,855,187.72
Total	1,522,213,473.33	931,383,831.64	-590,829,641.69	359,170,358.31

V. Statistics Summary for Last Five Years

Project	Average Daily Toll Revenue(Unit: RMB'000)				
	2021	2020	2019	2018	2017
Meiguan Expressway	448.9	392.6	382.9	350.9	336.3
Jihe East	2,012.4	2,012.0	2,104.8	2,076.4	1,962.0
Jihe West	1,526.7	1,680.4	1,829.5	1,794.4	1,729.4
Shuiguan Expressway	1,808.7	1,658.5	1,786.4	1,738.1	1,762.8
Shuiguan Extension	244.1	252.8	331.0	328.6	314.3
Coastal Project ⁽¹⁾	1,619.6	1,498.4	1,459.1	1,273.5	1,093.1
Outer Ring Project ⁽²⁾	2,523.5	-	-	-	-
Longda Expressway ⁽³⁾	400.1	-	-	-	-
Qinglian Expressway	2,399.5	2,274.5	2,293.2	2,084.1	2,016.5
Yangmao Expressway	1,352.6	1,293.6	1,524.0	1,770.5	1,819.5
GZ W2 Expressway	1,380.4	1,543.5	1,597.1	1,653.2	1,343.2
Wuhuang Expressway	1,311.4	1,059.5	1,130.2	1,055.5	1,004.9
Changsha Ring Road	816.3	511.5	427.8	394.6	373.4
Nanjing Third Bridge	1,301.3	1,516.9	1,393.2	1,341.4	1,269.7
Yichang Project	1,277.5	1,065.8	1,105.5	1,119.1	1,157.3

Note:

- As the Group completed the acquisition of 100% equity interests in Coastal Company in February 2018, Coastal Company has been consolidated into the consolidated financial statements of the Group since 8 February 2018.
- Outer Ring Phase I opened to traffic on 29 December 2020; Outer Ring Phase II opened to traffic on 1 January 2022.
- As the Group completed the acquisition of 89.93% equity interests in Longda Company November 2020, Longda Company has been consolidated into the consolidated financial statements of the Group since 26 November 2020.

Financial Highlights (Unit: RMB million, unless otherwise stated)					
Item	2021	2020	2019 (restated)	2018 (restated)	2017 (restated)
Revenue	10,872	8,027	6,390	6,468	5,799
<i>Of which: Toll revenue</i>	5,893	4,387	4,722	5,656	5,266
Profit before interests and tax	3,997	3,339	3,057	7,886	3,085
Net profit	2,606	2,055	2,564	5,069	1,565
Net cash inflows from operating activities	3,942	1,101	1,695	3,244	3,124
Net cash inflows from operating activities and cash return on investments	4,849	1,521	2,831	5,397	3,506
Interest covered multiple (Times)	4.71	3.87	4.71	7.94	3.22
Earnings per share (RMB)	1.110	0.936	1.176	2.324	0.718
Cash dividends per share (RMB)	0.62	0.43	0.52	0.71	0.30

Item	As at 31 Dec 2021	As at 31 Dec 2020	As at 31 Dec 2019 (restated)	As at 31 Dec 2018 (restated)	As at 31 Dec 2017 (restated)
Total assets	60,613	55,145	45,658	44,400	47,378
Total liabilities	32,842	28,866	24,611	22,797	31,012
Total equity	27,772	26,279	21,048	21,603	16,366
Debt-to-asset ratio (%)	54.18	52.35	53.90	51.34	65.46
Gross liabilities-to-equity ratio (%)	118.26	109.84	116.93	105.53	189.48
Net borrowings-to-equity ratio (%)	69.33	61.18	65.77	52.12	119.36
Net assets per share (RMB)	9.46	8.73	8.50	8.76	6.43

• Description of principal financial ratios

Profit before interests and tax	=	Net profit + Income tax expenses + Interest expenses
Net cash inflows from operating activities and cash return on investments	=	Net cash flows from operating activities + Cash received from disposal of investments + Cash received from returns on investments
Interest covered multiple	=	Profit before interests and tax/Interest expenses
Debt-to-asset ratio	=	Total liabilities/Total assets
Gross liabilities-to-equity ratio	=	Total liabilities/Total equity
Net borrowings-to-equity ratio	=	(Total amount of borrowings – Cash and cash equivalents)/Total equity

Events of the Year

Commenced the first-stage section of Jihe Expressway reconstruction and expansion project.

Registered medium-term notes at the National Association of Financial Market Institutional Investors.

Acquired 100% equity interests in Qianzhi and Qianhui in Mulei, Xinjiang respectively.

Won the "Best Capital Market Communication Award", "Best Information Disclosure Award", "Best Leader Award" and "Best Director Award" in the "Fourth China Excellent IR Award 2020" organised by Roadshow China.



Issued the first phase of the green corporate bonds with a scale of RMB1.2 billion ("G21SE1", bond code: "175979").

Published first quarterly results of 2021.

Won the "Outstanding IR Enterprise Award" and "Institutional Friendly Communication Award" of "Investor Relations Gold Award of p5w.net (2020)" organized by p5w.net.

Declared and distributed a final dividend of RMB0.43 per share (inclusive of tax) for 2020.

Passed the non-public issuance of H Shares at the general meeting.

Won the "Best Secretary of the Board" of the "12th Tianma Award for Investor Relations of Chinese Listed Companies" by Securities Times.

Won the "Special Contribution Award" for the special event of investment and education namely "Investment and Education Going in Parallel" organized by Shenzhen Securities Association.

January

February

Signed the Franchise Agreement for the Guangming Environmental Park PPP Project and the Contract for the Guangming Environmental Park PPP Project.

Issued the first phase of 2021 ultra-short-term financing bonds with a scale of RMB1 billion.

April

March

Acquired the property on the 35-48th floor of Hanking Centre.

Issued the second phase of 2021 ultra-short-term financing bonds with a scale of RMB1 billion.

Signed a Memorandum of Understanding with Shenzhen Investment Holdings, and intended to acquire its 71.83% interests in Bay Area Development.

Published annual results of 2020 with an annual net profit of RMB2.055 billion and earnings per share of RMB0.936.

Acquired 100% equity interests in Qianxin in Mulei, Xinjiang.

May

June

Issued the third phase of the 2021 ultra-short-term financing notes with a scale of RMB1 billion.

Approved the Shareholders' Return Proposal for 2021-2023 at the general meeting.

Scored 1.80 in the latest ESG scoring by FTSE Russell, the world's second largest index provider, ranking 113th among 526 mainland companies and 2nd among the 6 listed road and railway companies included in the index.





Issued the fourth phase of the 2021 ultra-short-term financing notes with a scale of RMB1 billion.

Selected as one of the "Top 50 Best Practice Cases" in the Briefing Conference on 2020 Annual Report Performance of Listed Companies held by China Association for Public Companies.

Won the "Social Responsibility Award" of the 15th China Listed Company Value Selection for Listed A-share Companies" held by Securities Times.

Selected in the list of "New Fortune Top 50 Best Listed Companies" for three consecutive times.

September



Published third quarterly results of 2021.

Participated in the 2021 Listed Companies Online Investor Collective Reception Day among Shenzhen Area.

Won the "Excellent ESG Reporting Award" in the "2021 Best Annual Report Competition" by Hong Kong Management Association ("HKMA").

Accredited as "The Most Valuable ESG Investing Enterprise of the Year" in the "4th China Corporate Social Responsibility Pioneer Forum" by IFNEWS

Issued bonds with a scale of USD300 million (stock code: "40752", stock abbreviation: "SZEXP B2607").

Issued the first phase of 2021 corporate bonds with a scale of RMB1 billion (bond abbreviation: "21SE01", bond code: "188451").

July

August

Intended to indirectly acquire 71.83% interests in Bay Area Development through the transfer of 100% equity interests in SIICHIC under a non-public transaction.

Shenzhen Water Planning & Design Institute (301038), held as to 11.25% by the Company, was listed on the ChiNext of the Shenzhen Stock Exchange.

Published 2021 interim results with a revenue of RMB4.211 billion and a net profit of RMB1.219 billion in the first half of the year.

Acquired 100% equity interests in Yongcheng Zhuneng Wind Power Project.

As one of the 133 outstanding cases, the Company's case of ESG practice was selected in the "Listed Company ESG Practice Cases" compiled by the China Association for Public Companies.

October

Passed the resolution in relation to the transfer of 100% equity interests in SIICHIC under a non-disclosure agreement was at the general meeting.

Approved the Company's development strategy in relation to the 14th Five-Year Plan (2021-2025) at the general meeting.

Approved the change of company name and the amendment of the Articles of Association were approved at the general meeting.

Contracted for the acquisition of 51% equity interests in Nanjing Avis through a joint venture.

Acquired 100% equity interests in Zhongwei Gantang Wind Power Project.

Ranked 267th among the "Top 100 Chinese Listed Companies in 2021" and won the "Top 100 Chinese Companies Award in 2021" with a total profit of RMB2.709 billion.

November

Won the "Green Governance Award" and "Corporate Governance Award" under the "Top 20 Listed Companies in the Greater Bay Area" organised by Shenzhen Research Association of Corporate Governance.

Won the "Best ESG Award", "Best Information Disclosure Award", "Best Capital Market Communication Award" and "Top 10 IR Hot List of Chinese Listed Companies of Roadshow China" in the "Fifth China Excellent IR Award 2021" organised by Roadshow China.

Won the "Best Listed Company Award" and "Best Investor Relations Award" in the "Fifth China Financial Market Award 2021" by China Financial Market.

Won the "Most Socially Responsible Listed Company" award in the "11th Reputation List of China Listed Company" by National Business Daily.

December



Chairman's Statement



HU WEI
Chairman

To all shareholders,

On behalf of the Board, I am pleased to inform the shareholders that in 2021, the Group has recorded the revenue of RMB10.872 billion, with a YOY growth of 35.45%, while achieving a net profit of RMB2.606 billion, with a YOY growth of approximately 26.85%, and realising the earnings per share of RMB1.110. Always committed to enhancing corporate value, the Group has implemented an aggressive cash dividend policy to balance the long-term and short-term interests of investors and provide good and consistent returns for shareholders. The Board has proposed a final cash dividend of RMB0.62 per share for 2021, with an aggregate amount of approximately RMB1.352 billion, which, after excluding the investment income payable to the holders of the perpetual bonds, is accounted for 55.88% of the net profits attributable to ordinary shareholders of the listed company in the consolidated statements for 2021. Such recommendation will be implemented upon the shareholders' approval on the 2021 Annual General Meeting of the Company.



Business Review

In 2021, the Group pursued steady development under the new normal. With the support from our shareholders, the government and all sectors of the society, we insisted the positioning as an urban and transport infrastructure constructor and operator and thoroughly implemented the various work plans assigned at the beginning of the year. Regarding project construction, key projects such as Outer Ring Phase II, Coastal Phase II, Jihe Expressway reconstruction and expansion project and the Guangming Environmental Park Project have reached the segmental goals on track. In terms of highway operation, leveraging on major projects and coordinating road network resources, information technology and intelligence has been vigorously promoted in operation and surveillance to practically enhance the traffic efficiency of road network and the management level of road assets. As to project merger and acquisition, projects such as Mulei Wind Power Project and AVIS were completed while the strategic acquisition of the controlling interests in Bay Area Development, a Hong Kong listed company, was successfully implemented. For financing activities, our financing channels were broadened with tight concerns on external policies and market dynamics to reduce financing costs and safeguard property security. In relations to corporate governance, seizing the opportunity of the comprehensive reform of state-owned enterprises, our corporate governance and various management systems were further improved to meet the Group's practical needs for business management. In 2021, the Group achieved all operating goals. Description of the business operation of each segment of the Group is set out in "Management Discussion and Analysis" of this annual report. For details, please refer to the report made by the Management of the Company.

Chairman's Statement

Future Outlook

In March 2021, the National People's Congress passed the Outline of the 14th Five-Year Plan for National Economic and Social Development ("The 14th Five-Year Plan") and the Long-Term Goals for the Year 2035. The 14th Five-Year Plan marked the first five years of China's new journey in the all-out transformation into a modern socialist country. Facing a more complex development landscape with opportunities and challenges, the 14th Five-Year Plan set major goals of economic and social development for this period, which included accelerating the establishment of China's strength in transport, building a modern energy system, improving environmental quality, and promoting the development of the Guangdong-Hong Kong-Macao Greater Bay Area in a proactive and steady manner. For the toll highway industry and the general-environmental protection industry specifically, the objectives included optimizing the comprehensive transport networks, enhancing the quality of national highway network, and pushing through the reform of the toll collection system and the relevant maintenance mechanism. The plan also proposed to increase the share of non-fossil fuel to approximately 20% of total energy consumption and expand the consumption and storage capacity of clean energy. Apart from that, it aimed to strengthen all environmental infrastructure, take strict control of environmental risks, and refine the Greater Bay Area framework for more convenient and efficient transport of passengers, goods and vehicles.

For the toll highway industry, according to the National Highway Network Planning (year 2013–2030), the growth of highway mileage will continue to slow down and the rapid growth will transit to stable development among the industry. The existing toll highways is estimated to keep delivering relatively stable investment returns in general, with new challenges such as higher costs arising from new projects and longer period of development. In addition, as the toll collection period for some core highway assets at favourable locations will be expired soon, there are investment opportunities in the review of toll collection rights through reconstruction and expansion projects. Following the patterns that economic growth determines the demand for transport, the steady development of the national economy will the growth potentials of the entire transport industry in the long run. Nonetheless, there may be changes in niche segments that require enterprises to have more innovative business models and better investment and financing management capabilities. As a result, specialised infrastructure operators will have a stronger competitive position.

For the past 25 years, the Group has developed a series of core competitiveness, including the advantages of the state-owned capital platform for infrastructure in the Greater Bay Area, the comprehensive integration capabilities and industrial synergy capabilities of investment, construction, operation and management, and innovation capabilities in business models and technology management, as well as the advantages of a good financing platform at home and abroad. All the strengths have become the foundation for the Group's sustainable development in the toll highway industry. The Group will strive to promote the reconstruction and expansion of existing projects and seek opportunities to tap into high-quality project resources. It will also strengthen the cooperation with the government and continuously explore innovative business models, to create investment opportunities with business value. In addition, the Group will enhance the service capabilities in all sectors of the highway industry chain and expand to upstream and downstream businesses such as design, consultation, construction and maintenance. To catch up with the trend of information technology, it will actively promote the intelligence development of toll highways for better user experience, more efficient management and new business opportunities.

Entering into the general-environmental protection industry is the result of the latest strategic transformation, which was also a strategic decision made by the Group after considering the developing trend of the industry and the strength syncing of our own. The Group will focus on segments such as organic waste treatment, hazardous waste treatment and clean energy power generation. China has planned the environmental pollution treatment as its top priority and promulgated a series of policies that spiked the demand for waste treatment and hazardous waste disposal. Currently, the organic waste treatment and hazardous waste disposal market is fragmented, regional and consists of small projects. The above macro-demands and the characteristic of the industry have ushered in development opportunities for related industries with new project construction, mergers and acquisitions, and consolidation. In terms of clean energy development, China strives to establish a safe and efficient low-carbon clean energy system through the revolution in energy generation and consumption. As technology advances and costs decline, all newly approved onshore wind power projects have achieved grid parity starting from 2021. The clean energy industry will become more market-oriented and enjoy great room for long-term development.

The Group has core advantages in terms of infrastructure operation, government cooperation, business model design and financing, which help it build the aforesaid niche businesses in the general-environmental protection industry. As of now, the Group has achieved its strategic layout in the general-environmental protection industry through its controlling interests in various high-quality assets, including Bioland, Guangming Environmental Park, Nanjing Wind Power, Baotou Nanfeng and Mulei Wind Power Project. As the efforts in building business teams, professional capacities and operating experience begin to pay off, the Group will further strengthen and enhance its core competitiveness. Besides, it has to consolidate existing project resources to foster cooperation between upstream and downstream players of the industry chain and promote complementary advantages between projects, so as to create synergy and maximise project value.

Based on the above analysis of the business environment, industry trend and competitive landscape, the Group put forward the 14th Five-Year (2021-2025) Development Strategy ("the 14th Five-Year Strategy") approved at the general meeting in December 2021. Guided by the 14th Five-Year Strategy, the management devised a specific work plan for the year to facilitate the implementation of the strategy. Description of the Group's development strategy, business plan, capital expenditure plan, risk analysis and coping strategy is set out in "Management Discussion and Analysis" of this annual report. For details, please refer to the report made by the Management of the Company.

Leveraging the current business layout that centres on two core businesses, the Group will give full play to its core edges from its favourable location, brand power, business team and liquidity position. It will pursue a market-oriented and innovation-driven strategy, while improving corporate governance and the operating mechanism. With the mission of "building quality infrastructure to provide beautiful living experience in cities", the Group adheres to the corporate spirit of "in-depth research, self-improvement and hard work", and upholds the values of "integrity, responsibility, humanism and innovation". Seizing the opportunities of such era arising from the Guangdong-Hong Kong-Macau Greater Bay Area and Shenzhen in building a pilot demonstration area of socialism with Chinese characteristics, the Group will consolidate and enhance its advantageous in the toll highway industry and proactively expand into the featured environmental protection and integrated clean energy industries. Supported by new technology and the integration of industry and finance, it will refine industry management to add value to the industry chain and facilitating quality sustainable development of the Company.

Acknowledgements

On behalf of the Company, I would like to take this opportunity to express my sincere gratitude to our shareholders and stakeholders from all sectors for their trust and support. I would also like to thank the Board, the Supervisory Committee and the management for their insights and contributions, and all our employees for their commitment and dedication. In 2022, facing the difficult environment and tough tasks, Shenzhen Expressway will embrace challenges and seize opportunities by striving hard and planning ahead, so as to forge towards new strategic goals and begin a new chapter of development!

HU Wei
Chairman

Shenzhen, the PRC, 29 March 2022

MANAGEMENT DISCUSSION AND ANALYSIS

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Management Discussion and Analysis



LIAO XIANGWEN
President

I. Discussion and Analysis of the Operations

In order to achieve the Company's strategic goal of transformation and upgrading, in addition to consolidating and upgrading the core business of toll highway, the Group entered in the environmental protection and clean energy business sector from a high starting point, thereby establishing the current business landscape with toll highway and general-environmental protection as its dual core businesses. In recent years, the Group adheres to a market-oriented, specialised and industrialised approach to continuously integrate its internal organizational structure and functions. It has gradually established various business platforms for urban infrastructure, environmental protection, operation, construction and new energy which include the Investment Company, a company principally engages in the business of infrastructure construction joint comprehensive development of land; the Operation Development Company, a company principally engages in highway operation, maintenance management services and intelligent transportation business; the Environmental Company, a company principally engages in the expansion of businesses relating to the environmental protection industry such as recovery and solid waste management; the Construction Company, a company principally engages in the provision of project construction management services; the Infrastructure and Environmental Protection Company, a company, located in the Shenshan Special Cooperation Zone, engages in the provision of large-scale infrastructure construction management services for the cooperation zone and the environmental project investment within the cooperation zone, and the New Energy Company, a company principally engages in the expansion of businesses relating to

wind energy and other new energy; and the industry financial management department, which would act as a consolidated management platform of the Group for the industrial-financial integration business. Through the aforesaid business platform, the Group will give full play to its own competitive advantages in infrastructure investment and financing, construction, operation and integrated management. The Group will also actively extend its business scope to the upstream and downstream of the industrial chain of its dual core businesses and develop other service-oriented businesses, such as operation maintenance, intelligent transportation/environmental protection system, engineering management, urban comprehensive services and industrial finance, striving for greater rooms for the development of the Group's operation.

Strategy goes before the development of enterprise. Strategic planning is essential to the development direction, development goals and development path of a Company. In 2021, Shenzhen Expressway summarised the experience, conducted in-depth review, discussions and brainstorming sessions, and compiled the "14th Five-Year Plan" (2021-2025) development strategy (the "Development Strategy"), which was officially announced and implemented upon the approval of the general meeting. The Development Strategy clarified the Group's development blueprint and action plan during the new strategic period, and specified the strategic goals and directions for the Group's development in the next five years, which is "the Company will further develop in Shenzhen, and the Guangdong – Hong Kong – Macao Greater Bay Area with nationwide coverage. Featuring on the "innovation, wisdom, green and efficiency", the Company will provide sustainable development solutions for cities, and commit to becoming a first-class and important service provider for infrastructure construction and operation in terms of highway transportation and environmental protection, so as to realize scale growth, structural optimization, capacity enhancement and mechanism improvement." With toll highway and general-environmental protection as its core business segments, the Group will explore and cultivate businesses such as new urban construction and combination of industry and finance, and build a "Smart Shenzhen Expressway" through digital intelligence empowerment.

During the year, pursuing the development strategic goals, the Group formulated measures for strategic implementation in details, and segregated the development goals, responsible entities, development layout plan and work priorities at each stage. Based on the Group's centralized deployment, each business segment carefully analyzed the annual business objectives, formulated effective measures and earnestly implemented them, thereby ensuring the completion of the annual planned targets.

Management Discussion and Analysis

At current stage, the Group's revenues and profits are mainly derived from toll highway operations and investments, and the profit contribution of general-environmental business is gradually emerging. In addition, the Group provides outstanding construction management and highway operation management services for the government and other enterprises. Building on the relevant management experiences and resources and relying on its core business, the Group has launched businesses such as project development and management, financial, engineering consulting and inter-network toll collection businesses, etc. As of the date of this report, the principal business of the Group is set out as follows:

Shenzhen Expressway Corporation Limited		
Mail Toll Highway Business		General Environmental Business
Shenzhen region: <ul style="list-style-type: none"> ◆ Meiguan Expressway 100% ◆ Jihe East 100% ◆ Jihe West 100% ◆ Coastal Project 100% ◆ Outer Ring Project 100% ◆ Longda Expressway 89.93% ◆ Shuiguan Expressway 50% ◇ Shuiguan Extension 40% 		<ul style="list-style-type: none"> ◆ Mulei Wind Power Project 100% ◆ Baotou Nanfeng 100% ◆ Guangming Environmental Park 100% ◆ Yongcheng Zhuneng Project 100% ◆ Zhongwei Gantang Project 100% ◆ Lisai Environmental 70% ◆ Bioland 67.14% ◆ Nanjing Wind Power 51% ◆ Qiantai Project 50% ◇ Derun Environment 20% ◇ Huaian Zhongheng 20% ◇ Water Planning Company 11.25%
Other regions in Guangdong Province: <ul style="list-style-type: none"> ◆ Qinglian Expressway 76.37% ◇ GS ExpresswayNote 45% ◇ GZ West ExpresswayNote 50% ◇ Yangmao Expressway 25% ◇ GZ W2 Expressway 25% 		<div style="border: 1px solid #ccc; border-radius: 10px; background-color: #e0f2f1; padding: 5px; margin-top: 10px;"> Entrusted Management and Other Infrastructure Development Industrial-Financial Integration Other businesses <ul style="list-style-type: none"> - Advertising - Engineering Consulting - Inter-network Toll Collection </div>
Other Provinces in the PRC: <ul style="list-style-type: none"> ◆ Wuhuang Expressway 100% ◆ Yichang Project 100% ◆ Changsha Ring Road 51% ◇ Nanjing Third Bridge 25% 		
<p>Icon: ◆ Consolidated project ◇ Non-consolidated project</p> <p>Note: The Company indirectly holds interests of GS Expressway and GZ West Expressway through holding 71.83% of the shares of Bay Area Development.</p>		

II. Particulars of the Industry in which the Company Operates During the Reporting Period

In 2021, as the COVID-19 epidemic remained severe and complicated globally, the Chinese government continued to consolidate the achievements of epidemic prevention and control measures as well as economic and social development. Throughout the year, China achieved a GDP of RMB114.4 trillion, representing a YOY increase of 8.1% and an average growth of 5.1% over the past two years. China's economy continued to recover steadily and the quality of its operation continued to improve. In terms of economic structure, industrial production grew gradually. In 2021, the added value of industries above designated size increased by 9.6% year-on-year and the utilization rate of industrial capacity was 77.5%, which was a high level in recent years. Energy production achieved steady growth and electricity generation increased drastically. Amongst which, clean energy power generation continued to grow and wind power generation increased by 29.8% year-on-year. In 2021, the total value of foreign trade imports and exports amounted to RMB39.1 trillion, representing a YOY increase of 21.4%. Domestic production was on a stable trend, which enhanced the demand for clean energy and drove the stable growth in general demand for highway transportation and logistics to a certain extent. Source of data: Government statistics information website

(I) Toll Highway Business

1. Policy environment

In order to improve the traffic efficiency of the expressway network and promote logistics cost reduction and efficiency increase, the MOT, the NDRC and the Ministry of Finance jointly issued the "Implementation Plan for Comprehensive Promotion of Differentiated Toll Collection for Highways" (the "Plan") (全面推廣高速公路差異化收費實施方案) in June 2021. According to the Plan, local governments shall fully promote the differentiated toll collection policy for highways by late September 2021. By using price leverage, which is through the adoption of differentiated toll collection mode for different road sections, vehicle types, time sessions, entries and exits, directions and payment methods to give full play to the functions of traffic diversion, cost reduction and efficiency improvement. Based on the standard requirements set by the MOT, highway operators implemented the new toll collection scale for different vehicle types and the toll collection scale for different highway sections through the ETC system since 1 January 2020. In practice, the differentiated toll collection policy was implemented for different vehicle types and payment methods, which partially affected toll revenue. The adoption of the Plan may further reduce the amount of single vehicle payment in certain road sections, while it may boost the traffic flow and traffic efficiency of the overall road network. In general, the differentiated toll collection is conducive to regulating the traffic flow balance of road networks, and improving the overall traffic efficiency and service level. It is expected to have a limited effect on toll revenue in general.

In September 2021, the Guangdong Provincial Government issued the "14th Five-Year Development Planning for the Comprehensive Transportation System of Guangdong Province" (the "Planning"), which set out eight major tasks, including the construction of a world-class comprehensive transportation hub, the establishment of a three-dimensional interconnected comprehensive transportation network, the development of high-quality transportation services, and the establishment of a future-oriented intelligent transportation system in Guangdong Province, so as to promote a high-level infrastructure layout plan, among which the mileage of expressways across the province will reach 12,500 km by 2025. The Planning specified the development direction for the transportation enterprises across the province in the next five years. As a fundamental industry supporting economic and social development, the toll highway industry will be subject to new requirements and presented with new opportunities during the "14th Five-Year Plan" period.

Management Discussion and Analysis

2. *Fundamentals and Analysis of the Industry*

At current stage, China's expressway construction has entered a stable period, and the new mileage every year tends to be stable. According to the National Highway Network Planning (year 2013-2030), the growth rate of expressway mileage will continue to slow down, which is expected to be basically saturated in 2030 and the expressway industry will enter the stock era from the era of increment. The expressway industry is facing many challenges such as the declining demand for new and high-quality project construction, rising construction and operation costs, rigid toll collection standards and such pressures lead to the reduction of industry revenue. On the other hand, however, after more than 20 years of operation, the toll collection period for core road properties in the earlier batch of domestic expressway networks will expire and gradually enter the period of reconstruction and expansion, during which most of the reconstruction and expansion projects have geographical advantages while their profitability is mainly subject to factors such as insufficient lanes, traffic flow saturation and pavement aging. Through reconstruction and expansion, the toll collection period can be reassessed, and as mature road assets, there is no need for them to go through the cultivation period. With the improvement of the traffic capacity, the traffic volume can be significantly increased, which has more investment advantages than new construction projects. Therefore, upon the arrival of the reconstruction and expansion cycle, the highway industry will usher in a historic opportunity for the development of the highway reconstruction and expansion market. In addition, the merger and acquisition of quality expressway projects, the expansion of upstream and downstream industrial chains and the exploration of industrial transformation have also been an attempt by most listed expressway companies recently to enhance their long-term operating capabilities.

Being dedicated to the transport infrastructure industry for 25 years, the Company has accumulated extensive experience in areas such as road investment, construction and operation management. Currently, the Company invested and operated in a total of 17 toll highway projects, with the attributable mileage of approximately 604 kilometers, mainly located in Shenzhen and the Guangdong – Hong Kong – Macao Greater Bay area and economically developed regions. With its favourable geographical advantages and excellent asset conditions, the Company is in the leading position in terms of the scale of road assets and profitability among the listed domestic expressway companies. Moreover, it has established a good market reputation in the industry. For further details of the industry position of the Company, please refer to the "Analysis of Core Competitiveness during the Reporting Period" below.

(II) **General Environmental Protection Business**

1. *Policy environment*

In order to overcome the challenges brought by global climate change, China proposed the strategic goals of achieving the peak of carbon dioxide emission by 2030 and carbon neutrality by 2060 ("Dual Carbon"). The work of "proper implementation of various measures to achieve carbon peak and carbon neutrality" was prioritised in the Report of the Work of the Government for 2021. The national Dual Carbon strategic goal will catalyze a new landscape for the new energy as well as the ecological and environmental protection sectors.

◆ **Recovery and solid waste treatment industry:**

In May 2021, the NDRC issued the "14th Five-Year Plan for the Development of Urban Domestic Waste Classification and Treatment Facilities" (《“十四五”城鎮生活垃圾分類和處理設施發展規劃》), which proposed that the utilization rate of the national urban domestic waste recovery will reach approximately 60% by the end of 2025. The domestic waste classification collection and transportation capacity will reach approximately 700,000 tons/day, which will basically meet the needs of the classification collection, transfer and treatment of urban domestic waste at the prefecture level and above, and the plan has imposed requirements for orderly construction of kitchen waste treatment facilities. During the same month, the NDRC issued the "Notice on the Action Plan for Further Tariff Mechanism Reform During the "14th Five-Year Period" (《關於“十四五”時期深化價格機制改革行動方案的通知》), which set out measures such as the promotion and establishment of a charging system for domestic waste treatment by local governments at county level or above and the formulation and adjustment of charging standards rationally, as well as the implementation of non-resident kitchen waste measurement and charging. In July 2021, the NDRC and Ministry of housing and urban rural development jointly published the "Guiding Opinions on Promoting the Measurement and Charging of Non-resident Kitchen Waste Treatment" (《關於推進非居民廚餘垃圾處理計量收費的指導意見》) with a view to comprehensively establish and improve the kitchen waste collection, transportation and treatment system and charging mechanism. In December 2021, 18 departments and units including the Ministry of Ecology and Environment jointly published the "Work Plan for the Construction of "Zero-Waste Cities" during the '14th Five-Year' Plan Period" (《“十四五”時期“無廢城市”建設工作方案》), which set out working goals such as "the promotion of the construction of 'zero-waste cities' in approximately 100 cities at the prefecture level and above, the decrease in the production intensity of solid waste in 'zero-waste cities' at a faster rate, the significant improvement in the comprehensive utilization level, safeguarding the harmless disposal capacity effectively, and giving full play to the synergistic effects of pollution elimination and carbon reduction by 2025", while specifically proposing the main tasks and working procedure for solid waste treatment during the "14th Five-Year" Plan period which reflect the urgency and importance of solid waste treatment.

During the "14th Five Year" Plan, the ecological and environmental protection will enter a new stage of pollution elimination, carbon reduction and collaborative governance. The recycling of organic waste will become integral to the establishment of the ecological civilisation system and promote social development towards comprehensive green transformation. The ecological and environmental protection industry will usher in a new round of important window period.

◆ **Clean energy industry:**

The National Energy Administration issued the "Notice on Matters Relating to the Development and Construction of Wind Power and Photovoltaic Power Generation in 2021" (關於2021年風電、光伏發電開發建設有關事項的通知) in May 2021, stipulating that the wind power and photovoltaic power shall account for around 11% of national power consumption in 2021, the non-fossil fuel consumption shall account for around 20% of primary energy consumption in 2025, and a long-term mechanism shall be established to ensure the sustainable development of renewable energy. State Grid published the Action Plan for Carbon Peak and Carbon Neutrality (碳達峰碳中和行動方案) in March 2021. Under the plan, it is suggested to enhance the acceptance of clean energy, increase its cross-regional transmission and improve the efficiency in the utilisation of existing power transmission channels. In July 2021, the national carbon emissions trading market was officially opened on the Shanghai Environment Energy Exchange, which will be conducive to the role of the carbon market in reducing energy consumption, cutting emission and supporting sustainability such as new energy. In the context of national promotion of the Dual Carbon strategy, the clean energy sector will enter a new phase of development.

Management Discussion and Analysis

2. *Fundamentals and Analysis of the Industry*

With the support of a series of policies promulgated by the PRC government, the recovery and solid waste management and clean energy industry has seen significant market opportunities. Regarding the recovery and solid waste management industry, the degrees of industrialisation and market concentration of the recovery and solid waste management industry remained relatively low in the PRC, resulting in a relatively large shortfall of production capacity from the requirements of industrial planning. Along with the progress of the construction of "Zero-waste City" and the general launch of waste classification policy, the development of the resource recovery of solid waste sector is entering a rapid growth stage. Currently, the organic solid waste treatment industry adopts the administrative license system, which requires corporates to establish their sophisticated treatment models and regulated operational standards, forming an entry barrier to some extent. On the other hand, capital barrier exists in respect of large-scale organic solid waste treatment projects due to their characteristics including huge investment, lengthy construction cycle, complicated treatment techniques and long investment payback period. Therefore, despite the considerable number of market entries, only a few possessed higher qualifications and satisfactory business size and capabilities.

In respect of the clean energy industry, the development of a low-carbon clean energy system operating in a safe and efficient manner has been adopted as a long-term national policy. A series of policies and regulations have thus been promulgated by the central and local governments to secure the development of the clean energy industry. At present, China ranks first globally in terms of the installed capacity of wind power and photovoltaic power, and the adoption of renewable energy, mainly wind power and photovoltaic power, has become a major trend in China's energy industry in place of fossil fuels. 2021 marks the first year of launch of parity for domestic onshore wind power. With the advent of grid parity, the wind power industry has entered a new era of development with increasing construction scale and operational efficiency of wind power. According to the data published by the National Energy Administration, China's newly installed grid-connected wind power capacity in 2021 amounted to 47.57 million kW. As of the end of 2021, the accumulated installed capacity of wind power in China amounted to 330 million kW, representing a YOY increase of 16.6% and accounting for 13.9% of the installed capacity of grid power generation. Looking forward, driven by the "30•60" dual-carbon goal of China, the wind power industry will be presented with new market opportunities and rooms for development.

During the last strategy, having set the goal of entering the general-environmental protection industry for strategic transformation, the Company prudently sought opportunities for cooperation with leading enterprises in the general-environmental protection industry to enter the environmental protection and clean energy business sector from a high starting point. Besides, it gradually shifted focus to the recovery and solid waste management and clean energy industry through investment and M&A over the last few years, thereby initially expanding its business presence into the general environmental protection industry. Being supported by the national policies, the recovery and solid waste management and clean energy industry is relatively more aligned with the management and operation mode of the Group in view of its mode of return on investment based on the nature of asset-heavy with stable business of the industry.

In terms of the recovery and solid waste management business sector, Bioland, a holding subsidiary of the Company, is currently a major enterprise in the field of integrated solution, construction and operation for organic waste in the PRC. Possessing relatively strong capabilities in technological innovation, research and production, it owns more than a hundred patents and is equipped with the service capabilities throughout the industry chain which cover the research and development, investment and construction in relation to treatment technology in regard of organic wastes such as kitchen waste, as well as manufacturing and operation of the related equipment. Currently, Bioland has a total of 19 organic waste treatment projects under BOT/PPP model. Moreover, the Company was officially contracted for the Shenzhen Guangming Environmental Park Project through an open tender in 2021. As at the end of the Reporting Period, the organic waste treatment designed capacity of the Group exceeded 5,000 tons/day, ranking among the leaders in the domestic industry. As a new entry of the resource recovery of solid waste industry, the Group will further optimise business management and integration and development of its professional team. By capitalising on the favorable policies, it will seek market expansion proactively and continue to enhance its core competitiveness and profitability.

In terms of the clean energy business sector, as at the end of the Reporting Period, the Group has controlling interests of Nanjing Wind Power, and has wind power projects with an aggregate installation capacity of 648MW through investment and M&A. Through cooperation platform established with SPIC Fujian Company, it acquired equity interests of AVIS, which principally engages in the business of after-sales operation and maintenance services. In addition, the Group possessed the license of financial leasing. Through active business layout plan, the Group has developed the capability in the integrated business covering the investment and operation of wind farm projects, research and development and manufacturing of wind power complete machine equipment, after-sales operation and maintenance service and integrated business capability of project financing, which could give full play to the synergistic advantage across the upstream and downstream industrial chain of new energy, thereby laying foundation for further development of the Company in the new energy industry.

III. Business of the Company During the Reporting Period

In 2021, the opening year of the Group's "14th Five-Year Plan" (2021-2025) development strategy. The COVID-19 epidemic continued to impact the production and operation of the Group. In addition to properly conducting prevention and control measures against the epidemic, the Group has pursued the new strategic goal aiming to consolidate the foundation of production and operation continuously, put greater efforts in the development and M&A in respect of quality projects, actively expand the principal businesses and explore market opportunities from the industry chain. Adopting the multi-pronged approach to increase production efficiency, the Group also took initiative to explore potential and enhance efficiency, and had successfully accomplished each operating target set at the beginning of the year.

During the Reporting Period, the Group effectively managed the main businesses of toll highway, recovery and solid waste management and clean energy, and steadily advanced relevant businesses such as entrusted management, infrastructure development and financial services. During the Reporting Period, the Group recorded revenue of approximately RMB10.872 billion, representing a YOY increase of 35.45%. Among them, toll revenue was approximately RMB5.893 billion, revenue from environmental protection businesses such as clean energy and recovery and solid waste management was approximately RMB1.793 billion, and other revenue was approximately RMB3.186 billion, which accounted for 54.20%, 16.50% and 29.30% of the total revenue of the Group, respectively.

Management Discussion and Analysis

(I) Business Management and Upgrade

◆ *Enhancing the quality and efficiency of management and establishing an internal authorisation mechanism*

In recent years, with the Group's increased expansion efforts and the continuous implementation of M&A projects, the number of subsidiary companies in each business segment of the Group has continued to increase, the management radius of the headquarters has continued to expand, and the decision-making process has become more complex. The Group is actively seeking management solutions for risk prevention and control, so that its management quality and efficiency can meet its management needs as a group. During the Reporting Period, the Group further enhanced internal management and resources integration of acquirees. It also implemented collaborative management and control in areas including system establishment, operation management and technology R&D. Centring on risk and compliance management and supervision, it built and optimised a stringent, standardised and effective internal system. On the other hand, the Group conducted research in the authorisation mechanism in all business sectors, fully rationalised the authorisation management process, defined authorities properly and streamlined the approval process for more effective decision-making. Currently, the Group is formulating the working guidelines for major management areas and other system documentation by taking various factors into comprehensive consideration, which include the business models, progress in market-oriented development, risk level and popularity in the capital market of all businesses. Based on setting rules for the operation and management of acquirees, the Group will build and improve the authorisation mechanism with matching rights and responsibilities. This will not only motivate the management staff at all levels, especially the management teams of first-level project companies, but also promote the operating efficiency of controlling subsidiaries and their integration with the overall regulated development of the Group.

◆ *Innovative technology applications to empowering business operation with technological*

In recent years, the Group facilitated the operational development with technological innovation and actively conducted R&D projects in innovative technology. Leveraging the advantage of infrastructure resources and operational management experience, combined with big data, the AI and the internet technology resources from professional research institutes and technical teams, the Group advanced implementing and applying innovative technologies in traditional expressway construction and operation, thereby enhancing information technology development for smart transportation and smart environmental protection.

During the Reporting Period, the Group capitalised on the mechanical and electrical system of Outer Ring Expressway, so as to set up a comprehensive big data road network management platform and a comprehensive traffic monitoring and management platform for Outer Ring Expressway. This enabled the dynamic and integrated monitoring and prediction of highway network conditions, real-time vehicle operation, traffic incidents and traffic environment. The Group built the digital model for road infrastructure with BIM technology, and achieved smart asset operation and management of Outer Ring Expressway through the BIM maintenance system. Using Jihe Expressway reconstruction and expansion project as the carrier, it commenced the topical research in smart highways and designed the proposal for the smart development of Jihe Expressway. In addition, the preliminary inspection and acceptance of the road network monitoring, command and control system platform were completed by late 2021. Covering the toll highways in Shenzhen region, it provides an information application platform for businesses including the monitoring and management of road network operation, business synergy and emergency response. During the Reporting Period, the Group also accelerated the information technology business layout plan in the environmental protection industry, commenced the development of digitalised application of Guangming Environmental Park Project. Currently, the BIM implementation plan has been completed.

(II) Toll Highway Business

1. Business Performance and Analysis

The average daily traffic volume and toll revenue of all toll highways operated and invested by the Group during 2021 are as follows:

Toll highway	Average daily mixed traffic volume (number of vehicles in thousand) ⁽¹⁾	Average daily toll revenue (RMB'000)
Guangdong Province – Shenzhen Region:		
Meiguan Expressway	158	449
Jihe East	329	2,012
Jihe West	217	1,527
Coastal Expressway ⁽²⁾	168	1,620
Outer Ring Project ⁽³⁾	234	2,523
Longda Expressway	115	400
Shuiguan Expressway	266	1,809
Shuiguan Extension	71	244
Guangdong Province – Other Regions:		
Qinglian Expressway	51	2,400
Yangmao Expressway	46	1,353
GZ W2 Expressway	91	1,380
Other Provinces in the PRC:		
Wuhuang Expressway ⁽⁴⁾	67	1,311
Yichang Project ⁽⁴⁾	58	1,277
Changsha Ring Road ⁽⁴⁾	87	816
Nanjing Third Bridge	29	1,301

Notes:

- (1) Traffic volume which is toll free during holidays is not included in the figures of average daily mixed traffic volume.
- (2) According to the freight compensation agreement entered by Shenzhen Transport Bureau, the Company and Coastal Company, that during the period from 1 January 2021 to 31 December 2024, the vehicles passing through the Coastal Expressway should be charged at 50% of the standard rate of the toll, and such toll waived by the Company and Coastal Company shall be compensated by the government in a one-off manner in March of the following year.
- (3) Outer Ring Phase I commenced operation on 29 December 2020. Outer Ring Phase II commenced operation on 1 January 2022.
- (4) At the end of 2021, both Hunan Province and Hubei Province issued a notice on the compensation for the toll exemption vehicles on toll road during the prevention and control of COVID period in 2020, pursuant to the understanding and interpretation of such notice, the Company has recognized the respective income of Wuhuang Expressway, Yichang Project and Changsha Ring Road.

Management Discussion and Analysis

During the Spring Festival travel season in 2021, the state advocated people to stay put for celebration to prevent the epidemic outbreak from recurring. Returnees were subject to stringent preventive and control measures, leading to the reduction in travelling vehicles during the period and thus a decrease in toll revenue as compared with normal years. During the year, the epidemic emerged in various regions of Guangdong Province and other regions such as Nanjing and Zhangjiajie, Hunan successively. The government implemented stringent epidemic prevention and control measures on travel and logistics during the period, which had certain negative effects on the operating results of some toll highway projects of the Group. In general, however, as the macro economy in China has shown recovery and steady growth. The toll highways of the Group resumed their normal operational performance during the Reporting Period. Given a relatively lower base of the corresponding period last year, the traffic volume and toll revenue of all toll highways saw a significant YOY growth.

Moreover, the operational performance of toll expressways is also affected by the positive or negative impact of factors such as changes in surrounding competitive or coordinated road networks, construction or maintenance of the expressways, connected or parallel expressways, implementation of urban traffic organisation plans.

(1) Guangdong Province – Shenzhen Region

During the Reporting Period, benefitting from a positive impact of factors that led to the increase in traffic such as the relocation of large-scale production bases to the north, increase in production bases along the highways, and the preferential policy for lorries implemented on Changhu Expressway and Congguan Expressway (Dongguan Section) (including the subsidiary road of Qingxi), the traffic volume of lorries passing through Meiguan Expressway has maintained a promising growth. As the major cargo freight artery for east-west traffic of Shenzhen, Jihe Expressway saw a stable operational performance. Coastal Expressway continued the favourable policy that offered a 50% toll discount for lorries. Benefited from the tailwinds such as the substantial efforts of Shenzhen in promoting the economic growth and development of Qianhai and western port region, and the synergy on expressway network arising from the opening of the westbound section of the Shahe West Connecting Lane of the Dongbin Tunnel, the traffic volume of Coastal Expressway maintained sound growth. Longda Expressway is an important exit route from Shenzhen to Dongguan and the Pearl River Delta. Benefitting from the connectivity between the opening of Outer Ring Phase I and its road network, and the positive effect brought by the opening of Songshan Hunan Railway Station in October 2020, Longda Expressway achieved solid operating results.

Following the commencement of operation of Outer Ring Phase I (a total length of about 50.74 kilometres) at the end of December 2020, Outer Ring Phase II (about 9.35 kilometres) has officially commenced operation on the New Year's Day of 2022. After the commencement of operation of Outer Ring Phase II, the Outer Ring Project has become the most convenient high-speed west-to-east main road in Shenzhen, and will further demonstrate its radiation function as the key enhancement route in the transport network of the Guangdong-Hong Kong-Macau Greater Bay Area to facilitate the economic development in the regions along the expressway. Outer Ring Phase I has achieved solid operating results and recorded a daily average toll revenue of RMB2.52 million during the Reporting Period. Meanwhile, the opening of the Outer Ring Project has brought inducing effect on the traffic volume of Meiguan Expressway and Coastal Expressway, but certain diversion impact on the traffic volume of all sections of Jihe Expressway.

(2) *Guangdong Province – Other Regions*

As the north-south traffic artery from Southern China to Central China, Qinglian Expressway benefited from the continuous improvement of road networks nearby such as the Qingyun Section of Shanzhan Expressway, etc. During the Reporting Period, it maintained stable operating results.

During the Reporting Period, the operational performance of Yangmao Expressway was affected by both positive and negative factors, yet the operational performance recorded YOY growth to a certain extent. The reconstruction and expansion works of Yangmao Expressway have been completed with all sections of the two-way and eight-lane expressway commenced operation on 16 December 2021. The traffic capacity was enhanced significantly, which will help to boost its operational performance in the future. Following the improvement of the surrounding road networks, the short-distance traffic volume of GZ W2 Expressway further increased. However, its overall traffic volume was slightly detracted after the opening of main line of the Guangfozhao Expressway in late April 2021.

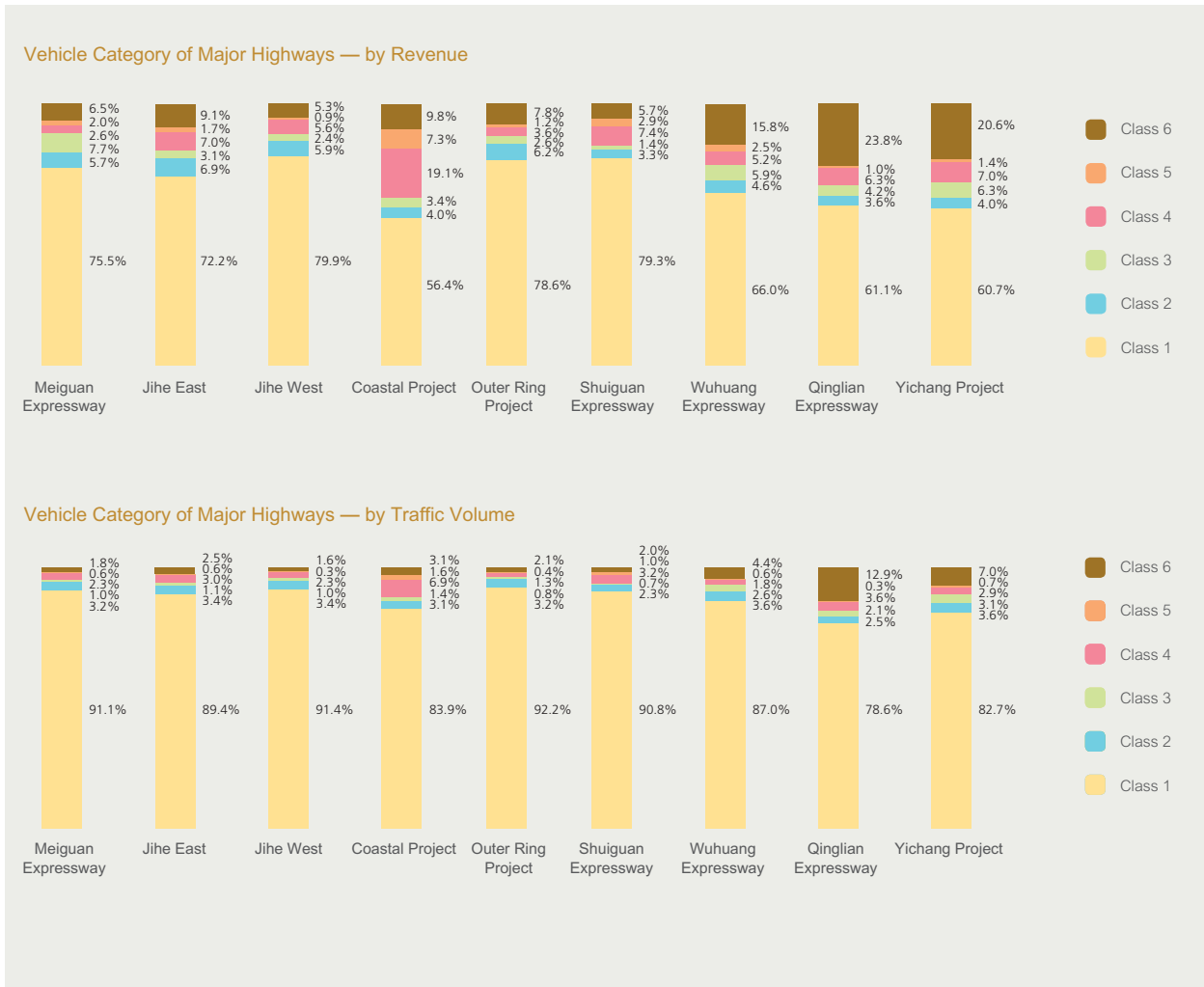
(3) *Other Provinces*

With the combined effect of factors such as the opening of the peripheral road network, the closure of certain sections for maintenance and the economic growth in the neighbouring areas along the expressway, Wuhuang Expressway maintained stable operating results in general during the Reporting Period. The official opening of Changyi North-Line Expressway at the end of August 2020 and the commencement of construction of the Changsha-Yiyang-Changde High-Speed Railway have driven the growth in overall traffic and truck volume of Yichang Expressway respectively. Benefiting from the continuous positive impacts of the recovery of the peripheral economic and business zone and the opening of the peripheral road network of Changyi North-Line Expressway and other expressways, the operational performance of Changsha Ring Road saw sound growth. Affected by the diversion impact of Nanjing Fifth Bridge and the impact of Epidemic in the third quarter of 2021, the operational performance of Nanjing Third Bridge remained flat during the Reporting Period as compared with the corresponding period of last year.

Management Discussion and Analysis

Reference Information

In 2021, there was no substantial change in the vehicle category for each major highway project of the Group as compared with last year. The following diagram shows the vehicle category of major toll highway projects of the Group:



2. **Business Development**

The Shenzhen section of the Outer Ring Expressway (Outer Ring Project) is a toll highway invested by the Group according to the PPP model. It adopted the dual six-lane expressway for all sections with a total length of approximately 77 kilometers. The construction will be carried out in three phases, of which Outer Ring Phase I (about 50.74 kilometers) commenced operation at the end of 2020, Phase II (about 9.35 kilometers) officially commenced operation on 1 January 2022, and the preliminary works of Phase III (a planned length of about 16.8 kilometers) is currently underway. Outer Ring Project is the longest expressway in the expressway network planning of Shenzhen to date. Upon completion, it will be connected to 10 expressways and 8 Class 1 highways in Shenzhen region, and becomes the major trunk connecting the west-to-east traffic in northern Shenzhen. The project involves a large scale of engineering construction with numerous bridges and tunnels as well as complicated transportation networks, and hence has a high requirement on construction management. Taking Outer Ring Phase II as an example, the expressway stretches over the Western Shenshan Expressway for 6 times and went underneath the Xiamen-Shenzhen High-speed Railway for 4 times, causing huge difficulties in respect of alleviation of traffic volume with high construction safety risks. During the Reporting Period, with a target to open Outer Ring Phase II to traffic by the end of the year, the Group has actively established an internal and external joint-action mechanism, and optimized the diversion plans, through which it has overcome all obstacles and difficulties and ensured the completion of delivery, inspection and acceptance in December 2021. The project officially commenced operation on 1 January 2022 successfully. In addition, the Board has approved the Company to commence the preliminary work, such as inspection and design, of all sections of Outer Ring Phase III and work such as construction and supervision of the first-stage section of Outer Ring Phase III during the Reporting Period. All of the relevant work are under active progress. For details of the Outer Ring Project, please refer to the relevant contents in the announcement dated 18 March 2016, and the circular dated 25 April 2016 of the Company.

The construction of Coastal Expressway Phase II commenced in December 2015, mainly including the construction of the interchange of the International Convention and Exhibition Center and the connecting lane on the Shenzhen side of Shenzhen-Zhongshan Tunnel. The interchange of the International Convention and Exhibition Centre was completed and put into operation in 2019. The total length of the Shenzhen side of Shenzhen-Zhongshan Tunnel is approximately 5.7 kilometers with two interchanges, namely airport interchange and Hezhou interchange respectively. Running from east to west, it starts from Huanghe toll station of Jihe Expressway (connecting with Jihe Expressway) and ends at the eastern artificial island of Shenzhen-Zhongshan Tunnel (connecting with the open section of Shenzhen-Zhongshan Tunnel). Upon completion, it will be connected to Coastal Expressway, Jihe Expressway, GS Expressway, Shenzhen-Zhongshan Tunnel and Bao'an International Airport. The percentage of bridges construction of the Shenzhen side of Shenzhen-Zhongshan Tunnel is as high as 98%, which involves complicated structure and hence huge difficulties in construction. During the Reporting Period, the project team has increased resource input, laid down a clear schedule of inverted construction period and fulfilled their responsibilities of promoting the project with joint efforts, thereby ensuring the attainment of annual targets and missions on schedule. As of the end of the Reporting Period, the connection for main line structure of the airport interchange to Hezhou interchange has been completed, approximately 69% of the construction progress of Coastal Phase II has been completed, among which the construction of roadbed, bridges and pavements have been completed at a percentage of approximately 77%, 69% and 10%, respectively.

Management Discussion and Analysis

To match the overall work plan and arrangement of the government's expressway construction and improve road safety and quality and the traffic environment, the Board has approved the preliminary work of the Group's initial design of the Jihe Expressway reconstruction and expansion project in January 2018. In 2020, the Board further approved the work in relation to the first-stage section of the Jihe Expressway reconstruction and expansion project and the relocation of high voltage cable. Upon several rounds of communication and coordination between the Company and various administrative authorities of the government, the Jihe Expressway reconstruction and expansion project was granted the approval by the Development and Reform Commission of Guangdong Province in the end of 2020. During the Reporting Period, the preliminary budget plan of the project were approved by the MOT, and the Company was actively carrying out the related work such as the revision of construction drawing and tendering process. The model of investment and financing of the Jihe Expressway reconstruction and expansion project is still under negotiation with relevant departments. The Company will timely perform the approval process upon confirmation of the model.

According to the Shenzhen Municipal Government's plans and arrangements of Shenshan Second Expressway (Shenzhen – Shanwei) and with approval of the Board, the Company has commenced preliminary work such as inspection and design of Shenshan Second Expressway. During the Reporting Period, the Company actively engaged with relevant government authorities to submit and seek approval for specialised works such as the project feasibility study, the preliminary review of land use and the environmental impact assessment. Shenshan Second Expressway will have access to a number of main routes including Outer Ring Expressway upon completion. Becoming an express traffic passage between Shenzhen and Shenshan Special Cooperation Zone, the expressway will have a significant role in facilitating the economic cooperation and development among Shenzhen, Huizhou and Shanwei.

The Company holds 25% equity interests in Yangmao Company. The reconstruction and expansion of Yangmao Expressway was completed in December 2021 and was officially put into operation on 16 December 2021. Yangmao Expressway adopts the standard two-way and eight-lane expressway for reconstruction and expansion. The width of its roadbed increased from 28 meters to 42 meters with the traffic speed reaching 120 km/hour. The traffic capacity of Yangmao Expressway has improved significantly after the reconstruction and expansion, which will further demonstrate its function as the major traffic artery for the integration of Western Guangdong into the development of Bay Area, and play a crucial role in accelerating the development and construction of Western Guangdong and facilitating the economic development of the regions along the expressway.

On 22 July 2021, the Board approved the Company and Mei Wah Company to enter into relevant agreements with relevant parties. Pursuant to the relevant agreements, Mei Wah Company was transferred 100% equity interest of SIICHIC held by SIICH by way of non-public agreement at approximately HK\$2.45 billion, in return for the repayment of debt owned by SIICHIC amounting to approximately HK\$7.89 billion. Mei Wah Company would be responsible for the tax payment arising from the Transaction and perform the obligation of making up the shortfall. The total cost for acquisition of SIICHIC is not expected to exceed HK\$10.479 billion (the "Transaction"). Upon the completion of acquisition of SIICHIC by Mei Wah Company, the Company will indirectly hold approximately 71.83% shares of Bay Area Development (a company listed on the HKEx, stock code: 00737). The Transaction has been approved by the general meeting of the Company and Shenzhen International respectively in December 2021 and the transfer of equity interests has been completed on 11 January 2022, and hence SIICHIC has become the wholly-owned subsidiary of the Company. Bay Area Development owns high-quality road assets in the core region of the Guangdong-Hong Kong-Macao Greater Bay Area, such as GS Expressway and GZ West Expressway. Through the Transaction, the Company can further consolidate its core strengths in road investment, management and operation, while enhancing regional market share, future profitability and cash flows. In addition, it can also promote the land development along the expressway through the reconstruction and expansion of GS Expressway. As a result, the Company can tap into the development of land along the expressway and achieve sustainable development in the long run, which is in line with the development strategy and general interest of the Company. For details, please refer to the Company's announcements dated 22 July, 10 August, 10 December 2021, and 11 January 2022, as well as the meeting documents for the second extraordinary general meeting in 2021.

(III) General-Environmental Protection Business

In order to explore a broader room for the Group's long-term development, the Group will proactively and prudently enter the general-environmental protection industry including recovery and solid waste management and clean energy principally while consolidating and enhancing the core business of toll highway. The Group has established Environmental Company and New Energy Company as a market-oriented platform for expanding businesses in relation to the general-environmental protection industry.

1. Recovery and Solid Waste Management

The organic waste treatment industry has a relatively large room for development as supported by the national environmental protection policies. Organic waste treatment is a key industry segment of focused development of the Group in the general-environmental protection area. The Group actively builds itself into segmented leader with industry-leading technology and scale advantages, and proactively explores the investment prospects and opportunities in the area of recovery and solid waste management.

The Company holds approximately 67.14% of shares in Bioland. Bioland mainly relied on technologies such as the effective anaerobic reaction treatment and MBR membrane bioreactor and its derivative techniques for the provision of systematically comprehensive solution to customers in regard of municipal organic wastes such as kitchen waste and waste leachate. Bioland has more than 100 patents, and is equipped with more advanced waste leachate treatment system design and integration capability. Its business operation model mainly comprises of, amongst others, project investment and operation PPP (including BOT, the same as below) business model, environment protection construction (EPC), equipment manufacturing and sales business, etc. During the Reporting Period, the Group has strived to promote the construction and operation of existing projects and the expansion of new projects of Bioland. In the second half of 2021, six existing projects in Zhuji, Handan, Shangrao, Xinyu, Fuzhou and Longyou had been successively commenced commercial operation, and the kitchen waste treatment project in Chuzhou was successfully contracted through a tender. As of the end of the Reporting Period, Bioland has a total of 19 organic waste treatment projects under PPP model with the designed treatment capacities of kitchen waste over 4,000 tons/day, of which 11 projects (the total size of designed capacity of 2,440.5 tons/day) commenced commercial operation. These projects cover among 16 cities in 11 provinces across the country, mainly cities with better economic development and longer concession period, which can generate relatively stable returns. After nearly a year of development, the kitchen waste treatment capacity of Bioland has been enhanced as compared to last year, while fulfilling the treatment capacities of organic waste treatment of approximately 687,000 tons during the Reporting Period. For the reasons such as the expansion of new projects is less than expected and the initial cost is high, the performance has failed to meet the expectation and hence Bioland did not achieve its annual performance targets in 2021. During the year, the Group performed consolidation on the organisational structure of Bioland and its subsidiaries, strives to reduce costs and increase efficiency, thereby upgrading its internal management capabilities and profitability.

Management Discussion and Analysis

In February 2021, the Company signed contract for the Guangming Environmental Park Project through open tender. The Guangming Environmental Park Project is located in Guangming District, Shenzhen. The project will be developed into a large-scale treatment plant with a processing capacity of 1,000 tons/day for organic waste, 100 tons/day for large-pieces waste (wasted furniture) and 100 tons/day for greening waste. The project shall be implemented under the BOT model. Social capital partner who has won in the bidding shall incorporate a project company in Guangming District, and such project company shall be responsible for the efforts in investment, financing, design, construction, transformation, operation, maintenance and handover of the project. The proposed concession period of the project is 10 years and shall be extended for 5 years upon being qualified in assessment and approval of the regional government. For details, please refer to the Company's announcement dated 8 February 2021. During the Reporting Period, the Group set the goal of undertaking "high-quality demonstration projects and outstanding construction works", and actively conducted related preliminary works. The site levelling and foundation pits reinforcement are completed while the evacuation of foundation pits and construction of the pile foundation for certain construction works are in progress.

Upon approval of the executive Board, the Environmental Company invested not more than RMB131.25 million to acquire 70% of equity interests in Lisai Environmental by way of equity purchase and capital contribution. As a company specialized in environment protection construction, Lisai Environmental is entitled to the concession of Urban Biogenic Waste Treatment Construction BOT Project in Shenzhen ("Biogenic Project") and the area for concession service covers Longhua District of Shenzhen. The Biogenic Project, a key project of the 863 program under the national "Eleventh Five-Year" Plan, is located in Yunan Environmental Park in Longgang district, Shenzhen. Its designated biogenic waste treatment capability is 500 tons/day, and the concession period for kitchen waste and municipal sludge treatment is "10+5" and 25 years respectively. Lisai Environmental has officially operated the project in December 2017. In addition, as entrusted by the related government department, Lisai Environmental also assisted in the treatment of certain kitchen waste in Futian District. The Biogenic Project is a mature project in Shenzhen with a relatively large scale of waste treatment and stable operation and location advantages, while attaining good recovery of the government subsidies. The Environmental Company will obtain the concession for kitchen waste of Longhua District, Shenzhen by the acquisition of the controlling interests in Lisai Environmental, which is favorable to the increase in the market share of the Group for kitchen waste treatment in Shenzhen district, facilitating the development layout plan for the Group's integration into the related business of the government, thereby further enhancing the influence of the Group in Greater Bay Area. As of the date of this report, the relevant agreement has been signed.

The Group completed the acquisition of 50% of the equity interest of Qiantai Company in the end of 2020. Qiantai Company is qualified for scrapping retired new energy vehicles and is principally engaged in comprehensive utilisation of retired electric-vehicle batteries and vehicle scrapping business. It is also the only whitelist enterprise qualified under the "Industry Standards and Conditions for the Comprehensive Utilisation of Waste Power Batteries for New Energy Vehicles" (《新能源汽车废旧动力电池综合利用行业规范条件》) in Shenzhen. During the Reporting Period, Qiantai Company established good cooperative relationship with the upstream and downstream companies of certain industries and station-based car hailing service providers. It won the bid of Hellobike Comprehensive Treatment of Scrap Batteries Project with an aggregated contracted amount exceeding RMB90 million. Meanwhile, Qiantai Company has promoted the R&D in the echelon use of battery products, and completed the delivery of small bulk of battery replacement products to the downstream customers, which laid the foundation for further development of battery replacement business. During the year, Qiantai Company has completed the review of qualification for recycling and scrapping traditional vehicles and successfully obtained the qualification, thereby being able to develop the scrapping business for the retired automobile of both traditional diesel vehicles and new energy vehicles, which further expanded the scope of the scrapping business of retired vehicles. It recycled approximately 2,000 retired vehicles during the Reporting Period. In the meantime, Qiantai Company will make full use of the advantages of the whitelist qualification and further explore the upstream and downstream market of retired traction batteries through various cooperation modes.

2. *Clean Energy*

Clean energy is an emerging sector in the general-environmental protection industry. As China works towards the goal of reaching “carbon peak” and “carbon neutrality”, China implements a series of industrial policies and development plans to promote the clean energy sector, the wind power and photovoltaic power industry will enter a new phase of sound and steady development in the long run. The Group will seize the opportunity to build a distinctive “integrated” clean energy system, thus becoming a Shenzhen power of “carbon peak” and “carbon neutral” in China.

During the Reporting Period, New Energy Company actively undertook on-site visit and research for the new energy industrial chain project, devoted more efforts in the investment and M&A of high-quality wind power projects.

Upon approval of the Board, Guangdong New Energy, a wholly-owned subsidiary of New Energy Company, invested a total amount of approximately RMB1,015 million to acquire 100% equity interests in three wind power projects in Mulei, Xinjiang (namely Qianzhi Project, Qianhui Project and Qianxin Project) by way of equity transfer and capital increase during the Reporting Period. For details, please refer to the relevant contents in the Company’s announcements dated 25 January and 26 March 2021. The wind power projects in Mulei are located in Changji Hui Autonomous Prefecture, Xinjiang Uygur Autonomous Region with 166 wind turbines in total. The actual aggregated installed capacity is 299 MW wherein Qianzhi Project and Qianhui Project had an installed capacity of 249.5 MW in total and commenced on-grid power generation in the end of 2020. Qianzhi Project and Qianhui Project had a concession period until December 2040. Qianxin Project had an installed capacity of 49.5 MW and commenced on-grid power generation in November 2015. Qianxin Project had a concession period until April 2036. Mulei Wind Power Project possesses abundant wind resources with a relatively high value for wind power development. It is also a supporting project of ultra-high voltage in Zhudong – Southern Anhui region with promising power consumption.

As approved by the executive Board, Guangdong New Energy invested not more than RMB32.184 million in total to acquire 20% of equity interest in Huaian Zhongheng 99.4MW Wind Power Project by way of transfer and capital increase. The remaining 80% of equity interest was acquired by SPIC Fujian Company. Through this project, Guangdong New Energy and SPIC Fujian Company have taken the first step of strategic cooperation, and will serve as the actual operation and maintenance manager of Huai’an Zhongheng project during the warranty period, laying a good foundation for the expansion of Nanjing’s wind power business. The said equity transfer was completed in July 2021.

As approved by the executive Board, Guangdong New Energy invested a total amount of approximately RMB101.51 million to acquire 100% equity interests in Shanghai Zhuneng New Energy Technology Co., Ltd. by way of equity transfer and capital increase, and hence holds 100% equity interests in Yongcheng Zhuneng Project. Located in Yongcheng in Shangqiu City, Henan Province, Yongcheng Zhuneng Project has two distributed wind farms with installed capacity of 32MW in total, which commenced on-grid power generation at the end of 2020 with a subsidized feed-in tariff of RMB0.6/kWh (tax inclusive). The said equity transfer was completed and the project has been consolidated into the consolidated financial statements of the Group since 1 September 2021.

As approved by the executive Board, Guangdong New Energy invested a total amount of approximately RMB174.99 million to acquire 100% equity interests in Zhongwei Xintang by way of equity transfer and capital increase, and hence holds 100% equity interests in Zhongwei Gantang Project. Located in Gantang Town, Shapotou District, Zhongwei City, Ningxia Hui Autonomous Region, Zhongwei Gantang Project has a wind farm with installed capacity of 49.5MW, which completed on-grid connection for power generation at full capacity in the end of 2020 with a subsidized feed-in tariff of RMB0.56/kWh (tax inclusive). The said equity transfer was completed and the project has been consolidated into the consolidated financial statements of the Group since 15 December 2021. This project has a higher feed-in tariff and is located in a prime area with promising power consumption.

Management Discussion and Analysis

As at the end of the Reporting Period, the cumulative installed capacity of the wind power projects invested and operated by the Group amounted to 648MW. The major operating data of such wind power projects for 2021 are as follows:

Project	Wind Power		On-grid power supply (MWh) ⁽¹⁾	Wind Power Project Revenue (RMB'000) ⁽³⁾
	Proportion of the Group's interest	Proportion of revenue consolidated	2021	2021
Baotou Nanfeng Project	100%	100%	705,485.39	258,368
Mulei Wind Power Project ⁽²⁾	100%	100%	519,860.00	305,592
Yongcheng Zhuneng Project ⁽³⁾	100%	100%	27,648.32	14,681
Zhongwei Gantang Project ⁽⁴⁾	100%	100%	3,648.42	1,818
Huaian Zhongheng Project	20%	–	7,374.04	–

Notes:

- (1) On-grid power supply is accounted for in accordance with the settlement cycle of the power grid, and the operating income included the electricity price subsidy income calculated based on on-grid power supply.
- (2) The Group has completed the acquisition of Mulei Wind Power Project in the first quarter of 2021, among which Qianzhi Project and Qianhui Project have been consolidated into the consolidated financial statements of the Group since 26 January 2021, and Qianxin Project has been consolidated into the consolidated financial statements of the Group since 26 March 2021. The data in the above table represents the data after Mulei Wind Power Project has been consolidated into the financial statements of the Group.
- (3) Yongcheng Zhuneng Project has been consolidated into the consolidated financial statements of the Group since 1 September 2021. The data in the above table represents the data after it has been consolidated into the financial statements of the Group.
- (4) Zhongwei Gantang Project has been consolidated into the consolidated financial statements of the Group since 15 December 2021.

During the Reporting Period, Nanjing Wind Power pushed forward the delivery of orders and commissioning of wind power units for projects at hand. These projects have completed on-grid connection for power generation at full capacity. At the same time, it enhanced market development efforts and obtained orders by relying on the synergy from clean energy integration promoted by New Energy Company. Aiming to develop after-sales operation and maintenance services into a new large-scale business segment of the Company, Nanjing Wind Power strengthened quality improvement and market exploration for after-sales operation and maintenance services. During the Reporting Period, it signed orders for approximately 132.5MW wind power projects and completed half-year inspection for more than 260 wind turbines. Relevant inspection and maintenance for grid-connected projects were carried out in full swing to provide customers with better after-sales operation and maintenance services. During the Reporting Period, due to factors such as the delay in the implementation of backlog order projects and slowing down of construction progress, the sales and delivery of equipment by Nanjing Wind Power were held up, which caused failure to achieve the annual performance target. For the next step, the Company will intensify the integration of internal management of Nanjing Wind Power and accelerate the implementation and contracting of backlog projects. The Company will also step up project development and cooperation while driving sales of wind turbines through development or cooperation, with a view to enhancing its market competitiveness and profitability.

During the Reporting Period, New Energy Company and SPIC Fujian jointly established Fenghe Energy on a 50%:50% shareholding basis and acquired 51% equity interest in AVIS via Fenghe Energy at a consideration of RMB402.9 million, of which RMB201.45 million was contributed by New Energy Company. Having been engaged in operation and maintenance services of gearbox equipment in the PRC over years, AVIS possesses better technologies and capabilities in fan drive chains. It also owns the intellectual property rights of its core technologies and have a larger market share in the gearbox equipment maintenance market. Through the establishment of the joint venture with SPIC Fujian and the acquisition of equity interests in AVIS, the Group may, on one hand, cooperate with leading company in the industry to jointly expand in the clean energy after-sales operation and maintenance service market; and on the other hand, help to expand the integrated wind power industry chain of the Group and enlarge the Group's profit base. For details, please refer to the announcement of the Company dated 29 December 2021. The transaction was completed in February 2022.

3. Water Environmental Remediation and Others

In 2017, Environmental Company, a wholly-owned subsidiary of the Group, acquired 20% equity interests in Derun Environment. Derun Environment is a comprehensive environmental enterprise, with holding subsidiaries such as Chongqing Water (601158) and Sanfeng Environment (601827) which are listed on the domestic main board. The major business segments include water supply and sewage treatment, waste incineration power generation and environmental restoration, etc. Chongqing Water is mainly engaged in urban water supply and sewage treatment and occupies a dominant position in the Chongqing's water supply and sewage treatment market. Sanfeng Environment is a large-scale environmental protection group integrating investment, construction, integrated equipment and operation management in domestic waste incineration power generation field. During the Reporting Period, by focusing on the in-depth development of markets in Chongqing and the peripheral areas, Derun Environment won the bid for a new environment comprehensive treatment project in Yipin River, Chongqing, and actively coordinated with Chongqing Water and Sanfeng Environment to develop projects in relation to businesses of water environmental remediation, waste-to-energy and resources recycling.

The Group holds 11.25% of the equity interests in Water Planning Company. Water Planning Company has been listed and traded on the ChiNext Market of the Shenzhen Stock Exchange in August 2021, with the stock code of 301038. For information of the business development of Water Planning Company, please refer to its 2021 annual report.

For details of the profits of wind power projects such as Bioland, Nanjing Wind Power and Mulei Wind Power Project, and projects such as Derun Environment during the Reporting Period, please refer to the relevant content in "Financial Analysis" below and notes V47 and V54 to the Financial Statements in this report.

(IV) Entrusted Management and the Development of Other Infrastructure

Relying on the core business of toll highway, the Group has continually launched or participated in the construction and operation and maintenance management business of highway and other infrastructure projects (also known as entrusted construction business and entrusted management business) by the expertise and experience accumulated in the relevant areas throughout these years. In addition, the Group has also attempted to participate in the construction and development of local infrastructure by utilising own financial resources and financing capability so as to obtain reasonable returns.

Management Discussion and Analysis

1. *Entrusted Construction Business*

During the Reporting Period, the entrusted construction projects of the Group include Outer Ring Project in Shenzhen, Cargo Organisation Adjustment Project, Shenshan Environmental Park Project, Duohua Bridge Project and Bimeng Project in Longli County, Guizhou Province, etc. At current stage, the major work of the Group in such aspect is to actively promote construction progress of projects under construction and strengthen its safety and quality management, to coordinate and supervise the collection of construction funds and income of various entrusted construction projects.

During the Reporting Period, works of entrusted construction projects were advanced in an orderly manner. For the information on the progress of Outer Ring Project, please refer to the relevant content in above description of “Business Development” in this section. The construction of Xiufeng and Paibang toll stations of Cargo Organisation Adjustment Project was completed 4 months ahead of schedule.

Through the public tendering procedure in July 2019, the Company was chosen as the construction agent of infrastructure and ancillary projects for Shenshan Eco-Environmental Science and Technology Industrial Park, responsible for the whole process of entrusted infrastructure construction and management of the Environmental Park. The project primarily includes four sub-projects, namely ancillary municipal roads to the Park, “seven connections and site levelling” in the Park, public management and service facilities in the Park and waste transfer ancillary facilities. The contract amount of the entrusted construction and management service is approximately RMB226.55 million. The project is invested by the Shenzhen Municipal People’s Government and is expected to be completed by 2025. During the Reporting Period, the preliminary works of Shenshan Eco-Environmental Science and Technology Industrial Park Project are being actively pushed forward while the construction of ancillary municipal roads to the Park has officially commenced.

The total length of Duohua Bridge Project is about 2.2 km long. The total investment amount of the project is approximately RMB900 million and the construction period is expected to be about 4 years, which is a municipal project invested by Guilong Holdings, a platform company of the Government of Longli County, Guizhou. On 29 March 2018, Longli County Government, Guilong Holdings and Guishen Company signed the agreement of investment partnership of the project. According to the agreement, Guishen Company is responsible for raising construction funds, and Guilong Holdings will pay project fee to Guishen Company as agreed. For details, please refer to the announcement of the Company dated 29 March 2018. As at the end of the Reporting Period, approximately 92% of the project progress in physical shape has been completed.

The Bimeng Project is a resettlement housing estate project invested and developed by the government of Longli County through Guilong Holdings. The total investment of the project is expected to be no more than RMB1,000 million. On 13 May 2020, Guilong Holdings and Investment Company signed the investment partnership agreement of the project. According to the agreement, the construction period will be 2 years and the operation period will be 3 years. Investment Company is responsible for raising construction funds, and Guilong Holdings will pay for project cost and investment returns to Investment Company according to the contract. For details, please refer to the announcement of the Company dated 13 May 2020. During the Reporting Period, 51% of the project progress in physical shape has been completed for the Bimeng Garden resettlement housing estate project. of which the site levelling, slope reinforcement and foundation engineering works (including basement) were completed while the construction of the main structure was 90% completed.

2. **Entrusted Management Business**

The Four Expressways have been transferred to the Shenzhen Transportation Bureau from 0:00 on 1 January 2019. The consortium established by the Company and Operation Company undertook the comprehensive management and maintenance project of the Four Expressways from 11 June 2020 to 10 June 2021. During the Reporting Period, the authorities of Shenzhen government has evaluated the management and maintenance performance of the above project in 2020-2021 and given an excellent rating. The Company has successfully renewed the contract for a term of 1 year.

During the Reporting Period, the Company also undertook the projects of Baguang and Wutong toll station, and Shahe interim card access station, which were entrusted by authorities from municipal and district government. Meanwhile, it strived to expand the operational service marketisation. The Engineering Development Company under the Operating Company has undertaken the municipal road maintenance business in the whole area of Pingshan District and some streets in Guangming District and Baoan District through bidding in 2021, which not only increases the source of income, but also lays a solid foundation for seeking future market expansion.

For details of the profits as well as incomes and expenses of various entrusted management businesses during the Reporting Period, please refer to the content in “Financial Analysis” below and the relevant content in Note V47 to the Financial Statements in this report.

3. **Development and Management of Land Projects**

With the relevant management experience and resources, the Group prudently explores business types such as comprehensive land development and urban renewal, while paying close attention to and seizing the opportunities for the cooperation between the advantageous areas and the existing business-related areas as business development and expansion beyond its core business as well as a beneficial supplement to revenue.

(1) *Guilong Regional Development Project*

The model of “construction – transfer” and ancillary land development was adopted for Guilong Project, which enabled the Group to accumulate business and management experience in respect of the exploration in the area of Longli and development of appropriate business model. Following Guilong Project, the Group has contracted for the construction of Duohua Bridge Project and Bimeng Project in collaboration with the government of Longli County or its platform company successively.

With the improvement of Guilong Road and the infrastructure in peripheral regions and the development of the whole Guilong Economic Zone, it is expected that the peripheral land in the area of Longli County will have great potential for appreciation. In order to seize market opportunities and effectively reduce the risk of fund recovery from Guilong Project and Duohua Bridge Project, Guishen Company actively participated in the land tenders within the area of Longli. At the end of the Reporting Period, Guishen Company has successfully won the bid for the land of Longli Project with an area of approximately 3,037 mu (approximately 2,020,000 square meters) in aggregate, including approximately 2,770 mu of Guilong Project land with a transaction amount of approximately RMB960 million, and approximately 268 mu of Duohua Bridge Project land with a transaction amount of approximately RMB150 million (deed tax included). In respect of Guilong Project land, the interests in approximately 1,610 mu have been transferred, while 1,075 mu is under secondary development as at the end of the Reporting Period. The remaining land is under planning. Guishen Company has set up certain wholly-owned subsidiaries to hold and manage the land use rights of the land parcels mentioned above.

Management Discussion and Analysis

Guishen Company is conducting secondary self-development for certain land parcels acquired, which has an area of 1,075 mu (approximately 717,000 square meters). The project developed was previously known as Interlaken Town, and was renamed as Leisure Villa (悠山美墅) in October 2021 upon approval. The houses launched for Leisure Villa Phase I and Phase II in Stage I have been fully delivered for use, and payments have been received. During the Reporting Period, the completed commercial supporting properties of the Phase II Stage II and the residential projects of the Phase III Stage I are on sale. The commercial supporting properties of the Phase III Stage II and the residential projects of the Phase III Stage III are under construction. In response to the regulation policies on the real estate industry, Guishen Company has adopted multi-pronged marketing strategies, including billboards, advertisements in media and themed activities, with a view to actively promoting the sale of commercial and residential properties. Besides, Guishen Company is now conducting works in relation to the planning and design for the development of the remaining land.

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

(2) *Meilin Checkpoint Renewal Project*

Established in 2014, United Land Company is principally engaged in the investment, development and operation of the Meilin Checkpoint Urban Renewal Project. In 2018, it completed the capital injection and introduced Vanke as one of its investors. The three original shareholders of United Land Company, namely XTC Company, the Company and Vanke, held 35.7%, 34.3% and 30% of its equity interests, respectively. During the Reporting Period, XTC Company has disposed its 35.7% equity interest in United Land Company through public listing. Having considered its own strategic planning, capital needs and other factors, the Company has waived its preemptive rights for this equity transfer upon approval of the general meeting. For details, please refer to the announcements of the Company dated 23 November 2021 and 10 December 2021. The public tender of the equity right above was won by Vanke, as a result of which the equity interests held by Vanke in United Land Company increased to 65.7%. Meilin Checkpoint Renewal Project occupies a land area of approximately 96,000 square meters, which shall be used for residential and commercial purposes, and a capacity building area of not more than 486,400 square meters (including public facilities etc.) in aggregate. For details, please refer to the Company's announcements dated 8 August 2014, 10 September 2014, 8 October 2014, 25 July 2018, 28 September 2018 and 13 November 2018 respectively and circulars dated 17 September 2014 and 22 October 2018 respectively.

The Meilin Checkpoint Renewal Project is developed in three phases. Residential units of Phase I Hefengxuan and Phase II Heyaxuan have all been sold. Phase III of the project will comprise residential units with an estimated saleable area of approximately 63,000 square meters and a complex building of office and business apartment with an area of approximately 190,000 square meters. 630 sets of houses and over 2,700 sets of apartments of Phase III Hesongxuan have been launched in 2020 and the public sale has commenced officially in early December 2020. As at the end of this Reporting Period, all 630 sets of houses have been sold, and 750 sets of apartments have been contracted for sale.

4. **Development and Management of Other Infrastructure**

Being the implementation department of the Group, Investment Company is responsible for exploring wellness elderly care industry during the strategic period under the “14th Five Year” Plan. Investment Company has established a wholly-owned subsidiary, namely Gaoleyi, to serve as the industry platform for exploring the smart elderly care sector.

During the Reporting Period, the consortium led by Investment Company successfully won the bid for three elderly care projects in Guangming District, Shenzhen, thereby achieving substantial progress in exploring the field of wellness elderly care business. The Guangming Wellness Project comprises the Guangming Xincun Community Integrated Service Center PPP Pilot Project (光明新村社區綜合服務中心PPP試點項目) and the Fenghuang Jiulongtai Community Integrated Service Center PPP Pilot Project (鳳凰玖龍台社區綜合服務中心PPP試點項目) (collectively referred to as the “Guangming Two Communities Projects”), as well as the Guangming District Social Welfare Home PPP Project (光明區社會福利院PPP項目). During the Reporting Period, upon approval by the Board, the consortium established by Investment Company and Shenzhen Qikang Elderly Service Co., Ltd. (深圳祈康養老服務有限公司) (“Qikang”) on a 60%:40% basis has won the bid for the Guangming Two Communities Projects with a total investment amount of no more than RMB13 million in the projects, while the consortium established by the Investment Company and Qikang on a 80%:20% basis has won the bid for the Guangming District Social Welfare Home PPP Project with a total investment amount of no more than RMB82 million in the project. Both consortiums have set up project companies in proportion to their shareholdings accordingly as the operating entity to implement the aforesaid projects. Each of the Guangming Wellness Project has a cooperative concession term of 20.5 years (including the construction period of 0.5 year). Amongst which the Guangming Two Communities Projects are positioned as community embedded elderly care service complexes targeting elderly and children aged 0 to 3 who required assisted living. Other customer needs within the community are also addressed. Feasibility gap subsidies are available for each year during the cooperation period, thus promising a lower risk of investment. The Guangming District Social Welfare Home PPP Project is positioned to provide high-quality elderly care services. It is planned to offer over 370 beds and will be developed into a star-rated elderly care institution which integrates medical care and quality service.

Investment Company and Shenzhen One Apartment Management Co., Ltd. (深圳市壹家公寓管理有限公司) has established a joint venture in Shenzhen, i.e. Shenzhen Expressway One Apartment Management Co., Ltd. (深高速壹家公寓管理有限公司) which was held as to 60% by Investment Company, as the principal entity for the long-term rental apartment business in Fuyong and Songgang. The occupancy rate of Songgang Project was 60%, while the occupancy rate of Fuyong Project was 93% as at the end of the Reporting Period.

(V) **Industrial-Financial Integration**

As at the end of the Reporting Period, through subscription, increase in shareholding and subscription under IPO, the Company held a total of around 502,000,000 shares in Bank of Guizhou, which accounted for approximately 3.44% of its total share capital as at the end of the Reporting Period. As the cash dividend capability of Bank of Guizhou is sound, holding shares of Bank of Guizhou is favourable for the Company to obtain stable investment returns and strengthen regional business synergies. Bank of Guizhou was listed on the main board of the Hong Kong Stock Exchange on 30 December 2019 (stock code 06199.HK). For the business development of Bank of Guizhou, please refer to its 2021 annual report.

Management Discussion and Analysis

Pursuant to the “Interim Measures for the Supervision and Administration of Financial Leasing Companies” issued by the China Banking and Insurance Regulatory Commission, total risk assets held by financial leasing companies shall be subject to a maximum of 8 times of its net assets. In order to expand the business scale and profit margin of the Company, during the Reporting Period, the Group, upon approval of the executive Board, has invested a total of approximately RMB789 million to increase its shareholding in Financial Leasing Company from 48% originally to 90.25% by way of equity transfer from minority shareholders and capital increase. As a result, the registered capital of Financial Leasing Company has increased from RMB300 million originally to RMB1 billion. By the end of November 2021, the relevant equity transfer and procedures for the change of industrial and commercial registration have been completed. The operation of Financial Leasing Company is conducive for the Group to give full play to its financing advantages, and helps to provide financial leasing services to satisfy the business need in the principal businesses and the upstream and downstream of the industry chain of the Group. It is an important way for the Group to achieve “industrial-financial integration” and its business synergy strategy, which will help to enhance the overall value of the Group. During the Reporting Period, Financial Leasing Company has been performing its function in providing financial leasing services for wind power generation equipment. Financial Leasing Company has contracted financial leasing projects in the amount of RMB1.1 billion, and has invested approximately RMB920 million therein, which played a good synergistic role in the expansion of the Group's general environmental protection business.

To consolidate its resources effectively, expand the social capital channels and establish a market-oriented mechanism, Fund Company completed the capital injection by way of public listing and competitive negotiation upon approval of the Board. Two strategic investors, namely Shanghai Zezhen Investment Management Co., Ltd (上海擇珍投資管理有限公司) and Shenzhen Kangrui Dibo Investment Co., Ltd. (深圳康瑞迪博投資有限公司), were introduced in September 2020. Upon completion of the capital increase of Fund Company, the registered capital has increased from RMB10 million to RMB19.6078 million. The Group holds 51% of the equity interest, while the two strategic investors have a shareholding of 49% in aggregate. Following the capital increase and introduction of strategic investors, the change of relevant industrial and commercial registration has been completed in May 2021.

The Company holds 45% of the equity interest of Foshan Shunde Shengchuang Shenzhen Expressway Environmental Technology Industry M&A Investment Partnership (Limited Partnership) (佛山市順德區晟創深高速環科業並購投資合夥企業(有限合夥)) (“Shengchuang Fund”). As at the end of the Reporting Period, the total paid-in size of the fund is RMB300 million, of which the Company's paid-in capital is RMB135 million. Shengchuang Fund is managed by Guangdong Shengchuang Investment Management Co., Ltd. (廣東晟創投資管理有限公司). The fund mainly invests in four types of operational projects, namely comprising treatment of industrial hazardous waste, treatment of solid waste, treatment of sewage and the new energy of wind power. As at the end of Reporting Period, Shengchuang Fund has completed investments in 2 projects.

The Company holds approximately 7.48% interest in Shenzhen State-owned Assets Collaborative Development Private Fund Partnership (Limited Partnership) (深圳國資協同發展私募基金合夥企業(有限合夥)) (“State-owned Assets Collaborative Development Fund”). The total size of the fund is RMB4.01 billion, of which the Company's contribution is RMB300 million. State-owned Assets Collaborative Development Fund is managed by Shenzhen Kunpeng Equity Investment Management Co., Ltd. (深圳市鯤鵬股權投資管理有限公司). The focus of State-owned Assets Collaborative Development Fund comprises public utilities including environmental protection, new energy and infrastructure, as well as financial and strategic emerging industries. As at the end of the Reporting Period, State-owned Assets Collaborative Development Fund has invested in 2 projects.

(VI) Other Businesses

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

The Company originally held 24% equity interests in Consulting Company. Consulting Company is a professional engineering consulting company with independent legal entity qualification. Its business scope covers pre-consultation, survey and design, tendering agency, cost consulting, engineering supervision, testing and inspection, as well as maintenance consulting, etc., and with the qualification and capability of providing consulting services to the whole process of investment and construction of the engineering project. In April 2021, the Company contributed an amount of RMB31.50 million and participated in the capital increase and share subscription project of Consulting Company. In July and December 2021, Consulting Company successively increased its registered capital and introduced strategic investors. Upon approval of the executive Board, the Company has given up the two rounds of pro-rata capital contribution to Consulting Company as well as the right of first refusal. As at the end of Reporting Period, the Company's equity interests in Consulting Company was diluted to 22.0%. Consulting Company was renamed as Yunji Intelligent Engineering Holdings Co., Ltd. (雲基智慧工程股份有限公司) in December 2021.

The Company held 9.18% equity interests in Unitoll Services as at the end of the Period. Unitoll Services is principally engaged in the electronic clearing business for the toll highways in Guangdong Province, including investment, management and provision of services of the electronic toll and clearing systems, and sales of related products.

During the Reporting Period, each of the above businesses proceeded smoothly and has met the Group's expectation in general. Due to the limitation on the scale or investment model, yet the contributions from these businesses only account for a very small proportion of the Group's revenue and profit. For details of other businesses during the Reporting Period, please refer to the content in note \13, \14, \47, \54 and note \55 to the Financial Statements in this report.

IV. Analysis of Core Competitiveness During the Reporting Period

Major toll highway projects operated and invested by the Company possess outstanding location advantages and maintain good conditions of assets. Over the years, the Company has been dedicated to the sector of transport infrastructure and built good reputation in the industry. With the efficient and innovative management team and employee team established, it has accumulated extensive experience on the investments, construction, operation and management of large-scale infrastructures. At current stage, the Company has confirmed its strategic direction of development of dual core businesses in toll highway operation and general environmental protection. Meanwhile, it has been expanding its business in various business segments such as infrastructure construction, comprehensive urban development as well as financial service, related to its core businesses. By giving full play to its professional management experience and innovation capability and leveraging its good financing platform, the Company will gradually realize the upgrading and transformation of the industry and the synergistic development of its two core businesses, thus forming a competitive advantage in the operation and development.

Management Discussion and Analysis

State-owned platform advantage of infrastructures in the Greater Bay Area. Located at Shenzhen, the Company is a platform for the investment, construction, management and maintenance of highway and environmental infrastructures under Shenzhen SASAC. The majority of the highway projects and certain environmental infrastructure projects invested and operated by the Company are located in Shenzhen and Guangdong-Hong Kong-Macao Greater Bay Area, which equips the Company with the geographic advantage and synergistic advantage as a state-owned platform. During the Reporting Period, the Company actively seized the major strategic opportunities arising from the development of "two regions", namely the Guangdong-Hong Kong-Macao Greater Bay Area and Shenzhen, as the Pioneering Demonstration Zone for Socialism with Chinese Characteristics as well as the "Double-Hundred Action" for state-owned enterprise reform. By focusing on the new planning of innovative urban construction and integrated infrastructure services in the region, leveraging the advantages as a state-owned platform to accommodate government needs and thus actively acquiring the opportunities for participating in quality highway and environmental infrastructure projects in the region, the Company have greater rooms for the development of the Group's operation. Proactively seizing the opportunity of state-owned enterprise reform and business layout optimization launched and promoted in Shenzhen, the Company has also acquired the controlling interests in Bay Area Development successfully. As such, the Company acquired interests in two quality and well-established road assets (GS Expressway and GZ West Expressway) lying in the core district of Guangdong-Hong Kong-Macao Greater Bay Area, as well as the major renovation and expansion project of GS Expressway. Not only does the development of the "two-region" creates new project opportunities, it also continues to boost traffic and transportation demand, which gives impetus to the operational performance of the Company's existing highway and environmental projects. In addition, the Group integrates the development plans of urban clusters in the region with the Company's dual core businesses capability and actively participate in exploring the development business along the regions where Greater Bay Area highway projects are located. The Group plays a synergistic role to unleash the value of the land sites for development along the regions and increase the comprehensive profitability.

Comprehensive integrated management capability. Since its establishment, the Company has been dedicated to the transport infrastructure industry. Through years of investment, construction and operation management of various large-scale infrastructure projects, the Company has accumulated extensive experience in the investment, construction and operation management of heavy assets related business, established a comprehensive investment decision system, construction and operation management system, and developed the comprehensive and integrated management capability covering a wide range from investment to operation. During the Reporting Period, based on this core competence, the Company, on one hand, had been entrusted by the government to carry out construction and operation and maintenance management of a number of public projects, further providing its technologies and experience in the investment, construction and maintenance of highways or expressways, which was widely recognized by the government, the public and various sectors of the community, thereby consolidating the Company's position as the core platform for the investment, construction and maintenance of state-owned highways or expressways in Shenzhen. On the other hand, upon entering the solid waste resource management and clean energy business sector with similar operation and management models, the Company continued to give play to its comprehensive and integrated management capability in heavy assets business, and initially accomplished the layout plan of the industrial chain in related industries, creating upstream and downstream synergies. In the meantime, with the recognition of its business partners on the Company's professional management capability, Nanjing Wind Power was successfully entrusted with the business of after-sales operation and maintenance services of wind turbines. In the future, the Company will further ramp up its professional, comprehensive and integrated management capability in the business sector of general-environmental protection to enhance its market competitiveness.

Innovation capability. The Company has been focusing on reforms and innovation. In terms of business development strategy, through carefully studying the market conditions and industry development trends and aligning with its own characteristics, the Company took an innovative move to adopt the general-environmental protection industry as its second largest core business upon its transformation and upgrading, and continued to further gain the business exposure during the Reporting Period, laying the foundation for enhancing the core business and sustainable corporate development of the Group. In terms of the transport infrastructure industry, along with the changes in the industrial environment, the Group continued to adopt innovative business models such as the acquisition of toll highway services by the government, the PPP model and the combination of the BT model and land development model in recent years and during the Reporting Period and has achieved a cooperation mode that not only satisfies the needs of the government in transport planning, but also offers reasonable business returns for enterprises, hence fulfilling the development and breakthrough of the Group's core business of toll highway. Meanwhile, the Company has been focusing on the innovation in the professional areas. By the end of 2021, the Group has obtained 333 patents. Among them, 39 new patents are obtained in 2021. The Company conducted R&D in and applied new technologies, new materials and new techniques in key construction projects with innovative designs and construction concepts. Overcoming a number of technical problems, the Company has obtained various scientific research results in the industry, promoting technological upgrade for the industry. Besides, aligning with the trend of rapid development in information technology at current stage, the Group actively promoted the research and application of intelligent transport/environmental protection, thus setting a new goal of establishing intelligent transport and intelligent environmental protection systems. The integrated information platform for the management and control of the road condition of Outer Ring Project developed by the Company was successfully launched and put into operation, fulfilling the goals of improving the management efficiency and work quality and reducing management costs. Computer Software Copyright issued by the National Copyright Administration and two patents of practical innovations have been obtained by this platform. Actively utilizing its innovation capability in various sectors, the Company strives for innovation and transformation to continuously enhance its core competence in the operation and development.

Good financing platform. Listed in both Shanghai and Hong Kong, the Company has a good financing platform for the capital markets in both places. During 2021, the Company successfully acquired Bay Area Development as an additional quality overseas financing platform. Meanwhile, the Company has been maintaining high domestic and overseas credit ratings and good cooperative relationship with banks and other financial institutions in the long term, resulting in more easy access to banking and financing facilities. Have issued various types of domestic and overseas debt financing instruments, the Company continued to broaden the direct financing channels and effectively control its capital costs. For details of the results of the Company's financial strategies as well as capital management and financing arrangements, please refer to "Major Operations During the Reporting Period" below.

Management Discussion and Analysis

V. Financial Analysis

In 2021, the Group recorded net profit attributable to owners of the Company (“net profit”) of RMB2,606,255,000 (2020: RMB2,054,523,000), representing a YOY increase of approximately 26.85%. The growth was mainly due to the profit contribution of the newly opened Outer Ring Phase I and the newly acquired projects during the year such as Mulei Wind Power Project, combined with the recovery growth of revenue from toll highways during the year as compared to a decrease in revenue in the previous year as affected by the Epidemic.

(I) Analysis of Main Business

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

Unit: '000 Currency: RMB

Item	Amount for the current period	Amount for the corresponding period of last year	Change (%)
Revenue	10,871,924	8,026,737	35.45
Cost of services	7,080,446	5,214,517	35.78
Selling expenses	59,700	53,051	12.53
General and administrative expenses	529,068	363,086	45.71
Financial expenses	749,134	491,548	52.40
Research and development expenses	60,572	58,694	3.20
Investment income	570,093	937,363	-39.18
Income tax expenses	471,799	473,911	-0.45
Net cash flows from operating activities	3,941,531	1,100,634	258.11
Net cash flows from investing activities	-5,133,456	-4,430,832	15.86
Net cash flows from financing activities	1,669,297	3,588,279	-53.48

1. Analysis of Revenue and Cost

During the Reporting Period, the Group recorded revenue of RMB10,871,924,000, representing a YOY increase of 35.45%, mainly due to the incremental revenue contributed by the newly opened and operated Outer Ring Phase I, the newly acquired Mulei Wind Power Project and Engineering Company, the restorative growth of revenue from existing toll highways, and the revenue recognized from construction services under concession arrangements pursuant to the "Interpretation of Accounting Standards for Business Enterprises (No. 14)" during this year. The detailed analysis of revenue is as follows:

Unit: '000 Currency: RMB

Revenue item	2021	Proportion (%)	2020	Proportion (%)	Change (%)	Description
Revenue from main business – toll highways	5,892,736	54.20	4,386,674	54.65	34.33	①
Revenue from main business – clean energy	712,991	6.56	1,665,755	20.75	-57.20	②
Revenue from main business – recovery and solid waste management	870,072	8.00	843,231	10.51	3.18	②
Revenue from main business – other environmental protection businesses	210,434	1.94	11,635	0.14	1,708.63	②
Revenue from other businesses – entrusted construction and management	1,033,629	9.51	510,745	6.36	102.38	③
Revenue from other businesses – real estate development	302,722	2.78	351,098	4.37	-13.78	④
Revenue from other businesses – construction services under concession arrangements	1,540,000	14.16	–	–	N/A	⑤
Revenue from other businesses – other businesses	309,340	2.85	257,599	3.22	20.09	⑥
Total revenue	10,871,924	100.00	8,026,737	100.00	35.45	

Description:

- ① The toll revenue recorded a YOY increase of 34.33%, mainly generated from the incremental toll revenue contributed by the newly opened Outer Ring Phase I, and the restorative growth of revenue from existing toll highways. In addition, at the end of 2021, the provincial governments of Hunan and Hubei issued the Notice on Matters in Relation to Compensation for Toll-Free Policy to Toll Roads Vehicles During the Prevention and Control Period of the COVID-19 Epidemic in 2020. Based on the Company's understanding and assessment of the relevant documents, the Company recognised the relevant revenue for Changsha Ring Road, Yichang Expressway and Wuhuang Expressway.

Detailed analysis of the operational performance of various projects during the Reporting Period is set out in the "Business of the Company During the Reporting Period" above. Breakdown of revenue by specific items is set out in Point (1) below.

Management Discussion and Analysis

- ② Revenue of clean energy recorded a YOY decrease of 57.20%, mainly because the sale of wind power equipment commenced by Nanjing Wind Power did not perform as well as expected during the Reporting Period due to various factors including the intensified market competition brought by the “rush to install wind turbines”, the slow implementation of the existing projects, and the delay in implementation of increased orders, etc., which consequentially led to a significant drop in revenue. Besides, the revenue was also affected by the comprehensive impact of consolidating Mulei and other wind power projects into the Group’s financial statement during the Reporting Period.

Revenue of recovery and solid waste management recorded a YOY increase of 3.18%, mainly arising from the increase in the corresponding environmental protection revenue of Bioland and Qiantai Company.

Revenue of other environmental protection business recorded a YOY increase of RMB198,799,000, mainly arising from the additional revenue from battery trading business of Qiantai Company and operation, maintenance and management of wind farm projects related to Nanjing Wind Power during the Reporting Period.

- ③ Revenue of entrusted construction and management recorded a YOY increase of 102.38%, mainly arising from the additional revenue from road maintenance business of the Engineering Company during the Reporting Period, and an increase in revenue from entrusted construction in line with the construction progress of Duohua Bridge Project, Bimeng Project and other projects.
- ④ Revenue of real estate development recorded a YOY decrease of 13.78%, mainly arising from the decrease in delivered units of Guilong Development Project in the current period.
- ⑤ Pursuant to the “Interpretation of Accounting Standards for Business Enterprises (No. 14)” newly issued by the Ministry of Finance, the Company recognised the revenue from construction service under concession arrangements for projects such as kitchen waste treatment, Outer Ring Phase II and reconstruction and expansion of Jihe Expressway.
- ⑥ Revenue of other businesses recorded a YOY increase of 20.09%, mainly arising from the growth in revenue of finance leases and sales of asphalt.

(1) Breakdown of Main Business by Industry, Product and Region

Unit: '000 Currency: RMB

Breakdown of main business by industry						
Industry	Revenue	Cost of services	Gross profit margin (%)	YOY change in revenue (%)	YOY change in cost of services (%)	YOY change in gross profit margin (%)
Toll highway	5,892,736	3,001,628	49.06	34.33	23.92	Increase by 4.28 pct. pt
Breakdown of main business by product						
Product	Revenue	Cost of services	Gross profit margin (%)	YOY change in revenue (%)	YOY change in cost of services (%)	YOY change in gross profit margin (%)
Outer Ring Expressway	921,065	404,739	56.06	22,857.86	8,435.19	N/A
Qinglian Expressway	875,818	498,730	43.06	5.21	-1.80	Increase by 4.06 pct. pt
Jihe East	734,525	320,489	56.37	-0.25	-5.36	Increase by 2.36 pct. pt
Jihe West	557,250	133,795	75.99	-9.39	-17.54	Increase by 2.37 pct. pt
Shuiguan Expressway	660,160	551,434	16.47	8.76	12.93	Decrease by 3.08 pct. pt
Coastal Expressway	591,169	329,493	44.26	7.79	16.83	Decrease by 4.31 pct. pt
Yichang Expressway	466,286	241,656	48.17	52.43	13.82	Increase by 17.58 pct. pt
Wuhuang Expressway	478,650	238,084	50.26	57.41	26.91	Increase by 11.95 pct. pt
Changsha Ring Road	297,933	124,696	58.15	102.96	89.90	Increase by 2.88 pct. pt
Meiguan Expressway	163,840	81,058	50.53	14.03	3.75	Increase by 4.90 pct. pt
Longda Expressway	146,039	77,455	46.96	2.20	-18.16	Increase by 13.19 pct. pt
Subtotal	5,892,736	3,001,628	49.06	34.33	23.93	Increase by 4.28 pct. pt
Breakdown of main business by region						
Region	Revenue	Cost of services	Gross profit margin (%)	YOY change in revenue (%)	YOY change in cost of services (%)	YOY change in gross profit margin (%)
Guangdong Province	4,775,142	2,532,726	46.96	17.30	29.44	Decrease by 4.98 pct. pt

Note: Only industries, products and regions of the main business accounted for more than 10% of the Company's revenue or the operating profit are listed on the breakdowns of main business by industry, product and region.

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

During the Reporting Period, the overall gross profit margin of the Group's ancillary toll highways was 49.06%, representing a YOY increase of 4.28 percentage points, mainly due to the improved operating efficiency of the newly opened Outer Ring Phase I and the growth in revenue from most of the ancillary toll highways.

Management Discussion and Analysis

(2) Analysis of Cost of Services

During the Reporting Period, the cost of services of the Group amounted to RMB7,080,446,000 (2020: RMB5,214,517,000), representing a YOY increase of 35.78%, mainly due to the increase in the cost of ancillary toll highways and the entrusted construction and management business, combined with the recognition of cost of construction services under concession arrangements during the year. The detailed analysis of cost of services is as follows:

Unit: '000 Currency: RMB

Industry	Cost item	Breakdown by industry					Description
		Amount for the current period	Amount for the current period as a percentage of total costs (%)	Amount for the corresponding period of last year	Amount for the corresponding period of last year as a percentage of total costs (%)	Change in amount for the current period as compared to the corresponding period of last year (%)	
Cost of main business – toll highways	Employee expenses	445,891	6.30	354,773	6.80	25.68	①
	Road maintenance expenses	291,513	4.12	182,343	3.50	59.87	②
	Depreciation and amortisation	1,984,318	28.03	1,551,995	29.76	27.86	③
	Other business costs	279,906	3.95	333,092	6.39	-15.97	④
	Subtotal	3,001,628	42.40	2,422,203	46.45	23.92	⑤
Cost of main business – clean energy		343,365	4.85	1,340,213	25.70	-74.38	⑥
Cost of main business – recovery and solid waste management		802,355	11.33	696,359	13.35	15.22	⑦
Cost of main business – other environmental protection businesses		179,423	2.53	2,996	0.06	5,888.75	⑧
Other business costs – entrusted construction and management		820,234	11.58	406,456	7.79	101.80	⑨
Other business costs – real estate development		142,368	2.01	171,359	3.29	-16.92	⑩
Other business costs – construction service under concession arrangements		1,540,000	21.75	–	–	N/A	
Other business costs – other businesses		251,073	3.55	174,932	3.35	43.53	
Total cost of services		7,080,446	100.00	5,214,517	100.00	35.78	

Other Information of Cost Analysis:

- ① Mainly due to the additional employee expenses of Outer Ring Phase I during the Reporting Period, and the impact of the Pension Insurance Reduction and Exemption Policy in phases in the corresponding period of last year.
- ② Mainly due to the additional daily maintenance expenses of Outer Ring Phase I during the Reporting Period, and the decrease in frequency of maintenance work such as minor repairs to the Group's ancillary toll highways as affected by the Epidemic in the corresponding period of last year.
- ③ Mainly due to the additional depreciation and amortisation expenses of Outer Ring Phase I during the Reporting Period, and the increase in the corresponding depreciation and amortisation expenses due to a YOY increase in traffic volume of the existing auxiliary toll highways.
- ④ Mainly due to the combined effect of other business cost of the newly added Outer Ring Phase I during the Reporting Period, as Wuhuang Expressway recorded a decrease in expenses of entrusted management service due to lower toll revenue in the corresponding period of last year, and the provision for operation and management expenses of certain ancillary toll highways in the corresponding period of the previous year.
- ⑤ Costs presented based on specific item are set out in Point (1) above.
- ⑥ Mainly due to that the sale of wind power equipment by Nanjing Wind Power did not perform as well as expected during the Reporting affected by to various factors including the intensified market competition brought by the "rush to install wind turbines", the slow implementation of the existing projects, and the delay in implementation of increased orders, etc., which consequentially led to a significant drop in revenue. Besides, the figure was also affected by the comprehensive impact of consolidating Mulei and other wind power projects into the Group's financial statement during the Reporting Period.
- ⑦ Mainly due to the increase in revenue from related operating business of Bioland with the kitchen waste treatment projects being put into operation successively, resulting in increased costs.
- ⑧ Mainly due to the additional cost arising from battery trading business of Qiantai Company and operation, maintenance and management of wind farm project of Nanjing Wind Power during the Reporting Period.
- ⑨ Mainly due to the additional road maintenance cost of Engineering Company during the Reporting Period, and the increase in related entrusted construction cost in line with the construction progress of Duohua Bridge Project, Bimeng Project and other projects.
- ⑩ Due to the YOY decrease in delivered units, the development cost for commercial housing carried forward by Guilong Development Project recorded a corresponding decrease.
- ⑪ Pursuant to the "Interpretation of Accounting Standards for Business Enterprises (No. 14)" newly issued by the Ministry of Finance, the Company recognised the construction service cost under concession arrangements of projects such as kitchen waste treatment and the Outer Ring Phase II.
- ⑫ Mainly due to the increase in business cost such as finance leases and sales of asphalt resulting from the growth in revenue.

Management Discussion and Analysis

(3) *Major Sales Customers and Major Suppliers*

A. Major Sales Customers of the Company

Given the nature of the Group's business, the target customers of toll highways are not specific. Apart from toll revenue, the total revenue from the top five customers of the Group amounted to RMB1,450,440,000, accounting for 13.34% of the overall revenue of the Group, of which none was sales from related parties.

B. Major Suppliers of the Company

The purchases from the Group's top five suppliers amounted to RMB3,118,820,000 (including purchasing the new office building of RMB1,484,430,000) accounting for 40.04% of the total purchase of the Group for the year, of which none was purchased from related parties.

2. **Expenses**

The Group's selling expenses for the Reporting Period amounted to RMB59,700,000 (2020: RMB53,051,000), representing a YOY increase of 12.53%, which was mainly due to the increase in the marketing expenses of Bioland and Nanjing Wind Power resulting from the needs for business expansion.

The Group's general and administrative expenses for the Reporting Period amounted to RMB529,068,000 (2020: RMB363,086,000), representing a YOY increase of 45.71%, which was mainly due to factors such as the increase in management staff costs and special expenses of, among others, intermediaries following expansion of the business scale, and the implementation of pension insurance Reduction and Exemption Policy in phases in the corresponding period of last year.

The Group's financial expenses for the Reporting Period amounted to RMB749,134,000 (2020: RMB491,548,000), representing a YOY increase of 52.40%, which was mainly due to the decrease in the corresponding capitalised interest resulting from the putting into operation of certain construction projects during the Reporting Period and the decrease in exchange gains arising from foreign currency liabilities affected by the fluctuation of the exchange rate as compared to the corresponding period of last year. After hedging the "Gains or losses from changes in fair value – Gains from changes in fair value of foreign exchange forward contracts" and the "Investment income – Gains from completion of foreign exchange forward contracts", the Group's consolidated financial cost during the Reporting Period was RMB791,396,000 (2020: RMB619,960,000), representing a YOY increase of 27.65%. Despite a YOY increase in the average borrowing scale during the Reporting Period, the interest expenses recorded a decrease of approximately 1.11% due to the decline in comprehensive borrowing costs (Reporting Period: 3.81%; 2020: 4.16%) and the decrease in the corresponding amortised interest of the income from the carry-forwarded advance payment for the Guilong Project of real estate development during the Reporting Period. For details of the changes in borrowing scale, please refer to "Analysis of Assets and Liabilities" below. The detailed analysis of financial expenses is as follows:

Unit: '000 Currency: RMB

Financial expenses items	2021	2020	Change (%)
Interest expenses	925,016	935,356	-1.11
Less: Interest capitalised	28,082	237,873	-88.19
Interest income	103,643	61,976	67.23
Add: Exchange loss	-59,059	-154,936	-61.88
Finance income arising from the early repayment of finance leases	-	-1,166	N/A
Others	14,902	12,142	22.73
Total financial expenses	749,134	491,548	52.40

The Group's research and development expenses amounted to RMB60,572,000(2020: RMB58,694,000) during the Reporting Period, representing a YOY increase of 3.20%, which was mainly due to the overall effect of the decrease in the expensed investment in research and development of Nanjing Wind Power and the increase in the expensed investment in research and development of Bioland and Qiantai Company during the current period.

During the Reporting Period, the Group's income tax expenses amounted to RMB471,799,000 (2020: RMB473,911,000), representing a YOY decrease of approximately 0.45%, mainly because the Outer Ring Expressway was entitled to the relevant corporate income tax preferential policy, so that the income tax payable by the Group slightly decreased despite the Group recorded a YOY growth in its total profit.

Management Discussion and Analysis

3. Investment Income

During the Reporting Period, the Group's investment income amounted to RMB570,093,000 (2020: RMB937,363,000), representing a YOY decrease of 39.18%, which was mainly due to the YOY decrease in the income from the real estate development resulting from less delivery of property in Meilinguan Urban Renewal Project developed by United Land Company, an associate of the Group, during the year, and the investment loss recognised from the expiry and completion of the foreign exchange forward contracts. Detailed analysis of investment income is as follows:

Unit: '000 Currency: RMB

Item	2021	2020	Change in amount
1. Investment income attributable to associate/joint venture:			
Associated/joint toll highway enterprises in total	150,934	172,489	-21,555
United Land Company	65,173	395,731	-330,557
Derun Environment	298,149	206,420	91,728
Others ^{Note}	148,373	138,342	10,031
Subtotal	662,629	912,982	-250,353
2. Investment income arising from transfer of equity interests in associates	25,337	–	25,337
3. Investment income from other non-current financial assets	7,105	6,395	710
4. Income from completion of foreign currency forward instruments	-125,940	17,955	-143,895
5. Others	962	31	931
Total	570,093	937,363	-367,270

Note: Others are attributable to the investment income of Yunji Intelligent (雲基智慧), Bank of Guizhou, Shengchuang Fund, Guizhou Hengtongli, Huaian Zhongheng and Fengrunjiu (鳳潤玖).

4. Investment in Research and Development

The investment in research and development mainly represents the expenses arising from the research and development of wind power generation equipment conducted by Nanjing Wind Power and the research and development of kitchen waste treatment system conducted by Bioland and the research and development of green recycling technology of waste battery of Qiantai Company.

Breakdown of investment in research and development

Unit: '000 Currency: RMB

Expensed investment in research and development for the current period	60,572
Capitalised investment in research and development for the current period	23,910
Total investment in research and development	84,482
Proportion of capitalised investment in research and development (%)	28.30

5. *Cash Flow*

Descriptions on the reasons for changes in net cash flows from operating activities: During the Reporting Period, the Group's net cash inflows from operating activities amounted to RMB3,941,531,000 (2020: RMB1,100,634,000), representing a YOY increase of RMB2,840,897,000, which was mainly due to the significant decrease in cash inflows from toll revenue in the same period of the previous year as affected by the Toll-free Policy during the Epidemic, and increase in cash flows from operating activities resulting from the newly opened Outer Ring Phase I and the newly acquired Mulei Wind Power Project during the year. In addition, the recurring cash return on investments from associates/joint toll highway companies invested by the Company during the Reporting Period amounted to RMB146,012,000 (2020: RMB119,155,000), representing a YOY increase of RMB26,857,000, which was mainly due to the decrease in cash flow distributed by associates/joint toll highway companies as affected by the Toll-free Policy for highways during the Epidemic.

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

Descriptions on the reasons for changes in net cash flows from investing activities: During the Reporting Period, the Group's net cash from investing activities recorded a YOY increase of approximately RMB703 million, which was mainly due to the overall effect of the increase in the capital expenditure relating to the acquisition of new office building, acquisition of the equity interests in Mulei Wind Power Project and Bay Area Development as well as the recovery of the investment in the capital increase and share subscription project returned by Vanho Securities.

Descriptions on the reasons for changes in net cash flows from financing activities: During the Reporting Period, the Group's net cash from financing activities recorded a YOY decrease of approximately RMB1.919 billion, which was mainly due to the significant YOY increase in the net cash flows from the operating activities of the Company during the Reporting Period (For the corresponding Period of last year: significant decrease in cash flows from the operating activities of the Company resulted from the Epidemic and the Toll-free Policy for highways during the Epidemic), resulting in a decreased scale of external financing.

6. *Amortisation Policies of Concession Intangible Assets for Toll Highways and the Differences of Different Amortisation Methods*

The Group's concession intangible assets for toll highways are amortised based on the units-of-usage method. The amortised amount is calculated, based on usage amount per unit, by the percentage of the actual traffic volume in the respective periods to the total projected traffic volume during the toll operating period. The Group conducts regular review on the projected traffic volume and makes corresponding adjustments to ensure reasonableness of the amortised amount. Details of this accounting policy and accounting estimates are set out in note III\19(1) and III\33.2(1) to the Financial Statements in this report.

During the preliminary stages of toll highways' operation, the amortised amount calculated by the units-of-usage method is generally lower than that calculated by the straight-line method. During the Reporting Period, the difference in amortisation attributable to the Company calculated by using the two amortisation methods based on its share of equity interests was RMB131 million (2020: RMB279 million). The adoption of different amortisation methods had no impact on the cash flow generated from various toll highway projects and thus had no impact on the valuation of various projects.

Management Discussion and Analysis

(II) Analysis of Assets and Liabilities

1. Assets and Liabilities

As at 31 December 2021, the Group's total assets amounted to RMB60,613,495,000 (as at 31 December 2020: RMB55,144,962,000), representing an increase of 9.92% over the end of 2020, which was mainly due to, amongst others, the consolidation of Mulei and other wind power projects into the financial statements, the purchase of a new office building and prepayments for acquisition of equity interests in Bay Area Development during the Reporting Period.

As at 31 December 2021, the total outstanding interest-bearing liabilities of the Group amounted to RMB22,857,976,000 (as at 31 December 2020: RMB19,311,570,000), representing an increase of approximately 18.36% over the end of 2020, mainly contributed to the Group's acquisition of various projects, including Mulei and other wind power projects through borrowings and the increase in borrowings as a result of the increase in capital expenditures in respect of the purchase of a new office building and payment for acquisition of equity interests in Bay Area Development during the Reporting Period. In 2021, the Group's average borrowing scale was RMB23.1 billion (2020: RMB20.4 billion), representing a YOY increase of approximately 13.15%.

The detailed analysis of assets and liabilities is as follows:

Unit:'000 Currency: RMB

Name of item	Amount as at the end of the current period	Amount as at the end of the current period as a percentage of total assets (%)	Amount as at the end of the previous period	Amount as at the end of the previous period as a percentage of total assets (%)	Change in amount as at the end of the current period as compared to the end of the previous period (%)	Description
Transactional financial assets	212,637	0.35	-	-	N/A	(1)
Bills receivable	87,388	0.14	378,533	0.69	-76.91	(2)
Prepayments	190,616	0.31	403,190	0.73	-52.72	(3)
Inventory	1,338,821	2.21	939,800	1.70	42.46	(4)
Assets held for sale	-	-	494,663	0.90	-100.00	(5)
Non-current assets due within one year	235,809	0.39	74,870	0.14	214.96	(6)
Other current assets	546,140	0.90	325,723	0.59	67.67	(7)
Long-term prepayments	1,792,085	2.96	318,302	0.58	463.01	(8)
Long-term receivable	1,760,469	2.90	997,355	1.81	76.51	(9)
Other non-current financial assets	718,746	1.19	1,605,891	2.91	-55.24	(10)
Fixed assets	5,708,224	9.42	3,493,301	6.33	63.40	(11)
Construction in progress	1,779,733	2.94	123,596	0.22	1,339.96	(12)
Right-of-use assets	361,722	0.60	139,307	0.25	159.66	(13)
Lease liabilities	323,621	0.53	104,654	0.19	209.23	(13)
Goodwill	46,040	0.08	156,040	0.28	-70.49	(14)
Other non-current assets	2,500,779	4.13	1,770,552	3.21	41.24	(15)
Short-term borrowings	3,238,233	5.34	1,341,218	2.43	141.44	(16)
Transactional financial liabilities	-	-	83,678	0.15	-100.00	(17)

Name of item	Amount as at the end of the current period	Amount as at the end of the current period as a percentage of total assets (%)	Amount as at the end of the previous period	Amount as at the end of the previous period as a percentage of total assets (%)	Change in amount as at the end of the current period as compared to the end of the previous period (%)	Description
Bills payable	87,244	0.14	295,467	0.54	-70.47	(18)
Accounts payable	2,502,175	4.13	1,869,889	3.39	33.81	(19)
Contract liabilities	219,246	0.36	319,854	0.58	-31.45	(20)
Other payable	1,771,092	2.92	3,570,366	6.47	-50.39	(21)
Non-current liabilities due within one year	1,652,691	2.73	3,665,799	6.65	-54.92	(22)
Bonds payable	7,086,864	11.69	3,792,324	6.88	86.87	(23)
Long-term employee benefits payable	187,966	0.31	114,813	0.21	63.71	(24)

Descriptions of assets and liabilities:

- (1) Relevant performance compensation recognised since subsidiaries failed to fulfil their performance commitment.
- (2) The maturity of bills receivable of Nanjing Wind Power.
- (3) The advanced payment for the land under Guilong Project was carried forward, and the prepayment of goods of Nanjing Wind Power decreased.
- (4) Increase in the properties developing or pending to be developed under Guilong Project and the wind power facilities of Nanjing Wind Power.
- (5) The equity transfer procedures of Guangyun Company and Jiangzhong Company have been completed.
- (6) It mainly represents the reclassification of accounts receivables due within one year.
- (7) It mainly represents the consolidation of five wind power projects, including Mulei Project, into the financial statements and the increase in deductible input tax as a result of the construction of kitchen waste disposal projects.
- (8) Prepayment for acquisition of equity interests in Bay Area Development, and advance payment for the purchase of lease objects of Financial Leasing Company.
- (9) Payment for acquisition of the equity interest in Bay Area Development, and increase in electricity subsidy receivable.
- (10) Return of subscription amount made in Vanho Securities.
- (11) The consolidation of wind power projects, including Mulei Project, into the financial statements.
- (12) The purchase of a new office building and its renovation.

Management Discussion and Analysis

- (13) The consolidation of Zhongwei Gantang Project and Yongcheng Zhuneng Project into the financial statements.
- (14) Impairment of goodwill arising from acquisition of Nanjing Wind Power.
- (15) It mainly represents the increase in and transfer of contract assets over one year of the entrusted construction project.
- (16) Increase in short-term borrowings in light of the adequacy of funds in the marketplace.
- (17) Foreign exchange forward contracts were due for settlement.
- (18) Redemption of notes payable upon maturity by Nanjing Wind Power.
- (19) As all the projects continued to make progress along with commencement of operations, payables for construction projects and goods increased accordingly.
- (20) It mainly represents the carried forward advances from sales of real estate of Guilong Development Project.
- (21) The balance of appropriation for the entrusted management projects of engineering construction decreased.
- (22) The bonds were due for repayment.
- (23) Issuance of new corporate bonds, green corporate bonds and offshore US dollar bonds during the Reporting Period, and the reclassification of corporate bonds by maturity to “non-current liabilities due within one year” as at the end of the Reporting Period.
- (24) Provision for long term incentive bonus.

2. **Overseas Assets**

(1) *Size of assets*

Including: overseas assets of RMB229,513,000, accounting for 0.38% of the total assets.

Overseas assets mainly consist of part of the H shares of Bank of Guizhou held by Mei Wah Company, a wholly-owned overseas subsidiary of the Company, and a small amount of bank deposits placed abroad, which account for a small proportion of the Company's total assets.

3. Restriction of main assets as at the end of the Reporting Period

Descriptions of restriction of assets:

(1) As at the end of the Reporting Period, details of the mortgaged or pledged assets of the Company and its subsidiaries are as follows:

Restriction on the assets involved with the balance of secured loans as of the end of the Reporting Period					
Assets	Type	Beneficiary of the security	Scope of security	Balance of secured loans as at the end of the Reporting Period (100 million)	Term
Toll collection rights of Qinglian Expressway	Pledge	Industrial and Commercial Bank of China Limited Qingyuan Branch	Principal and interests of fixed asset loans in an aggregate amount of RMB2.5 billion	19.89	Until repayment of all liabilities under the loan agreement
100% equity interests in Meiguan Company	Pledge	China Construction Bank Shenzhen Branch	Counter-guarantee for the irrevocable guarantee with joint liability in respect of the redemption of the corporate bonds with an amount of RMB800 million upon maturity	8.00	Until repayment of corporate bonds (including principal and interests)
45% equity interests in JEL	Pledge	The Hong Kong and Shanghai Bank Corporation Limited	Principal and interests of bank loans in an aggregate amount of HKD350 million	HKD1.36	Until repayment of all liabilities under the loan agreement
Toll collection rights of Coastal Expressway	Pledge	A consortium including China Development Bank, etc.	Principal and interests of syndicated loans in an aggregate amount of RMB5.4 billion	25.46	Until repayment of all liabilities under the loan agreement
Toll collection rights of Shuiguan Expressway	Pledge	Guangdong Huaxing Bank Co., Ltd. Shenzhen Branch	Principal and interests of fixed asset loans in an aggregate amount of RMB600 million	4.24	Until repayment of all liabilities under the loan agreement
Equity interests, franchise rights, accounts receivable and production equipment, among other assets, of various subsidiaries of Bioland of RMB2,213 million	Pledge, mortgage	Various banks and financial leasing companies	The scope of security covers principal and interests of bank loans and finance leases for various projects in an aggregate amount of RMB986 million	5.92	Certain periods after the repayment of liabilities
37th, 40-48th floors of the office property in Hanking Center	Mortgage	Industrial and Commercial Bank of China Limited Shenzhen Futian Sub-Branch	Principal and interests of fixed asset loans in an aggregate amount of RMB760 million	7.22	Until repayment of all liabilities under the loan agreement
Rental receivable under the Xuchang Wind Power Project	Pledge	China Merchants Bank Co., Ltd. Shenzhen Branch	Liabilities incurred in respect of the guaranteed discounting for commercial acceptance bills in an aggregate amount of RMB20 million	0.20	Until repayment of all liabilities under the loan agreement
Rental receivable under the Anhui Duanshou Project	Pledge	Bank of Shanghai Co., Ltd. Shenzhen Branch	Principal and interests of working capital loans in an amount of RMB14.65 million	0.15	Until repayment of all liabilities under the loan agreement
Rental receivable under the Cuijin Spring Project	Pledge	China Merchants Bank Co., Ltd. Shenzhen Branch	Liabilities incurred in respect of the guaranteed discounting for commercial acceptance bills in an aggregate amount of RMB50 million	0.50	Until repayment of all liabilities under the loan agreement
Rental receivable under the Yongcheng Project	Transfer with recourse	Agricultural Bank of China Shenzhen Branch	Principal and interests of liabilities incurred in relation to factoring of accounts receivable with recourse in an aggregate amount of RMB171 million	1.64	Until repayment of all liabilities under the loan agreement
Pledge on accounts receivable under the Wuqi Dayi Wind Power Project	Pledge	The Bank of East Asia (China) Limited Shenzhen Branch	Principal and interests of working capital loans in an amount of RMB100 million	1.00	Until repayment of all liabilities under the loan agreement
Pledge on tariff collection rights of Mulei Project	Pledge	China Construction Bank Urumqi Branch	Principal and interests of project loans in an amount of RMB1,418 million	14.18	Until repayment of all liabilities under the loan agreement

Management Discussion and Analysis

Restriction on the assets involved with the balance of unsecured loans as of the end of the Reporting Period				
Assets	Type	Beneficiary of the security	Scope of security	Note
Toll collection rights and the proceeds and credits receivable from the operating activities of Outer Ring Expressway	Pledge	A consortium including China Development Bank, etc.	Principal and interests of syndicated loans in an aggregate amount of RMB6.5 billion	As at the end of the Reporting Period, the accumulated amount of loans withdrawn by Outer Ring Company was approximately RMB4.7 billion, which was settled in full at the end of 2020. The loan facility available was approximately RMB1.8 billion.
100% equity interests in Qianzhi, Qianhui and Qianxin Company	Pledge	ICBC Shenzhen Futian Sub-branch	Principal and interests of loans for acquisition in an aggregate amount of not more than RMB609 million	As at the end of the Reporting Period, the loans for acquisition have not yet been withdrawn by the Company.

- (2) *As of the end of the Reporting Period, details of the restrictions on the capital of the Company and its subsidiaries are as follows:*

Type of restricted capital	Amount subject to restrictions (RMB'000)
Fund in special deposit account for the entrusted construction and management project	185,809
Consideration for acquisition of equity interests under supervision	210,000
Security deposits	52,731
Fund frozen due to litigations	12,145
Total	460,685

Details of restriction of assets:

- (1) For the purpose of acquiring all the equity interests in SIICHIC, Mei Wah Company, a wholly-owned subsidiary, applied for share-pledged loan facilities with conditions precedent to its effectiveness in an aggregate amount of approximately HKD8.3 billion in favour of Industrial and Commercial Bank of China (Asia) Limited, China Merchants Bank and Ping An Bank, Hong Kong branch, which required provision of the pledge security based on the proportion of the loan amount to the total consideration of the acquisition upon completion of the transfer of the shares in SIICHIC. As of 31 December 2021, Mei Wah Company has withdrawn approximately HKD1.513 billion of loan. As the transfer of shares in SIICHIC has not yet completed, the pledge did not come into effect. As of the date of this Report, the transfer of shares in SIICHIC has completed and the corresponding pledge has taken effect.
- (2) Details of the restrictions on the Group's major assets at the end of the Reporting Period are set out in note V61 to the Financial Statements in this report.

4. Capital Structure and Debt Repayment Capability

The Company is always committed to maintaining a rational capital structure and enhancing its profitability to maintain its good credit ratings and solid financial position. As at the end of the Reporting Period, due to the combined impact of the increase in interest-bearing liabilities scale resulting from the rise in capital expenditure and the share profit distribution for 2020, the debt-to-asset ratio and the net borrowings-to-equity ratio of the Group increased to a certain extent as compared with that at the beginning of the year. During the Reporting Period, the Group's businesses demonstrated steady development, recording an increase in revenue while enhancing the effectiveness of cost and expense management and achieving recovery growth of operating cash flow. Given the Group's stable and robust operating cash flow and its strong capability in financing and capital management, the Board is of the view that the financial leverage ratios remained at a safe level at the end of the Reporting Period.

Key indicators	As at the end of 2021	As at the end of 2020
Debt-to-asset ratio (Total liabilities/Total assets)	54.18%	52.35%
Net borrowings-to-equity ratio (Total borrowings – cash and cash equivalents)/Total equity)	68.95%	61.18%
Net borrowing/EBITDA ((Total borrowings – cash and cash equivalents)/ Earnings before interests, tax, depreciation and amortisation)	3.02	3.14
	2021	2020
Interest covered multiple ((Profit before tax + interest expenses)/Interest expenses)	4.71	3.87
EBITDA interest multiple (Earnings before interests, tax, depreciation and amortisation/ Interest expenses)	7.46	5.95

5. Liquidity and Cash Management

During the Reporting Period, the net current assets of the Group increased at the end of the period as compared to the end of the previous year because of the combined impact of the increase in capital expenditure of the Group, the decrease in the balance of appropriations for entrusted engineering and construction projects, the increase of short-term borrowings as well as the bond repayment at maturity. Based on the financial status and capital needs, the Group will further strengthen the overall fund arrangements for subsidiaries and key projects, continue to optimise the capital structure, maintain appropriate cash on hand, and sufficient bank credit lines to prevent liquidity risks.

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

Unit: Million Currency: RMB

	31 December 2021	31 December 2020	Change in amount
Net current assets	-3,551	-3,954	403
Cash and cash equivalents	3,710	3,234	476
Banking facilities available	26,425	16,409	10,016

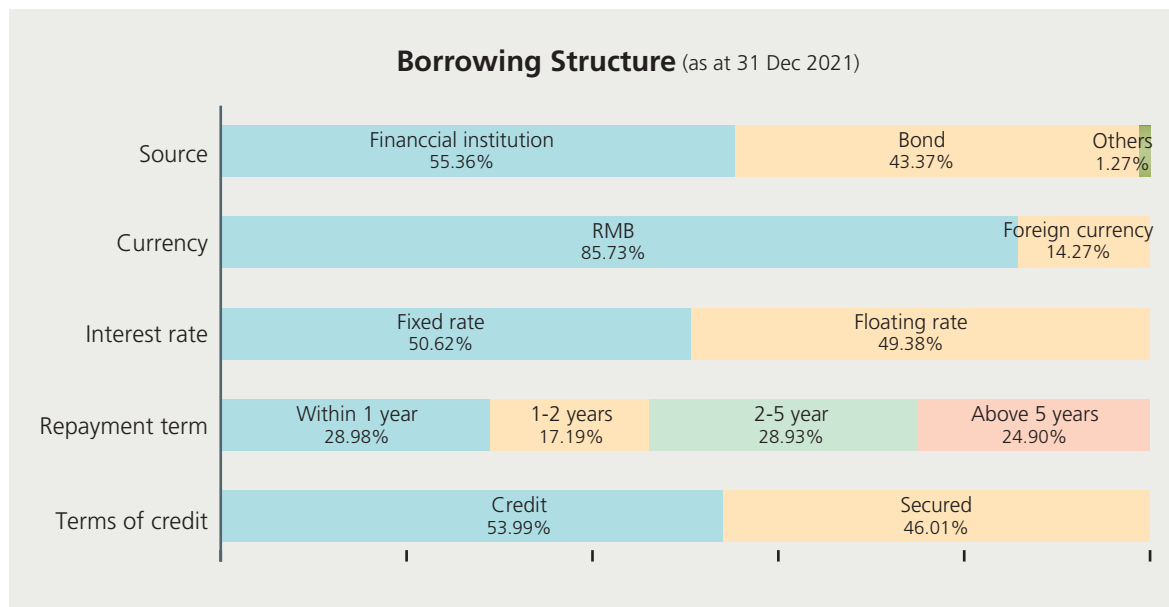
Management Discussion and Analysis

6. Financial Strategies and Financing Arrangements

During the Reporting Period, the liquidity in the capital market maintained at a reasonably sufficient level with a steady decrease in the price of funds. Based on the demands for operating expenses and the development of project investment, the Group used its self-owned funds, bank loans and proceeds from bonds to meet the capital needs such as operating and investment expenditures and debt repayment during the Reporting Period. Leveraging the favourable market opportunities, the Group issued financing bond instruments such as the USD bonds, green bonds, corporate bonds and ultra-short-term commercial paper for debt replacement and replenishment of working capital. The Group also grasped changes in market conditions, appropriately adjust the debt maturity structure and strived for bank loans with better terms through communication in order to further lower financial costs. In view of internal and external liquidity conditions, the Company's operation, financial position and capital expenditure plan, the Company will adjust its financial strategies in a timely manner to optimise debt structure.

As at the end of the Reporting Period, the Group did not have any overdue principal and interests for bank loans and bonds.

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



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

As of 31 December 2021, the Group had obtained a total of approximately RMB45.532 billion of banking facilities, including approximately RMB10.018 billion of credit facilities specifically for construction projects, approximately RMB20.546 billion of general credit facilities and approximately RMB14.966 billion for a single credit facility. As at the end of the Reporting Period, un-utilised banking facilities amounted to approximately RMB26.481 billion.

7. *Utilisation of funds raised*

During the Reporting Period, the Company completed the issuance of phase 1 of the 2021 green corporate bonds and phase 1 of the 2021 corporate bonds on 19 April and 27 July 2021, respectively. The fund raised was RMB1.2 billion and RMB1 billion, respectively.

8. *Contingencies*

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

(III) *Analysis of the Investment*

1. *General Analysis of External Equity Investments*

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

(1) *Material Equity Investments*

During the Reporting Period, the total equity investment of the Group amounted to approximately RMB1,675 million (2020: RMB2,144 million, excluding return of the subscription amount of the capital increase and share subscription project of Vanho Securities of RMB950 million for the period), representing a YOY decrease of RMB468 million, mainly due to the acquisition of equity interests and the increase of capital in Mulei Wind Power Project and the increase in investment in Yangmao reconstruction and expansion project during the Reporting Period. For details, please refer to the content in Business Review above. The Company mainly used its own funds and debt financing to raise corresponding investment funds. The details of material equity investments during the Reporting Period are as follows:

Unit: '000 Currency: RMB

Name of investee company	Major business	Shareholding	Investment amount in 2021	Description
Qianzhi, Qianhui and Qianxin Company (Mulei Wind Power Project)	Investment, development and operation of wind power projects	100%	1,015,240	<p>(1) During the Reporting Period, Guangdong New Energy, a wholly-owned subsidiary of the Company, completed the acquisition of 100% equity interests of Qianzhi, Qianhui and Qianxin at a consideration of RMB600,000,000 in total. After the acquisition, the Company injected a capital of RMB415,240,000 to the 3 companies.</p> <p>(2) During the Reporting Period, the operation of Mulei Wind Power Project performed well, contributing to the net profit attributable to shareholders of the listed company of approximately RMB132,259,000.</p>

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Name of investee company	Major business	Shareholding	Investment amount in 2021	Description
Yangmao Company	Investment, construction and operation management of Yangjiang-Maoming Expressway and development of its supporting service projects	25%	255,000	<p>(1) During the Reporting Period, the Company paid RMB255,000,000 for capital increase according to shareholding ratio and project progress, and had made an accumulated investment of RMB525,000,000. As of the end of the Reporting Period, Yangmao reconstruction and expansion project was completed and further capital investment was not required from the Company.</p> <p>(2) During the Reporting Period, the operation of Yangmao Expressway performed well, and the Company realised a related equity investment income of approximately RMB55,249,000.</p>
Zhongwei Xintang	Investment, development and operation of wind power projects	100%	174,990	<p>(1) During the Reporting Period, Guangdong New Energy, a wholly-owned subsidiary of the Company, acquired 100% equity interests of Zhongwei Xintang through acquisition of equity interests and increase of capital at approximately RMB174,990,000 (including RMB172,920,000 for capital increase) in total.</p> <p>(2) During the Reporting Period, the operation of Zhongwei Gantang Project performed well, contributing to the net profit attributable to shareholders of the listed company of approximately RMB129,000.</p>
Yongcheng Zhuneng	Investment, development and operation of wind power projects	100%	101,514	<p>(1) During the Reporting Period, New Energy Company and Guangdong New Energy, both being the wholly-owned subsidiaries of the Company, acquired 100% equity interests of Yongcheng Zhuneng through acquisition of equity interests and increase of capital at approximately RMB101,514,000 (including RMB100,000,000 for capital increase) in total.</p> <p>(2) During the Reporting Period, the operation of Yongcheng Zhuneng Project performed well, contributing to the net profit attributable to shareholders of the listed company of approximately RMB6,076,000.</p>
Financial Leasing Company	Finance lease and operating lease	90.25%	60,828	<p>(1) During the Reporting Period, the Company acquired 19.5% equity interests of Financial Leasing Company, a subsidiary of the Company, at a consideration of RMB60,828,000 and increased its capital of RMB727,860,000 with Logistics Financial Company, a wholly-owned subsidiary. After the completion of capital increase, the Company and Logistics Financial Company held in total 90.25% equity interests of Financial Leasing Company.</p> <p>(2) During the Reporting Period, the operation of Financial Leasing Company performed well, contributing to the net profit attributable to shareholders of the listed company of approximately RMB10,924,000.</p>

Name of investee company	Major business	Shareholding	Investment amount in 2021	Description
Yunji Intelligent (formerly known as "Consulting Company")	Providing overall solutions for comprehensive engineering consulting services, such as survey and design, tendering and costing, construction management, testing and inspection to transport infrastructure construction and operation department, in order to participate in the formulation of industry standard, accumulate industry data and gain practical experience of industry production.	22%	31,500	<p>(1) During the Reporting Period, the Company invested RMB31,500,000 and participated in the first capital increase and share subscription project of Yunji Intelligent, which is an associate of the Company, in the current year. As of the end of the Reporting Period, the Company held 22.0% equity interests of Yunji Intelligent.</p> <p>(2) During the Reporting Period, the Company realised the equity investment income of Yunji Intelligent of approximately RMB25,647,000.</p>
Huaian Zhongheng	Investment, development and operation of wind power projects	20%	32,184	<p>(1) During the Reporting Period, Guangdong New Energy, a wholly-owned subsidiary of the Company, acquired 20% equity interests of Huaian Zhongheng through acquisition of equity interests and increase of capital at RMB32,184,000 (including RMB11,639,000 for capital increase) in total.</p> <p>(2) During the Reporting Period, the Company realised the equity investment income of Huaian Zhongheng of approximately RMB1,214,000.</p>
Fengrunjiu	Health services	60%	4,200	<p>(1) During the Reporting Period, Investment Company, a wholly-owned subsidiary of the Company, invested in the establishment of Shenzhen Guangming Fengrunjiu Health Service Company and acquired 60% of its equity interests, which would not be consolidated into the financial statements of the Group, by contributing an amount of RMB7,800,000. During the Reporting Period, the actual contribution amount was RMB4,200,000.</p> <p>(2) During the Reporting Period, Fengrunjiu has not commenced project operation.</p>

Management Discussion and Analysis

(2) Material Non-equity Investments

During the Reporting Period, the Group's expenditures on material non-equity investments mainly comprised the expenditures for acquiring the office property in Hanking Center, investment in the construction of the early stage of the reconstruction and expansion of Jihe Expressway, the construction of kitchen waste projects of Bioland, and the construction of Outer Ring Expressway, totalling approximately RMB3,664,834,000. The investments in major projects are as follows:

Unit: '000 Currency: RMB

Project name	Project amount	Project progress	Amount invested during the Reporting Period	Actual accumulated amount invested	Gains from the project
Outer Ring Project (Phase I & II)	6,500,000	100%	359,648	5,400,407	For details of the operational performance of projects (except for Coastal Phase II, early stage of the reconstruction and expansion of Jihe Expressway and certain kitchen waste projects which are still under construction, as well as the office property of Hanking Center which is still under renovation) during the Reporting Period, please refer to the Analysis of Main Business as set out above.
Coastal Phase II	1,000,000	69%	22,605	68,445	
Early stage of Jihe Expressway Reconstruction and Expansion	/	/	633,391	834,177	
Various kitchen waste projects of Bioland	/	/	478,890	1,124,995	
Guangming Environmental Park Project	708,000	44%	127,714	127,714	
Acquisition and renovation of the office property in 35 – 48/F, Hanking Center	1,651,678	95%	1,611,767	1,611,767	
Total	/	/	3,234,015	9,167,505	/

(3) Financial Assets/Liabilities at Fair Value

Unit: '000 Currency: RMB

Item name	Opening balance	Closing balance	Change during the period	Impact on total profit for the Reporting Period	Description
Transactional financial assets (liabilities represented by "-")	-83,678	-	83,678	83,678	(1)
Transactional financial assets (liabilities represented by "-")	-	212,637	212,637	212,637	(2)
Other non-current financial assets	1,605,891	718,746	-887,145	62,855	(3)

Explanation on financial assets/liability at fair value:

- To mitigate exchange rate risk, the Company arranged foreign exchange forward arrangements for the overseas bond with a principal value of USD300 million. During the Reporting Period, due to the expiry of the foreign exchange forward contracts, the accumulated gains from changes in fair value have been carried forward. During the Reporting Period, the Company did not enter into any new US dollar bond foreign exchange forward contracts. Besides, the Company did not hold any foreign exchange forward contract or related hedging instrument during the Reporting Period.

- (2) Compensation receivable for subsidiaries' failure to fulfil their performance commitment.
- (3) In August 2020, the Company subscribed for approximately 8.68% of the shares of Vanho Securities at RMB950,000,000 after its capital increase. Subsequently, since Vanho Securities has not yet obtained CSRC's approval on its capital increase and share issuance project, pursuant to the relevant requirements of the capital increase agreement and upon negotiation among both parties, Vanho Securities has returned the capital injection monies to the Company in full on 23 August 2021, and the Company will cease to participate in Vanho Securities' capital increase and subscription project. Accordingly, the Company reclassified and recovered such investment monies from "other non-current financial assets" to "other current assets" during the Reporting Period.

In addition, during the Reporting Period, the Company recognised gains from changes in fair value of RMB62,855,000 from the equity interest held by it in Unitoll Services and Water Planning Company.

(IV) Disposal of Material Assets and Equity Interests

During the Reporting Period, the Company completed the procedures for the transfer of 25% equity interest in Jiangzhong Company and 30% equity interest in Guangyun Company previously held by it and realised an income from equity transfer of approximately RMB25,337,000, resulting in an increase in the net profit (after tax) of the Group of approximately RMB17,177,000. For details, please refer to note \54 to the Financial Statements in this Report.

(V) Analysis of Major Controlling Companies and Participating Companies

1. Analysis of Major Controlling Companies and Participating Companies

Unit: '000 Currency: RMB

Company name	Percentage of interests held by the Group	Registered capital	31 December 2021		2021			Principal business
			Total assets	Net assets	Revenue	Operating profit	Net profit/(net loss)	
Coastal Company	100%	4,600,000	7,654,343	6,545,193	614,404	284,777	205,580	Investment in the construction and operation of Shenzhen section of Guangzhou-Shenzhen Coastal Expressway.
Outer Ring Company	100%	6,500,000	7,902,629	6,481,744	1,432,935	523,898	532,984	Investment in the construction and operation of the Shenzhen section of Outer Ring Expressway.
Qinglian Company	76.37%	3,361,000	6,319,685	3,185,055	879,347	252,160	188,773	Construction, operation and management of Qinglian Expressway and related auxiliary facilities.
Qinglong Company	50%	324,000	2,083,847	1,239,792	664,453	93,874	73,081	Development, construction, toll collection and management of Shuiquan Expressway.
Yichang Company	100%	345,000	2,620,507	1,503,562	467,181	197,978	153,077	Construction, operation and management of Yichang Expressway.
Magerk Company	100%	USD280,000	725,926	641,513	478,650	257,765	193,426	Toll collection and management of Wuhuang Expressway.
Shenchang Company	51%	200,000	667,028	342,670	302,026	169,473	127,315	Development, construction, toll collection and management of Shenchang Expressway.

Management Discussion and Analysis

Company name	Percentage of interests held by the Group	Registered capital	31 December 2021		2021			Principal business
			Total assets	Net assets	Revenue	Operating profit	Net profit/(net loss)	
Investment Company	100%	400,000	2,728,908	1,003,400	940,891	200,737	141,963	Investment in industry and engineering construction.
Bioland	67.14%	234,933	4,147,779	1,093,473	1,200,191	-127,509	-104,746	Research and development of organic waste treatment technology with a focus on kitchen waste, manufacturing of core equipment, investment in construction, and operation and maintenance, etc.
New Energy Company	100%	2,077,000	5,771,493	2,430,543	584,458	193,350	192,283	Investment and operation of wind power projects.
Derun Environment	20%	1,000,000	57,352,894	17,415,728	13,313,303	3,683,242	1,490,743	Derun Environment is a comprehensive environmental enterprise with two subsidiaries listed on the main board of A shares including Chongqing Water (50.04% equity interests) and Sanfeng Environment (43.86% equity interests). The principal businesses of these companies include water supply and sewage treatment, and investment, construction, integrated equipment and operation management of waste incineration power generation projects, as well as environmental remediation.

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

Note 2: Relevant data is consolidated, and has been adjusted with factors such as premium amortisation.

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

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

2. Analysis of Major Controlling Companies and Participating Companies whose net profit or investment income has an impact of 10% or more to the net profit attributable to the owners of the Company during the Reporting Period

Unit: '000 Currency: RMB

Company name	Shareholding (controlling/participating) by the Group	Net profit/investment income during the Reporting Period	Proportion of net profit/investment income to the net profit attributable to the owners of the Company during the Reporting Period	Revenue from principal business during the Reporting Period	Cost of principal business during the Reporting Period	Profit from principal business during the Reporting Period
Outer Ring Company	wholly-owned subsidiary of the Company	532,984	20.45%	921,065	404,739	516,327
Derun Environment	associate owned as to 20% by the Company	298,149	11.44%	12,451,997	7,953,618	4,498,379

(VI) Analysis and Description on the Reasons and Impacts of Changes in Accounting Policies, Accounting Estimates or Correction of Material Accounting Errors by the Company

1. Impacts of changes in accounting policies

On 26 January 2021, the Ministry of Finance issued the “Interpretation of Accounting Standards for Business Enterprises (No. 14)” (“Interpretation No.14”) to regulate the social capitalist’s accounting treatments for contracts of Public-Private-Partnership (PPP) cooperation projects and the accounting treatments for changes in the basis for determining the relevant contractual cash flows due to the reform of benchmark interest rates. Such Interpretation has become effective on the issuance date. Meanwhile, the content of “V. Treatment for Enterprises Participating in Construction Business of Public Infrastructure in the Form of Build-Operate-Transfer (BOT)” in the “Interpretation of Accounting Standards for Business Enterprises (No. 2)” (Cai Kuai [2008] No. 11) was abolished.

On 26 May 2021, the Ministry of Finance issued the “Notice on Adjustment of the Application Scope of the ‘Regulations on the Accounting Treatments for Rent Concessions amid the COVID-19 Epidemic’” under the document titled Cai Kuai [2021] No. 9 (“Document No. 9”). Document No.9 has adjusted the scope of application of the “Regulations on the Accounting Treatments for Rent Concessions amid the COVID-19 Epidemic” issued by the Ministry of Finance on 19 June 2020 under the document titled Cai Kuai [2020] No.10.

On 30 December 2020, the Ministry of Finance issued the “Interpretation of Accounting Standards for Business Enterprises (No. 15)” (“Interpretation No.15”). Interpretation No.15 regulates the presentations in relation to centralized management of funds. It has become effective on the issuance date.

After assessment, the Group believes adoption of the above regulations has no significant impact on the Group’s financial statements. For details of the above changes in accounting policies, please refer to Note III\44(1) to the Financial Statements of this report

2. Impact of Changes in Accounting Estimates

According to the Company’s requirements under relevant accounting policies and systems, and in view of the actual situation of various main toll roads, the Group changed the relevant accounting estimates of unit amortisation amount of the concession intangible assets of Changsha Ring Road(長沙環路) with effect from 1 October 2021. The above changes in accounting estimates have resulted in an increase of approximately RMB4,771,000 in the equity attributable to owners of the Company as of 31 December 2021 and an increase of approximately RMB4,771,000 in the Group’s net profit attributable to owners of the Company for the Reporting Period. The above changes in accounting estimates did not have significant impact on the financial position and operating results of the Group as a whole.

The above changes in accounting estimates have been reviewed and approved at the 19th meeting of the 9th session Board of Directors of the Company. For details, please refer to note III\32.2 to the Financial Statements in this Annual Report and the relevant announcements of the Company dated 29 March 2022.

Management Discussion and Analysis

(VII) Fulfilment of performance commitment and its impact on goodwill impairment test

1. *Nanjing Wind Power*

On 15 March 2019, Environment Company, a wholly-owned subsidiary of the Company, entered into the “Equity Acquisition Agreement in respect of Nanjing Wind Power Technology Co., Ltd” (《關於南京風電科技有限公司的股權併購協議》) with 12 parties, including Nanjing Anbeixin Investment Management Co., Ltd, Jiangyin Jiangong Group Co., Ltd, Pan Ai Hua, Wang An Zheng, etc. all being the original shareholders (collectively “Party B”), and Pan Yu (“Party C”), and Environment Company acquired a total of 30% equity interests in Nanjing Wind Power from Party B and Party C, and unilaterally increased its shareholdings to 51% via capital contribution, upon which, Party C exited from the investment and Party B undertook that the audited revenue of Nanjing Wind Power in 2019, 2020, 2021 and 2022 will be no less than RMB450 million, RMB600 million, RMB760 million and RMB950 million, respectively, while the audited net profit will be no less than RMB56 million, RMB70 million, RMB88 million and RMB106 million, respectively.

Nanjing Wing Power fulfilled its performance commitment for 2019 and 2020. As at the date of this report, Nanjing Wing Power has not yet issued its audited report for year 2021. According to the preliminary audit results prepared by the annual audit institution of the Company (which is also the annual audit institution of Nanjing Wind Power for year 2021), Nanjing Wind Power is expected to record a net loss of approximately RMB113 million for 2021, and fail to fulfill its performance commitment target. Pursuant to the relevant agreements and documents, the Company is entitled of a performance commitment compensation of approximately RMB103 million. The Company will negotiate with Party B and remind it for fulfilling the said performance commitment upon the issuance of the audited results of Nanjing Wind Power.

The Group’s goodwill arising from the acquisition of equity interests in Nanjing Wind Power was RMB156 million. Pursuant to the evaluation report issued by Shenzhen Pengxin Asset, Land and Real Estate Appraisal Co., Ltd. on the asset position of Nanjing Wind Power as of 31 December 2021 (i.e. the evaluation benchmark date), the recoverable amount of the asset group (including goodwill) was lower than the carrying amount. Based on this, an impairment loss on goodwill of RMB110 million was recorded by the Company.

2. *Bioland*

On 8 January 2020, Environmental Company, a wholly-owned subsidiary of the Company, entered into a capital increase and equity transfer agreement with the relevant parties to acquire not more than 68.1045% of the controlling interest in Bioland at a consideration of not more than RMB809.6 million by way of share subscription and capital increase. For details, please refer to the Company’s announcement dated 8 January 2020. Pursuant to the agreement, the relevant parties, including Zhengzhou Cida Environmental Technology Co., Ltd. (鄭州詞達環保科技有限責任公司), Beijing Shuiqi Lande Technology Co., Ltd. (北京水氣藍德科技有限公司), Mr. Shi Junying (施軍營) and Mr. Shi Junhua (施軍華), jointly undertook and guaranteed in joint liability that: the audited net profit attributable to owners of the company (after deducting non-recurring profit or loss) of Bioland in 2020, 2021, 2022 and 2023 (“Performance Commitment Period”) will be no less than RMB30 million, RMB80 million, RMB110 million and RMB140 million, respectively, while the accumulated net profit attributable to owners of the company realised during the Performance Commitment Period will be no less than RMB360 million.

Bioland fulfilled its performance commitment for 2020. As at the date of this report, Bioland has not yet issued its audited report for year 2021. According to the preliminary audit results prepared by the annual audit institution of the Company (which is also the annual audit institution of Bioland for year 2021), Bioland is expected to record a net loss of approximately RMB80 million for 2021, and fail to fulfill its performance commitment target for 2021. Pursuant to the relevant agreements and documents, the Company is entitled of a performance commitment compensation of approximately RMB105 million. The Company will negotiate with the committing party and remind it for fulfilling the said performance commitment upon the issuance of the audited results of Bioland.

3. *Qiantai Company*

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

As at the date of this report, Qiantai Company has not yet issued its audited report for year 2021. According to the preliminary audit results prepared by the annual audit institution of the Company (which is also the annual audit institution of Qiantai Company for year 2021), Qiantai Company is expected to record a net profit of approximately RMB2.73 million for 2021, and fail to fulfill its performance commitment target for 2021. Pursuant to the relevant agreements and documents, the Company is entitled of a performance commitment compensation of approximately RMB4.78 million. The Company will negotiate with the committing party and remind it for fulfilling the said performance commitment upon the issuance of the audited results of Qiantai Company.

(VIII) **Proposed Profit Distribution**

The Company’s 2021 net profits attributable to ordinary shareholders of listed companies in its consolidated statements and the net profits of the parent company in its statements audited based on CASBE were RMB2,606,254,756.43 and RMB1,720,521,872.97 respectively. Pursuant to the relevant PRC regulations and the Articles of Association, the Company withdrew its statutory common reserve fund of RMB172,052,187.30 for the year of 2021. The Board recommended to distribute a final dividend of RMB0.62 per share (tax inclusive) in cash to all shareholders for the year ended 31 December 2021, based on the total share capital of 2,180,770,326 shares at the end of 2021, with an aggregate amount of RMB1,352,077,602.12, which accounts for 55.88% of the net profits attributable to ordinary shareholders of the listed company in the consolidated statements for 2021 after excluding the investment income payable to the holders of the perpetual bonds. The residual balance upon distribution shall be carried forward to the next year. No capital reserve was converted into share capital during the year. The aforesaid proposal will be submitted for approval at the 2021 Annual General Meeting of the Company.

1. **Formulation, Implementation or Adjustment of Cash Dividend Policy**

The Company has always been pursuing to reward its shareholders and has been distributing cash dividends for 24 consecutive years since its listing.

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

Management Discussion and Analysis

According to the Shareholders' Return Proposal for 2021-2023 approved by the general meeting of the Company, in the event that the conditions for cash dividend distribution are satisfied, the Company will endeavor to increase the proportion of cash dividend in 2021-2023. Besides, the profit intended for cash dividend will not be less than 55% of the net profits attributable to owners of the Company in the consolidated statements for the same year after excluding the distribution payable to the holders (if any) of other equity instruments such as perpetual bonds, provided the financial and cash status of the Company are good and neither issues of substantial investment plans or cash expenditures exist.

The 2021 profit distribution proposal (including the cash dividend proposal) formulated by the Company was in compliance with the relevant requirements of the Articles of Association and the Shareholders' Return Proposal. While formulating and determining the proposal, the Independent Directors have issued an independent opinion after careful study and analysis of the relevant factors. The Company is also able to listen to the opinions of the Independent Directors and the shareholders through various channels, and give regard to the demands and legitimate interests of the minority investors.

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

Unit: Yuan Currency: RMB

Year of dividend distribution	Number of bonus shares for every 10 shares	Dividend (RMB) for every 10 shares (tax inclusive)	Number of share (share) for conversion of capital reserve into share capital for every 10 shares	Cash dividend (tax inclusive)	Net profit in consolidated statements for the year of distribution ^{Note}	Percentage of dividend over the net profit in consolidated statements (%)
2021 (Proposal)	0	6.20	0	1,352,077,602.12	2,606,254,756.43	55.88
2020	0	4.30	0	937,731,240.18	2,040,212,195.19	45.96
2019	0	5.20	0	1,134,000,569.52	2,499,484,975.75	45.37

Note 1: The net profits attributable to the ordinary shareholders of the listed company in the consolidated statements for the year of dividend distribution of 2019 in the above table were data before restatement.

Note 2: The net profits attributable to the ordinary shareholders of the listed company in the consolidated statements for 2020 and 2021 has excluded the investment income payable to the holders of the perpetual bonds.

VI. Outlook and Plans

(I) Development Strategies of the Company

Upholding the spirit of the Fifth Plenary Session of the 19th Central Committee, and based on the in-depth study of both the internal and external environment as well as the Company's core competitiveness, the Company has formulated its development strategies for the "14th Five Year" period (2021-2025), which has been considered and approved by the general meeting in December 2021.

During the "14th Five-Year" period, the **overall development strategy** of the Company will be to seize the opportunities of such era arising from the Guangdong-Hong Kong-Macau Greater Bay Area and Shenzhen in building a pilot demonstration area of socialism with Chinese characteristics by pursuing a market-oriented and innovation-driven strategy, the aim of which would be to consolidate and enhance its advantages in the toll highway industry and actively expand into the featured environmental protection and integrated clean energy industries, thereby building an intelligent Shenzhen Expressway and facilitating quality sustainable development of the Company.

The **strategic goals** will be to expand its presence nationwide while staying focus on Shenzhen and the Guangdong-Hong Kong-Macau Greater Bay Area, and to provide cities with solutions of sustainable development featuring “innovation, intelligence, environmental protection and high efficiency”, thereby striving to become a first-class infrastructure construction and operation service provider including transportation via highway and environmental protection that realises growth of scale, optimisation of organisation, enhancement of capabilities and improvement of systems.

Development plan for core business sectors: For the **toll highway sector**, the Group will “consolidate and enhance the toll highway business by such means as carrying out new construction projects, expansion projects, mergers and acquisitions (M&A) and resources consolidation, at the same time actively expanding the business of investment, construction, management and maintenance of expressways and high-speed roads, extending the operating periods of toll highway projects, and maintaining the leading advantages of its core highway business by increasing the scale of highway assets, promoting cost reduction and efficiency improvement, and refining its management. The Company will also actively explore upstream and downstream market-oriented projects along the industrial chain with a focus on intelligent upgrade and comprehensive management and maintenance business.” For the **general-environmental protection sector**, the Group will “enhance and build up its operation capability with a focus on segments such as organic waste treatment, hazardous waste treatment and clean energy power generation, and increase its resource investment with enhanced efforts made in construction. The Company will also enhance its treatment capacity for organic waste projects and increase the size of hazardous waste treatment projects, thereby establishing its scale advantages and hence securing a leading position in these industry segments. New investments or acquisitions of equity interests in wind farms or photovoltaics power stations will be made with an aim to develop an integrated clean energy system with features of Shenzhen Expressway of ‘equipment manufacturing + financial leasing + power station development and construction + power station operation + power station operation + power station maintenance’. Meanwhile, the Company will explore and moderately invest in other opportunistic quality environmental projects such as scrap vehicle dismantling and municipal environmental protection.”

(II) Operation Plans

2022 is the year for consolidating the foundation of the Group’s strategies for the “14th Five Year” period, the year of enhancement for expanding the dual core businesses, as well as the year for deepening quality development in all aspects. The basic judgment of the Group on the operating environment and its basic understanding of the industry development trend and competition layout were explained under the section headed “Future Outlook” in the “Chairman’s Statement” of this annual report. In view of the actual situations of the Group, the working goals and focuses for the Group in 2022 are as follows:

- ◆ **Operating Targets:** Based on the reasonable analysis and expectation on our operating environment and operating conditions, the Company has set a total revenue target for 2022 of RMB12 billion, with the total of operating costs, management expenses and selling expenses (excluding depreciation and amortisation) of approximately RMB6.36 billion. In 2022, it is expected that the average borrowing scale and the financial cost of the Group will increase on a YOY basis.

Management Discussion and Analysis

- ◆ **Toll Highway Business:** The Group will comprehensively enhance the level of refined operation of toll highways, continue to optimise the operation management system under the ETC model and strengthen the operational integration of the newly opened Outer Ring Phase II. It will also carry out the follow-up work for the acquisition of Bay Area Development in full force and actively explore the market-oriented operation model for resources along the expressways, thereby realising professional consolidation of the expressway assets. Besides, the Group will continue to consolidate and enhance the construction and management of major engineering projects, ensure the high-quality completion of construction and management of existing major engineering projects, as well as the preliminary planning of new engineering projects. Such efforts include steady commencement of the construction and management of Coastal Phase II, actively push forward the improvement and approval of the investment and financing plan of the Jihe Expressway reconstruction and expansion project as well as the research on the investment and financing plan of Outer Ring Phase III and Shenshan Second Expressway. Moreover, the Group will actively expand the business of investment, construction, management and maintenance of expressways and high-speed roads by such means as new construction projects, expansion projects, M&A and resources consolidation. Enhanced efforts will be made to strengthen the service capabilities throughout the industry chain of highways and expand to the upstream and downstream industries such as design, consultation, construction and maintenance with an aim to give full play to the professional capabilities of Engineering Development Company, Construction Technology Company and Asphalt Technology Company, and to establish the Group's professional competitiveness in the markets of engineering construction and management and maintenance, thereby consolidating and upgrading the core highway business on an ongoing basis. Meanwhile, the Company will continue to standardize and enhance the application of informatization with major engineering projects as the carrier. Technological and innovative demonstration highways and intelligent expressway demonstration projects will be developed with strong emphasis on intelligent construction, intelligent operation and intelligent services.
- ◆ **General-Environmental Protection and Other Businesses:** With resource recovery of solid waste and the clean energy sector remained the focus, the Company will seize the development opportunities in the organic waste and hazardous waste treatment industry, and strive to increase the treatment capacity of organic waste projects and the scale of hazardous waste treatment projects through investments in new construction projects and M&A of mature projects, so as to establish its scale advantages. The Company will actively promote the construction and expansion of the existing projects of Bioland to further enhance the operation management and operational momentum of Bioland, at the same time facilitating the high-quality completion of works in relation to construction and tendering of the Guangming Environmental Park Project as planned. Capitalising on the historic opportunities arising from the national strategy of "Carbon Neutrality and Carbon Peak", the Company will step up its efforts in the development and M&A of wind power and photovoltaics power projects, actively explore projects along the new energy industrial chain and properly carry out works in relation to the enhancement of operation and management of Nanjing Wind Power and other power generation projects. In addition, the Company will push ahead with the construction, operation and management of infrastructure projects such as Shenshan Environmental Park Project, Duohua Bridge Project and Guangming Elderly Care Project in an orderly manner. The Company will also make full use of the financial instruments and financial resources provided by fund management platforms under the Group and that of Financial Leasing Company to actively explore the development of industry-finance integration.

- ◆ **Financial Management and Corporate Governance:** The Group will strengthen its classification management and financial management on the invested companies, and optimise the authorisation management system based on the characteristics of different invested enterprises. Through adopting information technology, the Group will strengthen centralized financial management and control within the Group, strengthen capital plan management through budgets and medium and long-term forecasts, and coordinate financial resources. The Group will closely monitor the changes in monetary policy and the financing environment, study various types of financial instruments, actively expand financing channels to replenish the Company's capital to reduce financing costs and ensure financial safety. Capitalising on the comprehensive reform of state-owned enterprises, the Group will effectively implement the work requirements under the "Three-Year Action Plan for Comprehensive Reform of State-owned Enterprises (國企綜改三年行動方案)" and the "Improvement for Benchmarking with World-class Management (對標世界一流管理提升)" of the Municipal SASAC, and make active attempts in the innovation of mechanisms. It will also adhere to the principles of good corporate governance and further improve corporate governance and various management systems, with the aim to satisfy the actual needs of the Group in business management, further improve the transparency of the Company, improve and optimise the multi-level authorization mechanism as well as diversified long-term incentive and restraint system, and ultimately promote the healthy and sustainable development of the Company.

(III) Capital Expenditure Plan

As of the date of approval of this report, the capital expenditures approved by the board of directors of the Group mainly include the construction expenditures for the Outer Ring Project, Coastal Phase II, Kitchen waste project of Bioland, Guangming Environmental Park and other projects, as well as equity investment expenditure for acquisition of Bay Area Development and others. It is estimated that by the end of 2024, the total capital expenditure of the Group will be approximately RMB10.873 billion. The Group plans to use its own funds and bank loans to meet its funding needs. The Group's financial resources and financing capacity is currently adequate to meet the various capital expenditure needs.

Management Discussion and Analysis

The Group's capital expenditure plans approved by the Board from 2022 to 2024 are as follows:

Unit: '000 Currency: RMB

Project	2022	2023	2024	Total
I. Investment in intangible assets and fixed assets				
Outer Ring Project	454,726	644,867	–	1,099,593
Coastal Phase II	641,180	271,875	12,000	925,055
Kitchen Waste Project of Bioland	445,692	5,170	–	450,862
Guangming Environmental Park Project	506,628	69,907	–	576,535
Acquisition and Renovation of the office property in 35th-48th floor of Hanking Centre	38,572	–	3,553	42,125
Reinforcement of Changsha Ring Road Pavement Structure	33,840	1,334	7,707	42,881
II. Equity Investment				
Acquisition of Bay Area Development	5,363,930	1,992,311	–	7,356,241
Fenghe Energy	201,450	–	–	201,450
Acquisition of Lisai Environmental	131,250	–	–	131,250
Shengchuang Fund	13,500	18,000	–	31,500
Other projects	15,203	–	–	15,203
Total	7,845,971	3,003,464	23,260	10,872,695

Note 1: The capital expenditure of the project of acquisition of Bay Area Development includes the relevant liabilities incurred due for repayment.

Note 2: In addition, the Board also approved capital expenditures of approximately RMB2.037 billion for the early stage of the projects such as Jihe Expressway reconstruction and expansion project, Shenshan Second Expressway and Phase III of the Outer Ring Project. The investment and financing methods of such projects are not yet determined.

(IV) Risk Management

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

1. **Policy Risks**

Risk position/analysis:

With the gradual establishment of the Group's operation model of "dual-driven" core businesses, the successful commencement of the toll highway and general-environmental protection businesses will be closely related to the industry policies implemented by the government. Among which, the amendments to the Regulations on the Administration of Toll Highways (《收費公路管理條例》) are still under review, as such, the changes to the tolling period and the approval principles of charging standards remain uncertain. Meanwhile, regulatory policies on the environmental industry were tightening with rising industry standards. Both the penalties for violations of laws and regulations and the amount for project investment have thus increased. In 2022, the wind power industry will be ushered into the "grid parity era". However, due to the difference in enforcement of the relevant policies such as tariff subsidies, development of ultra-high voltage projects, and wind power and photovoltaics power curtailment in different regions, the operation and profitability of wind power projects might be affected.

Management/response measures:

The Group will establish a search mechanism to improve information on policies, fulfill the responsibility of policy research with extra attention paid to the long-term impact of the introduction of industry policies and the corresponding adjustments on the relevant businesses, and formulate the supporting policies accordingly to ensure the steady development of the "dual core businesses". Meanwhile, by actively exploring the market-oriented projects along the upstream and downstream transportation industrial chain and the supporting businesses of the general-environmental protection industrial chain, the Group will be able to establish an industry layout featuring a combination of light and heavy assets as well as invested or controlled projects with synergistic development of such assets and projects. Moreover, the Group will maintain the leading edges of its toll highway business and the unique advantages of its general-environmental protection business by carrying out M&As, efficiency enhancement and management improvement in an orderly manner, thereby enhancing its ability to adapt to changes in the external operating environment. On the other hand, the changes in industry policies usually will be more favourable to the healthy development of the industry in the long run and will facilitate the overall standardized management of the industry and the improvement of service levels. The Group will grasp the opportunities arising from every industry reform, striving to gain market recognition by strengthening the Group's core competitiveness.

2. **Operational Management Risks**

Risk position/analysis:

In respect of the toll highway business, the official launch of the nation-wide ETC toll interconnection project has imposed new requirements on the function of toll collection systems and facilities as well as heavier workload in relation to toll collection inspection and accounting. The replacement of manual toll collection by electronic toll collection also requires solutions for problems such as staff allocation and job placement, and the contingency response to new emergencies. Besides, the discounts offered for ETC toll collection may have negative impact on toll revenue to a certain extent. In addition, based on the implementation plan work of the Jihe Expressway reconstruction and expansion project, it is expected that toll services will be provided according to the standard of two-direction four-lane during the reconstruction and expansion of Jihe Expressway, hence causing adverse impact on the traffic organisation, operation management and toll revenue of Jihe Expressway.

In respect of the general-environmental protection business, new energy projects have been affected by factors such as local power grid policies, and the operation and maintenance of wind farms, which is expected to cause fluctuation in various parameters such as the power generation hours of wind farms, and will in turn exert certain impact on the revenue of the wind farms. Affected by factors such as volatile sales prices of oil and grease, the lower-than-expected actual processing amount, may cause the actual profitability of kitchen waste disposal projects to be lower than expected.

Management Discussion and Analysis

Management/response measures:

The Group has completed the transformation of toll stations and the switch of its toll collection system according to the overall national deployment. The new toll collection system and facilities have operated reliably as a whole with strong support. The Group has revised and improved the operation procedures and institutional system. It also plans to introduce the toll collection inspection management system under the free-flow model for early identification of abnormalities. The establishment of the road network monitoring system will enable real-time monitoring of the operation of roads and toll stations and hence enhance the efficiency of prompt response. The objective of the nation-wide ETC toll interconnection project is to enhance the overall traffic efficiency of road networks, which will definitely attract more drivers using toll highways. In the long run, it will help to increase the traffic volume and toll revenue of road networks, thereby improving the overall operating performance of the toll highway business.

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

The Group will continue to optimize the investment analysis model for new energy projects, and enhance the sensitivity analysis and stress test for proposed acquisition projects. For acquired projects, the Group will strengthen the communication and coordination with the competent authorities of the industry to maintain a sound external operation environment, at the same time enhancing the management over operation, maintenance and deficiencies to increase the operating revenue of projects. In respect of kitchen waste treatment projects, the Group will raise the unit sales price of oil and grease through centralized tendering, carry out deep processing of oil and grease to reduce price fluctuation risks. It will also strengthen the management over collection and transportation, carry out upgrade and renovation for the production line of kitchen waste treatment, so as to reduce the risks relating to fluctuation of sales prices of oil and grease as well as the volume of collection and transportation.

3. Business Expansion Risks

Risk position/analysis:

To facilitate transformation and upgrading and realise sustainable development, the Group has stepped up its efforts in the investment and management of merger and acquisition (M&A) in recent years. The major risks and challenges in business expansion include: (1) In respect of toll highways, scarce resources of quality projects, and high costs of new construction projects and reconstruction and expansion projects in general result in a decrease in the expected rate of return. There is intense market competition of upstream and downstream industry chain business of highways and a lack of ability to acquire projects. (2) For the general-environmental protection industry, due to the keen market competition triggered by the increasing number of competitors, intensified efforts in investment of research and development of products and development of sales channels regarding clean energy industry chain business are still required. As the wind power industry has entered “an era of grid parity”, the Group will encounter new challenges and stricter requirements in the expansion layout of wind power projects. M&A projects require continuous integration and management of the operation team and management culture to mitigate the expected operational and investment risks arising from the relevant discrepancies.

Management/response measures:

In terms of toll highway business, based in markets of Shenzhen and Guangdong-Hong Kong- Macau Greater Bay Area and riding on its brand and influence in advantageous areas, the Group will increase the returns of projects by optimising its business model, as well as strengthen and enhance its competitiveness gradually by developing capabilities of industry chain business. In terms of general-environmental protection business, the Group will merge and acquire projects advantageous in technology or market, and integrate resources with leading enterprises in the industry by means of collaboration and joint market development to generate synergies. For product development and sales, the Group actively studies market demands and develops products accordingly to facilitate its product sales business by developing high-quality projects. Meanwhile, the Group actively explores new business partners by capitalising on its stock business, striving to increase sales orders.

Aiming at realising standardised management and sustainable development of each acquisition and collaboration projects, the Group will study the adjustment and optimisation of the shareholding structure of projects, continue to refine the supporting system, develop a classification management and control model applicable to diversified businesses and optimise the management authorization system, thereby enhancing the Group's overall operational efficiency. By assigning staff to be responsible for the management of the project companies, the Group will carry out special internal control audit to timely identify the weakness of the internal management and implement rectification. The Group will further explore a diversified long-term incentive and constraint mechanism and optimise the building of its talent team, hence comprehensively enhancing the Group's capabilities in corporate governance and operation management to meet the requirements on industry participants amidst the increasingly competitive environment.

4. Financing Risk

Risk position/analysis:

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

Given increased efforts of the Group in expanding core businesses in recent years, the overall scale of investment is increasing. The Group is expecting a surge in capital expenditures in years ahead since its businesses have a relatively high funding need. Toll highway business comprises projects such as acquisition of Bay Area Development, Outer Ring Phase III, Coastal Phase II and Jihe Expressway reconstruction and expansion project; general-environmental protection business comprises projects such as Guangming Environmental Park Project, new energy power generation projects and waste treatment projects of Bioland; other businesses comprise projects such as Duohua Bridge and Bimeng Project. Given the intensive investment and construction of substantial new projects and the proportion of debt financing of certain projects is high which account for a relatively large portion of financial expenses, in case of capital shortage or cost increase in the future market, the Group may be exposed to financing risks, which will in turn affect the Company's operating results.

Management Discussion and Analysis

Management/response measures:

The Group's excellent financing and capital management capability are its major core advantages. The Group will manage such risk in the following manners: (1) revise capital planning on a rolling basis and control the overall payment arrangement by planning in advance and communicating proactively with business units; (2) coordinate bank resources, maintain sufficient credit lines, closely monitor the changes in credit policy, safeguard domestic and overseas credit rating and actively negotiate with financial institutions for financing plans; (3) make effective use of the multi-level capital market to expand financing channels, seize the opportunity of the State to encourage direct financing and green financing, and make full use of different financing products and instruments, including equity, bonds, asset securitisation and REITs, to expand direct financing channels in the capital market; (4) coordinate and optimise capital planning and financing arrangement, capitalise on market opportunities and carry out debt replacement in a timely manner, continue to optimise the Company's debt structure, reduce financial costs and exchange rate risk, and enhance efficiency in resource allocation.

5. Construction and Management Risks

Risk position/analysis:

With continuous development of the dual core businesses, the engineering construction of the Company has entered the peak period. In 2022, the Group's main construction projects include Outer Ring Phase III, Coastal Phase II, Shenshan Environmental Park Project, Duohua Bridge Project, Bimeng Project and a number of kitchen waste treatment projects of Bioland, etc. Since a number of major projects commenced construction simultaneously, extremely strict requirements are placed on project investment, cost control, construction progress, quality control, capital arrangement and implementation of safety management. However, it is difficult to satisfy the needs in managing the existing major projects with the conventional project management approach, and there are issues such as insufficient development of information-based platform and the slow progress in upgrading and updating the business management system. Meanwhile, the current construction cost, future operating cost, project profitability and company reputation are directly or indirectly affected by fluctuations of building materials price, change of planning or design, new policy and technical regulations promulgated by the government or administrative measures on public affairs introduced by the government and the adjustment of development plans made by the government.

Management/Response measure:

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

Report of the Directors

The Board hereby presents the Report of the Directors and the audited financial statements for the year ended 31 December 2021. The financial statements have been prepared in accordance with CASBE, and also in compliance with the disclosure requirements under the Hong Kong Companies Ordinance and the Listing Rules of HKEx.

Principal Activities and Business Review

The principal activities of the Group are the investment, construction and operation management of toll highways and roads, as well as the general-environmental protection in the PRC. At present, the general-environmental protection business includes solid waste and hazardous waste treatment and clean energy. During the Reporting Period, there is no substantial change in respect of the Group's businesses. Discussion and analysis of the Group's business as required by the relevant regulations and guidelines (including but not limited to the relevant regulations and guidelines of the PRC and Hong Kong, and the Hong Kong Companies Ordinance) can be found in "Management Discussion and Analysis" in this annual report, the Notes to Financial Statements, and the *Social Responsibility Report 2021* of the Company dated 29 March 2022.

Major Customers and Suppliers

During the Reporting Period, the revenue from the Group's top five customers and the amount of purchases from the Group's top five suppliers accounted approximately 13.34% and 40.04% of the Group's total revenue and total amount of purchases, respectively. For details, please refer to "Financial Analysis" of "Management Discussion and Analysis" in this annual report. No further disclosure in respect of its major customers and suppliers is to be made by the Group.

Results and Profit Distribution

The results of the Group for the year ended 31 December 2021 are set out in Consolidated Income Statement in this annual report.

The Board recommended the payment of a final dividend of RMB0.62 (tax included) per share in cash for 2021, the details of which are set out in "Financial Analysis" of "Management Discussion and Analysis" in this annual report.

Financial Highlights of the Group

The financial positions of the Group and the Company as at 31 December 2021 are set out in Consolidated Statement of Financial Position and Company Statement of Financial Position in this annual report.

A summary of the results and the assets and liabilities of the Company for the last five financial years is set out in "Financial and Operational Highlights" in this annual report.

Share Capital

The share capital of the Company is RMB2,180,770,326. Details are set out in "Share Capital and Shareholders" and note V41 to the Financial Statements in this annual report.

Purchase, Sale or Redemption of Securities

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

Report of the Directors

Pre-emptive Rights

According to the PRC laws and the Articles of Association, there are no provisions for pre-emptive rights requiring the Company to offer new shares (if any) firstly to the existing shareholders in proportion to their shareholdings.

Tax and Tax Relief

Shareholders of the Company are taxed in accordance with the following tax regulations and the amendments thereof from time to time. They shall enjoy possible tax relief according to the actual situation. The following laws, regulations and normative documents are extracted from relevant provisions issued and effective as of 31 December 2021. Shareholders should, if necessary, consult professional tax and legal advisors for advice relating to specific tax payment or the impact thereof:

Holders of A Shares:

Pursuant to Notice on Differentiated Individual Income Tax Policy for Stock Dividends of Listed Companies (《關於上市公司股息紅利差別化個人所得稅政策有關問題的通知》) (Cai Shui [2015] No. 101), for shares of listed companies obtained by individuals from public offerings or the market, where the holding period exceeds one year, the dividends shall be exempted from individual income tax; where the holding period is less than one month (inclusive), the dividends shall be counted as taxable income in the full amount; where the holding period is more than one month and less than one year (inclusive), 50% of the dividends shall be counted as taxable income on a provisional basis. The individual income tax rate of 20% shall be applicable for all incomes mentioned above.

Pursuant to Notice on Withholding and Paying Enterprise Income Tax Matters Concerning PRC Domestic Enterprise Paying Dividends, Bonuses and Interests to QFII (《關於中國居民企業向QFII支付股息、紅利、利息代扣代繳企業所得稅有關問題的通知》) (Guo Shui Han [2009] No. 47), for qualified foreign institutional investors, the Company shall withhold and pay enterprise income tax at a tax rate of 10%. If the relevant Shareholders consider their dividends enjoy tax treaty (arrangement) benefits, such Shareholders may apply for tax refund on their own to the competent tax authorities in accordance with the provisions after obtaining dividends.

Holders of H Shares:

Pursuant to Enterprise Income Tax Law of the People's Republic of China (《中華人民共和國企業所得稅法》) and its implementation rules, any PRC domestic enterprise which pays dividends to non-resident enterprise overseas H shareholder shall withhold and pay enterprise income tax at tax rate of 10%. Pursuant to Notice on Matters Concerning the Levy and Administration of Individual Income Tax after the Repeal of Guo Shui Fa [1993] No. 045 (《關於國稅發[1993]045號文件廢止後有關個人所得稅徵管問題的通知》) (Guo Shui Han [2011] No. 348) and the letter of HKEx titled "Tax Arrangements on Dividends Paid to Hong Kong Residents by Mainland Companies" dated 4 July 2011, when the domestic non-foreign invested companies which are listed in Hong Kong distribute dividends to their shareholders, the shareholders in general will be subject to individual income tax at the rate of 10%, unless otherwise specified under tax laws, regulations and other normative documents, as well as relevant tax treaties or arrangements.

Under the current practice of relevant tax authorities, no tax is payable in Hong Kong in respect of dividends paid by the Company.

Investors of Shanghai-Hong Kong Stock Connect Program:

For tax matters on individual investors in the PRC investing in H shares listed on HKEx and the investors in Hong Kong investing in A shares listed on the Shanghai Stock Exchange under Shanghai-Hong Kong Stock Connect Program, please refer to Notice on Tax Policy Concerning the Pilot Inter-connected Mechanism for Trading on the Stock Markets of Shanghai and Hong Kong (《關於滬港股票市場交易互聯互通機制試點有關稅收政策的通知》) (Cai Shui [2014] No.81) and Notice on Continuing Implementation of the Individual Income Tax Policy Concerning the Inter-connected Mechanism for Trading on the Stock Markets of Shanghai and Hong Kong (《關於繼續執行滬港股票市場交易互聯互通機制有關個人所得稅政策的通知》) (Cai Shui [2017] No.78) jointly issued by the Ministry of Finance, State Administration of Taxation and CSRC.

Charity Donations

During the Reporting Period, the Group donated RMB500,000 for charity or public welfares.

Environmental Policies and Performance

As a company principally engaged in the investment, construction and operation management of toll highways and roads, as well as the general-environmental protection business in the PRC, currently, the Company's general-environmental protection business mainly include solid waste and hazardous waste treatment and clean energy. The Company adheres to the basic environmental policy of "using resources rationally and protecting the environment, as well as promoting the practical application of environmentally-friendly technologies and materials in various aspects such as daily management, engineering design and construction". The Company integrates green, recycling and low-carbon business into each aspect and the entire process of the Company's operation. The Company also strictly complies with laws, regulations and industry practices such as Environmental Protection Law, Air Pollution Prevention Law, Solid Waste Pollution Prevention Law, Water Pollution Prevention Law, Environmental Impact Assessment Law and Regulations on the Administration of Construction Project Regarding Environmental Protection. The Company also promotes green construction and low-carbon operation, actively develops and introduces innovative technologies, innovative processes and environmentally friendly materials so as to encourage energy saving and emission reduction, promote recycling of resources and endeavor to assume the social responsibility of environment protection.

For details of the Group's environmental policies and performance during the Reporting Period, please refer to the Environmental, Social and Governance Report 2021 of the Company.

Report of the Directors

Communication with Stakeholders

Shenzhen Expressway has paid attention to and actively identified the appeals and expectations of stakeholders on an ongoing basis, including the government, shareholders, suppliers, customers, employees and the community. The Company has improved the communication and feedback mechanism by establishing diverse communication channels, with a view to fully understanding and actively responding to the needs of its stakeholders, thereby facilitating sustainable development of both the Company and the stakeholders. Communication of the stakeholders of Shenzhen Expressway is as follows:

Stakeholders	Appeals and Expectations	Responses
Government and regulatory authorities	Comply with the laws and regulations Implement national policies Carry out targeted poverty alleviation and support regional development	Enhance compliance management of the Group constantly Respond to national policies actively
Shareholders	Improve information disclosure Maintain sound operation Create market value	Conduct compliant information disclosure Convene general meetings and strengthen investor relations Achieve growth in operating results on an ongoing basis Improve the management of the Company
Suppliers	Commence cooperation to achieve win-win situation Promote development of industries	Promote fair procurement to create a responsible supply chain Convene meetings for suppliers Promote development of industries
Customers	Protect legitimate rights and interests Maintain safe and smooth operation of roads Perform road maintenance	Facilitate communication between each other Establish public channels of complaints Enhance safety management of roads
Employees	Remuneration packages Room for development Training system	Enhance the remuneration management system on an ongoing basis Conduct employee satisfaction survey Organise career development training
Community	Environmental impact of highways Ethics in business operation	Organise public welfare activities Establish public channels of complaints
Environment	Ensure reasonable utilisation of resources Protect the ecological environment	Increase the utilisation rate of energy and resources Implement green operation and green office Enhance information disclosure regarding environmental protection

In 2021, the Company continued to communicate and interact with various stakeholders through different channels to create a mutually beneficial and win-win relationship and promote the sustainable development of the Company. For details of the Company's fulfillment of social responsibility for stakeholders during the Reporting Period, please refer to the chapter headed "Investor Relations" in this annual report as well as the Company's Environmental, Social and Governance Report 2021.

Compliance with Laws and Regulations

During 2021, the Group has complied with the relevant laws and regulations that exert a significant impact on its businesses. Pursuant to the disclosure requirements under the “Environmental, Social and Governance Reporting Guidelines” contained in Appendix 27 of the Listing Rules of the HKEx, the relevant details are set out as follows:

Principal laws/regulations	Systems/procedures established by the Company	Compliance measures
Highway Law of the People's Republic of China (《中華人民共和國公路法》) Measures on the Administration of Highway Project Quality (《公路工程質量管理辦法》) Inspection and Evaluation Quality Standards for Highway Engineering (JTG F80/1-2004) (《公路工程質量檢驗評定標準(JTG F80/1-2004)》) Highway Performance Assessment Standards (JTG H20-2007) (《公路技術狀況評定標準(JTG H20-2007)》)	Procedures for Engineering Quality Management (《工程質量管理規程》) Procedures for Construction Safety Management (《施工安全管理規程》) Manual for Standardized Management of Engineering Construction (《工程施工標準化管理手冊》) Manual for the Prevention of Common Quality Issues (《質量通病防治手冊》) Engineering Construction Organization Design Scheme (《工程施工組織設計方案》) Specifications for Supervision of Highway Projects (《公路工程監理規範》)	The Company has strictly implemented its systems and procedures. During the project management process, the Company treats contract management as the core and implements refined control over construction quality through measures such as system management, access management, construction procedure management, and standardized management. It implements quality management systems such as access management for equipment, access system for raw materials, owners' independent random inspection system, first construction recognition system, and trial construction system, so as to ensure the quality of its construction projects.
Regulations on the Administration of Toll Highways (《收費公路管理條例》) Highway Maintenance Technical Specifications (JTG H10-2009) (《公路養護技術規範(JTG H10-2009)》) Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》) Standardised Basic Regulations on Production Safety of Highway Maintenance Department (《養護部門安全生產標準化基本規範》)	Technical Specifications and Acceptance Criteria for Daily Maintenance Projects (《日常養護工程技術規範與驗收標準》) Manual for Project Management of Special Maintenance Work (《專項養護工程項目管理手冊》) Implementation Measures for Maintenance Work and Road Assets Management during the Defect Liability Period of Newly Constructed Highways (《新建公路缺陷責任期內養護、路產管理實施辦法》) Implementation Measures for Entrusted Management of Highway Maintenance Projects (《公路養護項目委託實施辦法》) Administrative Measures for Highway Maintenance Contracts (《公路養護合同管理辦法》) Safety Production Management Manual of Road Maintenance Department (《道路養護部安全生產管理手冊》) Investigation and Rectification System on Potential Hazards of Road Maintenance Department (《道路養護部隱患排查治理制度》)	The Company has been strictly adhering to the National Highway Maintenance Technical Specifications and Assessment Criteria, pursuant to which a mid-to-long term maintenance plan for each expressway mainly based on the five-year maintenance system has been formulated. Routine inspections, frequent inspections and regular inspections have been conducted to ensure the safety of structures such as bridges and tunnels. The Company has been closely monitoring the technical conditions of highways to identify and make corrections for highway damages as early as possible.
Tendering and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法》) Implementation of the Tendering and Bidding Law of the People's Republic of China (《中華人民共和國招標投標法實施條例》)	Administrative Measures for Tendering and Bidding of Highway Construction Projects (《公路工程建設項目招標投標管理辦法》) Administrative Measures for Outsourcing and Management of Highway Construction (《公路工程施工分包管理辦法》) Measures for Tendering and Bidding of Construction Projects (《工程建設項目施工招標投標辦法》) Management Measures for Tendering and Bidding of Supervision over Highway Construction (《公路工程施工監理招標投標管理辦法》) Procedures for Project Tendering Management (《工程招標管理規程》) Procedures for Special Construction Technologies (《專用施工技術規程》) Management Measures for Documents of Contractors Engaging in Highway Maintenance (《公路養護承包商檔案管理辦法》) Controlling Process of Outsourcing Management (《外包管理控制程序》)	The Company has formulated and strictly adhered to the standards for special construction technologies in accordance with the regulatory requirements regarding qualification management and tendering and bidding management. The Company has reviewed the qualification of potential contractors, strengthened its control over the quality of tender documents, and conducted regular evaluation and established appraisal and assessment records for the constructors or contractors, with whom it cooperates, striving to select cooperation partners who can meet the requirements for qualification and project quality and establish long term cooperation relationship with creditworthy partners.
Environmental Protection Law of the People's Republic of China (《中華人民共和國環境保護法》) Air Pollution Prevention Law of the People's Republic of China (《中華人民共和國大氣污染防治法》) Water Pollution Prevention Law of the People's Republic of China (《中華人民共和國水污染防治法》) Solid Waste Pollution Prevention Law of the People's Republic of China (《中華人民共和國固體廢物污染環境防治法》) Opinions on Further Promoting Classification of Household Waste (《關於進一步推進生活垃圾分類工作的若干意見》) Renewable Energy Law of the People's Republic of China (《中華人民共和國可再生能源法》) Production Safety Law of the People's Republic of China (《中華人民共和國安全生產法》)	Monitoring and Management System of Third-parties (《第三方監測管理制度》) Operating Rules for Deodorisation (《除臭操作規程》) Operating Procedures for Sewage (《污水操作規程》) Operating Procedures for the Desulfurization System (《脫硫系統操作規程》) Regulations on Maintenance of Pre-processing Equipment (《預處理設備維修規程》) Regulations on Maintenance of Anaerobic Gas and Methane Equipment (《厭氧沼氣設備維修規程》) Management System of Equipment (《設備管理制度》) Management System of Production Sites (《生產現場管理制度》) Operation Guide on Analysis of Operating Data of Wind Turbine (《風機運行數據分析作業指導書》) Management System of Safety and Production (《安全及生產管理制度》) Management System of Equipment Abnormality (《設備異常管理制度》) Management System of Technical Transformation (《技術改造管理制度》) Management System of Special Projects (《專項工程管理制度》) Monitoring and Management System of Techniques (《技術監督管理制度》)	In accordance with requirements of the relevant laws and regulations on environmental protection, the Company has formulated the corresponding operating rules and management systems, coupled with the establishment of facilities and equipment of environmental protection with stringent management, to ensure effective operation of such facilities and equipment of environmental protection. The Company has also monitored the emission and treatment of all types of waste in strict compliance with the requirements of pollutant discharge and environmental impact assessment to ensure compliance with the standards. In strict compliance with the technical regulations and evaluation standards issued by the PRC on the recycling and treatment of solid waste, the Company has formulated the technical standards and operating procedures in respect of harmless treatment and landfilling of inorganic waste, as well as resource recovery of kitchen waste for recycling, with a view to improving the treatment effect and reducing waste through active research and development of innovative technologies and techniques. In strict compliance with the technical parameters and standards issued by the PRC on wind turbine manufacturing, the Company has secured compliance with the requirements of national regulations in respect of the technical standards and equipment installation of wind turbines. The Company has also secured safe production by strictly implementing the systems and procedures, refining the safe production system, and carrying out investigation and rectification by levels on potential hazards in a strict manner.

Report of the Directors

Report on Corporate Social Responsibility

In March 2022, the management of the Company submitted to the Board the “Environmental, Social and Governance Report 2021”, which focuses on the responsibility and practices of the Company in relation to environment, products, customers, employees, community and other aspects. Details of the environment, society and corporate governance performance of the Group in 2021 are set out in the “Environmental, Social and Governance Report 2021”, which can be accessed and downloaded on the websites of SSE (<http://www.sse.com.cn> (in Chinese)), HKEx (<http://www.hkexnews.hk> (in both Chinese and English)) and the Company (<http://www.sz-expressway.com>) under the section of “Environment, Society and Governance” of “Investor Relations”. Through the report, investors can obtain more comprehensive and detailed information in relation to the performance of social responsibility of the Company.

Reserves

The amounts and details of material transfers to and from reserves of the Group and the Company during the Reporting Period are set out in notes \42–45 to the Financial Statements in this annual report.

Fixed Assets and Intangible Assets

The movements in fixed assets and intangible assets of the Group during the Reporting Period are set out in \16 and 19 to the Financial Statements in this annual report respectively.

Bank Loans and Other Borrowings

Details of bank loans and other borrowings of the Group and the Company as at the end of the Reporting Period are set out in \25, 34 and 35 to the Financial Statements in this annual report.

Subsidiaries and Joint Ventures

Details of the Company’s subsidiaries and joint ventures are set out in notes VII and \13 to the Financial Statements in this annual report respectively.

Directors, Supervisors and Senior Management (hereinafter referred to as the “Management”)

- (1) Information of the Management and changes in the Management during the Reporting Period are set out in “Directors, Supervisors, Senior Management and Employees” in this annual report.
- (2) Details of the remuneration received by the Management during the Reporting Period are set out in “Directors, Supervisors, Senior Management and Employees” and notes \5 to the Financial Statements in this annual report.

(3) Service contracts:

Each of the Directors of the ninth session of the Board has entered into a director's service contract with the Company. Contents of such contracts are the same in all material respects. The service contract of Independent Director Wan Siu Wah Wilson was effective from 1 January 2021 to 8 January 2021 (Mr. Wan Siu Wah Wilson passed away on 8 January 2021). The service contract of Independent Director Chen Xiao Lu was effective from 1 January 2021 to 17 May 2021. The service contract of Non-executive Director Chen Zhi Sheng was effective from 1 January 2021 to 12 March 2021. The service contracts of Independent Director Miao Jun and Xu Hua Xiang are effective from 17 May 2021 to 31 December 2023. The service contracts of other Directors are effective from 1 January 2021 to 31 December 2023. Save as the aforesaid, no service contracts that can be terminated within one year with compensation (other than general statutory compensation) have been or proposed to be entered into between the Company and the Directors or the Supervisors.

(4) Interests in contracts:

As at the end of the Reporting Period or at any time during the Reporting Period, no contract of significance was entered into to which the Company or its subsidiaries was a party and in which a Director or Supervisor of the Company had a material interest, whether directly or indirectly, or had significant conflict of interests, whether directly or indirectly, nor any of the aforesaid contract still subsisted at the end of the Reporting Period or at any time during the Reporting Period (excluding service contracts).

None of the Management has conflict of interests in any contract or arrangement entered into by any member of the Group or any contract or arrangement which subsist at the date of this annual report and which is significant to the business of the Group.

(5) Loans provided to senior management:

During the Reporting Period, the Group has not directly or indirectly provided loans to or guarantee to the debts of the Management of the Company and its controlling shareholder(s) or their respective connected persons.

(6) Rights to subscribe for shares or debentures:

As at 31 December 2021, the interests or short positions of the Directors, the Supervisors or the Chief Executive in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part 15 of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong)) which were required to be entered into the register maintained by the Company under Section 352 of Securities and Futures Ordinance (including interests and short positions deemed or taken to have under such provisions of Securities and Futures Ordinance) or which were required to be notified to the Company and HKEx pursuant to the "Model Code for Securities Transactions by Directors of Listed Issuers" (collectively, "interests or short positions") were as follows:

Report of the Directors

Long positions in ordinary shares of the Company:

Name	Number of ordinary shares held as at 31 December 2021	Change during the Reporting Period	Approximate percentage of ordinary shares held in the issued share capital of the Company	Nature of interests	Capacity
Hu Wei	200,000	+200,000	0.0092%	Personal	Beneficial owner

Long positions in ordinary shares of Shenzhen International:

Name	Number of ordinary shares held as at 31 December 2021	Change during the Reporting Period	Approximate percentage of ordinary shares held in the issued share capital of Shenzhen International	Nature of interests	Capacity
Hu Wei	315	-130,000	0.000014%	Personal	Beneficial owner
Liao Xiang Wen ⁽³⁾	17,560	+1,368	0.0008%	Family interests	Beneficial owner

Interests in share option of Shenzhen International:

Name	Options	Number of share options unexercised as at 31 December 2021 ⁽¹⁾⁽²⁾	Change during the Reporting Period			Nature of interests	Capacity
			Adjustment during the Reporting Period	Granted during the Reporting Period ⁽²⁾	Exercised		
Hu Wei	Share option scheme 1	1,266,502	93,054	-	-	-	Personal Beneficial owner
Liao Xiang Wen	Share option scheme 1 ⁽¹⁾	496,640	36,490	-	-	-	Family interests Beneficial owner
	Share option scheme 2	304,695	22,387	-	-	-	Personal
Lin Ji Tong	Share option scheme 1	408,030	29,979	-	-	-	Personal Beneficial owner

Note:

- (1) The share option scheme 1 was granted on 26 May 2017 and could be exercised during the period from 26 May 2019 to 25 May 2022 pursuant to the grant provision. 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.
- (2) The share option scheme 2 was granted on 18 May 2020 and could be exercised during the period from 18 May 2020 to 25 May 2022 pursuant to the grant provision. On 23 June 2021, Shenzhen International adjusted the exercise price and quantity of the outstanding options. The exercise price was adjusted from HK\$13.914 per share to HK\$12.892 per share.
- (3) The interests are owned by the spouse of Liao Xiang Wen, a Director of the Company.

Saved as disclosed herein, as at 31 December 2021, none of the Directors, Supervisors or the Chief Executive had any interests or short positions defined above.

Progress of the Non-public Issuance of H Shares

In the first extraordinary general meeting 2020, the first class meeting 2020 for holders of A Shares and the first class meeting 2020 for holders of H Shares held on 31 March 2020 (“Shareholders’ Meetings 2020”), the resolutions in relation to the non-public issuance by the Company of not more than 300 million H Shares were considered and approved, and the Board and its authorised person(s) were approved and granted the authorisation to handle matters in relation to the issuance at their sole discretion. The validity period of part of the authorisation matters is until 30 March 2021. The Company also received the approval from the China Securities Regulatory Commission for the Issuance in July 2020. However, due to the impact of various factors, the Company could not complete the issuance within the validity period of resolutions of Shareholders’ Meetings 2020. Given that the original validity period is about to expire, to secure smooth progress of the issuance, the resolutions in relation to the non-public issuance of H Shares were considered and approved once again on an individual basis in the board meeting held by the Company on 24 March 2021. It also agreed to propose the extension of validity period of the resolutions in relation to the non-public issuance of H Shares for 2020 and the validity period of directors authorisation matters for 12 months to 30 March 2022 for consideration, approval and ratification as special resolutions in the general meeting, the class meeting for holders of A Shares and the class meeting for holders of H Shares. On 17 May 2021, the matters have been considered and approved at the 2020 Annual General Meeting, the first class meeting 2021 for holders of A Shares and the first class meeting 2021 for holders of H Shares of the Company. For details, please refer to the announcements dated 24 March, 1 April and 17 May 2021, and the circular dated 27 April 2021 of the Company.

Progress of the Issuance of Corporate Bonds

On 22 April 2021, the Company received the “Corporate Foreign Debt Registration and Filing Certificate” (Fa Gai Ban Wai Zi Bei [2021] No.287) issued by the NDRC, pursuant to which the registration and filing of the proposed issuance of foreign bonds of not exceeding USD300 million (or equivalent value) by the Company was completed, and the validity period of such foreign debts and the registration certificate is one year from the registration date (7 April 2021). On 8 July 2021, the Company issued bonds of USD300 million and the listing of, and permission to deal in, such bonds was approved by the HKEx (for professional investors only). The above bonds have been listed and traded on the HKEx under the stock code “40752” and the stock abbreviation “SZEXP B2607” with effect from 9 July 2021. For details, please refer to the announcements of the Company dated 22 April, 23 June, 25 June and 8 July 2021.

Pursuant to the approval by the CSRC, the Company is entitled to issue corporate bonds with nominal value not exceeding RMB5 billion to qualified investors by way of public issuance. The issue of phase 1 of the 2021 corporate bonds (the “21SE01 Bonds”) was completed by the Company on 27 July 2021. The effective principal amount of such bonds is RMB1 billion, with a coupon rate of 3.35% and a maturity of 5 years. For details of the issue of the 21SE01 Bonds, please refer to the announcements of the Company dated 22 July, 23 July 2021 and 27 July 2021 respectively. The issue of phase 1 of the 2022 corporate bonds (the “22SE01 Bonds”) was completed by the Company on 20 January 2022. The effective principal amount of such bonds is RMB1.5 billion with a coupon rate of 3.18%. The maturity of the bonds is 7 years, with an issuer adjusted coupon option and an investor callback option at the end of the fifth year. For details of the issue of the 22SE01 Bonds, please refer to the announcements of the Company dated 17 January, 18 January and 20 January 2022 respectively.

Pursuant to the “Approval for Consent to the Registration of Public Issuance of Green Corporate Bonds to Professional Investors by Shenzhen Expressway Company Limited” (CSRC Approval [2020] No. 1003) issued by the CSRC, the Company may publicly issue green corporate bonds with a total nominal value not exceeding RMB2 billion to professional investors in multiple tranches. On 19 April 2021, the Company issued 2021 phase 1 green corporate bonds (the “G21SE1 Bonds”) with a principal amount of RMB1.2 billion and a coupon rate of 3.49%. The maturity of the bonds is 5 years, with an issuer adjusted coupon option and an investor callback option at the end of the third year. For details, please refer to the announcements of the Company dated 13 April, 15 April and 19 April 2021 respectively.

Report of the Directors

According to the comprehensive assessment by United Credit Ratings Co., Ltd, both the credit ratings of 21SE01 Bonds, G21SE1 Bonds and 22SE01 Bonds were “AAA”.

According to the “Notice of Acceptance of Registration” of Zhongshi Xie Note [2020] SCP31 and Zhongshi Xie Note [2020] SCP704 issued by the China Association of Interbank Market Dealers, the Company may issue ultra-short-term financing bonds in a principal amount of no more than RMB4 billion. The Company issued the phase 1 of 2021 ultrashort-term financing bonds from 23 February to 24 February 2021, with a principal amount of RMB1 billion, a maturity of 60 days and a coupon rate of 2.65%. For details, please refer to the announcements of the Company dated 22 February and 25 February 2021 respectively. The Company issued the phase 2 of 2021 ultra-short-term financing bonds on 25 March 2021, with a principal amount of RMB1 billion, a maturity of 180 days and a coupon rate of 2.75%. For details, please refer to the announcements of the Company dated 23 March and 25 March 2021 respectively. The Company issued the phase 3 of 2021 ultrashort-term financing bonds on 17 June 2021, with a principal amount of RMB1 billion, a maturity of 270 days and a coupon rate of 2.62%. For details, please refer to the announcements of the Company dated 15 June and 18 June 2021 respectively. The Company issued the phase 4 of 2021 ultrashort-term financing bonds on 13 September 2021, with a principal amount of RMB1 billion, a maturity of 270 days and a coupon rate of 2.30%. For details, please refer to the announcements of the Company dated 10 September and 14 September 2021 respectively. The Company issued the phase 1 of 2022 ultrashort-term financing bonds on 9 March 2022, with a principal amount of RMB1 billion, a maturity of 180 days and a coupon rate of 2.12%. For details, please refer to the announcements of the Company dated 7 March and 9 March 2022 respectively.

Absorption and Merger of Certain Wholly-owned Subsidiaries

In order to streamline its management structure, give full play to the economic efficiency of asset integration, and satisfy the needs of the overall renovation and expansion of Jihe Expressway, the shareholders had approved the absorption and merger of the Company with Jihe East Company and Coastal Company at the general meeting. As the merging party, the Company will merge with all assets, liabilities, business and personnel of the above mentioned two companies through absorption and merger. Upon completion of the absorption and merger, the Company will continue to exist and operate while the independent legal status of Jihe East Company and Coastal Company will be deregistered. For details, please refer to the announcements of the Company dated 13 August 2020 and 29 September 2020. During the Reporting Period, the tax and business deregistration of Jihe East Company was completed in October 2021. The absorption and merger work of Coastal Company is still under progress.

Change of Company Name

On 25 August 2021, the Board approved the application in relation to the change of company name and the amendments to the Articles of Association, the resolutions of which were passed at the 2021 second extraordinary general meeting held by the Company on 10 December 2021. Upon change, the Chinese name of the Company is “深圳高速公路集团股份有限公司” and the English name is “Shenzhen Expressway Corporation Limited”. Amendments were also made to the provisions in relation thereto under the Articles of Association. The Shenzhen Municipal Administration for Market Regulation has approved the relevant changes on 16 December 2021, and issued a new business license. For details, please refer to the announcements of the Company dated 25 August, 10 December and 20 December 2021 respectively.

Significant External Investment

On 12 November 2020, upon the approval of the Board, the Company shall inject RMB6.4 billion in cash to Outer Ring Company, a wholly-owned subsidiary of the Company. Upon the completion of the capital contribution, the registered capital of Outer Ring Company will be RMB6.5 billion and the Outer Ring Company will remain a wholly-owned subsidiary of the Company. The capital injection by the Company can strengthen the capital base and enhance the financial structure of Outer Ring Company, thereby facilitating the operation and management of the Shenzhen section of the Outer Ring Expressway in Shenzhen City after it is put into operation. The capital increase has been completed as of the date of this report. For details, please refer to the announcement of the Company dated 12 November 2020. As of the Reporting Date, the capital increase has been completed.

On 21 August 2020, with the approval of the Board, the Company entered into Vanho Securities capital increase agreement with the relevant parties, pursuant to which the Company would contribute RMB950 million to subscribe for approximately 8.68% equity interest in Vanho Securities. For details, please refer to the Company's announcement dated 21 August 2020. As at the date of this report, Vanho Securities has not yet obtained CSRC's approval on its capital increase and share issuance project. After negotiation between the parties and pursuant to the capital increase agreement, Vanho Securities returned the capital increase amount of RMB950 million on 23 August 2021 to the Company and the Company will cease to contribute to and subscribe Vanho Securities. For details, please refer to the announcements of the Company dated 21 August 2020 and 25 August 2021.

Significant Transaction

On 25 January 2021 and 26 March 2021, Guangdong New Energy, a wholly-owned subsidiary of the Company, entered into agreements in relation to the acquisition of 100% equity interests in Qianzhi Company, Qianhui Company and Qianxin Company, respectively, with a total investment of approximately RMB1.015 billion by way of equity transfer and capital increase. The wind power projects operated by the above three companies are located in Changji Hui Autonomous Prefecture, Xinjiang Uygur Autonomous Region. Among them, the aggregated installed capacity of the projects operated by Qianzhi Company and Qianhui Company is 249.5 MW, which had completed construction and on-grid connection at the end of 2020. The period of operation is until December 2040. The installed capacity of the project operated by Qianxin Company is 49.5 MW, which had completed connection of the network in November 2015. The period of operation is until April 2036. For details, please refer to the relevant contents in the announcements of the Company dated 25 January and 26 March 2021.

On 8 March 2021, with the approval of the Board, the Company and Shenzhen Rolansberg Property Development Co., Ltd. ("Rolansberg Company") entered into the sale and purchase agreement of Shenzhen property (Existing First-hand Property Sale) and the related supplementary agreements and the fund monitoring agreement. Pursuant to the Property Acquisition Agreement, the Company will acquire the property on the 35–48th floor of Hanking Center Tower from Rolansberg Company at a price of RMB1.559 billion. With a total area of approximately 23,796 square meters, the property will be for office use. For details, please refer to the announcements of the Company dated 25 February and 8 March 2021.

Report of the Directors

Connected Transactions

(1) Material Transaction and Material Connected Transactions

On 10 August 2021, the Board approved the relevant agreements entered into between the Company, Mei Wah Company, SIHC and SIICH pursuant to which Mei Wah Company shall be transferred 100% equity interests of SIICHIC held by SIICH at a price of approximately HKD2.45 billion under a non-disclosure agreement, in consideration of settlement of the indebtedness of SIICHIC amounting to approximately HKD7.89 billion, and shall assume the tax charges to be incurred thereon as well as the obligation of making up the shortfall. The Company expected that the aggregate cost of acquiring SIICHIC will not exceed HKD10.479 billion. Shenzhen International indirectly owns approximately 51.561% interests of the Company, while SIHC is the controlling shareholder of Shenzhen International and indirectly holds approximately 43.49% of the issued share capital of Shenzhen International. Pursuant to the Listing Rules of HKEx/the Listing Rules of SSE, SIHC and SIICH are connected persons of the Company, and the above transactions constitute a connected transaction of the Company. Such transaction has been approved at the general meeting of the Company and Shenzhen International respectively and has completed the relevant equity transfer on 11 January 2022. For details, please refer to the relevant contents in the announcements dated 15 March, 14 April, 22 July, 10 August, 10 December, 11 January 2021 and the circular dated 24 November 2021 of the Company.

On 23 November 2021, the Board approved the Company's waiver of the right of first refusal regarding the proposed transfer of the equity interest in United Land held by XTC Company. XTC Company, a wholly-owned subsidiary of Shenzhen International, intends to transfer its 35.7% equity interest in United Land through public tender at Shenzhen United Property and Equity Exchange at a base price of RMB2,787,550,600. Shenzhen International indirectly holds approximately 51.561% interest in the Company and its wholly-owned subsidiary, XTC Company, directly holds approximately 30.03% interest in the Company. Both Shenzhen International and XTC Company are connected persons of the Company under the Listing Rules of SSE, and the waiver of the right of first refusal for this equity transfer constitutes a connected transaction of the Company. Such matter has been approved by the Company at the second extraordinary general meeting 2021 held on 10 December 2021. For details, please refer to the relevant contents in the Company's announcements dated 23 November, 10 December 2021 and circular dated 24 November 2021 respectively. After taking into account various factors such as its strategic planning and capital requirements, etc. the Company intends to waive the right of first refusal of the equity interest in United Land to be transferred by XTC Company, which is in line with its development strategy and general interest and is a reasonable business and economic activity.

On 18 October 2021, the Board approved the formation of a joint venture by New Energy Company, a wholly-owned subsidiary of the Company, and SPIC Fujian Company on a 50:50 basis for the acquisition of 51% equity interest in Nanjing AVIS. Fenghe Energy, the joint venture, was established in November 2021. On 29 December 2021, Fenghe Energy entered into an equity merger and acquisition agreement with AVIS and the selling parties. Pursuant to the equity merger and acquisition agreement, Fenghe Energy acquired 51% equity interest in AVIS at a consideration of RMB402.9 million. As one of the selling parties, Nanjing Anbeixin Investment Management Co., Ltd ("Anbeixin"), is the second largest shareholder of Nanjing Wind Power, a major subsidiary of the Company, with 23.177% shareholding. Pursuant to the Listing Rules of HKEx/the Listing Rules of SSE, Anbeixin is a connected person holding more than 10% interest in the major subsidiary of the Company. Meanwhile, pursuant to the equity merger and acquisition agreement, Anbeixin (as one of the selling parties) transferred its 26.9% equity interest in Nanjing AVIS to Fenghe Energy, which constitutes a connected transaction. The above transaction has been completed in February 2022. For details, please refer to the Company's announcements dated 18 October, 1 November and 29 December 2021.

(2) Daily Transactions with Related Parties and Continuing Connected Transactions

On 5 July 2021, upon the consideration and approval by the Board, the Company appointed Mr. Cai Shu Guang ("Mr. Cai") as the chief environmental protection expert of the Company, who is responsible for aspects such as implementing the decisions and deployment plans in respect of the organic waste business, and organizing the formulation and implementation of the development strategies for the organic waste business of the Company, with the term of office for three years. Mr. Cai's standard annual remuneration is RMB3 million, among which part of the performance-related remuneration is subject to the results of the performance appraisal. Mr. Cai served as an independent director of the Company from May 2017 to December 2020. Pursuant to the Listing Rules of SSE, Mr. Cai is a connected person of the Company and this transaction constitutes a daily transaction with the related parties of the Company.

(3) Further Disclosure Made Pursuant to the Listing Rules of HKEx

Save as the above-mentioned, the transactions with related parties set out in note X15 to the Financial Statements in this annual report are either connected transactions or continuing connected transactions exempt from reporting, announcement, independent shareholders' approval and/or annual review requirements under Rules 14A.76, 14A.95 and 14A.96 of the Listing Rules of HKEx or do not constitute a connected transaction or a continuing connected transaction as defined under Chapter 14A of the Listing Rules of HKEx. The Company does not have any other matters that need to be disclosed in accordance with Chapter 14A of the Listing Rules of HKEx.

(4) Credits and Liabilities with the Related Parties (as defined in the relevant PRC regulatory provisions)

As at the date of this Report, the Company does not have any non-operating capital occupation by its controlling shareholder or other related parties. The auditor of the Company has issued a specific report in relation to the statement of fund embezzlement by the controlling shareholders and other related parties prepared by the Company in accordance with the relevant requirements.

Management Contract

Pursuant to a contract dated 7 June 1995 and the subsequent amendments, Magerk Company entrusted the toll collection of Wuhuang Expressway and the usage, management, preservation, maintenance and repair of its ancillary facilities to Hubei Bureau for the Administration of Higher Class Public Roads (湖北省高等級公路管理局), or the contractor whom it may designate from time to time (now being Hubei Provincial Communications Investment Co., Ltd. (湖北交通投資集團有限公司), throughout the operating period of Wuhuang Expressway. The entrusted management service was charged at a fee which is proportional to the toll revenues on a fixed basis. The aforesaid matters were disclosed in the relevant announcement and circular of the Company in relation to the acquisition of interests in Wuhuang Expressway by the Company.

In 2021, the entrusted assets and entrusted management fees recognised for Magerk Company amounted to RMB172.81 million and RMB109.25 million respectively. In 2021, Magerk Company achieved operating profit of RMB257.77 million, representing approximately 8.22% of the Group's operating profit, and recorded a net profit of RMB193.43 million, representing approximately 7.42% of the net profit attributable to owners of the Company. This aforesaid management contract has no material impact on the operating results and financial position of the Group.

Report of the Directors

External Guarantees

Unit: RMB million, unless otherwise stated

External guarantees of the Company (excluding guarantees for subsidiaries)										
Name of the guarantor	Name of the guaranteed	Amount of guarantee	Date of occurrence (date of the agreement)	Commencement of guarantee	Expiry of guarantee	Type of guarantee	Completed or not	Overdue or not	Counter guarantee provided or not	Guarantee for related party or not
The Company ⁽¹⁾	China Construction Bank Shenzhen Branch	800	2007-4-20	August 2007	Full repayment of principal and interest of the corporate bonds	Joint liability guarantee ⁽¹⁾	No	No	No	No
Guizhou Property ⁽²⁾	Customers of Shenzhen Expressway [•] Interlaken Town	453.58	2015-05 to 2021-12	Effective date of the mortgage loan contract	Effective date of the mortgage under the contract	Joint liability guarantee ⁽²⁾	No	No ⁽²⁾	No	No
Qiantai Company ⁽³⁾	Nalon Battery (Shenzhen) Co., Ltd.	4.55	2018-10-19	2018-10-19	Until all debts under the contract are paid	Joint liability guarantee	No	No	No	No
Total amount of guarantees occurred during the Reporting Period										-148.61
Total balance of guarantees as at the end of the Reporting Period (A)										1,258.12
Guarantees for subsidiaries of the Company										
Total amount of guarantees occurred for subsidiaries during the Reporting Period										1,046.23
Total balance of guarantees for subsidiaries as at the end of the Reporting Period (B)										1,046.23
Total amount of guarantees of the Company (including guarantees for subsidiaries)										
Total amount of guarantees (A+B)										2,304.35
Proportion of total amount of guarantees to the net assets of the Company(%)										9.35
Including:										
Amount of the guarantees for shareholders, de-facto controller and their related parties(C)										-
Amount of the debt guarantees directly or indirectly provided for those whose gearing ratio exceeded 70%(D)										800
Amount of the guarantees that exceed 50% of net assets in aggregate(E)										-
Total amount of the above three guarantees (C+D+E)										800
Description on unexpired guarantees may be confronted with joint liability										Please refer to point (2) in description below

Description on guarantees:

- (1) The external guarantees to China Construction Bank Shenzhen Branch have been approved by the 2006 annual general meeting of the Company. For details on the guarantee, please refer to the relevant content in "Mortgage and Pledge of Assets" below.
- (2) The provision of periodical joint liability guarantees by Guizhou Property, a controlling subsidiary of the Company, to qualified mortgage customers of "Shenzhen Expressway • Interlaken Town" (The project is now renamed as "Shenzhen Expressway • Youshan Meishu") project in accordance with the business practices of the real estate industry have been considered and approved by the 4th meeting of the 7th session of the Board held on 30 June 2015, the 27th meeting of the 7th session of the Board held on 18 August 2017, and the 2017 annual general meeting held on 31 May 2018. It is expected the total amount of guarantees will not exceed RMB1.55 billion. During the Reporting Period, Guizhou Property provided periodic guarantees for 44 customers with an accumulated amount of RMB38,760,000 and the periodic guarantees with an amount of RMB191,911,000 provided in the prior periods had been released during the Reporting Period. As at the end of the Reporting Period, the actual amount of the guarantees provided by Guizhou Property is RMB453,575,690.
- (3) The controlling subsidiary, Qiantai Company, provided guarantees to outsider before being acquired by the Company, sufficient risk control measures have been taken in the acquisition agreement.
- (4) The Company has not provided external guarantee in violation of the stipulated decision-making procedures.
- (5) The Independent Directors of the Company have, in accordance with the relevant regulations of the CSRC, issued specific explanations and independent opinions in relation to the external guarantees of the Company.

Authorisation of Guarantee and Guarantees for Subsidiaries of the Company

(1) Authorisation of Guarantee

The Company's 2019 annual general meeting held on 23 June 2020 considered and approved the proposal on the authorisation of the guarantees. The Board of the Company may provide guarantees for wholly-owned subsidiaries of not more than RMB2.7 billion in aggregate, and not more than RMB3.7 billion in aggregate for non-wholly-owned subsidiaries, as necessary. The guarantee includes guarantee for financing and guarantee for bankers' letter of guarantee. The guarantee authorisation is effective from the date of approval by the general meeting to the date of convening of the 2020 annual general meeting. Subsequently, the 2020 annual general meeting held on 17 May 2021 considered and approved the proposal on the authorisation of the guarantees. The Board of the Company may provide guarantees for wholly-owned subsidiaries of not more than RMB4.0 billion in aggregate, and not more than RMB2.5 billion in aggregate for non-wholly-owned subsidiaries, as necessary. The guarantee includes guarantee for financing and guarantee for bankers' letter of guarantee. The guarantee authorisation is effective from the date of approval by the general meeting to the date of convening of the 2021 annual general meeting.

Report of the Directors

(2) Guarantees for Subsidiaries of the Company

As at the end of the Reporting Period, the contracts signed by the Group for guarantees to subsidiaries are as follows:

Unit: RMB million

External guarantees of the Company (guarantees for subsidiaries)									
Name of the guarantor	Name of the guaranteed	Maximum amount of guarantee	Date of occurrence (date of the agreement)	Commencement of guarantee	Expiry of guarantee	Type of guarantee	Completed or not	Overdue or not	Counter guarantee provided or not
Environmental Company	Guangxi Bioland	149.92	2021/8/3	2021/8/3	2 years after the expiry date of the debt performance period	Joint liability guarantee	No	No	Yes
The Company	Outer Ring Company	300	2021/8/25	2021/8/25	3 years after the maturity of discounted bills	Joint liability guarantee	No	No	No
The Company	Investment Company	350	2021/9/13	2021/9/13	3 years after the expiry date of the debt performance period	Joint liability guarantee	No	No	No
Bioland Company	Fuzhou Bioland	60	2021/9/15	2021/9/15	2 years after the expiry date of the debt performance period	Joint liability guarantee	No	No	No
The Company	Investment Company	450	2021/11/18	2021/11/18	3 years after the expiry date of the debt performance period	Joint liability guarantee	No	No	No
Bioland Company	Guangxi Bioland	30	2021/12/24	2021/12/24	3 years after the expiry date of the debt performance period	Joint liability guarantee	No	No	No
Bioland Company	Guilin Bioland	100	2021/12/24	2021/12/24	3 years after the expiry date of the debt performance period	Joint liability guarantee	No	No	No
Bioland Company ^{Note 1}	Beihai Zhonglan	62	2021/12/29	2021/12/29	3 years after the expiry date of the debt performance period	Joint liability guarantee	No	No	No
Bioland Company ^{Note 1}	Zhuji Bioland	120	2021/12/29	2021/12/29	3 years after the expiry date of the debt performance period	Joint liability guarantee	No	No	No
Bioland Company ^{Note 2}	Various project subsidiaries in which the Company invested prior to its acquisition of Bioland Company	540.33	–	2014/7/21	Upon expiration of the debt performance period, as required by the agreement	Joint liability guarantee	No	No	No
Total amount of guarantees occurred for subsidiaries during the Reporting Period									1,046.23
Total balance of guarantees for subsidiaries as at the end of the Reporting Period									1,046.23

As at the end of the Reporting Period, based on the financing amount of holding subsidiaries, the total amount of guarantees actually provided by the Company to its holding subsidiaries was RMB1,046 million, including the balance of guarantees provided by Bioland Company, a holding subsidiary of the Company, prior to its acquisition by the Company, amounting to RMB540 million (all guarantees provided by Bioland Company to its holding subsidiaries). There is no overdue guarantee in the above guarantees. For details, please refer to the announcement of the Company dated 3 August, 25 August, 13 September, 15 September, 19 November, 24 December and 30 December 2021.

Note 1: The Company's the 15th meeting of the ninth session of the Board held on 22 December 2021 considered and passed the "Proposal on the Guarantees of Bioland Company for the Financing of its Non-wholly-owned Subsidiaries", and the Board agreed that Bioland Company would provide guarantees for the financing of its holding subsidiaries, Beihai Zhonglan, Zhuji Bioland and Chuzhou Bioland. Up to the Reporting Date, Chuzhou Bioland has not yet incurred any financing. For details, please refer to the announcement of the Company dated 22 December 2021.

Note 2: The guarantee provided by Bioland, holding subsidiary of the Company, before being acquired by the Company. All guarantees are provided by Bioland for its subsidiaries.

Mortgage and Pledge of Assets

As of the end of the Reporting Period, details of the mortgaged or pledged assets of the Company and its subsidiaries are as follows:

Assets	Type	Bank	Scope of security	Balance of secured loan as at the end of the Reporting Period(100 million)	Term
Toll collection rights of Qinglian Project	Pledge	Industrial and Commercial Bank of China Limited Qingyuan Branch	Principal and interests of fixed asset loans in an aggregate amount of RMB2.5 billion	19.89	Until repayment of all liabilities under the loan agreement
100% equity interests in Meiguan Company	Pledge	China Construction Bank Shenzhen Branch	Counter-guarantee for the irrevocable guarantee with joint liability in respect of the redemption of the corporate bonds with an amount of RMB800 million upon maturity	8.00	Until repayment of corporate bonds (including principal and interests)
45% equity interests in JEL Company	Pledge	The Hong Kong and Shanghai Banking Corporation Limited	Principal and interests of bank loans in an aggregate amount of HKD350 million	HKD1.36	Until repayment of all liabilities under the loan agreement
Toll collection rights of Coastal Expressway	Pledge	A consortium including China Development Bank, etc.	Principal and interests of syndicated loans in an aggregate amount of RMB5.4 billion	25.46	Until repayment of all liabilities under the loan agreement
Toll collection rights of Shuiguan Expressway	Pledge	Guangdong Huaxing Bank Co., Ltd. Shenzhen Branch	Principal and interests of fixed asset loans in an aggregate amount of RMB600 million	4.24	Until repayment of all liabilities under the loan agreement
Equity interests, franchise rights, accounts receivable and production equipment, among other assets, of various subsidiaries of Bioland of RMB2,213 million	Pledge, mortgage	Various banks and financial leasing companies	The scope of security covers principal and interests of bank loans and finance leases for various projects in an aggregate amount of RMB986 million	5.92	Certain periods after the repayment of liabilities
37th, 40–48th floors of Hanking Center Tower office property	Mortgage	Industrial and Commercial Bank of China Limited Shenzhen Futian Sub-Branch	Principal and interests of fixed asset loans in an aggregate amount of RMB760 million	7.22	Until repayment of all liabilities under the loan agreement
Rental receivable under the Xuchang Wind Power Project	Pledge	China Merchants Bank Co., Ltd. Shenzhen Branch	Liabilities incurred in respect of the guaranteed discounting for commercial bills in an aggregate amount of RMB20 million	0.20	Until repayment of all liabilities under the loan agreement
Rental receivable under the Anhui Duanshou Project	Pledge	Bank of Shanghai Co., Ltd. Shenzhen Branch	Principal and interests of working capital loans in an aggregate amount of RMB14.65 million	0.15	Until repayment of all liabilities under the loan agreement
Rental receivable under the Culin Spring Project	Pledge	China Merchants Bank Co., Ltd. Shenzhen Branch	Liabilities incurred in respect of the guaranteed discounting for commercial bills in an aggregate amount of RMB50 million	0.50	Until repayment of all liabilities under the loan agreement
Rental receivable under the Yongcheng Project	Transfer with recourse	Agricultural Bank of China Shenzhen Branch	Principal and interests of liabilities incurred in relation to factoring of accounts with recourse receivable in an aggregate amount of RMB171 million	1.64	Until repayment of all liabilities under the loan agreement
Pledge of accounts receivable under the Wuqi Dayi Wind Power Project	Pledge	The Bank of East Asia (China), Limited Shenzhen Branch	Principal and interests of working capital loans in an aggregate amount of RMB100 million	1.00	Until repayment of all liabilities under the loan agreement
Pledge of collection rights of electricity under the Mulei Project	Pledge	China Construction Bank Urumqi Sub-Branch	Principal and interests of project loans in an aggregate amount of RMB1,418 million	14.18	Until repayment of all liabilities under the loan agreement

Report of the Directors

Details of the mortgaged or pledged assets:

Note 1: In order to acquire the entire equity interests in SIICHIC, Mei Wah Company has applied for pledged loan facilities of an aggregate of approximately HK\$8.3 billion from Industrial and Commercial Bank of China (Asia) Limited, China Merchants Bank and Ping An Bank Hong Kong Branch, which is conditional upon a pledge to be provided pro-rata in the loan amount to the total consideration of acquisition upon completion of the transfer of the shares of SIICHIC. As of 31 December 2021, Mei Wah Company has drawn down approximately HK\$1,513 million of loans, while the pledge has not yet become effective due to the transfer of the shares of SIICHIC has not been completed.

Note 2: The Company has applied to Industrial and Commercial Bank of China Futian Branch for a loan of up to RMB609 million for the merger and acquisition of the Mulei Project and has pledged the equity interests in Qianzhi, Qianhui and Qianxin held by Guangdong New Energy, a wholly-owned subsidiary of the Company, to Industrial and Commercial Bank of China Futian Branch. As at the end of the Reporting Period, the Company has not yet made any drawdown.

Note 3: Details of the restrictions on the Group's major assets at the end of the Reporting Period are set out in note V61 to the Financial Statements in this report.

Entrusted Wealth Management

As approved by the Board of the Company, subject to the condition that both safety and liquidity of capital reserve can be assured, the Group invested part of the funds in monetary funds, wealth management products issued by banks, financial products for financing purposes issued by holding enterprises within the Shenzhen SASAC system and other types of wealth management products. During the Reporting Period, the Group did not purchase or sell any wealth management products. As at the end of the Reporting Period, the balance of such wealth management products of the Group was nil and there was no outstanding principal and gains overdue.

Other Agreements and Matters

Save as disclosed in this report, the Company did not enter into any contract in respect of the management or administration of its overall business or any material business or had any such contract subsisting, nor did it enter into any other material contract in relation to entrustment, subcontracting, leasing or guarantee during the Reporting Period. Furthermore, there was no such prior material contract subsisting during the Reporting Period.

During the Reporting Period, Financial Leasing Company successfully transferred its remaining creditor's rights after the arbitration case dated 21 April 2020 (of which the principal amount was approximately RMB26,279,100), together with the remaining creditor's rights after another arbitration case (of which the principal amount was approximately RMB12,564,800) to Nanjing Tuwei Software Technology Company Limited (南京拓為軟件技術有限公司) through public tender at Shenzhen United Property and Equity Exchange at a total price of approximately RMB32,869,200. The transaction price has been paid in full. The above-mentioned arbitrations are mainly arbitrations that has been in existence prior to the acquisition of Financial Leasing Company. The Company has considered the specific risks of the relevant assets during the acquisition and taken them into account in determining the consideration thereof. The amounts involved in the above cases have no material impact on the daily operations and debt repayment ability of the Company. For details, please refer to the announcement of the Company dated 19 April 2021.

During the Reporting Period, there was no material litigation or arbitration matter, matter which the media generally questioned, or bankruptcy and reorganisation in connection with the Company, nor was there any implementation of share option incentive scheme. In addition, there was no such prior matter subsisting during the Reporting Period. As at the end of the Reporting Period, the Group was involved in several small-claim lawsuits and arbitrations, which would not have significant impact on the Group's daily operations. As at the end of the Reporting Period, the major outstanding litigations and arbitrations are as follows:

Unit: Ten thousand Currency: RMB

Plaintiff (applicant)	Defendant (Respondent)	Party with joint liability	Type of litigation (arbitration)	Basic information of the litigation (arbitration)	Amount involved in litigation (arbitration)	Progress of litigation (arbitration)	Results of litigation (arbitration) and effects	Execution of judgment of litigation (arbitration) judgment
Guizhou Xinhe Lifu Real Estate Development Co., Ltd.	Guishen Company, Guizhou Property	-	Litigation	Equity transfer contract disputes	12,284.37	Answering	Suspension of hearing: Pending for the court's decision on the validity of the arbitration clause.	In the first instance
Juye Changguang Wind Energy Co., Ltd.	Nanjing Wind Power	-	Litigation	Sales contract disputes	10,952.56 (Counterclaim for 2,625)	Answering and counterclaiming	-	In the first instance
Nanjing Wind Power	CRRC Wind Power (Shandong) Co., Ltd.	-	Arbitration	Purchasing contract disputes	10,108.07	Appealing	-	In the arbitration process
Nanjing Wind Power	CRRC Wind Power (Shandong) Co., Ltd.	-	Litigation	Purchasing contract disputes	4,013.8	Appealing	-	In the first instance
Wuchuan Heavy Construction Co., Ltd.	Construction Company	-	Arbitration	Purchasing contract disputes	4,591.49	In the arbitration process	-	In the arbitration process
Yonker Environmental Protection Co., Ltd.	Guangxi Bioland Renewable Energy Co., Ltd. and Bioland Environmental Technologies Group Corp., Ltd.	-	Litigation	Construction contract disputes of construction project	5,175.78 (Counterclaim for 5,000)	Answering and counterclaiming	-	In the first instance
Nantong Si Jian Construction Group Co., Ltd.	Taizhou Bioland Environmental Protection Technology Co., Ltd.	-	Litigation	Construction contract disputes of construction project	5,132.69 (Counterclaim for 140.8)	Answering and counterclaiming	-	In the first instance

Report of the Directors

Undertakings

Background of undertaking	Type of undertaking	Undertaking party	Undertaking details	Time of undertaking	Term of fulfilment or not	Whether fulfilled timely and strictly or not
Undertakings made in Acquisition Report or Report on the Changes in Equity Interests	Other	Shenzhen International/ Shenzhen International Holdings(SZ) Limited	Undertook to avoid peer competition and regulate connected transactions. For details, please refer to Detailed Report on the Changes in Equity Interests (《詳式權益變動報告書》) published on 18 October 2007 in the securities market of the PRC by undertaking parties or relevant contents in the Annual Report 2007 of the Company.	October 2007	No	Yes
	Other	Shenzhen International	Undertaken in respect of matters including the avoidance of peer competition and support for the Company's business development. Among which, the undertaking parties undertook to inject the expressway assets owned by them into the Company in around 5-8 years, subject to the satisfaction of certain conditions. For details, please refer to Acquisition Report (《收購報告書》) published by SIHC on 4 January 2011 in the securities market of the PRC and the announcement of the Company dated 1 June 2011.	December 2010	Yes	Yes
	Other	SIHC		June 2011	December 2010	Yes
				May 2011		
Undertakings related to IPO	Avoidance of peer competition	XTC Company/ SGH Company	The undertaking parties will not engage in any industry or business in any way which, directly or indirectly, competes with the Company in Shenzhen.	January 1997	No	Yes

Note: On 29 December 2017, Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd (深圳投控國際資本控股基建有限公司), a subsidiary of SIHC (as the purchaser), SIHC (as the guarantor of the purchaser) and Anber Investments Limited (as the vendor) and Hopewell Holdings Limited (as the guarantor of the vendor) entered into an agreement in relation to the proposed acquisition of interests in Hopewell Highway Infrastructure Limited ("HHI"). Upon completion of the general offer and placing, SIHC owned 71.83% equity interest in HHI as at 18 September 2018. HHI is a Hong Kong listed company, which, together with its subsidiaries, is principally engaged in the construction of highway infrastructure in Guangdong Province and currently owns interests in Guangzhou-Shenzhen Expressway and Guangdong Guangzhou-Zhuhai West Expressway. HHI was renamed as Shenzhen Investment Holdings Bay Area Development Company Limited ("Bay Area Development") on 14 June 2019.

Prior to the entering into of the agreement above, SIHC had enquired the Company as to whether it considers acting as the acquirer in the aforementioned acquisition without disclosing the name of the target company. Based on the business of the target company and various conditions, such as the scale and completion timeframe of the acquisition, as provided by SIHC, the Company was of the view that it was impracticable and incapable to proceed with the acquisition and the Company intended to give up such acquisition opportunity. Upon receiving the relevant report, the Board (including the independent non-executive Directors) concurred with the Company's decision to not to proceed with the acquisition. In the event that SIHC completes the said acquisition, SIHC will perform its obligations under the non-competition undertaking, further negotiate with the Company on the detailed arrangement on the business of the target company and properly settle the matters in accordance with the existing undertaking.

On 15 March 2021, SIHC signed a "Memorandum of Understanding" with the Company. The Company will receive a six-month exclusivity period to discuss with SIHC on the transfer of all 71.83% of the interests in Bay Area Development, and arrange follow-up work based on the results of the discussions. On 10 August 2021, the Company, Mei Wah Company, SIHC and SIICH entered into relevant agreements, pursuant to which Mei Wah Company shall acquire the 100% equity interests in SIICHIC held by SIICH at a price of approximately HKD2.45 billion under a non-disclosure agreement, in consideration of settlement of the indebtedness of SIICHIC amounting to approximately HKD7.89 billion, and shall assume the tax charges to be incurred thereon as well as the obligation of making up the shortfall. The Company expected that the aggregate cost of acquiring SIICHIC will not exceed HKD10.479 billion. The transaction was considered and approved at a general meeting of the Company and completed on 11 January 2022. For details, please refer to the announcements of the Company dated 15 March, 14 April, 22 July, 10 August 2021 and 10 December and 11 January 2021, and circular dated 24 November 2021 of the Company.

Appointment of Auditor for the Year

Details of the appointment and remuneration of the auditor for the year (including audit of financial reports and internal control) are set out in “Corporate Governance Report” in this annual report.

Review of Results

The Audit Committee of the Company has reviewed and confirmed the financial statements and the annual report for the twelve months ended 31 December 2021. For details, please refer to “Corporate Governance Report” in this annual report.

Compliance with Laws and Regulations

The Group’s businesses are mainly carried out by the Company and its subsidiaries in the PRC. Our operations accordingly shall mainly comply with the relevant laws and regulations in the PRC. During the Reporting Period, the Group had not breached the relevant laws and regulations that exert a significant impact on the Group.

Name of Directors

As at the date of this report, the members of the Board include: Mr. Hu Wei (Executive Director and Chairman of the Board), Mr. Liao Xiang Wen (Executive Director and President), Mr. Wang Zeng Jin (Executive Director), Mr. Wen Liang (Executive Director), Mr. Dai Jing Ming (Non-executive Director), Ms. Li Xiao Yan (Non-executive Director), Ms. Chen Hai Shan (Non-executive Director), Mr. Bai Hua (Independent Director), Mr. Li Fei Long (Independent Director), Mr. Miao Jun (Independent Director) and Mr. Xu Hua Xiang (Independent Director).

By Order of the Board

HU Wei
Chairman

Shenzhen, the PRC, 29 March 2022

Share Capital and Shareholders

I. Profile of Movements of Share Capital

During the Reporting Period, there was no change in the Company's total number of shares or share structure.

A total of 2,180,770,326 ordinary shares were issued by the Company, of which 1,433,270,326 A Shares are listed on SSE and 747,500,000 H Shares are listed on HKEx, representing 65.72% and 34.28% of the total share capital of the Company respectively.

II. Issuing and Listing of the Securities

1. During the Reporting Period, there is no issuing or listing of the stock or derivative securities by the Company.

Based on the publicly available information known to the Directors, the Board believes that the Company has maintained a sufficient public float as at the latest practicable date prior to the printing of this annual report.

As at the end of the Reporting Period, the circulating market capitalisation of the A Shares of the Company (circulating A Share capital \times closing price of A Shares (RMB9.98)) was RMB14.304 billion and the circulating market capitalisation of H Shares (circulating H Share capital \times closing price of H Shares (HK\$7.55)) was HK\$5.644 billion.

2. The Company has completed the issuance of phase 1 of the 2020 corporate bonds (epidemic prevention and control debt) of RMB1.4 billion with a term of 5 years on 20 March 2020. The bond abbreviation is "20 Shenzhen Expressway 01" and the bond code is "163300", which has been listed on the Shanghai Stock Exchange.
3. The Company has completed the issuance of phase 1 of the 2020 green corporate bonds of RMB800 million with a term of 5 years on 22 October 2020. The abbreviation of the bond is "G20 Shenzhen Expressway 01" and the bond code is "175271", which has been listed on the Shanghai Stock Exchange.
4. The Company has completed the issuance of phase 1 of the 2021 green corporate bonds of RMB1.2 billion with a term of 5 years on 19 April 2021. The abbreviation of the bond is "G21 Shenzhen Expressway 1" and the bond code is "175979", which has been listed on the Shanghai Stock Exchange.
5. The Company issued overseas debenture of US\$300 million at fixed interest rate with a maturity of 5 years in July 2021. The bond abbreviation is "SZEXP B2607" and bond code is "40752", which has been listed on The Stock Exchange of Hong Kong Limited since 8 July 2021.

6. The Company has completed the issuance of phase 1 of the 2021 corporate bonds of RMB1 billion with a term of 5 years on 27 July 2021. The abbreviation of the bond is "G21 Shenzhen Expressway 01" and the bond code is "188451", which has been listed on the Shanghai Stock Exchange.
7. The Company has completed the issuance of phase 1 of the 2022 corporate bonds of RMB1.5 billion with a term of 5 years on 19 January 2022. The bond abbreviation is "22 Shenzhen Expressway 01" and bond code is "185300", which has been listed on the Shanghai Stock Exchange.
8. The Company issued overseas debenture of US\$300 million at fixed interest rate with a maturity of 5 years in July 2016 (Bond abbreviation: "SZEW B2107", bond code: "5684"), which has been delisted from The Stock Exchange of Hong Kong Limited since 19 July 2021 upon maturity.

III. Information of Share Capital and the De-facto Controller

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

1. Total Number of Shareholders :

Total number of shareholders as at the end of the Reporting Period	22,046
Total number of shareholders as at the end of the last month prior to the Reporting Date	18,288

Note :

- (1) The Company had 21,807 holders of A Shares and 239 holders of H Shares as at the end of the Reporting Period.
- (2) The Company had 18,050 holders of A Shares and 238 holders of H Shares as at the end of the last month prior to the Reporting Date.

Share Capital and Shareholders

2. Information of the Top Ten Shareholders and the Top Ten Holders of Non-restricted Circulating Shares of the Company as at the end of the Reporting Period

The top ten shareholders							
Name of shareholder	Changes during the Reporting Period	Number of shares held	Percentage	Number of restricted circulating shares held	Number of shares pledged or frozen		Nature of shareholders
					State of shares	Number	
HKSCC NOMINEES LIMITED ⁽¹⁾	+604,000	730,174,042	33.48%	—	Unknown		Overseas legal person
Xin Tong Chan Development (Shenzhen) Company Limited	—	654,780,000	30.03%	—	None	0	State-owned legal person
Shenzhen Shen Guang Hui Highway Development Company	—	411,459,887	18.87%	—	None	0	State-owned legal person
China Merchants Expressway Network & Technology Holdings Company Limited	—	91,092,743	4.18%	—	None	0	State-owned legal person
Guangdong Roads and Bridges Construction Development Company Limited	—	61,948,790	2.84%	—	None	0	State-owned legal person
China Merchants Bank-SSE Dividend Trading Open Index Securities Investment Fund	+8,027,277	30,668,850	1.41%	—	Unknown		Domestic non-state-owned legal person
AU SIU KWOK	—	11,000,000	0.50%	—	Unknown		Overseas natural person
Hong Kong Central Clearing Company Limited	+2,676,213	8,519,905	0.39%	—	Unknown		Domestic non-state-owned legal person
ZHANG PING YING	-4,900	7,709,665	0.35%	—	Unknown		Domestic natural person
Industrial and Commercial Bank of China Co., Ltd. – Fullgoal China Securities Dividend Index Enhanced Securities Investment Fund	+3,162,400	6,124,152	0.28%	—	Unknown		Domestic non-state-owned legal person

The top ten holders of non-restricted circulating shares		
Name of shareholder	Number of non-restricted circulating shares held	Type of shares
HKSCC NOMINEES LIMITED ⁽¹⁾	730,174,042	H share
Xin Tong Chan Development (Shenzhen) Company Limited	654,780,000	A share
Shenzhen Shen Guang Hui Highway Development Company	411,459,887	A share
China Merchants Expressway Network & Technology Holdings Company Limited	91,092,743	A share
Guangdong Roads and Bridges Construction Development Company Limited	61,948,790	A share
China Merchants Bank-SSE Dividend Trading Open Index Securities Investment Fund	30,668,850	A share
AU SIU KWOK	11,000,000	H share
Hong Kong Central Clearing Company Limited	8,519,905	A share
ZHANG PING YING	7,709,665	A share
Industrial and Commercial Bank of China Co., Ltd. – Fullgoal China Securities Dividend Index Enhanced Securities Investment Fund	6,124,152	A share

Connected relationship or concerted action relationship among the abovementioned shareholders

XTC Company and SGH Company are connected persons under the same control of Shenzhen International. In addition to the above associations, there is no connected relationship among the state-owned shareholders in the above table. The Company did not notice any connected relationship among the other abovementioned shareholders or any connected relationship among the abovementioned state-owned shareholders and other shareholders.

Note: (1) The H Shares held by HKSCC NOMINEES LIMITED were held on behalf of various clients.

3. Disclosure of Interests of Shareholders Pursuant to the Listing Rules of HKEx

As at 31 December 2021, the interests or short positions of shareholders, other than a Director, Supervisor or senior management of the Company, in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of Securities and Futures Ordinance (Chapter 571 of the Laws of Hong Kong), or in accordance with the notice received by the Company and the HKEx, were as follows:

A Shares:

Name of shareholder	Capacity	Number of A Shares of the Company held	Percentage of total issued A Share capital
Shenzhen International ⁽²⁾	Interest of corporation controlled ⁽³⁾	1,066,239,887(L)	74.39%(L)
SIHC	Interest of corporation controlled ⁽⁴⁾	1,066,239,887(L)	74.39%(L)

H Shares:

Name of shareholder	Capacity	Number of H Shares of the Company held	Percentage of total issued H Share capital
China Merchants Expressway Network & Technology Holdings Company Limited	Interest of corporation controlled	83,168,000 (L)	11.13% (L)
Shenzhen International ⁽²⁾	Interest of corporation controlled ⁽³⁾	52,612,000 (L)	7.03% (L)
SIHC	Interest of corporation controlled ⁽⁴⁾	52,612,000 (L)	7.03% (L)
LSV ASSET MANAGEMENT	Investment manager	45,026,000 (L)	6.02% (L)

Note: (L) – long positions, (S) – short positions, (P) – lending pool. Please refer to Securities and Futures Ordinance for relevant definitions.

Notes :

- (1) All the A Shares of the Company are listed on SSE, and all the H Shares of the Company are listed on the main board of HKEx.
- (2) Shenzhen International is a company incorporated in Bermuda with limited liability, the shares of which are listed on the main board of HKEx.
- (3) Long positions of 654,780,000 A Shares were directly held by XTC Company as beneficial owner, 411,459,887 A Shares were directly held by SGH Company as beneficial owner, and long position of 52,612,000 H Shares were directly held by Advance Great Limited as beneficial owner. All of these companies are wholly-owned subsidiaries of Shenzhen International. Pursuant to a written letter provided by Shenzhen International, Advance Great Limited actually held 58,194,000 H shares of the Company as at 31 December 2021, while 58,194,000 H Shares were indirectly held by Shenzhen International and SIHC.
- (4) SIHC indirectly held 43.48% interests in Shenzhen International. Pursuant to the Securities and Futures Ordinance, SIHC was deemed to be interested in shares of the Company owned by Shenzhen International.

Save as disclosed above, the register required to be kept under Section 336 of Part 15 of Securities and Futures Ordinance showed that the Company had not been notified of any interests or short positions in the shares or underlying shares of the Company as at 31 December 2021.

Share Capital and Shareholders

IV. Information of the Controlling Shareholder and the De-facto Controller

1. Information of the Controlling Shareholder

XTC Company, holding 30.025% shares of the Company, is the largest beneficial shareholder of the Company :

Name of shareholder	Legal representative	Date of establishment	Registered capital	Major operating management activities
Xin Tong Chan Development (Shenzhen) Company Limited	Ge Fei	8 September 1993	RMB200,000,000	Transportation information consulting, software development of transport platform software and investment in various industrial projects (specific project shall be applied separately)

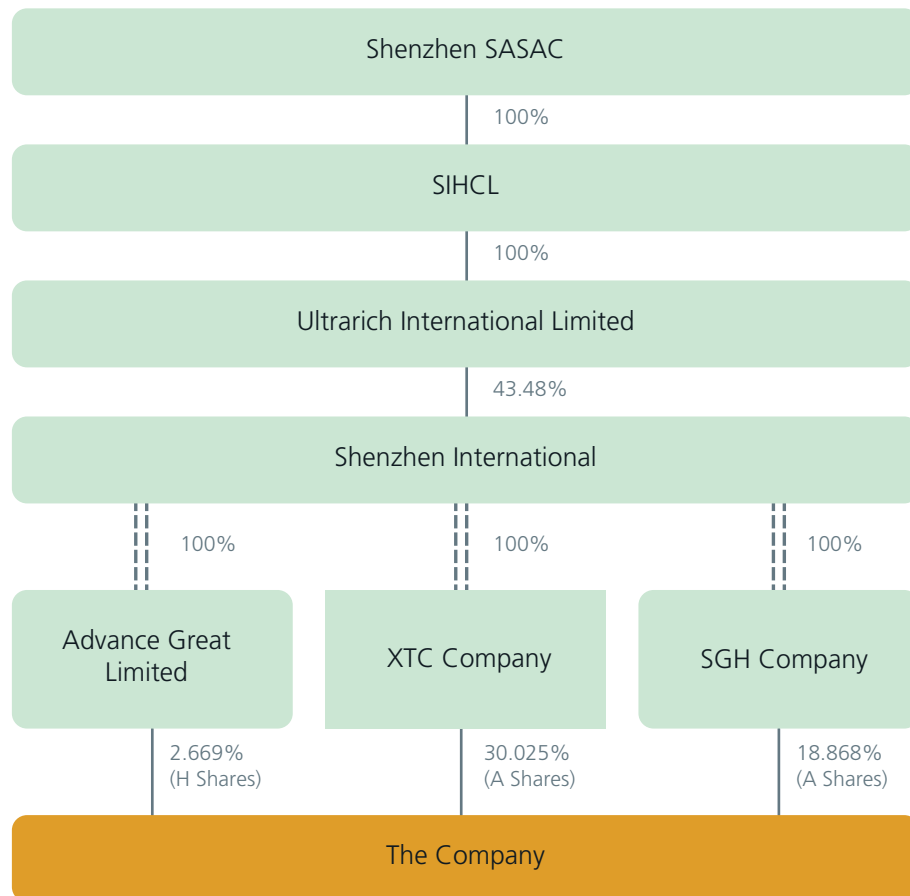
As at the end of the Reporting Period, Shenzhen International indirectly held a total of 51.561% shares of the Company by its wholly-owned subsidiaries XTC Company, SGH Company and Advance Great Limited. For details, please refer to the following "chart of ownership and relation of control between the Company and the de-facto controller".

Name	Shenzhen International Holdings Limited
Person in charge or legal representative	Li Hai Tao (Chairman of the Board)
Date of establishment	22 November 1989
Registered capital	HK\$2,266,714,438 (issued share capital)
Major operating management activities	Shenzhen International is principally engaged in investment holding. Shenzhen International and its subsidiaries are principally engaged in the investment, construction and operation of logistic infrastructure facilities, as well as providing various value-added logistic services to customers leveraging its infrastructure facilities and information services platform.
Other domestic and overseas listed company controlled or participated during the Reporting Period	N/A
Other information	Shenzhen International is listed on the main board of HKEx (Stock Code: 00152). For details and the latest information of Shenzhen International, please refer to the information disclosed on the websites of HKEx and Shenzhen International.

2. Information of the De-facto Controller

As at 31 December 2021, SIHC held 43.48% shares of Shenzhen International through its wholly-owned subsidiary Ultrarich International Limited. Shenzhen SASAC holds 100% interests in SIHCL, and performs supervision and management on SIHC.

The chart of ownership and relation of control between the Company and the de-facto controller:



V. Other Legal Person Shareholders Holding More Than 10% of the Company's Shares

As at the end of the Reporting Period, other legal person shareholders beneficially holding more than 10% shares of the Company included:

Name of shareholder	Legal representative	Date of establishment	Registered capital	Major operating management activities
Shenzhen Shen Guang Hui Highway Development Company	Yi Ai Guo	June 1993	RMB105,600,000	Road and bridge construction and investment, materials supply and marketing

Description: Based on the shareholders' registers provided by the share registrars and the transfer offices of the Company in Hong Kong and the PRC, as at the end of the Reporting Period, apart from XTC Company and SGH Company disclosed in this section, the Company has not found any other individual shareholder beneficially holding issued shares of the Company reaching 10% or more of the total share capital.

Directors, Supervisors, Senior Management and Employees

I. General Information, Change in Shareholding and Remuneration

1. General Information of Directors, Supervisors and Senior Management in Office as at the End of the Period and whom had Left Office During the Period

1.1 General Information of Directors, Supervisors and Senior Management in Office as at the End of the Reporting Period

Name	Title (as at the end of the Reporting Period)	Sex	Age	Commencement of the term of office of this session ⁽⁶⁾	End of the term of office of this session
Hu Wei	Chairman of the Board	Male	59	Jan 2015	Dec 2023
Liao Xiang Wen	Executive Director	Male	53	Nov 2016	Dec 2023
Liao Xiang Wen (concurrent position)	President	Male	53	Sep 2018	Dec 2023
Wang Zeng Jin	Executive Director	Male	51	Jun 2020	Dec 2023
Wen Liang	Executive Director	Male	48	Mar 2019	Dec 2023
Wen Liang (concurrent position)	Financial Controller	Male	48	Sep 2018	Dec 2023
Dai Jing Ming	Non-executive Director	Male	57	Jan 2021	Dec 2023
Li Xiao Yan	Non-executive Director	Female	44	Jan 2021	Dec 2023
Chen Hai Shan	Non-executive Director	Female	55	Jan 2021	Dec 2023
Bai Hua	Independent Director	Male	52	Feb 2018	Dec 2023
Li Fei Long	Independent Director	Male	57	Jan 2021	Dec 2023
Miao Jun ⁽³⁾	Independent Director	Male	64	May 2021	Dec 2023
Xu Hua Xiang ⁽⁴⁾	Independent Director	Male	45	May 2021	Dec 2023
Lin Ji Tong	Chairman of the Supervisory Committee	Male	52	Jun 2020	Dec 2023
Wang Chao	Supervisor	Male	49	Jan 2021	Dec 2023
Ye Hui Hui	Supervisor	Female	45	Jan 2021	Dec 2023
Gong Tao Tao	Vice President	Female	48	Aug 2019	Dec 2023
Huang Bi Nan	Vice President	Female	50	Sep 2015	Dec 2023
Wen Po Wei	Vice President	Male	48	Sep 2015	Dec 2023
Wen De Liang	Vice President	Male	39	Dec 2021	Dec 2023
Du Meng	Vice President	Male	47	Dec 2021	Dec 2023
Zhao Gui Ping	Chief Financial Officer	Female	48	Sep 2018	Dec 2023
Chen Shou Yi	Chief Engineer	Male	50	Sep 2018	Dec 2023

1.2 General Information and Changes in Duties of Directors, Supervisors and Senior Management whom had Left Office During the Period

Name	Title (before leaving office)	Sex	Age	Commencement of the term of office of this session ⁽⁶⁾	The leaving date
Wan Sil Wah Wilson ⁽⁷⁾	Independent Director	Male	59	Jan 2018	Jan 2021
Chen Zhi Sheng ⁽¹⁾	Non-executive Director	Male	60	Sep 2020	Mar 2021
Chen Xiao Lu ⁽²⁾	Independent Director	Female	46	Jan 2018	May 2021
Gong Tao Tao ⁽⁵⁾	Vice President	Female	48	Sep 2018	Dec 2021
Wang Zeng Jin ⁽⁵⁾	Vice President	Male	56	Sep 2015	Dec 2021

Note:

- (1) The Company received a written resignation report submitted by Mr. Chen Zhi Sheng on 12 March 2021, and his resignation took effect immediately.
- (2) The Company received a written resignation report submitted by Ms. Chen Xiao Lu on 25 February 2021, and her resignation took effect from the appointment of new independent directors at the General Meeting hold on 17 May 2021.
- (3) At the General Meeting hold on 17 May 2021, Mr. Miao Jun, was appointed as Independent Director of the ninth session of the Board, the term of office is from 17 May 2021 to 31 December 2023.
- (4) At the General Meeting hold on 17 May 2021, Mr. Xu Hua Xiang, was appointed as Independent Director of the ninth session of the Board, the term of office is from 17 May 2021 to 31 December 2023.
- (5) The term of office of Ms. Gong Tao Tao and Mr. Sun Ce as Vice Presidents has expired. Ms. Huang Bi Nan, Mr. Wen Po Wei, Mr. Wen De Liang (文德良) and Mr. Du Meng (杜猛) were re-appointed/appointed as Vice Presidents of the Company upon approval of the 14th meeting of the ninth session of the Board held on 7 December 2021.
- (6) The commencement of the term of office refers to the commencement of the position listed on the chart, for details of other positions, please refer to point 3 below.
- (7) Mr. Wan Siu Wah Wilson passed away on 8 January 2021.
- (8) Regarding the appointment, hiring, resignation and leaving of directors, supervisors and senior management, the Company has issued announcements in a timely manner. For details, please refer to relevant announcements.

Directors, Supervisors, Senior Management and Employees

2. Interests and Remuneration of Directors, Supervisors and Senior Management in Office as at the End of the Period and Left Office During the Period

Unit: RMB ten thousand (before tax)

Name	Whether hold or trade shares of the Company	Remuneration receivable from the Company during the Reporting Period				Whether receive remuneration from related parties during the Period
		Salary	Statutory benefits	Fee and/or meeting subsidies	Total	
Hu Wei	Yes	95.00	21.99	N/A	116.99	No
Liao Xiang Wen	No	117.14	23.26	N/A	140.40	No
Wang Zeng Jin	No	104.66	22.15	N/A	126.81	No
Wen Liang	No	N/A	N/A	N/A	0.00	Yes
Dai Jing Ming	No	N/A	N/A	N/A	0.00	Yes
Li Xiao Yan	No	N/A	N/A	N/A	0.00	Yes
Chen Hai Shan	No	N/A	N/A	1.75	1.75	Yes
Bai Hua	No	N/A	N/A	25.35	25.35	No
Li Fei Long	No	N/A	N/A	25.65	25.65	Yes
Miao Jun	No	N/A	N/A	16.23	16.23	No
Xu Hua Xiang	No	N/A	N/A	16.03	16.03	Yes
Lin Ji Tong	No	N/A	N/A	N/A	0.00	Yes
Wang Chao	No	N/A	N/A	N/A	0.00	No
Ye Hui Hui	No	44.04	15.97	1.45	61.47	No
Gong Tao Tao	No	104.66	23.24	N/A	127.90	No
Huang Bi Nan	No	102.58	21.81	N/A	124.39	No
Wen Po Wei	No	102.58	22.52	N/A	125.10	No
Wen De Liang	No	8.46	1.70	N/A	10.17	No
Du Meng	No	8.46	1.80	N/A	10.26	No
Zhao Gui Ping	No	100.50	20.94	N/A	121.44	No
Chen Shou Yi	No	100.50	22.20	N/A	122.70	No
Wan Sil Wah Wilson	No	N/A	N/A	N/A	N/A	N/A
Chen Zhi Sheng (resigned)	No	N/A	N/A	0.10	0.10	Yes
Chen Xiao Lu (resigned)	No	N/A	N/A	9.28	9.28	No
Sun Ce (resigned)	No	94.03	20.03	N/A	114.06	No
Total	/	/	/	/	1,296.08	/

Notes:


- (1) Remuneration includes fixed salary and performance bonus. The 2021 senior management performance bonus in the above table has not yet been released. The above figure was estimated and summarized in accordance with the applicable rules of annual bonus for 2020, and the final actual amount to be released to the senior management shall prevail. Statutory benefits including the contributions to social retirement insurance, other kinds of social insurance, the supplemental retirement scheme, the housing allowances.
- (2) Director Wen Liang and Supervisor Lin Ji Tong get paid in related parties of the Company.
- (3) Director Hu Wei did not hold Shares of the Company at the beginning of the year until he purchased 200,000 H Shares of the Company on 26 March 2021. Mr. Hu holds 200,000 H Shares of the Company at the end of the year.
- (4) Directors Li Xiao Yan, Chen Hai Shan, Li Fei Long and Xu Hua Xiang get paid in related parties, and such related parties, has no relationship with the substantial shareholder of the Company.
- (5) The remunerations in the above table do not include ① the 2020 security risk mortgage bonus of RMB72,000, RMB72,000, RMB72,000, RMB50,000, RMB72,000, RMB50,000, RMB72,000 · RMB50,000 · RMB50,000 and RMB50,000 received by Directors Hu Wei, Liao Xiang Wen, Wang Zeng Jin, Wen Liang and Senior Management Huang Bi Nan, Wen Po Wei, Gong Tao Tao, Sun Ce, Zhao Gui Ping and Chen Shou Yi in 2021; ② the 2020 performance bonus of RMB700,000, RMB268,000, RMB120,000, RMB632,000, RMB308,000 and RMB228,000 which was releasable in 2020 and received by Director Hu Wei, Liao Xiang Wen, Wen Liang and Senior Management Wen Po Wei, Gong Tao Tao and Zhao Gui Ping in 2021; ③ Directors Hu Wei, Liao Xiang Wen and Senior Management Huang Bi Nan, Wen Po Wei, Gong Tao Tao, Zhao Gui Ping and Chen Shou Yi received RMB500,000, RMB300,000, RMB300,000, RMB150,000, RMB300,000, RMB300,000 and RMB150,000 for the 2020 Special contribution bonus in 2021; ④The above-mentioned bonuses are pre-tax.

For the information on the remuneration policies of the Directors/Supervisors of the Company, remuneration and benefits policies and performance evaluation and incentive system of the Company, please refer to point III below.




3. Biography of the Directors, Supervisors and Senior Management

The resumes of the Director, Supervisor and Senior Management in Office as at the End of the Reporting Period:

The Board:

Name	Position in the Company	Resume
HU Wei 	<i>Executive Director/Chairman,</i> Chairman of Strategic Committee, Member of Nomination Committee. Director since Jan 2012, Chairman since Jan 2015.	Born in 1962. 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 is mainly responsible for taking charge and coordinating the operation of the Board, providing leadership in the Board to set the Group's overall development strategies and directions and to achieve the Group's goals, ensuring effective operation of the Board and assuring good corporate governance practices and procedures for the Company. Mr. Hu worked in China Everbright Bank from October 2001 to August 2011, and has successively served as a Vice President and a Director of Shenzhen International (Hong Kong listed company) since August 2011 until now. Mr. Hu joined the Company in January 2015. He has been the Chairman and Secretary of the Party Committee of the Company, concurrently, Mr. Hu holds directorship in some subsidiaries of the Company, including the Chairman of Bay Area Development (a Hong Kong-listed company) from December 2021.

Directors, Supervisors, Senior Management and Employees




Name	Position in the Company	Resume
<p>LIAO Xiang Wen</p> 	<p><i>Executive Director, President,</i> Member of Strategic Committee, Member of Risk Management Committee.</p> <p>Director since Nov 2016, President since Sep 2018.</p>	<p>Born in 1968. Mr. Liao has extensive experience in toll highway management, human resources, and legal affairs management. Mr. Liao is mainly responsible for coordinating and managing the Group's business and operation, implementing the strategies laid down by the Board and making day-to-day operating decisions.</p> <p>Mr. Liao joined the Company in November 2004 and served as a Vice President from September 2009 to September 2018. He has been the President since September 2018. Mr. Liao holds directorship in some subsidiaries and investment enterprises of the Company.</p>
<p>WANG Zeng Jin</p> 	<p><i>Executive Director,</i> Member of Risk Management Committee.</p> <p>Director since Jun 2020.</p>	<p>Born in 1970. Mr. Wang has more than 20 years' experiences in human resource management and corporate management. Mr. Wang is mainly responsible for coordination and management of general administrative affairs, Party building, development of corporate culture, development of Trade Union Organisation and human resources affairs of the Company.</p> <p>Mr. Wang joined Shenzhen International (a Hong Kong listed company) in October 2004 and had been the secretary to the chairman and the general manager of Human Resources Department successively. Mr. Wang had been a Director of the Company from January 2015 to December 2017 and a Supervisor of the Company from January 2018 to June 2020. Mr. Wang has been an executive Director of the Company since June 2020. Mr. Wang had been the Secretary of Disciplinary Committee of the Company and is currently also the Deputy Secretary of the Party Committee of the Company and director of certain subsidiaries of the Company.</p>
<p>WEN Liang</p> 	<p><i>Executive Director, Financial Controller,</i> Member of Risk Management Committee.</p> <p>Director since Mar 2019, Financial Controller since Sep 2018.</p>	<p>Born in 1973, Mr. Wen has extensive experience in finance and auditing management. Mr. Wen is mainly responsible for coordination and management of financial monitoring, internal control and internal auditing affairs. Mr. Wen takes the lead in charge of the Company's asset evaluation and filing work.</p> <p>Mr. Wen successively served as the head of budget control office and auditing department of Shenzhen Water (Group) Co., Ltd. from 1996 to September 2018 and concurrently served as director and supervisor of some of its subsidiaries. Mr. Wen has also been concurrently served as supervisor of Shenzhen Yantian Port Group Holdings Limited since February 2017 until now. Mr. Wen joined the Company in September 2018 and served as the Financial Controller. He has served as a Director of the Company since March 2019 and holds directorship in investment enterprises of the Company.</p>

Name	Position in the Company	Resume
<p data-bbox="295 441 414 470">DAI Jing Ming</p> 	<p data-bbox="558 441 845 491"><i>Non-executive Director,</i> 戰Member of Strategic Committee.</p> <p data-bbox="558 506 758 534">Director since Jan 2021.</p>	<p data-bbox="1005 441 1498 491">Born in 1964, Mr. Dai has extensive experiences in corporate finance, investment and management.</p> <p data-bbox="1005 506 1498 642">Mr. Dai has successively served in Shum Yip Investment Development Co., Ltd. and Shum Yip Group Limited, etc.. He joined Shenzhen International (a Hong Kong listed company) and served as the chief financial officer in August 2017, and has served as an executive director of Shenzhen International since September 2020.</p>
<p data-bbox="295 743 391 771">LI Xiao Yan</p> 	<p data-bbox="558 743 869 819"><i>Non-executive Director,</i> Member of Audit Committee, Member of Remuneration Committee.</p> <p data-bbox="558 830 758 858">Director since Jan 2021.</p>	<p data-bbox="1005 743 1498 819">Born in 1977, Ms. Li has extensive working experience in financial management, corporate management, and investment and financing management.</p> <p data-bbox="1005 830 1498 991">Ms. Li worked in SinoTrans Group from August 2001 to March 2020. She served as the chief financial officer of a business division, general manager of the finance department, and a member of the disciplinary committee of SinoTrans Limited (a company listed in Hong Kong and the PRC). She has served as the deputy chief financial officer of CMET (a PRC listed company) since April 2020.</p>
<p data-bbox="295 1045 422 1073">CHEN Hai Shan</p> 	<p data-bbox="558 1045 901 1099"><i>Non-executive Director,</i> Member of Risk Management Committee.</p> <p data-bbox="558 1110 758 1138">Director since Jan 2021.</p>	<p data-bbox="1005 1045 1498 1121">Born in 1966, Ms. Chen has extensive experience in corporate management, investment and legal management.</p> <p data-bbox="1005 1131 1498 1315">Ms. Chen has served in Guangdong Provincial Highway Design Institute, Guangdong Provincial Highway Construction Company, Guangdong Guanyue Road and Bridge Co., Ltd., Guangzhou-Shenzhen-Zhuhai Expressway Co., Ltd. and Guangdong Western Coastal Expressway Zhuhai Section Co., Ltd. etc. She has served as a member of the party committee and a deputy general manager of GDRB since March 2015.</p>
<p data-bbox="295 1347 367 1375">BAI Hua</p> 	<p data-bbox="558 1347 869 1466"><i>Independent Director,</i> Chairman of Audit Committee, Member of Remuneration Committee, Member of Nomination Committee.</p> <p data-bbox="558 1476 861 1504">Independent Director since Feb 2018.</p>	<p data-bbox="1005 1347 1498 1422">Born in 1969, Mr. Bai has extensive research and practical experience in auditing and internal control.</p> <p data-bbox="1005 1433 1498 1763">Mr. Bai has worked in the Department of Accounting of Jinan University since October 2003 and now serves as a professor and doctoral tutor of the Department of Accounting of Jinan University. Mr. Bai served as an independent director of Guangdong Mingjia United Mobile Technology Co., Ltd. (a PRC listed company), Guangzhou Yichang Technology Co., Ltd. (a PRC listed company) and Yipinhong Pharmaceutical Co., Ltd. (a PRC listed company). Mr. Bai is currently an executive of Guangdong Audit Association and an independent director of Skyworth Group Co., Ltd. (a PRC listed company), Guangzhou Improve Medical Instruments Co., Ltd (a PRC listed company), Livzon Pharmaceutical Group Inc. (a company listed in Hong Kong and PRC) and Guangdong Hongxing Industrial Co., Ltd.</p>

Directors, Supervisors, Senior Management and Employees




Name	Position in the Company	Resume
<p>LI Fei Long</p> 	<p><i>Independent Director,</i> Chairman of Remuneration Committee, Chairman of Nomination Committee. Member of Strategic Committee. Member of Audit Committee.</p> <p>Independent Director since Jan 2021</p>	<p>Born in 1964, Mr. Li has extensive experience in financial management, capital operation, investment and financing management, as well as experience in energy industry.</p> <p>Mr. Li worked in China National Offshore Oil Company, and served as an executive director, executive vice president and chief financial officer of China Oilfield Services Limited (a company listed in Hong Kong and the PRC) from September 2010 to February 2018. He served as the vice president and chief financial officer of POLY-GCL Petroleum Group Holdings Limited from March 2018 to October 2019. He served as the deputy general manager and the chief financial officer of Beijing JJC Petroleum Equipment Co., Ltd. since March 2021, and as a director and the chairman of the audit and risk committee of Newage (African Global Energy) Ltd. in the United Kingdom since November 2019, and a director of iRock Technologies Co., Ltd. since October 2021.</p>
<p>MIAO Jun</p> 	<p><i>Independent Director,</i> Member of Strategic Committee, Member of Audit Committee, Member of Nomination Committee.</p> <p>Independent Director since May 2021.</p>	<p>Born in 1957, Mr. Miao has extensive experience in power and energy management.</p> <p>Mr. Miao has worked in the Ministry of Water Resources and Electric Power, the Planning Department of the Ministry of Energy, and China Longyuan Power Group Corporation Limited (a Hong Kong listed company). He successively served as the chief economist, deputy general manager and member of the Party Group in GD Power Development Co., Ltd (a PRC listed company) from 2000 to 2017. Mr. Miao retired in July 2017.</p>
<p>XU Hua Xiang</p> 	<p><i>Independent Director,</i> Chairman of Risk Management Committee, Member of Remuneration Committee.</p> <p>Independent Director since May 2021.</p>	<p>Born in 1976, Mr. Xu has extensive experience in financial investment and financing management.</p> <p>Mr. Xu worked in Shanghai Ruian Consulting Co., Ltd.. He successively served as vice president, executive director, and head of transportation research in the Asia-Pacific region of Morgan Stanley Asia Co., Ltd. from June 2004 to June 2019. Mr. Xu has joined Ehang Holdings Limited (a company listed on NASDAQ, USA) as the chief strategy officer in July 2019.</p>

The Member of Ninth Session of Supervisory Committee:

Name	Position in the Company	Resume
<p data-bbox="295 485 391 517">LIN Ji Tong</p> 	<p data-bbox="558 485 893 517"><i>(Shareholders' representative) Supervisor.</i></p> <p data-bbox="558 528 981 560">Chairman of Supervisory Committee since Jun 2020.</p>	<p data-bbox="1005 485 1498 603">Born in 1969, Mr. Lin has extensive working experience in the Communist party and disciplinary inspection and supervision. Mr. Lin is mainly responsible for the overall management of the Company's disciplinary supervision and integrity building.</p> <p data-bbox="1005 614 1498 1013">Mr. Lin has worked as the head of the People's Court of Rongcheng District of Jieyang City and the Rongcheng District Committee of Jieyang City. He successively served as deputy secretary of the party working committee of Guangming Office and the director of the Land Supervision Bureau of Guangming New District of Shenzhen from August 2008 to September 2016. He worked as the deputy general manager of a subsidiary of Shenzhen International (a Hong Kong listed company), the head of the discipline inspection and supervision office and the deputy secretary of the disciplinary committee of Shenzhen International successively from September 2016 to April 2020. Mr. Lin has served as the Secretary of the Disciplinary Committee of the Company since May 2020 and the Chairman of the Supervisory Committee of the Company since June 2020. Mr. Lin holds directorship in investment enterprises of the Company.</p>
<p data-bbox="295 1034 406 1067">WANG Chao</p> 	<p data-bbox="558 1034 893 1067"><i>(Shareholders' representative) Supervisor.</i></p> <p data-bbox="558 1078 774 1110">Supervisor since Jan 2021.</p>	<p data-bbox="1005 1034 1498 1088">Born in 1972, Mr. Wang has extensive working experience in finance, auditing, and risk management.</p> <p data-bbox="1005 1099 1498 1325">Mr. Wang has worked in Shenzhen Baoheng (Group) Co., Ltd. and COFCO Real Estate (Group) Co., Ltd. He served as department head and deputy minister in Shenzhen Investment Holdings Co., Ltd. from June 2008 to November 2016, and the head and minister of the financial department of Shenzhen Talents Housing Group Co., Ltd. from November 2016 to November 2020. He has served as a director and chief financial officer of Shenzhen Tagen Group Co., Ltd. (a PRC listed company) since November 2020.</p>
<p data-bbox="295 1347 391 1379">YE Hui Hui</p> 	<p data-bbox="558 1347 821 1379"><i>(Staff representative) Supervisor.</i></p> <p data-bbox="558 1390 774 1422">Supervisor since Jan 2021.</p>	<p data-bbox="1005 1347 1498 1379">Born in 1976, Ms. Ye has years of auditing experience.</p> <p data-bbox="1005 1390 1498 1584">Ms. Ye taught in the department of economics and management of Guangdong Shaoguan University. She joined the Company in November 2001 and has served as a senior manager of the standards management department, senior manager of the Board secretary department, and senior auditor of the audit department. She is currently the senior manager of risk management and legal department of the Company.</p>

Directors, Supervisors, Senior Management and Employees

Non-director Senior Management and Joint Company Secretaries:

Name	Position in the Company	Resume
<p>GONG Tao Tao</p> 	<p>Secretary of the Board, Joint Company Secretary ^{note}.</p> <p>Details are set out in the resume in the right column.</p> <p>Note : No longer serve as secretary of the Board and Joint Company Secretary since 10 March 2022.</p>	<p>Born in 1973. Ms. Gong has many years' experiences in finance, accounting, capital operation and risk management. As vice president, Ms. Gong was mainly responsible for investment planning and implementation of new energy industry projects, operation business and industrial financial management, and took the lead in the capital operation of the company. As secretary of the board of directors, Ms. Gong was mainly responsible for information disclosure, corporate governance and investor relations.</p> <p>Ms. Gong joined the Company in 1999, and served as the Financial Controller from November 2002 to August 2018, the Vice President of the Company from September 2018 to December 2021 and the Executive Director of the Company from January 2018 to September 2018. She has served as the Secretary to the Board of the Company and a Joint Company Secretary since August 2019. Ms. Gong holds directorship in investment enterprises of the Company.</p>
<p>HUANG Bi Nan</p> 	<p><i>Vice President.</i></p> <p>Details are set out in the resume in the right column.</p>	<p>Born in 1971. Ms. Huang has many years' experience in management system and development of corporate culture. Ms. Huang is mainly responsible for overall management of the Company's industrial policy, operation business of roads of the Company, business innovation, collaborative business, property right management and operation plan management of the enterprises invested by the Company, and performance appraisal.</p> <p>Ms. Huang joined the Company in 1997 and had been the Office Administrator of the Company since June 2008. She has been a Vice President since September 2015, and concurrently serves as Chairman, Vice Chairman and Director of some subsidiaries and joint companies of the Company.</p>
<p>WEN Po Wei</p> 	<p><i>Vice President.</i></p> <p>Details are set out in the resume in the right column.</p>	<p>Born in 1973. Mr. Wen has many years of experience in highway operation management and project investment management. Mr. Wen is mainly responsible for coordination and management of the Company's strategic affairs, investment business and property rights changes.</p> <p>Mr. Wen served as the general manager of the strategy and investment development department of Shenzhen International as well as the deputy general manager of a number of subsidiaries from April 2008 to August 2015. Mr. Wen joined the Company in 2015 and has been a Vice President since September 2015. He concurrently serves as Chairman of some subsidiaries of the Company and Director of some enterprises invested by the Company.</p>

Name

WEN De Liang

**Position in the Company***Vice President.*

Details are set out in the resume in the right column.

Resume

Born in 1982. Mr. Wen has many years' experience in management system and development of corporate culture. Mr. Wen is mainly responsible for overall management of the Company's financial business and new energy business.

Mr. Wen has worked in Shenzhen Total Logistics Services Co. Ltd., Shenzhen International South-China Logistics Co., Ltd. and Shenzhen International. He joined the Company in June 2015 and has successively served as the Deputy General Manager of new industry research and development department and Deputy Office Administrator of the Company. Mr. Wen has served as the Office Administrator of the Company since August 2016 and as the Vice President of the Company since December 2021. Mr. Wen concurrently serves as the Chairman, Vice Chairman and Director of some subsidiaries of the Company.

DU Meng

*Vice President.*

Details are set out in the resume in the right column.

Born in 1974. Mr. Du has many years of experience in project management and development management. Currently, Mr. Du is mainly responsible for coordinating and managing the project construction of the Company.

Mr. Du joined the Company in 2002, and had served as deputy general project manager, general manager of the project management department, deputy general manager of engineering department, deputy general manager of Shenzhen Expressway Construction Development Company Limited. Mr. Du has successively served as general manager and chairman of Shenzhen Expressway Infrastructure and Environmental Protection Development Co., Ltd since November 2017. Mr. Du has been the Vice President of the Company since December 2021 and concurrently serves as the chairman of some subsidiaries of the Company.

Zhao Gui Ping

*Chief Financial Officer^{note}.*

Details are set out in the resume in the right column.

Note: served as secretary of the board of directors and Joint Company Secretary since 10 March 2022.

Born in 1973, Ms. Zhao has extensive experience in finance, auditing and corporate management. Ms. Zhao is mainly responsible for coordination of financing and funding of the Company, including but not limited to, financial budgets, financial reporting and information, financial incomes and expenses, tax and equity and debt financing as well as capital management.

Ms. Zhao joined the Company in 2000 and served successively as assistant manager of finance department, deputy general manager of finance department and financial controller of Shenzhen Expressway Investment Company Limited. She served as the general manager of finance department of the Company from December 2016 to March 2020. Ms. Zhao has been the Chief Financial Officer of the Company since September 2018 and concurrently serves as chairman and director of some subsidiaries of the Company.

Directors, Supervisors, Senior Management and Employees

Name

Chen Shou Yi



Position in the Company

Chief Engineer.

Details are set out in the resume in the right column.

Resume

Born in 1971, Mr. Chen has extensive experience in project construction and management. Mr. Chen is mainly responsible for coordination of technology, safety production and information development of the Company.

Mr. Chen served as the General Manager of Shenzhen Longda Expressway Company Limited from 2008 to 2015. Mr. Chen joined the Company in 2015 and successively served as general manager of engineer department and chairman of Shenzhen Expressway Construction Development Company Limited. Mr. Chen has been the Chief Engineer of the Company since September 2018.

LAM Yuen Ling Eva



Joint Company Secretary.

Details are set out in the resume in the right column.

Born in 1966. Ms. Lam has over 20 years of experience in company secretarial services and commercial solutions. Ms. Lam is a fellow of both The Hong Kong Institute of Chartered Secretaries and The Institute of Chartered Secretaries and Administrators.

Ms. Lam is currently a director of BMI Listed Corporate Services Limited and is responsible for supervising the company secretarial teams to provide full range of listed and private company secretarial services to clients. She has been the Joint Company Secretary from January 2016 to January 2019 and since August 2019.

II. Major Position held by the Directors, Supervisors and Senior Management Hold

1. Positions in Shareholders' Entities

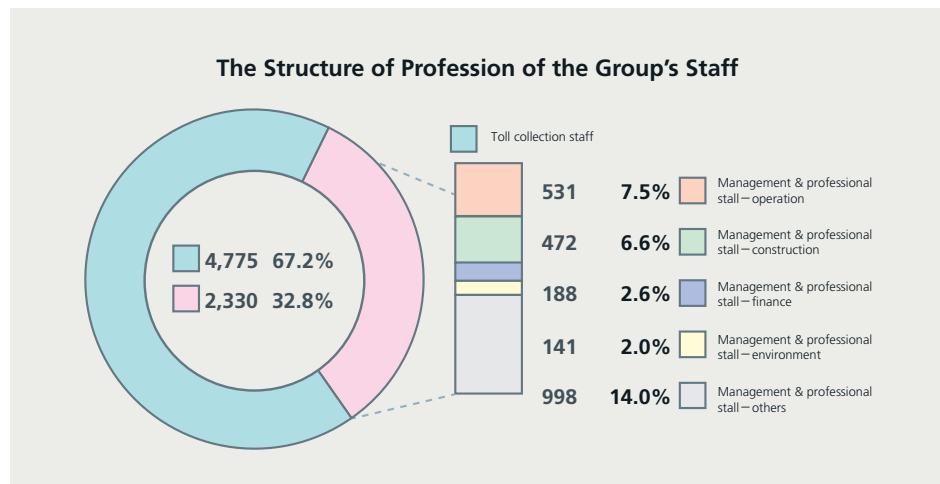
Name	Name of shareholder entity	Position	Term
Hu Wei	XTC Company	Director	Oct 2012 – Now
	Shenzhen International	Director	May 2017- Now
Dai Jing Ming	Shenzhen International	Executive Director	Sep 2020 – Now
		Financial Controller	Aug 2017 – Now
Li Xiao Yan	CMET	Deputy Financial Controller	Apr 2020 – Now
Chen Hai Shan	GDRB Company	Deputy General Manager	Mar 2015 – Now
The description of position in shareholder entities	In addition to abovementioned main positions in shareholders entities, Director Hu Wei, Li Xiao Yan, Chen Hai Shan and Supervisor Wang Chao are also concurrently serving as a Chairman/Director or Supervisor in some subsidiaries or investee companies of the relevant shareholders entities.		

III. Basic Information of Employees and Human Resource Management

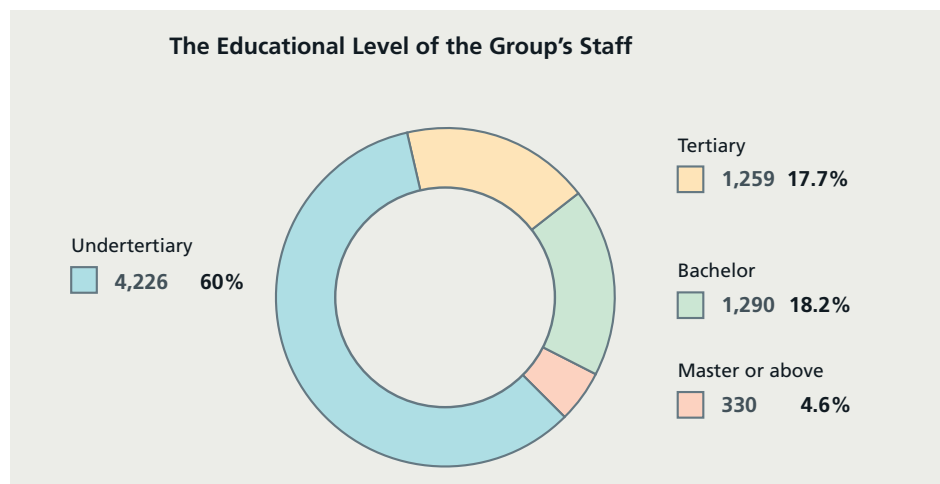
1. Basic Information of Employees :

Amount of employees in the parent company	190
Amount of employees in main subsidiaries	6,915
The total amount of employees	7,105
Amount of retired employee for whom the parent company and main subsidiaries shall bear retirement costs	0

At the end of the Reporting Period, among the employees of the Group (including the Company and its consolidated subsidiaries) 4,775 were frontline staff, representing 67.2% of total number, while 2,330 were management and professional staff, including staff of operation, engineering, finance, environment and other series, representing 32.8% of the total number. The structure of profession of the Group's staff is as follows:



Among the employees of the Group, 40% held tertiary or above qualifications, of which 92% of the management and professional staff held tertiary or above qualifications. The educational level of the Group's staff is as follows:



Directors, Supervisors, Senior Management and Employees

2. Remuneration Policies

Remuneration Policies of the Directors/Supervisors :

The remuneration of the Directors and the Supervisors of the Company are determined in accordance with the relevant PRC policies/regulations with reference to prevailing market conditions and the Company's actual situation, subject to approval at the general meeting upon review by the Board and the Supervisory Committee respectively. The Remuneration Committee is responsible for advising the Board on formulating the proposals in respect of the Directors' remuneration during the Reporting Period.

According to the proposed plans approved by the general meeting, Independent Directors and Directors who were not nominated by the shareholders of the Company would receive Directors' fees, and the Company would not separately determine or pay any additional fees to the Directors and the Supervisors who are entitled to receive management salary in the Company or shareholder entities. All Directors and Supervisors are entitled to obtain meeting subsidy for the meetings as stipulated. During the Period, the proposal for the remuneration of the members of the Board and the Supervisory Committee was strictly implemented as approved by the general meeting.

Remuneration and Benefits Policies :

The remuneration and benefit policies of the Company were implemented pursuant to the statutory requirements and the Management Procedures for Remuneration and Benefits (《薪酬福利管理程序》) of the Company. The remuneration and benefits of the staff include position salary, the performance bonus and the statutory and corporate welfares and are determined by the market value of the position and the comprehensive performance of staff on the principle of "salary based on the position and changed with the position", with strategy-oriented, market-oriented and performance-oriented objectives, taking into account of both internal and external fairness.

Pursuant to statutory requirements, the Group has participated in an employee retirement scheme organised by the local government authorities (social pension insurance) and the housing provident fund plan, and has adopted various protection plans such as medical insurance, work injury insurance, unemployment insurance, and maternity insurance for its employees. According to the relevant regulations, the Group is required to pay contributions equivalent to a certain percentage of the employee's aggregate salary (subject to the required maximum cap) to the labour and social security authorities management centre as social insurance contributions for items such as pension and medical insurance expenses. Moreover, the Company has made regular enterprise annuity payments (supplemental pension insurance) for its management personnel and key technical staff members. As at 31 December 2021, the Group has a total of 55 retired staff. The registration procedures in relation to their retirement have been completed through Shenzhen or local social security authorities, concurrently the company provides a free physical examination and important festivals sympathy to retirees every year. For details of the remuneration and benefits for employees during the Reporting Period, please refer to note III\29 and III\ 38 to the Financial Statements in this annual report.

The Company's Executive Directors, senior management and the staff representative Supervisor received management salary based on their specific management positions in the Company. The remuneration of senior management includes fixed salaries and performance bonuses, of which performance bonuses are calculated based on how the annual performance targets are met by them, and are proposed or reviewed by the Remuneration Committee.

Performance Evaluation and Incentive System :

The Board determines the Company's annual operating performance targets at each year and sets out clear and concrete rating criteria as the basis for year-end appraisals on the overall performance of the Executive Directors and the management of the Company. During 2021, the Company determined its key performance targets in four aspects, namely finance, customers, internal process and learning and maturity, and included ten key goals, namely the return on shareholders' equity, net profit, operating revenue, profit to cost ratio, customers' satisfaction, project construction and project investment, key work promotion, safety production and material risk control, Party building and discipline inspection and employees' satisfaction.

Based on the operating performance targets approved by the Board, the Company is required to determine the annual tasks and targets for staff members of all ranks, segregate and delegate the Company's objectives to the relevant departments and staff. Meanwhile, senior management members are also required to sign accountability statements on their performance targets with the President. By the end of the year, the Board and the President will determine the overall performance score of the Company and individual performance scores of the senior management members with reference to the state of completion of the Company's and individual performance targets, and calculate the performance bonuses for the Executive Directors and other senior management members accordingly. The remuneration of all senior management members is subject to review by the Remuneration Committee and are required to be reported to the Board.

3. Staff Training

The Company values staff training and has established the training system based on job competency. At the beginning of each year, according to the actual needs of the businesses and staff, the Company formulates the training plan to guide the training work of the year, with summary and review conducted at the end of the year. In 2021, the Company and its departments have organised 10 training sessions, which covered all business segments of the Company, including general management, operating management and professional skills. The training hours totalled 6,847 hours, with 689 person-times participation. The Company has also organised 30 outbound programs for employees, covering the topics such as project cost, tendering and procurement and Industry Forums. The training hours totalled 4,767 hours, with 136 person-times participation. In addition, in order to meet the growing demand for cross-regional training within the Company and fulfil full coverage training for all employees, the Company introduced its first mobile learning platform, on which various series of campaigns such as live courses and knowledge quizzes were launched. During the reporting period, the Company has organised 45 live online courses for employees, accounting for 61 hours of live broadcast and involving 7,648 person-times on live.

CORPORATE GOVERNANCE

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Corporate Governance Summary

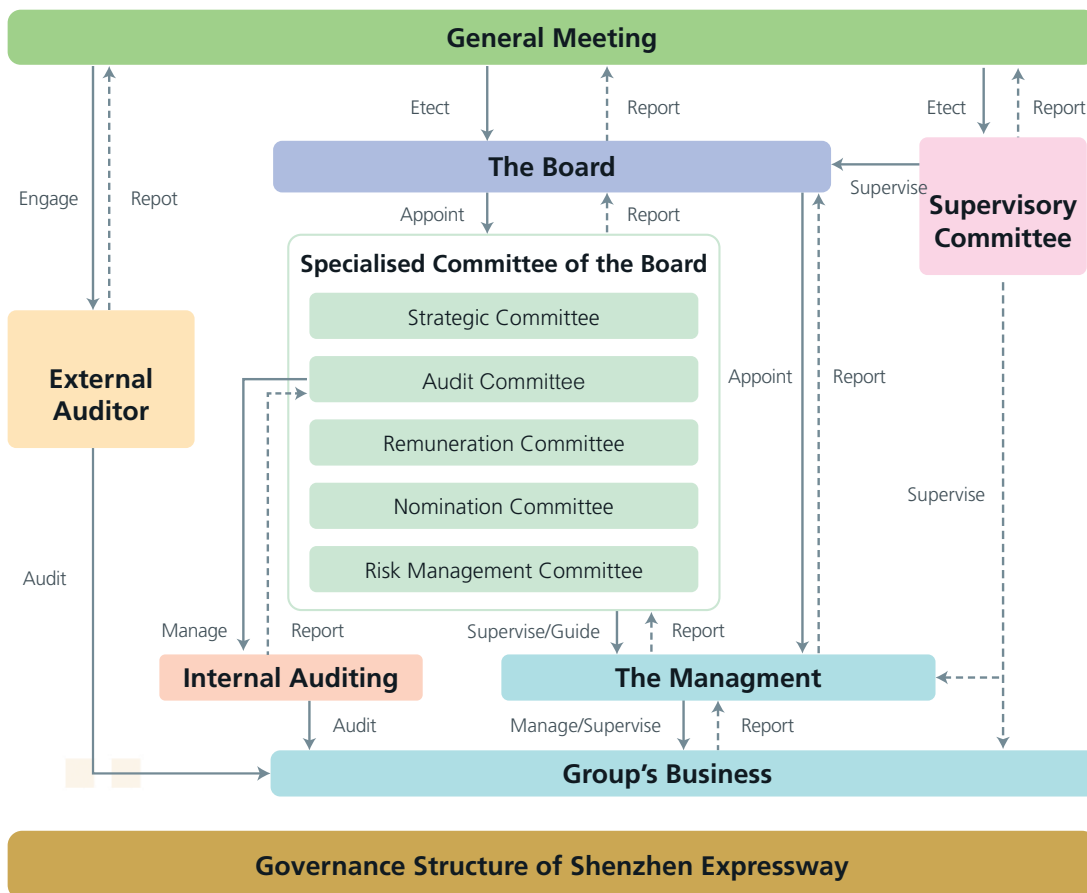
I. Description of the Overall Corporate Governance

Sound corporate governance enables the Company to achieve healthy and stable development. The Company has always been committed to perfecting its governance structure, establishing and improving operational principles and improving the effectiveness of governance continuously.

The Company is listed on both SSE and HKEx that it must comply with the applicable laws and regulatory requirements for securities regarding the practice of corporate governance of both places. During the Reporting Period, the Company complied with the "Company Law" and relevant requirements issued by the CSRC and have also fully adopted all the code provisions of the "Corporate Governance Code" set out in Appendix 14 of the Listing Rules of HKEx and there was no material deviation or breach of such code provisions. The Company strives to implement better corporate governance practice and has adopted more stringent requirements than the code provisions under the "Corporate Governance Code" in certain aspects. Please refer to "Corporate Governance Report" in this annual report for details of the compliance with the "Corporate Governance Code".

II. Corporate Governance Structure and Rules

The Company has set up a corporate governance structure which comprises the general meeting, the Board, the Supervisory Committee and the management. It has formulated multi-tier governance rules based on "the Articles of Association", covering overall policies, principles and standards on corporate governance, compliance and code of conduct, aiming to clearly define the duties, scope of authority and code of conduct of various parties.



The key documents of governance rules of the Company include the “Articles of Association” and its appendices (“Rules of Procedures for the Shareholders’ Meeting”, “Rules of Procedures for the Board of Directors” and “Rules of Procedures for the Supervisory Committee”), “Terms of Reference” of various specialised committees, “Rules on Performing Duties by the Independent Directors”, “Rules on Performing Duties by the President”, “Securities Transaction Code”, “Rules Governing Information Disclosure Matters”, “Rules Governing Investor Relationship Management”, “Rules Governing Insider Information”, and “Rules Governing Connected Transactions” etc., all of which can be found or downloaded in the section of “Corporate Governance” on the Company’s website.

The implementation of the management system of insiders:

The Company attaches great importance to enhancing the law observance and compliance awareness of the Directors, Supervisors and senior management and forbids any insider trading of the shares of the Company. The Company has established various systems including “Securities Transaction Code”, “Rules Governing Insider Information Management”, and “Code of Conduct in Relation to Information Disclosure to Shareholders” so as to enhance the secrecy management of the inside information, regulate insider trading of the shares of the Company and protect the Company’s interest and the principle of equality for information disclosure. During the year, the Company has completed the insiders’ registration in relation to the regular reports and material contracts pursuant to relevant regulations.

Corporate Governance Summary

III. Information on General Meetings

During 2021, 3 general meetings, 1 A Share class meeting and 1 H Share class meeting were held by the Company at the conference room of the Company. Details of the meetings are as follows:

Name of the meeting	Convening date	Enquiry index of the designated website for the publication of the resolution	Disclosure date for the publication of the resolution	Resolution of the meeting
The 2020 Annual General Meeting		Available on the website of SSE http://www.sse.com.cn , the website of HKEx http://www.hkexnews.hk , and the websites of the Company http://www.sz-expressway.com .		<p>The following resolutions were considered and passed as ordinary resolutions at the meeting:</p> <ol style="list-style-type: none"> The report of the Directors for the year 2020; The report of the Supervisory Committee for the year 2020; The audited accounts for the year 2020; The proposed distribution scheme of profits for the year 2020 (including the declaration of final dividend); The budget report for the year 2021; The resolution in relation to the appointment of auditors for 2021; The resolution in relation to providing guarantees for subsidiaries; The resolutions in relation to the appointment of Independent Directors of the ninth session of the Board of the Company were considered and approved by way of separate resolutions.
	17 May 2021		17 May 2021	<p>The following resolutions were considered and passed as special resolutions at the meeting:</p> <ol style="list-style-type: none"> The resolutions in relation to the grant of a general mandate to the Board of the Company to issue debentures were considered and approved by way of separate resolutions; The resolutions in relation to the amendments to the Articles of Association and its schedules were considered and approved by way of separate resolutions; The resolutions in relation to the non-public issuance of H shares were considered and approved by way of separate resolutions.
The First Class Meeting 2021 of Holders of A Shares				<p>The following resolutions were considered and passed as special resolutions at the meeting:</p> <ol style="list-style-type: none"> The resolutions in relation to the non-public issuance of H shares were considered and approved by way of separate resolutions.
The First Class Meeting 2021 of Holders of H Shares				<p>The following resolutions were considered and passed as special resolutions at the meeting:</p> <ol style="list-style-type: none"> The resolutions in relation to the non-public issuance of H shares were considered and approved by way of separate resolutions.

Name of the meeting	Convening date	Enquiry index of the designated website for the publication of the resolution	Disclosure date for the publication of the resolution	Resolution of the meeting
The First Extraordinary General Meeting 2021	25 June 2021		25 June 2021	<p>The following resolutions were considered and passed as ordinary resolutions at the meeting:</p> <ol style="list-style-type: none"> The Proposal on Formulating the Plan of Shareholders' Return for 2021-2023.
The Second Extraordinary General Meeting 2021	10 December 2021		10 December 2021	<p>The following resolutions were considered and passed as ordinary resolutions at the meeting:</p> <ol style="list-style-type: none"> The resolution in relation to the acquisition of entire interests in Shenzhen Investment International Capital Holdings Infrastructure Co., Ltd. through non-public agreement; The resolution in relation to the "14th Five Year" (2021-2025) Development Strategy Plan; The resolution in relation to the waiver of the right of first refusal regarding the equity interest in Shenzhen International United Land Co., Ltd. (深圳市深國際聯合置地有限公司). <p>The following resolutions were considered and passed as special resolutions at the meeting:</p> <ol style="list-style-type: none"> The resolution in relation to the change of company name. The resolution in relation to the amendments to the Articles of Association.

Corporate Governance Summary

IV. Performance of Duties by Directors

(I) Attendance of Directors at the Board Meetings and the General Meetings in 2021

Directors in service as at the end of the Reporting Period	Position	Attendance at the Board Meetings					Attendance at the General Meetings (Attendance in person/Total number of meetings)
		Total number of meetings	Attendance in person	Attendance by proxy	Absence	Attendance rate in person	
Hu Wei	Executive Director	16	15	1	0	94%	3/3
Liao Xiang Wen	Executive Director	16	15	1	0	94%	3/3
Wang Zeng Jin	Executive Director	16	14	2	0	88%	3/3
Wen Liang	Executive Director	16	14	2	0	88%	2/3
Dai Jing Ming	Non-executive Director	16	15	0	1	94%	3/3
Li Xiao Yan	Non-executive Director	16	12	4	0	75%	3/3
Chen Hai Shan	Non-executive Director	16	14	2	0	88%	3/3
Bai Hua	Independent Director	16	16	0	0	100%	3/3
Li Fei Long	Independent Director	16	15	1	0	94%	3/3
Miao Jun ^{Note 1}	Independent Director	12	12	0	0	100%	1/1
Xu Hua Xiang ^{Note 1}	Independent Director	12	12	0	0	100%	1/1

Directors off position as at the end of the Reporting Period	Position	Attendance at the Board Meetings					Attendance at the General Meetings (Attendance in person/Total number of meetings)
		Total number of meetings	Attendance in person	Attendance by proxy	Absence	Attendance rate in person	
Chen Zhi Sheng ^{Note 2}	Non-executive Director	2	1	1	0	50%	0/0
Wan Siu Wah Wilson ^{Note 3}	Independent Director	1	0	0	1	0%	0/0
Chen Xiao Lu ^{Note 4}	Independent Director	4	4	0	0	100%	1/1

Note 1 Independent Directors Miao Jun and Xu Hua Xiang have acted as Independent Directors since 17 May 2021.

Note 2 Director Chen Zhi Sheng has not served as a Director since 12 March 2021.

Note 3 Independent Director Wan Siu Wah Wilson has passed away on 8 January 2021.

Note 4 Independent Director Chen Xiao Lu resigned as an Independent Director on 25 February 2021, effective from the election of the new Independent Director at the general meeting on 17 May 2021.

(II) Attendance of Directors at the Meetings of the Specialised Committees in 2021

Directors in service	Position held in the specialised committees	Attendance (Attendance in person/Total number of meetings)						
		Strategic Committee (enlarged meeting)	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee	Independent Director Meetings	Special Meeting ^{Note 3}
Hu Wei	Chairman of Strategic Committee Member of Nomination Committee	1/1	N/A	N/A	Note 2/3	N/A	N/A	1/1
Liao Xiang Wen	Member of Strategic Committee Member of Risk Management Committee	1/1	Note 1 4	Note 1 1	Note 1 1	5/5	N/A	N/A
Wang Zeng Jin	Member of Risk Management Committee	1/1	N/A	Note 1 3	Note 1 2	5/5	N/A	N/A
Wen Liang	Member of Risk Management Committee	N/A	Note 1 7	N/A	N/A	5/5	N/A	N/A
Dai Jing Ming	Member of Strategic Committee	1/1	N/A	N/A	N/A	N/A	N/A	N/A
Li Xiao Yan	Member of Audit Committee Member of Remuneration Committee	1/1	Note 2 6/7	Note 2/3	N/A	N/A	N/A	N/A
Chen Hai Shan	Member of Risk Management Committee	1/1	N/A	N/A	N/A	5/5	N/A	N/A
Bai Hua	Chairman of Audit Committee Member of Remuneration Committee Member of Nomination Committee	N/A	7/7	3/3	3/3	N/A	2/2	1/1
Li Fei Long	Chairman of Nomination Committee Member of Strategic Committee Member of Audit Committee Member of Remuneration Committee	1/1	7/7	3/3	3/3	N/A	2/2	1/1
Miao Jun	Member of Strategic Committee Member of Audit Committee Member of Nomination Committee	1/1	3/3	1/1	Note 2 1/2	N/A	2/2	1/1
Xu Hua Xiang	Chairman of Risk Management Committee Member of Remuneration Committee	1/1	N/A	Note 2 1/2	N/A	3/3	2/2	1/1

Corporate Governance Summary

Directors off position	Position held in the specialised committees	Attendance (Attendance in person/Total number of meetings)						
		Strategic Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee	Independent Director Meetings	Special Meeting ^{Note 4}
Chen Zhi Sheng	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Wan Siu Wah Wilson	N/A	N/A	N/A	N/A	N/A	N/A	N/A	N/A
Chen Xiao Lu	Chairman of Risk Management Committee	N/A	N/A	N/A	1/1	1/1	N/A	N/A

Note:

- Observed at the meeting.
- Absent from the meetings:
 - Director Li Xiao Yan was unable to attend the Sixth Audit Committee Meeting 2021 due to business engagements, and has appointed Director Bai Hua to attend on her behalf;
 - Director Hu Wei was unable to attend the Second Nomination Committee Meeting 2021 due to business engagements, and has approved the resolution before the meeting;
 - Independent Director Miao Jun was unable to attend the Third Nomination Committee Meeting 2021 due to business engagements, and has approved the resolution before the meeting;
 - Director Li Xiao Yan was unable to attend the Second Remuneration Committee Meeting 2021 due to business engagements, and has approved the resolution before the meeting;
 - Independent Director Xu Hua Xiang was unable to attend the Third Remuneration Committee Meeting 2021 due to business engagements, and has approved the resolution before the meeting.
- One special meeting was held for the Chairman and Independent Directors by the Company during the Reporting Period.

(III) Performance of Duties by Independent Directors

The Independent Directors gave no dissent to the resolutions/matters discussed by the Board or specialised committees of the Company. In 2021, no Independent Director of the Company proposed to convene any Board meeting or general meeting. During the year, four Independent Directors of the Company have provided independent advice on matters including the Company's external guarantees, profit distribution plan, changes in accounting policies, investment and financing plans, Directors' nomination and remuneration proposals, engagement of senior management, connected transactions and annual review on continuing connected transactions pursuant to regulatory requirements and guidelines, and provided constructive opinions on the business development and strategic plans of the Company, with a view to protecting the overall interests of the Company and shareholders by duly performing its monitoring and balancing role. For details of the performance of duties by the Independent Directors during the year, please refer to the "2021 Duty Report of Independent Directors (2021年度獨立董事述職報告)" (Chinese version) published by the Company on the websites of the exchanges on the Reporting Date.

V. Performance of Duties by Specialised Committees of the Board during the Year

The Board of the Company establishes five specialised committees, namely Strategic Committee, Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee. Members of the specialised committees are appointed by the Board for a term of three years, consistent with the term of the Board. Each specialised committee has its terms of reference which explicitly explains and defines its duties and powers, which have been approved by the Board. In 2021, the specialised committees of the Board convened 19 meetings in total. For the composition of each specialised committee and the attendance at the committee meetings during the year, please refer to "Performance of Duties by Directors" above.

(I) Strategic Committee

The Strategic Committee was established in November 2001, responsible for studying the directions of the Company's strategic development, considering the Company's strategic plans, monitoring the implementation of strategies and facilitating adjustments to the Company's strategies and governance structure on a timely basis.

In 2021, the Strategic Committee held one meeting, during which the committee considered the "14th Five-Year Development Strategic Planning Report of Shenzhen Expressway Company Limited (深圳高速公路股份有限公司“十四五”發展戰略規劃匯報)" submitted by the management of the Company. The 14th Five-Year (2021-2025) Development Strategy of Shenzhen Expressway has undergone multiple rounds of internal and external in-depth research, analysis and revision. With the approval of the general meeting, the "14th Five-Year" Development Strategy was officially published and implemented during 2021 under the support and guidance of the Strategic Committee. The new development strategy outlines the development blueprint and action plan of the Company for the new strategic period, while serving as the strategic lead in support of the high-quality and sustainable development of the Company.

(II) Audit Committee

The Audit Committee was established in August 1999, mainly responsible for the independent review of the Company's financial reporting and the quality and efficiency of internal control as well as the control and routine management of connected transactions of the Company.

In 2021, the Audit Committee held seven meetings in total, and actively conducted work and performed duties focusing on the goal set at the beginning of the year, reviewed the periodic reports, internal control reports and the internal control system of the Group, and provided the Company with professional opinions and suggestions on various aspects including financial reporting, relevant accounting policies and estimates, audit work, corporate governance, risk management and internal control.

During the year, auditors attended meetings of the Audit Committee to discuss the matters in relation to the review of regular reports. In addition, auditors also held one independent meeting with the committee in the absence of management of the Company to ensure the independence and objectivity of the reports. The major tasks of the committee during the year included:

- ◆ review of the Group's periodical financial statements, including the annual financial statements for 2020 and the unaudited financial statements for the first quarter, interim and the third quarter of 2021, and making recommendations to the Board for approval;
- ◆ assisting the Board in making independent evaluations on the effectiveness of the Group's internal control;
- ◆ supervision and guidance for the internal audit work;
- ◆ supervision on control and routine management work of connected transactions;
- ◆ supervision and guidance for the Group's anti-fraudulent work;
- ◆ coordination and evaluation of the work of the auditor and recommendations for appointments.

The related work of and opinions on the Group's financial reporting, review on financial statements, internal control and auditors are set out in "Corporate Governance Report" and "Internal Control" in this annual report. For details of the annual performance of duties by the Audit Committee, please refer to the "2021 Duty Report of the Audit Committee (審核委員會2021年度履職情況報告)" (Chinese version) published by the Company on the websites of the exchanges on the Reporting Date.

Corporate Governance Summary

(III) Remuneration Committee

The Remuneration Committee was established in November 2001, responsible for assisting the Board to review the remuneration policies and incentive mechanism of the Company on an ongoing basis, devising the appraisal standards for the Directors and senior management of the Company and conducting appraisals thereof, and ensuring that none of the Directors, senior management or their associates was involved in setting his/her own remuneration. The committee only makes recommendations to the Board regarding the remuneration of the Directors, and the remuneration of the Directors and senior management shall be specifically determined in general meetings or by the Board.

In 2021, the Remuneration Committee held three meetings in total, and its major tasks during the year included:

- ◆ evaluating the formulation of the operating performance target of the Company for 2021 and submitting the review opinions to the Board;
- ◆ reviewing the risk liability and incentive appraisal proposal for the investment and acquisition of 67% equity interest in Baotou Nanfeng;
- ◆ reviewing the risk liability evaluation proposal of Chongqing Derun Environment Project for 2018 and 2019;
- ◆ reviewing the incentive appraisal proposal of Nanjing Wind Power Project and Baotou Nanfeng Project for 2020;
- ◆ reviewing the performance evaluation and incentive distribution proposal for the management for 2020 and submitting the review opinions to the Board.

Details of the remuneration policies and incentive mechanism of the Company and relevant recommendations of the committee are set out in the section headed “Directors, Supervisors, Senior Management and Employees” in this annual report.

(IV) Nomination Committee

The Nomination Committee was established in November 2001, responsible for examining or devising the Company’s human resources development strategies and planning; and conducting studies and providing recommendations in respect of candidates, nomination criteria and nomination procedures for Directors and senior management of the Company.

In 2021, the Nomination Committee held three meetings in total, and its major tasks during the year included:

- ◆ reviewing the structure, number of members and composition of the Board;
- ◆ completing the qualification review for candidates nominated for Independent Directors and submitting recommendations for nomination to the Board;

- ◆ completing the qualification review for the engagement of President of the Company and submitting recommendations for appointment to the Board;
- ◆ completing the qualification review for the engagement of Vice President of the Company and submitting recommendations for appointment to the Board;
- ◆ completing the qualification review for the reappointment of Secretary of the Board, Chief Financial Officer and Chief Engineer and submitting recommendations for nomination to the Board.

Details of the appointment of Directors and senior management of the Company are set out in “Directors, Supervisors, Senior Management and Employees” in this annual report.

(V) Risk Management Committee

The Risk Management Committee was established in August 2004, responsible for formulating policies on risk management of the Company, ensuring that the management has established a comprehensive and effective risk management system, supervising the Group’s overall risk position, reviewing the Company’s risk management system and material risk matters, and analysing and monitoring the risk position of the Company’s material projects.

In 2021, the Risk Management Committee held five meetings in total, and actively conducted work and performed duties focusing on the goals set at the beginning of the year, reviewed the Group’s risk management review and plan, and provided the Company with professional advice and recommendations on various aspects including risk warning indicators and risk assessment for investment projects. Its major tasks during the year included:

- ◆ reviewing the annual risk review report and risk management plans of the Group, understanding the changes of risk exposed to the Company and the implementation of risk responsive measures, and discussing the major risks exposed to the Company in the future and responsive measures with the management;
- ◆ reviewing the updates of the financial warning indicator system and monitoring the material changes of the warning indicators;
- ◆ reviewing the Company’s acquisition of SIICHIC and the indirect acquisition of shares of Bay Area Development, the investment and establishment of the pension project company and providing opinions and recommendations to the Board from the aspect of risk control.

VI. Work of the Supervisory Committee

In 2021, the Supervisory Committee held ten meetings in total, and the Supervisors also attended all the general meetings and Board meetings. They considered or reviewed matters including the regular reports, financial accounts and budget reports, proposed profit distribution, plan of shareholders’ return, changes in accounting policies and connected transactions, and supervised the compliance of the decision-making procedures of general meetings and Board meetings, the implementation of the resolutions in the general meetings, the implementation of the Company’s profit distribution policy, the disclosure of regular reports and other information, the performance of duties by the Directors and senior management and the implementation of relevant securities regulatory requirements. During the Reporting Period, there was no occurrence about which the Supervisors disputed with the Directors or sued the Directors on behalf of the Company. The Supervisory Committee has no objection to the matters under their supervision during the Reporting Period.

Corporate Governance Report

During the Reporting Period, the Company has fully adopted all the code provisions of the “Corporate Governance Code” as set out in Appendix 14 of the Listing Rules of HKEx and there is no material deviation or breach of the code provisions occurred. For corporate governance practice, we strive to implement better practices than the code provisions under the “Corporate Governance Code”, mainly in the following aspects:

- The stipulation on the terms of office for Independent Directors of no more than 6 years;
- Disclosure of the remunerations of all Directors, Supervisors and senior management on a named basis in the annual report;
- Appointment of an external auditor for the audit on the internal control of the financial reporting;
- Preparation and publication of quarterly results announcements;
- Establishment of the Risk Management Committee, the risk control and management system for the Group as well as financial risk warning system to exercise regular control and reporting by the Company, etc.

Pursuant to the good corporate governance principles contained in the “Corporate Governance Code”, the evaluation and details of the daily governance work and practices of the Company during the Reporting Period are set out as follows:

A. Corporate Goal, Strategy and Governance

A.1 Corporate strategy, business model and culture

The code provisions that we complied with

A.1.1~A.1.2

The Company has set up a multi-tier corporate governance structure with the Board as the core. The Board of the Company exercises management and decision-making powers according to the authorisations granted at the general meeting in respect of development strategies, management structure, investment and financing, planning, financial control, human resources and corporate governance, and so forth. The Board is responsible for leading the Group’s development, ensuring the availability of necessary resources for the Group to achieve pre-set strategic goals and supervising and inspecting the Company’s development and operation.

The governance rules of the Company is based on the “Articles of Association”, which covered overall policies, principles and standards on corporate governance, compliance and code of conduct, aiming to clearly define the duties, scope of authority and code of conduct of various parties, including the fiduciary and diligence duties of the Directors of the Company. The full text of the “Articles of Association” is available on the website of the Company.

The Board is responsible for drawing up mid to long-term development strategies of the Company, including its corporate mission, values, entrepreneurship, strategic goals, development planning and implementation assurance. The latest strategy of the Company is the “14th Five-Year Plan” (2021-2025) development strategy, which has been approved at The Second Extraordinary General Meeting 2021.

The Company has discussed and analyzed the performance of the Group in its annual report every year, including the impact of internal and external environment on the operation of the Company and its movement trend, the actual operating results and its influencing factors for the year, the completion of business plan and the plan for next year etc., in order to ensure the implementation of the mid to long-term development strategies of the Company.

A.2 Corporate governance function

The code provisions that we complied with	A.2.1
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The Board is responsible for the performance of its duty on corporate governance. It also established five specialised committees, namely Strategic Committee, Audit Committee, Remuneration Committee, Nomination Committee and Risk Management Committee. The “Articles of Association” of the Company and “Rules of Procedures for the Board of Directors” have clearly defined the powers of the Board in respect of development strategies, management structure, investment and financing, planning, financial control, human resources and corporate governance, and so forth as well as the supervision and inspection of the Company’s development and operation. Each specialised committee has its terms of reference, which explicitly explains and defines its duties and powers, and has been approved by the Board. The “Articles of Association”, “Rules of Procedures for the Board of Directors” and the terms of reference of various specialised committees are available on the website of the Company. The committees shall be authorised by the Board to exercise their powers under the terms of reference. The committees shall be accountable to the Board but shall not enjoy exclusive powers. They shall not replace the Board in exercising their decision and management powers unless duly authorised.

During 2021, the Board regularly received reports on the reviews of the rules on governance, the compliance in operation of the Company, the Directors’ compliance in performance of duties and the training and growth of the management personnel, and constantly monitored the overall states and level of corporate governance. Moreover, the Audit Committee also regularly reviewed the review checklists submitted by the Audit Department, examined the compliance of corporate governance practices and the disclosure of the corporate governance report of the Company to ensure the related regulations and issues are implemented and disclosed appropriately.

B. The Composition and Nomination of the Board

B.1 The composition, succession and appraisal of the Board

The code provisions that we complied with	B.1.1~B.1.4
The recommended best practice(s) that we complied with	B.1.5~B.1.6

According to the requirements of the “Articles of Association”, the Board of the Company comprises 12 Directors. The Board regularly evaluates its structure, number of members and composition (including their skills, knowledge, experience, etc.) through the Nomination Committee.

The term of office of the ninth session of the Board of the Company is from 1 January 2021 to 31 December 2023. As at 31 December 2021, the Board comprises Mr. Hu Wei, Mr. Liao Xiang Wen, Mr. Wang Zeng Jin and Mr. Wen Liang as Executive Directors, Mr. Dai Jing Ming, Ms. Li Xiao Yan and Ms. Chen Hai Shan as Non-executive Directors, and Mr. Bai Hua, Mr. Li Fei Long, Mr. Miao Jun and Mr. Xu Hua Xiang as Independent Directors. The Board members come from various industry backgrounds with professional expertise in highway industry, clean energy industry, financial, accounting and auditing, finance and securities, law, property development and administration and human resources, and 5 of them (including 2 Independent Directors) possess professional financial and accounting qualifications. The members of the Board have various industry backgrounds and maintain diversity in terms of various aspects including experience, skills and judgment, allowing the Board to analyse and discuss issues from different perspectives and make decisions in a more cautious and careful manner.

Corporate Governance Report

The Company has established the Board diversity policy. Under the policy, the Board shall opt for the capability of all candidates for directorship during the selection, evaluation and nomination of its members. It shall also take full consideration of the actual situation and development needs of the Company and follow the diversity principle when forming the Board. The Board shall consider and assess the diversification of members in the aspects of age, cultural background, educational background, professional experience and expertise and the length of service, and authorise the Nomination Committee to oversee the implementation of the policy, and when appropriate, review the policy, and expand and review measurable targets. After the review, the members of the ninth session of the Board demonstrated the diversity principle particularly well in the aspects of professional experience and background, length of service, age, cultural background and independence.

The Company has published the latest list of Board members in a timely manner, which stated their roles and functions, including their respective roles in each specialized committee, and indicated whether they are independent non-executive Directors. The capacity of each Director (Executive Directors, Non-executive Directors or Independent Non-executive Directors) is identified in all corporate communications that disclose the names of the Directors.

The Board reviews and concludes the performance of the Board annually in terms of its major tasks, operation and financial information, as well as the actual implementation of corporate governance during the year, and ultimately formulates a "Report of the Directors" to report to shareholders at the general meetings. The Independent Non-executive Directors report their duties at the general meetings annually. The "Report of the Directors" (including the "Annual Duty Report of Independent Directors") is reviewed at the annual general meeting of the Company annually so as to evaluate the Board's performance of duties.

During the Reporting Period, other than the identification of a new Independent Director candidate by the Company to fill the vacancy arising from the passing away of Mr. Wan Siu Wah Wilson, an Independent Director, and the approval procedures being performed at the general meetings during the period from 8 January to 16 May 2021, the Board of the Company comprises 4 Independent Directors, representing no less than one-third of the number of members of the Board, which complies with the relevant requirements. HKEx has granted a waiver in relation to the vacancy of Independent Director during the aforementioned period. The Board has obtained written confirmations from all Independent Directors concerning their independence in accordance with the requirements under Rule 3.13 of the Listing Rules of HKEx. The Company believes that all Independent Directors have complied with the relevant guidelines as stipulated in such rule and are regarded as independent parties during 2021.

Details of the election and change of the Directors, the Directors' biographies, terms of office and key positions are set out in "Directors, Supervisors, Senior Management and Employees" in this annual report.

B.2 Appointment, re-election and removal

The code provisions that we complied with

B.2.1~B.2.4

In accordance with the stipulations of the “Articles of Association” and its attachments, Directors are elected or replaced by general meetings. The shareholders of the Company, the Board or the Supervisory Committee are eligible to nominate candidates for directorship. Directors serve for a term of 3 years, and upon expiry of the term, their appointments are subject to re-submission for consideration at a general meeting and they may offer themselves for re-election. Independent Directors are eligible for re-election, subject to a maximum term of 6 years. A cumulative voting system is adopted for the election of the Directors of the Company, and the Independent Directors and Non-independent Directors vote separately. The requirements of the Company on the qualifications and basic qualities of the Directors, the ways of nomination and the proposing procedures are set out in the “Rules of Procedures for the Board of Directors” of the Company. The Nomination Committee is responsible for qualification inspections and quality assessments on the candidates for directorship, as well as making proposals to the Board and providing explanations at the general meetings. In order to make the shareholders have a better understanding of the procedures of nomination of Directors, the Company has extracted the relevant clauses for the procedures of nomination of Directors separately and has posted them on the Company’s website.

B.3 Nomination Committee

The code provisions that we complied with

B.3.1~B.3.4

The Board has established the Nomination Committee with the majority being Independent Directors, and chaired by an Independent Director. Please refer to C.4 below and “Corporate Governance Summary” in this annual report for the details of the composition of the Nomination Committee and its performance of duties. The “Terms of Reference of the Nomination Committee” approved by the Board has been published on the websites of the exchanges and the Company. The Company provided the committee with sufficient resources for its performance of duties. During the year, the Nomination Committee did not seek for independent professional advice for the performance of duties.

C. The Responsibilities of Directors, Delegation of Powers and Procedures of the Board

C.1 The responsibilities of Directors

The code provisions that we complied with

C.1.1~C.1.8

The “Rules of Procedures for the Board of Directors”, the “Terms of Reference” of each specialised committee and the “Rules on Performing Duties by the Independent Directors” prepared by the Company has clearly stated the responsibilities of the Directors to ensure their complete understanding on their roles and responsibilities.

Attendance of Directors (including attendance by appointing other Directors as proxies) at the Board meetings in 2021 was 99%, while attendance in person was 91%. Attendance of members in person at the meetings of the specialised committees of the Board (including the meetings of the Independent Directors) was 95%. Attendance of members in person at the general meetings was 97%. Please refer to “Corporate Governance Summary” in this annual report for the details of the attendance of Directors and the overview of the performance of duties of the Independent Directors during the year.

Corporate Governance Report

During the Reporting Period, the Company's Directors attended Board meetings and specialised committee meetings in a prudent, responsible, proactive and serious manner. After gaining an understanding of the Company's operation and operating development, they capitalised on their respective professional experience and expertise and provided independent judgments, knowledge and experience towards the matters discussed, thereby enabling the Board to carry out effective discussions and make prompt yet prudent decisions. They produced proactive and encouraging effect in ensuring the Board to work in the best interest of the Company as its objective.

Upon the acceptance of the appointment and after the appointment, each Director and Supervisor of the Company has to provide the information about their services in other companies in time, including their services in other listed companies for the last three years. The relevant information has been disclosed in the announcements and the shareholder documents relating to the nomination and election of the Directors/Supervisors, and is available in the section of "Directors, Supervisors, Senior Management and Employees" in this annual report.

In accordance with Appendix 10 to the Listing Rules of HKEx titled "Model Code for Securities Transactions by Directors of Listed Issuers" and the relevant requirements of domestic securities regulatory authorities, the Board formulated the "Securities Transaction Code" of the Company as a written guideline for securities transactions of the Company by the Directors, the Supervisors and relevant staff members. The "Securities Transaction Code" of the Company has incorporated the standards as set out in Appendix 10 to the Listing Rules of HKEx, and has gone beyond such standards to a certain extent. After making specific inquiry to all of the Directors, Supervisors and senior management, the Company confirms that all of them have complied with the standards on securities transactions as stipulated in the aforementioned code during the Reporting Period.

In 2021, all Directors attended the online training for interpretation of the "zero-tolerance" policy regarding the capital market under the new market situation held by Shenzhen Office of the CSRC, and the trainings on compliant operation of listed companies, responsibilities and obligations of Directors, Supervisors and senior management as well as the regulation and development of ESG organized by the Company. Mr. Hu Wei and Mr. Liao Xiang Wen, both being Directors, attended courses from the training series for chairmen and general managers of listed companies organized by the China Association for Public Companies; Mr. Wen Liang, a Director, attended the subsequent trainings for chief financial officer of listed companies held by the China Capital Market Institute and the SSE; Mr. Dai Jing Ming and Ms. Li Xiao Yan, both being Directors, as well as Mr. Miao Jun and Mr. Xu Hua Xiang, both being Independent Directors, participated in the trainings for directors organized by Shenzhen Office of the CSRC in 2021; and Mr. Li Fei Long, Mr. Xu Hua Xiang and Mr. Miao Jun, all being Independent Directors, attended the qualification trainings for independent director held by the SSE and systematically studied the relevant laws and regulations concerning the operation of listed companies. During the year, the Company prepared 3 issues of "Reference Document Summaries for the Board", which systematically summarised and delivered the relevant regulatory documents concerning Directors' performance of duties and responsibilities, and sent approximately 19 regulatory documents relating to various laws and regulations of listed company and the industry. It also provided explanations, advice and interpretations on the key points of the relevant rules and the matters to be brought to the attention of the Directors/Supervisors through document guidance and explanation on the meetings. The above measures allow the Board and the Supervisory Committee to continuously and effectively learn the relevant laws and regulations promulgated or updated by regulatory authorities, and provided practical guarantee for the continuous updating of the knowledge and information required for the performance of their duties and the fulfillment of duties of the Directors/Supervisors.

In accordance with the approval and authorisation of the general meeting, the Company has taken out liability insurance for the Directors, the Supervisors and senior management every year since 2008, and taken out adequate insurance for the legal actions that the management may face, in order to promote the Company's resilience to risk, protect the legal rights and interests of shareholders and to build a professional risk prevention mechanism for the management.

C.2 Chairman and Chief Executive Officer

The code provisions that we complied with

C.2.1~C.2.9

The Company clearly defines the duties between the Chairman and the President, so that the functions of the Board and management are separated to ensure the balance of power and authority. In 2021, the Chairman of the Company is Mr. Hu Wei, and the President of the Company is Mr. Liao Xiang Wen. There is no affiliation or interest relationship between the Chairman and the President, including financial, business, family or any other related relationships. The Chairman is responsible for taking charge and coordinating the operation of the Board, providing leadership in the Board to set the Group's overall development strategies and directions and to achieve the Group's goals, ensuring effective operation of the Board and assuring good corporate governance practices and procedures for the Company. The President, with the support and assistance of the Board and other senior management of the Company, is responsible for coordinating and managing the Group's business and operation, implementing the strategies laid down by the Board and making day-to-day operating decisions.

The Board has established information reporting and delivery mechanism to ensure that the Directors can obtain various information and messages required for their performance of duties on a timely basis. Please refer to C.5 below for details.

The Board encourages the Directors to maintain a prudent and doubtful attitude as expected, to create an open-minded discussion atmosphere to encourage any dissenting Directors to fully express their point of views, and to motivate the Directors, especially Non-executive Directors to have effective contributions to the Board. During 2021, the Company solicited the opinions of all the Non-executive Directors, the Non-executive Directors considered that there was no matter required to be discussed by the Chairman and Non-executive Directors. In addition, 1 special meeting was convened by the Company for the Chairman and the Independent Directors. The Company has set up a well-established governance structure and formulated multi-tier governance rules. Please refer to "Corporate Governance Summary" in this annual report and A.1 above for details.

C.3 The management function

The code provisions that we complied with

C.3.1~C.3.3

The functions of the Board and senior management of the Company are separated (details are set out in the "Articles of Association" and the attached "Rules of Procedures for the Board of Directors" and the "Rules on Performing Duties by the President") to protect the relative independence of the decision-making of the Board and operating and management activities of the Company. The above rules have been published on the websites of the exchanges and the Company.

The Board is responsible for leading the Group's development, determining the strategic goals of the Group and ensuring the availability of necessary financial and other resources for the Group to achieve pre-set strategic goals. The "Articles of Association" of the Company and "Rules of Procedures for the Board of Directors" have clearly defined the powers of the Board in respect of development strategies, management structure, investment and financing, planning, financial control, human resources and corporate governance, and so forth as well as the supervision and inspection of the Company's development and operation.

Corporate Governance Report

Without material prejudice to or impairment of the overall capability to perform duties and authorities of the Board, the Board has granted Executive Directors certain authorities, so as to enhance the overall quality and efficiency of decision-making of the Company. The Board has also formulated the “Rules of Procedures for the Executive Directors” to monitor and manage the authorised matters by establishing a mechanism on procedural management, filing and regular reviews. During the year, the general authorized matters of the Executive Directors were re-organised by the Company. Appropriate explanations on particular terms have been made by the Board by way of board resolutions, which further clarified the scope of authorization and hence improved the authorization mechanism. Specific information and management procedures relating to the authorisation have been clearly set out in the “Articles of Association” of the Company and “Rules of Procedures for the Board of Directors”. In 2021, the Executive Directors held 40 meetings in total, during which they discussed and made decisions on matters regarding organisational structure adjustment, project investment and disposal, financing management and donation within their authorisation. Resolutions for such matters have been reported to the Board and Supervisory Committee in time.

C.4 The committees under the Board

The code provisions that we complied with

C.4.1~C.4.2

Five specialised committees have been set up under the Board, and each committee has its terms of reference, which explicitly explain and define their duties and powers, and they have been approved by the Board. These committees are responsible for reviewing and monitoring specific matters of the Company, such as the Company’s strategies, financial reports, accounting policies, project investments and the nomination, assessment and remuneration of the management, and making corresponding recommendations to the Board. As at the end of the Reporting Period, the composition of each specialised committee of the Board of the Company is set out as follows:

	Strategic Committee	Audit Committee	Remuneration Committee	Nomination Committee	Risk Management Committee
Chairman:	Hu Wei Executive director	Bai Hua Independent director	Li Fei Long Independent director	Li Fei Long Independent director	Xu Hua Xiang Independent director
Member:	Li Fei Long Independent director	Li Fei Long Independent director	Bai Hua Independent director	Bai Hua Independent director	Liao Xiang Wen Executive director
	Miao Jun Independent director	Miao Jun Independent director	Xu Hua Xiang Independent director	Miao Jun Independent director	Wang Zeng Jin Executive director
	Liao Xiang Wen Executive director	Li Xiao Yan Non-Executive director	Li Xiao Yan Non-Executive director	Hu Wei Executive director	Wen Liang Executive director
	Dai Jing Ming Non-Executive director				Chen Hai Shan Non-Executive director

Each specialised committee has appointed a designated member of the management to be the secretary of the committee and clearly defined the meeting and reporting procedures with reference to the rules of procedures for the Board. The meeting minutes of the committees contain the details of the matters discussed in the meetings and are maintained properly according to the file management system of the Company upon the confirmation of all members. The chairman of each committee reports the work progress to the Board regularly and submits the relevant minutes for record. In 2021, the five specialized committees of the Company convened 19 meetings. For details, please refer to “Corporate Governance Summary” in this annual report.

C.5 Procedures of Board meetings and provision of and access to data

The code provisions that we complied with

C.5.1~C.5.10

The Board holds one regular meeting each quarter and convenes extraordinary meetings when necessary. The Company has issued a written notice to all Directors in respect of the date and the resolutions to be proposed 30 days before the regular meeting is convened, so as to ensure that they can propose issues to be discussed and to put forth in the agenda. Formal notices of all regular meetings have been dispatched to all Directors 14 days before the meeting is convened, while notices of extraordinary meetings have been dispatched at least 5 days before the meeting is convened. If a substantial shareholder or a Director has material conflict of interest in the issues to be discussed, the Company shall hold a plenary Board meeting for consideration of such resolution and shall not approve the same by a written resolution or authorisation. When considering the related issues, any Director who is connected or interested in the same shall not have any voting rights and shall be absent when necessary.

In 2021, the Board convened 16 plenary meetings, 40 executive Directors' meetings and signed 2 written resolutions of the Board. It has discussed and made decisions on issues covering the Group's operating and financial performance, planning and supervision, business development and challenges, investment and financing plans, accounting treatment, connected transactions, nomination of Directors and recruitment and appointment of senior management. During the year, when considering relevant proposals, the Directors who had material interest in the same had complied with the avoidance principle and abstained from voting. For example, when considering the transaction with related parties/connected transaction in relation to the waiver of the shareholders' pre-emptive rights in the proposed transfer of equity interest in United Land Company by XTC company, the transfer of all the equity interest of SIICHIC by way of non-public agreement and the indirect transfer of 71.83% of shares of Bay Area Development, the Directors holding office in Shenzhen International Group (excluding the Group) and other Directors holding interests have declared their interests to the Board and abstained from voting.

The meeting minutes of the Board and Board committees contain the details of the matters discussed in the meeting, which include the factors taken into consideration, the questions proposed or the objection and the decision made by each Director. The draft of the meeting minutes should be delivered to all Directors for comments within reasonable time after each meeting. The final version should be maintained properly according to the file management system of the Company and the copy of which should be delivered to all Directors for filing. The meeting minutes are also available for Directors' access at any time through the secretary of the Board.

According to the consideration and decision making needs, the Company may engage the professional institutions including the accountants firms, lawyers and assessment institutions based on the actual situation to issue written report for Directors' review. In addition, in accordance with the "Rules of Procedures for the Board of Directors" and the relevant requirements, the Directors and the specialised committees may engage professional institutions or professionals through established procedures to obtain professional advice, and the fees so incurred shall be borne by the Company. To ensure the independence of the professional institutions, the specific selection and employment work is conducted by the Independent Directors or independent Board committee for the engagement of independent financial advisor for the connected transactions. The selection and employment shall be determined by a majority of votes of the members and the members with connected relationship or conflict of interest shall avoid from voting and shall not constitute a quorum. In 2021, regarding the transfer of all the equity interest of SIICHIC by way of non-public agreement and the indirect transfer of 71.83% shares of Bay Area Development by the Company, an independent board committee comprising all the Independent Directors of the Company was formed in July and an independent financial advisor was appointed to provide independent opinions on the acquisition of Bay Area Development for Shareholders' reference.

Corporate Governance Report

The management of the Company has provided the Board, the specialised committees of the Board and the Supervisory Committee with the materials and information necessary for the consideration of each resolution within a reasonable period. After the Directors/Supervisors have raised reasonable inquiries, the management shall make appropriate response or provide further information as soon as possible. Under normal circumstances, the relevant documents containing the matters to be proposed for consideration and discussion on the Board shall be delivered to all Directors and Supervisors at least 3 days before the meetings. In addition, each Director and Supervisor is provided with channels to independently contact and communicate with the Company's senior management and secretaries of the specialised committees when necessary.

Non-executive Directors (including Independent Directors) and Supervisors of the Company are able to understand the Company's operation activities, business development trend and the duties as the Company's Directors/Supervisors through several channels to ensure their proper performance of such duties. In 2021, the Company supported the performance of duties of the Directors/Supervisors through the following approaches:

- ◆ Arranged the management to report the progress of the material matters of the Group on the meetings of the Board;
- ◆ Arranged the presentation of the works for the year to provide a detailed report on the completion of the Group's works in 2020 and the work plan in 2021, as well as the progress of the major works and projects including operating condition, project construction, environmental protection project investments and new industry expansion;
- ◆ Organised on-site inspections to understand the development and operation of the Guangming Environmental Park and Outer Highway Project (Phase I) and the related businesses, and helped the Directors and Supervisors gained better understanding of the operating environment and performance of the Company and the specific projects;
- ◆ Dispatched "Operation Information Monthly", which regularly reports information such as the operation performances of highway projects, progress of construction projects and major works, updates on investee companies, monitoring of the early warning indicators of financial risks and work progress during adjournments of the Board;
- ◆ Arranged the Directors and Supervisors to participate in the trainings held by securities regulatory authorities, and provided consultation of laws and regulations for the Directors/Supervisors in need, allowing them to understand the operation of the Company and the domestic and international rules and principles relating to governance in a comprehensive and systematic manner.

C.6 Company Secretary

The code provisions that we complied with	C.6.1~C.6.4
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The Secretary to the Board of the Company, who is appointed by the Board and reports to the Chairman of the Board for daily routines, is a senior management member of the Company. The Secretary to the Board is responsible for the communication and coordination among the Company, Directors and the shareholders, giving advice to the Board and the management on corporate governance, information disclosure and investor relationship management and the arrangement of specific matters. The Secretary to the Board of the Company is Ms. Gong Tao Tao and the Joint Company Secretary are Ms. Gong Tao Tao and Ms. Lam Yuen Ling, Eva. During 2021, both Ms. Gong Tao Tao and Ms. Lam Yuen Ling, Eva have completed a total of not less than 15 hours of related training sessions so as to keep their professional knowledge and skills up-to-date and better support the operation of the Board. Ms. Gong Tao Tao applied to resign from the positions of Secretary to the Board and Joint Company Secretary due to personal reasons. After approval at the 18th meeting of the ninth session of the Board held by the Company on 10 March 2022, Ms. Zhao Gui Ping was appointed as Secretary to the Board and Joint Company Secretary, Ms. Gong Tao Tao's resignation is effective immediately. For details, please refer to the announcement of the Company dated 10 March 2022.

During their respective terms of office, all Directors of the Company are able to obtain from the Secretary to the Board the relevant information and updates on the statutory, regulatory and other continuing obligations of directors of listed companies on a timely manner, and directly contact the Secretary to the Board individually and independently when necessary to obtain more detailed information and opinions.

D. Audit, Internal Control and Risk Management

D.1 Financial reporting

The code provisions that we complied with	D.1.1~D.1.4
The recommended best practice(s) that we complied with	D.1.5~D.1.6

In the regular financial reporting over the years, the Board made efforts to comply with the requirements of the relevant laws and the Listing Rules and prepared documents and disclosed information under the principle of more and stricter as possible so as to fit the regulatory requirements of both Shanghai and Hong Kong markets. On this basis, the Company took the initiative to understand what the investors focused on, carried out more targeted voluntary information disclosures, striving to make comprehensive, objective, fair and clear statements on status and prospects of the operation and management of the Group. Apart from an in-depth analysis on the operational and financial positions and the major factors affecting the business performance, the Company also provided the information in relation to the risks that faced in operating activities, responsive measures, development strategies and plans, etc. in annual reports to enhance investors' understanding on the Company's business, management and development trends. The Company has also prepared and published reports on quarterly results within 1 month upon the conclusion of the first quarter and the third quarter each year in compliance with the requirements of the CSRC and the SSE. The Board shall be able to assess the Company's performance and make decisions on the basis of fully understanding the required information. Please refer to C.1 and C.5 above for the details of the provision and support of the information.

Corporate Governance Report

Statement of the Responsibilities towards the Financial Statements of the Board:

The financial statements contained in this annual report were prepared in accordance with CASBE, and have been audited by the Company's auditor for the year – Deloitte Touche Tohmatsu Certified Public Accountants LLP (“Deloitte”). This statement intends to make clarification to our shareholders for the respective responsibilities of the Directors and the auditor of the Company in relation to the financial statements. It should be read together with the statement of responsibilities of the auditor set out in the Auditor's Report of this annual report.

It is in the Board's opinion that the financial statements are prepared on a going concern basis given that the resources available to the Company are sufficient for carrying out ongoing business operations in the foreseeable future. Appropriate accounting policies have been adopted in preparing the financial statements. These policies have been consistently applied in the preparation of the financial statements and supported by reasonable and prudent judgments and estimates, and they are in accordance with all accounting standards as the Board deems appropriate. It is the responsibility of the Directors to ensure that the account records prepared by the Company can reflect a reasonable and accurate view of the Company's financial positions and that the financial statements are in compliance with the requirements of relevant accounting standards.

D.2 Risk management and internal control

The code provisions that we complied with	D.2.1~D.2.7
The recommended best practice(s) that we complied with	D.2.8~D.2.9

The Board has established the Risk Management Committee, and chaired by an Independent Director. Please refer to C.4 above and “Corporate Governance Summary” in this annual report for the details of the composition of the Nomination Committee and its performance of duties. The “Terms of Reference of the Risk Management Committee” approved by the Board has been published on the websites of the exchanges and the Company. The Company provided the committee with sufficient resources for its performance of duties. During the year, the Risk Management Committee did not seek for independent professional advice for the performance of duties.

Having an improved and practical internal control system is the basis of good corporate governance. The Board is responsible for developing and maintaining the internal control system of the Company for the review of the effectiveness of all important control procedures in finance, operations, compliance and risk management, thereby safeguarding shareholders' interests and the Group's assets. During 2021, the Board carried out reviews on the soundness and effectiveness of the internal control system of the Group and issued a self-assessment report on internal control, the assessment of which has included but not limited to the aspects required by D.2.3 of the code provisions. In addition, the Company has engaged an auditor to audit the effectiveness of internal control relating to the financial reporting of the Company in order to provide independent and objective assessment and recommendation in the form of audit report. Please refer to “Internal Control” in this annual report for the details of the establishment of the internal control and risk management system of the Company, the Statement of the Responsibilities of the Board, the self-assessment, key deficiencies (if any) and the audit.

In August 2000, the Company established the Audit Department, and has carried out an independent internal audit system to review the Group's operating and management activities and the effectiveness of the internal control system. Internal audit personnel have the authority to access all information about the Company and make inquiries to relevant personnel at work. The General Manager of the Audit Department directly reports the result of his work to the Audit Committee, and the Audit Committee will then make recommendation to the management of the Company after consideration and examine the implementation of the rectification and improvement plan by way of follow-up inspection.

The Board established the "Anti-fraudulent Work Regulation" and specified the key areas of anti-fraudulent work and the matters including the division of roles, fraud prevention and control, procedures for accusing, investigating, handling and reporting on fraud cases. The Audit Committee and the Audit Department have set up independent hotlines and email boxes for reporting any suspected cases which are posted on the internal and external websites of the Company as channels for staff at all levels and stakeholders of the Company to reflect and report the violation of the ethical issues or suspected fraud cases in connection to the Company or its staff. During the year, the Audit Committee communicated with the auditor of the Company in relation to the fraudulent risk and control measures in order to understand the recommendation of internal control proposed by the auditor and the Audit Department and the feedback and the rectification and improvement of the management, investigate the reports/complaints against the Company or the management from the perspective of internal control and provide continual guideline and supervision on the anti-fraudulent work of the Company.

D.3 Audit Committee

The code provisions that we complied with

D.3.1–D.3.7

The Board has established the Audit Committee comprising Non-executive Directors, with the majority being Independent Directors and chaired by an Independent Director. The Audit Committee is responsible for the review and supervision of the financial accounting policies, financial reporting procedures and reporting quality of the Group; the evaluation of the soundness and effectiveness of the internal control system of the Company, supervision of fraudulent risk and management measures of the Company; responsible for the coordination with the work of the auditor and the evaluation of its efficiency and quality of work as well as its engagement; the review on the internal audit report and evaluation of the feedback from the management; and responsible for the control and daily management of connected transactions of the Company. Works falling under the scope of risk management are handled by the Risk Management Committee under the Board. Please refer to C.4 above and "Corporate Governance Summary" in this annual report for the details of the compositions of the Audit Committee and Risk Management Committee and their respective performance of duties. The "Terms of Reference of the Audit Committee" approved by the Board has been published on the websites of the exchanges and the Company. The Company provides the committee with sufficient resources for its performance of duties. During the year, the Audit Committee did not seek for independent professional advice for the performance of duties.

Corporate Governance Report

Under the authorisation granted by the Board, the Audit Committee is responsible for reviewing and monitoring the quality and procedures of the Group's financial reporting. During 2021, the committee reviewed the periodic financial statements and made recommendation to the Board for approval. The specific works of the committee included the following:

- ◆ The committee reviewed the interim and the quarterly financial statements of the Group, received the report on the review from the auditor and discussed the handling methods of significant financial and accounting matters with the management and the auditor.
- ◆ Before the annual audit, the committee held meetings with the auditor and discussed the composition of its audit team members, risks of the year, scope of audit, method of audit, focus of audit and the schedule for the annual audit in order to understand the overall work arrangement of the annual financial statements of the Company, conducted preliminary reviews and issued opinions in writing for the statements.
- ◆ During the annual audit process, the committee maintained an ongoing communication with the management and the auditor, and discussed and confirmed over the handling methods of significant financial and accounting matters of the Group, the appropriateness of the accounting policies adopted and the reasonableness of the accounting estimates.
- ◆ The committee supervised the completion of the annual audit by the auditor as scheduled and reviewed the Group's annual financial statements and issued its written opinions. The Audit Committee held two meetings in early 2022 (up to the Reporting Date) to review the 2021 annual financial statements and annual report of the Group. Based on the results of relevant work and with reference to the audit opinions of the auditor, the committee is of the view that the Group's 2021 annual financial statements truthfully and reasonably reflected the operating results and financial position of the Group for the year, and thus recommend the Board to approve the same.

The report of the auditor:

Upon the approval of general meeting, the Company appointed Deloitte as the Company's auditor for the year of 2021 to carry out an audit for the annual financial statements and the internal control and assume the due duties of an international auditor as provided for by the Listing Rules of the HKEx. Ernst & Young Hua Ming LLP had been appointed by the Company as its statutory auditor for 5 consecutive years from 2016 to 2020. In 2021, according to the requirements under the relevant regulations of Shenzhen SASAC, the auditor which had provided continuous service to the Company for 5 years shall be rotated.

The remunerations of the Company's auditor for the year 2021 are set out as follows:

(Unit: RMB'000)	2021 Deloitte	2020 Ernst & Young
Financial statements audit/review fees	2,700	4,600
Internal control audit fees	400	600
Others	1,135	1,460

Note:

1. The auditor has submitted to the Company a written confirmation letter in respect of the total amount of the aforementioned remunerations.
2. Other services provided by Deloitte in 2021 mainly included asset clearance audit and audit of proposed acquisition projects, etc.

Save as the above-mentioned, a total of 48 wholly-owned or controlled subsidiaries of the Company, including Investment Company, have hired Pan-China Certified Public Accountants LLP Shenzhen Branch and Hong Kong Li Xian Hui Certified Public Accountants to provide annual financial statement auditing services. The audit fees for the year 2021 amounted to RMB990,000 and RMB39,000 respectively.

The Audit Committee is responsible for conducting an assessment on the completion of the annual audit and the quality of professional services of the auditor, and makes recommendations to the Board in respect of the appointment or replacement of the auditor. The appointment or replacement of the auditor as well as the determination of audit fees are proposed by the Board at the general meeting for the approval or authorisation. According to the stipulated procedures of the Company, the Audit Committee already assessed and summarised the 2021 audit work of Deloitte. The committee is of the view that Deloitte performed well in terms of independence and objectivity, professional skills, quality and efficiency of audit for financial information disclosure and the communication with the Company.

Corporate Governance Report

E. Remuneration

E.1 Standard and composition of remuneration and its disclosure

The code provisions that we complied with	E.1.1~E.1.5
The recommended best practice(s) that we complied with	E.1.6~E.1.9

The Board has established the Remuneration Committee comprising Non-executive Directors, with the majority being Independent Directors, and chaired by an Independent Director. Please refer to C.4 above and “Corporate Governance Summary” in this annual report for the details of the composition of the Remuneration Committee and its performance of duties. The “Terms of Reference of the Remuneration Committee” approved by the Board has been published on the websites of the stock exchanges and the Company. The Company provided the committee with sufficient resources for its performance of duties. During the year, the Remuneration Committee did not seek for independent professional advice for the performance of duties.

The Company has disclosed the remunerations of the Directors, Supervisors and senior management on a named basis. Please refer to the section headed “Directors, Supervisors, Senior Management and Employees” in this annual report for the details of the remuneration policy of the Directors, the appraisal and incentive mechanism of the senior management and the remuneration of the management for the year.

F. Shareholders Engagement

F.1 Effective communication

The code provisions that we complied with	F.1.1
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The Company has been complying with the principle of equal treatment of all investors, and established a smooth communication channel with investors while observing various regulations relating to information disclosure by maintaining an effective two-way communication with investors through various channels. Please refer to “Investor Relations” in this annual report and F.2 below for details.

The Company has always committed itself to creating higher corporate value and has actively implemented the profit distribution policy of cash dividend which balances the long term and short term interests of its investors, at the same time providing promising and sustainable returns to its shareholders. The Company has insisted on rewarding its shareholders with high returns ever since its listing, which is underpinned by the payment of cash dividends for 24 consecutive years with an aggregate cash dividend payment of approximately RMB10.868 billion.

According to the “Articles of Association”, the Company should distribute dividends in cash each year provided that the cash dividend conditions are satisfied. The profit distributed by cash by the Company for the year shall not be less than 20% of the distributable profit for the year, and the profit distributed by cash by the Company for three consecutive years in aggregate shall not be less than 30% of the distributable profit for the three years.

According to the “Plan of Shareholders’ Return for 2021-2023” approved by the Company’s general meeting, the Company will strive to increase the cash dividend distribution ratio for the years from 2021 to 2023 if the conditions for cash dividend distribution can be fulfilled. When the financial and cash position of the Company is satisfactory and there be no material investment plans or cash expenditures, the profit proposed to be distributed in cash shall not be lower than 55% of the net profit attributable to Shareholders of the parent company pursuant to the consolidated statement of the year, net of profit distributable to holders of other equity instruments such as perpetual bonds (if any).

The Company regularly discloses the details of total number of shares, categories of shareholders, substantial shareholders and market value of the shares held by the public. Please refer to “Share Capital and Shareholders” in this annual report for details.

F.2 General Meetings

The code provisions that we complied with

F.2.1~F.2.3

The Company encourages all shareholders to attend the general meetings. In 2021, a total of 3 general meetings were held by the Company, as well as 1 A Share class meeting and 1 H Share class meeting. For details, please refer to the “Corporate Governance Summary” in this annual report.

The Company serves a notice of at least 15 days prior to the date of the general meeting, and provides the shareholders with any information necessary for them to attend and make decision at the meeting. Each separate matter in substance submitted to the general meeting for consideration is put forth respectively as a separate resolution. According to the provisions of the “Articles of Association” of the Company, the qualified shareholders of the Company have the right to call general meetings and propose impromptu motions or collect voting rights from other shareholders in accordance with the established procedures. According to the Articles of Association, shareholder(s) who hold more than 10% of the Company's shares with voting right may convene an extraordinary general meeting by written request. The Board has to convene an extraordinary general meeting within 2 months after receipt of such written request. In addition, shareholder(s) who individually or jointly hold more than 3% of the Company's shares with voting right may request to include new resolution(s) at the next general meeting of the Company by writing. The content of such resolution(s) should be within the authority of the general meeting, with clear topics and specific matters to be resolved, and comply with relevant requirements under the laws, regulations and the Articles of Association. The Company shall include such matter(s) of the new resolution(s) which is within the authority of the general meeting in the agenda of its next general meeting. A cumulative voting system is adopted for the election of the Directors and the Supervisors by the shareholders. These arrangements are made to protect the rights of minority shareholders and encourage them to fully express their opinions. The specific procedures and requirements of the aforementioned arrangements are set out in details in the “Articles of Association” of the Company and the attached “Rules of Procedures for the General Meetings”. The full texts of the “Articles of Association” of the Company and “Rules of Procedures for the General Meetings” are available on the website of the Company.

During the year, the Chairman of the Company attended the annual general meeting and all chairmen of the specialised committees under the Board or their representatives were also arranged to attend the annual general meeting to answer inquiries from the shareholders when necessary.

Corporate Governance Report

At a general meeting, all shareholders present at the meeting are entitled to make inquiries to the Directors and the other management regarding the issues in relation to the resolutions. At any other time other than at the general meeting, the shareholders may make their inquiries and express their opinions to the Board by calling the investor hotline of the Company or in writing (including facsimile, letter, e-mail, online message, etc.). The Company has published detailed methods of contact through its website, notices of the general meeting, circulars to the shareholders and annual reports for the shareholders to express their opinions or make any inquiries. The Board has formulated the “Rules of Investor Relationship Management” and the “Standards of Work for Investor Relationship Management”, which clearly defines the principles, responsible person, channel and standards of work for the communication with the shareholders. The Board keeps in touch with the shareholders on an ongoing basis. Please refer to “Investor Relations” in this annual report for details.

The Company has formulated the “Rules of Procedures for the Shareholders’ Meeting” which clearly sets out the voting method and poll procedure at the general meetings to ensure the compliance with the requirements of the Listing Rules and the “Articles of Association” of the Company.

The Company provides detailed explanations on the documents for convening a general meeting on such matters as the way of filling in voting forms, rights of the shareholders, voting procedures and method of vote counting to ensure that the shareholders are familiar with the voting procedures by way of poll. A shareholder who is unable to attend the general meeting in person may appoint his or her proxy (the proxy need not to be a shareholder of the Company) to attend and vote at the general meeting.

Internal Control

I. Statement of Responsibilities towards Internal Control

To develop, improve and effectively implement internal control, assess its effectiveness and accurately disclose the assessment report on the internal control is the responsibility of the Board of the Company. The Supervisory Committee shall supervise the establishment and implementation of internal control by the Board. The management shall be responsible for organising and leading the daily operation of the Company's internal control.

The internal control objectives of the Company are to reasonably ensure that its operations and management are in compliance with the relevant laws and regulations, its assets are managed in a sound manner, and its financial reports and relevant information are truthful and complete, to enhance its operational efficiency and results and facilitate the fulfilment of its development strategy. As the internal control bears inherent limitations, it can only provide reasonable assurance for achieving the aforesaid objectives. Moreover, as changes in the circumstances may render internal control inappropriate, or reduce the degree of compliance with control policies and procedures, it is risky, to a certain extent, to make predictions about the effectiveness of internal control in the future based on the results of internal control evaluation.

The purpose for the establishment of the internal control system is to manage the potential risks as it will be unrealistic to eliminate all of the risks. Meanwhile, the coverage of internal control should be in line with the Company's operating scale, business scope, competition condition and risks levels, and shall be timely adjusted to reflect the change of circumstances. It would be a persistent and continuous task to improve the internal control system, regulate the implementation of the system and strengthen the supervision and examination of the internal control.

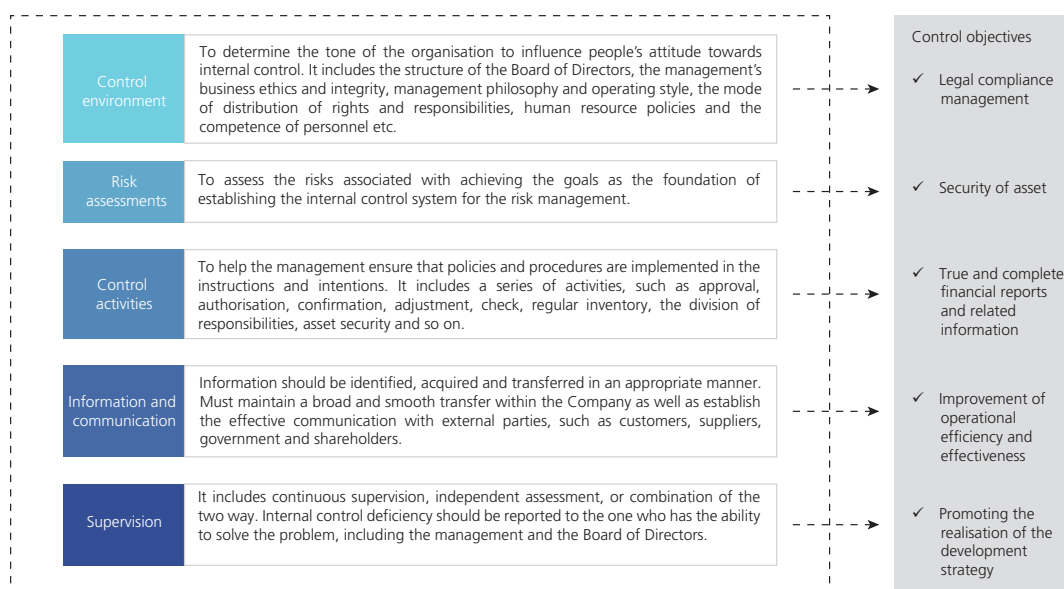
II. Establishment of the Internal Control System

The Company always focuses on the standardisation of its internal management. It has established a comprehensive management system and the practical rules for various layers of business operation and management in order to maintain a stable growth of the Company. The Company's prevailing management system covers the key management procedures of various business segments and supporting segments such as investment, project management, management on road assets, toll collection management, financial management, general and administrative management, human resources management, information management, legal management, safety management, information disclosure management, management of investee companies, integrity management and internal audit.

As required in the Basic Standard for Enterprise Internal Control jointly issued by five ministries including Ministry of Finance and CSRC and the requirements set out in various internal control application guidelines, the Company formulated its own internal control manual to clarify the focuses of such aspect. In addition, the Company formulated the Quality Control Procedures for the Assessment of Internal Control, setting out the measures for the examination of internal control and assessment for the deficiency, and format for the preparation of an assessment report on internal control and disclosure procedures, with an aim to standardise the assessments on the Company's internal control.

For the establishment of the sound internal control system and the maintenance of its effectiveness, the Company has considered five major basic aspects of internal control, namely control environment, risk assessments, control activities, information and communication, and supervision.

Internal Control



III. Risk Management

The Company improves its management capability and adaptability, and further ensures the realisation of the business objectives and sustainable steady growth through active and systematic identification, assessment and response to risk issues occurred in the operation process. The Company has formulated the Procedures for Risk Control and Management to define the risk assessment model and the risk evaluation criteria, and qualitative and quantitative evaluation was carried out to evaluate risks from two dimensionalities, i.e. probability and impact of the risks, so as to determine the levels of risk. In preparing the annual work plans, those major risks that may affect the achievement of the annual business objectives were identified, analysed and assessed by each unit of the Company, and corresponding risk response measures and annual risk management plan for each unit were formulated. In combination with the Company's annual business objectives and company strategy, the management determined the Company's key area of the annual risk management, and reviewed and assessed the implementation of the risk management plan quarterly, in the middle and at the end of the year. Meanwhile, the Company has formulated reporting mechanism for major risk emergency events and quarterly material risk matters to strengthen the supervision on major risk events. In addition, the Company has also formulated the Management Rules on the Warning of Financial Risks (《財務風險預警管理辦法》) to regularly monitor the warning indicator system and hierarchically report the results to the management, Risk Management Committee and the Board.

IV. The Supervision and Self-Assessment of the Internal Control Systems

The Board focuses on the five basic elements of the internal control and continues to review the effectiveness of the Company's internal control system through the Audit Committee and its subordinate Audit Department. The Audit Department independently reviews, supervises and evaluates internal control activities regularly and whenever necessary based on possible risks and degrees of importance involved in various businesses and procedures of the Company and directly reports to the Audit Committee. Through the following tasks, the Audit Committee supervises and reviews the soundness and effectiveness of the Company's financial reporting and internal control system on an ongoing basis:

- ◆ Review and approve the annual Assessment Plan for Internal Control;
- ◆ Keep abreast of the progress of internal control system establishment and evaluation tasks through daily routines, periodical summary and reports submitted by the Audit Department;

- ◆ Comprehend the method and scope of the internal control assessment tests and the key deficiencies found during the tests and their correction;
- ◆ Discuss with the auditor the scope of audit, the audit results and audit opinions in respect of the audit of internal control;
- ◆ Review the annual Assessment Report for Internal Control.

According to the relevant requirements of the Corporate Internal Control Standard System which is based on the Basic Standard for Enterprise Internal Control together with the Company's internal control system and method of evaluation, the Board had assessed the effectiveness of the Company's internal control as at 31 December 2021 (the base date of the Assessment Report) and issued 2021 Assessment Report on Internal Control based on its routine monitoring and project-based supervision. The scope of evaluation included Shenzhen Expressway Corporation Limited, Guangdong Qinglian Highway Development Company Limited, Hunan Yichang Expressway Development Company Limited, Shenzhen Guangshen Coastal Expressway Investment Company Limited, Hubei Magerk Expressway Management Company Limited, Shenzhen Qinglong Expressway Company Limited, Shenzhen Expressway Investment Company Limited and its subsidiaries, Shenzhen Expressway Environmental Company Limited and its subsidiaries, Shenzhen Outer Ring Expressway Investment Company Limited, Shenzhen Meiguan Expressway Company Limited, Shenzhen Expressway Advertising Company Limited, Baotou Nanfeng Wind Power Technology Co., Ltd., Shenzhen Expressway New Energy Holdings Co., Ltd., Mei Wah Industrial (Hong Kong) Limited, Jade Emperor Limited (JEL Company), Maxprofit Gain Limited (Maxprofit Company), Hunan Changsha Shenchang Expressway Company Limited, Shenzhen Expressway Operation Development Company Limited, Shenzhen Expressway Construction Development Company Limited, Shenzhen Shenzhen Expressway Financial Leasing Co., Ltd. (深圳深高速融資租賃有限公司), Shenzhen Shenzhen Expressway Infrastructure and Environmental Protection Development Co., Ltd and Shenzhen Longda Expressway Company Limited, and also covered the main businesses and matters of these companies in terms of corporate governance, business procedures and high-risk areas. The assets of the abovementioned assessed companies accounted for 98.99% of the Group's total assets as per the consolidated financial statements and their aggregated revenues accounted for 99.12% of the Group's total revenues.

Assessment Report for Internal Control 2021 of the Company (Chinese version) was disclosed on the website of SSE (<http://www.sse.com.cn>), the website of HKEx (<http://www.hkexnews.hk>) and the website of the Company (<http://www.sz-expressway.com>) in separate reports. According to the identified key deficiencies in the internal control on the Company's financial reporting, there was no key deficiency in the internal control on the Company's financial reporting as at the basis date of the assessment report. The Board of Directors is of the opinion that the Company has maintained an effective internal control on financial reporting in all material aspects according to the Corporate Internal Control Standard System and the relevant regulatory requirements. According to the identified key deficiencies in the internal control on the Company's non-financial reporting, no key deficiency in the internal control on the Company's non-financial reporting was aware of as at the basis date of the assessment report. During the period from the basis date of the assessment report to the issue date of Assessment Report for Internal Control 2021, no factors that affect the conclusions on effectiveness of internal control evaluation occurred.

V. Description on Internal Control Audit

Deloitte Touche Tohmatsu Certified Public Accountants LLP appointed by the Company had audited the effectiveness of internal control relating to the Company's financial reporting, and issued its unqualified audit opinion. The audit report (Chinese version) was disclosed on the websites of the exchanges and the Company in separate reports.

Investor Relations

The Company advocates a corporate culture that respects investors and holds itself accountable for investors. The Company establishes a smooth communication channel with investors and enhances mutual trust and interaction based on proper information disclosure and initiating various investor relation activities, and fully respects investors' rights of knowledge and option, while asserting to reward its shareholders.

I. Information Disclosure

Credible information disclosure can effectively build a bridge of communication and understanding between the Company and its investors, the regulatory authorities and the public. This can facilitate a broader and more thorough understanding of the Company's values. For years, according to the fundamental principles of openness, impartiality and fairness, the Company has been striving to comply with the requirements of the relevant laws and the Listing Rules, and fulfilling the information disclosure obligations in a timely and accurate manner. The Company takes the initiative to understand investors' concerns and voluntarily discloses information in response to these concerns so as to increase its transparency.

In 2021, the Company timely completed the preparation and disclosure of its annual, interim and quarterly reports and published over 400 announcements and other shareholders' documents and information in both English and Chinese, disclosing in detail the following information of the Company: operations of the Board, the Supervisory Committee and general meetings, dividend distributions, exchange with investors, corporate governance, operating conditions, investment and financing arrangements and so forth. The Company acted, on its own accord, to disclose its monthly operational statistics by way of announcements. The Company also maintained to provide in-depth analyses on its operating and financial positions as well as the major factors affecting its business performance in its annual reports with a view to strengthening investors' understanding about the operation, management and development trends of the Company.

II. Ongoing Communication

On the basis of a competent disclosure of information, the Company maintains effective two-way communication with investors through various channels and conveys information which investors are concerned with, so as to boost their confidence in the Company's future development. Meanwhile, the Company extensively collects feedback from the market to elevate the standards of the Company's governance and operations management.

The management of the Company highly values investor relationship management. During the year, the Chairman, President, Chief Financial Officer, Secretary of the Board and the investor relations team of the Company actively participated in various investor exchange activities to communicate and interact with investors directly. The investor relations activities were mostly organised by the Company in the following forms:

- ◆ Making the public known the investor hotline and investor relations e-mail, establishing the Investors' Message section on the Company's website and the Shanghai Stock Exchange e-interaction Message section to promptly respond to investors' inquiries. In 2021, the Company responded to investor inquiries more than 260 times through telephone, email and website messages.

Investor Hotline: (86) 755 – 8669 8069
Investor Relations Email Box: ir@sz-expressway.com
Company Website: <http://www.sz-expressway.com>

- ◆ Properly arranging requests of visits and research from the investors, maintaining an open-minded attitude to exchange views and communicate with investors, and establishing a direct communication mechanism between investors and the Company. In view of the occasional resurgences of the COVID-19 epidemic in 2021, the Company communicated with investors mainly through online means, supplemented by offline activities. To facilitate a convenient and efficient communication, the Company compared high-quality online communication tools and platforms, developed more communication channels and continuously refined its presentation materials, so as to accommodate the research needs of investors. During the year, the Company received in aggregate approximately 30 batches of analyst for research.
- ◆ Active in conducting or participating in various forms of domestic and overseas presentation activities, including result presentations and press conferences, online investor meetings, online roadshows and investor conferences organised by brokers and intermediaries. During the year, the Company interacted with a total of over 610 investors and media reporters.

Details of major presentation activities during 2021 are as follows:

March	<ul style="list-style-type: none"> ◆ Held Shenzhen Expressway 2020 annual result presentation and press conference (Virtual) ◆ Held Shenzhen Expressway virtual investor meeting in relation to the announcement of 2020 annual results ◆ Held Shenzhen Expressway virtual roadshows in relation to the announcement of 2020 annual results
April	<ul style="list-style-type: none"> ◆ Participated in Industrial Securities Spring Strategy Conference 2021 ◆ Held Shenzhen Expressway virtual investor meeting in relation to the announcement of 2021 first quarterly results ◆ Held Shenzhen Expressway virtual roadshows in relation to the announcement of 2021 first quarterly results
May	<ul style="list-style-type: none"> ◆ Participated in Huatai Securities Hong Kong Stock Corporate Day ◆ Participated in UBS Virtual APAC Transport and Logistics Day 2021 ◆ Participated in Wonderful Sky IDEAS Summit 2021 (Virtual)
August	<ul style="list-style-type: none"> ◆ Held Shenzhen Expressway 2021 interim result presentation and press conference (Virtual) ◆ Held Shenzhen Expressway virtual investor meeting in relation to the announcement of 2021 interim results ◆ Held Shenzhen Expressway virtual roadshows in relation to the announcement of 2021 interim results
September	<ul style="list-style-type: none"> ◆ Participated in Huachuang Securities Autumn Strategy Conference (Virtual) ◆ Participated in Industrial Securities Autumn Listed Companies Virtual Exchange Conference
November	<ul style="list-style-type: none"> ◆ Held Shenzhen Expressway virtual investor meeting in relation to the announcement of 2021 third quarterly results ◆ Participated in RoadShowChina's Roadshow Conference for New Infrastructure Sector: Shenzhen Expressway Virtual Exchange Conference and 2021 Third Quarterly Results Conference ◆ Participated in Futu: Shenzhen Expressway 2021Q3 Results Conference (Virtual) ◆ Participated in the 16th Daiwa Investment Conference Hong Kong 2021 ◆ Participated in CITICS Capital Market Conference 2022 ◆ Participated in Huatai Securities 2021 Year-end Investment Summit (Virtual) ◆ Participated in 2021 Virtual Investor Collective Reception Day of Listed Companies in Shenzhen

Investor Relations

- ◆ Regularly dispatching information and materials on the operations and development of the Group. The Company prepared and issued a total of 2 issues of E-news and 14 result and progress presentation materials in 2021, providing information to investors on the Company's periodic operational management and project operational performance, and giving responses to issues which concern investors. Such information is sent by e-mails and uploaded to the Company's website for more investors' access at any time.
- ◆ Investors and the public may check out information such as the Group's basic information, rules for the Company's corporate governance, information disclosure documents, profiles of directors, supervisors and the senior management and the Group's monthly operating performance of toll highway projects at any time on the Company's website.
- ◆ The Company also timely handled and replied to investors' messages, and uploaded investors' interaction records monthly through the "e-interaction" platform developed by the SSE for listed companies and investors.

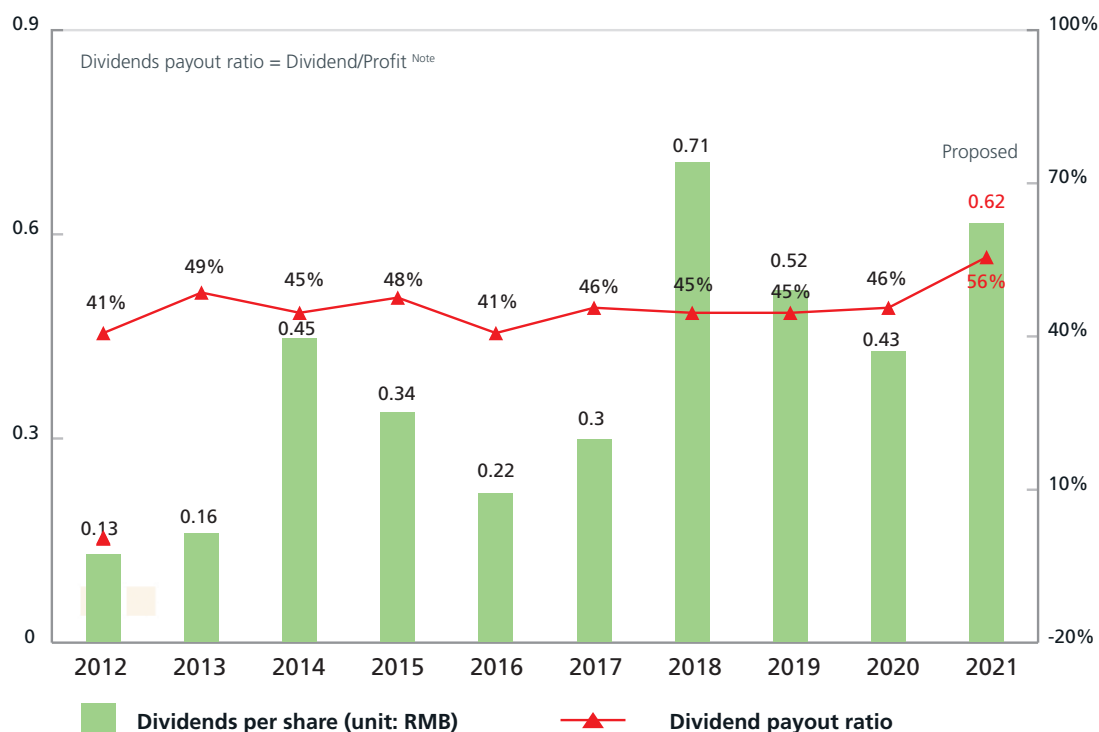
The Board of the Company has reviewed the implementation of the Company's shareholders' communication policy for 2021. Taking into account the afore-mentioned communication channels for investors, the steps taken and events organized by the Company, the Company is of the view that the shareholders' communication policy for 2021 has been implemented effectively.

III. Shareholder Return

The Company has insisted on rewarding its shareholders with high returns ever since its listing, which is underpinned by the payment of cash dividends for 24 consecutive years with an aggregate cash dividend payment of approximately RMB10.868 billion.

The Board of the Company recommended the payment of a cash dividend of 0.62 (tax included) per share for the year 2021. Such proposal is to be submitted to the 2021 Annual General Meeting of the Company for approval. For details of the dividend, policy and payment of cash dividends of the Company, please refer to "Financial Analysis" in "Management Discussion and Analysis" of this annual report.

Historical Dividend Payout Ratio



Note: The dividend payout ratio was calculated based on the financial statistics of payout without

IV. Changes in the Articles of Association

On 25 August 2021, the Company proposed to change the Chinese name of the Company from “深圳高速公路股份有限公司” to “深圳高速公路集团股份有限公司” and the English name of the Company from “Shenzhen Expressway Company Limited” to “Shenzhen Expressway Corporation Limited”, and make corresponding amendments to the provisions related to the name of the Company in the Articles of Association in respect of the name change. The afore-mentioned change of the name of the Company and the corresponding amendments to the Articles of Association has come into effect on 16 December 2021.

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



Auditor's Report

2021

De Shi Bao (Shen) Zi (22) No. P02428

TO THE SHAREHOLDERS OF SHENZHEN EXPRESSWAY CORPORATION LIMITED:

I. OPINION

We have audited the financial statements of Shenzhen Expressway Corporation Limited (formerly known as "Shenzhen Expressway Company Limited", the "Shenzhen Expressway Company"), which comprise the consolidated and company statements of financial position as at 31 December 2021, and the consolidated and company statements of profit or loss and other comprehensive income, the consolidated and company statements of cash flows and the consolidated and company statements of changes in equity for the year then ended, and the notes to the financial statements.

In our opinion, the accompanying financial statements have been prepared and present fairly, in all material respects, the consolidated and Company's financial position of Shenzhen Expressway Company as at 31 December 2021, and the consolidated and Company's results of operations and cash flows for the year then ended in accordance with the Accounting Standards for Business Enterprises.

II. BASIS FOR OPINION

We conducted our audit in accordance with China Standards on Auditing. Our responsibilities under those standards are further described in the "Auditor's Responsibilities for the Audit of the Financial Statements" section of our report. We are independent of Shenzhen Expressway Company in accordance with the *Code of Ethics for Chinese Certified Public 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 audit opinion.

III. KEY AUDIT MATTERS

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of financial statements of the year 2021. These matters were addressed in the context of our audit of the financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters. We determine the followings are key audit matters in need of communication in our report.

Allocation of franchise rights associated with toll roads

As disclosed in Note V, 19 to the financial statements, as at 31 December 2021, the carrying amount of the franchise rights of Shenzhen Expressway Company associated with toll roads was RMB23,359,180,746.48, and the amortization amount of the franchise rights in 2021 was RMB1,729,830,966.70. The franchise rights of Shenzhen Expressway Company associated with toll roads are amortized over the operating period of the toll roads according to the traffic volume method. Amortization is provided on projected units-of-usage, which is calculated based on the total projected traffic volume during the operating period of each toll road and the carrying amount of the franchise rights associated with toll roads, combined with the actual traffic volume during each accounting period. The total projected traffic volume refers to the forecast of the management of Shenzhen Expressway Company for the total traffic volume during the operating period, which is a significant accounting estimate. Therefore, we identified the allocation of franchise rights associated with toll roads as a key audit matter of the consolidated financial statements.

III. KEY AUDIT MATTERS (CONTINUED)

Allocation of franchise rights associated with toll roads (Continued)

For above key audit matter, the audit procedures we performed mainly include:

- (1) Test and evaluate the operating effectiveness of key internal controls associated with the amortization of the franchise rights;
- (2) Inspect the reasonableness of the calculation process of actual traffic volume data applied by Shenzhen Expressway Company in calculating the amortization of the franchise rights;
- (3) Assess the independence and professional competence of the third party organization employed by Shenzhen Expressway Company for the purpose of performing traffic volume forecast;
- (4) Obtain the traffic volume forecast report issued by the third party organization, understand the method for predicting the traffic volume in the future operation period, and evaluate the reliability of the traffic volume forecast by comparing the projected traffic volume in the past years with the actual traffic volume during the period;
- (5) Recalculate the amortization of the franchise rights to verify the accuracy of the amortization amount of such franchise rights.

IV. OTHER INFORMATION

The management of Shenzhen Expressway Company is responsible for the other information. The other information comprises the information included in the 2021 Annual Reports of Shenzhen Expressway Company, but does not include the financial statements and our auditor's report thereon.

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

Auditor's Report

2021

V. RESPONSIBILITIES OF MANAGEMENT AND THOSE CHARGED WITH GOVERNANCE FOR THE FINANCIAL STATEMENTS

Management of Shenzhen Expressway Company is responsible for the preparation and fair presentation of these financial statements. This responsibility includes: (1) preparing the financial statements in accordance with Accounting Standards for Business Enterprises to achieve fair presentation of the financial statements; (2) designing, implementing and maintaining internal control which is necessary to enable that the financial statements are free from material misstatement, whether due to fraud or error.

While preparing the financial statements, the management is responsible for assessing Shenzhen Expressway Company's ability to continue as a going concern, disclosing matters related to going concern (if applicable) and using the going concern assumption, unless the management either intends to liquidate Shenzhen Expressway Company or to terminate operations, or has no other realistic options.

Those charged with governance are responsible for overseeing the financial reporting process of Shenzhen Expressway Company.

VI. AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the 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. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with China Standards on Auditing 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 financial statements.

As part of an audit in accordance with China Standards on Auditing, we exercise professional judgment and maintain professional skepticism throughout the audit. We also:

- (1) Identify and assess the risks of material misstatement of the 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.
- (2) Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances.
- (3) Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the management.
- (4) Conclude on the appropriateness of the management's 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 Shenzhen Expressway Company'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 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 Shenzhen Expressway Company to cease to continue as a going concern.

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

- (5) Evaluate the overall presentation (including the disclosures), structure and content of the financial statements, and evaluate whether the financial statements fairly represent the underlying transactions and events.
- (6) Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within Shenzhen Expressway Company to express an opinion on the financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

From the matters communicated with those charged with governance, we determine those matters that were of most significance in the audit of the financial statements for the current year 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.

Deloitte Touche Tohmatsu CPA LLP

Chinese Certified Public Accountants : Huang Yue
(Engagement Partner)

Shanghai, China
29 March 2022

Chinese Certified Public Accountants : Liu Chan

The auditor's report and the accompanying financial statements are English translations of the Chinese auditor's report and statutory financial statements prepared under accounting principles and practices generally accepted in the People's Republic of China. These financial statements are not intended to present the financial position and results of operations and cash flows in accordance with accounting principles and practices generally accepted in other countries and jurisdictions. In case the English version does not conform to the Chinese version, the Chinese version prevails.

Consolidated Statement of Financial Position

As at 31 December 2021
(RMB)

Item	Notes	31 December 2021	31 December 2020
Current assets:			
Cash at banks and on hand	V.1	4,196,771,526.72	5,549,304,352.44
Transactional financial assets	V.2	212,637,357.38	–
Bills receivable	V.3	87,388,115.83	378,532,713.65
Accounts receivable	V.4	993,613,902.45	798,070,361.76
Prepayments	V.5	190,616,033.22	403,190,304.27
Other receivables	V.6	716,855,574.05	773,039,332.04
Inventories	V.7	1,338,820,859.08	939,799,846.74
Contract assets	V.8	395,182,028.57	344,065,793.25
Held-for-trading financial assets		–	494,662,913.71
Non-current assets due within one year	V.9	235,808,874.20	74,870,082.79
Other current assets	V.10	546,140,489.67	325,722,991.02
Total current assets		8,913,834,761.17	10,081,258,691.67
Non-current assets:			
Long-term prepayments	V.11	1,792,084,894.91	318,301,869.39
Long-term receivables	V.12	1,760,469,165.94	997,354,914.31
Long-term equity investments	V.13	9,363,864,965.25	8,939,325,449.78
Other non-current financial assets	V.14	718,746,474.26	1,605,891,286.54
Investment properties	V.15	38,850,893.38	11,222,998.80
Fixed assets	V.16	5,708,223,987.72	3,493,301,179.79
Construction in progress	V.17	1,779,732,996.87	123,595,758.16
Right-of-use assets	V.18	361,722,469.11	139,306,754.99
Intangible assets	V.19	27,098,178,554.90	26,853,518,315.85
Development expenditures		25,767,094.71	1,856,946.00
Goodwill	V.20	46,039,775.24	156,039,775.24
Long-term prepaid expenses		53,969,025.51	59,662,232.25
Deferred revenue tax assets	V.21	451,230,984.24	593,773,910.48
Other non-current assets	V.22	2,500,778,712.91	1,770,551,959.38
Total non-current assets		51,699,659,994.95	45,063,703,350.96
Total assets		60,613,494,756.12	55,144,962,042.63

Item	Notes	31 December 2021	31 December 2020
Current liabilities:			
Short-term borrowings	V.23	3,238,233,388.16	1,341,218,126.43
Transactional financial liabilities	V.24	–	83,677,813.21
Notes payable	V.25	87,244,188.73	295,467,331.39
Accounts payable	V.26	2,502,175,159.44	1,869,889,416.15
Advances from customers	V.27	12,829,596.78	–
Contract liabilities	V.28	219,246,400.33	319,853,971.11
Employee benefits payable	V.29	359,264,951.67	281,972,189.76
Taxes payable	V.30	584,442,939.77	565,789,757.10
Other payables	V.31	1,771,092,013.68	3,570,365,680.07
Non-current liabilities due within one year	V.32	1,652,690,695.83	3,665,798,518.83
Other current liabilities	V.33	2,037,992,294.21	2,041,455,397.33
Total current liabilities		12,465,211,628.60	14,035,488,201.38
Non-current liabilities:			
Long-term borrowings	V.34	8,410,414,081.93	6,511,333,267.55
Bonds payable	V.35	7,086,863,713.17	3,792,324,357.82
Including: Preferred stock		–	–
Perpetual bonds		–	–
Lease liabilities	V.36	323,620,807.90	104,653,671.67
Long-term payables	V.37	2,480,379,057.98	2,234,299,535.22
Long-term employee benefits payable	V.38	187,966,149.45	114,813,411.45
Estimated debts	V.39	173,542,101.05	165,626,186.20
Deferred revenue	V.40	557,479,916.10	608,186,171.37
Deferred tax liabilities	V.21	1,156,240,960.13	1,299,127,356.20
Total non-current liabilities		20,376,506,787.71	14,830,363,957.48
Total liabilities		32,841,718,416.31	28,865,852,158.86
Shareholders' equity:			
Equity	V.41	2,180,770,326.00	2,180,770,326.00
Other equity instruments	V.42	4,000,000,000.00	4,000,000,000.00
Including: Preferred stock		–	–
Perpetual bonds		4,000,000,000.00	4,000,000,000.00
Capital reserve	V.43	6,121,182,678.26	6,003,524,259.38
Other comprehensive income	V.44	865,342,698.21	868,945,190.79
Surplus reserve	V.45	2,931,599,472.69	2,711,599,472.69
Undistributed profits	V.46	8,540,070,494.76	7,278,102,534.06
Total equity attributable to shareholders of the parent company		24,638,965,669.92	23,042,941,782.92
Minority interests		3,132,810,669.89	3,236,168,100.85
Total shareholders' equity		27,771,776,339.81	26,279,109,883.77
Total liabilities and shareholders' equity		60,613,494,756.12	55,144,962,042.63

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

The financial statements are signed by the following persons:

Legal representative:
Hu Wei

Chief financial officer:
Zhao Guiping

Head of accounting department
Li Xiaojun

Company Statement of Financial Position

As at 31 December 2021
(RMB)

Item	Notes	31 December 2021	31 December 2020
Current assets:			
Cash at banks and on hand		1,318,950,586.02	1,365,622,853.05
Accounts receivable	XIV.1	28,323,582.38	20,151,041.12
Prepayments		17,737,721.77	21,750,910.62
Other receivables	XIV.2	2,229,816,126.35	1,319,653,642.94
Inventories		1,663,750.14	1,263,019.74
Contract assets		136,031,512.99	134,830,169.45
Held-for-trading financial assets		–	494,662,913.71
Other current assets		6,234,306.57	–
Total current assets		3,738,757,586.22	3,357,934,550.63
Non-current assets:			
Long-term prepayments		339,279,452.80	206,552,739.53
Long-term receivables		4,146,865,923.66	6,014,995,341.30
Long-term equity investments	XIV.3	29,189,194,760.91	25,003,745,962.67
Other non-current financial assets		684,818,504.26	1,571,963,316.54
Investment properties		10,647,165.48	11,222,998.80
Fixed assets		258,004,968.13	154,670,681.46
Construction in progress		1,627,322,812.42	–
Right-of-use assets		46,350,454.93	23,040,119.83
Intangible assets		1,513,360,455.99	187,570,677.62
Development expenditures		3,398,706.00	1,856,946.00
Long-term prepaid expenses		13,399,635.08	16,421,680.05
Deferred revenue tax assets		10,609,481.42	84,546,531.11
Other non-current assets		340,063,555.47	152,054,832.31
Total non-current assets		38,183,315,876.55	33,428,641,827.22
Total assets		41,922,073,462.77	36,786,576,377.85

Item	Notes	31 December 2021	31 December 2020
Current liabilities:			
Short-term borrowings		1,151,987,781.72	601,857,503.53
Transactional financial liabilities		–	83,677,813.21
Accounts payable		89,481,915.35	62,687,911.59
Employee benefits payable		152,854,319.16	96,584,656.04
Taxes payable		19,941,411.95	38,268,742.63
Other payables		3,532,622,165.98	1,710,725,016.45
Non-current liabilities due within one year		1,089,476,333.98	3,315,629,370.65
Other current liabilities		2,135,948,299.05	2,018,087,592.62
Total current liabilities		8,172,312,227.19	7,927,518,606.72
Non-current liabilities			
Long-term borrowings		4,135,623,027.16	4,658,608,867.55
Bonds payable		7,086,863,713.17	3,792,324,357.82
Including: Preferred stock		–	–
Perpetual bonds		–	–
Lease liabilities		37,003,134.70	19,098,409.12
Long-term payables		2,131,451,615.06	1,948,950,517.48
Long-term employee benefits payable		125,144,101.40	69,517,451.40
Estimated debts		62,327,925.72	29,708,258.21
Deferred revenue		250,916,020.55	272,250,747.47
Deferred tax liabilities		156,388,746.25	40,123,832.92
Total non-current liabilities		13,985,718,284.01	10,830,582,441.97
Total liabilities		22,158,030,511.20	18,758,101,048.69
Shareholders' equity:			
Equity	V.41	2,180,770,326.00	2,180,770,326.00
Other equity instruments		4,000,000,000.00	4,000,000,000.00
Including: Preferred stock		–	–
Perpetual bonds		4,000,000,000.00	4,000,000,000.00
Capital reserve		2,812,538,343.92	2,978,192,273.96
Other comprehensive income		891,992,169.01	(14,148,065.97)
Surplus reserve	V.45	2,931,599,472.69	2,711,599,472.69
Undistributed profits		6,947,142,639.95	6,172,061,322.48
Total shareholders' equity		19,764,042,951.57	18,028,475,329.16
Total liabilities and shareholders' equity		41,922,073,462.77	36,786,576,377.85

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

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021
(RMB)

Item	Notes	2021	2020
I. Total revenue	V.47	10,871,924,008.52	8,026,737,099.99
Less: Cost of services	V.47	7,080,445,848.59	5,214,517,013.16
Taxes and surcharges	V.48	78,340,603.31	66,849,496.88
Selling expenses	V.49	59,700,478.67	53,050,692.24
General and administrative expenses	V.50	529,068,357.55	363,086,346.32
Research and development expenses	V.51	60,572,086.28	58,693,733.78
Financial expenses	V.52	749,134,289.07	491,547,931.77
Including: Interest expense		893,520,303.15	696,585,411.91
Interest income		100,229,114.36	61,078,272.26
Add: Other income	V.53	42,452,054.53	46,895,088.75
Investment income	V.54	570,093,444.03	937,363,288.55
Including: Share of profits of associates and joint ventures	V.54	662,629,195.69	880,729,972.60
Gains (losses) from changes in fair value	V.55	359,170,358.31	(2,343,020.67)
Credit impairment gains (losses)		(52,126,979.64)	(48,205,059.78)
Gains (losses) on impairment of assets		(117,161,160.11)	(116,143.51)
Gains on disposal of assets		17,391,358.90	74,529.31
II. Operating profit		3,134,481,421.07	2,712,660,568.49
Add: Non-operating income	V.56	48,603,629.89	11,048,942.94
Less: Non-operating expenses	V.57	4,940,377.55	14,243,130.20
III. Total profit		3,178,144,673.41	2,709,466,381.23
Less: Income tax expenses	V.58	471,799,055.89	473,910,634.04
IV. Net profit		2,706,345,617.52	2,235,555,747.19
(I) Classified by business continuity			
1. Net profit from continuing operations		2,706,345,617.52	2,235,555,747.19
2. Net profit from discontinued operations		–	–
(II) Classified by ownership			
1. Net profit attributable to shareholders of the parent company		2,606,254,756.43	2,054,523,306.30
2. Profit or loss attributable to minority interests		100,090,861.09	181,032,440.89

Item	Notes	2021	2020
V. Other comprehensive income, net of tax		(3,602,492.58)	(47,060,183.67)
Other comprehensive income after tax attributable to shareholders of the parent company		(3,602,492.58)	(47,060,183.67)
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss		–	–
(II) Other comprehensive income that will be reclassified to profit or loss		(3,602,492.58)	(47,060,183.67)
1. Other comprehensive income that will be transferred to profit or loss under the equity method	V.44	(908,127.91)	(41,600,557.49)
2. Translation differences of financial statements denominated in foreign currencies	V.44	(2,694,364.67)	(5,459,626.18)
VI. Total comprehensive income		2,702,743,124.94	2,188,495,563.52
Total comprehensive income attributable to shareholders of the parent company		2,602,652,263.85	2,007,463,122.63
Total comprehensive income attributable to minority interests		100,090,861.09	181,032,440.89
VII. Earnings per share			
(I) Basic earnings per share		1.110	0.936
(II) Diluted earnings per share		1.110	0.936

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

Company Statement of Profit or Loss and Other Comprehensive Income

For the year ended 31 December 2021
(RMB)

Item	Notes	2021	2020
I. Total revenue	XIV.4	1,809,678,626.45	748,753,621.85
Less: Cost of services	XIV.4	1,058,861,829.72	278,167,368.83
Tax and surcharges		10,139,293.70	4,531,940.97
General and administrative expenses		323,036,956.52	214,880,143.28
Financial expenses		350,992,886.69	126,603,248.48
Including: Interest expense		431,274,622.02	521,950,889.21
Interest income		52,512,041.46	263,575,094.42
Add: Other income		32,886,905.92	33,448,014.58
Investment income	XIV.5	1,436,360,191.39	888,967,922.38
Including: Investment income in associates and joint ventures		344,152,615.68	655,401,158.35
Gains (losses) from changes in fair value		146,533,000.93	(42,343,020.67)
Gains on disposal of assets		17,603,547.27	12,978.64
II. Operating profit		1,700,031,305.33	1,004,656,815.22
Add: Non-operating income		20,039,231.75	1,349,035.86
Less: Non-operating expenses		319,709.08	1,826,249.17
III. Total profit		1,719,750,828.00	1,004,179,601.91
Less: Income tax expenses		(771,044.97)	51,961,933.98
IV. Net profit		1,720,521,872.97	952,217,667.93
1. Net profit from continuing operations		1,720,521,872.97	952,217,667.93
2. Net profit from discontinued operations		–	–
V. Other comprehensive income, net of tax		13,008,016.24	(14,918,864.00)
(I) Other comprehensive income that cannot be subsequently reclassified to profit or loss		–	–
(II) Other comprehensive income that will be reclassified to profit or loss		13,008,016.24	(14,918,864.00)
1. Other comprehensive income that will be transferred to profit or loss under the equity method	XIV.3	13,008,016.24	(14,918,864.00)
VI. Total comprehensive income		1,733,529,889.21	937,298,803.93

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

Consolidated Statement of Cash Flows

For the year ended 31 December 2021
(RMB)

Item	Notes	2021	2020
I. Cash flows from operating activities:			
Cash received from rendering services and selling goods		7,912,418,707.23	5,224,541,330.86
Refund of taxes		185,969,573.22	9,055,921.31
Cash received relating to other operating activities	V.59(1)	311,889,085.97	392,344,240.69
Sub-total of cash inflows		8,410,277,366.42	5,625,941,492.86
Cash payments for goods and services		2,148,437,122.06	2,431,058,268.63
Cash payments to and on behalf of employees		976,104,901.86	813,081,462.48
Payments of taxes and surcharges		850,350,361.75	563,904,568.19
Cash paid relating to other operating activities	V.59(2)	493,854,213.02	717,263,260.49
Sub-total of cash outflows		4,468,746,598.69	4,525,307,559.79
Net cash flows from operating activities	V.60 (1)	3,941,530,767.73	1,100,633,933.07
II. Cash flows from investing activities			
Cash received from recovery of investments		670,564,610.52	113,918,059.94
Cash received from returns on investments		237,031,552.18	306,114,819.30
Net Cash received from disposal of fixed assets, intangible assets and other long-term assets		23,709,191.47	1,262,708.09
Net Cash received from disposals of subsidiaries and other business units		–	156,010,000.00
Other Cash received relating to investing activities	V.59(3)	982,947,731.43	107,350,604.72
Sub-total of cash inflows		1,914,253,085.60	684,656,192.05
Cash payments to acquire fixed assets, intangible assets and other long-term assets		3,798,402,757.91	2,483,911,608.02
Payments for investing activities		1,333,789,554.20	2,028,234,088.71
Cash payments to acquire subsidiaries and other business units	V.60(3)	668,394,314.56	453,525,734.29
Other cash payments relating to investing activities	V.59(4)	1,247,122,360.36	149,816,594.72
Sub-total of cash outflows		7,047,708,987.03	5,115,488,025.74
Net cash flows from investing activities		(5,133,455,901.43)	(4,430,831,833.69)

Consolidated Statement of Cash Flows

For the year ended 31 December 2021
(RMB)

Item	Notes	2021	2020
III. Cash flows from financing activities			
Cash received from capital contributions		28,846,202.00	4,030,790,067.00
Including: Cash received from capital contributions from minority shareholders of subsidiaries		22,906,202.00	21,567,867.00
Cash received from borrowings		18,051,016,235.82	12,012,675,519.46
Other Cash received relating to financing activities	V.59(5)	530,826,339.05	445,900,000.00
Sub-total of cash inflows		18,610,688,776.87	16,489,365,586.46
Cash repayments of borrowings		13,038,825,468.98	9,447,323,816.64
Cash payments for distribution of dividends or profits or settlement of interest expenses		2,061,158,213.69	1,920,539,452.58
Including: Payments for distribution of dividends or profits to minority shareholders of subsidiaries		151,891,355.88	127,272,394.51
Other cash payments relating to financing activities	V.59(6)	1,841,408,125.89	1,533,223,757.72
Sub-total of cash outflows		16,941,391,808.56	12,901,087,026.94
Net cash flows from financing activities		1,669,296,968.31	3,588,278,559.52
IV. Effect of foreign exchange rate changes on cash and cash equivalents		(1,048,502.02)	(2,334,372.36)
V. Net increase in cash and cash equivalents	V.60(1).2	476,323,332.59	255,746,286.54
Add: Cash and cash equivalents at beginning of year		3,233,581,180.27	2,977,834,893.73
VI. Cash and cash equivalents at end of year	V.60(1).2	3,709,904,512.86	3,233,581,180.27

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

Company Statement of Cash Flows

For the year ended 31 December 2021
(RMB)

Item	Notes	2021	2020
I. Cash flows from operating activities			
Cash received from rendering services and selling goods		1,584,256,219.86	411,736,643.63
Refund of taxes		64,064,593.03	–
Cash received relating to other operating activities		2,700,255,372.82	1,621,908,100.32
Sub-total of cash inflows		4,348,576,185.71	2,033,644,743.95
Cash payments for goods and services		427,442,581.00	91,944,300.64
Cash payments to and on behalf of employees		252,124,168.46	218,471,575.93
Payments of taxes and surcharges		117,798,222.05	43,596,759.47
Cash paid relating to other operating activities		610,280,377.06	1,389,384,766.00
Sub-total of cash outflows		1,407,645,348.57	1,743,397,402.04
Net cash flows from operating activities		2,940,930,837.14	290,247,341.91
II. Cash flows from investing activities			
Cash received from recovery of investments		539,474,000.00	156,010,000.00
Cash received from returns on investments		291,864,143.10	300,288,849.79
Net Cash received from disposal of fixed assets, intangible assets and other long-term assets		18,258,300.00	3,500.00
Other Cash received relating to investing activities		5,864,896,573.16	2,242,504,940.76
Sub-total of cash inflows		6,714,493,016.26	2,698,807,290.55
Cash payments to acquire fixed assets, intangible assets and other long-term assets		2,311,123,036.06	138,562,417.10
Payments for investing activities		4,533,172,500.33	6,986,405,267.59
Other cash payments relating to investing activities		2,997,221,329.16	3,759,314,703.05
Sub-total of cash outflows		9,841,516,865.55	10,884,282,387.74
Net cash flows from investing activities		(3,127,023,849.29)	(8,185,475,097.19)
III. Cash flows from financing activities			
Cash received from capital contributions		–	4,000,000,000.00
Cash received from borrowings		13,010,730,609.91	8,298,070,797.56
Other Cash received relating to financing activities		657,248,057.86	635,900,000.00
Sub-total of cash inflows		13,667,978,667.77	12,933,970,797.56
Cash repayments of borrowings		11,786,336,995.77	2,688,000,000.00
Cash payments for distribution of dividends or profits or settlement of interest expenses		1,702,819,132.52	1,545,367,456.34
Other cash payments relating to financing activities		44,804,898.81	745,891,639.05
Sub-total of cash outflows		13,533,961,027.10	4,979,259,095.39
Net cash flows from financing activities		134,017,640.67	7,954,711,702.17
IV. Effect of foreign exchange rate changes on cash and cash equivalents		(25,506.66)	(5,090.24)
V. Net increase (decrease) in cash and cash equivalents		(52,100,878.14)	59,478,856.65
Add: Cash and cash equivalents at beginning of year		1,326,583,970.59	1,267,105,113.94
VI. Cash and cash equivalents at end of year		1,274,483,092.45	1,326,583,970.59

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

Consolidated Statement of Changes in Equity

For the year ended 31 December 2021
(RMB)

Item	2021									
	Attributable to shareholders of the parent company								Minority interests	Total shareholders' equity
	Equity	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Undistributed profit	Sub-total	Perpetual bonds		
I. Balance at 31 December 2020	2,180,770,326.00	4,000,000,000.00	6,003,524,259.38	868,945,190.79	2,711,599,472.69	7,278,102,534.06	23,042,941,782.92	3,236,168,100.85	26,279,109,883.77	
Add: Business combination under common control	-	-	-	-	-	-	-	-	-	
II. Balance at 1 January 2021	2,180,770,326.00	4,000,000,000.00	6,003,524,259.38	868,945,190.79	2,711,599,472.69	7,278,102,534.06	23,042,941,782.92	3,236,168,100.85	26,279,109,883.77	
III. Changes for the year	-	-	117,658,418.88	(3,602,492.58)	220,000,000.00	1,261,967,960.70	1,596,023,887.00	(103,357,430.96)	1,492,666,456.04	
(I) Total comprehensive income	-	-	-	(3,602,492.58)	-	2,606,254,756.43	2,602,652,263.85	100,090,861.09	2,702,743,124.94	
(II) Shareholders' contributions and reduction in capital	-	-	117,658,418.88	-	-	-	117,658,418.88	(37,947,452.02)	79,710,966.86	
1. Ordinary shares contributed by shareholders	-	-	-	-	-	-	-	48,846,202.00	48,846,202.00	
2. Others	-	-	117,658,418.88	-	-	-	117,658,418.88	(86,793,654.02)	30,864,764.86	
(III) Profit distribution	-	-	-	-	-	(1,124,286,795.73)	(1,124,286,795.73)	(165,500,840.03)	(1,289,787,635.76)	
1. Transfer to surplus reserve	-	-	-	-	-	-	-	-	-	
2. Profit distribution to shareholders	-	-	-	-	-	(1,124,286,795.73)	(1,124,286,795.73)	(165,500,840.03)	(1,289,787,635.76)	
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-	-	
1. Transfer of capital reserve to Equity	-	-	-	-	-	-	-	-	-	
2. Transfer of surplus reserve to Equity	-	-	-	-	-	-	-	-	-	
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	
4. Others	-	-	-	-	-	-	-	-	-	
(V) Absorption and merger of wholly-owned subsidiaries	-	-	-	-	220,000,000.00	(220,000,000.00)	-	-	-	
IV. Balance at 31 December 2021	2,180,770,326.00	4,000,000,000.00	6,121,182,678.26	865,342,698.21	2,931,599,472.69	8,540,070,494.76	24,638,965,669.92	3,132,810,669.89	27,771,776,339.81	

2020

Item	Attributable to shareholders of the parent company									Total shareholders' equity
	Equity	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Undistributed profit	Sub-total	Minority interests		
	Perpetual bonds									
I. Balance at 31 December 2019	2,180,770,326.00	-	6,220,711,401.21	916,005,374.46	2,617,808,817.01	6,439,246,724.95	18,374,542,643.63	2,348,729,616.21	20,723,272,259.84	
Add: Business combination under common control	-	-	59,965,000.88	-	-	91,380,860.75	151,345,861.63	173,290,790.77	324,636,652.40	
II. Balance at 1 January 2020	2,180,770,326.00	-	6,280,676,402.09	916,005,374.46	2,617,808,817.01	6,530,627,585.70	18,525,888,505.26	2,522,020,406.98	21,047,908,912.24	
III. Changes for the year	-	4,000,000,000.00	(277,152,142.71)	(47,060,183.67)	93,790,655.68	747,474,948.36	4,517,053,277.66	714,147,693.87	5,231,200,971.53	
(I) Total comprehensive income	-	-	-	(47,060,183.67)	-	2,054,523,306.30	2,007,463,122.63	181,032,440.89	2,188,495,563.52	
(II) Shareholders' contributions and reduction in capital	-	4,000,000,000.00	150,925,735.66	-	-	-	4,150,925,735.66	660,387,647.49	4,811,313,383.15	
1. Ordinary shares contributed by shareholders	-	-	(1,011,521.33)	-	-	-	(1,011,521.33)	31,801,588.33	30,790,067.00	
2. Capital contribution from holders of other equity instruments	-	4,000,000,000.00	-	-	-	-	4,000,000,000.00	-	4,000,000,000.00	
3. Others	-	-	151,937,256.99	-	-	-	151,937,256.99	628,586,059.16	780,523,316.15	
(III) Profit distribution	-	-	-	-	93,790,655.68	(1,307,048,357.94)	(1,213,257,702.26)	(127,272,394.51)	(1,340,530,096.77)	
1. Transfer to surplus reserve	-	-	-	-	93,790,655.68	(93,790,655.68)	-	-	-	
2. Profit distribution to shareholders	-	-	-	-	-	(1,213,257,702.26)	(1,213,257,702.26)	(127,272,394.51)	(1,340,530,096.77)	
(IV) Transfers within shareholders' equity	-	-	-	-	-	-	-	-	-	
1. Transfer of capital reserve to Equity	-	-	-	-	-	-	-	-	-	
2. Transfer of surplus reserve to Equity	-	-	-	-	-	-	-	-	-	
3. Loss offset by surplus reserve	-	-	-	-	-	-	-	-	-	
4. Others	-	-	-	-	-	-	-	-	-	
(V) Absorption and merger of wholly-owned subsidiaries	-	-	(428,077,878.37)	-	-	-	(428,077,878.37)	-	(428,077,878.37)	
IV. Balance at 31 December 2020	2,180,770,326.00	4,000,000,000.00	6,003,524,259.38	868,945,190.79	2,711,599,472.69	7,278,102,534.06	23,042,941,782.92	3,236,168,100.85	26,279,109,883.77	

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

Company Statement of Changes in Equity

For the year ended 31 December 2021
(RMB)

Item	2021						
	Equity	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Undistributed profit	Total shareholders' equity
I. Balance at 1 January 2021	2,180,770,326.00	4,000,000,000.00	2,978,192,273.96	(14,148,065.97)	2,711,599,472.69	6,172,061,322.48	18,028,475,329.16
II. Changes for the year	-	-	(165,653,930.04)	906,140,234.98	220,000,000.00	775,081,317.47	1,735,567,622.41
(I) Total comprehensive income	-	-	-	13,008,016.24	-	1,720,521,872.97	1,733,529,889.21
(II) Shareholders' contributions and reduction in capital	-	-	54,346,069.96	-	-	-	54,346,069.96
1. Ordinary shares contributed by shareholders	-	-	-	-	-	-	-
2. Capital contributed by holders of other equity instruments	-	-	-	-	-	-	-
3. Others	-	-	54,346,069.96	-	-	-	54,346,069.96
(III) Profit distribution	-	-	-	-	-	(1,124,286,795.73)	(1,124,286,795.73)
1. Transfer to surplus reserve	-	-	-	-	-	-	-
2. Profit distribution to shareholders	-	-	-	-	-	(1,124,286,795.73)	(1,124,286,795.73)
(IV) Effects of absorption and merger under common control	-	-	(220,000,000.00)	893,132,218.74	220,000,000.00	178,846,240.23	1,071,978,458.97
III. Balance at 31 December 2021	2,180,770,326.00	4,000,000,000.00	2,812,538,343.92	891,992,169.01	2,931,599,472.69	6,947,142,639.95	19,764,042,951.57

Item	2020						
	Equity	Other equity instruments	Capital reserve	Other comprehensive income	Surplus reserve	Undistributed profit	Total shareholders' equity
I. Balance at 1 January 2020	2,180,770,326.00	-	3,279,942,664.85	770,798.03	2,617,808,817.01	6,461,945,990.86	14,541,238,596.75
II. Changes in the current year	-	4,000,000,000.00	(301,750,390.89)	(14,918,864.00)	93,790,655.68	(289,884,668.38)	3,487,236,732.41
(I) Total comprehensive income	-	-	-	(14,918,864.00)	-	952,217,667.93	937,298,803.93
(II) Shareholders' contributions and reduction in capital	-	4,000,000,000.00	-	-	-	-	4,000,000,000.00
1. Ordinary shares contributed by shareholders	-	-	-	-	-	-	-
2. Capital contribution from holders of other equity instruments	-	4,000,000,000.00	-	-	-	-	4,000,000,000.00
(III) Profit distribution	-	-	-	-	93,790,655.68	(1,242,102,336.31)	(1,148,311,680.63)
1. Transfer to surplus reserve	-	-	-	-	93,790,655.68	(93,790,655.68)	-
2. Profit distribution to shareholders	-	-	-	-	-	(1,148,311,680.63)	(1,148,311,680.63)
(IV) Business combination under common control	-	-	(301,750,390.89)	-	-	-	(301,750,390.89)
III. Balance at 31 December 2020	2,180,770,326.00	4,000,000,000.00	2,978,192,273.96	(14,148,065.97)	2,711,599,472.69	6,172,061,322.48	18,028,475,329.16

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

Notes to Financial Statements

2021
(RMB)

I. GENERAL INFORMATION OF THE COMPANY

Shenzhen Expressway Corporation Limited (formerly known as “Shenzhen Expressway Company Limited”, the “Company”) is a joint stock limited company established in Guangdong Province, the People’s Republic of China (the “PRC”) on 30 December 1996. The Company has its H shares and A shares listed on the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange of the PRC, respectively. The address of its registered office is Fumin Toll Station, Fucheng Subdistrict, Longhua District, Shenzhen, the PRC. The head office of the Company is located at F46, Hanking Center Tower, No. 9968, Shennan Avenue, Nanshan District, Shenzhen, the PRC.

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

The parent company and actual controlling party of the Company are Shenzhen International Holdings Limited (“Shenzhen International”) and the State-owned Assets Supervision and Administration Commission of the People’s Government of Shenzhen Municipality (“Shenzhen SASAC”) respectively.

These financial statements have been approved for issue by the Company’s Board of Directors on 29 March 2022.

The details of scope of the consolidated financial statements are set out in Note VII “equity in other entities”. The details of changes in the consolidation scope of the financial statements are set out in Note VI “changes in scope of consolidation”.

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS

Preparation basis

The Group implements the accounting standards for business enterprises and related regulations issued by the Ministry of Finance. In addition, the related financial information has been disclosed in accordance with the requirements of *the Rules on Preparation of Disclosures of Publicly Traded Company No. 15 – General Provisions on Financial Statements, Hong Kong Companies Ordinance and the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited*.

Going concern

As at 31 December 2021, the Group had total current liabilities in excess of total current assets of RMB3,551,376,867.43. The Group has unused bank credit lines totaling RMB26,480,942,784.05 as at 31 December 2021, however, they are not reserved by the banks to satisfy the Group’s debt and capital commitments. As the Group can solve the lack of working capital through reasonable financing arrangements, the financial statements have been prepared on a going concern basis.

Notes to Financial Statements

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(RMB)

II. BASIS OF PREPARATION OF THE FINANCIAL STATEMENTS (CONTINUED)

Basis of accounting and principle of measurement

The Group has adopted the accrual basis of accounting. Except for certain financial instruments which are measured at fair value, the Group adopts the historical cost as the principle of measurement in the financial statements. Where assets are impaired, provisions for asset impairment are made in accordance with relevant requirements.

Where the historical cost is adopted as the measurement basis, assets are recorded at the amount of cash and cash equivalents paid or the fair value of the consideration given to acquire them at the time of their acquisition. Liabilities are recorded at the amount of proceeds or assets received or the contractual amounts for assuming the present obligation, or, at the amounts of cash and cash equivalents expected to be paid to settle the liabilities in the normal course of business.

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 measurements date, regardless of whether that price is directly observable or estimated using valuation technique. Fair value measurement and disclosure in the financial statements are determined according to the above basis.

When the non-financial assets are measured at fair value, we should consider the market participants' ability of making economic benefits through applying the asset to the best use, or sell the assets to other market participants who can make economic benefits through applying the asset to the best use.

For financial assets whose transaction price is the fair value upon initial recognition and using valuation technique involving unobservable inputted value in subsequent measurement of fair values, the valuation technique should be adjusted during the valuation to make the results of initial recognition determined by valuation are equal to the transaction price.

Fair value measurements are categorized into Level 1, 2 or 3 based on 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 inputs within Level 1, that are observable for the asset or liability
- Level 3 inputs are unobservable inputs for the asset or liability.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES

1. Statement of compliance with Accounting Standards for Business Enterprises

The financial statements present truly and completely the consolidated and Company's financial position as at 31 December 2021, and the consolidated and Company's operating results, the consolidated and Company's changes in shareholders' equity and the consolidated and Company's cash flows for the year ended 31 December 2021 in accordance with the Accounting Standards for Business Enterprises.

2. Accounting period

The Group has adopted the calendar year as its accounting year, i.e. from 1 January to 31 December.

3. Operating cycle

An operating cycle refers to the period when an enterprise purchases assets for processing purpose till the realization of those assets in cash or cash equivalents. Except for the real estate business, PPP/EPC construction and construction business on behalf of others, the operating cycle of the Group's business is relatively short. The classification standard of asset and liability's liquidity is 12 months. The operating cycle of the real estate business is generally longer than 12 months, starting from the commencement of property development to the collection of sales proceeds. The length of the specific operating cycle, which is used as the classification criterion of the liquidity of assets and liabilities in this business, depends on the development project. The operating cycle of PPP/EPC constructions of the kitchen waste disposal projects business and construction business on behalf of others are generally longer than 12 months, starting from the commencement of construction project to completion settlement. The length of the specific operating cycle, which is used as the classification criterion of the liquidity of assets and liabilities in this business, depends on the development project.

4. Functional currency

Renminbi ("RMB") is the currency of the primary economic environment in which the Company and its domestic subsidiaries operate. Therefore, the Company and its domestic subsidiaries choose RMB as their functional currency. The Company's foreign subsidiary chooses its functional currency on the basis of the primary economic environment in which it operates. The Company adopts RMB to prepare its financial statements.

Notes to Financial Statements

2021
(RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

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

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

5.1 Business combinations involving entities under common control

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory.

Assets and liabilities obtained shall be measured at their respective carrying amounts as recorded by the combining entities at the date of the combination. The difference between the carrying amount of the net assets obtained and the carrying amount (or the total face value of issued shares) of the consideration paid for the combination is adjusted to the share premium in capital reserve. If the share premium is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

Costs that are directly attributable to the combination are charged to profit or loss in the period in which they are incurred.

5.2 Business combinations not involving entities under common control and goodwill

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination.

The cost of combination is the aggregate of the fair values, at the acquisition date, of the assets given, liabilities incurred or assumed, and equity securities issued by the acquirer in exchange for control of the acquiree. Where a business combination not involving enterprises under common control is achieved in stages that involve multiple transactions, the cost of combination is the sum of the consideration paid at the acquisition date and the fair value at the acquisition date of the acquirer's previously held interest in the acquiree. The intermediary expenses incurred by the acquirer in respect of auditing, legal services, valuation and consultancy services, etc. and other associated administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred.

The acquiree's identifiable assets, liabilities and contingent liabilities, acquired by the acquirer in a business combination, that meet the recognition criteria shall be measured at fair value at the acquisition date.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

5. The accounting treatment of business combinations involving enterprises under common control and business combinations not involving enterprises under common control (Continued)

5.2 Business combinations not involving entities under common control and goodwill (Continued)

Where the cost of combination exceeds the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is treated as an asset and recognized as goodwill, which is measured at cost on initial recognition. Where the cost of combination is less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the cost of combination. If after that reassessment, the cost of combination is still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer recognizes the remaining difference immediately in profit or loss for the current period.

Goodwill arising on a business combination is measured at cost less accumulated impairment losses, and is presented separately in the consolidated financial statements.

6. Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. Control is the power over the investee, exposures or rights to variable returns from its involvement with the investee, and the ability to use its power over the investee to affect the amount of the investor's returns. If changes of related facts and situations lead to changes of related elements of control, the Group will conduct reassessment.

The combination of subsidiaries begins with controlling the subsidiary by the Group, and ceases with the Group's losing control of the subsidiary.

For a subsidiary disposed of by the Group, the operating results and cash flows before the date of disposal (the date when control is lost) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

For a subsidiary acquired through a business combination not involving enterprises under common control, the operating results and cash flows from the acquisition date (the date when control is obtained) are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

Notes to Financial Statements

2021
(RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Preparation of consolidated financial statements (Continued)

No matter when the business combination occurs in the reporting period, subsidiaries acquired through a business combination involving enterprises under common control or the party being absorbed under merger by absorption are included in the Group's scope of consolidation as if they had been included in the scope of consolidation from the date when they first came under the common control of the ultimate controlling party. Their operating results and cash flows from the beginning of the earliest reporting period or from the date when they first came under the common control of the ultimate controlling party are included in the consolidated income statement and consolidated statement of cash flows, as appropriate.

The significant accounting policies and accounting periods adopted by the subsidiaries are determined based on the uniform accounting policies and accounting periods set out by the Company.

Influence over the consolidated financial statements arising from significant intra-group transactions are eliminated on consolidation.

The portion of subsidiaries' equity that is not attributable to the Company is treated as minority interests and presented as "minority interests" in the consolidated balance sheet within shareholders' equity. The portion of net profits or losses of subsidiaries for the period attributable to minority interests is presented as "Profit or loss attributable to minority interests" in the consolidated income statement below the "net profit" line item.

When the amount of loss for the period attributable to the minority shareholders of a subsidiary exceeds the minority shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount are still allocated against minority interests.

Acquisition of minority interests or disposal of interest in a subsidiary that does not result in the loss of control over the subsidiary is accounted for as equity transactions. The carrying amounts of the shareholders' interests and minority interests of the parent company are adjusted to reflect the changes in their relative interests in the subsidiary. The difference between the amount by which the minority interests are adjusted and the fair value of the consideration paid or received is adjusted to capital reserve under owners' equity. If the capital reserve is not sufficient to absorb the difference, the excess are adjusted against retained earnings.

For the stepwise acquisition of equity interest till acquiring control after a few transactions and leading to business combination not involving enterprises under common control, this should be dealt with based on whether this belongs to 'package deal': if it belongs to 'package deal', transactions will be dealt as transactions to acquire control. If it does not belong to 'package deal', transactions to acquire control on acquisition date will be under accounting treatment, the fair value of acquirees' shares held before acquisition date will be revalued, and the difference between fair value and carrying amount will be recognized in profit or loss of the current period; if acquirees' shares held before acquisition date involve in changes of other comprehensive income and other equity of owners under equity method, this will be transferred to income of acquisition date.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

6. Preparation of consolidated financial statements (Continued)

When the Group loses control over a subsidiary due to disposal of certain equity interest or other reasons, any retained interest is re-measured at its fair value at the date when control is lost. The difference between (i) the aggregate of the consideration received on disposal and the fair value of any retained interest and (ii) the share of the former subsidiary's net assets cumulatively calculated from the acquisition date according to the original proportion of ownership interest is recognized as investment income in the period in which control is lost. Other comprehensive income associated with investment in the former subsidiary is reclassified to investment income in the period in which control is lost.

When the Group loses control of a subsidiary in two or more arrangements (transactions), terms and conditions of the arrangements (transactions) and their economic effects are considered. One or more of the following indicate that the Group shall account for the multiple arrangements as a 'package deal': (i) they are entered into at the same time or in contemplation of each other; (ii) they form a complete transaction designed to achieve an overall commercial effect; (iii) the occurrence of one transaction is dependent on the occurrence of at least one other transaction; (iv) one transaction alone is not economically justified, but it is economically justified when considered together with other transactions. Where the transactions of disposal of equity investments in a subsidiary until the loss of control are assessed as a package deal, these transactions are accounted for as one transaction of disposal of a subsidiary with loss of control. Before losing control, the difference of consideration received on disposal and the share of net assets of the subsidiary continuously calculated from acquisition date is recognized as other comprehensive income. When losing control, the cumulated other comprehensive income is transferred to profit or loss of the period of losing control. If the transactions of disposal of equity investments in a subsidiary are not assessed as a package deal, these transactions are accounted for as unrelated transactions.

7. Classification of joint arrangements

A joint arrangement is classified into joint operation and joint venture, depending on the rights and obligations of the parties to the arrangement, which is assessed by considering the structure and the legal form of the arrangement, the terms agreed by the parties in the contractual arrangement and, when relevant, other facts and circumstances. A joint operation is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the assets, and obligations for the liabilities, relating to the arrangement. 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.

The Group's joint arrangement is joint venture, which is accounted for using the equity method. Refer to Note III 14.3.2 "Long-term equity investments accounted for using the equity method" for details.

Notes to Financial Statements

2021
(RMB)

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

8. Recognition criteria of cash and cash equivalents

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

9. Translation of transactions and financial statements denominated in foreign currencies

9.1 Transactions denominated in foreign currencies

A foreign currency transaction is recorded, on initial recognition, by applying the spot exchange rate on the date of the transaction on the date of transaction.

At the balance sheet date, foreign currency monetary items are translated into functional currency using the spot exchange rates at the balance sheet date. Exchange differences arising from the differences between the spot exchange rates prevailing at the balance sheet date and those on initial recognition or at the previous balance sheet date are recognized in profit or loss for the period, except that (1) exchange differences related to a specific-purpose borrowing denominated in foreign currency that qualify for capitalization are capitalized as part of the cost of the qualifying asset during the capitalization period; (2) exchange differences related to hedging instruments for the purpose of hedging against foreign currency risks are accounted for using hedge accounting; (3) exchange differences arising from changes in the book balances (other than the amortized cost) of monetary items at fair value through other comprehensive income are recognized in other comprehensive income.

When the consolidated financial statements include foreign operation(s), if there is foreign currency monetary item constituting a net investment in a foreign operation, exchange difference arising from changes in exchange rates are recognized as "exchange differences arising on translation of financial statements denominated in foreign currencies" in other comprehensive income, and in profit or loss for the period upon disposal of the foreign operation.

Foreign currency non-monetary items measured at historical cost are translated to the amounts in functional currency at the spot exchange rates on the dates of the transactions and the amounts in functional currency remain unchanged. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Difference between the re-translated functional currency amount and the original functional currency amount is treated as changes in fair value (including changes of exchange rate) and is recognized in profit or loss or as other comprehensive income.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

9. Translation of transactions and financial statements denominated in foreign currencies (Continued)

9.2 Translation of financial statements denominated in foreign currencies

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMB using the following method: assets and liabilities on the balance sheet are translated at the spot exchange rate prevailing at the balance sheet date; shareholders' equity items except for "undistributed profits" are translated at the spot exchange rates on the dates of the transactions; income and expense items in the income statement are translated at the average rates on the dates of the transactions; the difference between the translated assets and the aggregate of liabilities and shareholders' equity items is recognized as other comprehensive income and included in shareholders' equity.

Cash flows arising from a transaction in foreign currency and the cash flows of a foreign subsidiary are translated at average exchange rate for the period in which cash flows occur. The effect of exchange rate changes on cash and cash equivalents is regarded as a reconciling item and presented separately in the cash flow statement as "effect of exchange rate changes on cash and cash equivalents".

The closing balances and the comparative figures of previous year are presented at the translated amounts in the previous year's financial statements.

On disposal of the Group's entire interest in a foreign operation, or upon a loss of control over a foreign operation due to disposal of certain interest in it or other reasons, the Group transfers the accumulated exchange differences arising on translation of financial statements of this foreign operation attributable to the shareholders' equity of the parent company and presented under shareholders' equity, to profit or loss in the period in which the disposal occurs.

In case of a disposal of part equity investments or other reason leading to lower interest percentage in foreign operations but does not result in the Group losing control over a foreign operation, the proportionate share of accumulated exchange differences arising on translation of financial statements are re-attributed to minority interests and are not recognized in profit or loss. For partial disposals of equity interests in foreign operations which are associates or joint ventures, the proportionate share of the accumulated exchange differences arising on translation of financial statements of foreign operations is reclassified to profit or loss.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments

Financial assets and financial liabilities are recognized when the Group becomes a party to the contractual provisions of the instrument.

For financial assets purchased or sold in a regular way, the Group recognizes assets acquired and liabilities assumed on a trade date basis, or derecognizes the assets sold on a trade date basis.

Financial assets and financial liabilities are initially measured at fair value. For financial assets and financial liabilities at fair value through profit or loss, transaction costs are immediately recognized in profit or loss. For other financial assets and financial liabilities, transaction costs are included in their initial recognized amounts. Initially recognized accounts receivable that do not contain significant financing components and accounts receivable that the Group decides not to consider a financing component of less than a year in accordance with the Accounting Standards for Business Enterprises No. 14 – Revenue (“Revenue Standards”) are initially measured at the transaction price defined by the Revenue Standards.

The effective interest method is a method of calculating the amortized cost of a financial asset or a financial liability and of allocating the interest income or interest expense over each accounting period.

The effective interest rate is the rate that exactly discounts estimated future cash flows through the expected life of the financial asset or financial liability to the book balance of the financial asset or the amortized cost of financial liability. When calculating the effective interest rate, the Group estimates future cash flows considering all contractual terms of the financial asset or financial liability including earlier repayment, extension, call option or other similar options etc. without considering future credit losses.

The amortized cost of a financial asset or a financial liability is the amount of a financial asset or a financial liability initially recognized net of principal repaid, plus or less the cumulative amortized amount arising from amortization of the difference between the amount initially recognized and the amount at the maturity date using the effective interest method, net of cumulative loss allowance (only applicable to financial assets).

10.1 Classification, recognition and measurement of financial assets

Subsequent to initial recognition, the Group’s financial assets of various categories are subsequently measured at amortized cost, fair value through other comprehensive income or fair value through profit or loss.

If contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding, and the financial asset is held within a business model whose objective is to hold financial assets in order to collect contractual cash flows, such asset is classified into financial asset measured at amortized cost. These financial assets mainly include cash at banks and on hand, Bills receivable, accounts receivable, other receivables and long-term receivables, etc.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

10.1 Classification, recognition and measurement of financial assets (Continued)

Financial assets that meet the following conditions are classified as at fair value through other comprehensive income ("FVTOCI"): the financial asset is held within a business model whose objective is achieved by both collecting contractual cash flows and selling the financial assets; and the contractual terms of the financial asset give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding. The accounts receivable and Bills receivable classified as at FVTOCI upon acquisition are presented under financing with receivables, while the remaining items due within one year (inclusive) upon acquisition are presented under other current assets. Other financial assets of such type are presented as other debt investments if they are due after one year since the acquisition, or presented under non-current assets due within one year if they are due within one year (inclusive) since the balance sheet date.

Upon initial recognition, the Group irrevocably designates non-held-for-trading equity instrument investment except contingent considerations recognized in the business combination not under the same control as financial assets at fair value through other comprehensive income. Such type of financial assets are presented as other equity instrument investments.

A financial asset is classified as held for trading if one of the following conditions is satisfied:

- The obtaining of relevant financial assets is mainly for the purpose of sale in the near future;
- Relevant financial assets are part of the identifiable financial instrument combination under centralized management upon initial recognition and there is objective evidence indicating that recently there exists a short-term profit model.
- Relevant financial assets are derivatives, excluding derivatives following the definition of financial guarantee contracts as well as derivatives designated as effective hedging instruments.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

10.1 Classification, recognition and measurement of financial assets (Continued)

Financial assets at fair value through profit or loss include financial assets at fair value through profit or loss and those designated as at fair value through profit or loss:

- Financial assets that are unqualified for the classification as at amortized cost and at fair value through other comprehensive income are classified as at fair value through profit or loss.
- Upon initial recognition, to eradicate or significantly reduce accounting mismatches, the Group can irrevocably designate financial assets as at fair value through profit or loss.

Financial assets at fair value through profit or loss are all presented under transactional financial assets except derivative financial assets. Financial assets due over one year since the balance sheet date (or without a fixed term) and expected to be held for over one year are presented under other non-current financial assets.

10.1.1 Financial assets measured at amortized cost

Financial assets measured at amortized cost are measured subsequently at amortized cost using the effective interest method. Gains or losses arising from impairment or derecognition are recorded to profit or loss for the period.

The Group recognizes interest income for financial assets measured at amortized cost using the effective interest method. Interest income is determined by applying an effective interest rate to the book balance of the financial asset except for the following situation:

- For the purchased or originated credit-impaired financial assets, the Group recognizes their interest income based on amortized cost and credit-adjusted effective interest rate of such financial assets since initial recognition.
- For purchased or originated financial assets that were not credit-impaired but have become credit-impaired in subsequent period, the Group calculates the interest income by applying the effective interest rate to the amortized cost of the financial assets in subsequent period. If the financial instrument is no longer credit-impaired due to improvement of credit risk, and the improvement is linked with an event occurred after application of above provisions, the Group will calculate the interest income by applying effective interest rate to the carrying amount of the financial assets.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

10.1 Classification, recognition and measurement of financial assets (Continued)

10.1.2 Financial assets at FVTOCI

Impairment losses or gains related to financial assets at FVTOCI, interest income measured using effective interest method and exchange gains or losses are recognized into profit or loss for the current period, except for the above circumstances, changes in fair value of the financial assets are included in other comprehensive income. Amounts charged to profit or loss for every period equal to the amount charged to profit or loss as it is measured at amortized costs. When the financial asset is derecognized, the cumulative gains or losses previously recognized in other comprehensive income shall be removed from other comprehensive income and recognized in profit or loss.

Subsequent to the designation of non-trading equity investments to financial assets at FVTOCI, the changes in fair value of such financial asset is recognized in other comprehensive income. Upon derecognition of the financial asset, the cumulative gains or losses previously recognized in other comprehensive income are transferred and included in retained earnings. During the period in which the Group holds the non-trading equity instrument, revenue from dividends is recognized when (1) the Group has established the right of collecting dividends; (2) it is probable that the associated economic benefits will flow to the Group; and (3) the amount of dividends can be measured reliably.

10.1.3 Financial assets at FVTPL

Financial assets at FVTPL are subsequently measured at fair value. Any gains or losses arising from changes in the fair value and any dividend or interest income earned on the financial assets are recognized in profit or loss.

10.2 Impairment of financial instruments

For financial assets at amortized cost, financial assets classified as at FVTOCI, lease receivables, contract assets, financial liabilities that are not at FVTPL and financial guarantee contracts that are not qualified for derecognition due to the transfer of financial assets or financial liabilities arising from continuing involvement of the transferred financial assets, the Group accounts for the impairment and recognizes the provision for losses on the basis of expected credit loss ("ECL").

For all contract assets, Bills receivable and accounts receivable arising from transactions regulated by Revenue Standards, and lease receivables arising from transactions regulated by the Accounting Standards for Business Enterprises No. 21 – Lease, the Group recognizes the provision for losses at an amount equivalent to the lifetime ECL.

For other financial instruments, except for the purchased or originated credit-impaired financial assets, at each balance sheet date, the Group assess changes in credit risk of relevant financial instruments since initial recognition. If the credit risk of the above financial instruments has increased significantly since initial recognition, the Group measures loss allowance based on the amount of full lifetime; if credit risk of the financial instrument has not increased significantly since initial recognition, the Group recognizes loss allowance based on 12-month ECL of the financial instrument. Increase in or reversal of credit loss allowance is included in profit or loss as loss/gain on impairment, except for financial assets classified as at fair value through other comprehensive income. The Group recognizes credit loss allowance for financial assets at FVOCI in other comprehensive income and recognizes loss/gain on impairment in profit or loss for the period, without reducing the carrying amount of the financial assets presented in the balance sheet.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

10.2 Impairment of financial instruments (Continued)

The Group measured loss allowance at the full lifetime ECL of the financial instruments in the prior accounting period. However, as at the balance sheet date for the current period, for the above financial instruments, due to failure to qualify as significant increase in credit risk since initial recognition, the Group measures loss allowance for the financial instrument at 12-month ECL at the balance sheet date for the current period. Relevant reversal of loss allowance is included in profit or loss as gain on impairment.

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

- (1) Significant changes in internal price indicators as a result of a change in credit risk.
- (2) Other changes in the rates or terms of an existing financial instrument that would be significantly different if the instrument was newly originated or issued at the balance sheet date (such as more stringent covenants, increased amounts of collateral or guarantees, or higher income coverage).
- (3) Significant changes in external market indicators of credit risk for a particular financial instrument or similar financial instruments with the same expected life. Changes in market indicators of credit risk include, but are not limited to: (i) the credit spread; (ii) the credit default swap prices for the borrower; (iii) the length of time or the extent to which the fair value of a financial asset has been less than its amortized cost; and (iv) other market information related to the borrower, such as changes in the price of a borrower's debt and equity instruments.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

10.2 Impairment of financial instruments (Continued)

10.2.1 Significant increase in credit risk (Continued)

- (4) An actual or expected significant change in the financial instrument's external credit rating.
- (5) An actual or expected internal credit rating downgrade for the borrower.
- (6) Existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant change in the borrower's ability to meet its debt obligations.
- (7) An actual or expected significant change in the operating results of the borrower.
- (8) Significant increases in credit risk on other financial instruments of the same borrower.
- (9) An actual or expected significant adverse change in the regulatory, economic, or technological environment of the borrower.
- (10) Significant changes in the value of the collateral supporting the obligation or in the quality of third-party guarantees or credit enhancements, which are expected to reduce the borrower's economic incentive to make scheduled contractual payments or to otherwise have an effect on the probability of a default occurring.
- (11) Significant changes that are expected to reduce the borrower's economic incentive to make scheduled contractual payments.
- (12) Expected changes in the loan documentation including an expected breach of contract that may lead to covenant waivers or amendments, interest payment holidays, interest rate step-ups, requiring additional collateral or guarantees, or other changes to the contractual framework of the instrument.
- (13) Significant changes in the expected performance and behavior of the borrower.
- (14) Changes in the Group's credit management approach in relation to the financial instrument;

No matter whether the credit risk is increased significantly after above assessment, it indicates that the credit risk of such financial instrument has been increased significantly if it lasts over 30 (inclusive) days after the overdue payment of the financial instrument contract.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

10.2 Impairment of financial instruments (Continued)

10.2.2 Credit-impaired financial asset

A financial asset is credit-impaired when one or more events 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:

- (1) significant financial difficulty of the issuer or obligor;
- (2) a breach of contract, such as a default or past due event;
- (3) 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;
- (4) It becoming probable that the borrower will enter bankruptcy or other financial reorganizations;
- (5) the disappearance of an active market for that financial asset because of financial difficulties;
- (6) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Based on the internal credit risk management of the Group, the Group considers that a default event happens if the financial instrument debtor cannot make a repayment fully to the debtors including the Group (irrespective of any guarantee obtained by the Group) according to internal suggestions or external information.

Regardless of the above assessment, the Group presumes that a financial instrument is in default if the contractual payment of the financial instrument has been overdue for more than (inclusive) 90 days.

10.2.3 Recognition of expected credit losses

The Group assesses the expected credit losses for financial instruments individually and collectively. The Group considers the credit risk characteristics of different customers and evaluates the expected credit losses for accounts receivable on the basis of the aging. See the following table for details:

Bad debt provision for receivables that are subject to provision by group with similar credit risk characteristics

Group 1 Receivables from government and related parties	Other appropriate methods
Group 2 Receivables from customers in wind turbine generators sales industry	Aging analysis
Group 3 Receivables from kitchen waste disposal clients	Aging analysis
Group 4 Receivables from other third parties other than those in Group 1, 2 and 3	Aging analysis

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

10.2 Impairment of financial instruments (Continued)

10.2.3 Recognition of expected credit losses (Continued)

ECL of relevant financial instruments is recognized based on the following methods:

- For a financial asset, credit loss is the present value of difference between the contractual cash flow receivable and the expected cash flows to be received.
- For a lease receivable, credit loss is the present value of difference between the contractual cash flow receivable and the expected cash flow to be received.
- For financial guarantee contracts (see Note III, 10.4.1.2.1 for specific accounting policies), credit losses are the present value of the difference between the expected payment to be made by the Group to the contract holder for the credit losses incurred, and the amount the Group expects to receive from the contract holder, the debtor or any other parties.

The Group's measurement of ECL of financial instruments reflects factors including unbiased probability weighted average amount recognized by assessing a series of possible results, time value of money, reasonable and supportable information related to historical events, current condition and forecast of future economic position that is available without undue cost or effort at the balance date.

10.2.4 Write-off of financial assets

The Group shall directly reduce the book balance of a financial asset when the Group has no reasonable expectations of recovering a financial asset in its entirety or a portion thereof. A write-off constitutes a derecognition event.

10.3 Transfer of financial assets

The Group derecognizes a financial asset if one of the following conditions is satisfied: (1) the contractual rights to the cash flows from the financial asset expire; or (2) the financial asset has been transferred and substantially all the risks and rewards of ownership of the financial asset is transferred to the transferee; or (3) although the financial asset has been transferred, the Group neither transfers nor retains substantially all the risks and rewards of ownership of the financial asset but has not retained control of the financial asset.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

10.3 Transfer of financial assets (Continued)

If the Group neither transfers nor retains substantially all the risks and rewards of ownership of a financial asset, and it retains control of the financial asset, it recognizes the financial asset to the extent of its continuing involvement in the transferred financial asset and recognizes an associated liability. Relevant liabilities are measured using the following methods:

- For transferred financial assets carried at amortized cost, the carrying amount of relevant liabilities is the carrying amount of financial assets transferred with continuing involvement less amortized cost of the Group's retained rights (if the Group retains relevant rights upon transfer of financial assets) with addition of amortized cost of obligations assumed by the Group (if the Group assumes relevant obligations upon transfer of financial assets). Relevant liabilities are not designated as financial liabilities at fair value through profit or loss.
- For financial assets carried at fair value, the carrying amount of relevant financial liabilities is the carrying amount of financial assets transferred with continuing involvement less fair value of the Group's retained rights (if the Group retains relevant rights upon transfer of financial assets) with addition of fair value of obligations assumed by the Group (if the Group assumes relevant obligations upon transfer of financial assets). Accordingly, the fair value of relevant rights and obligations shall be measured on an individual basis.

For a transfer of a financial asset in its entirety that satisfies the derecognition criteria, the difference between (1) the carrying amount of the financial asset transferred; and (2) the sum of the consideration received from the transfer and any cumulative gain or loss that has been recognized in other comprehensive income, is recognized in profit or loss. While regarding non-trading equity instruments designated as at FVTOCI, cumulative gains or losses previously recognized in other comprehensive income are transferred and included in retained earnings.

If a part of the transferred financial asset qualifies for derecognition, the overall carrying amount of the financial asset prior to transfer is allocated between the part that continues to be recognized and the part that is derecognized, based on the respective fair value of those parts at the date of transfer. The difference between (1) the carrying amount allocated to the part derecognized on the date of derecognition; and (2) the sum of the consideration received for the part derecognized and any cumulative gain or loss allocated to the part derecognized which has been previously recognized in other comprehensive income, is recognized in profit or loss. While regarding non-trading equity instruments designated as at FVTOCI, cumulative gains or losses previously recognized in other comprehensive income are transferred and included in retained earnings.

For a transfer of a financial asset in its entirety that does not satisfy the derecognition criteria, the Group continues to recognize the transferred financial asset in its entirety. The consideration received from transfer of assets is recognized as a liability upon receipt.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

10.4 Classification of financial liabilities and equity instruments

Financial instruments or their components are classified into financial liabilities or equity instruments on initial recognition according to not only the legal form but also the contractual arrangements and their economic substance of the financial instruments issued by the Group in consideration of the definitions of financial liability and equity instrument.

10.4.1 Classification, recognition and measurement of financial liabilities

On initial recognition, financial liabilities are classified into financial liabilities at fair value through profit or loss and other financial liabilities.

10.4.1.1 Financial liabilities at fair value through profit or loss

Financial liabilities at fair value through profit or loss consist of Transactional financial liabilities (including derivative instruments that are financial liabilities) and those designated as at fair value through profit or loss. The financial liabilities at fair value through profit or loss are presented as Transactional financial liabilities except for the derivative financial liabilities that are presented individually.

A financial liability is classified as held for trading if one of the following conditions is satisfied:

- The objective to undertake the relevant financial liabilities is mainly for the repurchase in the near future.
- The relevant financial assets are a part of the identifiable financial instrument combination under the concentrated management of the Group upon initial recognition, and there is an objective evidence indicates that a short-term profitability mode exists actually in a short term.
- The relevant financial liabilities are derivatives, excluding the derivatives consistent with the definition of financial guarantee contract and the derivatives designated as effective hedging instruments.

On initial recognition, financial liabilities that meet one of the following conditions are designated by the Group as financial liabilities at fair value through profit or loss: 1) Such designation eliminates or significantly reduces accounting mismatch; 2) The financial liability forms part of a group of financial liabilities or a group of financial assets and financial liabilities, which is managed and its performance is evaluated on a fair value basis, in accordance with the documented risk management or investment strategy, and information about the grouping is reported to key management personnel on that basis; 3) The qualified hybrid financial instrument combines financial liability with embedded derivatives.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

10.4 Classification of financial liabilities and equity instruments (Continued)

10.4.1 Classification, recognition and measurement of financial liabilities (Continued)

10.4.1.1 Financial liabilities at fair value through profit or loss (Continued)

Transactional financial liabilities are subsequently measured at fair value, and any gains or losses arising from changes in fair value and any dividend or interest income earned on the financial liabilities are recognized in profit or loss.

The amount of change in the fair value of the financial liability at FVTPL that is attributable to changes in the credit risk of that liability shall be presented in other comprehensive income, and upon the derecognition of such liability, the accumulated amount of change in fair value that is attributable to changes in the credit risk of that liability, which is recognized in other comprehensive income, is transferred to retained earnings. Other gains or losses arising from changes in fair value and any dividend or interest income earned on the financial liabilities are recognized in profit or loss. If the impact of the change in credit risk of such financial liability dealt with in the above way would create or enlarge an accounting mismatch in profit or loss, the Group shall present all gains or losses on that liability (including the effects of changes in the credit risk of that liability) in profit or loss.

10.4.1.2 Other financial liabilities

The Group shall classify all financial liabilities as subsequently measured at amortized cost, except for financial liabilities and financial guarantee contracts that arise when a transfer of a financial asset does not qualify for derecognition or when the continuing involvement approach applies, and gains or losses arising from derecognition or amortization are recognized in profit or loss for the period.

When the contractual cash flows are changed due to the renegotiation or modification of the contract made between the Group and the counterparty and the renegotiation or modification does not result in the derecognition of the financial asset that is subsequently measured at amortized cost, the Group shall recalculate the carrying amount of the financial asset and shall recognize related gains or losses in profit or loss. The carrying amount of the financial asset shall be recalculated as the present value of the renegotiated or modified contractual cash flows that are discounted at the financial liability's original effective interest rate. Any costs or fees incurred adjust the carrying amount of the modified financial liability and are amortized over the remaining term of the modified financial liability.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

10.4 Classification of financial liabilities and equity instruments (Continued)

10.4.1 Classification, recognition and measurement of financial liabilities (Continued)

10.4.1.2 Other financial liabilities (Continued)

A financial guarantee contract is a contract by which the issuer is required to compensate specific amount to the contract holder who suffers from losses when the specific debtor cannot repay the debts in accordance with the initial or revised debt instrument terms upon maturity of debts. Financial guarantee contracts that are not designated as financial liabilities at fair value through profit or loss, or are for the financial liabilities arising as the transfer of financial assets do not meet the derecognition condition or arising from continuous involvement of transferred financial assets are measured at the higher of: (i) the loss provision after initial recognition, and (ii) balance of amount recognized initially less the accumulated amortization amount determined on the basis of relevant Revenue Standards.

10.4.2 Derecognition of financial liabilities

The Group derecognizes a financial liability (or part of it) when the underlying present obligation (or part of it) is discharged. An agreement between the Group (the borrower) and the lender to replace the original financial liability with a new financial liability with substantially different terms is accounted for as an extinguishment of the original financial liability and the recognition of a new financial liability.

When the Group derecognizes a financial liability or a part of it, it recognizes the difference between the carrying amount of the financial liability (or part of the financial liability) derecognized and the consideration paid (including any non-cash assets transferred or new financial liabilities assumed) in profit or loss.

10.4.3 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 (including refinanced), repurchased, sold and cancelled by the Group are recognized as changes of equity. Change of fair value of equity instruments is not recognized by the Group. Transaction costs related to equity transactions are deducted from equity.

The Group recognizes the distribution to holders of the equity instruments as distribution of profits, and dividends paid do not affect total amount of shareholders' equity.

10.5 Derivatives and embedded derivatives

Derivative instruments, including forward foreign exchange contracts and foreign exchange option contracts, etc. Derivatives are initially measured at fair value at the date when the derivative contracts are entered into and are subsequently re-measured at fair value.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

10. Financial instruments (Continued)

10.5 Derivatives and embedded derivatives (Continued)

For hybrid contract constituted by embedded derivatives and host contract, if the host contract is a financial asset, the embedded derivative is not separated from the hybrid contract, and the hybrid contract shall be taken as a whole to apply to the accounting standards for the classification of financial assets.

If the host contract included in the hybrid contract is not a financial asset and satisfies all the following criteria, the embedded derivative shall be separated from the hybrid contract by the Group and treated as a stand-alone derivative.

- (1) The economic characteristics and risks of the embedded derivative are not closely related to the economic characteristics and risks of the host contract.
- (2) A stand-alone instrument with the same terms as the embedded derivative conforms to the definition of a derivative.
- (3) The hybrid instrument is not designated as a financial asset or financial liability at fair value through profit or loss.

If the embedded derivative is separated from the hybrid contract, the host contract shall be accounted for in accordance with the appropriate standards. If the Group is unable to measure reliably the fair value of an embedded derivative on the basis of its terms and conditions, the fair value of the embedded derivative is the difference between the fair value of the hybrid contract and the fair value of the host. If the Group is still unable to measure the fair value of the embedded derivative separately either at acquisition or at a subsequent balance sheet date after the above methods are applied, it designates the entire hybrid contract as a financial instrument at fair value through profit or loss.

10.6 Offsetting financial assets and financial liabilities

Where the Group has a legal right that is currently enforceable to set off the recognized financial assets and financial liabilities, and intends either to settle on a net basis, or to realize the financial asset and settle the financial liability simultaneously, a financial asset and a financial liability shall be offset and the net amount is presented in the balance sheet. Except for the above circumstances, financial assets and financial liabilities shall be presented separately in the balance sheet and shall not be offset.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Inventories

11.1 Categories of inventories

The Group's inventories mainly include real estate development properties, raw materials, work in progress, finished goods, low-value consumables and others, etc.

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

Inventories are initially measured at cost. Cost of real estate development comprises land cost, construction cost and other costs. Cost of raw materials, work in progress and finished goods comprises costs of purchase, costs of conversion and other expenditures incurred in bringing the inventories to their present location and condition.

11.2 Valuation method of inventories upon delivery

The cost of completed properties held for sale is determined using the specific identification method. The actual cost of raw materials, work in progress, and finished goods upon delivery is calculated using the FIFO method. The actual cost of maintenance and repair parts upon delivery is calculated using the weighted average method.

11.3 Basis for the determination of net realizable value

At the end of the reporting period, the inventories are measured at the lower of the cost and the net realizable value. If the net realizable value is lower than the cost, the provision for decline in value of inventories should be made.

Net realizable value is the estimated selling price in the ordinary course of business less the estimated costs of completion, the estimated costs necessary to make the sale and relevant taxes. Net realizable value is determined on the basis of clear evidence obtained, and takes into consideration the purposes of holding inventories and effect of post balance sheet events.

Provisions of inventories are appropriated at cost of individual inventory item over its net realizable value.

After the provision for decline in value of inventories is made, if the circumstances that previously caused inventories to be written down below cost no longer exist so that the net realizable value of inventories is higher than their cost, the original provision for decline in value is reversed and the reversal is included in profit or loss for the period.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

11. Inventories (Continued)

11.4 Inventory count system

The perpetual inventory system is maintained for stock system.

11.5 Amortization method for low value consumables and packaging materials

Low value consumables and packaging materials are amortized using the immediate write-off method.

12. Contract assets

12.1 Determination method and standards of contract assets

Contract asset refers to the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer when that right is conditioned on something other than the passage of time. The Group's unconditional (i.e., depending on the passage of time only) right to receive consideration from the customer is separately presented as receivables.

12.2 Determination and accounting methods of expected credit loss of contract assets

For the determination and accounting methods of expected credit loss of contract assets, see Note III, "10.2 Impairment of financial instruments".

13. Assets classified as held-for-sale

Non-current assets and disposal groups are classified as held for sale category when the Group recovers the carrying amount through a sale (including an exchange of non-monetary assets that has commercial substance) rather than continuing use.

Non-current assets or disposal groups classified as held for sale are required to satisfy the following conditions: (1) the asset or disposal group is available for immediate sale in its present condition subject only to terms that are usual and customary for sales of such asset or disposal group; (2) the sale is highly probable, i.e. the Group has made a resolution about selling plan and obtained a confirmed purchase commitment and the sale is expected to be completed within one year.

The Group measures the non-current assets or disposal groups classified as held for sale at the lower of their carrying amount and fair value less costs to sell. Where the carrying amount is higher than the net amount of fair value less costs to sell, the carrying amount should be reduced to the net amount of fair value less costs to sell, and such reduction is recognized in impairment loss of assets and included in profit or loss for the period. Meanwhile, provision for impairment of held-for-sale assets are made. When there is increase in the net amount of fair value of non-current Transactional financial assets less costs to sell at the balance sheet date, the original deduction should be reversed in impairment loss of assets recognized after the classification of held-for-sale category, and the reverse amount is include in profit or loss for the period. Impairment losses of assets recognized before they are classified as held for sale will not be reversed.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

13. Assets classified as held-for-sale (Continued)

Non-current assets classified as held-for-sale or disposal groups are not depreciated or amortized, interest and other costs of liabilities of disposal group classified as held for sale continue to be recognized.

All or part of equity investments in an associate or joint venture are classified as held-for-sale assets. For the part that is classified as held-for-sale, it is no longer accounted for using the equity method since the date of the classification.

14. Long-term equity investments

14.1 Determination criteria of joint control and significant influence

Control exists when the investor 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 over the investee to affect its returns. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require the unanimous consent of the parties sharing control. Significant influences is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies. When determining whether an investing enterprise is able to exercise control or significant influence over an investee, the effects of potential voting rights of the investee (for example, warrants and convertible debts) held by the investing enterprises or other parties that are currently exercisable or convertible have been considered.

14.2 Determination of initial investment costs

For a long-term equity investment acquired through a business combination involving enterprises under common control, the initial investment cost of the long-term equity investment is the attributable share of the carrying amount of the owners' equity of the acquiree at the date of combination in the consolidated financial statements of the ultimate controlling party. The difference between the initial investment cost and the carrying amount of cash paid, non-cash assets transferred and liabilities assumed adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings. If the consideration of the combination is satisfied by the issue of equity securities, the initial investment cost of the long-term equity investment is the attributable share of the carrying amount of the owners' equity of the acquiree in the consolidated financial statements of the ultimate controlling party. The aggregate face value of the shares issued is accounted for as Equity. The difference between the initial investment cost and the aggregate face value of the shares issued is adjusted to capital reserve. If the balance of capital reserve is not sufficient, any excess is adjusted to retained earnings. Where equity interests in an acquiree are acquired in stages through multiple transactions ultimately constituting a business combination involving entities under common control, the acquirer shall determine if these transactions are considered to be a "package deal". If yes, these transactions are accounted for as a single transaction where control is obtained. If no, the initial investment cost of the long-term equity investment is the share of carrying amount of owners' equity of the acquired entity in the ultimate controlling party's consolidated financial statements at the date of combination. The difference between the initial investment cost and the sum of carrying amount of equity investments previously held in the acquiree and the new investment cost is adjusted to capital reserve. If the balance of capital reserve is not sufficient to absorb the difference, any excess is adjusted to retained earnings. Other comprehensive income recognized for the previously held equity investments by accounting treatment of equity method or investments in non-trading equity instruments designated as at fair value through other comprehensive income is not subject to accounting treatment temporarily.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Long-term equity investments (Continued)

14.2 Determination of initial investment costs (Continued)

For a long-term equity investment acquired through business combination not involving enterprises under common control, the initial investment cost of the long-term equity investment is the cost of acquisition at the date of combination. Where equity interests in an acquiree are acquired in stages through multiple transactions ultimately constituting a business combination not involving entities under common control, the acquirer shall determine if these transactions are considered to be a “package deal”. If yes, these transactions are accounted for as a single transaction where control is obtained. If no, the sum of carrying amount of equity investments previously held in the acquiree and the new investment cost is deemed as the initial investment cost of long-term equity investments that was changed to be accounted for using cost method. If the equity previously held was accounted for using the equity method, the corresponding other comprehensive income is not subject to accounting treatment temporarily. If the equity investment previously held was classified as investments in non-trading equity instruments designated as at fair value through other comprehensive income, the difference between the fair value and carrying amount, together with the accumulated fair value previously included in other comprehensive income are transferred to retained earnings.

The intermediary fees incurred by the absorbing party or acquirer such as audit legal, valuation and consulting fee, etc. and other related administrative expenses attributable to the business combination are recognized in profit or loss when they are incurred.

The long-term equity investment acquired otherwise than through a business combination is initially measured at its cost. When the entity is able to exercise significant influence or joint control (but not control) over an investee due to additional investment, the cost of long-term equity investments is the sum of the fair value of previously-held equity investments determined in accordance with Accounting Standard for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments (ASBE 22) and the additional investment cost.

14.3 Subsequent measurement and recognition of profit or loss

14.3.1 Long-term equity investment accounted for using the cost method

Long-term equity investments in subsidiaries are accounted for using the cost method in the Company’s separate financial statements. A subsidiary is an investee that is controlled by the Group.

Under the cost method, a long-term equity investment is measured at initial investment cost. When additional investment is made or the investment is recouped, the cost of the long-term equity investment is adjusted accordingly. Investment income is recognized in the period in accordance with the attributable share of cash dividends or profit distributions declared by the investee.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Long-term equity investments (Continued)

14.3 Subsequent measurement and recognition of profit or loss (Continued)

14.3.2 Long-term equity investments accounted for using the equity method

Investments in joint ventures are accounted for using the equity method, except for investments in associates and joint ventures that are classified in whole or in part as held-for-trading financial assets. An associate is an entity over which the Group has significant influence; a joint venture is a joint arrangement whereby the Group has rights to the net assets of the arrangement.

Under the equity method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, no adjustment is made to the initial investment cost. Where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the time of acquisition, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

Under the equity method, the Group recognizes its share of the net profit or loss and other comprehensive income made by the investee as investment income and other comprehensive income respectively, and adjust the carrying amount of the long-term equity investment accordingly; the carrying amount of the investment is reduced by the portion of any profit distributions or cash dividends declared by the investee that is distributed to the Group; the share of changes in owners' equity of the investee other than those arising from net profit or loss, other comprehensive income and profit distribution are recognized in the capital reserve the carrying amount of the long-term equity investment is adjusted accordingly. The Group recognizes its share of the investee's net profit or loss after making appropriate adjustments based on the fair value of the investee's individual separately identifiable assets, etc. at the acquisition date. Where the accounting policies and accounting period adopted by the investee are not consistent with those of the Group, the Group shall adjust the financial statements of the investee to conform to its own accounting policies and accounting period, and recognize investment income and other comprehensive income based on the adjusted financial statements. For the Group's transactions with its associates and joint ventures where assets contributed or sold does not constitute a business, unrealized intra-group profits or losses are recognized as investment income or loss to the extent that those attributable to the Group's proportionate share of interest are eliminated. However, unrealized losses resulting from the Group's transactions with its associates and joint ventures which represent impairment losses on the transferred assets are not eliminated. When the investment output of our corporation could be considered as business, and the investor receive long-term equity investment without the acquisition of controlling, the fair value of the investment business should be considered as the initial capital of the new long-term equity investment. The difference between initial investment capitals of the carrying amount of investment business will be entirely included in current profit or loss. The difference between the prices of the sold assets which could constitute as business and the carrying amount of the business will be entirely included in current profit or loss. The assets of the corporation which purchased from joint companies and joint ventures that could be consider as business will be dealt on the basis of "Accounting Standard for Business Enterprises No. 20-Business Combinations and be entirely accounted as trading profits or losses.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Long-term equity investments (Continued)

14.3 Subsequent measurement and recognition of profit or loss (Continued)

14.3.2 Long-term equity investments accounted for using the equity method (Continued)

The Group discontinues recognizing its share of net losses of the investee after the carrying amount of the long-term equity investment together with any long-term interests that in substance form part of its net investment in the investee is reduced to zero. If the Group has incurred obligations to assume additional losses of the investee, a provision is recognized according to the expected obligation, and recorded as investment loss for the period. Where net profits are subsequently made by the investee, the Group resumes recognizing its share of those profits only after its share of the profits exceeds the share of losses previously not recognized.

14.4 Disposal of long-term equity investments

On disposal of a long-term equity investment, the difference between the proceeds actually received and the carrying amount is recognized in profit or loss for the period. For long-term equity investments accounted for using the equity method, if the remaining interest after disposal is still accounted for using the equity method, other comprehensive income previously recognized for using the equity method is accounted for on the same basis as would have been required if the investee had directly disposed of related assets or liabilities, and transferred to profit or loss for the period on a pro rata basis; owners' equity recognized due to changes in other owners' equity of the investee (other than net profit or loss, other comprehensive income and profit distribution) is transferred to profit or loss for the period on a pro rata basis. For long-term equity investments accounted for using the cost method, if the remaining interest after disposal is still accounted for using the cost method, other comprehensive income previously recognized for using the equity method or in accordance with the standards for the recognition and measurement of financial instruments before obtaining the control over the investee, is accounted for on the same basis as would have been required if the investee had directly disposed of related assets or liabilities, and transferred to profit or loss for the period on a pro rata basis; changes in other owners' equity in the investee's net assets recognized under the equity method (other than net profit or loss, other comprehensive income and profit distribution) is transferred to profit or loss for the period on a pro rata basis.

Where the Group loses control over the investee due to disposal of part of equity investment, during preparing separate financial statement, remaining interest after disposal which can make joint control or significant influence over the investee is accounted for using the equity method, and adjusted as if it is accounted for using the equity method since the acquisition date. If remaining interest after disposal cannot make joint control or significant influence over the investee, it is accounted for in accordance with the standards for the recognition and measurement of financial instruments, and the difference between fair value on date of losing control and carrying amount is recognized in profit or loss for the period. Other comprehensive income previously recognized for using the equity method or in accordance with the standards for the recognition and measurement of financial instruments before obtaining the control over the investee is accounted for on the same basis as would have been required if the investee had directly disposed of related assets or liabilities; changes in other owners' equity in the investee's net assets recognized under the equity method (other than net profit or loss, other comprehensive income and profit distribution) is transferred to profit or loss for the period. If remaining interest after disposal is accounted for using the equity method, other comprehensive income and other owners' equity are transferred on a pro rata basis. If remaining interest after disposal is accounted for in accordance with the standards for the recognition and measurement of financial instruments, other comprehensive income and other owners' equity are transferred in their entirety.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

14. Long-term equity investments (Continued)

14.4 Disposal of long-term equity investments (Continued)

Where the Group loses joint control or significant influence over the investee due to disposal of part of equity investment, remaining interest after disposal is accounted for in accordance with the standards for the recognition and measurement of financial instruments, and the difference between fair value on date of losing joint control or significant influence and carrying amount is recognized in profit or loss for the period. Other comprehensive income previously recognized for using the equity method is accounted for on the same basis as would have been required if the investee had directly disposed of related assets or liabilities when stop using the equity method, and owners' equity recognized due to changes in other owners' equity (other than net profit or loss, other comprehensive income and profit distribution) is transferred to profit or loss for the period in its entirety when stop using the equity method.

The Group loses control over the subsidiaries through step by step transactions of disposal of its equity investment in the subsidiaries. Where such transactions are a "package deal", they are accounted for as a transaction of disposal of subsidiary to lose control. The difference between the proceeds from each disposal before losing control and carrying amount of long-term equity investment corresponding to the disposed investment is firstly recognized as other comprehensive income and then transferred to profit or loss for the period in which the control is lost.

15. Investment properties

Investment property is property held to earn rents or for capital appreciation or both. It includes car parking spaces that is leased out.

An investment property is measured initially at cost. Subsequent expenditures incurred for such investment property are included in the cost of the investment property if it is probable that economic benefits associated with an investment property will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

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

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

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

15. Investment properties (Continued)

An investment property is derecognized upon disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposals.

When an investment property is sold, transferred, retired or damaged, the Group recognizes the amount of any proceeds on disposal net of the carrying amount and related taxes in profit or loss for the period.

16. Fixed assets

16.1 Recognition criteria

Fixed assets are tangible assets that are held for use in the production or supply of goods or services, for rents to others, or for administrative purposes, and have useful lives of more than one accounting year. A fixed asset is recognized only when it is probable that economic benefits associated with the asset will flow to the Group and the cost of the asset can be measured reliably. Fixed assets are initially measured at cost and the effect of any expected costs of abandoning the asset at the end of its use is considered.

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

16.2 Depreciation methods

A fixed asset is depreciated over its useful life using the straight-line method since the month subsequent to the one in which it is ready for intended use. The useful life, estimated net residual value rate and annual depreciation rate of each category of fixed assets are as follows:

Type	Depreciation method	Estimated useful life	Estimated residual value rate	Annual depreciation rate
Buildings	Straight-line	20–30 years	5.00%	3.17%-4.75%
Traffic equipment	Straight-line	5–11 years	0.00%-10.00%	8.18%-20.00%
Mechanical equipment	Straight-line	5–20 years	4.00%-5.00%	4.75%-19.20%
Motor vehicles	Straight-line	5–6 years	5.00%	15.83%-19.00%
Office and other equipment	Straight-line	3–5 years	0.00%-5.00%	19.00%-33.33%

Estimated net residual value of a fixed asset is the estimated amount that the Group would currently obtain from disposal of the asset, after deducting the estimated costs of disposal, if the asset were already of the age and in the condition expected at the end of its useful life.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

16. Fixed assets (Continued)

16.3 Other particulars

If a fixed asset is upon disposal or no future economic benefits are expected to be generated from its use or disposal, the fixed asset is derecognized. When a fixed asset is sold, transferred, retired or damaged, the amount of any proceeds on disposal of the asset net of the carrying amount and related taxes is recognized in profit or loss for the period.

The Group reviews the useful life and estimated net residual value of a fixed asset and the depreciation method applied at least once at each financial year-end, and account for any change as a change in an accounting estimate.

17. Construction in progress

Construction in progress is measured at its actual construction expenditures, including various construction expenditures during the construction period, borrowing costs capitalized before it is ready for intended use and other relevant costs. Construction in progress is not depreciated. Construction in progress is transferred to a fixed asset when it is ready for intended use.

18. Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying asset are capitalized when expenditures for such asset and borrowing costs are incurred and activities relating to the acquisition, construction or production of the asset that are necessary to prepare the asset for its intended use or sale have commenced. Capitalization of borrowing costs ceases when the qualifying asset being acquired, constructed or produced becomes ready for its intended use or sale. Capitalization of borrowing costs is suspended during periods in which the acquisition, construction or production of a qualifying asset is suspended abnormally and when the suspension is for a continuous period of more than three months. Capitalization is suspended until the acquisition, construction or production of the asset is resumed. Other borrowing costs are recognized as an expense in the period in which they are incurred.

Where funds are borrowed under a specific-purpose borrowing, the amount of interest to be capitalized is the actual interest expense incurred on that borrowing for the period less any bank interest earned from depositing the borrowed funds before being used on the asset or any investment income on the temporary investment of those funds. Where funds are borrowed under general-purpose borrowings, the Group determines the amount of interest to be capitalized on such borrowings by applying a capitalization rate to the weighted average of the excess of cumulative expenditures on the asset over the amounts of specific purpose borrowings. The capitalization rate is the weighted average of the interest rates applicable to the general-purpose borrowings.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Intangible assets

Intangible assets include franchise rights (toll road and kitchen waste disposal project), billboard use right, patent, land use right, contract rights and office software.

An intangible asset is measured initially at cost. Subsequent expenditures incurred for the intangible asset are included in the cost of the intangible asset when it is probable that economic benefits associated with the asset will flow to the Group and the subsequent expenditures can be measured reliably. Other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

If the fees charged by the Group to those who receive public products and services during the period of operation of PPP project such as kitchen waste disposal and toll road do not constitute an unconditional right to receive cash, the consideration amount of the relevant PPP project assets or the amount of construction income recognized shall be recognized as concession intangible assets when the PPP project assets are ready for intended use.

The franchise rights of the toll roads invested by the state-owned shareholders on 1 January 1997 were stated at valuation performed by the asset valuation firms and the values were certified by the State-owned Assets Supervision and Administration Bureau ("SASAB") in accordance with Guo Zi Ping (1996) No.911. The land use right relating to Shenzhen Airport-Heao Expressway (Western Section) invested to the Company by the promoter of the Company during the restructuring period of the Group was stated at the then revaluation amount admitted by the SASAB on 30 June 1996. The land use right relating to Meiguan Expressway and Shenzhen Airport-Heao Eastern Company Expressway (Eastern Section) owned by Shenzhen Meiguan Expressway Company Limited ("Meiguan Company") and Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited (Airport-Heao Eastern Company), the subsidiary, were invested by Xin Tong Chan Development (Shenzhen) Company Limited ("Xin Tong Chan Company"), one of the promoters of the Company, at the value specified in the respective investment agreement.

(1) Franchise rights

(a) Toll road

Franchise rights associated with the toll roads refer to the rights granted by the respective concession grantors, which entitle the Group to receive the toll fees from users and the land use right obtained in conjunction with the concession arrangement.

When toll roads are ready for their intended use, amortization of franchise rights is calculated to write off their costs on the traffic volume amortization method. Amortization is provided on projected units-of-usage ("unit usage"), which is calculated based on the total projected traffic volume during the operating period of the concessions and the original or carrying amount of the franchise rights, combined with the actual traffic volume during each accounting period.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Intangible assets (Continued)

(1) Franchise rights (Continued)

(a) Toll road (Continued)

The Group has set policies to execute internal review on the total projected traffic volume during the operating period of the concessions annually. The Group also appoints an independent professional traffic consultant to perform independent professional traffic studies when material differences between actual traffic volume and projected traffic volume exist, or every 3 to 5 years and then adjust the amortization unit usage according to the revised total projected traffic volume, to ensure that the respective franchise rights would be fully amortized in the operation period.

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

Item	Operating period	Unit usage (RMB)
Meiguan Expressway	May 1995 to March 2027	0.53
Shenzhen Airport-Heao Expressway (Western Section)	May 1999 to March 2027	0.59
Shenzhen Airport-Heao Expressway (Eastern Section)	October 1997 to March 2027	2.95
Wuhuang Expressway	September 1997 to September 2022	5.82
Qinglian Expressway	July 2009 to July 2034	30.01
Shuiguan Expressway	March 2002 to February 2027	5.66
Yichang Expressway	January 2004 to December 2033	10.88
Changsha Ring Road (North-western Section) (“Changsha Ring Road”) (Note 1)	November 1999 to October 2029	2.39
Coastal Expressway	December 2013 to December 2038	6.21
Outer Ring Expressway (Note 2)	December 2020 to December 2045	7.02
Longda Expressway	October 2005 to October 2027	0.25

Note 1: As described in Note III, 32.2, the unit amortization amount of Changsha Ring Road is adjusted from RMB5.09/vehicle to RMB2.39/vehicle since 1 October 2021.

Note 2: Tolling years of Outer Ring Expressway have not yet been approved.

(b) Kitchen waste disposal project

Franchise rights related to kitchen waste disposal are amortized on a straight-line basis during the period of franchise operation.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

19. Intangible assets (Continued)

(2) Other intangible assets

The amortization method, useful life and estimated net residual value rate of other intangible assets are as follows:

Item	Amortization method	Useful life (year)
Billboard use right	Straight-line	5
Patent	Straight-line	5–10
Land use rights	Straight-line	50
Contract rights	Straight-line	10
Software and others	Straight-line	2–10

For an intangible asset with a finite useful life, the Group reviews the useful life and amortization method at the end of the period, and makes adjustments when necessary.

For details of the impairment test of intangible assets, see Note III 20 "Impairment of long-term assets".

(3) Internal research and development expenditure

Expenditure during the research phase is recognized as an expense in the period in which it is incurred.

Expenditure during the development phase that meets all of the following conditions at the same time is recognized as intangible asset. Expenditure during development phase that does not meet the following conditions is recognized in profit or loss for the period:

- (1) It is technically feasible to complete the intangible asset so that it will be available for use or sale,
- (2) The Group has the intention to complete the intangible asset and use or sell it,
- (3) The Group can demonstrate the ways in which the intangible asset will generate economic benefits, including the evidence of the existence of a market for the output of the intangible asset or the intangible asset itself or, if it is to be used internally, the usefulness of the intangible asset,
- (4) The availability of adequate technical, financial and other resources to complete the development and the ability to use or sell the intangible asset,
- (5) The expenditure attributable to the intangible asset during its development phase can be reliably measured.

If the expenditures cannot be distinguished between the research phase and development phase, the Group recognizes all of them in profit or loss for the period. Costs of intangible assets generated from internal development activities only include total expenditures incurred from the point of time that qualify for capitalization till the intangible asset is ready for intended use. Expenditures which have been recognized as expenses into profit or loss before the same intangible asset that qualify for capitalization during the development course will not be adjusted any longer.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

20. Impairment of long-term assets

The Group reviews the long-term equity investments, investment properties using cost method, fixed assets, construction in progress and intangible assets with finite useful life at each balance sheet date to determine whether there is any indication that they have suffered an impairment loss. If an impairment indication exists, the recoverable amount is estimated. Intangible assets with uncertain useful life or not yet ready for use is tested for impairment every year whether there is any indication the assets may be impaired.

Recoverable amount is estimated on individual basis. If it is not practical to estimate the recoverable amount of an individual asset, the recoverable amount of the asset group to which the asset belongs will be estimated. The recoverable amount of an asset or asset group is the higher of its fair value less costs of disposal and the present value of the future cash flows expected to be derived from the asset or asset group.

If such recoverable amount is less than its carrying amount, a provision for impairment losses in respect of the deficit is recognized in profit or loss for the period.

In determination of impairment loss of contract assets, firstly impairment loss of other assets recognized in accordance with other relevant ASBEs and related to the contract is recognized; secondly, the Group shall recognized an impairment loss to the extent that the carrying amount of an asset exceeds: (1) the remaining amount of consideration that the Group expects to receive in exchange for the goods or services to which the asset relates; less; (2) the estimated costs that relate to providing those goods or services.

Goodwill is tested for impairment at least at the end of each year. For the purpose of impairment testing, goodwill is considered together with the related assets group(s), i.e., goodwill is reasonably allocated to the related assets group(s) or each of assets group(s) expected to benefit from the synergies of the combination. An impairment loss is recognized if the recoverable amount of the assets group or sets of assets groups (including goodwill) is less than its carrying amount. The impairment loss is firstly allocated to reduce the carrying amount of any goodwill allocated to such assets group or sets of assets groups, and then to the other assets of the group pro-rata on the basis of the carrying amount of each asset (other than goodwill) in the group.

Except for impairment losses related to contract costs, once the impairment loss of such assets is recognized, it is not be reversed in any subsequent period. The Group shall, after the impairment of assets related to contract costs has been provided, recognized in profit or loss a reversal of some or all of an impairment loss previously recognized when the impairment conditions no longer exist or have improved. The increased carrying amount of the asset shall not exceed the carrying amount that would have been determined if no impairment loss had been recognized previously.

21. Long-term prepaid expenses

Long-term prepaid expenses represent expenses incurred that should be borne and amortized over the current and subsequent periods (together of more than one year). Long-term prepaid expenses are averagely amortized over the expected benefit period.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

22. Contract liabilities

Contract liabilities refer to the Group's obligation to transfer goods or services to a customer for which the Group has received or is expected to receive a consideration from the customer. Contract assets and contract liabilities under the same contract are listed on a net basis.

23. Employee benefits

23.1 Accounting treatment of short-term employee benefits

Actually occurred short-term employee benefits are recognized as liabilities, with a corresponding charge to the profit or loss for the period or in the costs of relevant assets in the accounting period in which employees provide services to the Group. Staff welfare expenses incurred by the Group are recognized in profit or loss for the period or the costs of relevant assets based on the actually occurred amounts when it actually occurred. Non-monetary staff welfare expenses are measured at fair value.

Payment made by the Group of social security contributions for employees such as premiums or contributions on medical insurance, work injury insurance and maternity insurance, etc. and payments of housing funds, as well as union running costs and employee education costs provided in accordance with relevant requirements, are calculated according to prescribed bases and percentages in determining the amount of employee benefits and recognized as relevant liabilities, with a corresponding charge to the profit or loss for the period or the costs of relevant assets in the accounting period in which employees provide services.

23.2 Accounting treatment of post-employment benefits

Post-employment benefits are classified into defined contribution plans and defined benefit plans.

During the accounting period of rendering service to employees of the Group, amount which should be paid according to defined contribution plans is recognized as liabilities, and recognized in profit or loss or related costs of assets.

23.3 Accounting treatment of termination welfare

The Group provides termination welfare to employees, employee benefits liabilities generated from termination welfare are recognized at the earlier of the following two dates, and recognized in profit or loss of current period: When the Group cannot withdraw provided termination welfare because of severing labor relationship or reduction of suggested amount; When the Group recognizes costs or expenses related to termination welfare payment.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

23. Employee benefits (Continued)

23.4 Accounting treatment of other long-term employee benefits

As to other welfare for the long-term employee, the group would apply to the related rules of deposit-benefit plan if they fulfill the requirement, besides, the net liability or asset would be confirmed. At the end of the report period, the compensation of other long-term employees should be confirmed in costs. And the net carrying amount of the total of their net liability, assets or the variation due to recalculation would be counted in current gains/losses or other assets costs. Other long-term employee benefits that meet the above criteria of defined contribution plan are accounted for in accordance with requirements relating to defined contribution plan as described above.

24. Estimated debts

Estimated debts are recognized when the Group has a present obligation related to a contingency such as products quality assurance, it is probable that an outflow of economic benefits will be required to settle the obligation, and the amount of the obligation can be measured reliably.

The amount recognized as a provision is the best estimate of the consideration required to settle the present obligation at the balance sheet date, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. Where the effect of the time value of money is material, the amount of the provision is determined by discounting the related future cash outflows.

25. Preferred stock, perpetual bonds and other financial instruments

Other financial instruments including preferred stocks and perpetual bonds issued by the Group are measured as equity instruments when they satisfy all the following criteria:

- (1) The financial instruments do not include cash or other financial assets delivered to other parties, or contractual obligations to exchange financial assets or liabilities with other parties under potential disadvantages;
- (2) When the Company's own equity instrument is required to or available to be used for settlement of the financial instrument, it does not include the contractual obligations to settle the Company's own variable equity instruments if it is a non-derivative instrument; if it is a derivative instrument, the Group can only settle the instrument by exchanging certain amount of its own equity instruments with fixed amount of cash or other financial assets.

Except for other financial instruments that can be classified as equity instruments described above, other financial instruments issued by the Group are classified as financial liabilities.

For other financial instruments including preferred stocks and perpetual bonds classified as financial liabilities, interest expense or dividends distributions are treated as borrowing costs, and the gains or losses arising from the re-purchase or redemption are recognized in profit or loss for the period. When the financial liability is measured at amortized cost, related transaction costs are included in initial measurement.

For other financial instruments including preferred stocks and perpetual bonds classified as equity instruments, interest expense or dividends distribution is recorded as the profit distribution of the Group; the repurchase, cancellation etc. are accounted for as changes in equity, and related transaction costs are deducted from the equity.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Revenue

26.1 Accounting policies used for revenue recognition and measurement

The Group's revenue is mainly derived from toll road, environmental protection and property development.

The Group recognizes revenue based on the transaction price allocated to such performance obligation when 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 the commitment that a good and service that is distinct shall be transferred by the Group to the customer. Transaction price refers to the consideration that the Group is expected to charge due to the transfer of goods or services to the customer, but it does not include payments received on behalf of third parties and amounts that the Group expects to return to the customer.

It is a performance obligation satisfied during a period of time if one of the following conditions is met: (i) the customer obtains and consumes economic benefits at the same time of the Group's performance; (ii) the customer is able to control work in progress during the Group's performance; (iii) goods generated during the Group's performance have irreplaceable utilization, and the Group is entitled to collect amounts of cumulative performance part which have been done up to now. Otherwise, the Group will recognize revenue at the point in time when the customer obtains control over relative goods or services.

The Group adopts input method, i.e. the input by the Group for purpose of fulfilment of performance obligation to determine the appropriate progress of performance. Where the progress cannot be determined reasonably, the revenue is recognized based on the amount of cost that is expected to be compensated based on the cost already incurred, until the progress of performance is reasonably determined.

If there are two or more of performance obligations included in the contract, at the contract inception, the Group allocates the transaction price to each single performance obligation based on the proportion of stand-alone selling price of goods or services promised in single performance obligation. However, if there is conclusive evidence indicating that the contract discount or variable consideration is only relative with one or more (not the whole) performance obligations in the contract, the Group will allocate the contract discount or variable consideration to relative one or more performance obligation. Stand-alone selling price refers to the price of single sales of goods or services. The stand-alone selling price cannot be observed directly, the Group estimates the stand-alone selling price through comprehensive consideration of all reasonably acquired relative information and maximum use of observable inputs.

If the contract includes variable consideration, the Group determines the best estimates of the variable consideration based on the expected value or the most likely amount. Transaction price comprising the variable consideration does not exceed the amount that it is highly probable that a significant reversal will not occur when relevant uncertainty is eliminated. At each balance sheet date, the Group re-estimates the amount of variable consideration which should be recognized in transaction price.

If the customer pays non-cash consideration, the Group determines the transaction price based on the fair value of the non-cash consideration. If the Group cannot reasonably estimate the fair value of the non-cash consideration, it should determine the transaction price indirectly by reference to the stand-alone selling price of the goods or services promised to transfer to the customer.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Revenue (Continued)

26.1 Accounting policies used for revenue recognition and measurement (Continued)

For sales with sales return terms attached, as the customer obtains ownership of related goods, the Group recognizes revenue in accordance with the consideration (excluding expected refund amounts due to sales returns) that the Group is expected to charge due to the transfer of goods or services to the customer, and recognizes liabilities in accordance with expected refund amounts due to sales returns. The remaining amount, subsequent to deduction of expected costs from collecting the goods (including the decrease in value of the returned goods), is recognized as an asset in accordance with the carrying amount during the expected transfer of returned goods.

For sales with quality assurance terms, if the quality assurance provides a separate service to the customer other than ensuring that the goods or services sold meet the established standards, the quality assurance constitutes a single performance obligation. Otherwise, the Group will account for the quality assurance responsibility in accordance with the Accounting Standard for Business Enterprises No. 13 – Contingencies.

If the contract includes significant financing component (such as property sales, etc.), the Group determines the transaction price based on the amount payable under the assumption that the customer pays that amount payable in cash when “control” of the goods or services is obtained by the customer. The difference between the transaction price and the contract consideration shall be amortized within the contract period using effective interest rate. If the Group expects, at contract inception, that the period between when the Group transfers a promised good or service to a customer and when the customer pays for that good or service will be one year or less, the Group needs not to consider the significant financing component.

The Group determines whether it is a principal or an agent at the time of the transaction based on whether it owns the “control” of the goods or services before the transfer of such goods or services to the customer. The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer, and the revenue shall be recognized based on the total consideration received or receivable; otherwise, the Group is an agent, and the revenue shall be recognized based on the amount of commission or handling fee that is expected to be charged, and such amount is determined based on the net amount of the total consideration received or receivable after deducting the prices payable to other related parties or according to the established commission amount or proportion.

When the Group collects amounts of sold goods or services in advance from the customer, the Group will firstly recognize the amounts as a liability and then transfer to revenue until satisfying relevant performance obligations. When the advances from customers are non-refundable and the customer may give up all or part of contract right, and the Company is expected to be entitled to obtain amounts associated with contract rights given up by the customer, the above amounts shall be proportionally recognized as revenue in accordance with the model of exercising contract rights by the customer; otherwise, the Group will transfer the relevant balance of the above liability to revenue only when it is highly unlikely that the customer will require performance of the remaining performance obligations.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

26. Revenue (Continued)

26.1 Accounting policies used for revenue recognition and measurement (Continued)

The specific revenue recognition criteria of the Group are as follows:

- (1) The Group's revenue from operation of toll roads is recognized when the related services have been provided and economic benefits associated with the services are likely to flow into the Group.
- (2) The Group's revenue from sales of wind turbine equipment, kitchen waste disposal equipment and other commodities are recognized when the client obtains the control over the goods.
- (3) For engineering construction services provided, the Group determines the performance progress and recognizes revenue according to the proportion of the cost incurred to the estimated total cost.
- (4) The Group's revenue from property sales is recognized when (1) the property is completed and accepted as qualified, (2) the property meets the delivery conditions as agreed in the sales contract, and (3) the client obtains the control over relevant goods or services.
- (5) The Group's revenue from entrusted highway operation and management and maintenance services is recognized on a straight-line basis over the contract period.
- (6) The Group has signed cooperation agreements with government departments to participate in the construction of toll roads and kitchen waste disposal projects. During the construction period, the construction service provided by the Group shall be regarded as the performance obligations performed within a certain period and the construction revenue shall be recognized by the completion percentage methods in accordance with the proportion of the incurred costs to estimated total costs. During the commercial operation period, the revenue from kitchen waste disposal shall be recognized according to the actual amount of waste disposal and the unit price agreed in the waste disposal agreement. Revenue from sales of electric power shall be recognized according to the on-grid electric quantity and the unit price agreed in the electricity purchase and sale contract when the electric power has been produced and connected to the grid. Revenue from sales of grease shall be recognized according to the actual grease sales volume and the unit price agreed in the agreement when the client obtains the control over relevant goods.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

27. Contract cost

27.1 Costs of obtaining contracts

If the incremental costs (costs that will not occur if no contract obtained) incurred for obtaining the contract are expected to be recovered, the Group recognizes it as an asset and adopts goods or service income related to the assets to confirm the same basis for amortization and recognizes it in profit or loss. Other expenses incurred by the Group for obtaining the contract are recognized in profit or loss for the period in which it occurs, except as expressly borne by the customer.

27.2 Costs to fulfill contracts

If the costs incurred in fulfilling a contract are not within the scope of other standards other than standards on revenue, the Group shall recognized an asset from the costs incurred to fulfill a contract only if those costs meet all of the following criteria: 1) the costs relate directly to a contract or to an anticipated contract that the Group can specifically identify; 2) the costs generate or enhance resources of the entity that will be used in satisfying performance obligations in the future; and 3) the costs are expected to be recovered. The assets recognized shall be amortized on a basis that is consistent with the transfer to the customer of the goods or services to which the asset relates and recognized in profit or loss for the period.

28. Categories of government grants and accounting treatment methods

Government grants are transfer of monetary assets and non-monetary assets from the government to the Group at no consideration. A government grant is recognized only when the Group can comply with the conditions attaching to the grant and the Group will receive the grant.

If a government grant is in the form of a transfer of a monetary asset, it is measured at the amount received or receivable. If a government grant is in the form of a non-monetary asset, it is measured at fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount. A government grant measured at a nominal amount is recognized immediately in profit or loss for the period.

28.1 Accounting treatment and determining basis of government grant related to assets

Government grants of the group included equipment subsidy. These payments are government grant of related assets.

A government grant related to an asset is recognized as Deferred revenue and will be included in profit or loss according to the progress of depreciation and amortization of such asset by stages over the useful life of the related asset.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

28. Categories of government grants and accounting treatment methods (Continued)

28.2 Accounting treatment and determining basis of government grant related to income

Government grants of the Group included tax refunds and government incentive funds, these are government grant related to income.

For a government grant related to income, if the grant is a compensation for related expenses or losses to be incurred in subsequent periods, the grant is recognized as Deferred revenue, and recognized in profit or loss over the periods in which the related costs are recognized; if the grant is a compensation for related expenses or losses already incurred, the grant is recognized immediately in profit or loss for the current period.

A government grant related to the Group's daily activities is recognized in other income based on the nature of economic activities; a government grant not related to the Group's daily activities is recognized in non-operating income.

For repayment of a government grant already recognized, if there is related Deferred revenue, the repayment is offset against the book balance of the Deferred revenue, and any excess is recognized in profit or loss for the period.

29. Deferred revenue tax assets/deferred tax liabilities

The income tax expenses include current income tax and Deferred revenue tax.

29.1 Current income tax

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

29.2 Deferred revenue tax assets and deferred tax liabilities

For temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the nil carrying amount of those items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, Deferred revenue tax assets and liabilities are recognized using the balance sheet liability method.

Deferred tax is generally recognized for all temporary differences. Deferred revenue tax assets for deductible temporary differences are recognized to the extent that it is probable that taxable profits will be available against which the deductible temporary differences can be utilized. However, for temporary differences associated with the initial recognition of goodwill and the initial recognition of an asset or liability arising from a transaction (not a business combination) that affects neither the accounting profit nor taxable profits (or deductible losses) at the time of transaction, no deferred tax asset or liability is recognized.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

29. Deferred revenue tax assets/deferred tax liabilities (Continued)

29.2 Deferred revenue tax assets and deferred tax liabilities (Continued)

For deductible losses and tax credits that can be carried forward, Deferred revenue tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible losses and tax credits can be utilized.

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

At the balance sheet date, Deferred revenue tax assets and liabilities are measured at the tax rates, according to tax laws, that are expected to apply in the period in which the asset is realized or the liability is settled.

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

At the balance sheet date, the carrying amount of Deferred revenue tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of Deferred revenue tax assets to be utilized. Such reduction in amount is reversed when it becomes probable that sufficient taxable profits will be available.

29.3 Offsetting of income tax

When the Group has a legal right to settle on a net basis and intends either to settle on a net basis or to realize the assets and settle the liabilities simultaneously, current tax assets and current tax liabilities are offset and presented on a net basis.

When the Group has a legal right to settle current tax assets and liabilities on a net basis, and Deferred revenue tax assets and deferred tax liabilities relate to income taxes levied by the same taxation authority on either the same taxable entity or different taxable entities which intend either to settle current tax assets and liabilities on a net basis or to realize the assets and liabilities simultaneously, in each future period in which significant amounts of Deferred revenue tax assets or liabilities are expected to be reversed, Deferred revenue tax assets and deferred tax liabilities are offset and presented on a net basis.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Leases

A lease is a contract in which the lessor, for a certain period of time, gives the lessee the right to use the assets to obtain a consideration.

At inception of a contract, the Group assesses whether the contract is, or contains, a lease. Unless the terms and conditions of the contracts change, the Group does not reassess whether the contracts are leases or include leases.

30.1 The Group as lessee

30.1.1 Separating components of a lease

If the contract contains one or more lease and non-lease components, the Group splits each individual lease and non-lease component to distribute the consideration of the contract in proportion to the sum of the individual price of each lease component and the separate price of the non-lease component.

30.1.2 Right-of-use assets

Except for short-term leases and lease of low value assets, the Group recognizes the right-to-use assets of the leases on the commencement date of the lease term. The Group's right-to-use assets consist mainly of buildings, motor vehicles, billboard, etc. The Group's right-to-use asset classes mainly include buildings, motor vehicles, billboard, etc.

The beginning date of the lease period is the date from which the tenant provides the leased assets to make them available for use by the Group. Right-to-use assets are initially measured at cost. The cost includes:

- The initial measured amount of Lease obligation;
- The amount of lease payments paid on or before the start date of the lease term, less the amount of the lease incentives that have been enjoyed, if there is a lease incentive;
- The initial direct expenses incurred by the Group;
- The Group's activities to remove and remove leased assets, The cost that is expected to occur to reinstate the leased asset at its site or to restore the leased asset to the agreed state of the lease term, excluding costs incurred to produce the inventory.

The Group has referred to ASBE 4 Fixed assets Depreciation regulation, Depreciation is applied to the right-to-use assets. If there is reasonable certainty that the Group will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over its useful life. If there is no reasonable certainty that the Group will obtain ownership of the leased asset at the end of the lease term, the leased asset is depreciated over the shorter of the lease term and its useful life.

The Group applies ASBE 8 Impairment of Assets, to determine whether the right-of-use assets are impaired and to account for any impairment loss identified.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Leases (Continued)

30.1 The Group as lessee (Continued)

30.1.3 Lease liabilities

Except for short-term leases and lease of low value assets, the Group initially measures Lease obligation at the beginning of the lease term at the present value of the outstanding lease payments at that date. In calculating the present value of the lease payments, the Group uses the interest rate included in the lease as the discount rate and, if it is not possible to determine the interest rate included in the lease, uses the incremental borrowing rate as the discount rate.

Lease payments represent payments made by the Group to lessor in connection with the right to use the leased assets during the lease term, including:

- The fixed amount of payment and the real fixed amount of payment, less the relevant amount of the lease incentive, if there is a lease incentive;
- The amount of variable lease payments depending on an index or ratio;
- The exercise price of the purchase option to be exercised is reasonably determined by the Group;
- The lease term reflects the amount to be paid for the exercise of the termination option if the Group will exercise the termination option;
- The amount expected to be paid under the residual value of the guarantee provided by the Group.

After the beginning of the lease period, the Group calculates the interest expense of Lease obligation for each period of the lease period at a fixed recurring rate and includes the profit or loss or the cost of the underlying assets in the current period.

After the beginning of the lease period, the Group recalculates Lease obligation and adjusts the corresponding right-to-use assets, and if the carrying amount of the right-to-use assets has been reduced to zero, but Lease obligation still needs to be further adjusted, the Group includes the difference in profit or loss for the current period:

- The Group's present value, calculated on the basis of the after-change lease payments and the revised discount rate, is recalculated by Lease obligation as a result of changes in the lease period or changes in the valuation of the purchase option;
- Based on a change in the expected amount payable on the guarantee balance or the index or ratio used to determine the lease payment amount, the Group's present value, calculated on the basis of the changed lease payment amount and the original discount rate, is recalculated at Lease obligation. If the changes in lease payments result from changes in floating interest rates, the present value is calculated using the revised discount rate.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Leases (Continued)

30.1 The Group as lessee (Continued)

30.1.4 Short-term leases and lease of low value assets

For short-term leases and lease of low value assets of transport vehicles, mechanical equipment/others (please indicate the specific type of leased assets), the Group chose not to recognize the right-to-use assets and Lease obligation. Short-term leases are leases that, on the beginning of the lease period, have a lease term not exceeding 12 months and do not include the option to buy. A lease of a low-value asset, is a lease that the single underlying asset, when is new, is no more than RMB50,000.00. The Group includes the lease payments for short-term leases and lease of low-value assets on a straight-line basis in current profit or loss or the cost of the underlying assets for each period of the lease term.

30.1.5 Lease changes

If a lease changes and the following conditions are met, the Group will treat the lease change as a separate lease:

- The lease change expands the scope of the lease by adding the right to use one or more of the leased assets;
- The increased consideration was equivalent to the individual price of the extended portion of the lease, adjusted for the circumstances of the contract.

If the lease change is not accounted for as a separate lease, on the effective date of lease change, the Group revalued the consideration of the changed contract, redefined the lease term, and recalculated the Lease obligation at its present value, calculated on the basis of the modified lease payment amount and the revised discount rate.

If the lease change results in a reduction in the scope of the lease or a reduction in the lease term, the Group reduces the carrying amount of the right-to-use assets accordingly, and includes in the current profit or loss the associated gains or losses from partial or total termination of the lease. If other lease changes result in Lease obligation being re-measured, the Group adjusts the carrying amount of the right-to-use assets accordingly.

30.2 The Group as lessor

30.2.1 Separating components of a lease

For a contract that contains lease and non-lease components, the Group allocates the consideration in the contract in accordance with the regulations related to allocation of transaction price of Revenue Standards on the basis of the relative stand-alone price of the lease components and the non-lease components.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Leases (Continued)

30.2 The Group as lessor (Continued)

30.2.2 Classification of leasing

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

30.2.2.1 The Group as lessor under operating leases

The Group recognizes lease payments from operating leases as rents income on a straight-line basis. The Group capitalizes initial direct costs incurred in obtaining an operating lease and recognizes those costs as an expense over the lease term on the same basis as the lease income.

Variable lease receipts acquired by the Group in connection with operating leases that are not included in the lease receipts are recognized in current profit or loss when they are actually incurred.

30.2.2.2 The Group as lessor under finance leases

At the commencement date, the Group recognizes a finance lease receivable at the amount equal to the net investment in the lease with finance lease assets derecognized. The net investment in the lease is the sum of any unguaranteed residual value and lease payments receivable from the commencement date, discounted at the interest rate implicit in the lease.

The amount of the lease payments receivable refers to the amount that the Group should collect from the lessee for the purpose of transferring the leased assets during the lease term, including:

- Fixed payments (including in-substance fixed payments), less any lease incentives;
- Variable lease payments that depend on an index or a rate;
- Exercise price of the purchase option, if it is reasonably determined that the lessee will exercise the option;
- Payments for terminating the lease, if the lease term reflects the Company exercising an option to terminate the lease;
- Residual value of guarantee provided to the Group by the lessee, a party related to the lessee and an independent third party with the financial ability to fulfill the guarantee obligations.

Variable payments receivable not included in the net investment in the lease are recognized in profit or loss when they arise.

Interest income for each period over the lease term is recognized by the Group at the fixed periodic rate.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Leases (Continued)

30.2 The Group as lessor (Continued)

30.2.3 Subleases

As a lessor of the sublease, the Group accounts for the original lease contract and the sublease contract as two separate contracts. The Group classifies the subleases based on the right-of-use assets generating from the original lease rather than the underlying assets of the original lease.

30.2.4 Lease modifications

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any lease advances or receivables relating to the original lease as the lease receipts for the new lease.

The Group will account for the lease change as an individual lease, when they satisfy all the following criteria:

- The lease change expanded the scope of the lease by adding the right-of-use of one or more lease assets;
- The increased consideration is equivalent to the amount of individual price of the expanded lease scope adjusted according to the contract.

For a modification to a finance lease that is not accounted for as a separate lease, the Group should account for the modification as follows:

- If the lease would have been classified as an operating lease had the modification been effect at the inception date, the Group should account for the lease modification as a new lease from the effective date of the modification, and measure the carrying amount of the underlying asset as the net investment in the lease before the effective date of the lease modification.
- If the lease would have been classified as an operating lease if the modification had been in effect at the inception date, the Group should apply the requirements of contract modification and renegotiation under the ASBE No. 22 Financial Instruments: Recognition and Measurement.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

30. Leases (Continued)

30.2 The Group as lessor (Continued)

30.2.5 Sale and leaseback transactions

30.2.5.1 The Group as the seller and lessee

The Group applies the requirements of the ASBE No. 14 Revenue to determine whether the transfer of an asset is accounted for as a sale of that asset. If the transfer of an asset does not constitute a sale, the Group should continue to recognize the transferred assets and should recognize a financial liability equal to the transfer proceeds applying ASBE No. 22 Financial Instruments: Recognition and Measurement. If the transfer of an asset is a sale, the Group should measure the right-of-use asset arising from the leaseback at the proportion of the previous carrying amount of the asset that relates to the right of use, and recognize only the amount of any gain or loss that relates to the rights transferred to the lessor.

30.2.5.2 The Group as the buyer and lessor

If the transfer of an asset in a sale and leaseback transaction is not a sale, the Group does not recognize the transferred asset, but recognizes the transferred assets and should recognize a financial liability equal to the transfer proceeds applying ASBE No. 22 Financial Instruments: Recognition and Measurement. If the transfer of an asset is a sale, the Group accounts for the purchase of the asset in accordance with other applicable ASBEs and accounts for the lease of the asset.

31. Other significant accounting policies and accounting estimates

Segment information

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

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

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Changes in significant accounting policies and accounting estimates

32.1 Changes in significant accounting policies

32.1.1 Accounting Standards for Business Enterprises Interpretation No. 14

The Accounting Standards for Business Enterprises Interpretation No. 14 (the “Interpretation No. 14”) was issued by the Ministry of Finance in the form of Cai Kuai [2021] No. 1 Document on 26 January 2021, which standardized the accounting treatment for contracts on public-private partnership (PPP) projects by the private capital parties and accounting treatment for changes in the basis for determining the contractual cash flows due to the reform of the benchmark interest rate.

Accounting treatment for PPP project contracts

“Contracts on PPP projects” can be defined as the contracts concluded by and between the social capital and the government for collaborating in PPP projects in accordance with laws and regulations, which shall concurrently meet the following features: (1) The social capital uses the PPP project assets to provide public products and services on behalf of the government during the operation period as agreed in the contract; (2) The social capital receives compensation for the rendering of public products and services during the period as agreed in the contract. Contracts on PPP projects shall concurrently meet the following conditions: (1) The government controls or regulates the types, objects and prices of public products and services required to be provided by the social capital in using the PPP project assets; (2) When a contract on PPP project is terminated, the government controls the significant residual equity of the PPP project assets by ownership, usufruct or other forms.

The Group concludes PPP project contracts with the government as a social capital party. When providing construction services (including construction, renovation and expansion) or contracting out projects to other parties etc., the Group shall determine whether it is a principal or an agent according to the Revenue Standards with the contract assets recognized.

For the rendering of multiple services (for example, rendering of both construction services for PPP project assets and operation and maintenance services after completion) as agreed in the contract, the Group identifies the single performance obligation in the contract and allocates the transaction price to each performance obligation based on the proportion of stand-alone selling price according to the Revenue Standards.

The contract stipulates that the Group has the right to collect fees from those who receive public products and services during the period of project operation, but if the amount of fees is uncertain, the consideration amount of the relevant PPP project assets or the amount of construction income recognized shall be recognized as intangible assets when the PPP project assets are ready for intended use. The contract stipulates that the Group has the right to collect a determinable amount of cash (or other financial assets) during the project operation period, such amount of cash shall be recognized as accounts receivable when the Group has the right to collect the consideration (this right only depends on the factor of passage of time); when the PPP project assets are ready for their intended use, the difference between (1) the consideration amount of the relevant PPP project assets or the amount of construction income recognized and (2) the cash with determinable amount that it has right to receive (or other financial assets) shall be recognized as intangible assets.

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Changes in significant accounting policies and accounting estimates (Continued)

32.1 Changes in significant accounting policies (Continued)

32.1.1 Accounting Standards for Business Enterprises Interpretation No. 14 (Continued)

Accounting treatment for contracts on PPP projects (Continued)

For the part where the Group recognizes the consideration amount of relevant PPP project assets or the amount of construction income recognized as intangible assets, the contract assets recognized during the relevant construction period shall be presented under intangible assets, while other contract assets recognized during the construction period shall be presented under contract assets or other non-current assets according to whether they are expected to be realized within one year from the balance sheet date.

In accordance with the Interpretation No. 14, the new PPP projects for the period from 1 January 2021 to the effective date of the Interpretation No. 14 shall be accounted for in accordance with the provisions of Interpretation No. 14. Retroactive adjustment shall be made for contracts on PPP projects that commenced before 31 December 2020 and have not been completed by the effective date of the Interpretation No. 14. The Group assessed that the application of the provisions does not have a material impact on the Group's and Company's financial statements.

Accounting treatment for 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 as a result of interest rate benchmark reform, if and only if the basis for determining the contractual cash flows of a financial asset or liability for which the interest income or expense is determined by using the effective interest rate method changes as a direct consequence of the interest rate benchmark reform, and the new basis for determining the contractual cash flows is economically equivalent to the previous basis, the Group updates the effective interest rate based on the revised future cash flows only resulted from the benchmark interest rate reform by reference to the accounting treatment of floating rate changes and makes accounting treatments on this basis subsequently.

In addition to the above changes, for other changes made to financial assets or financial liabilities for which interest income or expense is determined by using the effective interest rate method, the Group accounts for the changes required by the interest rate benchmark reform in accordance with the above requirements, and assesses whether the such other changes result in derecognition of the financial assets or financial liabilities in accordance with the requirements of Accounting Standards for Business Enterprises No. 22 – Recognition and Measurement of Financial Instruments.

According to the Interpretation No.14, the new businesses related to the benchmark interest rate reform starting from 1 January 2021 to the effective date of the Interpretation No. 14 shall be accounted for in accordance with the provisions of Interpretation No. 14. The Group assessed that the adoption of such provisions does not have a material impact on the Group's and Company's financial statements.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Changes in significant accounting policies and accounting estimates (Continued)

32.1 Changes in significant accounting policies (Continued)

32.1.2 COVID-19 Pandemic-related Rents Concessions

The Notice on Adjusting the Applicable Scope of Provisions on the Accounting Treatment of the COVID-19 Pandemic-related Rental Concessions was issued by the Ministry of Finance in the form of Cai Kuai [2021] No. 9 Document (the “No. 9 Document”) on 26 May 2021, which adjusted the applicable scope of *Provisions on the Accounting Treatment of the COVID-19 Pandemic-related Rental Concessions* issued by the Ministry of Finance in the form of Cai Kuai [2020] No. 10 Document on 19 June 2020. The Group believes, after assessment, that the adoption of this provision has no material impact on the Group’s and Company’s financial statements.

32.1.3 Accounting Standards for Business Enterprises Interpretation No. 15

The Accounting Standards for Business Enterprises Interpretation No. 15 (the “Interpretation No. 15”) was issued by the Ministry of Finance in the form of Cai Kuai [2021] No. 35 Document on 30 December 2021, which standardized the presentation of the centralized management of funds. The Interpretation No. 15 shall go into effect on the date of issue. The Group maintains consistency with the provisions of Interpretation No. 15 for the presentation related to centralized management of funds before 30 December 2020, and therefore, the Group considers that the adoption of such provisions does not have a material impact on the Group’s and Company’s financial statements.

32.2 Changes in significant accounting estimates

Content and reason of changes in accounting estimates	Approval procedures	Time point at which the application begins	Remarks
Change in accounting estimate of unit amortization amount of franchise rights – Changsha Ring Road	Approved by the Board of Directors on 29 March 2022	1 October 2021	–

Change in accounting estimate of unit amortization amount of Changsha Ring Road

In view of that the actual traffic volume of Changsha Ring Road in recent years differs greatly from the total projected traffic volume and may persist for some time, the Group re-predicts the total projected traffic volume of Changsha Ring Road in the remaining operation period. The Group adjusted the unit amortization amount of Changsha Ring Road from RMB5.09/vehicle to RMB2.39/vehicle based on the updated total projected traffic volume. This change in accounting estimates is effective from 1 October 2021, and the impact of which on the Group’s consolidated financial statements for the current year is as follows:

III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

32. Changes in significant accounting policies and accounting estimates (Continued)

32.2 Changes in significant accounting estimates (Continued)

Change in accounting estimate of unit amortization amount of Changsha Ring Road (Continued)

Items in the consolidated balance sheet	Amount
Increase in intangible assets	12,472,524.33
Decrease in Deferred revenue tax assets	3,118,131.08
Increase in equity attributable to shareholders of the parent company	4,770,740.56
Increase in minority interests	4,583,652.69
Items in the consolidated income statement	Amount
Decrease in Cost of services	12,472,524.33
Increase in income tax expenses	3,118,131.08
Increase in net profit	9,354,393.25
Increase in net profit attributable to shareholders of the parent company	4,770,740.56
Increase in profit or loss attributable to minority interests	4,583,652.69

The change in above accounting estimate will have a certain impact on amortization of the franchise rights of Changsha Ring Road in the future accounting period.

33. Critical judgements in applying accounting policies and key assumptions and uncertainties in accounting estimates

In the application of accounting policies as set out in Note III, the Group is required to make judgements, estimates and assumptions about the carrying amounts of items in the financial statements that cannot be measured accurately, due to the internal uncertainties of the operating activities. These judgements, estimates and assumptions are based on historical experience of the Group's management as well as other factors that are considered to be relevant. Actual results may differ from these estimates. The aforementioned judgments, estimates and assumptions are reviewed regularly on a going concern basis. The effect of a change in accounting estimate is recognized in the period of the change, if the change affects that period only; or recognized in the period of the change and future periods, if the change affects both.

33.1 Critical judgements in applying accounting policies

(1) Business model

The classification of financial assets at initial recognition depends on the business model of the Group's management of financial assets. When determining whether the business model is still likely to be based on the collection of contractual cash flows, the Group needs to analyze the sale reasons, time, frequency and value of financial assets before the maturity date.

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III. SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Critical judgements in applying accounting policies and key assumptions and uncertainties in accounting estimates (Continued)

33.1 Critical judgements in applying accounting policies (Continued)

(2) *Principal/agent*

If the Group can control the project before transferring the agent project to the customer, it is the principal and recognizes the revenue based on the total consideration received or receivable. Otherwise, the Group is an agent and recognizes revenue based on the amount of commission or handling charges that the Group is expected to be entitled to collect. This amount is determined based on the total consideration received or receivable net of amounts due to other related parties, or predefined amount or proportion of commission.

(3) *Lease period – Lease contract with a renewal option*

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

33.2 Key assumptions and uncertainties in accounting estimates

The followings are the critical judgments that the Group has made in the process of applying the accounting policies and that have significant effect on the amounts recognized in the financial statements:

(1) *Amortization of franchise rights associated with toll roads*

As stated in Note III. 19 (1) (a), amortization of franchise rights associated with toll roads is provided under the traffic volume method. Appropriate adjustments to the amortization of franchise rights associated with toll roads will be made when there is a material difference between total projected traffic volume and the actual results.

The directors perform periodic assessment of the total projected traffic volume. The Group will appoint an independent professional traffic consultant to perform independent professional traffic studies in order to make an appropriate adjustment if there is a material and continuous difference between projected and actual traffic volume.

III SIGNIFICANT ACCOUNTING POLICIES AND ACCOUNTING ESTIMATES (CONTINUED)

33. Critical judgements in applying accounting policies and key assumptions and uncertainties in accounting estimates (Continued)

33.2 Key assumptions and uncertainties in accounting estimates (Continued)

(2) *Impairment of goodwill*

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

(3) *Impairment of long-term equity investments*

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

(4) *Impairment of franchise rights*

When considering the impairment of the franchise rights, the management of the Company calculates the present value of future cash flows to determine the recoverable amount. The assumptions of calculating the franchise rights associated with kitchen waste disposal project include the per unit waste disposal fee, production/processing capacity, operation duration, operating cost, and necessary return rate.

Under the previous assumptions, the Group's management considered that a franchise right had a recoverable amount higher than the carrying amount, and therefore provision for the impairment of a franchise right was not necessary during the current period. The Group is going to exam the relevant items closely and continually. Adjustments will be made during the corresponding period once there is any indication for adjustment of the accounting estimates.

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IV TAXATION

1. Main categories and rates of taxes:

Category	Tax base	Tax rate	
Value added tax ("VAT")	Income from the sale of goods and rendering of services (1)	13%	
	Real estate development income	9%	
	Taxable advertisement income	6%	
	Entrusted management income revenue from businesses other than expressway toll road	6%	
	Revenue from expressway toll road business	3% (Simple Method)	
	Tangible assets lease income	13%	
	Revenue from tangible asset sale and lease back business	6%	
	Construction income	9%	
	Electricity sales revenue	13%	
	Waste disposal operating income (Note 1)	6%	
	Property operating lease income	5% (Simple Method)	
	City maintenance and construction tax	Amount of commodity turnover tax paid	7%, 5%
	Educational surcharge	Amount of commodity turnover tax paid	3%
Local educational surcharge	Amount of commodity turnover tax paid	2%	
Construction fee for culture undertakings	Amount of advertising turnover	3%	
Enterprise income tax ("EIT")	Taxable income	Except the companies in the following chart, 25%	
Land appreciation tax	Gain on the transfer of real estate	Four-level progressive rates, 30%-60%	

The entities with different EIT rates are disclosed as follows:

Name of the entity	Income tax rate
China Logistics Finance Services Co., Ltd. ("Logistics Finance Company") (Note 2)	16.5%
Bioland Environmental Technologies Group (Hongkong) Co., Ltd. ("Hongkong Bioland Company") (Note 2)	16.5%

- (1) According to the provisions of the *Announcement of the State Taxation Administration on Clarifying Several Issues Concerning the Administration of Collection of Value-Added Tax on the Dealing of Used Vehicles and Other Items* (Announcement 2020 No. 9 of the State Administration of Taxation), if no waste is produced after specialized treatment by landfill or incineration, the processing fee charged is subject to the VAT rate of 6% for "professional technology services" in the category of providing "modern services" of entrusted party; if waste is produced after specialized treatment and the waste belongs to the entrusting party, the processing fee charged is subject to the VAT rate of 13% for "processing services" provided by the entrusted party; if waste is produced after specialized treatment and the waste belongs to the entrusted party, the processing fee charged is subject to the VAT rate of 6% for "professional technology services". If the entrusted party sells the waste, it is subject to the VAT rate for waste.
- (2) Logistics Finance Company and Bioland Company are incorporated in Hong Kong with an applicable income tax rate of 16.5%.

IV TAXATION (CONTINUED)

2. Tax preference

(a) The preferential policy of 50% VAT refund on collection

According to the provisions of the *Notice of the Ministry of Finance and the State Administration of Taxation on Value-Added Tax Policies for Wind Power Generation* (Cai Shui [2015] No. 74), since 1 July 2015, taxpayers who sell their self-produced power products using wind power are subject to a 50% VAT refund policy. Subsidiaries of Baotou Nanfeng Wind Power Technology Co., Ltd. ("Baotou Nanfeng"), including Baotou Lingxiang New Energy Co. Ltd, Damaoqi Nanchuan Wind Power Co., Ltd., Damaoqi Ningyuan Wind Power Co., Ltd., Damaoqi Ningxiang Wind Power Co., Ltd. and Damaoqi Ningfeng Wind Power Co., Ltd. (collectively referred to as "wind power enterprises under Baotou Nanfeng"), Mulei Qianxin Energy Development Co., Ltd. ("Qianxin Company"), Mulei Qianzhi Energy Development Co., Ltd. ("Qianzhi Company"), Mulei Qianhui Energy Development Co., Ltd. ("Qianhui Company"), Ningxia Zhongwei Xintang New Energy Co., Ltd. ("Ningxia Zhongwei") and Yongcheng Zhuneng New Energy Technology Co., Ltd. ("Yongcheng Zhuneng") are wind power enterprises and enjoy the above tax preferences.

(b) Preferential policies for three years exemptions

According to the provisions of the *Notice of the Ministry of Finance and the State Administration of Taxation on Implementing the Pilot Program of Replacing Business Tax with Value-Added Tax in an All-round Manner* (Cai Shui [2016] No. 36), general taxpayers who provide pipeline transportation service, tangible movable property financing lease service and tangible movable property sale-leaseback financing service will enjoy a VAT refund for the actual VAT that exceeds 3%. Shenzhen International Financial Leasing Co., Ltd. ("Financial Leasing Company") provides tangible movable property sale-leaseback financing service and thus enjoys the above tax preferences.

(c) Preferential policies for three years exemptions, three years half reduction of enterprise income tax

According to the provisions of the *Enterprise Income Tax Law of the People's Republic of China*, for income of enterprises engaged in the investment and operation of public infrastructure projects supported by the state, from the tax year in which the project obtains the first production and operation income, the enterprise income tax will be exempt from the first to the third year, and the enterprise income tax will be levied by half from the fourth to sixth year. Projects of Wind power enterprises under Baotou Nanfeng, Qianzhi Company, Qianhui Company, Ningxia Zhongwei, Yongcheng Zhuneng and Outer Ring Expressway (Phase I) satisfy the tax preferences policies for public infrastructure projects supported by the state. Wind power enterprises under Baotou Nanfeng started grid-connected power generation since 2020 and obtained the first income from production and operation, the enterprise income tax will be exempt from 2018 to 2020 and levied by half from 2021 to 2023.

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IV. TAXATION (CONTINUED)

2. Tax preference (Continued)

(c) Preferential policies for three years exemptions, three years half reduction of enterprise income tax (Continued)

Qianzhi Company, Qianhui Company and Ningxia Zhongwei started grid-connected power generation since 2020 and obtained the first income from production and operation, the enterprise income tax will be exempt from 2020 to 2022 and levied by half from 2023 to 2025.

Yongcheng Zhuneng started grid-connected power generation and obtained the first income from production and operation since 2021, the enterprise income tax will be exempt from 2021 to 2023 and levied by half from 2024 to 2026.

Outer Ring Expressway (Phase I) started operation since 29 December 2020 and obtained the first income from operation, the enterprise income tax will be exempt from 2020 to 2022 and levied by half from 2023 to 2025.

According to the provisions of Article 88 of the *Regulations for the Implementation of the Enterprise Income Tax Law of the People's Republic of China*, enterprises that engage in eligible environmental protection, energy conservation and water saving projects shall, from the tax year in which the first production and business income of the project is obtained, be exempted from enterprise income tax for the first year to the third year, and halved from the fourth year to the sixth year. Guiyang Beier Bioland Environmental Technologies Co., Ltd. ("Guiyang Beier Bioland") and Dezhou Bioland Renewable Resources Co., Ltd. ("Dezhou Bioland") engage in operation projects that meet the enterprise income tax preferential policies for environmental protection and energy-saving water conservation project, the enterprise income tax will be exempt from 2016 to 2018 and levied by half from 2019 to 2021.

Longyou Bioland Environmental Technology Co., Ltd. ("Longyou Bioland") and Taizhou Bioland Environmental Technology Co., Ltd. ("Taizhou Bioland") engage in operation projects that meet the enterprise income tax preferential policies for environmental protection and energy-saving water conservation project, the enterprise income tax will be exempt from 2018 to 2020 and levied by half from 2021 to 2023.

Huangshi Huantou Bioland Renewable Energy Co., Ltd. ("Huangshi Bioland") engages in operation projects that meet the enterprise income tax preferential policies for environmental protection and energy-saving water conservation project, the enterprise income tax will be exempt from 2019 to 2021 and levied by half from 2022 to 2024.

Handan Bioland Renewable Resources Co., Ltd. ("Handan Bioland"), Zhuji Bioland Renewable Resources Co., Ltd. ("Zhuji Bioland"), Shangrao Bioland Environmental Protection Technology Co., Ltd. ("Shangrao Bioland"), and Xinyu Bioland Renewable Resources Co., Ltd. ("Xinyu Bioland") engage in operation projects that meet the enterprise income tax preferential policies for environmental protection and energy-saving water conservation project, the enterprise income tax will be exempt from 2021 to 2023 and levied by half from 2024 to 2026.

IV. TAXATION (CONTINUED)

2. Tax preference (Continued)

(d) Reduction and exemption of enterprise income tax for ethnic minority regions

According to the provisions of the *Notice of Joint Implementation of Preferential Enterprise Income Tax Policies for Ethnic Minority Autonomous Regions* by Guangdong Department of Finance, Guangdong Local Taxation Bureau and Guangdong State Taxation Bureau (Yue Cai fa [2017] No. 11), the enterprises in Lianshan Zhuang and Yao Autonomous Counties, Liannan Yao Autonomous County and other minority areas will be exempted from the local sharing part of enterprise income tax payable (including provincial and municipal and county levels), i.e., enterprise income tax is reduced and exempted by 40%. This policy will be implemented from 1 January 2018 to 31 December 2025. Shenzhen Expressway (Guangdong) New Energy Investment Co., Ltd (“Guangdong New Energy”) is registered in Liannan Yao Autonomous County, and enjoys a 40% reduction of enterprise income tax.

(e) Preferential policies on enterprise income tax for the large-scale development of western china

According to the provisions of *Announcement of the Ministry of Finance, the State Taxation Administration and the National Development and Reform Commission on Continuing the Enterprise Income Tax Policies for the Large-Scale Development of Western China* (Announcement No. 23 (2020) of the Ministry of Finance), the enterprise income tax will be levied at 15% for enterprises in encouraging industries located in Western China. Wind power enterprises under Baotou Nanfeng, Qianxin Company, Qianzhi Company, Qianhui Company, Ningxia Zhongwei, Yongcheng Zhuneng, Guangxi Bioland and Guiyang Beier Bioland are enterprises in industries encouraged located in the western region and enjoy the tax preference of calculating and paying enterprise income tax at the reduced tax rate of 15%.

(f) Preferential policies on enterprise income tax for high-tech enterprises

Bioland Environmental Technologies Corp., Ltd. (“Bioland Company”) obtained the High-tech Enterprise Certificate (Certificate No. GR202041000586) in 9 September 2020 which is valid for three years. According to the *Enterprise Income Tax Law of the People’s Republic of China* and related regulations, Bioland Company levies enterprise income tax at a tax rate of 15% from 2020 to 2022.

Guangxi Bioland Environmental Technologies Co., Ltd. (“Guangxi Bioland”) obtained the High-tech Enterprise Certificate (Certificate No. GR201945000737) on 25 November 2019 which is valid for three years. In accordance with the *Enterprise Income Tax Law of the People’s Republic of China* and relevant provisions, Guangxi Bioland levies enterprise income tax at a tax rate of 15% from 2019 to 2021.

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IV. TAXATION (CONTINUED)

2. Tax preference (Continued)

(f) Preferential policies on enterprise income tax for high-tech enterprises (Continued)

Nanjing Wind Power Technology Co., Ltd. (“Nanjing Wind Power”) obtained the High-tech Enterprise Certificate (Certificate No. GR201945000737) in November 2019, which is valid for three years. According to the relevant provisions of the Enterprise Income Tax Law of the People’s Republic of China and the Notice of Tax Matters issued by Nanjing Local Taxation Bureau of Jiangsu Province, Nanjing Wind Power levies enterprise income tax at a tax rate of 15% from 2019 to 2021.

Shenzhen Shenshan Special Cooperation Zone Qiantai Technology Co., Ltd. (“Qiantai Company”) obtained the High-tech Enterprise Certificate (Certificate No. GR202044205342) on 11 December 2020, which is valid for three years. According to the relevant provisions of the *Enterprise Income Tax Law of the People’s Republic of China*, Qiantai Company levies enterprise income tax at a tax rate of 15% from 2020 to 2022.

According to the *Announcement of the Ministry of Finance and the State Taxation Administration on Further Improving the Policies Regarding Weighted Pre-tax Deduction of Research and Development Expenses* (Cai Shui [2021] No. 13), Nanjing Wind Power and Qiantai Company are entitled to the policy of pre-tax additional deduction for R&D expenses. The actual R&D expenses incurred by Nanjing Wind Power in carrying out R&D activities, from which no intangible assets are formed and included in the current profit or loss, enjoy a pre-tax additional deduction at 100% of the actual amount in addition to the deduction made in accordance with the regulations.

Apart from the above, there are no other tax preferences that have a significant impact on the Group.

3. Others

According to the *Reply from the State Administration of Taxation Concerning about the Recognition as Resident Enterprises of Related Overseas Enterprises of Shenzhen Expressway Corporation Limited* (Guo Shui Han (2010) No. 651) issued by the State Administration of Taxation on 30 December 2010, Mei Wah (Hong Kong) Company, Maxprofit Company and Jade Emperor Limited (“JEL Company”) were recognized as resident enterprises of China and would be subject to the relevant taxation administration, which came into effect in 2008.

According to the *Certificate of Resident Status of Overseas Registered Chinese Holding Enterprises* issued by Shenzhen Taxation Bureau of the State Administration of Taxation (Shen Shui Ju Gao [2020] No. 4), Fameluxe Investment Limited was recognized as a resident enterprise of China and would be subject to the relevant taxation administration, which came into effect in 2020.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS

1. Cash at banks and on hand

RMB

Item	31 December 2021	31 December 2020
Cash on hand:	7,993,396.61	8,148,179.86
RMB	7,947,642.07	8,099,522.42
HKD	45,544.49	48,429.65
Euro	86.48	96.30
Yen	21.05	24.02
Franc	81.64	86.59
Peseta	20.88	20.88
Bank deposits:	4,103,857,846.65	5,242,004,245.67
RMB	4,077,971,119.85	5,231,040,518.74
HKD	19,332,318.14	10,951,620.24
USD	6,554,408.66	12,106.69
Others:	58,738,354.25	299,151,926.91
RMB	58,731,686.44	294,839,854.99
HKD	6,667.81	4,312,071.92
Interest receivable on bank deposits	26,181,929.21	–
Total	4,196,771,526.72	5,549,304,352.44
Including: Total amount deposited abroad	25,670,515.00	18,975,467.53

As at 31 December 2021, the Group's restricted funds are listed as follows:

RMB

Item	31 December 2021	31 December 2020
Regulated equity acquisition funds	210,000,000.00	210,000,000.00
Project management special account	185,808,630.11	1,789,556,126.60
Guarantee deposits	52,731,354.54	312,758,914.33
Litigation freeze	12,145,100.00	3,408,131.24
Total	460,685,084.65	2,315,723,172.17

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. Transactional financial assets

RMB

Category	31 December 2021	31 December 2020
Financial assets at FVTPL	212,637,357.38	–
Including: Compensation for valuation adjustment mechanism	212,637,357.38	–
Total	212,637,357.38	–

Note: During the year 2019, the Company's wholly-owned subsidiary, Shenzhen Expressway Environment Construction Management Co., Ltd. ("Environment Company"), has completed the acquisition of 51% of the shares of Nanjing Wind Power; During the year 2020, Environment Company has completed the acquisition of 67.14% of the shares of Bioland Company; During the year 2020, the Company's subsidiary, Shenzhen Expressway Infrastructure Environment Protection Development Co., Ltd. ("Infrastructure Environment Protection Development Company"), has completed the acquisition of 50% of the shares of Qiantai Company. The above-mentioned equity acquisition agreement includes a number of terms on valuation adjustment mechanism. In 2021, the compensation for valuation adjustment mechanism amounting to RMB212,637,357.38 was recognized by the Company based on the situation of valuation adjustment mechanism.

3. Bills receivable

(1) Classification of Bills receivable

RMB

Category	31 December 2021	31 December 2020
Bank acceptance bills	44,888,115.83	52,953,063.65
Commercial acceptance bills	42,500,000.00	325,579,650.00
Total	87,388,115.83	378,532,713.65

(2) Bills receivable that had been endorsed or discounted by the Group but were not due as at the balance sheet date

RMB

Item	31 December 2021		31 December 2020	
	Amount derecognized at the end of the year	Amount not derecognized at the end of the year	Amount derecognized at the end of the year	Amount not derecognized at the end of the year
Bank acceptance bills	2,500,000.00	23,612,500.00	41,410,185.83	33,962,000.00
Commercial acceptance bills	–	37,000,000.00	–	295,514,920.11
Total	2,500,000.00	60,612,500.00	41,410,185.83	329,476,920.11

(3) As at 31 December 2021, the Group had no bills that were converted into accounts receivable due to the failure of the drawer to perform the contract.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable

(1) Accounts receivable disclosed by aging:

RMB

Aging	31 December 2021		
	Accounts receivable	Bad debt provision	Proportion (%)
Within 1 year	693,237,218.21	10,963,419.10	1.58
1 to 2 years	274,025,927.22	20,314,710.51	7.41
2 to 3 years	36,015,755.95	2,592,355.85	7.20
Over 3 years	39,946,221.92	15,740,735.39	39.40
Total	1,043,225,123.30	49,611,220.85	

(2) Accounts receivable disclosed by the bad debt provision method:

RMB

Category	31 December 2021					31 December 2020				
	Book balance		Bad debt provision		Carrying amount	Book balance		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Proportion (%)		
Credit loss allowance assessed collectively by portfolio on the basis of credit risk characteristics										
Portfolio 1	82,591,426.20	7.91	-	-	82,591,426.20	68,748,253.75	8.45	-	-	68,748,253.75
Portfolio 2	503,105,399.19	48.23	28,053,915.71	5.58	475,051,483.48	494,729,302.36	60.84	916,513.98	0.19	493,812,788.38
Portfolio 3	124,740,281.63	11.96	21,102,124.31	16.92	103,638,157.32	53,474,048.23	6.57	3,988,012.20	7.46	49,486,036.03
Portfolio 4	332,788,016.28	31.90	455,180.83	0.14	332,332,835.45	196,378,024.97	24.14	10,354,741.37	5.27	186,023,283.60
Total	1,043,225,123.30	100.00	49,611,220.85		993,613,902.45	813,329,629.31	100.00	15,259,267.55		798,070,361.76

Accounts receivable for which the bad debt provision is assessed on portfolio basis:

The accounts receivable for which the bad debt provision is assessed by aging analysis method in portfolio 2, portfolio 3 and portfolio 4:

RMB

Portfolio 2	31 December 2021		
	Accounts receivable	Bad debt provision	Proportion (%)
Within 1 year	234,723,465.25	6,972,464.91	2.97
1 to 2 years	235,342,206.34	19,294,761.55	8.20
2 to 3 years	33,039,727.60	1,786,689.25	5.41
Over 3 years	-	-	-
Total	503,105,399.19	28,053,915.71	

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (continued)

(2) Accounts receivable disclosed by the bad debt provision method: RMB (continued)

RMB

	31 December 2021		
	Accounts receivable	Bad debt provision	Proportion (%)
Portfolio 3			
Within 1 year	97,645,730.83	3,958,393.28	4.05
1 to 2 years	6,603,377.92	715,807.80	10.84
2 to 3 years	2,612,956.11	784,586.83	30.03
Over 3 years	17,878,216.77	15,643,336.40	87.50
Total	124,740,281.63	21,102,124.31	

RMB

	31 December 2021		
	Accounts receivable	Bad debt provision	Proportion (%)
Portfolio 4			
Within 1 year	302,255,421.26	32,560.90	0.01
1 to 2 years	30,414,116.25	304,141.16	1.00
2 to 3 years	21,079.77	21,079.77	100.00
Over 3 years	97,399.00	97,399.00	100.00
Total	332,788,016.28	455,180.83	

(3) Bad debt provision

RMB

Category	Changes for the year				31 December 2021
	1 January 2021	Provision	Received or reversed	Written off or cancelled	
Accounts receivable for which the bad debt provision is assessed collectively by portfolio on the basis of credit risk characteristics	15,259,267.55	47,227,486.87	(3,910,151.88)	(8,965,381.69)	49,611,220.85

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (Continued)

(3) Bad debt provision (Continued)

Changes in bad debt provision of accounts receivable:

RMB

Bad debt provision	Lifetime ECL (not credit- impaired)	Lifetime ECL (credit-impaired)	Total
1 January 2021	15,140,788.78	118,478.77	15,259,267.55
– Transfer into credit-impaired	–	–	–
– Reversal of not credit-impaired	–	–	–
Provision	35,646,713.87	11,580,773.00	47,227,486.87
Reversals	(3,910,151.88)	–	(3,910,151.88)
Transfer out due to derecognition of financial assets (including direct write-down)	(8,965,381.69)	–	(8,965,381.69)
Other changes	–	–	–
31 December 2021	37,911,969.08	11,699,251.77	49,611,220.85

Significant recovery or reversal of bad debt provision in the current year:

RMB

Name of entity	Recovery or reversal	Method
Tempus Logistics Group Co., Ltd.	3,910,151.88	Cash

(4) Accounts receivable actually written off in the current year:

RMB

Name of entity	Nature	Amount	Reason	Procedure	Due to related party transactions or not
Tempus Logistics Group Co., Ltd.	Factoring	5,989,408.66	Uncollectable	Approved by the management	No
Deyang City Appearance and Environmental Sanitation Management Office	Income from construction contracts	2,975,973.03	Uncollectable	Arbitral award	No
Total		8,965,381.69			

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

4. Accounts receivable (continued)

(5) Top five accounts receivable categorized by debtor:

RMB

Name of entity	Book balance	Bad debt provision	Proportion to total accounts receivable (%)
Total of top five accounts receivable as at 31 December 2021	561,796,941.50	34,894,850.66	53.85

5. Prepayments

(1) Prepayments presented by aging:

RMB

Aging	31 December 2021		31 December 2020	
	Amount	Proportion %	Amount	Proportion %
Within 1 year	160,395,609.11	84.15	243,676,587.11	60.44
1 to 2 years	26,934,962.21	14.13	24,647,828.03	6.11
2 to 3 years	1,147,229.85	0.60	132,868,330.44	32.95
Over 3 years	2,138,232.05	1.12	1,997,558.69	0.50
Total	190,616,033.22	100.00	403,190,304.27	100.00

(2) Prepayments presented by nature:

RMB

Item	31 December 2021	31 December 2020
Prepaid material payment	122,752,638.43	145,718,896.27
Prepaid land-transferring fund	–	145,820,495.00
Others	67,863,394.79	111,650,913.00
Total	190,616,033.22	403,190,304.27

As at 31 December 2021, the prepayments aged over 1 year mainly represent the prepaid material payment and prepaid construction payment. As the construction or projects are not yet settled, the prepayments remain outstanding.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. Prepayments (continued)

(3) Top five prepayments categorized by payee:

RMB

Name of entity	Relationship with the Group	Book balance	Aging	Proportion to total prepayments (%)
Total of top five prepayments as at 31 December 2021	Non-related party	126,611,713.43	Within 1 year	66.42

6. Other receivables

6.1 Other receivables are classified as follows:

RMB

Item	31 December 2021	31 December 2020
Interest receivable	–	9,588,821.98
Dividends receivable	–	–
Other receivables	716,855,574.05	763,450,510.06
Total	716,855,574.05	773,039,332.04

6.2 Other receivables

(1) Other receivables presented by aging:

RMB

Aging	31 December 2021		
	Other receivables	Bad debt provision	Proportion (%)
Within 1 year	338,622,838.13	7,520.25	0.002
1 to 2 years	174,980,636.95	2,586,165.28	1.48
2 to 3 years	102,325,069.77	28,200.95	0.03
Over 3 years	103,642,918.86	94,003.18	0.09
Total	719,571,463.71	2,715,889.66	

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

6. Other receivables (continued)

6.2 Other receivables (Continued)

(2) Classification of other receivables by nature:

RMB

Nature	31 December 2021	31 December 2020
Advances receivable	259,515,026.86	492,041,718.06
Deposits and guarantees	84,012,110.38	182,244,199.27
Receivables from third parties	190,529,991.18	32,818,954.76
Employee advance loan	5,906,125.21	8,436,704.73
Accounts receivable due to cancellation of toll stations in Yanpai Expressway and Yanba Expressway	9,209,048.19	9,209,048.19
Administrative reserve	3,142,726.45	4,929,923.93
Receivables from related parties (Note X. 6(1))	113,700,841.80	104,050.00
Refund of equity transfer fund due from Hotai Investment Limited ("Hotai Investment")	376,600.00	16,890,000.00
Others	53,178,993.64	16,801,057.88
Total	719,571,463.71	763,475,656.82

(3) The details of bad debt provision are as follows:

RMB

Category	Changes in the year				31 December 2021
	1 January 2021	Provision	Received or reversed	Written off or cancelled	
Other receivables for which the bad debt provision is assessed collectively by portfolio on the basis of credit risk characteristics	25,146.76	2,690,742.90	-	-	2,715,889.66

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

6. Other receivables (Continued)

6.2 Other receivables (Continued)

(3) The details of bad debt provision are as follows: (Continued)

Changes in bad debt provision of other receivables are as follows:

RMB

Bad debt provision	The first stage 12-month ECL	The second stage Lifetime ECL (not credit-impaired)	The third stage Lifetime ECL (credit-impaired)	Total
1 January 2021	25,146.76	–	–	25,146.76
– Transfer into the second stage	–	–	–	–
– Transfer into the third stage	–	–	–	–
– Reverse to the second stage	–	–	–	–
– Reverse to the first stage	–	–	–	–
Provision	2,690,742.90	–	–	2,690,742.90
Reversal	–	–	–	–
Transfer out due to derecognition of financial assets (including direct write-down)	–	–	–	–
Other changes	–	–	–	–
31 December 2021	2,715,889.66	–	–	2,715,889.66

(4) Top five other receivables categorized by debtor:

RMB

Name of entity	Nature	Book balance	Aging	Proportion to total other receivables (%)	Closing balance of provision for bad debts
Total of top five other as at 31 December 2021	Advances receivable, guarantees	312,204,848.85	Within 1 year, 1–2 years, 1–3 years	43.39	–

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories

(1) Classification of inventories

RMB

Item	31 December 2021			31 December 2020		
	Book balance	Allowance for impairment	Carrying amount	Book balance	Allowance for impairment	Carrying amount
Properties held for development (Note 1)	252,297,560.64	-	252,297,560.64	103,918,051.88	-	103,918,051.88
Properties under development (Note 2)	519,737,453.95	-	519,737,453.95	213,644,249.47	-	213,644,249.47
Properties held for sale (Note 3)	103,908,129.83	-	103,908,129.83	256,963,485.78	-	256,963,485.78
Raw materials	251,139,643.00	6,266,143.51	244,873,499.49	191,271,917.73	116,143.51	191,155,774.22
Work in progress	173,650,856.04	786,831.90	172,864,024.14	27,168,786.90	-	27,168,786.90
Finished goods	44,127,465.84	3,500,752.82	40,626,713.02	141,440,322.60	-	141,440,322.60
Low value consumables and others	4,513,478.01	-	4,513,478.01	5,509,175.89	-	5,509,175.89
Total	1,349,374,587.31	10,553,728.23	1,338,820,859.08	939,915,990.25	116,143.51	939,799,846.74

Note 1: Properties held for development were the lands held by the Group's subsidiary, Guizhou Shenzhen Expressway Land Co., Ltd. ("Guizhou Land"), and the lands were planned to be developed under Phase II and Phase V of Youshan Villa (formerly known as the "Interlaken Town Project").

Note 2: Properties under development

RMB

Name of project	Start time	Estimated completion date	The amount of estimated investment	31 December 2021	31 December 2020
Phase III Stage III of Youshan Villa	September 2020	September 2022	960,479,500.00	438,892,819.36	151,306,227.06
Public area	December 2015			80,844,634.59	62,338,022.41
Total				519,737,453.95	213,644,249.47

Note 3: Properties held for sale

RMB

Name of project	Time of completion	1 January 2021	Addition	Reduction	31 December 2021	Provision for decline in value
Phase I Stage I of Youshan Villa	December 2016	15,312,898.68	1,951,757.60	-	17,264,656.28	-
Phase II Stage II of Youshan Villa	April 2019	47,833,430.05	221.57	-	47,833,651.62	-
Phase III Stage I of Youshan Villa	November 2020	193,817,157.05	-	155,007,335.12	38,809,821.93	-
Total		256,963,485.78	1,951,979.17	155,007,335.12	103,908,129.83	-

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

7. Inventories (continued)

(2) Provision for decline in value of inventories

RMB

Item	1 January 2021	Provision	Reversal	Write-off	31 December 2021
Raw materials	116,143.51	6,150,000.00	-	-	6,266,143.51
Work in progress	-	786,831.90	-	-	786,831.90
Finished goods	-	3,500,752.82	-	-	3,500,752.82
Total	116,143.51	10,437,584.72	-	-	10,553,728.23

(3) Explanation of capitalized borrowing costs included in the closing balance of inventories

In the current year, the amount of capitalization of interest included in the inventories was RMB1,732,744.39 (2020: RMB6,359,622.38), and the capitalization rate used to recognize the capitalization amount was 4.75% (2020: 4.75%). As at 31 December 2021, the amount of capitalization of interest included in the closing balance of inventories was RMB2,618,438.36 (31 December 2020: RMB3,244,555.73).

8. Contract assets

(1) The details of contract assets are as follows:

RMB

Item	31 December 2021			31 December 2020		
	Book balance	Allowance for impairment	Carrying amount	Book balance	Allowance for impairment	Carrying amount
Construction receivables	285,947,418.06	3,304,869.42	282,642,548.64	191,552,442.89	-	191,552,442.89
Kitchen waste engineering construction receivables	55,926,013.11	16,471,364.68	39,454,648.43	123,825,838.12	37,882,763.76	85,943,074.36
Warranties receivable	73,414,200.00	329,368.50	73,084,831.50	65,873,700.00	329,368.50	65,544,331.50
Others	-	-	-	1,025,944.50	-	1,025,944.50
Total	415,287,631.17	20,105,602.60	395,182,028.57	382,277,925.51	38,212,132.26	344,065,793.25

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

8. Contract assets (continued)

(2) Amount and reason for the significant changes in the carrying amount during the current year

RMB

Item	Amount of changes	Reason for changes
Construction receivables	94,394,975.17	In the current year, the increase in contract assets is recognized according to the progress of the project
Kitchen waste engineering construction receivables	(67,899,825.01)	In the current year, the contract assets are carried forward according to the completion and acceptance

(3) Allowance for impairment of contract assets in the current year

RMB

Item	1 January 2021	Allowance	Reversal	Write-off/Cancellation	31 December 2021	Reason
Kitchen waste engineering construction receivables	37,882,763.76	-	(21,335,338.74)	(76,060.34)	16,471,364.68	The contract assets of Deyang project is written off according to the ruling of the arbitration commission
Construction receivables	-	3,304,869.42	-	-	3,304,869.42	
Warranties receivable	329,368.50	-	-	-	329,368.50	
Total	38,212,132.26	3,304,869.42	(21,335,338.74)	(76,060.34)	20,105,602.60	

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

RMB

Provision for impairment	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
1 January 2021	38,212,132.26	-	38,212,132.26
- Transfer into credit-impaired	-	-	-
- Reversal of not credit-impaired	-	-	-
Provision	3,304,869.42	-	3,304,869.42
Reversal	(21,335,338.74)	-	(21,335,338.74)
Transfer out due to derecognition	(76,060.34)	-	(76,060.34)
Other changes	-	-	-
31 December 2021	20,105,602.60	-	20,105,602.60

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

9. Non-current assets due within one year

RMB

Item	31 December 2021	31 December 2020
Financial leasing receivables (Note V. 12)	60,790,008.82	52,879,136.63
Refund of equity transfer fund due from Hotai Investment	32,000,000.00	–
Advances due from Shenzhen-Shanwei Special Cooperation Zone Development and Construction Co., Ltd. (Note V. 12)	120,895,107.33	–
Receivables from Guizhou Longli County Government in relation to Longli BT Project (Note V. 12)	22,548,751.19	22,548,751.19
Total	236,233,867.34	75,427,887.82
Less: Provision for bad debts	424,993.14	557,805.03
Net amount	235,808,874.20	74,870,082.79

10. Other current assets

RMB

Item	31 December 2021	31 December 2020
Pending deduction of input value-added tax	532,701,075.67	325,713,547.29
Prepaid tax	13,439,414.00	9,443.73
Total	546,140,489.67	325,722,991.02

11. Long-term prepayments

RMB

Item	31 December 2021	31 December 2020
Prepayments for Shenzhen Airport-Heao Expressway reconstruction and expansion	300,926,235.11	213,883,489.53
Finance lease prepayments for equipment from Financial Leasing Company	788,934,557.45	–
Prices for acquiring equity of Shenzhen Investment Holdings International Capital Holding Infrastructure Company Limited (“SIHICH”)	610,973,679.03	–
Prepaid project fund	52,897,205.63	104,418,379.86
Others	38,353,217.69	–
Total	1,792,084,894.91	318,301,869.39

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Long-term receivables

(1) General information:

Item	31 December 2021			31 December 2020			Range of discount rate
	Book balance	Allowance for impairment	Carrying amount	Book balance	Allowance for impairment	Carrying amount	
Advances due from Shenzhen-Shanwei Special Cooperation Zone Development and Construction Co., Ltd	176,616,203.44	-	176,616,203.44	166,378,392.13	-	166,378,392.13	
Due from Guizhou Longli County Government in relation to Longli BT Project	22,548,751.19	-	22,548,751.19	22,548,751.19	-	22,548,751.19	
Electricity compensation income (Note 1)	737,182,813.78	2,403,815.78	734,778,998.00	307,076,579.09	810,495.51	306,266,083.58	4.35%
Financial leasing receivables (Note 2)	388,879,531.18	2,716,754.90	386,162,776.28	548,313,304.01	3,341,173.42	544,972,130.59	
Receivables due from minority shareholders	-	-	-	59,639.61	-	59,639.61	
Due from SIHICH for repaying debts on behalf of Refund of equity transfer fund due from Hotai Investment (Note 3)	644,171,311.23	-	644,171,311.23	-	-	-	
	32,000,000.00	-	32,000,000.00	32,000,000.00	-	32,000,000.00	
Sub-total	2,001,398,610.82	5,120,570.68	1,996,278,040.14	1,076,376,666.03	4,151,668.93	1,072,224,997.10	
Less: Long-term receivables due within one year							
Advances due from Shenzhen-Shanwei Special Cooperation Zone Development and Construction Co., Ltd	120,895,107.33	-	120,895,107.33	-	-	-	
Receivables from Guizhou Longli County Government in relation to Longli BT Project	22,548,751.19	-	22,548,751.19	22,548,751.19	-	22,548,751.19	
Financial leasing receivables (Note 2)	60,790,008.82	424,993.14	60,365,015.68	52,879,136.63	557,805.03	52,321,331.60	
Refund of equity transfer fund due from Hotai Investment (Note 3)	32,000,000.00	-	32,000,000.00	-	-	-	
Sub-total	236,233,867.34	424,993.14	235,808,874.20	75,427,887.82	557,805.03	74,870,082.79	
Total	1,765,164,743.48	4,695,577.54	1,760,469,165.94	1,000,948,778.21	3,593,863.90	997,354,914.31	

Note 1: The balance of electricity compensation income not received by Baotou Nanfeng, Qianzhi Company, Qianxin Company, Qianhui Company, Yongcheng Zhuneng and Ningxia Zhongwei as at 31 December 2021 totaled RMB737,182,813.78 (31 December 2020: RMB307,076,579.09).

Note 2: The Company's subsidiary Financial Leasing Company had financial leasing and interest receivables of RMB388,879,531.18 as at 31 December 2021 (31 December 2020: RMB548,313,304.01).

Note 3: According to the sale and purchase agreement and supplementary agreement entered into between Mei Wah Company, a subsidiary of the Company, and Hotai Investment, Mei Wah Company confirmed that the income from refunded consideration receivable amounted to RMB40,000,000.00 and the income from interest on difference amounted to RMB8,890,000.00. The above equity transfer fund receivable will be refunded in installments. As of 31 December 2021, the equity transfer fund receivable with a repayment period of more than one year was RMB32,000,000.00.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Long-term receivables (Continued)

(2) Provision for bad debts

RMB

Item	31 December 2020	Addition	Reduction	31 December 2021
Bad debt provision	3,593,863.90	1,101,713.64	–	4,695,577.54

The changes in bad debt provision of long-term receivables are as follows:

RMB

Item	Lifetime ECL (not credit-impaired)	Lifetime ECL (credit-impaired)	Total
1 January 2021	3,593,863.90	–	3,593,863.90
– Transfer into the second stage	–	–	–
– Transfer into the third stage	–	–	–
– Reverse to the second stage	–	–	–
– Reverse to the first stage	–	–	–
Provision	1,101,713.64	–	1,101,713.64
Reversal	–	–	–
Transfer out due to derecognition of financial assets (including direct write-down)	–	–	–
Other changes	–	–	–
31 December 2021	4,695,577.54	–	4,695,577.54

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (Continued)

13. Long-term equity investments

RMB

Investee	Changes in the current year								31 December 2021	Shareholdings (%)	Allowance for impairment at 31 December 2021
	1 January 2021	Addition	Reduction	Investment gains or losses recognized under the equity method	Adjustment to other comprehensive income	Cash dividend or profit declared	Allowance for impairment	Others			
Nanjing Yangtze River Third Bridge Company Limited ("Nanjing Third Bridge Company")	311,445,639.53	-	-	31,260,397.55	-	(44,014,169.32)	-	-	298,691,867.76	25.00	-
Guangdong Yangmao Expressway Company Limited ("Yangmao Company")	539,786,613.72	255,000,000.00	-	55,249,071.29	-	(42,647,171.24)	-	-	807,388,513.77	25.00	-
Guangzhou Western Second Ring Expressway Company Limited ("GZ W2 Company")	326,860,559.00	-	-	58,502,355.64	-	(59,350,500.00)	-	-	326,012,414.64	25.00	-
Shenzhen International United Land Company Limited ("United Land Company")	1,475,180,256.93	-	-	65,173,483.23	-	(327,130,605.57)	-	-	1,213,223,134.59	34.30	-
Chongqing Derun Environment Co., Limited ("Derun Environment")	4,731,388,972.99	-	-	298,148,645.67	(16,232,639.91)	(132,000,000.00)	-	64,794,629.89	4,946,099,608.64	20.00	-
Foshan Shunde Shengchuang Shenzhen Expressway Environmental Technology Industry M&A Investment Partnership (Limited Partnership) ("Environmental Technology Industry M&A Fund")	130,718,169.36	-	-	(5,798,563.57)	-	-	-	-	124,919,605.79	45.00	-
Others	1,423,945,238.25	73,656,964.94	-	160,093,805.88	15,324,512.00	(78,354,490.00)	-	52,863,788.99	1,647,529,820.06	116.44	-
Total	8,939,325,449.78	328,656,964.94	-	662,629,195.69	(908,127.91)	(683,496,936.13)	-	117,658,418.88	9,363,864,965.25	-	-

Note: Others include the Company's associates and joint ventures Yunji Smart Engineering Co., Ltd. (formerly known as Shenzhen Expressway Engineering Consulting Co., Ltd. ("Yunji Smart"), Shenzhen Huayu Expressway Investment Co., Ltd. ("Huayu Company"), Guizhou Hengtongli Property Co., Ltd. ("Guizhou Hengtongli"), Bank of Guizhou Co., Ltd. ("Bank of Guizhou"), Shenzhen Guangming Fengrunjiu Health Service Co., Ltd. ("Guangming Fengrunjiu") and Huai'an Zhongheng New Energy Co., Ltd. ("Huai'an Zhongheng").

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

14. Other non-current financial assets

RMB

Item	31 December 2021	31 December 2020
Shenzhen State Owned Cooperative Development Private Equity Fund Partnership (Limited Partnership) ("Cooperative Development Fund")	308,486,714.70	308,486,714.70
Shenzhen Water Planning & Design Institute Co., Ltd. ("Water Planning & Design Institute")	240,218,654.87	188,515,110.00
Guangdong United Electronic Service Co., Ltd. ("United Electronic")	136,113,134.69	124,961,491.84
Guangdong Heyuan Rural Commercial Bank Co., Ltd.	22,503,680.00	22,503,680.00
Guangdong Zijin Rural Commercial Bank Co., Ltd.	9,180,560.00	9,180,560.00
Yiwu Shenneng Renewable Resources Utilization Co., Ltd.	2,243,730.00	2,243,730.00
Vanho Securities Co., Ltd.	–	950,000,000.00
Total	718,746,474.26	1,605,891,286.54

In 2021, the gains from changes in fair value of such equity investments is RMB62,855,187.72 (2020: RMB104,024,236.54). Please refer to Note V. 55 for details.

15. Investment properties

(1) Investment properties measured at cost:

RMB

Item	Parking space	Buildings	Total
I. Cost			
1. Opening balance	18,180,000.00	–	18,180,000.00
2. Additions in the year	–	31,346,745.27	31,346,745.27
(1) Transfer from fixed assets	–	31,346,745.27	31,346,745.27
3. Closing balance	18,180,000.00	31,346,745.27	49,526,745.27
II. Accumulated amortization			
1. Opening balance	6,957,001.20	–	6,957,001.20
2. Additions in the year	575,833.32	3,143,017.37	3,718,850.69
(1) Provision	575,833.32	–	575,833.32
(2) Transfer from fixed assets	–	3,143,017.37	3,143,017.37
3. Closing balance	7,532,834.52	3,143,017.37	10,675,851.89
III. Carrying amount			
1. Closing balance	10,647,165.48	28,203,727.90	38,850,893.38
2. Opening balance	11,222,998.80	–	11,222,998.80

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

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

15. Investment properties (Continued)

(2) As at 31 December 2021, the investment properties without the certificate of ownership are listed as follows:

RMB

Item	Carrying amount	Reason for not yet obtaining the certificate of ownership
The parking space beneath the Jiangsu Building	10,647,165.48	All the certificates of ownership of the parking space in Shenzhen are not available.
Buildings	28,203,727.90	In process

16. Fixed assets

(1) Fixed asset movements

RMB

Item	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Mechanical equipment	Total
I. Cost						
1. Opening balance	1,125,320,361.30	1,701,800,680.17	38,432,065.32	90,356,297.43	1,835,128,249.52	4,791,037,653.74
2. Additions	124,079,993.17	57,312,059.10	7,291,161.94	30,783,111.92	2,456,776,432.06	2,676,242,758.19
(1) Purchase	28,988,305.00	44,794,732.98	6,454,846.25	22,704,790.84	170,200,653.50	273,143,328.57
(2) Transfer from construction in progress	20,242,702.65	12,517,326.12	-	7,990,259.05	2,132,066.77	42,882,354.59
(3) Addition due to business combinations	74,848,985.52	-	836,315.69	88,062.03	1,090,696,328.68	1,166,469,691.92
(4) Others (Note)	-	-	-	-	1,193,747,383.11	1,193,747,383.11
3. Reductions	32,565,508.91	1,126,081.34	7,616,034.59	16,039,609.16	6,588,131.00	63,935,365.00
(1) Disposals or retirement	1,218,763.64	1,126,081.34	7,616,034.59	16,039,609.16	6,588,131.00	32,588,619.73
(2) Transfer to investment properties	31,346,745.27	-	-	-	-	31,346,745.27
4. Closing balance	1,216,834,845.56	1,757,986,657.93	38,107,192.67	105,099,800.19	4,285,316,550.58	7,403,345,046.93
II. Accumulated depreciation						
1. Opening balance	260,837,577.15	847,602,977.69	23,319,338.68	43,183,971.56	122,792,608.87	1,297,736,473.95
2. Additions	55,262,217.89	131,109,109.00	4,552,968.68	22,035,526.02	210,361,584.58	423,321,406.17
(1) Provision	55,262,217.89	131,109,109.00	4,552,968.68	22,035,526.02	210,361,584.58	423,321,406.17
3. Reductions	4,276,596.61	391,776.13	7,158,830.12	10,638,405.95	4,126,879.98	26,592,488.79
(1) Disposals or retirement	1,133,579.24	391,776.13	7,158,830.12	10,638,405.95	4,126,879.98	23,449,471.42
(2) Transfer to investment properties	3,143,017.37	-	-	-	-	3,143,017.37
4. Closing balance	311,823,198.43	978,320,310.56	20,713,477.24	54,581,091.63	329,027,313.47	1,694,465,391.33
III. Allowance for impairment						
1. Opening balance	-	-	-	-	-	-
2. Additions	-	-	-	-	655,667.88	655,667.88
(1) Provision	-	-	-	-	655,667.88	655,667.88
3. Closing balance	-	-	-	-	655,667.88	655,667.88
IV. Carrying amount						
Closing balance	905,011,647.13	779,666,347.37	17,393,715.43	50,518,708.56	3,955,633,569.23	5,708,223,987.72
Opening balance	864,482,784.15	854,197,702.48	15,112,726.64	47,172,325.87	1,712,335,640.65	3,493,301,179.79

Note: Other additions are the new fixed assets added after the Company's subsidiaries, Qianzhi Company and Qianhui Company, have repaid all the financing lease loans.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Fixed assets (Continued)

(2) Fixed assets without certificates of ownership

RMB

Item	Carrying amount	Reason for not yet obtaining the certificate of ownership
Buildings	698,079,551.47	As all toll roads and the affiliated buildings and structures would be returned to the government when the approved operating periods expire, the Group has no intention to acquire the related property ownership certificates except that the certificates for the buildings of Qiantai Company, Qianzhi Company, Qianhui Company and Qianxin Company are in process.

17. Construction in progress

(1) General information of construction in progress

RMB

Item	31 December 2021			31 December 2020		
	Book balance	Allowance for impairment	Carrying amount	Book balance	Allowance for impairment	Carrying amount
Hanjing Headquarter Building	1,611,767,386.58	-	1,611,767,386.58	-	-	-
Langfang factory project	62,438,575.48	-	62,438,575.48	60,395,031.28	-	60,395,031.28
Office building decoration and rectification civil engineering	36,322,191.70	-	36,322,191.70	47,670,190.46	-	47,670,190.46
Xuanwei project	24,674,152.66	-	24,674,152.66	-	-	-
Upgrading of anti-collision ring for navigation hole	14,685,215.28	-	14,685,215.28	-	-	-
Special electromechanical project	11,032,054.23	-	11,032,054.23	1,744,972.16	-	1,744,972.16
Construction project for "province-station" direct transmission system	5,858,672.79	-	5,858,672.79	-	-	-
Kitchen equipment installation and furniture procurement project	-	-	-	4,986,746.05	-	4,986,746.05
Others	17,154,728.29	4,199,980.14	12,954,748.15	8,798,818.21	-	8,798,818.21
Total	1,783,932,977.01	4,199,980.14	1,779,732,996.87	123,595,758.16	-	123,595,758.16

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(RMB)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

17. Construction in progress (Continued)

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

RMB

Item	Budget amount	1 January 2021	Additions in the current year	Transfer to fixed assets	Transfer to intangible assets	Other reductions in the current year	31 December 2021	The proportion of the accumulated project investment to total budget (%)	Project progress (%)	Cumulative amount of interest capitalized	Including interest capitalized for the current year	Interest capitalization rate for the current year (%)	Source of funds
Hanjing Headquarter Building	1,809,000,000.00	-	1,611,767,386.58	-	-	-	1,611,767,386.58	89.00	95.00	-	-	-	Self-owned funds
Langfang factory project	163,000,000.00	60,395,031.28	2,043,544.20	-	-	-	62,438,575.48	38.31	38.31	-	-	-	Self-owned funds
Office building decoration and rectification civil engineering	72,000,000.00	47,670,190.46	5,938,575.38	15,714,305.48	-	1,562,268.66	36,322,191.70	99.00	99.00	-	-	-	Self-owned funds
Xuanwei project	96,000,000.00	-	24,674,152.66	-	-	-	24,674,152.66	26.00	-	-	-	-	Self-owned funds
Upgrading of anti-collision ring for navigation hole	14,000,000.00	-	14,685,215.28	-	-	-	14,685,215.28	99.99	99.99	-	-	-	Self-owned funds
Special electromechanical project	32,000,000.00	1,744,972.16	12,181,660.25	2,894,578.18	-	-	11,032,054.23	34.84	34.84	-	-	-	Self-owned funds
Construction project for "province-station" direct transmission system	8,000,000.00	-	5,858,672.79	-	-	-	5,858,672.79	74.18	74.18	-	-	-	Self-owned funds
Kitchen equipment installation and furniture procurement project	5,000,000.00	4,986,746.05	-	4,986,746.05	-	-	-	100.00	100.00	-	-	-	Self-owned funds
Others	-	8,798,818.21	93,286,169.03	19,286,724.88	-	65,643,534.07	17,154,728.29	-	-	-	-	-	Self-owned funds
Total	-	123,595,758.16	1,770,425,376.17	42,882,354.59	-	67,205,802.73	1,783,932,977.01	-	-	-	-	-	-

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Right-of-use assets

RMB

Item	Buildings	Billboards	Mechanical equipment	Total
I. Cost				
1. Opening balance	193,498,661.67	22,663,598.67	–	216,162,260.34
2. Additions in the current year	279,199,265.28	–	1,193,747,383.11	1,472,946,648.39
(1) Additions	14,212,111.42	–	14,212,111.42	
(2) Addition due to business combinations	264,987,153.86	–	1,193,747,383.11	1,458,734,536.97
3. Reductions in the current year	2,224,463.60	335,524.16	1,193,747,383.11	1,196,307,370.87
(1) Other reductions (Note)	2,224,463.60	335,524.16	1,193,747,383.11	1,196,307,370.87
4. Closing balance	470,473,463.35	22,328,074.51	–	492,801,537.86
II. Accumulated depreciation				
1. Opening balance	66,969,002.67	9,886,502.68	–	76,855,505.35
2. Additions in the current year	36,151,366.48	4,317,908.68	–	40,469,275.16
(1) Provision	36,151,366.48	4,317,908.68	–	40,469,275.16
3. Reductions in the current year	723,257.82	276,498.66	–	999,756.48
(1) Other reductions	723,257.82	276,498.66	–	999,756.48
4. Closing balance	102,397,111.33	13,927,912.70	–	116,325,024.03
III. Allowance for impairment				
1. Opening balance	–	–	–	–
2. Additions in the current year	14,754,044.72	–	–	14,754,044.72
(1) Provision	14,754,044.72	–	–	14,754,044.72
3. Closing balance	14,754,044.72	–	–	14,754,044.72
IV. Carrying amount				
1. Closing balance	353,322,307.30	8,400,161.81	–	361,722,469.11
2. Opening balance	126,529,659.00	12,777,095.99	–	139,306,754.99

Note: Refer to Note V, 16 for details.

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Intangible assets

(1) General information of intangible assets

RMB

Item	Franchise rights	Office software and others	Billboard use rights	Land use right	Contract rights	Patent	Total
I. Cost							
1. Opening balance	40,900,446,255.43	35,746,781.17	59,953,840.88	165,636,693.14	68,866,700.00	131,346,800.34	41,361,997,070.96
2. Additions	2,036,111,476.02	10,394,652.54	-	42,460,417.16	3,071,385.78	42,331,248.99	2,134,369,180.49
(1) Purchases	36,973,400.00	10,336,949.89	-	-	3,071,385.78	41,376,905.08	91,758,640.75
(2) Constructions	1,999,138,076.02	57,702.65	-	-	-	954,343.91	2,000,150,122.58
(3) Addition due to business combinations	-	-	-	42,460,417.16	-	-	42,460,417.16
3. Reductions	74,757,586.53	23,600.00	-	-	-	6,032,938.21	80,814,124.74
(1) Disposals	1,167,042.92	23,600.00	-	-	-	-	1,190,642.92
(2) Other reductions	73,590,543.61	-	-	-	-	6,032,938.21	79,623,481.82
4. Closing balance	42,861,800,144.92	46,117,833.71	59,953,840.88	208,097,110.30	71,938,085.78	167,645,111.12	43,415,552,126.71
II. Accumulated amortization							
1. Opening balance	10,597,788,413.91	16,832,484.42	59,336,289.45	2,190,279.97	-	22,095,992.75	10,698,243,460.50
2. Additions	1,778,014,642.82	4,406,716.68	166,844.40	3,333,085.66	11,915,031.58	12,012,671.99	1,809,848,993.13
(1) Provision	1,778,014,642.82	4,406,716.68	166,844.40	3,333,085.66	11,915,031.58	12,012,671.99	1,809,848,993.13
3. Reductions	930,576.43	23,600.00	-	-	-	-	954,176.43
(1) Disposals	930,576.43	23,600.00	-	-	-	-	954,176.43
4. Closing balance	12,374,872,480.30	21,215,601.10	59,503,133.85	5,523,365.63	11,915,031.58	34,108,664.74	12,507,138,277.20
III. Allowance for impairment							
1. Opening balance	3,810,235,294.61	-	-	-	-	-	3,810,235,294.61
2. Additions	-	-	-	-	-	-	-
3. Closing balance	3,810,235,294.61	-	-	-	-	-	3,810,235,294.61
IV. Carrying amount							
1. Closing balance	26,676,692,370.01	24,902,232.61	450,707.03	202,573,744.67	60,023,054.20	133,536,446.38	27,098,178,554.90
2. Opening balance	26,492,422,546.91	18,914,296.75	617,551.43	163,446,413.17	68,866,700.00	109,250,807.59	26,853,518,315.85

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

19. Intangible assets (Continued)

(2) The land use right without the certificate of ownership is listed as follows:

RMB

Item	Carrying amount	Reason for not yet obtaining the certificate of ownership
Land use right of Damaoqi wind power project	12,423,631.06	In progress

(3) Information of franchise rights:

RMB

Item	Cost	Carrying amount at 1 January 2021	Additions in the current year	Reductions in the current year	Amortization in the current year	Carrying amount at 31 December 2021	Accumulated amortization	Allowance for impairment
I. Franchise rights associated with toll roads								
Qinglian Expressway (Note 1)	9,286,032,976.90	6,126,097,557.95	-	-	324,831,877.29	5,801,265,680.66	2,864,767,296.24	620,000,000.00
Airport-Heao Expressway	4,601,512,905.23	1,164,332,816.80	566,829,020.38	4,808,810.10	225,169,050.36	1,501,183,976.72	3,100,328,928.51	-
Meiguan Expressway	604,588,701.64	197,610,162.70	-	-	34,388,927.70	163,221,235.00	441,367,466.64	-
Outer Ring Expressway (Note 1)	5,741,898,614.12	5,046,682,397.72	694,145,843.00	-	239,281,908.69	5,501,546,332.03	240,352,282.09	-
Shuiguan Expressway	2,859,113,516.08	2,133,075,269.23	-	-	420,415,670.35	1,712,659,598.88	594,453,917.20	552,000,000.00
Yichang Expressway	4,639,618,738.89	2,590,831,792.43	36,973,400.00	-	172,338,629.23	2,455,466,563.20	2,184,152,175.69	-
Changsha Ring Road	643,348,959.80	516,216,490.45	40,632,400.00	-	78,675,910.38	478,172,980.07	165,175,979.73	-
Coastal Expressway Shenzhen Section (Note 1)	9,308,797,935.16	5,755,570,518.57	22,405,208.15	69,018,200.00	183,216,980.23	5,525,740,546.49	1,144,822,094.06	2,638,235,294.61
Wuhuang Expressway	1,523,192,561.66	175,133,243.90	-	-	36,937,104.51	138,196,139.39	1,384,996,422.27	-
Longda Expressway	251,559,214.13	96,302,602.00	-	-	14,574,907.96	81,727,694.04	169,831,520.09	-
Sub-total	39,459,664,123.61	23,801,852,851.75	1,360,985,871.53	73,827,010.10	1,729,830,966.70	23,359,180,746.48	12,290,248,082.52	3,810,235,294.61
II. Franchise rights associated with kitchen waste disposal								
Kitchen waste disposal of								
Bioland Company (Note 1)	3,308,292,513.72	2,690,569,695.16	581,282,096.90	-	48,183,676.12	3,223,668,115.94	84,624,397.78	-
Waste disposal of Guang Ming kitchen								
kitchen	93,843,507.59	-	93,843,507.59	-	-	93,843,507.59	-	-
Sub-total	3,402,136,021.31	2,690,569,695.16	675,125,604.49	-	48,183,676.12	3,317,511,623.53	84,624,397.78	-
Total	42,861,800,144.92	26,492,422,546.91	2,036,111,476.02	73,827,010.10	1,778,014,642.82	26,676,692,370.01	12,374,872,480.30	3,810,235,294.61

Note 1: For the pledge of charging rights/equity/rights of management related to Qinglian Expressway, Outer Ring Expressway, Coastal Expressway Shenzhen Section and Bioland Company kitchen waste disposal projects, please refer to Notes V. 34 (2) and V. 61.

Note 2: In 2021, both the amount of intangible assets amortized and the amount included in profit or loss were RMB1,809,848,993.13 (2020: RMB1,447,663,823.26).

Note 3: In 2021, the Group capitalized borrowing costs on intangible assets amounting to RMB26,349,535.08(2020: RMB231,513,845.85).

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(RMB)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Goodwill

(1) Cost of goodwill

RMB

Investee	1 January 2021	Additions in the current year		Reductions in current year	31 December 2021
		Business combinations not under common control			
Nanjing Wind Power	156,039,775.24	–	–	–	156,039,775.24

(2) Provision for impairment of goodwill

RMB

Investee	1 January 2021	Additions in the current year		Reductions in the current year	31 December 2021
Nanjing Wind Power	–	110,000,000.00	–	–	110,000,000.00

Goodwill arising from business combinations has been allocated to the following asset group for impairment testing:

- Wind turbines manufacturing asset group

The case where the carrying amount of goodwill is allocated to the asset group is as follows:

RMB

Item	Wind turbines manufacturing asset group	
	31 December 2021	31 December 2020
Carrying amount of goodwill	46,039,775.24	156,039,775.24

As at 31 December 2021, the Group assessed the recoverable amount of Nanjing Wind Power and determined that the goodwill related to the Group's acquisition of Nanjing Wind Power was impaired at the amount of RMB110,000,000.00 (31 December 2020: 0).

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

20. Goodwill (Continued)

(2) Provision for impairment of goodwill (Continued)

The Group takes Nanjing Wind Power as an asset group for impairment testing. The recoverable amount is determined according to the present value of the estimated future cash flow of Nanjing Wind Power. The management of the Group expects the future cash flows during the detailed forecast period starting from 2022 to 2026 and the subsequent forecast period. The expected future cash flows during the detailed forecast period are determined based on the 5-year budget approved by the management. The expected future cash flows during the subsequent forecast period are determined based on the level of that in the last year of the detailed forecast period with consideration of the Group's business plan, industry development trend and inflation rate, etc. As at 31 December 2021, the Group adopts 13.00% as the discount rate (before tax) to discount the expected future cash flows. Other key assumptions include revenue growth rate and budget gross margin. The management of the Group believes that any reasonable change in the above assumptions will not result in the aggregate carrying amount of Nanjing Wind exceeding its recoverable amount.

21. Deferred revenue tax assets/deferred tax liabilities

(1) Deferred revenue tax assets before offsetting

RMB

Item	31 December 2021		31 December 2020	
	Deductible temporary differences	Deferred revenue tax assets	Deductible temporary differences	Deferred revenue tax assets
Depreciation and amortization of franchise rights along Coastal Expressway	740,935,819.52	185,233,954.88	927,369,279.48	231,842,319.87
Deductible losses	535,151,876.72	133,787,969.18	508,903,441.96	127,225,860.49
Operating compensation for newly-built toll station of Nanguang Expressway, Yanba Expressway and Yanpai Expressway ("Three Expressways") (Note 1)	241,584,931.35	60,396,232.84	268,104,931.36	67,026,232.84
Operating compensation for newly-built toll station of Longda Expressway (Note 1)	169,895,702.06	42,473,925.51	191,394,147.62	47,848,536.93
Compensation for demolition costs of old toll stations of Three Expressways and Longda Expressway	7,176,461.64	1,794,115.41	7,375,937.57	1,843,984.39
Adjustments to fair values of net assets of merged enterprises such as Shenchang Expressway Co., Ltd in Changsha, Hunan ("Shenchang Company"), etc.	137,873,100.03	34,468,275.01	163,472,282.47	40,868,070.62
Payroll accrued but not paid	231,115,211.12	57,778,802.78	136,678,000.60	34,169,500.15
Property compensation of Meiguan Company (Note 2)	72,070,951.44	18,017,737.86	72,070,951.44	18,017,737.86
Operating compensation for newly-built road ramp of Meiguan Expressway (Note 3)	68,672,061.88	17,168,015.47	81,752,454.52	20,438,113.63
Amortization of other franchise rights	110,191,502.16	27,547,875.54	47,803,177.28	11,950,794.32
Interest receivable from United Land Company's capital reduction (Note 4)	14,614,825.64	3,653,706.41	17,278,947.52	4,319,736.88
Bad debt provision	62,597,681.19	12,572,227.08	19,436,083.24	4,275,884.79
Provisions (Note 5)	78,183,630.23	16,590,825.41	174,309,374.84	40,023,231.37
Expenses accrued but not paid	55,883,099.44	13,970,774.86	82,833,782.72	20,708,445.68
Provision for impairment loss of assets	46,069,043.43	11,055,565.54	38,328,275.77	9,549,132.09
Foreign exchange swap contracts	-	-	83,677,813.24	20,919,453.31
Others	71,747,481.42	13,093,566.10	83,530,373.40	14,452,716.37
Total	2,643,763,379.27	649,603,569.88	2,904,319,255.03	715,479,751.59

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Deferred revenue tax assets/deferred tax liabilities (Continued)

(1) Deferred revenue tax assets before offsetting (Continued)

Note 1: The Company received an operating compensation for newly-built toll station and a toll adjustment compensation regarding Three Expressways and Longda Expressway, and recognized the corresponding deferred tax assets for the temporary difference between the tax base and carrying amount.

Note 2: Meiguan Company, the Company's subsidiary, recognized the compensation for future relocated property granted by United Land Company, an associate of the Group, as other non-current assets. Considering the impact of the unrealized profits of the associate, the Group recognized the corresponding deferred tax asset for the temporary difference arising from the difference between the tax base and carrying amount of the other non-current assets recognized.

Note 3: In 2015, the Company received an operating compensation for newly-built toll station of Meiguan Expressway, and recognized the corresponding Deferred revenue tax assets for the temporary difference between the tax base and carrying amount.

Note 4: In the current year, United Land Company, an associate of the Company, capitalized the interest of the capital reduction of the Company. Considering the impact of the unrealized profits of the associate, the Group recognized the corresponding Deferred revenue tax assets for the temporary difference arising from the difference between the tax base and carrying amount based on its shareholding ratio of 34.30%.

Note 5: Deferred revenue tax assets accrued by Bioland Company for the provisions recognized for pending litigation or arbitration and subsequent expenditures of BOT projects.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Deferred revenue tax assets/deferred tax liabilities (Continued)

(2) Deferred tax liabilities before offsetting

RMB

Item	31 December 2021		31 December 2020	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
Amortization of franchise rights (Note)	469,911,329.80	117,477,832.45	479,162,951.92	119,790,737.98
Business combinations not involving enterprises under common control				
– Qinglong Company	1,051,045,406.89	262,761,351.73	1,308,856,737.53	327,214,184.39
– Hunan Yichang Expressway Development Co., Ltd. (“Yichang Company”)	882,659,527.46	220,664,881.87	945,229,954.18	236,307,488.55
– Airport-Heao Eastern Company	554,771,623.20	138,692,907.79	688,264,394.24	172,066,100.55
– Guangdong Qinglian Highway Development Co., Ltd (“Qinglian Company”)	538,861,417.64	131,410,547.50	569,033,050.80	138,953,455.79
– JEL Company	59,562,363.41	14,754,757.30	132,668,515.92	33,031,295.43
– Meiguan Company	4,445,096.32	1,111,274.08	7,082,832.36	1,770,708.09
– Nanjing Wind Power	60,675,257.47	9,101,288.62	38,943,796.48	9,735,949.12
– Baotou Nanfeng	32,311,755.52	8,077,938.88	34,067,010.92	8,516,752.73
– Bioland Company	497,628,469.43	122,585,866.99	500,944,661.87	125,330,163.09
– Qiantai Company	148,544,636.05	21,280,233.09	148,698,313.13	22,304,746.97
– Shenzhen Expressway New Energy Holding Co., LTD. (“New Energy Company”)	15,370,253.72	3,842,563.43	–	–
Compensation for valuation adjustment mechanism	212,637,357.38	53,159,339.35	–	–
Others	998,771,050.75	249,692,762.69	903,246,458.46	225,811,614.62
Total	5,527,195,545.04	1,354,613,545.77	5,756,198,677.81	1,420,833,197.31

Note: The methods for amortization of franchise rights associated with toll roads are inconsistent in accounting (traffic volume method) and taxation (straight-line method), resulting in temporary differences with deferred tax liability recognized.

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

21. Deferred revenue tax assets/deferred tax liabilities (Continued)

(3) Deferred revenue tax assets or liabilities presented on net basis

RMB

Item	Deferred revenue tax assets and liabilities offset as at 31 December 2021	Net values of Deferred revenue tax assets/liabilities as at 31 December 2021	Deferred revenue tax assets and liabilities offset as at 31 December 2020	Net values of Deferred revenue tax assets/liabilities as at 31 December 2020
Deferred revenue tax assets	(198,372,585.64)	451,230,984.24	(121,705,841.11)	593,773,910.48
Deferred tax liabilities	198,372,585.64	1,156,240,960.13	121,705,841.11	1,299,127,356.20

(4) Unrecognized Deferred revenue tax assets are analyzed as follows:

RMB

Item	31 December 2021	31 December 2020
Deductible tax losses	706,592,669.62	691,593,443.60
Deductible temporary differences	26,335,098.92	26,135,034.55
Total	732,927,768.54	717,728,478.15

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

RMB

Year	31 December 2021	31 December 2020
2021	–	252,330,647.24
2022	164,998,396.43	170,392,532.12
2023	61,657,228.91	61,657,228.91
2024	79,638,898.54	79,638,898.54
2025	127,574,136.79	127,574,136.79
2026	272,724,008.95	–
Total	706,592,669.62	691,593,443.60

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

22. Other non-current assets

RMB

Item	31 December 2021			31 December 2020		
	Book balance	Allowance for impairment	Carrying amount	Book balance	Allowance for impairment	Carrying amount
Meiguan Company-relocation property compensation (Note 1)	342,599,500.00	-	342,599,500.00	342,599,500.00	-	342,599,500.00
Contract assets over one year (Note 2)	2,158,179,212.91	-	2,158,179,212.91	1,427,952,459.38	-	1,427,952,459.38
Total	2,500,778,712.91	-	2,500,778,712.91	1,770,551,959.38	-	1,770,551,959.38

Note 1: According to the Compensation Agreement for Meilinguan Urban Renewal Project of Shenzhen Longhua New District Minzhi Office, in July 2016, United Land Company paid the compensation for demolition of RMB28,328,230.00 to Meiguan Company, a subsidiary of the Company. On 27 April 2018, the two parties entered into the Supplementary Agreement for Compensation Agreement for Meilinguan Urban Renewal Project of Shenzhen Longhua New District Minzhi Office, which stipulates that United Land Company will increase the property compensation on the basis of the above monetary compensation, the compensated relocated property is the office building property of United Land Company, and the compensated building area is 9,120 square meters. The procedures on delivery of the relocated property will be handled before 30 December 2023. On the date of signing the supplementary agreement, according to the evaluation report issued by Shenzhen Pengxin Assets Appraisal Co., Ltd. (Pengxin Valuing Newspaper [2018] No. 062), the fair value of the relocated property was RMB342,599,500.00.

Note 2: It mainly includes the contract assets corresponding to the revenue that are recognized by the Company based on the documents regarding the exemption of road tolls during the outbreak of COVID-19 issued by Guangdong Provincial Transportation Management Department, and the contract assets corresponding to the revenue recognized by Duohua project.

23. Short-term borrowings

(1) Category of short-term borrowings

RMB

Item	31 December 2021	31 December 2020
Credit loans	1,624,153,685.45	1,076,426,920.76
Pledged loans	1,365,213,031.88	105,288,805.67
Guaranteed loans	215,866,670.83	-
Borrowings in the form of discounted notes	33,000,000.00	159,502,400.00
Total	3,238,233,388.16	1,341,218,126.43

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

23. Short-term borrowings (continued)

(2) Information of pledged loans is as follows:

RMB

Name of entity	31 December 2021	Pledge
HSBC Hong Kong Head Office	111,440,989.93	45% equity of JEL Company
China Merchants Bank Co., Ltd. Shenzhen Anlian Sub-branch	701,527,078.52	45.454% equity of SIHICH
Industrial and Commercial Bank of China (Asia) Limited	89,699,917.13	5.8026% equity of SIHICH
Ping An Bank Co., Ltd. Hong Kong Branch	447,879,380.76	29.01% equity of SIHICH
Bank of Shanghai Co., Ltd. Shenzhen Branch	14,665,665.54	Collection right to accounts receivable of finance leasing project
Total	1,365,213,031.88	

(3) Information of guaranteed loans is as follows:

RMB

Name of entity	31 December 2021	Guaranteed by
China Construction Bank Shenzhen Branch	130,866,670.83	The Company
China Zheshang Bank Co., Ltd. Shenzhen Branch	75,000,000.00	The Company
China Merchants Bank Co., Ltd. Nanning Minzu Avenue Sub-branch	10,000,000.00	Bioland Company
Total	215,866,670.83	

24. Transactional financial liabilities

RMB

Item	1 January 2021	Additions in the current year	Reductions in the current year	31 December 2021
Financial liabilities at FVTPL	83,677,813.21	–	83,677,813.21	–
Including: Derivative financial assets	83,677,813.21	–	83,677,813.21	–
Total	83,677,813.21	–	83,677,813.21	–

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

25. Notes payable

RMB

Item	31 December 2021	31 December 2020
Bank acceptance bills	17,244,188.73	283,557,145.56
Commercial acceptance bills	70,000,000.00	11,910,185.83
Total	87,244,188.73	295,467,331.39

As at 31 December 2021, the Group had no overdue notes payable.

26. Accounts payable

(1) Analysis of accounts payable

RMB

Item	31 December 2021	31 December 2020
Payables for construction projects, quality deposits and margins	1,847,453,526.65	1,191,102,313.21
Payables for goods	497,974,006.39	544,289,020.23
Others	156,747,626.40	134,498,082.71
Total	2,502,175,159.44	1,869,889,416.15

(2) Significant accounts payable aged over 1 year:

RMB

Item	31 December 2021	Reason for unsettlement
Total accounts payable of the top five customers aged over 1 year as at 31 December 2021	252,552,511.49	Unsettled project funds

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

26. Accounts payable (continued)

(3) The aging analysis of accounts payable by date of entry is as follows:

RMB

Item	31 December 2021	31 December 2020
0 – 90 days	1,441,311,851.35	1,005,327,999.70
91 – 180 days	24,718,954.37	123,309,766.91
181 – 365 days	54,588,183.08	86,652,575.97
More than 1 year	981,556,170.64	654,599,073.57
Total	2,502,175,159.44	1,869,889,416.15

27. Advances from customers

(1) Items of advances from customers

RMB

Item	31 December 2021	31 December 2020
Rents received in advance	12,829,596.78	–

28. Contract liabilities

(1) Items of contract liabilities

RMB

Item	31 December 2021	31 December 2020
Advances from sales of real estate	97,321,955.60	290,892,248.44
Advances from sales of wind turbine	87,361,581.35	–
Advances from operating and management fees	6,707,798.55	7,333,333.33
Advances from sales of goods	24,736,633.23	8,191,055.74
Advances from advertising customers	–	2,329,217.97
Advances from wind turbine operation and maintenance service charge	–	5,993,361.00
Others	3,118,431.60	5,114,754.63
Total	219,246,400.33	319,853,971.11

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

28. Contract liabilities (continued)

(2) Amount and reason for the significant change in the carrying amount during the year

RMB

Item	Amount	Reason
Advances from sales of real estate	(193,570,292.84)	Recognition of income from advance payment
Advances from sales of wind turbine	87,361,581.35	Advance sales payment
Total	(106,208,711.49)	

29. Employee benefits payable

(1) Employee benefits payable

RMB

Item	1 January 2021	Additions in the current year	Reductions in the current year	31 December 2021
I. Short-term wages	279,535,593.96	1,166,365,573.17	1,091,400,843.14	354,500,323.99
II. Post-employment benefits – defined contribution plans	2,436,595.80	94,715,684.17	92,387,652.29	4,764,627.68
Total	281,972,189.76	1,261,081,257.34	1,183,788,495.43	359,264,951.67

(2) Short-term benefits

RMB

Item	1 January 2021	Additions in the current year	Reductions in the current year	31 December 2021
I. Wages and salaries, bonuses, allowances and subsidies	268,080,177.18	968,441,597.46	897,033,852.23	339,487,922.41
II. Staff welfare	1,138,330.26	81,933,897.78	81,350,091.02	1,722,137.02
III. Social security contributions	563,157.97	34,704,719.99	34,716,636.79	551,241.17
Including: Medical insurance	619,159.41	31,124,676.98	31,249,459.74	494,376.65
Work injury insurance	16,294.96	1,323,531.05	1,318,803.37	21,022.64
Maternity insurance	(72,296.40)	2,256,511.96	2,148,373.68	35,841.88
IV. Housing funds	942,304.37	56,520,288.11	56,540,043.54	922,548.94
V. Labor union funds and employee education funds	8,427,074.18	18,890,481.70	15,051,037.75	12,266,518.13
VI. Others	384,550.00	5,874,588.13	6,709,181.81	(450,043.68)
Total	279,535,593.96	1,166,365,573.17	1,091,400,843.14	354,500,323.99

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

29. Employee benefits payable (Continued)

(3) Defined contribution plans

RMB

Item	1 January 2021	Additions in the current year	Reductions in the current year	31 December 2021
I. Basic pensions	873,705.92	70,266,480.58	70,024,091.15	1,116,095.35
II. Unemployment insurance	53,417.28	3,514,951.32	3,512,537.98	55,830.62
III. Enterprise annuities	1,509,472.60	20,934,252.27	18,851,023.16	3,592,701.71
Total	2,436,595.80	94,715,684.17	92,387,652.29	4,764,627.68

The Group participates, as required, in the pension insurance and unemployment plan established by government institutions. According to such plans, the Group contributes monthly to such plans based on the regulations of the government institutions. Except for above monthly contributions, the Group does not assume further payment obligations. The related expenditures are either included in cost of related assets or charged to profit or loss in the period when they are incurred.

In the current period, the Group should contribute pension insurance and unemployment plans amounting to RMB70,266,480.58 and RMB3,514,951.32 (2020: RMB20,594,382.64 and RMB1,030,196.08). As at 31 December 2021, the Group has outstanding contributions to pension insurance and unemployment plans that are due as at the reporting period amounting to RMB1,116,095.35 and RMB55,830.62 (31 December 2020: RMB873,705.92 and RMB53,417.28), which have been fulfilled subsequent to the reporting date.

30. Tax payables

RMB

Item	31 December 2021	31 December 2020
VAT payable	266,343,462.20	241,675,517.95
Enterprise income tax payable	239,790,903.15	255,073,902.91
Land appreciation tax payable	58,166,026.61	41,388,859.01
City maintenance and construction tax payable	5,780,529.69	7,027,191.60
Educational surcharge payable	4,091,183.11	5,133,496.16
Others	10,270,835.01	15,490,789.47
Total	584,442,939.77	565,789,757.10

31. Other payables

31.1 Summary of other payables

RMB

Item	31 December 2021	31 December 2020
Dividends payable	58,771,206.22	58,771,206.22
Other payables	1,712,320,807.46	3,511,594,473.85
Total	1,771,092,013.68	3,570,365,680.07

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Other payables (Continued)

31.2 Dividends payable

RMB

Item	31 December 2021	31 December 2020
Perpetual bond dividends classified as equity instruments	5,622,222.22	5,622,222.22
Including: Perpetual bond dividends	5,622,222.22	5,622,222.22
Dividends payable – Original shareholder of Nanjing Wind Power	53,148,984.00	53,148,984.00
Total	58,771,206.22	58,771,206.22

31.3 Other payables

(1) Analysis of other payables by nature

RMB

Item	31 December 2021	31 December 2020
Payables for equity acquisition (Note)	223,923,423.97	313,126,357.91
Project funds retained for construction management contracts	341,443,869.32	1,791,268,991.54
Accrued project expenditure and administrative special expenses	168,813,444.03	181,397,959.28
Payables for tender and performance deposits and warranty	153,201,358.46	162,049,676.65
Payables for the construction cost of the Shenzhen World Exhibition & Convention Center toll station	139,855,284.60	139,855,284.60
Payables related to costs of construction projects independently	124,513,230.25	138,725,330.25
Payables related to maintenance for roads	104,611,639.84	200,558,912.16
Payables for the cost of provincial toll station cancellation project	92,795,970.70	156,192,621.25
Mechanical and electrical maintenance costs payable	39,237,087.92	55,081,594.11
Country road construction fee and management service fee of Hunan Province	35,989,737.65	33,849,758.38
Accounts payable to related parties (Note X. 6(2))	20,660,212.29	22,214,827.19
Receipts of liquidated damages for equity transfer of Guizhou Xinhe Lifu Real Estate Development Co., Ltd. (“Xinhe Lifu”)	20,412,000.00	20,412,000.00
Advance from security deposit for equity transfer fund	–	156,010,000.00
Others	246,863,548.43	140,851,160.53
Total	1,712,320,807.46	3,511,594,473.85

Note: The equity acquisition payables are the unpaid transfer fund of RMB12,934,094.97 when the Group's subsidiary Environment Company acquired the remaining equity of Bioland Company in 2020; the transfer fund to be paid of RMB943,095.60 when the Group's subsidiary Shenzhen Expressway Operation Development Co., Ltd. (“Operation Company”) acquired the equity of Shenzhen Expressway Engineering Development Co., Ltd. (formerly known as “Guangdong Boyuan Construction Engineering Co., Ltd.”, hereinafter referred to as “Engineering Development Company”) in 2020; the transfer fund of RMB210,046,233.40 payable to the original shareholders when Environmental Company acquired the equity of Nanjing Wind Power in 2019. According to the M&A agreement, the equity transfer fund payable to the original shareholders of Nanjing Wind Power would not be paid until Nanjing Wind Power has cleared up the unrecovered employee occupation funds and recovered all of the accounts receivable, and has been confirmed by the Environment Company. It is expected to be cleaned up in 2022.

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

31. Other payables (Continued)

31.3 Other payables (Continued)

(2) Significant other payables aged over 1 year

RMB

Item	31 December 2021	Reason for non-payment or carryover
Total other payables aged over 1 year to top five customers as at 31 December 2021	195,670,082.92	Contract settlement has not been completed

32. Non-current liabilities due within one year

RMB

Item	31 December 2021	31 December 2020
Long-term payables due within one year (Note V. 37)	86,627,398.42	195,636,586.62
Lease liabilities due within one year (Note V. 36)	60,353,165.14	36,715,241.68
Long-term borrowings due within one year (Note V. 34)	573,877,808.65	365,084,520.70
Including: Pledged loans	187,089,707.48	112,768,975.77
Credit loans	271,531,764.95	233,284,363.75
Mortgage loans	38,395,952.89	9,431,181.18
Guaranteed loans	76,860,383.33	9,600,000.00
Bonds payable due within one year (Note V. 35)	931,832,323.62	3,068,362,169.83
Total	1,652,690,695.83	3,665,798,518.83

33. Other current liabilities

RMB

Item	31 December 2021	31 December 2020
Ultra-short term financing notes (Note)	2,019,820,913.54	2,018,087,592.62
Output tax to be transferred	18,171,380.67	23,367,804.71
Total	2,037,992,294.21	2,041,455,397.33

Note: RMB1 billion of ultra-short term financing bonds was issued by the Company on 18 June 2021 with annual interest rate of 2.62% and a term of 270 days, and RMB1 billion of ultra-short term financing bonds was issued by the Company on 14 September 2021 with annual interest rate of 2.30% and a term of 270 days.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Long-term borrowings

(1) Classification of long-term borrowings:

RMB

Item	31 December 2021	31 December 2020
Credit	1,319,961,000.00	1,674,470,000.00
Pledged	6,639,589,766.33	4,985,118,867.55
Mortgage	722,000,000.00	–
Guaranteed, pledged	182,683,400.00	87,900,000.00
Guaranteed, mortgage, pledged	108,000,000.00	120,900,000.00
Add: Accrued interest	12,057,724.25	8,028,920.70
Total	8,984,291,890.58	6,876,417,788.25
Less: Long-term borrowings due within one year (Note V. 32)	573,877,808.65	365,084,520.70
Long-term borrowings due after one year	8,410,414,081.93	6,511,333,267.55

(2) As at 31 December 2021, details of the long-term borrowings are set out as follows:

RMB

Item	Interest rate in the current year	Currency	Amount	Guarantee details
M&A borrowings of the Company	3.3%/3.7%	RMB	1,085,950,000.00	Credit borrowings
Borrowings of Shenchang Company	4.5125%	RMB	126,511,000.00	Credit borrowings
Borrowings of Financial Leasing Company	4.5%	RMB	70,000,000.00	Credit borrowings
Entrusted borrowings of the Company	4.275%	RMB	37,500,000.00	Credit borrowings
Subtotal of credit borrowings	/	/	1,319,961,000.00	/
Syndicated borrowings of Coastal project of the Company	4.15%/4.41%	RMB	2,545,773,027.16	Pledged by the charging right of Coastal Expressway
Borrowings of Qinglian Company	3.80%	RMB	1,989,044,000.00	Pledged by the charging right of Qinglian Expressway
Borrowings of Qinglong Company	4.41%/4.4175%/4.46%/4.56%	RMB	423,750,000.00	Pledged by the charging right of Shuiguan Expressway
Borrowings of Financial Leasing Company	4.6925%/4.90%	RMB	263,022,739.17	Pledged with Financial Leasing Company's rents receivable under the Yongcheng Project
Borrowings of Qianxin Company	3.65%/4.077%	RMB	99,000,000.00	Pledged by the charging right of electric charge
Borrowings of Qianzhi Company	3.65%/4.05%	RMB	802,500,000.00	Pledged by the charging right of electric charge
Borrowings of Qianhui Company	3.65%/4.05%	RMB	516,500,000.00	Pledged by the charging right of electric charge
Subtotal of pledged borrowings	/	/	6,639,589,766.33	/

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

34. Long-term borrowings (Continued)

(2) As at 31 December 2021, details of the long-term borrowings are set out as follows: (Continued)

Item	Interest rate in the current year	Currency	Amount	Guarantee details
Mortgage loan of the Company	3.90%	RMB	722,000,000.00	Collateralized with floors 37, 40–48 of Hanjing Headquarters Building
Subtotal of mortgage borrowings	/	/	722,000,000.00	/
Borrowings of Huangshi Bioland	5.88%	RMB	48,583,400.00	Guaranteed by Bioland Company and pledged with the expected revenue right paid by the government, the receivables formed by the future operating income of Huangshi Bioland and the equity of Huangshi Bioland
Borrowings of Longyou Bioland	4.90%	RMB	14,000,000.00	Guaranteed by Bioland Company and pledged with the franchise rights of Longyou Bioland during the franchise period
Borrowings of Fuzhou Bioland Environmental Protection Technology Co., Ltd. ("Fuzhou Bioland")	4.80%	RMB	60,000,000.00	Guaranteed by Bioland Company and pledged with the franchise rights of Fuzhou Bioland
Borrowings of Beihai Zhonglan Environment Technology Co., Ltd. ("Beihai Zhonglan")	2.05%/4.05%	RMB	60,100,000.00	Guaranteed by Bioland Company and pledged with the franchise rights of Beihai Zhonglan
Sub-total of guaranteed, pledged borrowings	/	/	182,683,400.00	
Borrowings of Guangxi Bioland	4.90%	RMB	9,200,000.00	Guaranteed by Bioland Company and Shi Junying, collateralized with the machinery and equipment of Guangxi Bioland, and pledged with the equity of Guangxi Bioland
Borrowings of Guangxi Bioland	5.145%	RMB	48,800,000.00	Guaranteed by Bioland Company and Shi Junying, collateralized with the machinery and equipment of Guangxi Bioland and pledged with the equity of Guangxi Bioland
Borrowings of Guiyang Beier Bioland	5.88%	RMB	50,000,000.00	Guaranteed by Bioland Company and Shi Junying, collateralized with the machinery and equipment of Guiyang Beier Bioland, and pledged with the equity and the franchise right of Guiyang Beier Bioland
Sub-total of guaranteed, mortgage and pledged borrowings	/	/	108,000,000.00	/
Add: Accrued interest	/	/	12,057,724.25	/
Less: Long-term borrowings due within one year (Note V. 32)	/	/	573,877,808.65	/
Total	/	/	8,410,414,081.93	/

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Bonds payable

(1) Classification of bonds payable:

RMB

Item	31 December 2021	31 December 2020
Long-term corporate bonds	7,204,853,934.79	5,030,803,095.66
Medium-term notes	813,842,102.00	1,829,883,431.99
Total	8,018,696,036.79	6,860,686,527.65
Less: Bonds payable due within one year (Note V. 32)	931,832,323.62	3,068,362,169.83
Bonds payable due after one year	7,086,863,713.17	3,792,324,357.82

(2) Movements of bonds payable:

RMB

Name of bonds	Par value	Date of issuance	Maturity	Issued amount	Balance at 1 January 2021	Issue amount in the current year	Accrual of interest by par value	Discount and issue fee amortization	Effects of foreign currency translation	Payment amount in the current year	31 December 2021
Long-term corporate bonds (Note 1)	800,000,000.00	2007/7/31	15 years	800,000,000.00	817,275,424.88	-	-	668,153.63	-	-	817,943,578.51
Long-term corporate bonds (Note 1)	300,000,000.00USD	2016/7/18	5 years	300,000,000.00USD	1,979,246,241.60	-	-	3,704,852.23	(19,410,000.00)	1,963,541,093.83	-
Long-term corporate bonds (Note 1)	300,000,000.00USD	2021/7/8	5 years	300,000,000.00USD	-	1,920,859,258.28	47,288,993.37	1,559,257.08	(25,350,000.00)	31,194,298.77	1,913,163,209.96
Long-term corporate bonds (Note 1)	1,400,000,000.00	2020/3/18	5 years	1,400,000,000.00	1,430,712,837.93	-	42,700,000.05	625,073.82	-	42,700,000.00	1,431,337,911.80
Long-term corporate bonds (Note 1)	800,000,000.00	2020/10/20	5 years	800,000,000.00	803,568,591.25	-	29,199,999.96	389,092.83	-	29,200,000.00	803,957,684.04
Long-term corporate bonds (Note 1)	1,200,000,000.00	2021/4/15	5 years	1,200,000,000.00	-	1,197,174,113.21	29,329,207.57	226,873.49	-	-	1,226,730,194.27
Long-term corporate bonds (Note 1)	1,000,000,000.00	2021/7/23	5 years	1,000,000,000.00	-	997,300,000.00	14,417,237.46	4,118.75	-	-	1,011,721,356.21
Medium-term notes (Note 2)	1,000,000,000.00	2018/7/26	3 years	1,000,000,000.00	1,016,735,022.29	-	24,175,995.27	537,399.59	-	1,041,448,417.15	-
Medium-term notes (Note 2)	800,000,000.00	2018/8/13	5 years	800,000,000.00	813,148,409.70	-	35,921,695.83	693,657.77	-	35,921,661.30	813,842,102.00
Total	10,908,040,000.00	-	-	10,908,802,035.80	6,860,686,527.65	4,115,333,371.49	223,033,129.51	8,408,479.19	(44,760,000.00)	3,144,005,471.05	8,018,696,036.79

Note 1: Corporate bonds

The Company issued a corporate bond on 31 July 2007 with a principal amount of RMB800,000,000.00 which bear interest at a rate of 5.5% per annum in accordance with the approval of Fa Gai Cai Jin [2007] No.1791 Document issued by the National Development & Reform Commission. The interest is payable annually and the principal is repayable in full upon maturity on 31 July 2022. The principal and interest of the bonds are unconditionally and irrevocably guaranteed by China Construction Bank and are in turn secured by the Company's 100% equity interest in Meiguan.

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(RMB)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

35. Bonds payable (Continued)

(2) Movements of bonds payable (Continued)

Note 1: Corporate bonds (Continued)

The Company issued a long-term bond on 18 July 2016 with a principal value of USD300,000,000.00. The bond issuance price was 99.46% of the principal value, bearing a term of 5 years and interest at a rate of 2.875% per annum in accordance with the approval of Fa Gai Ban Wai Zi Bei [2015] No. 328 Document issued by Shenzhen Development and Reform Commission. Interest has begun to be accrued from 18 July 2016 and is repaid semi-annually. On 18 July 2021, the bond should be fully repaid upon maturity. The main purpose of the bond is to repay the bank loans and supplement the Company's operating capital. The debt has been repaid by the Company in full during the current year.

The Company issued a long-term bond on 8 July 2021 with a principal value of USD300,000,000.00. The bond issuance price was 99.13% of the principal value, bearing a term of 5 years and interest at a rate of 1.75% per annum in accordance with the approval of Fa Gai Ban Wai Zi Bei [2021] No. 287 Document issued by the National Development & Reform Commission. Interest has begun to be accrued from 8 July 2021 and is repaid semi-annually. On 8 July 2026, the bond should be fully repaid upon maturity. The main purpose of the bond is to repay the USD bonds due on 18 July 2021.

The Company was permitted to publicly issue corporate bonds with a face value of not more than RMB5 billion to QFII upon approval of the Zheng Jian Xu Ke [2019] No. 2262 Document issued by the CSRC. On 18 March 2020, the Company completed the issuance of the first phase of 2020 corporate bonds (epidemic prevention and control bonds), and the actual issuance scale was RMB1.4 billion. The bond was issued at the rate of 3.05%, with interest to be paid once a year and principal repaid once at maturity. The term of the bond is 5 years, with an issuer adjusted coupon option and an investor callback option at the end of the third year. The interest-bearing term is from 20 March 2020 to 19 March 2025; if the investor exercises the call-back option, the interest-bearing maturity of the portion of the bond it sells back is from 20 March 2020 to 19 March 2023.

The Company was permitted to publicly issue Green corporate bonds with a face value of not more than RMB2 billion to professional investor upon approval of the Document "Securities Regulatory Commission Permit [2020] 1003" issued by the CSRC and approved by the Shanghai Stock Exchange. On 20 October 2020, the Company completed the public issuance of the first phase of 2020 Green corporate bonds, and the actual issuance scale was RMB0.8 billion. The bond was issued at the rate of 3.65%, with interest to be paid once a year and principal repaid once at maturity. The term of the bond is 5 years, with an issuer adjusted coupon option and an investor callback option at the end of the third year. The interest-bearing term is from 22 October 2020 to 21 October 2025; if the investor exercises the call-back option, the interest-bearing maturity of the portion of the bond it sells back is from 22 October 2020 to 21 October 2023.

On 15 April 2021, the Company completed the public issuance of the first phase of 2021 Green corporate bonds, and the actual issuance scale was RMB1,200,000,000.00. The bond was issued at the rate of 3.49%, with interest to be paid once a year and principal repaid once at maturity. The term of the bond is 5 years, with an issuer adjusted coupon option and an investor callback option at the end of the third year. The interest-bearing term is from 19 April 2021 to 18 April 2026; if the investor exercises the call-back option, the interest-bearing maturity of the portion of the bond it sells back is from 19 April 2021 to 18 April 2024.

On 23 July 2021, the Company completed the public issuance of the first phase of 2021 corporate bonds, and the actual issuance scale was RMB1,000,000,000.00. The bond was issued at the rate of 3.35%, with interest to be paid once a year and principal repaid once at maturity. The term of the bond is 5 years, and the interest-bearing term is from 27 July 2021 to 26 July 2026.

Note 2: Medium-term notes

On 26 July 2018, as approved by the China Association of Interbank Market Dealers, the Company issued medium-term notes of RMB1,000,000,000.00, which bear a term of 3 years and interest at a rate of 4.14% per annum with the interest payable annually and the principal repayable in full upon maturity on 30 July 2021. The medium-term notes have been repaid by the Company in full during the current year.

On 13 August 2018, as approved by the China Association of Interbank Market Dealers, the Company issued medium-term notes of RMB800,000,000.00, which bear a term of 5 years and interest at a rate of 4.49% per annum with the interest payable annually and the principal repayable in full upon maturity on 15 August 2023.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

36. Lease liabilities

RMB

Item	31 December 2021	31 December 2020
Lease liabilities	383,973,973.04	141,368,913.35
Less: Lease liabilities included in non-current liabilities due within one year (Note V. 32)	60,353,165.14	36,715,241.68
Net amount	323,620,807.90	104,653,671.67

37. Long-term payables

(1) Long-term payables by nature:

RMB

Item	31 December 2021	31 December 2020
Financial liabilities arising from sale and leaseback transactions (Note 1)	435,554,841.34	412,053,574.13
Borrowings from associates and joint ventures (Note 2)	2,131,451,615.06	2,017,882,547.71
Total	2,567,006,456.40	2,429,936,121.84
Less: Long-term payables due within one year (Note V. 32)	86,627,398.42	195,636,586.62
Long-term payables due after one year	2,480,379,057.98	2,234,299,535.22

Note 1: As at 31 December 2021, the balance arising from sale and leaseback transactions represents the long-term payables arising from the sale and leaseback of the equipment of Zhuji Bioland, Guilin Bioland Renewable Energy Co., Ltd. ("Guilin Bioland"), Guangxi Bioland, Dezhou Bioland, Taizhou Bioland, Handan Bioland, Shangrao Bioland, and Xinyu Bioland, which are subsidiaries of Bioland, with franchise rights of kitchen waste disposal of Bioland Environment, 100% equity rights of Dezhou Bioland, Taizhou Bioland, Shangrao Bioland, Guilin Bioland and Xinyu Bioland, 90% equity rights of Handan Bioland and Zhuji Bioland, franchise rights of Dezhou Bioland, Taizhou Bioland, Shangrao Bioland, Handan Bioland, Guilin Bioland and Zhuji Bioland, as well as the land use right of Langfang Waterland as mortgage. The balance of the interest expense arising from the amortization of unrecognized financing expenses in the current year was RMB38,282,785.62, the financial leasing fee was RMB1,320,754.72, the principal was RMB108,280,190.11, and the interest was RMB41,308,137.75. As at 31 December 2021, the balance of this payment was RMB435,554,841.34.

Note 2: The Company's borrowings were from United Land Company for a term of two to three years. The borrowing agreement was signed on 25 July 2019 at an annual interest rate of 3.65%. In December 2021, the board of directors of United Land Company decided to terminate all borrowing contracts with the original shareholders, taking 28 December 2021 as the interest settlement date. As of the interest settlement date, the balance of principal and interest of the Company's borrowings was RMB2,131,451,615.06. The interest expense on financial expenses recognized during the year was RMB73,451,615.06. Refer to Note X. 5(4) for details.

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(RMB)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

38. Long-term employee benefits payable

RMB

Item	31 December 2021	31 December 2020
Other long-term employee benefits (Note)	187,966,149.45	114,813,411.45

Note: Other long-term employee benefits are the Group's long-term incentive bonuses, which are expected to be paid during the period from year 2023 to 2024.

39. Estimated debts

RMB

Item	31 December 2021	31 December 2020
Cost of services in the future (Note 1)	139,556,559.19	133,037,711.34
Product warranty	9,263,680.25	17,171,133.72
BOT project follow-up expenditure (Note 2)	24,721,861.61	9,297,341.14
Pending litigation or arbitration	–	6,120,000.00
Total	173,542,101.05	165,626,186.20

Note 1: The estimated Cost of services of toll roads in the future accrued by the Group according to relevant government documents.

Note 2: BOT project follow-up expenditure is expected to be incurred for the Group to maintain a certain service capacity of the BOT assets it holds or to maintain a certain state of use before they are handed over to the contract grantor. The interest expense incurred in this part of the expenditure is RMB11,182,045.34. Please refer to Note V. 52 for details.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Deferred revenue

RMB

Item	1 January 2021	Additions in the current year	Reductions in the current year	31 December 2021	Explanation
Compensation for cost of services of Toll Free Section of Meiguan Expressway	81,752,454.52	-	13,080,392.64	68,672,061.88	Compensation from Shenzhen government for future cost of services regarding the new ramp on the free section of Meiguan Expressway
Government compensation for demolition	13,734,944.46	-	2,746,988.88	10,987,955.58	Government compensation for demolition of Qinglong Company
Compensation for future cost of services of new stations on Nanguang Expressway and Yanpai Expressway	268,104,931.35	-	26,520,000.00	241,584,931.35	Compensation from Shenzhen government for future cost of services of new stations on Nanguang Expressway and Yanpai Expressway
Government economic grants for Bioland Company	6,203,608.43	20,108,700.00	938,174.50	25,374,133.93	Government equipment grants received by Bioland Company
Government financial grants for Guizhou Guishen Investment Development Company Limited ("Guishen Company")	2,485,217.51	-	101,555.49	2,383,662.02	Receipts of government financial grants provided from Guizhou Longli County Government of Guishen Company
Compensation for future cost of services of new stations on the free section of Longda Expressway	191,394,147.70	-	21,498,445.64	169,895,702.06	The Shenzhen Municipal Transportation Commission's cash compensation for the early recovery of rights and interests in the Shenzhen section of Longda Expressway
Research and development and application demonstration of green recycling technology for waste ternary lithium ion batteries of Shenshan Qiantai Company	-	1,200,000.00	-	1,200,000.00	University cooperation funds received for the project on research and development and application demonstration of green recycling technology of waste ternary lithium ion batteries
Cancel the central subsidy funds for the expressway provincial toll station project	44,510,867.40	-	7,129,398.12	37,381,469.28	The Ministry of Transport provides cash subsidies for the cancellation of the expressway provincial toll station project on the toll roads of the Company
Total	608,186,171.37	21,308,700.00	72,014,955.27	557,479,916.10	

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(RMB)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

40. Deferred revenue (Continued)

Items of government grants:

RMB

Item	1 January 2021	Additional grants in the current year	Recognized in other income/ non-operating income in the current year	31 December 2021	Related to asset/income
Government grants for cancellation of the provincial expressway toll station project	44,510,867.40	-	7,129,398.12	37,381,469.28	Related to asset
Government financial grants for Guishen Company Research, development and application demonstration of green recycling technology on waste ternary lithium ion battery of Shenzhen Qiantai Company	2,485,217.51	-	101,555.49	2,383,662.02	Related to asset
Financial and economic grants for Bioland Company	-	1,200,000.00	-	1,200,000.00	Related to asset
Total	53,199,693.34	21,308,700.00	8,169,128.11	66,339,265.23	

41. Equity

RMB

Item	1 January 2021	Movement					31 December 2021
		New shares issued	Rights issue	Transfer from		Sub-total	
				surplus	Others		
Equity	2,180,770,326.00	-	-	-	-	-	2,180,770,326.00

42. Other equity instruments

As at 31 December 2021, the specific situation of perpetual bonds of the Group issued is as follows:

RMB

Item	Issue date	Accounting classification	Interest rate	Distribution amount	Expiry day or renewal situation	Transfer conditions	General information of transfer
Perpetual bonds	4 December 2020	Other equity instruments	4.6%	4,000,000,000.00	No fixed deadline	Nil	Nil

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

43. Capital reserve

RMB

Item	1 January 2021	Additions in the current year	Reductions in the current year	31 December 2021
Share premium	5,833,502,958.11	-	-	5,833,502,958.11
Including: Contributions from investors	2,274,351,523.42	-	-	2,274,351,523.42
Business combination involving enterprises under common control	2,759,887,122.51	-	-	2,759,887,122.51
Acquisition of minority interests in subsidiaries	(120,924,166.49)	-	-	(120,924,166.49)
Capital injection in the investee	920,188,478.67	-	-	920,188,478.67
Other capital reserve (Note)	170,021,301.27	117,658,418.88	-	287,679,720.15
Total	6,003,524,259.38	117,658,418.88	-	6,121,182,678.26

Note: Changes in capital reserve of joint ventures and associates held by the Group in the current year, and the capital reserve was increased by RMB117,658,418.88 based on shareholding ratio.

44. Other comprehensive income

RMB

Item	Amount incurred in the current year						31 December 2021
	1 January 2021	Pre-tax amount incurred during the year	Less: Included in other comprehensive income in the previous period and transferred to profit or loss in the current year	Less: Income tax expense	Post-tax amount attributable to owners of the Company, net of tax	Attributable to minority interests, net of tax	
I. Items that may not be reclassified subsequently to profit or loss:	-	-	-	-	-	-	-
Including: Changes from remeasurement of defined benefit plans	-	-	-	-	-	-	-
II. Items that may be reclassified subsequently to profit or loss:	868,945,190.79	(3,602,492.58)	-	-	(3,602,492.58)	-	865,342,698.21
Including: Appreciation of initial equity interest upon business combination	893,132,218.74	-	-	-	-	-	893,132,218.74
- Share of other comprehensive income of the investee that will be reclassified to profit or loss under the equity method (Note V.13)	(21,945,649.85)	(908,127.91)	-	-	(908,127.91)	-	(22,853,777.76)
- Translation differences of financial statements denominated in foreign currencies	(2,647,558.10)	(2,694,364.67)	-	-	(2,694,364.67)	-	(5,341,922.77)
Others	406,180.00	-	-	-	-	-	406,180.00
Total other comprehensive income	868,945,190.79	(3,602,492.58)	-	-	(3,602,492.58)	-	865,342,698.21

Notes to Financial Statements

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(RMB)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

45. Surplus reserve

RMB

Item	1 January 2021	Additions in the current year	Reductions in the current year	31 December 2021
Statutory surplus reserve (Note)	2,258,208,142.63	220,000,000.00	–	2,478,208,142.63
Discretionary surplus reserve	453,391,330.06	–	–	453,391,330.06
Total	2,711,599,472.69	220,000,000.00	–	2,931,599,472.69

Note: Additions in the current year represent the increase in surplus reserve of RMB220,000,000.00 due to absorption and merger of Airport-Heao Eastern Company.

In accordance with the Company Law of the People's Republic of China, the Company's Articles of Association and the resolution of the Board of Directors, companies should appropriate 10% of the net profit for the year to the statutory surplus reserve, where the appropriation can cease when the statutory surplus reserve reaches 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase capital after approval from the appropriate authorities. The Company did not appropriate any statutory surplus reserve for the year 2021 (2020: RMB93,790,655.68).

The amount of the Company's discretionary surplus reserve was proposed by the Board of Directors and has been approved by the Annual General Meeting. The discretionary surplus reserve can be used to make up for previous years' loss or increase upon approval. The Company has not appropriated any discretionary surplus reserve for the year 2021 (2020: Nil).

46. Undistributed profits

RMB

Item	2021	2020
Unadjusted balance of undistributed profit at the end of the last year	7,278,102,534.06	6,439,246,724.95
Adjust opening balance of total undistributed profits	–	91,380,860.75
Adjusted opening balance of undistributed profits	7,278,102,534.06	6,530,627,585.70
Add: Net profit attributable to equity holders of the Company in the current year	2,606,254,756.43	2,054,523,306.30
Less: Appropriation for statutory surplus reserve	–	93,790,655.68
Ordinary share dividend payable (Note 1)	937,731,240.18	1,198,946,591.15
Dividends paid to other equity instruments	186,555,555.55	14,311,111.11
Absorption and merger of wholly-owned subsidiaries	220,000,000.00	–
Undistributed profits at the end of the year	8,540,070,494.76	7,278,102,534.06

Note 1: According to the resolution of the shareholders' meeting on 17 May 2021, the Company distributes 2020 cash dividends to all shareholders at RMB0.43 per share. Based on the 2,180,770,326 shares issued, a total of RMB937,731,240.18 cash dividends are distributed, of which a cash dividend of RMB616,306,240.18 is distributed for 1,433,270,326 A shares issued, and a cash dividend of HKD387,558,829.13 (equivalent to RMB321,425,000.00) is distributed for 747,500,000 H shares issued. The dividends account for 45.64% of the Company's 2020 net profit. As at 31 December 2021, the above dividend has been paid.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. Operating income and costs

(1) Operating income and costs

RMB

Item	For the year ended 31 December 2021		For the year ended 31 December 2020	
	Revenue	Cost	Revenue	Cost
Main business – Toll road	5,892,735,954.13	3,001,628,000.00	4,386,674,349.61	2,422,202,538.44
Main business – Environmental protection	1,793,497,829.04	1,325,144,257.64	2,520,621,312.93	2,039,567,237.83
– Sales related to wind turbine equipment	132,532,269.61	112,115,119.80	1,427,886,563.79	1,242,956,248.25
– Wind power	580,459,083.48	231,250,464.15	237,868,767.28	97,256,484.14
– Kitchen waste disposal projects construction	539,082,427.01	467,935,062.08	737,728,420.15	582,916,859.55
– Kitchen waste disposal projects operation	298,993,220.49	296,383,260.43	105,375,895.57	113,441,945.89
– Kitchen waste disposal equipment sales	8,823,221.51	11,480,414.59	–	–
– Others	233,607,606.94	205,979,936.59	11,761,666.14	2,995,700.00
Other services	3,185,690,225.35	2,753,673,590.95	1,119,441,437.45	752,747,236.89
– Real estate development	302,722,024.15	142,367,525.02	351,097,821.01	171,358,709.86
– Entrusted construction and management services	1,033,628,635.86	820,233,584.05	510,744,894.58	406,456,427.27
– Advertising services	19,283,655.97	19,243,550.56	34,781,315.76	28,413,224.83
– Financial leasing	65,851,635.35	51,426,186.08	25,588,040.54	22,470,366.05
– Construction service under franchise arrangements	1,540,000,363.08	1,540,000,363.08	–	–
– Others	224,203,910.94	180,402,382.16	197,229,365.56	124,048,508.88
Total	10,871,924,008.52	7,080,445,848.59	8,026,737,099.99	5,214,517,013.16

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2021
(RMB)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. Operating income and costs (continued)

(2) The operating income is analyzed as follows:

Year 2021

RMB

Reporting segment	Toll road	Environmental protection	Management service	Financial leasing service	Construction service under franchise arrangements	Others	Total
Main operating areas							
Guangdong Province	4,649,867,140.98	126,651,549.29	860,808,830.09	65,851,635.35	1,190,281,944.76	123,197,049.99	7,016,658,150.46
Hunan Province	764,218,847.64	-	-	-	-	4,988,142.37	769,206,990.01
Guizhou Province	-	181,867,192.49	172,819,805.77	-	29,813,893.73	303,224,529.74	687,725,421.73
Hubei Province	478,649,965.51	15,469,151.67	-	-	-	-	494,119,117.18
Jiangsu Province	-	207,999,017.84	-	-	29,798,601.90	111,900,321.74	349,697,941.48
Inner Mongolia Autonomous Region	-	321,729,752.36	-	-	35,561,583.97	1,037,735.89	358,329,072.22
Beijing	-	-	-	-	-	-	-
Guangxi Zhuang Autonomous Region	-	315,053,902.37	-	-	119,178,167.95	-	434,232,070.32
Shandong Province	-	116,413,568.20	-	-	-	-	116,413,568.20
Zhejiang Province	-	21,163,393.41	-	-	73,992,746.27	-	95,156,139.68
Sichuan Province	-	21,495,358.98	-	-	14,646,446.74	-	36,141,805.72
Jiangxi Province	-	131,017,627.21	-	-	35,608,750.51	-	166,626,377.72
Hebei Province	-	3,436,569.83	-	-	4,446,310.57	-	7,882,880.40
Xinjiang Uygur Autonomous Region	-	309,005,790.73	-	-	-	1,861,811.33	310,867,602.06
Henan Province	-	13,360,347.44	-	-	-	-	13,360,347.44
Ningxia Hui Autonomous Region	-	1,817,685.01	-	-	-	-	1,817,685.01
Anhui Province	-	7,016,922.21	-	-	6,671,916.68	-	13,688,838.89
Total	5,892,735,954.13	1,793,497,829.04	1,033,628,635.86	65,851,635.35	1,540,000,363.08	546,209,591.06	10,871,924,008.52

Main service categories	Toll road	Environmental protection	Management service	Financial leasing service	Construction service under franchise arrangements	Others	Total
Timing of revenue recognition							
Revenue recognized at a point in time	5,892,735,954.13	1,245,592,180.52	-	-	-	382,029,881.90	7,520,358,016.55
Revenue recognized over time	-	547,905,648.52	1,033,628,635.86	-	1,540,000,363.08	144,896,053.19	3,266,430,700.65
Total	5,892,735,954.13	1,793,497,829.04	1,033,628,635.86	-	1,540,000,363.08	526,925,935.09	10,786,788,717.20

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

47. Operating income and costs (Continued)

(2) The operating income is analyzed as follows: (Continued)

Year 2020

RMB

Reporting segment	Toll road	Environmental protection	Management service	Financial leasing service	Construction service under franchise arrangements	Others	Total
Main operating areas							
Guangdong Province	3,629,903,776.51	-	154,190,121.89	25,588,040.54	-	202,082,439.35	4,011,764,378.29
Hunan Province	452,694,717.86	-	-	-	-	9,300,164.92	461,994,882.78
Guizhou Province	-	41,133,390.26	356,554,772.69	-	-	359,831,283.59	757,519,446.54
Hubei Province	304,075,855.24	2,709,516.01	-	-	-	-	306,785,371.25
Jiangsu Province	-	1,439,648,229.93	-	-	-	10,619,469.02	1,450,267,698.95
Inner Mongolia Autonomous Region	-	237,868,767.28	-	-	-	-	237,868,767.28
Beijing	-	743,783,793.50	-	-	-	-	743,783,793.50
Guangxi Zhuang Autonomous Region	-	38,762,001.68	-	-	-	1,275,145.45	40,037,147.13
Shandong Province	-	16,715,614.27	-	-	-	-	16,715,614.27
Total	4,386,674,349.61	2,520,621,312.93	510,744,894.58	25,588,040.54	-	583,108,502.33	8,026,737,099.99

Main service categories	Toll road	Environmental protection	Management service	Financial leasing service	Construction service under franchise arrangements	Others	Total
Timing of revenue recognition							
Revenue recognized at a point in time							
Revenue recognized at a point in time	4,386,674,349.61	1,770,314,305.06	-	-	-	391,382,485.21	6,548,371,139.88
Revenue recognized over time							
Revenue recognized over time	-	750,307,007.87	510,744,894.58	-	-	156,944,701.36	1,417,996,603.81
Total	4,386,674,349.61	2,520,621,312.93	510,744,894.58	-	-	548,327,186.57	7,966,367,743.69

(3) Description of performance obligations

The main businesses of the Group are toll highways, environmental protection, etc. For details, please refer to Note III. 26.

There is no major financing component in the revenue contract of the Group.

(4) Explanation of allocation to remaining performance obligations

At the end of the year, the contract liabilities corresponding to the performance obligations that the Group has signed but not yet fulfilled or not fulfilled are RMB219,246,400.33, and revenue will be recognized when the customer obtains control of the product.

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(RMB)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

48. Tax and surcharges

RMB

Item	For the year ended 31 December 2021	For the year ended 31 December 2020
Land appreciation tax	26,197,956.16	40,482,796.77
City maintenance and construction tax	17,337,748.43	11,481,192.79
Property tax	8,948,818.59	3,333,005.18
Educational surcharge	8,039,707.42	8,989,628.03
Stamp tax	7,308,448.56	2,115,455.73
Construction fee for culture development	4,883,468.96	55,801.64
Others	5,624,455.19	391,616.74
Total	78,340,603.31	66,849,496.88

49. Selling expenses

RMB

Item	For the year ended 31 December 2021	For the year ended 31 December 2020
Salaries and wages	30,752,085.86	16,743,844.78
Advertising expenses and business promotion expenses	8,597,562.32	9,855,928.36
Travel fees	6,612,286.85	4,740,057.33
Business entertainment	1,863,602.59	1,587,963.89
Depreciation and amortization	785,663.77	551,049.99
Low-value consumables	42,659.12	1,118,678.42
Others	11,046,618.16	18,453,169.47
Total	59,700,478.67	53,050,692.24

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

50. General and administrative expenses

RMB

Item	For the year ended 31 December 2021	For the year ended 31 December 2020
Salaries and wages	370,655,399.17	232,236,301.46
Depreciation and amortization	51,946,374.59	51,902,833.37
Legal and advisory fees	36,108,612.98	23,817,155.37
Travel fees	8,585,453.35	8,349,566.02
Office and communication charges	8,343,524.63	4,607,834.92
Rents	7,596,980.34	6,012,351.85
Office building management fees	5,209,728.41	4,616,624.24
Business entertainment	6,318,108.68	5,352,916.82
Audit fees	8,609,406.99	8,931,071.43
Stock exchange fees	4,629,558.61	3,092,355.69
Vehicle fees	1,520,064.07	1,751,492.82
Others	19,545,145.73	12,415,842.33
Total	529,068,357.55	363,086,346.32

51. Research and development expenses

RMB

Item	For the year ended 31 December 2021	For the year ended 31 December 2020
Labor cost	28,842,278.32	20,580,502.46
Technical service fee	8,493,335.14	12,314,942.55
Depreciation and amortization	9,232,976.77	3,371,095.24
Direct consumables	7,706,742.62	16,567,922.76
Others	6,296,753.43	5,859,270.77
Total	60,572,086.28	58,693,733.78

The research and development expenses include costs of materials, and labor, depreciation and amortization of R&D machines used in the development of patents. The R&D expenses in this year mainly include the expenses on research and development of wind turbines for Nanjing Wind Power Company and those on research and development of various environmental protection device systems and process technologies of Bioland Environmental Technologies Group Co., Ltd.

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

52. Financial expenses

RMB

Item	For the year ended 31 December 2021	For the year ended 31 December 2020
Interest expenses	925,016,132.54	935,356,181.84
Including: Interest expenses on borrowings	460,196,799.31	478,734,666.87
Interest expenses on bonds payable	275,277,843.71	261,555,054.50
Interest expenses on notes discounted	1,266,546.85	–
Interest expenses on long-term payables	111,734,400.68	121,819,431.63
Interest expenses on lease liabilities (Note XIII. 2(2))	29,285,937.61	7,234,089.26
Unrecognized financing expenses of compensation of newly-built toll station of Longda Expressway and Three Expressways	34,339,814.65	37,574,751.60
Interest expenses on provisions (Note V. 39)	11,182,045.34	2,370,620.85
Interest expense of advance payments	1,732,744.39	19,586,324.27
Unrecognized financing expenses of freight subsidy	–	6,481,242.86
Less: Interest income	103,642,664.28	61,975,573.96
Less: Interest capitalized	28,082,279.47	237,873,468.23
Including: Capitalization of interest expense	31,495,829.39	238,770,769.93
Capitalization of interest income	3,413,549.92	897,301.70
Net exchange losses (gains)	(59,059,107.96)	(154,935,502.55)
Less: Financial gains for pre-repayment of sale and leaseback financing payment	–	1,165,853.24
Others	14,902,208.24	12,142,147.91
Total	749,134,289.07	491,547,931.77

In 2021, the capitalization amount of the Group's borrowing costs included in inventories and intangible assets is set out in Note V.7 (3) and Note V. 19 (3).

Details of interest income are listed as follows:

RMB

Item	For the year ended 31 December 2021	For the year ended 31 December 2020
Interest on deposits	77,870,676.92	61,975,573.96
Interest on long-term receivables	5,055,646.85	–
Interest income on other non-current assets	37,152,923.33	–
Less: Interest income capitalized	19,850,132.74	897,301.70
Total	100,229,114.36	61,078,272.26

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

53. Other income

RMB

Item	For the year ended 31 December 2021	For the year ended 31 December 2020
Government grants related to daily activities	38,219,128.11	35,599,389.58
Tax refund and additional deduction of VAT	124,274.20	5,690,000.00
Other	4,108,652.22	5,605,699.17
Total	42,452,054.53	46,895,088.75

Government grants related to daily activities are as follows:

RMB

Item	For the year ended 31 December 2021	For the year ended 31 December 2020	Related to asset/income
Special bonus for headquarter economy development	30,000,000.00	30,000,000.00	Income
Subsidy for cancellation of provincial expressway toll station project (Note V.40)	7,129,398.12	3,949,930.60	Asset
Government grants for Bioland Group's equipment (Note V.40)	938,174.50	133,549.59	Asset
Government R&D subsidy	50,000.00	1,400,000.00	Income
Financial subsidies for Guishen Company (Note V.40)	101,555.49	115,909.39	Asset
Total	38,219,128.11	35,599,389.58	

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

54. Investment income

RMB

Item	For the year ended 31 December 2021	For the year ended 31 December 2020
Income from long-term equity investments under the equity method (Note V.13)	662,629,195.69	880,729,972.60
Investment income from disposal of long-term equity investments (Note)	25,337,086.30	–
Investment income from other non-current financial assets during the holding period	7,105,183.10	6,395,165.94
Gains on delivery of foreign exchange swap contracts	(125,940,000.00)	17,955,000.00
Gains or losses on sale of assets to associates or joint ventures realized	–	32,252,473.61
Others	961,978.94	30,676.40
Total	570,093,444.03	937,363,288.55

Note: This mainly represents the gains on disposal of held-for-sale assets listed at Shenzhen United Property and Share Rights Exchange on 20 November 2020.

55. Gains (losses) from changes in fair value

RMB

Item	For the year ended 31 December 2021	For the year ended 31 December 2020
Financial assets (liabilities) measured at fair value through profit or loss	359,170,358.31	(42,343,020.67)
Including: Derivative financial instruments	83,677,813.21	(146,367,257.21)
Other non-current financial assets (Note V.14)	62,855,187.72	104,024,236.54
Compensation for valuation adjustment mechanism (Note V.2)	212,637,357.38	–
Gains on adjustment to contingent consideration arising from acquisition of Shuiguan Expressway	–	40,000,000.00
Total	359,170,358.31	(2,343,020.67)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

56. Non-operating income

RMB

Item	For the year ended 31 December 2021	For the year ended 31 December 2020	Amount recognized in non-recurring profit or loss for the period
Government grants not related to daily activities	20,888,922.72	4,033,977.39	20,888,922.72
Others (Note)	27,714,707.17	7,014,965.55	27,714,707.17
Total	48,603,629.89	11,048,942.94	48,603,629.89

Note: It mainly refers to the difference between the fair value of the identifiable net assets of the investee acquired and the initial investment cost amounting to RMB5,772,764.94 arising from the 20% equity of Huai'an Zhongheng acquired by Guangdong New Energy, a subsidiary of the Company, and the sporadic non-operating income of its subsidiaries.

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

RMB

Item	For the year ended 31 December 2021	For the year ended 31 December 2020	Related to asset/income
Government incentives	20,888,922.72	1,286,988.51	Income
Government grants related to Deferred revenue	–	2,746,988.88	Asset
Total	20,888,922.72	4,033,977.39	

57. Non-operating expenses

RMB

Item	For the year ended 31 December 2021	For the year ended 31 December 2020	Amount recognized in non-recurring profit or loss for the period
Losses on damage or scrap of non-current assets	878,322.27	6,536,861.37	878,322.27
Donation	500,000.00	1,591,213.11	500,000.00
Others	3,562,055.28	6,115,055.72	3,562,055.28
Total	4,940,377.55	14,243,130.20	4,940,377.55

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

58. Income tax expense

(1) Classification of income tax expense

RMB

Item	For the year ended 31 December 2021	For the year ended 31 December 2020
Current income tax expense	474,898,889.16	407,667,945.94
Deferred revenue tax expense	(3,099,833.27)	66,242,688.10
Total	471,799,055.89	473,910,634.04

(2) Reconciliation of income tax expenses to the accounting profit is as follows:

RMB

Item	For the year ended 31 December 2021	For the year ended 31 December 2020
Profit before tax	3,178,144,673.41	2,709,466,381.23
Income tax expenses calculated at the statutory/applicable tax rate	794,536,168.35	677,366,595.31
Effect of different tax rates applicable to certain subsidiaries	(19,570,650.08)	(23,374,390.30)
Adjustment of income tax in previous periods	(59,239,674.31)	31,691,031.06
Effect of income not subject to tax	(307,754,879.87)	(229,844,403.04)
Cost, expenses and losses not deductible for tax purposes	3,630,563.09	2,238,402.35
Effect of deductible temporary differences or deductible losses on Deferred revenue tax assets not recognized in the year	68,694,979.22	31,893,534.20
Effect of recognizing previously unrecognized deductible losses and deductible temporary differences	(8,497,450.51)	(16,060,135.54)
Income tax expense	471,799,055.89	473,910,634.04

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

59. Items in the cash flow statement

(1) Cash received relating to other operating activities

RMB

Item	For the year ended 31 December 2021	For the year ended 31 December 2020
Funds received from minority shareholders of subsidiaries	22,932,700.00	–
Security deposit received	103,110,988.95	26,335,240.20
Funds temporarily received	58,167,062.63	–
Government grants received	72,247,622.72	70,915,265.00
Interest income	40,936,291.51	36,423,224.13
Project compensation received	10,776,506.07	–
Others	3,717,914.09	258,670,511.36
Total	311,889,085.97	392,344,240.69

(2) Cash paid relating to other operating activities

RMB

Item	For the year ended 31 December 2021	For the year ended 31 December 2020
Project funds paid	178,470,802.21	–
Deposit paid	50,544,695.91	67,233,632.91
Withholding payments paid	39,345,408.87	–
Intermediary service fee	23,961,601.54	36,486,459.88
Project earnest money paid	8,345,000.00	–
Advance payment for fan project development	–	225,334,966.95
Advance payment for entrusted construction project development	–	214,444,710.71
Others	193,186,704.49	173,763,490.04
Total	493,854,213.02	717,263,260.49

Notes to Financial Statements

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(RMB)

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

59. Items in the cash flow statement (Continued)

(3) Other Cash received relating to investment activities

RMB

Item	For the year ended 31 December 2021	For the year ended 31 December 2020
Capital increase fund and interest refunded by Vanho Securities Co., Ltd.	953,233,904.11	–
Interest income	25,553,449.44	25,484,191.96
Net Cash received from acquisition of subsidiaries Ningxia Zhongwei and Shanghai Zhuneng	4,160,377.88	–
Maturity redemption of financial products	–	81,866,412.76
Total	982,947,731.43	107,350,604.72

(4) Other cash payments relating to investment activities

RMB

Item	For the year ended 31 December 2021	For the year ended 31 December 2020
Net cash payment for the acquisition of SIHICH	610,973,679.03	–
Payment of related party borrowings	636,062,800.14	–
Purchased financial products	–	81,632,192.88
Repayment of pre-distributed profit of Guangyun Company	–	60,059,399.04
Others	85,881.19	8,125,002.80
Total	1,247,122,360.36	149,816,594.72

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

59. Items in the cash flow statement (Continued)

(5) Other Cash received relating to financing activities

RMB

Item	For the year ended 31 December 2021	For the year ended 31 December 2020
Loans received from Shareholders of United Land Company	367,248,057.86	445,900,000.00
Finance lease payment received	149,924,726.58	–
Refundable finance lease deposits received	13,543,000.00	–
Receipt of funds related to cancellation of provincial toll stations	–	–
Others	110,554.61	–
Total	530,826,339.05	445,900,000.00

(6) Other cash payments relating to financing activities

RMB

Item	For the year ended 31 December 2021	For the year ended 31 December 2020
Payment of financial leasing equipment	1,354,300,000.00	668,902,785.84
Payment of principal and interest on sale and leaseback financing	157,856,474.31	111,032,197.35
Repayment of loans to shareholders of subsidiaries	231,569,672.88	–
Repayment of capital contribution from minority shareholders	24,539,006.10	–
Repayment of principal and interest on lease liabilities	34,672,623.11	57,528,760.76
Brokerage fees for issuing bonds	21,759,330.48	4,422,400.00
Payment of withholding tax on interest of USD debt	7,189,265.57	–
Net cash payments for the acquisition of Logistics Finance Company and Financial Leasing Company	–	22,690,000.00
Cash payment for the acquisition of Shenzhen Longda Expressway Co., Ltd. ("Longda Company")	–	404,855,267.59
Payment of debt owed by Logistics Finance Company to Shenzhen International Limited ("Shenzhen International Hong Kong")	–	129,000,000.00
Repayment of borrowings from shareholders of United Land Company	–	102,900,000.00
Repayment of borrowings from minority shareholders of subsidiaries	–	29,749,845.10
Others	9,521,753.44	2,142,501.08
Total	1,841,408,125.89	1,533,223,757.72

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

60. Supplementary information to the cash flow statement

(1) Supplementary information to the cash flow statement

RMB

Supplementary information	For the year ended 31 December 2021	For the year ended 31 December 2020
1. Reconciliation from net profit to cash flows from operating activities:		
Net profit	2,706,345,617.52	2,235,555,747.19
Add: Depreciation of fixed assets	423,321,406.17	286,255,363.26
Depreciation of right-of-use assets	40,469,275.16	44,518,677.04
Amortization of investment properties	575,833.32	575,942.40
Amortization of intangible assets	1,809,848,993.13	1,447,663,823.26
Amortization of long-term prepaid expenses	17,195,558.24	7,547,753.34
Losses (gains) on disposal of fixed, intangible, and other long-term assets	(17,391,358.90)	(74,529.31)
Losses on retirement of non-current assets	878,322.27	6,536,861.37
Losses (gains) on change in fair value	(359,170,358.31)	2,343,020.67
Financial expenses	749,134,289.07	516,222,930.60
Investment loss (income)	(570,093,444.03)	(937,363,288.55)
Credit impairment loss	52,126,979.64	48,205,059.78
Assets impairment loss	117,161,160.11	116,143.51
Decrease (increase) in Deferred revenue tax assets	142,542,926.24	76,330,541.50
Increase (decrease) in deferred tax liabilities	(142,886,396.07)	(10,087,853.40)
Decrease (increase) in inventories	(399,021,012.34)	(189,340,354.45)
Decrease (increase) in operating receivables	(215,611,416.83)	(1,822,071,834.65)
Increase (decrease) in operating payables	(413,895,606.66)	(612,300,070.49)
Net cash flows from operating activities	3,941,530,767.73	1,100,633,933.07
2. Net changes in cash and cash equivalents:		
Closing balance of cash	3,709,904,512.86	3,233,581,180.27
Less: Opening balance of cash	3,233,581,180.27	2,977,834,893.73
Net increase in cash and cash equivalents	476,323,332.59	255,746,286.54

(2) Major investing and financing activities that do not involve cash receipts and payments:

RMB

Item	For the year ended 31 December 2021	For the year ended 31 December 2020
Balance of dividends of associates and joint ventures offset loans of related parties	327,130,605.57	312,120,473.62

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

60. Supplementary information to the cash flow statement (Continued)

(3) Net cash payments to acquire subsidiaries in the year

RMB

Item	Amount
Cash or cash equivalents paid in the current year for business combinations occurring in the current year	600,000,000.00
Including: Qianzhi Company, Qianhui Company and Qianxin Company	600,000,000.00
Less: Cash and cash equivalents held by subsidiaries at the date of acquisition	13,970,753.13
Including: Qianzhi Company, Qianhui Company and Qianxin Company	13,970,753.13
Add: Cash or cash equivalents paid in the current year for business combinations occurring in the prior period	82,365,067.69
Including: Bioland Company	23,869,617.69
Engineering Development Company	3,495,450.00
Qiantai Company	55,000,000.00
Net cash payments for acquisitions of subsidiaries	668,394,314.56

Note: The total cash at banks and on hand for acquisitions of Qianzhi Company, Qianhui Company and Qianxin Company were RMB13,970,753.13 at the combination date, including cash and cash equivalents of RMB13,970,753.13.

(4) Composition of cash and cash equivalents

RMB

Item	31 December 2021	31 December 2020
I. Cash	3,709,904,512.86	3,233,581,180.27
Including: Cash on hand	85,897,024.14	8,148,179.86
Cash at banks that can be withdrawn on demand	3,624,007,488.72	3,225,433,000.41
II. Balance of cash and cash equivalents at the end of the year	3,709,904,512.86	3,233,581,180.27
Add: Restricted cash and cash equivalents held by the Company and Group companies (Note V.1)	460,685,084.65	2,315,723,172.17
Add: Interest on time deposits	26,181,929.21	–
III. Cash at banks and on hand	4,196,771,526.72	5,549,304,352.44

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V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

61. Assets with ownership or use right restricted

RMB

Item	31 December 2021	31 December 2020	Reason for restriction
Charging right of Qinglian Expressway	5,801,265,680.65	6,126,097,557.95	Pledge
Charging right of Coastal Expressway	5,450,678,838.91	5,755,570,518.57	Pledge
Charging right of Outer Ring Expressway	5,501,546,332.03	3,409,706,840.88	Pledge
Charging right of Shuiguan Expressway	1,712,659,598.88	2,133,075,269.23	Pledge
The 100% equity in Meiguan Company	507,173,179.70	554,374,024.14	Pledge
The 45% equity in JEL Company	268,931,387.56	262,240,520.97	Pledge
The 100% equity in Qianxin Company	268,502,073.95	–	Guarantee
The 100% equity in Qianzhi Company and Qianhui Company	823,997,027.51	–	Guarantee
Cash at banks and on hand	460,685,084.65	2,315,723,172.17	See Note V. 1
Land-use right of Langfang Waterland Machinery Manufacturing Co., Ltd. (“Langfang Waterland”)	21,743,984.85	22,225,401.45	Mortgage
Franchise rights of kitchen waste disposal project of 11 subsidiaries of Bioland Company and production equipment of 2 subsidiaries of Bioland Company	1,681,890,955.84	1,353,533,583.44	Mortgage and pledge
Equity interest in 10 subsidiaries of Bioland Company	509,438,372.40	513,043,091.31	Pledge
Collection rights to accounts receivable of Huangshi Bioland	3,777,056.89	–	Pledge
Floors 37, 40–48 of Hanjing Headquarters Building	1,122,754,109.75	–	Mortgage
Collection rights to accounts receivable of financing lease projects	487,434,149.44	–	Pledge
Total	24,618,700,776.12	22,445,589,980.11	

Note: In addition to the above, the Group pledged the charging right of electric charge of the Company’s subsidiaries, Qianxin Company, Qianzhi Company and Qianhui Company. See Note V, 34 for details.

V. NOTES TO KEY ITEMS IN THE CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

62. Monetary items denominated in foreign currencies

(1) Monetary items denominated in foreign currencies

Item	31 December 2021	Exchange rate	Equivalent to RMB
Cash at banks and on hand			25,939,256.17
Including: HKD	23,709,063.65	0.8176	19,384,530.44
USD	1,029,049.15	6.3695	6,554,408.66
EUR	12.00	7.2067	86.48
FRF	11.70	6.9778	81.64
ESP	446.00	0.0468	20.88
JPY	380.00	0.0554	21.05
Other receivables			644,967,849.04
Including: HKD	788,855,001.27	0.8176	644,967,849.04
Short-term borrowings			1,300,514,486.13
Including: HKD	1,590,648,833.33	0.8176	1,300,514,486.13
Employee benefits payable			202,764.80
Including: HKD	248,000.00	0.8176	202,764.80
Other payables			199,775.69
Including: HKD	244,344.04	0.8176	199,775.69
Lease liabilities			6,070,085.38
Including: HKD	7,424,272.72	0.8176	6,070,085.38
Non-current liabilities due within one year			16,094,694.60
Including: USD	2,522,916.67	6.3695	16,094,694.60
Bonds payable			1,897,068,515.36
Including: USD	300,000,000.00	6.3695	1,897,068,515.36

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VI. CHANGES IN SCOPE OF CONSOLIDATION

1. Business combination not involving enterprises under common control

(1) Business combination not involving enterprises under common control for the year

RMB

Acquired company	Equity acquisition date	Cost of acquisition	Shareholding percentage (%)	Acquisition method	Acquisition date	Determination basis of acquisition date	Income of the acquired company from the date of acquisition to the end of the year	Net profit of the acquired company from the date of acquisition to the end of the year
Qianzhi Company (Note 1)	26 January 2021	290,000,000.00	100.00	Acquisition of equity	26 January 2021	Equity transfer procedures completed	154,733,637.77	48,673,964.65
Qianhui Company (Note 1)	26 January 2021	160,000,000.00	100.00	Acquisition of equity	26 January 2021	Equity transfer procedures completed	117,156,831.59	51,333,723.24
Qianxin Company (Note 2)	26 March 2021	150,000,000.00	100.00	Acquisition of equity	26 March 2021	Equity transfer procedures completed	35,563,739.91	8,822,073.95
Shanghai Zhuneng New Energy Technology Co., Ltd. ("Shanghai Zhuneng") (Note 3)	1 September 2021	1,512,900.00	100.00	Acquisition of equity	1 September 2021	Equity transfer procedures completed	14,680,523.88	6,075,699.99
Ningxia Zhongwei (Note 4)	15 December 2021	2,069,763.12	100.00	Acquisition of equity	15 December 2021	Equity transfer procedures completed	1,817,685.01	129,037.81

Note 1: On 25 January 2021, Guangdong New Energy, a subsidiary of the Company, entered into an equity transfer and capital increase agreement with Wiscom system Co., Ltd. ("Wiscom system"), Jiangsu Wiscom Group Co., Ltd. (Wiscom system's controlling shareholder), Qianzhi Company and Qianhui Company, under which Guangdong New Energy, the subsidiary of the Company, agreed to acquire 100% equity interests in Qianzhi Company and Qianhui Company for RMB290,000,000.00 and RMB160,000,000.00, respectively, and to increase capital to Qianzhi Company and Qianhui Company by RMB189,180,000.00 and RMB104,380,000.00, respectively, upon completion of the equity transfer. On 26 January 2021, the equity transfer and capital increase procedures were completed and, the Group appointed directors and supervisors in Qianzhi Company and Qianhui Company, taken over their daily operating activities, controlled the financial and operation policies of Qianzhi Company and Qianhui Company, enjoying corresponding benefits and bearing corresponding risks. Therefore, the Group included Qianzhi Company and Qianhui Company in the scope of consolidated financial statements with effect from 26 January 2021.

Note 2: On 26 March 2021, Guangdong New Energy, a subsidiary of the Company, entered into an equity transfer and capital increase agreement with Wiscom system, Beijing Tianrui Bofeng Power Engineering Technology Co., Ltd. and Qianxin Company, under which Guangdong New Energy, the subsidiary of the Company agreed to acquire 100% equity interests in Qianxin Company for RMB150,000,000.00, and to increase capital to Qianxin Company by RMB121,680,000.00 upon completion of the equity transfer. On 26 March 2021, the equity transfer and capital increase procedures were completed and, the Group appointed directors and supervisors in Qianxin Company, taken over its daily operating activities, controlled the financial and operation policies of Qianxin Company, enjoying corresponding benefits and borne corresponding risks. Therefore, the Group included Qianxin Company in the scope of consolidated financial statements with effect from 26 March 2021.

VI. CHANGES IN SCOPE OF CONSOLIDATION (CONTINUED)

1. Business combination not involving enterprises under common control (Continued)

(1) Business combination not involving enterprises under common control for the year (Continued)

Note 3: On 31 August 2021, Guangdong New Energy, a subsidiary of the Company, entered into an equity transfer agreement with Shanghai Zhuneng, Li Shijun, Li Haodong and Yongcheng Zhuneng (a wholly-owned subsidiary of Shanghai Zhuneng), under which the subsidiary of the Company agreed to acquire 100% equity interests in Shanghai Zhuneng for RMB1,512,900.00, and to increase capital to Yongcheng Zhuneng by RMB72,450,000.00 and decrease capital to Shanghai Zhuneng by RMB47,550,000.00 upon completion of the equity transfer. On 1 September 2021, the Group completed the appointment of directors and supervisors in Shanghai Zhuneng and taken over its daily operating activities. The Group has controlled the financial and operation policies of Shanghai Zhuneng, enjoying corresponding benefits and bearing corresponding risks. The Group therefore included Shanghai Zhuneng and its subsidiaries in the scope of consolidated financial statements with effect from 1 September 2021.

Note 4: On 14 December 2021, Guangdong New Energy, a subsidiary of the Company, entered into an equity transfer agreement with Beijing Tongchuang Hengyuan Technology Development Co., Ltd. ("Beijing Tongchuang Hengyuan"), under which the subsidiary of the Company agreed to acquire 100% equity interests in Ningxia Zhongwei for RMB2,069,763.12, and to increase capital to Ningxia Zhongwei by RMB172,920,236.88 upon completion of the equity transfer. On 15 December 2021, the equity transfer procedures were completed, therefore, the Group included Ningxia Zhongwei in the scope of consolidated financial statements with effect from 15 December 2021.

(2) Acquisition cost and goodwill

RMB

Acquisition cost	Qianzhi Company	Qianhui Company	Qianxin Company	Shanghai Zhuneng	Ningxia Zhongwei
– Cash	290,000,000.00	160,000,000.00	150,000,000.00	353,580.00	1.00
– Fair value of non-cash assets	–	–	–	–	–
– Fair value of debt issued or assumed	–	–	–	1,159,320.00	2,069,762.12
– Fair value of issued equity securities	–	–	–	–	–
– Fair value of contingent consideration	–	–	–	–	–
– Fair value of the equity held before the acquisition date on the acquisition date	–	–	–	–	–
– Others	–	–	–	–	–
Total cost of consolidation	290,000,000.00	160,000,000.00	150,000,000.00	1,512,900.00	2,069,763.12
Less: Fair value share of identifiable net assets acquired	290,000,000.00	160,000,000.00	150,000,000.00	1,512,900.00	2,949,585.93
Goodwill	–	–	–	–	(879,822.81)

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(RMB)

VI. CHANGES IN SCOPE OF CONSOLIDATION (CONTINUED)

1. Business combination not involving enterprises under common control (Continued)

(3) Identifiable assets and liabilities of the acquiree on the acquisition date are listed below:

RMB

Item	Qianzhi Company		Qianhui Company		Qianxin Company		Shanghai Zhuneng		Ningxia Zhongwei	
	Fair value on acquisition date	Carrying amount on acquisition date	Fair value on acquisition date	Carrying amount on acquisition date	Fair value on acquisition date	Carrying amount on acquisition date	Fair value on acquisition date	Carrying amount on acquisition date	Fair value on acquisition date	Carrying amount on acquisition date
Assets:	1,243,638,464.24	1,238,137,269.95	730,585,095.60	727,751,258.62	388,109,474.54	369,571,797.43	272,942,202.49	272,942,202.49	466,382,295.04	466,382,295.04
Cash at banks and on hand	74,805.20	74,805.20	34,194.92	34,194.92	13,861,753.03	13,861,753.03	3,881,659.18	3,881,659.18	2,702,061.82	2,702,061.82
Bills receivable	-	-	-	-	839,102.27	839,102.27	-	-	1,200,000.00	1,200,000.00
Accounts receivable	3,030,970.29	3,030,970.29	2,053,424.67	2,053,424.67	2,143,324.97	2,143,324.97	1,631,303.61	1,631,303.61	674,028.09	674,028.09
Prepayments	68,333.33	68,333.33	26,666.67	26,666.67	132,668.30	132,668.30	1,470,000.00	1,470,000.00	55,000.00	55,000.00
Other receivables	42,124,607.50	42,124,607.50	-	-	-	-	6,650,000.00	6,650,000.00	14,108,762.12	14,108,762.12
Other current assets	10,686,063.33	10,686,063.33	3,061,088.87	3,061,088.87	3,202,635.60	3,202,635.60	5,859,922.58	5,859,922.58	9,679,589.44	9,679,589.44
Long-term receivables	11,562,032.00	11,562,032.00	6,891,368.00	6,891,368.00	80,627,929.54	80,627,929.54	7,993,462.48	7,993,462.48	30,173,816.28	30,173,816.28
Fixed assets	387,302,909.83	387,302,909.83	271,099,294.96	271,099,294.96	282,366,685.95	263,829,008.84	82,918,981.48	82,918,981.48	142,781,819.70	142,781,819.70
Right-of-use assets	761,133,147.89	761,133,147.89	432,614,235.22	432,614,235.22	-	-	162,536,873.16	162,536,873.16	264,987,153.86	264,987,153.86
Intangible assets	27,655,594.87	22,154,400.58	14,804,822.29	11,970,985.31	-	-	-	-	-	-
Long-term prepaid expenses	-	-	-	-	3,680,895.80	3,680,895.80	-	-	-	-
Deferred revenue tax assets	-	-	-	-	1,254,479.08	1,254,479.08	-	-	20,063.73	20,063.73
									-	-
Liabilities:	953,638,464.24	952,813,285.10	570,585,095.60	570,160,020.05	238,109,474.54	235,328,822.98	271,429,302.49	271,429,302.49	463,432,709.11	463,432,709.11
Accounts payable	95,259,918.29	95,259,918.29	56,675,944.36	56,675,944.36	1,295,183.73	1,295,183.73	90,718,278.34	90,718,278.34	48,663,392.72	48,663,392.72
Taxes payable	-	-	22,527.93	22,527.93	2,905.77	2,905.77	1,179,220.82	1,179,220.82	5,761.79	5,761.79
Other payables	88,897,375.69	88,897,375.69	76,573,915.09	76,573,915.09	126,690,891.74	126,690,891.74	10,072,706.47	10,072,706.47	153,511,064.97	153,511,064.97
Non-current liabilities due within one year	71,920,460.52	71,920,460.52	40,881,086.34	40,881,086.34	40,000,000.00	40,000,000.00	22,363,730.92	22,363,730.92	-	-
Long-term borrowings	-	-	-	-	66,163,526.69	66,163,526.69	-	-	-	-
Lease liabilities	696,713,002.67	696,713,002.67	396,026,168.49	396,026,168.49	-	-	148,268,824.97	148,268,824.97	261,258,251.42	261,258,251.42
Deferred tax liabilities	825,179.14	-	425,075.55	-	2,780,651.56	-	-	-	-	-
Net assets	290,000,000.00	285,323,984.85	160,000,000.00	157,591,238.57	150,000,000.00	134,242,974.45	1,512,900.00	1,512,900.00	2,949,585.93	2,949,585.93
Less: Minority interests	-	-	-	-	-	-	-	-	-	-
Acquired net assets	290,000,000.00	285,323,984.85	160,000,000.00	157,591,238.57	150,000,000.00	134,242,974.45	1,512,900.00	1,512,900.00	2,949,585.93	2,949,585.93

VI. CHANGES IN SCOPE OF CONSOLIDATION (CONTINUED)

2. Changes in scope of consolidation for other reasons

(1) Absorption, merger and reduction of subsidiaries for the year

On 31 March 2021, the Company absorbed and merged Airport-Heao Eastern Company, a subsidiary of the Company, which shall be accounted for independently. The tax and industrial & commercial procedures on cancellation of Airport-Heao Eastern Company have been completed on 21 October 2021.

(2) New subsidiaries for the year

Shenzhen Guangming Shenzhen Expressway Environment Technology Co., Ltd. (“Guangming Environment Technology”) was established in Shenzhen city, Guangdong Province on 25 January 2021 with a registered capital of RMB200,000,000.00, and the Company holds 100.00% of its interest. The scope of business of Guangming Environment Technology is kitchen waste disposal.

Shenzhen Expressway Asphalt Technology Development Co., Ltd. (“Shenzhen Expressway Asphalt Technology”) was established in Shenzhen, Guangdong Province on 26 April 2021 with a registered capital of RMB30,000,000.00. Shenzhen Expressway Construction Development Company Limited (“Construction Development Company”), a subsidiary of the Company, holds 55.00% of its interest. The company’s business scope is research, development, production, sales, transportation and construction of all kinds of asphalt and building materials products.

Beihai Zhonglan was established on 22 January 2021 in Beihai City, Guangxi Zhuang Autonomous Region, with a registered capital of RMB16,390,000.00. Bioland Company, a subsidiary of the Company, holds 90.00% of its interest. The company’s business scope is kitchen waste disposal.

Shenzhen Zhuneng New Energy Technology Co., Ltd. (“Shenzhen Zhuneng”) was established on 26 August 2021 in Shenzhen, Guangdong Province, with a registered capital of RMB100,000.00. Guangdong New Energy, a subsidiary of the Company, holds 100% of its equity. The company’s business scope is production and supply of electricity and heat.

Chuzhou Bioland Environmental Protection Technology Co., Ltd. (“Chuzhou Bioland”) was established in Chuzhou, Anhui Province on 17 November 2021 with a registered capital of RMB25,492,400.00. Bioland Company, a subsidiary of the Company, holds 89.10% of its interest. The company’s business scope is research and development of resource recycling technology and food waste disposal.

Shenzhen Expressway Shengao Lekang Health Service (Shenzhen) Co., Ltd. (“Shengao Lekang”) was established in Shenzhen, Guangdong Province on 2 December 2021 with a registered capital of RMB15,000,000.00. Shenzhen Expressway Investment Company Limited, a subsidiary of the Company, holds 80.00% of its interest. The company’s business scope is nursing service, health consultation and health care services.

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VI. CHANGES IN SCOPE OF CONSOLIDATION (CONTINUED)

2. Changes in scope of consolidation for other reasons (Continued)

(2) New subsidiaries (Continued)

Harbin Nengchuang Fenglian New Energy Co., Ltd. ("Harbin Nengchuang") was established in Harbin, Heilongjiang Province on 18 October 2021 with a registered capital of RMB5,000,000.00. Nanjing Wind Power, a subsidiary of the Company, holds 100.00% of its interest. The company's business scope is wind power technology services.

Shenzhen Expressway Business Co., Ltd. ("Shenzhen Expressway Business") was established in Shenzhen, Guangdong Province on 3 December 2021 with a registered capital of RMB8,000,000.00. The Company holds 100.00% of its interest. The company's business scope is enterprise headquarters management, conference and exhibition services, etiquette services, and business agency services.

Harbin Lingfeng New Energy Co., Ltd. ("Harbin Lingfeng") was established in Harbin, Heilongjiang Province on 20 December 2021 with a registered capital of RMB1,000,000.00. Mei Wah, a subsidiary of the Company, holds 100.00% of its interest. The company's business scope is research and development of wind power related systems and technical services of wind power generation.

VII. INTERESTS IN OTHER ENTITIES

1. Interests in subsidiaries

(1) Composition of the Group:

Name of subsidiaries	Place of main business	Place of registration	Nature of business	Registered capital (RMB, Unless otherwise specified)	Equity interest (%)		
					Direct	Indirect	Acquired through
Shenzhen Outer Ring Expressway Investment Company Limited ("Outer Ring Company")	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	6,500,000,000.00	100.00	-	Incorporation
Shenzhen Expressway Investment Company Limited ("Investment Company") (Note 1)	Guizhou Province, PRC	Shenzhen City, Guangdong Province, PRC	Investment	400,000,000.00	100.00	-	Incorporation
Guishen Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Infrastructure construction	500,000,000.00	-	70.00	Incorporation
Guizhou Land Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	158,000,000.00	-	70.00	Incorporation
Shenzhen Expressway Property Management Company Limited ("Property Company")	Longli County, Guizhou Province, PRC	Shenzhen City, Guangdong Province, PRC	Property management	1,000,000.00	-	100.00	Incorporation

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries(Continued)

(1) Composition of the Group: (Continued)

Name of subsidiaries	Place of main business	Place of registration	Nature of business	Registered capital (RMB, Unless otherwise specified)	Equity interest (%)		
					Direct	Indirect	Acquired through
Environmental Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Environmental projects and advisory	5,000,000,000.00	100.00	-	Incorporation
JEL Company	Hubei Province, PRC	Cayman Islands	Investment holding	USD30,000,000.00	-	100.00	Business combinations under common control
Hubei Magerk Expressway Management Co., Ltd. ("Magerk Company")	Hubei Province, PRC	Hubei Province, PRC	Toll road operation	USD28,000,000.00	-	100.00	Business combinations under common control
Qinglian Company	Qingyuan City, Guangdong Province, PRC	Qingyuan City, Guangdong Province, PRC	Toll road operation	3,361,000,000.00	51.37	25.00	Business combinations not under common control
Shenzhen High Speed Advertising Limited Company ("Advertising Company")	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Advertising agency	30,000,000.00	95.00	5.00	Business combinations not under common control
Meiguan Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	332,400,000.00	100.00	-	Business combinations not under common control
Mei Wah Company	Hubei Province and Guangdong Province, PRC	Hong Kong	Investment holding	823,012,897.00	100.00	-	Business combinations not under common control
Maxprofit Company	Guangdong Province, PRC	British Virgin Islands	Investment holding	USD85,360,000.00	-	100.00	Business combinations not under common control
Fameluxe Company	Hong Kong, China	Hong Kong	Investment holding	HKD10,000.00	-	100.00	Business combinations not under common control
Operation Development Company(Note 1)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	30,000,000.00	100.00	-	Incorporation
Qinglong Company (Note 2)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	324,000,000.00	40.00	10.00	Business combinations not under common control
Shenchang Company	Changsha City, Hunan Province, PRC	Changsha City, Hunan Province, PRC	Toll road operation	200,000,000.00	51.00	-	Business combinations not under common control
Yichang Company	Changde City, Hunan Province, PRC	Changde City, Hunan Province, PRC	Toll road operation	345,000,000.00	100.00	-	Business combinations not under common control
Construction Development Company(Note 1)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Infrastructure construction	30,000,000.00	100.00	-	Incorporation
Infrastructure Environmental Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Infrastructure environment protection business	500,000,000.00	51.00	49.00	Incorporation
Shenzhen Express Private Equity Industry Investment Fund Management Co., Ltd. ("Fund Company") (Note 1)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Capital market services	19,607,800.00	51.00	-	Incorporation

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries(Continued)

(1) Composition of the Group: (Continued)

Name of subsidiaries	Place of main business	Place of registration	Nature of business	Registered capital (RMB, Unless otherwise specified)	Equity interest (%)		
					Direct	Indirect	Acquired through
Shenzhen Guangshen Coastal Expressway Investment Company Limited ("Coastal Expressway")	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	4,600,000,000.00	100.00	-	Business combination under common control
Guizhou Shenzhen Expressway Investment Land Company ("Guishen Expressway Investment")	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Comprehensive land development	1,000,000.00	-	70.00	Incorporation
Shenzhen Expressway Yijia Apartment Management Limited Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Apartment rents and management	10,000,000.00	-	60.00	Incorporation
Guizhou Yefengrui Land Limited Company ("Yefengrui Land")	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Comprehensive land development	1,000,000.00	-	70.00	Incorporation
Shenzhen Expressway SUEZ Environment Limited Company ("SUEZ Environment")	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Environmental technology development consultation	100,000,000.00	-	51.00	Incorporation
Nanjing Wind Power	Nanjing City, Jiangsu Province, PRC	Nanjing City, Jiangsu Province, PRC	Manufacturing	357,142,900.00	-	51.00	Business combinations not under common control
Baotou Jinling Wind Power Technology Co., Ltd.	Baotou City, Inner Mongolia Province, PRC	Baotou City, Inner Mongolia Province, PRC	Manufacturing	20,000,000.00	-	51.00	Business combinations not under common control
Xuanwei Nanfeng New Energy Co., Ltd.	Qujing City, Yunnan Province, PRC	Qujing City, Yunnan Province, PRC	Manufacturing	3,000,000.00	-	51.00	Business combinations not under common control
Qing'an County Nanfeng New Energy Technology Co., Ltd.	Suihua City, Heilongjiang Province, PRC	Suihua City, Heilongjiang Province, PRC	Manufacturing	5,000,000.00	-	51.00	Incorporation
Tangyuan County Nanfeng Wind Power Co., Ltd.	Jiamusi City, Heilongjiang Province, PRC	Jiamusi City, Heilongjiang Province, PRC	Manufacturing	10,000,000.00	-	51.00	Incorporation
Jiamusi County Nanfeng Yongfa Electric Power Technology Co., Ltd.	Jiamusi City, Heilongjiang Province, PRC	Jiamusi City, Heilongjiang Province, PRC	Manufacturing	10,000,000.00	-	51.00	Incorporation
Shangzhi Nanfeng New Energy Technology Co., Ltd.	Shangzhi City, Heilongjiang Province, PRC	Shangzhi City, Heilongjiang Province, PRC	Manufacturing	5,000,000.00	-	51.00	Incorporation
Baotou Nanfeng	Baotou City, Inner Mongolia Province, PRC	Baotou City, Inner Mongolia Province, PRC	Wind power	632,800,000.00	0.95	99.05	Business combinations not under common control
Baotou Lingxiang New Energy Co. Ltd	Baotou City, Inner Mongolia Province, PRC	Baotou City, Inner Mongolia Province, PRC	Wind power	148,100,000.00	-	100.00	Business combinations not under common control

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries(Continued)

(1) Composition of the Group: (Continued)

Name of subsidiaries	Place of main business	Place of registration	Nature of business	Registered capital (RMB, Unless otherwise specified)	Equity interest (%)		
					Direct	Indirect	Acquired through
Damaoqi Nanchuan Wind Power Co., Ltd.	Baotou City, Inner Mongolia Province, PRC	Baotou City, Inner Mongolia Province, PRC	Wind power	128,200,000.00	-	100.00	Business combinations not under common control
Damaoqi Ningyuan Wind Power Co., Ltd.	Baotou City, Inner Mongolia Province, PRC	Baotou City, Inner Mongolia Province, PRC	Wind power	179,000,000.00	-	100.00	Business combinations not under common control
Damaoqi Ningxiang Wind Power Co., Ltd.	Baotou City, Inner Mongolia Province, PRC	Baotou City, Inner Mongolia Province, PRC	Wind power	129,500,000.00	-	100.00	Business combinations not under common control
Damaoqi Ningfeng Wind Power Co., Ltd.	Baotou City, Inner Mongolia Province, PRC	Baotou City, Inner Mongolia Province, PRC	Wind power	126,000,000.00	-	100.00	Business combinations not under common control
Bioland Company	Beijing City, PRC	Zhengzhou City, Henan Province, PRC	Environment and facility services	234,933,000.00	-	67.14	Business combinations not under common control
Guangxi Bioland	Nanning City, Guangxi Zhuang Autonomous Region, PRC	Nanning City, Guangxi Zhuang Autonomous Region, PRC	Kitchen waste disposal	123,000,000.00	-	100.00	Business combinations not under common control
Dezhou Bioland	Dezhou City, Shandong Province, PRC	Dezhou City, Shandong Province, PRC	Kitchen waste disposal	50,000,000.00	-	100.00	Business combinations not under common control
Guiyang Beier Bioland	Guiyang City, Guizhou Province, PRC	Guiyang City, Guizhou Province, PRC	Kitchen waste disposal	43,000,000.00	-	100.00	Business combinations not under common control
Taizhou Bioland	Taizhou City, Jiangsu Province, PRC	Taizhou City, Jiangsu Province, PRC	Kitchen waste disposal	68,000,000.00	-	100.00	Business combinations not under common control
Dezhou Zhonghe Environmental Protection Equipment Manufacturing Co., LTD	Dezhou City, Shandong Province, PRC	Dezhou City, Shandong Province, PRC	Equipment manufacturing	30,000,000.00	-	100.00	Business combinations not under common control
Kunshan Beier Bioland Environmental Technology Co., Ltd.	Kunshan City, Jiangsu Province, PRC	Kunshan City, Jiangsu Province, PRC	Kitchen waste disposal	25,000,000.00	-	95.00	Business combinations not under common control
Longyou Bioland	Quzhou City, Zhejiang Province, PRC	Quzhou City, Zhejiang Province, PRC	Kitchen waste disposal	10,500,000.00	-	100.00	Business combinations not under common control
Langfang Waterland	Langfang City, Hebei Province, PRC	Langfang City, Hebei Province, PRC	Equipment manufacturing	30,000,000.00	-	100.00	Business combinations not under common control
Tianjin Waterland Environmental Protection Equipment Manufacturing Co., Ltd.	Tianjin City, PRC	Tianjin City, PRC	Equipment manufacturing	6,000,000.00	-	100.00	Business combinations not under common control
Kunshan Bioland Environmental Technology Co., Ltd.	Kunshan City, Jiangsu Province, PRC	Kunshan City, Jiangsu Province, PRC	Kitchen waste disposal	500,000.00	-	80.00	Business combinations not under common control
Hangzhou Zhishou Environmental Technology Co., Ltd.	Hangzhou City, Zhejiang Province, PRC	Hangzhou City, Zhejiang Province, PRC	Environment and facility services	500,000.00	-	70.00	Business combinations not under common control
Shangrao Bioland	Shangrao City, Jiangxi Province, PRC	Shangrao City, Jiangxi Province, PRC	Kitchen waste disposal	25,000,000.00	-	100.00	Business combinations not under common control

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries(Continued)

(1) Composition of the Group: (Continued)

Name of subsidiaries	Place of main business	Place of registration	Nature of business	Registered capital (RMB, Unless otherwise specified)	Equity interest (%)		Acquired through
					Direct	Indirect	
Huangshi Bioland	Huangshi City, Hubei Province, PRC	Huangshi City, Hubei Province, PRC	Kitchen waste disposal	24,274,980.00	-	70.00	Business combinations not under common control
Pingyu Beier Environmental Technology Co., Ltd.	Zhumadian City, Henan Province, PRC	Zhumadian City, Henan Province, PRC	Kitchen waste disposal	500,000.00	-	100.00	Business combinations not under common control
Handan Bioland	Handan City, Hebei Province, PRC	Handan City, Hebei Province, PRC	Kitchen waste disposal	50,000,000.00	-	90.00	Business combinations not under common control
Guilin Bioland	Guilin City, Guangxi Province, PRC	Guilin City, Guangxi Province, PRC	Kitchen waste disposal	54,600,000.00	-	100.00	Business combinations not under common control
Xinyu Bioland	Xinyu City, Jiangxi Province, PRC	Xinyu City, Jiangxi Province, PRC	Kitchen waste disposal	23,940,000.00	-	100.00	Business combinations not under common control
Zhuji Bioland	Zhuji City, Zhejiang Province, PRC	Zhuji City, Zhejiang Province, PRC	Kitchen waste disposal	100,000,000.00	-	90.00	Business combinations not under common control
Beijing Bioland Environmental Management Co., Ltd.	Beijing City, PRC	Beijing City, PRC	Environment and facility services	45,500,000.00	-	100.00	Business combinations not under common control
Taizhou Bioland High-tech Environmental Protection Equipment Co., Ltd.	Taizhou City, Jiangsu Province, PRC	Taizhou City, Jiangsu Province, PRC	Equipment manufacturing	300,000,000.00	-	100.00	Business combinations not under common control
Hong Kong Bioland	Hong Kong	Hong Kong	Environment and facility services	HKD5,000,000.00	-	100.00	Business combinations not under common control
Fuzhou Bioland Environmental Technology Co., Ltd.	Fuzhou City, Jiangxi Province, PRC	Fuzhou City, Jiangxi Province, PRC	Kitchen waste disposal	24,000,000.00	-	100.00	Business combinations not under common control
Nanjing Shenlu Environmental Technology Co., Ltd.	Nanjing City, Jiangsu Province, PRC	Nanjing City, Jiangsu Province, PRC	Environment and facility services	100,000,000.00	-	100.00	Business combinations not under common control
BIOLAND ENVIRONMENTAL SOLUTIONS INC	Canada	Canada	Environment and facility services	CAD 100,100.00	-	100.00	Business combinations not under common control
Sichuan Lansheng	Zigong City, Sichuan Province, PRC	Zigong City, Sichuan Province, PRC	Kitchen waste disposal	45,039,000.00	-	84.57	Business combinations not under common control
Jiangsu Bioland Construction Engineering Co., Ltd.	Taizhou City, Jiangsu Province, PRC	Taizhou City, Jiangsu Province, PRC	Environment and facility services	10,000,000.00	-	100.00	Business combinations not under common control
China Logistics Finance	Hong Kong	Hong Kong	Investment holding	HKD1.00	-	100.00	Business combinations not under common control

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries(Continued)

(1) Composition of the Group: (Continued)

Name of subsidiaries	Place of main business	Place of registration	Nature of business	Registered capital (RMB, Unless otherwise specified)	Equity interest (%)		
					Direct	Indirect	Acquired through
Financial Leasing Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Financial leasing and commercial factoring	1,000,000,000.00	65.25	25.00	Business combinations under common control
Engineering Development Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road construction	2,251,990,000.00	-	60.00	Business combinations not under common control
New Energy Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Wind power	1,400,000,000.00	100.00	-	Incorporation
Inner Mongolia Chenghuan Lande Renewable Resources Co., Ltd.	Hohhot, Inner Mongolia Autonomous Region, China	Hohhot, Inner Mongolia Autonomous Region, China	Environment and facility services	43,360,000.00	-	51.00	Incorporation
Shenzhen Lande Environmental Protection Technology Research and Design Institute Co., Ltd.	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Environmental and ecological monitoring, agricultural science research	10,000,000.00	-	100.00	Incorporation
Shenzhen Expressway Gao Le Health Care Co., Ltd.	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Health, elderly care and nursing services	30,000,000.00	-	100.00	Incorporation
Shenzhen Expressway Construction Technology Development Co., Ltd.	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Architecture and Engineering	40,000,000.00	-	51.00	Incorporation
Guangdong New Energy	Liannan Yao Autonomous County, Guangdong Province, PRC	Liannan Yao Autonomous County, Guangdong Province, PRC	Investment holding	1,956,550,000.00	-	100.00	Incorporation
Qiantai Company (Note 3)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Comprehensive utilization of resources	307,692,300.00	-	50.00	Business combinations not under common control
Longda Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	5,000,000.00	89.93	-	Business combinations under common control
Qianxin Company (Note 4)	Mulei County, Changji Prefecture, Xinjiang, China	Mulei County, Changji Prefecture, Xinjiang, China	Wind power	181,120,000.00	-	100.00	Business combinations not under common control
Qianzhi Company (Note 4)	Mulei County, Changji Prefecture, Xinjiang, China	Mulei County, Changji Prefecture, Xinjiang, China	Wind power	479,183,100.00	-	100.00	Business combinations not under common control
Qianhui Company (Note 4)	Mulei County, Changji Prefecture, Xinjiang, China	Mulei County, Changji Prefecture, Xinjiang, China	Wind power	264,376,900.00	-	100.00	Business combinations not under common control
Guangming Environment Technology (Note 5)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Kitchen waste disposal	200,000,000.00	100.00	-	Incorporation
Shenzhen Expressway Asphalt Technology (Note 5)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Asphalt materials	30,000,000.00	-	55.00	Incorporation
Beihai Zhonglan (Note 5)	Beihai City, Guangxi Province, PRC	Beihai City, Guangxi Province, PRC	Kitchen waste disposal	16,390,000.00	-	90.00	Incorporation

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries(Continued)

(1) Composition of the Group: (Continued)

Name of subsidiaries	Place of main business	Place of registration	Nature of business	Registered capital (RMB, Unless otherwise specified)	Equity interest (%)		
					Direct	Indirect	Acquired through
Yongcheng Zhuneng (Note 4)	Yongcheng, Shangqiu City, Henan Province, PRC	Yongcheng, Shangqiu City, Henan Province, PRC	Wind power	102,450,000.00		100.00	Business combinations not under common control
Shenzhen Zhuneng	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Investment holding	100,000.00		100.00	Incorporation
Shanghai Zhuneng (Note 4)	Shanghai, PRC	Shanghai, PRC	Investment holding	2,450,000.00		100.00	Business combinations not under common control
Ningxia Zhongwei (Note 4)	Zhongwei City, Ningxia Hui Autonomous Region, PRC	Zhongwei City, Ningxia Hui Autonomous Region, PRC	Wind power	175,920,236.88		100.00	Business combinations not under common control
Harbin Nengchuang (Note 5)	Harbin City, Heilongjiang Province, PRC	Harbin City, Heilongjiang Province, PRC	Manufacturing	5,000,000.00	-	51.00	Incorporation
Chuzhou Bioland (Note 5)	Chuzhou City, Anhui Province, PRC	Chuzhou City, Anhui Province, PRC	Kitchen waste disposal	25,492,400.00	-	89.10	Incorporation
Shenzhen Expressway Business (Note 5)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Business services	8,000,000.00	100.00	-	Incorporation
Harbin Lingfeng (Note 5)	Harbin City, Heilongjiang Province, PRC	Harbin City, Heilongjiang Province, PRC	Wind power	USD1,000,000.00	-	100.00	Incorporation
Shengao Lekang (Note 5)	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Health, elderly care and nursing services	15,000,000.00	-	80.00	Incorporation

Note 1: Airport-Heao Eastern Company has been absorbed and merged by the Company since 31 March 2021, and incorporated into independent accounting of Airport-Heao Branch. The tax and industrial & commercial procedures on cancellation of Airport-Heao Eastern Company have been completed. In view of this, a small number of the Group's subsidiaries originally held by Airport-Heao Eastern Company are deemed to be directly held by the Company.

Note 2: The board of directors of Qinglong Company is composed of 7 directors and the Group is entitled to nominate 5 directors. The voting on business matters at the meeting of the board of directors is effective only after it is approved by more than half of all directors. The Group substantially controls Qinglong Company.

Note 3: The board of directors of Qiantai Company is composed of 4 directors, and Infrastructure Environmental Company, a subsidiary of the Group, is entitled to nominate 2 directors and Shenzhen Kungpeng Yichuang Strategic Emerging Industry Equity Investment Fund Partnership ("Kungpeng Yichuang") is entitled to nominate 1 director. The voting on business matters at the meeting of the board of directors is effective only after it is approved by more than half of all directors. According to the Articles of Association, Kungpeng Yichuang agrees to keep consistent with Infrastructure Environmental Company on matters regarding the authority of the board of directors. The Group substantially controls Qiantai Company.

Note 4: New subsidiaries through business combination not involving enterprises under common control in the current year, see Note VI.1 for details;

Note 5: Newly established subsidiaries in the current year, see Note VI. 2 for details.

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (continued)

(2) Significant non-wholly-owned subsidiaries

31 December 2021

RMB

Name of subsidiaries	Equity interest held by minority interests	Profit or loss attributable to minority shareholders	Dividend declared by subsidiaries to the minority shareholders	Balance of minority interests at the end of the year
Qinglian Company	23.63%	44,607,158.52	–	753,351,856.12
Shenchang Company	49.00%	62,384,134.62	(29,400,000.00)	167,995,090.27
Qinglong Company	50.00%	36,540,295.69	(130,000,000.00)	619,896,089.95
Bioland Company	32.86%	(36,012,580.21)	–	430,889,501.33
Total		107,519,008.62	(159,400,000.00)	1,972,132,537.67

31 December 2020

RMB

Name of subsidiaries	Equity interest held by minority interests	Profit or loss attributable to minority shareholders	Dividend declared by subsidiaries to the minority shareholders	Balance of minority interests at the end of the year
Qinglian Company	23.63%	28,348,554.61	–	708,744,697.60
Guishen Company	30.00%	49,683,393.71	–	393,712,155.79
Qinglong Company	50.00%	36,999,567.85	(120,000,000.00)	713,355,794.27
Bioland Company	32.86%	751,537.14	–	443,595,879.54
Total		115,783,053.31	(120,000,000.00)	2,259,408,527.20

(3) Main financial information of significant non-wholly-owned subsidiaries

RMB

Name of subsidiaries	31 December 2021					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	291,941,877.51	6,027,743,004.95	6,319,684,882.46	244,652,359.83	2,889,977,154.84	3,134,629,514.67
Shenchang Company	99,194,393.53	567,833,803.18	667,028,196.71	248,408,371.89	75,949,640.63	324,358,012.52
Qinglong Company	259,591,099.91	1,824,256,251.65	2,083,847,351.56	166,656,590.64	677,398,581.00	844,055,171.64
Bioland Company	651,986,281.25	3,495,793,172.63	4,147,779,453.88	983,945,581.51	1,997,358,430.94	2,981,304,012.45

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (continued)

(3) Main financial information of significant non-wholly-owned subsidiaries (continued)

RMB

Name of subsidiaries	31 December 2020					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	99,630,807.19	6,544,407,244.93	6,644,038,052.12	202,252,278.70	3,445,503,822.98	3,647,756,101.68
Guishen Company	1,888,065,694.66	50,247,831.51	1,938,313,526.17	623,454,456.12	2,485,217.51	625,939,673.63
Qinglong Company	165,939,804.34	2,407,342,395.70	2,573,282,200.04	149,486,273.63	997,084,337.86	1,146,570,611.49
Bioland Company	529,369,666.81	2,868,822,363.74	3,398,192,030.55	802,438,934.98	1,346,244,626.98	2,148,683,561.96

RMB

Name of subsidiaries	2021			
	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Qinglian Company	879,347,366.86	188,773,417.35	188,773,417.35	634,272,347.64
Shenchang Company	302,025,768.37	127,314,560.44	127,314,560.44	223,464,276.20
Qinglong Company	664,453,211.95	73,080,591.37	73,080,591.37	473,653,098.58
Bioland Company	1,200,191,357.92	(106,339,229.15)	(106,339,229.15)	(32,000,190.25)

RMB

Name of subsidiaries	2020			
	Revenue	Net profit	Total comprehensive income	Cash flows from operating activities
Qinglian Company	836,741,871.22	119,968,491.76	119,968,491.76	530,079,410.72
Guishen Company	681,891,475.54	165,611,312.37	165,611,312.37	(508,988,766.87)
Qinglong Company	614,663,829.63	73,999,135.70	73,999,135.70	364,945,153.96
Bioland Company	847,749,894.99	8,526,999.61	8,526,999.61	(191,632,927.23)

Note: Except for the significant non-wholly-owned subsidiaries listed in Note VII.1 (2), since the amount of revenue realized by other non-wholly-owned subsidiaries in the current year does not exceed 5% of the total revenue of the Group in the current year, the total profit realized in the current year does not exceed 5% of the total profit of the Group in the current year, none of the total assets at the end of the period is higher than 5% of the total assets of the Group at the end of the year, the Company's board of directors believes that except for the significant non-wholly-owned subsidiaries listed in Note VII.1(2), the other non-wholly-owned subsidiaries are insignificant non-wholly-owned subsidiaries.

VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

1. Interests in subsidiaries (continued)

(4) Substantial restriction to the usage of assets or the settlement of liabilities of the Group

As at 31 December 2021, there was no restriction which prohibited the usage of assets or the settlement of liabilities of the Group.

2. Interests in associates and joint ventures

(1) Significant associates and joint ventures

Name	Place of main business	Place of registration	Nature of business	Equity interest (%)		
				Direct	Indirect	Accounting treatment
Derun Environment	Chongqing, China	Chongqing, China	Environmental governance and resource recovery	-	20.00	Equity method

(2) Main financial information of significant associates and joint ventures

RMB

Item	31 December 2021/ For the year ended 31 December 2021	31 December 2021/For the year ended 31 December 2020	
	Derun Environment (Note)	Derun Environment	United Land Company
Current assets	12,400,511,883.93	11,402,640,099.13	12,579,671,364.22
Including: Cash and cash equivalents	5,393,849,564.58	5,559,919,335.56	2,279,470,782.24
Non-current assets	44,952,381,718.66	38,181,346,863.66	308,944,152.67
Total assets	57,352,893,602.59	49,583,986,962.79	12,888,615,516.89
Current liabilities	10,698,916,046.44	8,008,560,551.28	4,965,643,554.03
Non-current liabilities	15,263,212,870.43	12,490,324,774.74	3,362,160,000.00
Total liabilities	25,962,128,916.87	20,498,885,326.02	8,327,803,554.03
Minority interests	13,975,036,638.63	12,742,926,767.91	-
Total equity attributable to shareholders of the parent company	17,415,728,047.09	16,342,174,868.86	4,560,811,962.86
Share of net assets calculated according to shareholding ratio	3,483,145,609.42	3,268,434,973.77	1,564,358,503.26
Adjustment matters	1,462,953,999.22	1,462,953,999.22	(89,178,246.33)
- Goodwill	1,462,953,999.22	1,462,953,999.22	-
- Unrealized profits from internal transactions	-	-	(89,178,246.33)
- Others	-	-	-
Carrying amount of equity investment in associates and joint ventures	4,946,099,608.64	4,731,388,972.99	1,475,180,256.93
Fair value of equity investment in associates and joint ventures with publicly quoted prices	N/A	N/A	N/A
Operating income	13,313,302,535.29	11,308,508,970.99	4,073,665,870.30
Income tax expense	521,329,222.80	441,163,734.52	354,912,218.46
Net profit	3,443,575,886.89	2,539,289,943.51	1,059,703,937.72
Net profit from discontinued operations	-	-	-
Other comprehensive income	(161,753,394.02)	(163,569,043.15)	-
Total comprehensive income	3,281,822,492.87	2,375,720,900.36	1,059,703,937.72
Dividends received from associates and joint ventures in the current period	132,000,000.00	128,000,000.00	312,120,473.62

Note: The Group shares the net profit of Derun Environment attributable to shareholders of the parent company at a 20% shareholding ratio. After deducting the current period premium amortization of RMB39,282,005.04, the Group recognized the investment income of Derun Environment of RMB298,148,645.67. The Group shares the other comprehensive income net of tax of RMB (16,232,639.91) of Derun Environment attributable to shareholders of the parent company at a 20% shareholding ratio, and confirms that it has a change in capital reserve of RMB64,794,629.89 for Derun Environment. Please refer to Note V. 13 for details.

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VII. INTERESTS IN OTHER ENTITIES (CONTINUED)

2. Interests in associates and joint ventures (Continued)

(3) Main financial information of insignificant associates and joint ventures

RMB

Item	31 December 2021/For the year ended 31 December 2021	31 December 2020/For the year ended 31 December 2020
Associates and Joint Venture:		
Total carrying amount of investment	4,417,765,356.61	2,732,756,219.86
The total of the following items calculated according to the shareholding ratio		
– Net profit	364,480,550.02	310,831,155.42
– Other comprehensive income	15,324,512.00	(17,575,648.00)
– Total comprehensive income	379,805,062.02	293,255,507.42

As at 31 December 2021, there was no substantial restriction on transferring funds between the Group and associates and joint ventures.

VIII. FINANCIAL INSTRUMENTS AND RISKS

The Group's major financial instruments include cash at banks and on hand, transactional financial assets, Bills receivable, accounts receivable, other receivables, non-current assets due within one year, long-term receivables, other non-current financial assets, short-term borrowings, held-for-trading financial liabilities, notes payable, accounts payable, other payables, non-current liabilities due within one year, other current liabilities, long-term borrowings, bonds payable, lease liabilities and long-term payables, etc. At the end of the year, the Group has the following financial instruments. For details, please see Note V. The risks associated with these financial instruments and the policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure the risks are monitored at a certain level.

RMB

Item	31 December 2021	31 December 2020
Financial assets		
Measured at fair value through profit or loss		
Transactional financial assets	212,637,357.38	–
Other non-current financial assets	718,746,474.26	1,605,891,286.54
Measured at amortized cost		
Cash at banks and on hand	4,196,771,526.72	5,549,304,352.44
Bills receivable	87,388,115.83	378,532,713.65
Accounts receivable	993,613,902.45	798,070,361.76
Other receivables	716,855,574.05	773,039,332.04
Non-current assets due within one year	235,808,874.20	74,870,082.79
Long-term receivables	1,760,469,165.94	997,354,914.31

RMB

Item	31 December 2021	31 December 2020
Financial liabilities		
Measured at fair value through profit or loss		
Transactional financial liabilities	–	83,677,813.21
Measured at amortized cost		
Short-term borrowings	3,238,233,388.16	1,341,218,126.43
Notes payable	87,244,188.73	295,467,331.39
Accounts payable	2,502,175,159.44	1,869,889,416.15
Other payables	1,771,092,013.68	3,570,365,680.07
Non-current liabilities due within one year	1,652,690,695.83	3,665,798,518.83
Other current liabilities	2,019,820,913.54	2,018,087,592.62
Long-term borrowings	8,410,414,081.93	6,511,333,267.55
Bonds payable	7,086,863,713.17	3,792,324,357.82
Lease liabilities	323,620,807.90	104,653,671.67
Long-term payables	2,480,379,057.98	2,234,299,535.22

The Group uses sensitivity analysis techniques to analyze the possible impact of reasonable and probable changes in risk variables on current profit or loss and owners' equity. As changes in any risk variable rarely occur in isolation and the correlation that exists between variables will have a significant effect on the ultimate amount of the impact of a change in a particular risk variable, the following is performed under the assumption that changes in each variable are independent.

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VIII. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

1. Risk management objectives and policies

The Group's risk management objectives are to achieve a proper balance between risks and yield, minimize the adverse impacts of risks on the Group's operation performance, and maximize the benefits of the shareholders and other equity investors. Based on these risk management objectives, the Group's basic risk management strategy is to identify and analyze the Group's exposure to various risks, establish an appropriate maximum tolerance to risk, implement risk management, and monitors regularly and effectively these exposures to ensure the risks are monitored at a certain level.

1.1 Market risk

1.1.1 Currency risk

Currency risk is the risk that losses will occur because of changes in foreign exchange rates. The Group's exposure to the currency risk is primarily associated with HKD and USD. Except for the purchases and sales of several subsidiaries of the Group in HKD and USD, and the bank balances in EER, JPY, FRF, and ESP of the Company, all the other principal operating activities of the Group are denominated and settled in RMB. As at 31 December 2021, the Group's assets and liabilities are all in RMB, except for the balances of assets and liabilities set out below, which are in foreign currencies.

RMB

Item	31 December 2021	31 December 2020
Cash at banks and on hand	9,019,711.96	15,324,994.60
Other receivables	634,142,169.22	1,119,760.42
Short-term borrowings	1,300,514,486.13	105,200,000.00
Other payables	179,090.41	161,709.23
Non-current liabilities due within one year	16,094,694.60	1,982,951,093.83
Lease liabilities	–	1,937,714.83
Bonds payable	1,897,068,515.36	–

VIII. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

1. Risk management objectives and policies (continued)

1.1 Market risk (continued)

1.1.1 Currency risk (continued)

Sensitivity analysis on currency risk

The assumptions for the sensitivity analysis on currency risk: all net investment hedges and cash flow hedges of overseas operations are highly effective.

Based on the above assumptions, where all other variables are held constant, the reasonably possible changes in the foreign exchange rate may have the following pre-tax effect on the profit or loss for the period and shareholders' equity:

RMB

Items	Changes in exchange rate	2021		2020	
		Effect on profit	Effect on equity	Effect on profit	Effect on equity
USD	10% increase against RMB	(144,645,753.31)	(144,645,753.31)	(137,010.03)	(137,010.03)
USD	10% decrease against RMB	144,645,753.31	144,645,753.31	137,010.03	137,010.03
HKD	10% increase against RMB	(49,328,791.54)	(49,328,791.54)	(6,780,545.10)	(6,780,545.10)
HKD	10% decrease against RMB	49,328,791.54	49,328,791.54	6,780,545.10	6,780,545.10

The Group attaches great importance to the study of currency risk management policies and strategies. In order to avoid currency risk of repaying the principal and interest of USD bonds, the Group signs foreign exchange forwards contracts with banks.

1.1.2 Interest rate risk – risk of changes in cash flows

The Group's risk of changes in the cash flow of financial instruments caused by changes in interest rates is mainly related to the Group's long-term liabilities with floating interest rates. The Group continues to pay close attention to the impact of interest rate changes on the Group's interest rate risk. The Group's policy is to maintain floating interest rates for these borrowings. Currently, there are no arrangements such as interest rate swaps.

Sensitivity analysis on interest rate risk

Where all other variables are held constant, the reasonably possible changes in the interest rate may have the following pre-tax effect on the profit or loss for the period and shareholders' equity:

RMB

Item	Interest rate changes	2021		2020	
		Effect on profit	Effect on shareholders' equity	Effect on profit	Effect on shareholders' equity
RMB	100 basis points higher	(82,119,105.97)	(82,119,105.97)	(44,992,018.96)	(44,992,018.96)
RMB	100 basis points lower	82,119,105.97	82,119,105.97	44,992,018.96	44,992,018.96

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2021
(RMB)

VIII. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

1. Risk management objectives and policies (continued)

1.2 Credit risk

As 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 cash at banks and on hand, Bills receivable, accounts receivable, other receivables, long-term receivables, etc. For financial instruments measured at fair value, the carrying amount reflects their risk exposure, but it is not the maximum risk exposure. The maximum risk exposure will change with changes in the fair value in the future.

In order to reduce credit risk, the Group deals only with recognized and reputable third parties. In accordance with the Group's policy, all customers requiring credit transactions are subject to credit audits. In addition, the Group continuously monitors the balance of accounts receivable to ensure that the Group does not face significant risk of bad debts. For transactions that are not settled in the accounting base currency of the relevant business units, the Group will not provide conditions for credit transactions unless the Group's credit control department specifically approves them.

The Group continuously conducts credit assessment on the financial status of customers, and the impairment loss of bad debts is maintained within the amount expected by the management.

The credit risk on liquid funds is limited because they are deposited with banks with high credit ratings.

1.3 Liquidity risk

In the management of the liquidity risk, the Group monitors and maintains a level of cash and cash equivalents deemed adequate by the management to finance the Group's operations and mitigate the effects of fluctuations in cash flows. The management of the Group monitors the use of bank loans and ensures compliance with loan agreements.

As at 31 December 2021, the Group has unused bank credit lines totaling RMB26.481 billion and the relevant banks have not made any reservations about the use of these loan lines, which can meet the funding needs of the Group's debt and capital commitments. The Group is able to resolve the lack of working capital through reasonable financing arrangements.

VIII. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

1. Risk management objectives and policies (continued)

1.3 Liquidity risk (continued)

The analysis of the financial liabilities held by the Group based on the maturity period of the undiscounted remaining contractual obligations is as follows:

RMB

Item	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Financial liabilities					
Short-term borrowings	3,279,149,081.19	–	–	–	3,279,149,081.19
Notes payable	87,244,188.73	–	–	–	87,244,188.73
Accounts payable	2,502,175,159.44	–	–	–	2,502,175,159.44
Other payables	1,771,092,013.68	–	–	–	1,771,092,013.68
Non-current liabilities					
due within one year	1,703,246,949.00	–	–	–	1,703,246,949.00
Other current liabilities	2,033,691,380.67	–	–	–	2,033,691,380.67
Long-term borrowings	346,279,089.98	1,156,702,052.00	2,927,610,321.24	6,787,005,835.63	11,217,597,298.85
Bonds payable	216,672,425.00	1,007,692,425.00	6,687,561,062.50	–	7,911,925,912.50
Lease liabilities	–	78,024,198.84	122,138,476.66	192,117,332.28	392,280,007.78
Long-term payables	–	2,246,616,058.17	299,087,382.36	53,834,437.31	2,599,537,877.84
Total	11,939,550,287.69	4,489,034,734.01	10,036,397,242.76	7,032,957,605.22	33,497,939,869.68

Given that the Group has stable and abundant operating cash flow and sufficient credit lines, and has made appropriate financing arrangements to meet debt repayment and capital expenditures, the management of the Company believes that the Group does not have significant liquidity risks.

2. Transfer of financial assets

2.1 Transferred financial assets that are not derecognized in their entirety

As part of its normal business, the Group entered into a Bills receivable factoring arrangement (the “Arrangement”) and transferred certain Bills receivable to financial institutions. Under the Arrangement, the Group may be required to reimburse the bank for loss of principal and interest if any trade debtors have late payment. The Group is not exposed to default risks of the trade debtors after the transfer. Subsequent to the transfer, the Group did not retain any rights on the use of the accounts receivable, including the sale, transfer or pledge of the accounts receivable to any other third parties. The carrying amount of the commercial acceptance bills transferred under the Arrangement that have not been settled as at 31 December 2021 was RMB27,000,000.00 (31 December 2020: RMB125,540,400.00). The carrying amount of the bank acceptance bills transferred under the Arrangement that have not been settled was RMB6,000,000.00 (31 December 2020: RMB33,962,000.00). The carrying amount of the assets that the Group continued to recognize as at 31 December 2021 was RMB33,000,000.00 (31 December 2020: RMB159,502,400.00) and that of the associated liabilities as at 31 December 2021 was RMB33,000,000.00 (31 December 2020: RMB159,502,400.00), which were charged to short-term borrowings, respectively.

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(RMB)

VIII. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

2. Transfer of financial assets (continued)

2.1 Transferred financial assets that are not derecognized in their entirety (continued)

As at 31 December 2021, the Group endorsed the supplier's commercial acceptance bills for settlement of accounts payable with a carrying amount of RMB10,000,000.00 (31 December 2020: RMB169,974,520.11), which has the maturity date from 1 to 12 months. The Group endorsed the supplier's bank acceptance bills for settlement of accounts payable with a carrying amount of RMB17,612,500.00 (31 December 2020: Nil), which has the maturity date from 1 to 12 months. The Group believes that almost all risks and rewards related to Bills receivable at the time of endorsement have not yet been transferred and do not meet the conditions for derecognition of financial assets. Therefore, the relevant Bills receivable have not been fully derecognized on the date of endorsement.

2.2 Transferred financial assets that have been derecognized as a whole but continue to be involved

As at 31 December 2021, the carrying amount of the Group's bank acceptance bills discounted but unmatured was RMB0 (31 December 2020: RMB11,910,185.83). The Group believes that almost all the risks and rewards related to Bills receivable have been transferred at the time of discounting, which meets the conditions for derecognition of financial assets. Therefore, the relevant Bills receivable are derecognized at the discount date based on their carrying amounts. If the bill of exchange is due to be rejected by the acceptor, the discounter has the right to recourse from the Group ("continue to participate"). The maximum losses and undiscounted cash flows that continue to be involved in and repurchase are equal to their carrying amounts. The Group believes that continuing involvement in fair value is not significant.

As at 31 December 2021, the Group endorsed the supplier's bank acceptance bills for settlement of accounts payable with a carrying amount of RMB2,500,000.00 (31 December 2020: RMB29,500,000.00). According to the relevant provisions of the Bills Act, if the accepting bank refuses to pay, its holders have the right to recourse from the Group (the "Continuing Involvement"). The Group believes that the Group has transferred almost all of its risks and rewards, and therefore derecognized the carrying amount of notes receivable of accounts payable that have been settled. The maximum losses and undiscounted cash flows that continue to be involved in and repurchase are equal to their carrying amounts. The Group believes that continuing involvement in fair value is not significant.

In 2021, the Group has not recognized any gain or loss on the date of transfer of the notes receivable. No gains or expenses were recognized as a result of the continuing involvement in derecognized financial assets, both during the year or cumulatively.

VIII. FINANCIAL INSTRUMENTS AND RISKS (CONTINUED)

3. Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximize shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, repurchase shares or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital in 2020 and 2021.

The Group monitors capital using a debt-to-asset ratio, which is total liabilities divided by total assets. The Group's debt-to-asset ratio as at the end of the reporting period was as follows:

RMB

Item	31 December 2021	31 December 2020
Total assets	60,613,494,756.12	55,144,962,042.63
Total liabilities	32,841,718,416.31	28,865,852,158.86
Debt-to-asset ratio	54.18%	52.35%

IX. FAIR VALUE DISCLOSURE

1. Closing fair value of financial assets and liabilities measured at fair value

31 December 2021

RMB

Item	Closing fair value			Total
	Level 1 fair value measurement	Level 2 fair value measurement	Level 3 fair value measurement	
Fair value measurement on a recurring basis				
Transactional financial assets	-	-	212,637,357.38	212,637,357.38
Other non-current financial assets	240,218,654.87	-	478,527,819.39	718,746,474.26
Total	240,218,654.87	-	691,165,176.77	931,383,831.64

The fair value of the Group's non-listed equity instrument investment is estimated using the market method. The Group believes that the fair value and its changes based on valuation techniques are reasonable and are the most appropriate value at 31 December 2021.

There were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

As at 31 December 2021, the management of the Company considers that the carrying amounts of financial assets and financial liabilities in the Group's financial statements approximate their fair values.

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(RMB)

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

1. General information of the parent company:

Name	Place of registration	Nature of business	Registered capital	Interest held	Voting rights
Shenzhen International	Bermuda	Investment holding	HKD2,000,000,000.00	51.561%	51.561%

The controlling shareholder of the Company is Shenzhen International, and the ultimate controlling party of the Company is Shenzhen SASAC.

2. Information about subsidiaries

The information about the subsidiaries is set out in Note VII.1.

3. Information about associates and joint ventures

The situation of the associates and joint ventures that have related party transactions with the Group in the current year or have related party transactions with the Group in the previous period is as follows:

Name	Relationship with the Company
Yunji Smart	Associate or joint venture
Huayu Company	Associate or joint venture
Huai'an Zhongheng	Associate or joint venture
GZ W2 Company	Associate or joint venture
Yangmao Company	Associate or joint venture
United Land Company	Associate or joint venture
Foshan Shunde Shengchuang Shenzhen Expressway Environmental Technology Industry M&A Investment Partnership (Limited Partnership) ("Shengchuang Fund")	Associate or joint venture
Shenzhen Fenghe Energy Investment Co., Ltd. ("Fenghe Energy")	Associate or joint venture

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

4. Information about other related parties

Name	Relationship with the Company
Shenzhen Investment Holdings International Capital Holding Company Limited ("Shenzhen Investment Holdings Capital")	Wholly-owned subsidiary of the ultimate controller
SIHICH	Wholly-owned subsidiary of the ultimate controller
Zhilian Shen International Zhihui Logistics (Shenzhen) Co., Ltd. (formerly known as "Shenzhen Baotong Highway Construction and Development Co., Ltd", "Zhihui Logistics")	Wholly-owned subsidiary of the controlling shareholder
Shenzhen International South-China Logistics Co., Ltd. ("SC Logistics Company")	Wholly-owned subsidiary of the controlling shareholder
Guizhou Pengbo Investment Co., Ltd. ("Guizhou Pengbo")	Wholly-owned subsidiary of the controlling shareholder
Shenzhen International Hong Kong	Wholly-owned subsidiary of the controlling shareholder
Shenzhen International Holdings (Shenzhen) Limited ("Shenzhen International Holdings")	Wholly-owned subsidiary of the controlling shareholder
Shenzhen Shen International Modern Logistics petty loan Co. Ltd ("Shenzhen International Modern Logistics Petty Loan")	Wholly-owned subsidiary of the controlling shareholder
Shenzhen Whole-process Logistics Service Co. Ltd. ("Whole-process Logistics Company")	Holding subsidiary of the controlling shareholder
Shenzhen International Feichi Logistics Co., Ltd. ("Shenzhen International Feichi")	Holding subsidiary of the controlling shareholder
Xin Tong Chan Company	Shareholder of the Company
United Electronic	Participating company of the Company
Water Planning & Design Institute	Participating company of the Company

Notes to Financial Statements

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(RMB)

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions

(1) Related transactions in the purchase and sale of goods, rendering and receipt of labor services

Procurement of goods/receipt of labor

RMB

Name of related party	Nature of transaction	For the year ended 31 December 2021	For the year ended 31 December 2020
United Electronic (Note 1)	Receiving network tolling settlement services	26,640,898.39	16,594,620.30
Yunji Smart (Note 2)	Acceptance of engineering survey, design and consulting services	43,842,100.74	58,528,270.07
Water Planning & Design Institute (Note 3)	Flood control for projects and technical services on water-related impact	1,316,933.96	–
Others (Note 4)	Receiving power supply services and others	54,086.00	277,990.23
Total		71,854,019.09	75,400,880.60

Note 1: The Guangdong Provincial People's Government has designated United Electronic to take charge of the sub-account management of highway tolls across the province and unified management of non-cash settlement systems. The Company and its related subsidiaries have signed a series of agreements with United Electronic and entrusted it to provide toll settlement services for Meiguan Expressway, Airport-Heao Expressway, Qinglian Expressway, Yanjiang Expressway and Shuiguan Expressway operated by the Group. The service periods end on the expiry dates of operating periods of the individual toll roads. The related service charges are determined by the commodity price bureau of the Guangdong Province.

Note 2: The Group has entered into management service contracts with Yunji Smart to receive engineering survey and design, consulting, highway inspection and special maintenance services for the Outer Ring project, Coastal Project Phase II and other roads of the Group.

Note 3: The Company has entered into a service contract with the Water Planning & Design Institute to receive technical consulting services regarding flood control impact assessment and safety assessment on water-related projects of Airport-Heao Expressway reconstruction and expansion project.

Note 4: Advertising Company, a subsidiary of the Company, and Qinglong Company received the supply of water and electricity and power supply services for its advertising boards from Xin Tong Chan Company and Huayu Company. The respective transaction amounts were not presented separately as they were not material.

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (continued)

(1) Related transactions in the purchase and sale of goods, rendering and receipt of labor services (continued)

Procurement of goods/receipt of labor

RMB

Name of related party	Nature of transaction	For the year ended 31 December 2021	For the year ended 31 December 2020
Huai'an Zhongheng (Note 1)	Rendering of operation and maintenance services	2,835,471.69	–
United Electronic	Rendering of ETC promotion services	–	5,032,765.09
Others (Note 2)	Rendering of commission sale of water and electricity for office and others	968,233.65	1,694,378.04
Total		3,803,705.34	6,727,143.13

Note 1: Nanjing Wind Power, a subsidiary of the Company, entered into an entrusted operation contract with Huai'an Zhongheng, under which it provides entrusted management services for Huai'an Zhongheng wind power.

Note 2: The Group provides hydropower resource services and other services to Xintongchan Company, Huayu Company, United Electronic and Yunji Smart. The hydropower resource service is calculated based on the price paid to the water supply and power supply agency. As the amount is small, it is not presented separately.

Notes to Financial Statements

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(RMB)

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (continued)

(2) Related leases

(a) *The Group as a lessor:*

RMB

Lessee	Type of assets leased	Lease income recognized in the current year	Lease income recognized in the prior year
Yunji Smart	Office building	1,038,033.50	440,838.12
Whole-process Logistics Company and Shenzhen International Feichi	Equipment	39,274.94	157,883.80
Total		1,077,308.44	598,721.92

(b) *The Group as a lessee:*

RMB

Lessor	Type of assets leased	Lease expenses recognized in the current year	Lease expenses recognized in the prior year
Xintongchan and Huayu	Billboard land use rights	771,428.60	871,398.18

The respective transaction amounts were not presented separately as they were not material.

* (3) Remuneration of key management personnel

RMB

Item	For the year ended 31 December 2021	For the year ended 31 December 2020
Remuneration of key management personnel (Note)	12,960,842.95	12,677,700.00

Key management personnel include directors, supervisors and senior management personnel. The Company has a total of 24 members of key management personnel (2020: 22) during the year, including 3 resigned directors and senior management personnel as of 31 December 2021.

Note: Remuneration above excludes: (a) 2020 risk mortgage bonuses received in 2021 by directors Hu Wei, Liao Xiangwen, Wang Zengjin, Wen Liang, and by senior management personnel Huang Binan, Wen Bowei, Gong Taotao, Sun Ce (resigned), Zhao Guiping and Chen Shouyi amounted to RMB72,000, RMB72,000, RMB72,000, RMB50,000, RMB72,000, RMB50,000, RMB72,000, RMB50,000, RMB50,000 and RMB50,000 respectively; (b) 2020 investment risk deposit received in 2021 by directors Hu Wei, Liao Xiangwen, Wen Liang, and by senior management personnel Wen Bowei, Gong Taotao and Zhao Guiping amounted to RMB700,000, RMB268,000, RMB120,000, RMB632,000, RMB308,000 and RMB228,000 respectively; and (c) 2020 special contribution bonuses received in 2021 by directors Hu Wei, Liao Xiangwen, and by senior management personnel Huang Binan, Wen Bowei, Gong Taotao, Zhao Guiping and Chen Shouyi amounted to RMB500,000, RMB300,000, RMB300,000, RMB150,000, RMB300,000, RMB300,000 and RMB150,000 respectively.

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (continued)

* (3) Remuneration of key management personnel (continued)

(a) Remuneration of directors and supervisors

The remuneration for each director and supervisor in 2021 is as follows:

RMB

Name	Remuneration	Salary and bonus	Total
Hu Wei	–	950,000.00	950,000.00
Liao Xiangwen	–	1,171,400.00	1,171,400.00
Wang Zengjin	–	1,046,600.00	1,046,600.00
Wen Liang	–	–	–
Bai Hua	230,000.00	–	230,000.00
Li Feilong	230,000.00	–	230,000.00
Miao Jun	144,301.37	–	144,301.37
Xu Huaxiang	144,301.37	–	144,301.37
Chen Xiaolu (resigned)	86,328.77	–	86,328.77
Ye Huihui	–	440,446.00	440,446.00

The remuneration for each director and supervisor in 2020 is as follows:

RMB

Name	Remuneration	Salary and bonus	Total
Hu Wei	–	1,000,000.00	1,000,000.00
Liao Xiangwen	–	1,164,800.00	1,164,800.00
Wang Zengjin	–	1,040,000.00	1,040,000.00
Wen Liang	–	–	–
Cai Shuguang (resigned)	210,000.00	–	210,000.00
Wen Zhaohua (passed away)	210,000.00	–	210,000.00
Chen Xiaolu (resigned)	210,000.00	–	210,000.00
Bai Hua	210,000.00	–	210,000.00
Xin Jian (resigned)	–	533,100.00	533,100.00

Notes to Financial Statements

2021
(RMB)

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (continued)

* (3) Remuneration of key management personnel (continued)

(a) Remuneration of directors and supervisors (continued)

The remuneration of the above directors and supervisors has been reflected in the remuneration of key management personnel.

In the current year, the meeting allowances (before tax) payable to directors Hu Wei, Liao Xiangwen, Wang Zengjin, Wen Liang, Dai Jingming, Li Xiaoyan, Chen Haishan, Baihua, Li Feilong, Miao Jun, Xu Huaxiang, Chen Zhisheng (resigned), Chen Xiaolu (resigned) and to supervisors Lin Jitong, Wang Chao and Ye Huihui amounted to RMB18,500.00, RMB18,500.00, RMB19,500.00, RMB18,500.00, RMB17,000.00, RMB18,500.00, RMB17,500.00, RMB23,500.00, RMB26,500.00, RMB18,000.00, RMB16,000.00, RMB1,000.00, RMB6,500.00, RMB13,500.00, RMB12,000.00 and RMB14,500.00 respectively. Among others, the directors Hu Wei, Liao Xiangwen, Wang Zengjin, Wen Liang, Dai Jingming and Li Xiaoyan, and the supervisors Lin Jitong and Wang Chao waived their rights to receive the meeting allowances of the year.

In addition, directors Hu Wei, Liao Xiangwen, Wang Zengjin and supervisor Ye Huihui (served as a supervisor from January 2021) also received benefits and allowances, including employer contributions to the retirement plan and employee medical insurance plan, which amounted to RMB219,911.67 (2020: RMB201,700.00), RMB232,599.67 (2020: RMB212,200.00), RMB221,543.67 (2020: RMB208,400) and RMB159,716.06 respectively.

(b) Five highest paid individuals

Two directors (2020: two directors) were included in the top five highest paid individuals of the Group in the current year, the remuneration of whom has been reflected in the table above; and the total amount of remuneration of the other 3 individuals (2020: 3) is listed as follows:

RMB		
Item	Amount incurred in 2021	Amount incurred in 2020
Basic salary, bonus, housing allowance, pensions and other subsidies	3,773,883.01	3,689,000.00

RMB		
Item	Number of individuals for the current year	Number of individuals for the prior year
Scope of remuneration:		
HKD0 to HKD1,000,000	–	–
HKD1,000,001 to HKD1,500,000	–	3
HKD1,500,001 to HKD2,000,000	3	–
HKD2,000,001 and above	–	–

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

5. Related party transactions (continued)

(4) Borrowings from/to related parties

Borrowings from related parties:

RMB

Related party	Amount of borrowings	31 December 2021	Annual interest rate	Inception date	Due date
GZ W2 Company (Note 1)	67,500,000.00	–	4.275%	2018/9/30	2021/9/20
GZ W2 Company (Note 2)	37,500,000.00	37,500,000.00	4.275%	2019/12/26	2022/12/25
United Land Company (Note 3)	514,500,000.00	–	3.650%	2019/8/1	2021/12/28
United Land Company (Note 3)	328,800,000.00	–	3.650%	2019/10/29	2021/12/28
United Land Company (Note 3)	220,000,000.00	–	3.650%	2019/11/27	2021/12/28
United Land Company (Note 3)	555,660,000.00	–	3.650%	2019/12/24	2021/12/28
United Land Company (Note 3)	445,900,000.00	–	3.650%	2020/05/06	2021/12/28
United Land Company (Note 3)	137,248,057.86	–	3.650%	2021/2/24	2021/12/28
United Land Company (Note 3)	230,000,000.00	–	3.650%	2021/2/26	2021/12/28
United Land Company (Note 3)	2,131,451,615.06	2,131,451,615.06	–	2021/12/29	–
Total		2,168,951,615.06			

Note 1: In September 2018, the Company signed an entrusted loan contract with Guangzhou West Second Ring Company and Industrial and Commercial Bank of China Co., Ltd., under which Guangzhou West Second Ring Company entrusted the Industrial and Commercial Bank of China Co., Ltd to issue entrusted loans of RMB67,500,000.00 to the Company. The loan will be used for the daily business activities of the Company. The loan period is 3 years and the annual interest rate of the loans is 4.275%. During the year, the Company recognized the interest expense of RMB2,106,328.13 for this loan.

Note 2: In December 2019, the Company signed an entrusted loan contract with Guangzhou West Second Ring Company and Industrial and Commercial Bank of China Co., Ltd., under which Guangzhou West Second Ring Company entrusted the Industrial and Commercial Bank of China Co., Ltd to issue an entrusted loan of RMB37,500,000.00 to the Company. This will be used for the Company's daily business activities. The loan period is 3 years, and the annual interest rate of the loan is 4.275%. During the year, the Company recognized the interest expenses of RMB1,603,125.00 for this loan.

Note 3: In July 2019, the Company and United Land Company signed a loan agreement, which stipulated that United Land Company provided borrowings of not exceeding RMB2,058,000,000.00 to the Company. The loan period is three years and the annual interest rate of the loan is 3.65%. The Company actually borrowed RMB2,432,108,057.86. In May 2021, the Company used dividends to deduct the principal of RMB258,198,575.34 and interest of RMB68,932,030.23. The Company recognized interest expenses of RMB73,451,615.06 for this loan in the current year and, the loan agreement was terminated on 28 December 2021 pursuant to the board resolution of United Land Company in December 2021, and no interest will be accrued. As at the end of the year, the balance of the Company's interest-free borrowings from United Land Company was RMB2,131,451,615.06.

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X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Receivables due from and payables due to related parties

(1) Receivable items

RMB

Item	Related parties	31 December 2021		31 December 2020	
		Book balance	Provision for bad debts	Book balance	Provision for bad debts
Bills receivable	Huai'an Zhongheng	5,000,000.00	-	-	-
Accounts receivable	Huai'an Zhongheng	500,000.00	-	-	-
Accounts receivable	Zhihui Logistics	-	-	5,388,033.27	-
Accounts receivable	Huayu Company	-	-	250,940.72	-
Prepayments	Yunji Smart	3,254,318.86	-	355,000.00	-
Prepayments	United Electronic	275,132.92	-	41,423.45	-
Other receivables (Note V. 6.2)	Huayu Company	20,000.00	-	20,000.00	-
Other receivables (Note V. 6.2)	Yunji Smart	444,050.00	-	84,050.00	-
Other receivables (Note V. 6.2)	Huai'an Zhongheng	113,236,791.80	-	-	-
Long-term prepayments	Shenzhen Investment Holdings Capital	610,973,679.03	-	-	-
Long-term prepayments	Water Planning & Design Institute	509,433.96	-	-	-
Long-term receivables	Whole-process Logistics Company	-	-	1,060,685.26	5,361.00
Long-term receivables	SIHICH	644,171,311.23	-	-	-
Other non-current assets	United Land Company	342,599,500.00	-	342,599,500.00	-

X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

6. Receivables due from and payables due to related parties (continued)

(2) Payable items

RMB

Item	Related parties	31 December 2021	31 December 2020
Accounts payable	Yunji Smart	15,389,775.95	9,430,065.02
Accounts payable	United Electronic	337,167.52	374,997.06
Accounts payable	Huayu Company	9,500.00	7,500.00
Accounts payable	Xin Tong Chan Company	–	79,279.25
Accounts payable	SC Logistics Company	–	2,107.80
Other payables (Note V. 31.3(1))	Consulting Company	17,624,140.47	18,203,977.18
Other payables (Note V. 31.3(1))	United Electronic	1,828,461.58	1,429,573.01
Other payables (Note V. 31.3(1))	Guizhou Pengbo	955,680.55	955,680.55
Other payables (Note V. 31.3(1))	Shen International Hong Kong	244,733.57	–
Other payables (Note V. 31.3(1))	Xin Tong Chan Company	5,000.00	5,000.00
Other payables (Note V. 31.3(1))	Shen International Modern Logistics petty loan	2,196.12	2,196.12
Other payables (Note V. 31.3(1))	Shen International Holdings	–	1,618,400.33
Non-current liabilities due within one year/Long-term borrowings	GZ E2 Company	37,548,984.38	105,124,687.50
Long-term payables (Note V. 37.(1))	United Land Company	2,131,451,615.06	2,017,882,547.71

Amounts due from/to related parties above (excluding borrowings from related parties) are non-interest bearing, unsecured and have no fixed repayment terms.

7. Commitments to related parties

The following table presents the commitment related to related parties that had been contracted but not yet recognized on the balance sheet:

(1) Receiving service

RMB

Related party	31 December 2021	31 December 2020
Yunji Smart	44,216,940.58	16,289,446.39

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X. RELATED PARTY RELATIONSHIPS AND RELATED PARTY TRANSACTIONS (CONTINUED)

7. Commitments to related parties (continued)

(2) Investment commitments

As at 31 December 2021, the Group's investment commitments to related parties amounted to RMB519,425,980.00 (31 December 2020: RMB748,335,914.05), including the investment in the associate Huai'an Zhongheng of RMB2,975,980.00, the investment in the joint venture Fenghe Energy of RMB201,450,000.00 and the capital contribution commitment to the associate Shengchuang Fund of RMB315,000,000.00.

(3) Equity acquisition commitments

On 10 August 2021, Mei Wah Company, a wholly-owned subsidiary of the Company, entered into an agreement with Shenzhen Investment Holdings Capital on the sale and purchase of shares of SIHICH.

According to the agreement, Mei Wah Company acquires the 100% equity of SIHICH from Shenzhen Investment Holdings Capital at the price of about HKD2.45 billion (equivalent to RMB2.062 billion) by way of private agreement transfer, meanwhile accept the debt of SIHICH amounting to HKD7.89 billion (equivalent to RMB6.640 billion), undertakes the transaction tax, and assumes the obligation to pay the difference. As at 31 December 2021, RMB1,255,144,990.26 has been paid for the acquisition of equity of SIHICH.

XI. COMMITMENTS AND CONTINGENCIES

1. Significant commitments

In addition to the related party commitments disclosed in Note X.7, the other significant commitments of the Group are as follows:

(1) Capital commitments

RMB

Item	31 December 2021	31 December 2020
Capital commitments that have been entered into but have not been recognized in the financial statements:		
Commitment for acquisition and construction of long-term assets		
– Expressway construction projects	3,572,026,624.46	2,694,097,986.31
– Kitchen waste treatment projects	1,115,962,201.83	548,835,823.49
Total	4,687,988,826.29	3,242,933,809.80

In May 2018, Nanjing Wind Power, a subsidiary of the Group, entered into a *Cooperation Agreement on 30MW Wind Power Project in Zhangshu Gezao Mountain* with Jiangxi Gaochuan New Energy Co., Ltd. ("Jiangxi Gaochuan") and Nanjing Gaochuan Electromechanical Automatic Control Equipment Co., Ltd. ("Nanjing Gaochuan"), which stipulated that after the "Yichun Zhangshu Gezao Mountain Wind Farm of Gaochuan New Energy" project of Zhangshu Gaochuan New Energy Co., Ltd ("Zhangshu Gaochuan"), a subsidiary of Jiangxi Gaochuan, is completed, Nanjing Wind Power will seek a third party to acquire Zhangshu Gaochuan. In case no third party is willing to acquire Zhangshu Gaochuan, Nanjing Wind Power will acquire it instead. The budget estimate of this project is approximately RMB250 million.

XI. COMMITMENTS AND CONTINGENCIES (CONTINUED)

2. Contingencies

(1) Significant contingencies at the end of the reporting period:

- (a) As at 31 December 2021, the Group's performance guarantee and tender guarantee of certain projects are in effect, with the cumulative amount of guarantee of approximately RMB90 million.
- (b) On 31 December 2021, the Group provided a stage-and-combined liability guarantee of RMB453 million to the bank for its house mortgage loans granted by the bank to the Group's property buyers. Under the terms of the guarantee, the Group is responsible for paying the outstanding mortgage loans and any accrued interest and penalties owed to the banks by the buyers in arrears if the buyers default in the mortgage payments and the Group can then receive legal ownership of the property. The Group's guarantee period expires from the date on which the bank granted the mortgage loan to acquire certain individual property ownership certificates from property buyers of the Group. Management believes that if the payment is in arrears, the net realizable value of the property is sufficient to cover the outstanding mortgage loans together with any accrued interest and penalties, and no provision is made for these guarantees.
- (c) On 16 December 2016, Guangxi Bioland and Yonker Environmental Protection Co., Ltd. (Yonker Environmental) entered into a "Contractor Agreement in relation to a Project on Food and Kitchen Waste Utilization and Renovation and Expansion of a Harmless Treatment Plant". On 27 November 2019, according to Yonker Environmental's property preservation request, Nanning Intermediate People's Court froze the property of Guangxi Bioland and Bioland Environmental, amounting to RMB31,648,596.79. On 25 December 2019, Yonker Environmental filed a lawsuit against Bioland Group and its subsidiary at the Nanning Intermediate People's Court of Guangxi Zhuang Autonomous Region, pursuant to which it requested Guangxi Bioland to pay: (1) equipment occupancy fees of RMB715,804.83; (2) project fees of RMB23,528,999.97; (3) interest on the project fees of RMB470,850.00 and (4) penalty for breach of agreement of RMB6,933,211.99, which totaled RMB31,648,866.79, and requested Bioland Company to assume joint and several repayment obligation for aforesaid amounts. Guangxi Bioland has counter-claimed the claimant for a compensation of RMB50,000,000.00 for the loss from the delay in construction and failure to complete the work on time caused by the claimant on 15 January 2020. On 19 October 2020, Yonker Environmental Protection changed its claim by requesting Guangxi Bioland to pay equipment occupancy fees, project fees, interest on project fees and penalty for breach of agreement, which totaled RMB51,757,867.29. This litigation is still in process as at 31 December 2021. After consulting the attorney in charge of the case, the Company's Board of Directors believes that the outcome of this case and the compensation obligation (if any) cannot be reliably estimated.
- (d) On 28 October 2016, Nantong No. 4 Construction Group Co., LTD. ("Nantong No. 4 Construction") and Taizhou Bioland signed the "Construction Contract of Taizhou Kitchen Waste Treatment Project", which agreed that Nantong No. 4 Construction would be responsible for the civil construction, water and electricity installation, and the purchase and installation of mechanical and electrical equipment. The contract price is tentatively set at RMB185,568,577.68. On 30 December 2017, Nantong No.4 Construction completed the additional works within and outside the contract. On 12 October 2020, Nantong No.4 Construction Company filed a lawsuit with the People's Court of Hailing District, Taizhou City, Jiangsu Province to ask the court to order Taizhou Bioland to pay the remaining RMB42,952,327.45, and pay the one-year interest of RMB3,279,007.94 at the standard of annual interest rate of 6.5%, the interest loss of overdue payment of RMB4,730,721.62 and the liquidated damages of RMB364,872.33. Taizhou Bioland filed a counterclaim on 30 November 2020, requesting Nantong No. 4 Construction to compensate for the loss of RMB1,408,072.96 and interest on overdue payments caused by the quality problems of biogas sac foundation project. As at 31 December 2021, this litigation is still in process. The Company's Board of Directors believes that the outcome of the lawsuit and the compensation obligation (if any) cannot be reliably estimated for the time being.

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XI. COMMITMENTS AND CONTINGENCIES (CONTINUED)

2. Contingencies (continued)

(1) Significant contingencies at the end of the reporting period: (continued)

- (e) On 18 August 2015, China Wuzhou Engineering Group Corporation Ltd. (“Wuzhou Institute”) and Dezhou Bioland entered into the Construction Contract for Project on Resource Utilization and Harmless Disposal of Kitchen Wastes and Project on Leachate Disposal of Household Wastes in Dezhou City, under which Dezhou Bioland, as the employer, contracted the project on resource utilization and harmless disposal of kitchen wastes and project on leachate disposal of household wastes to Wuzhou Institute, and then Wuzhou Institute subcontracted the project to Sichuan Zhiyi Group Co., Ltd. Qiang Huaijun and Wu Ting, as the actual constructors of the project, undertook all of the engineering work of the project. Sichuan Zhiyi paid part of the project funds to Qiang Huaijun and Wu Ting, with the rest unpaid. On 22 November 2021, Qiang Huaijun filed a lawsuit to request Sichuan Zhiyi to pay the project funds of RMB10,408,616.00 and interest, and to request Wuzhou Institute and Dezhou Bioland to assume the payment responsibility within the scope of project funds owed by Sichuan Zhiyi. As at 31 December 2021, the case is still in the first-instance stage, and the Company’s Board of Directors believes that the outcome of the lawsuit and the compensation obligation (if any) cannot be reliably estimated for the time being.
- (f) In February 2020, Juye Changguang Wind Energy Co., LTD. (“Juye Changguang”) and Nanjing Wind Power signed the Purchase Contract of Wind Turbine Sets and Auxiliary Equipment of Heze Juye 50MW Wind Power Generation Project. The total contract amount is RMB195 million. As Juye Changguang believed that the delayed delivery of Nanjing Wind Power led to its failure to complete the grid connection target for Heze project by the end of December 2020, it filed a lawsuit with Nanjing Intermediate People’s Court on 1 June 2021, requiring Nanjing Wind Power to bear various losses caused by Juye Changguang due to delayed delivery a total of RMB109,525,640.00. This litigation is still in processed as at 31 December 2021. After consulting the attorney in charge of the case, the Company’s Board of Directors believes that the outcome of the lawsuit and the compensation obligation (if any) cannot be reliably estimated.
- (g) In January 2019, Guishen Company and Guizhou Land entered into an Equity and Creditor’s Rights Transfer Contract with Xinhelifu to transfer the 100% equity and creditor’s rights held by them in four companies including Guizhou Shengbo Land Co., Ltd. (“Shengbo Company”), Guizhou Hengfengxin Real Estate Co., Ltd., Guizhou Henghongda Real Estate Co., Ltd. and Guizhou Hengda Real Estate Co., Ltd. to Xinhelifu. Xinhelifu believed that the formalities for 160 mu land held by Shengbo Company were not fully completed, which affected the follow-up development and construction, it therefore filed a lawsuit on 13 October 2021 with Qiannan Intermediate People’s Court, requesting Guishen Company and Guizhou Land to compensate for costs of forestland disposal, costs of land acquisition and transfer and losses caused by land development failure, complete formalities on correction of land vouchers and documents, and refund liquidated damages for delayed payment, totaling RMB122,843,700. As at 31 December 2021, the court has not made a ruling on the effectiveness of the arbitration clause of the contract, and the compensation claim unilaterally claimed by Xinhelifu has not entered the substantive trial stage. The Company’s Board of Directors believes that the outcome of the lawsuit and the compensation obligation (if any) cannot be reliably estimated at present.

In addition to the above matters, as at 31 December 2021, the total amount of the subject matter of the pending litigation and arbitration cases in which the Group is the defendant is RMB120 million. After consulting the relevant attorney, the Company’s Board of Directors believes that the outcome of the aforesaid litigation and arbitration and the compensation obligations, if any, cannot be reliably estimated.

XII. EVENTS SUBSEQUENT TO THE BALANCE SHEET DATE

1. Upon approval and authorization of the Company's shareholders' meeting, Mei Wah Company acquired the 100% equity of SIHICH from Shenzhen Investment Holdings Capital by way of private agreement transfer on 11 January 2022. SIHICH became a wholly-owned subsidiary of the Group after this transaction was completed (indirectly held through its wholly-owned subsidiary Mei Wah Company) and Shenzhen Investment Holdings Bay Area Development Company Limited, a company listed on the Stock Exchange of Hong Kong, became a non-wholly-owned subsidiary of the Group.
2. On 12 January 2022, according to the approval and authorization of the general meeting of shareholders, Outer Ring Company, a subsidiary of the Company, entered into a Fixed Assets Loan Contract ("Loan Contract") with Bank of China Limited Shenzhen Central District Branch ("Bank of China"), under which the Bank of China agreed to provide a loan of RMB1,400,000,000 to Outer Ring Company, and the Company undertakes joint and several liability for the principal and interest of the loan hereunder.
3. On 27 February 2022, Environment Company, a subsidiary of the Company, entered into an Agreement on Equity Transfer and Capital Increase of Shenzhen Lisai Environmental Protection Technology Co., Ltd. with Huang Hanjian and Xiao Ying, shareholders of Shenzhen Lisai Environmental Protection Technology Co., Ltd. ("Lisai Environmental Protection"). Pursuant to the agreement, Environment Company intends to acquire 47.674% of equity of Lisai Environmental Protection at a consideration of RMB51.25 million and increase its capital in Lisai Environmental Protection by RMB80 million in the meantime. Upon completion of the equity transfer and capital increase, Environment Company becomes the actual controller of Lisai Environmental Protection while its total equity in Lisai Environmental Protection increases to 70%.
4. Upon approval and authorization of the Company's shareholders' meeting, the Company issued the first tranche of 2022 ultra-short term financing bonds, at an issuance scale of RMB1 billion and a term of 180 days. The related bonds were listed on 8 March 2022. The code of the bonds is 012280888.IB while the short name of the bonds is "22 Shenzhen Expressway SCP001". The Company plans to use the raised funds to repay its debt financing instruments at maturity.
5. On 29 March 2022, according to the approval of the 19th meeting of the 9th board of directors of the Company, cash dividends of RMB0.62 per share (including tax) will be distributed based on the total Equity of the Company on 31 December 2021, with a total dividend of RMB1,352,077,602.12 distributed.

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XIII. OTHER SIGNIFICANT MATTERS

1. Segment information

(1) Basis for recognition and accounting policies of reporting segments:

According to the Group's internal organizational structure, management requirements and internal reporting system, the Group's operating business is divided into two operating segments. The Group's management regularly evaluates the operating results of these segments to determine the allocation of resources and evaluation its performance. On the basis of operating segments, the Group has identified two reporting segments, namely the toll road segment and the environmental protection segment. These reporting segments are determined on the basis of their main business. The main products and services provided by each reporting segment of the Group are: toll road segment, which takes charge of operation and management of toll roads in Mainland China; environmental protection segment, which refers to the operation and management of environmentally related infrastructure, mainly includes solid waste treatment, clean energy and other related fields; other businesses principally comprise the provision of construction management services, advertising services, property development, finance leases, construction services under franchise arrangement and other services. These businesses cannot be separated into reportable segments.

The segment report information is disclosed in accordance with the accounting policies and measurement standards adopted when each segment reports to the management. These measurement bases are consistent with the accounting and measurement bases used when preparing financial statements.

(2) Financial information of reporting segment

Year 2021

RMB

Item	Environmental				Total
	Toll road	protection	Others	Unallocated	
Revenue from external customers	5,892,744,166.13	1,794,627,021.29	3,184,552,821.10	-	10,871,924,008.52
Cost of services	3,084,299,509.65	1,351,575,283.90	2,644,571,055.04	-	7,080,445,848.59
Interest income	33,440,836.27	7,736,258.52	21,299,617.60	37,752,401.97	100,229,114.36
Interest expenses	199,070,230.18	239,122,102.30	455,327,970.67	-	893,520,303.15
Income from investment in associates	150,933,719.10	292,350,082.10	219,345,394.49	-	662,629,195.69
Credit impairment gains (losses)	-	(50,611,989.50)	(1,514,990.14)	-	(52,126,979.64)
Gains (losses) on impairment of assets	-	(99,102,245.97)	(18,058,914.14)	-	(117,161,160.11)
Gains (losses) on disposal of assets	17,652,075.31	(49,550.71)	(230,772.77)	19,607.07	17,391,358.90
Depreciation and amortization	1,918,413,013.59	307,094,677.74	41,236,777.79	24,666,596.90	2,291,411,066.02
Total profit	2,824,406,477.97	312,765,317.91	(386,093,899.62)	427,066,777.15	3,178,144,673.41
Income tax expense	578,502,751.80	39,232,641.28	(145,936,337.19)	-	471,799,055.89
Net profit	2,245,903,726.17	273,532,676.63	(240,157,562.43)	427,066,777.15	2,706,345,617.52
Total assets	33,051,134,669.59	18,573,562,102.25	7,903,401,342.58	1,085,396,641.70	60,613,494,756.12
Total liabilities	19,139,828,146.90	8,538,364,522.64	2,405,471,006.89	2,758,054,739.88	32,841,718,416.31
Long-term equity investments in associates and joint ventures	1,491,134,017.05	5,071,019,214.43	2,801,711,733.77	-	9,363,864,965.25
Increase in the cost of non-current assets (exclusive of financial assets, long-term equity investments, Deferred revenue tax assets)	24,361,249,122.64	7,954,445,823.97	7,065,291,223.97	24,362,234.68	39,405,348,405.26

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

1. Segment information (continued)

(2) Financial information of reporting segment (continued)

Year 2020

RMB

Item	Toll road	Environmental protection	Others	Unallocated	Total
Revenue from external customers	4,386,674,349.61	2,520,621,312.93	1,119,441,437.45	–	8,026,737,099.99
Cost of services	2,422,202,538.44	2,039,567,237.83	752,747,236.89	–	5,214,517,013.16
Interest income	222,405.65	14,709,029.39	25,670,323.54	20,476,513.68	61,078,272.26
Interest expenses	504,303,585.06	161,452,289.78	30,829,537.07	–	696,585,411.91
Income from investment in associates	172,488,678.77	206,420,366.54	501,820,927.29	–	880,729,972.60
Credit impairment gains (losses)	–	(46,442,140.29)	(1,762,919.49)	–	(48,205,059.78)
Gains (losses) on impairment of assets	–	–	(116,143.51)	–	(116,143.51)
Gains (Losses) on disposal of assets	(32,224.59)	–	93,775.26	12,978.64	74,529.31
Depreciation and amortization	1,584,516,195.09	153,717,602.60	28,543,635.09	19,784,126.52	1,786,561,559.30
Total profit	1,919,129,530.97	320,948,965.22	662,439,154.74	(193,051,269.70)	2,709,466,381.23
Income tax expense	398,787,015.45	10,819,272.08	64,304,346.51	–	473,910,634.04
Net profit	1,520,342,515.52	310,129,693.14	598,134,808.23	(193,051,269.70)	2,235,555,747.19
Total assets	35,055,325,218.77	13,532,849,683.25	6,220,219,563.07	336,567,577.54	55,144,962,042.63
Total liabilities	18,009,151,304.18	6,657,326,309.65	1,513,902,088.54	2,685,472,456.49	28,865,852,158.86
Long-term equity investments in associates and joint ventures	1,231,212,138.41	4,731,388,972.99	2,976,724,338.38	–	8,939,325,449.78
Addition of of non-current assets (exclusive of financial assets, long-term equity investments, Deferred revenue tax assets)	2,643,131,539.27	3,376,757,964.03	81,348,364.71	25,681,954.54	6,126,919,822.55

(3) Other information

The Group's revenue from external customers and the non-current assets other than financial assets and Deferred revenue tax assets are all derived from the PRC. The Group did not generate revenue from sales to any single customer that reached or exceeded 10% of the Group's revenue for the year.

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XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

2. Leases

(1) As lessor

Finance lease

The Group as lessor entered into finance lease contracts with customers, with lease term ranging from 2 – 13 years. Finance lease contract does not contain renewal or termination option.

Undiscounted lease receipts:

RMB

Item	31 December 2021	31 December 2020
Within 1 year (inclusive)	94,107,086.71	111,503,772.76
1 – 2 years (inclusive)	92,976,071.38	80,697,360.57
2 – 3 years (inclusive)	103,208,958.78	70,442,741.57
3 – 4 years (inclusive)	56,826,341.97	66,893,968.26
4 – 5 years (inclusive)	51,628,988.49	62,919,459.00
Over 5 years	161,393,598.14	379,464,645.30
Total of subsequent years	560,141,045.47	771,921,947.46
Unguaranteed residual value	–	–
Total lease investment	560,141,045.47	771,921,947.46
Less: Unrealized financing income	171,261,514.29	226,949,816.87
Net lease investment	388,879,531.18	544,972,130.59
Including: Finance lease receivables due within 1 year	60,790,008.82	52,879,136.63
Finance lease receivables due after 1 year	328,089,522.36	492,092,993.96

Gains relating to finance lease are as follows:

RMB

Item	For the year ended 31 December 2021	For the year ended 31 December 2020
Financing income from net lease investment	18,565,049.06	25,087,568.86

Operating leases

The Group leases out some parking spaces, and the lease period is not a regular period, which forms an operating lease. According to the lease contract, the rent needs to be adjusted every year according to the market rent situation. In 2021, the Group's income from the rents of houses and buildings was RMB15,824,426.27. Leased houses and buildings are presented under investment properties. See Note V.15.

XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

2. Leases (continued)

(1) As lessor (continued)

Operating leases (continued)

The Group also leases highway billboards and service areas, with lease term ranging from 1 to 8 years, which forms operating leases.

RMB

Item	For the year ended 31 December 2021	For the year ended 31 December 2020
Lease income	44,754,433.59	35,073,229.83

The Group had total future minimum lease receivables under non-cancellable leases with its tenants falling due as follows:

RMB

Item	31 December 2021	31 December 2020
Within 1 year (inclusive)	13,956,464.23	17,938,934.01
1 to 2 years (inclusive)	6,608,498.92	5,098,562.88
2 to 3 years (inclusive)	5,915,210.63	3,737,909.38
3 to 4 years (inclusive)	3,233,017.42	3,162,560.00
4 to 5 years (inclusive)	3,160,400.00	204,120.00
Over 5 years	24,884,266.67	542,960.00
Total	57,757,857.87	30,685,046.27

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XIII. OTHER SIGNIFICANT MATTERS (CONTINUED)

2. Leases (continued)

(2) As lessee

Item	RMB	
	For the year ended 31 December 2021	For the year ended 31 December 2020
Interest expenses on lease liabilities (Note V. 52)	29,285,937.61	7,234,089.26
Expenses relating to short-term leases accounted for applying simplified treatment	42,720,833.50	5,208,982.93
Expenses relating to leases of low-value assets accounted for applying simplified treatment (other than short-term leases)	14,159.29	188,938.59
Income from sublease of right-of-use assets	9,831,410.50	7,897,876.68
Total cash outflow for leases	62,649,333.44	62,926,682.28

The Group has lease contracts for various items of houses and buildings, vehicles, machinery and other equipment used in the operating process. Leases of houses and buildings, vehicles and machinery generally have lease terms of 1 to 9 years, while those of vehicles and other equipment generally have lease terms of 1 to 3 years. A few lease contracts contain options for renewal and termination.

Sale and leaseback transaction

In order to meet the capital requirements, the Group will use the sale and leaseback form of financing for the Bioland Environment food waste disposal project's equipment for a lease term of 1 to 8 years.

Item	RMB	
	For the year ended 31 December 2021	For the year ended 31 December 2020
Cash inflow of sale and leaseback transaction	–	1,977,920.55
Cash outflow of sale and leaseback transaction	1,512,156,474.31	779,934,983.19
Gains or losses arising from sale and leaseback transactions (Note V. 37)	38,282,785.62	51,721,548.16

Other lease information

For right-of-use assets, see Note V.18; for simplified treatment of short-term leases and leases of low-value assets, see Note III. 30; for lease liabilities, see Note V. 36.

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS

1. Accounts receivable

(1) Accounts receivable disclosed by aging

RMB

Aging	31 December 2021		
	Accounts receivable	Bad debt provision	Proportion (%)
Within 1 year	23,484,715.94	–	–
1 to 2 years	–	–	–
2 to 3 years	–	–	–
Over 3 years	4,838,866.44	–	–
Total	28,323,582.38	–	–

(2) Accounts receivable disclosed by the bad debt provision method:

RMB

Category	31 December 2021					31 December 2020				
	Book balance		Bad debt provision		Carrying amount	Book balance		Bad debt provision		Carrying amount
	Amount	Proportion (%)	Amount	Proportion (%)		Amount	Proportion (%)	Amount	Proportion (%)	
Credit loss allowance assessed collectively by portfolio on the basis of credit risk characteristics										
Portfolio 1	4,838,866.44	17.08	–	–	4,838,866.44	8,809,432.81	43.72	–	–	8,809,432.81
Portfolio 4	23,484,715.94	82.92	–	–	23,484,715.94	11,341,608.31	56.28	–	–	11,341,608.31
Total	28,323,582.38	100.00	–	–	28,323,582.38	20,151,041.12	100.00	–	–	20,151,041.12

(3) Top five accounts receivable categorized by debtor:

RMB

Name of entity	31 December 2021	Proportion to the total accounts receivable (%)	Bad debt provision 31 December 2021
Total of top five accounts receivable as at 31 December 2021	27,843,154.94	98.30	–

Notes to Financial Statements

2021
(RMB)

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

1. Accounts receivable (continued)

2. Other receivables

2.1 Other receivables are classified as follows:

RMB

Item	31 December 2021	31 December 2020
Interest receivable	–	9,588,821.98
Dividends receivable	963,388,331.68	450,000,000.00
Other receivables	1,266,427,794.67	860,064,820.96
Total	2,229,816,126.35	1,319,653,642.94

2.2 Dividends receivable

RMB

Item	31 December 2021	31 December 2020
Mei Wah Company	450,000,000.00	450,000,000.00
Yichang Company.	207,512,910.66	–
Outer Ring Company	305,875,421.02	–
Total	963,388,331.68	450,000,000.00

2.3 Other receivables

(1) Disclosure by aging

RMB

Aging	31 December 2021		
	Other receivables	Bad debt provision	Proportion (%)
Within 1 year	715,793,731.47	–	–
1 to 2 years	503,031,144.02	–	–
2 to 3 years	1,744,834.48	–	–
Over 3 years	45,858,084.70	–	–
Total	1,266,427,794.67	–	–

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

2. Other receivables (continued)

(2) Other receivables analyzed by nature are as follows:

RMB

Nature	31 December 2021	31 December 2020
Loans receivable	758,691,984.21	545,997,537.77
Advances receivable	494,754,499.97	301,282,769.18
Receivables due to cancellation of toll stations in Yanpai Expressway and Yanba Expressway	9,209,048.19	9,209,048.19
Others	3,772,262.30	3,575,465.82
Total	1,266,427,794.67	860,064,820.96

(3) Top five other receivables categorized by debtor:

RMB

Categories	Nature	31 December 2021	Aging	Proportion to total other receivables (%)	Closing balance of provision for bad debts
Total of top five other receivables at 31 December 2021	Loans receivable, advances receivable	1,253,446,484.18	1 – 3 years and over 3 years	98.97	–

Notes to Financial Statements

2021
(RMB)

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

3. Long-term equity investments

RMB

Investee	Changes in the year									31 December 2021	Closing balance of allowance for impairment
	1 January 2021	Addition	Reduction	Investment gains or losses recognized under the equity method	Adjustment to other comprehensive income	Other equity changes	Cash dividend or profit declared	Allowance for impairment	Others		
Associates and joint ventures:											
Nanjing Third Bridge Company	311,445,639.53	-	-	31,260,397.55	-	-	(44,014,169.32)	-	-	298,691,867.76	-
Yangmao Company	539,786,613.72	255,000,000.00	-	55,249,071.29	-	-	(42,647,171.24)	-	-	807,388,513.77	-
Guangzhou Western Second Ring Company	326,860,559.00	-	-	58,502,355.64	-	-	(59,350,500.00)	-	-	326,012,414.64	-
United Land Company	1,475,180,256.93	-	-	65,173,483.23	-	-	(327,130,605.57)	-	-	1,213,223,134.59	-
Environmental Technology Industry M&A	130,718,169.36	-	-	(5,798,563.57)	-	-	-	-	-	124,919,605.79	-
Others	1,199,717,664.93	31,500,000.00	-	139,765,871.54	13,008,016.24	-	(73,020,000.00)	-	54,346,070.31	1,365,317,623.02	-
Sub-total	3,983,708,903.47	286,500,000.00	-	344,152,615.68	13,008,016.24	-	(546,162,446.13)	-	54,346,070.31	4,135,553,159.57	-
Investment in subsidiaries:											
Airport-Heao Eastern Company	477,298,857.46	-	-	-	-	(477,298,857.46)	-	-	-	-	-
Meiguan Company	521,260,142.34	-	-	-	-	-	-	-	-	521,260,142.34	-
Qinglong Company	101,477,197.16	-	-	-	-	-	-	-	-	101,477,197.16	-
Advertising Company	3,325,000.01	-	-	-	-	-	-	-	-	3,325,000.01	-
Mei Wah Company	831,769,303.26	-	-	-	-	-	-	-	-	831,769,303.26	-
Qinglian Company	1,385,448,900.00	-	-	-	-	-	-	-	-	1,385,448,900.00	678,765,149.21
Outer Ring Company	5,100,000,000.00	1,400,000,000.00	-	-	-	-	-	-	-	6,500,000,000.00	-
Investment Company	380,000,000.00	-	-	-	-	20,000,000.00	-	-	-	400,000,000.00	-
Environmental Company	5,000,000,000.00	-	-	-	-	-	-	-	-	5,000,000,000.00	-
Operating Company	28,500,000.00	-	-	-	-	1,500,000.00	-	-	-	30,000,000.00	-
Shenchang Company	33,280,762.94	-	-	-	-	-	-	-	-	33,280,762.94	-
Yichang Company	1,270,000,000.00	-	-	-	-	-	-	-	-	1,270,000,000.00	-
Construction Development Company	28,500,000.00	-	-	-	-	1,500,000.00	-	-	-	30,000,000.00	-
Infrastructure Environment Protection Development Company	132,600,000.00	72,000,000.00	-	-	-	-	-	-	-	204,600,000.00	-
Coastal Company	5,587,939,407.88	-	-	-	-	-	-	-	-	5,587,939,407.88	-
Fund Company	9,500,000.00	-	-	-	-	500,000.00	-	-	-	10,000,000.00	-
Baotou Nanfeng	0.67	1,280,899.60	-	-	-	-	-	-	-	1,280,900.27	-
Financial Leasing Company	15,320,919.87	662,872,500.00	-	-	-	-	-	-	-	678,193,419.87	-
New Energy Company	10,000,000.00	2,151,250,000.00	-	-	-	-	-	-	-	2,161,250,000.00	-
Guangming Environmental Technology	-	200,000,000.00	-	-	-	-	-	-	-	200,000,000.00	-
Longda Company	103,816,567.61	-	-	-	-	-	-	-	-	103,816,567.61	-
Sub-total	21,020,037,059.20	4,487,403,399.60	-	-	-	(453,798,857.46)	-	-	54,346,070.31	25,053,641,601.34	678,765,149.21
Total	25,003,745,962.67	4,773,903,399.60	-	344,152,615.68	13,008,016.24	(453,798,857.46)	(546,162,446.13)	-	54,346,070.31	29,189,194,760.91	678,765,149.21

The detailed information about investment in associates and joint ventures is set out in Note V.13. The Company directly holds 2.92% of Guizhou Bank. Except for the investments in associates, namely Guizhou Hengtongli and Derun Environment, other investments in associates are directly held by the Company.

XIV. NOTES TO KEY ITEMS IN THE COMPANY'S FINANCIAL STATEMENTS (CONTINUED)

4. Operating income and costs

RMB

Item	For the year ended 31 December 2021		For the year ended 31 December 2020	
	Revenue	Cost	Revenue	Cost
Main businesses	1,118,707,113.70	379,981,872.14	615,025,300.47	162,256,516.94
Other businesses	690,971,512.75	678,879,957.58	133,728,321.38	115,910,851.89
Total	1,809,678,626.45	1,058,861,829.72	748,753,621.85	278,167,368.83

5. Investment income

RMB

Item	For the year ended 31 December 2021	For the year ended 31 December 2020
Income from long-term equity investments under the equity method	344,152,615.68	655,401,158.35
Income from long-term equity investments under the cost method	1,187,374,489.42	176,964,124.48
Investment income from other non-current financial assets	5,436,000.00	6,395,165.94
Foreign exchange swap offset gains	(125,940,000.00)	17,955,000.00
Investment income from disposal of equity	25,337,086.29	–
Gains or losses on sale of assets to associates or joint ventures realized	–	32,252,473.61
Total	1,436,360,191.39	888,967,922.38

Note: Sections marked with * in the notes to the financial statements are additions or detailed disclosures made in accordance with the Hong Kong Companies Ordinance and the Listing Rules of the Stock Exchange of Hong Kong.

Notes to Financial Statements

2021
(RMB)

XV. SUPPLEMENTARY INFORMATION

1. Breakdown of non-recurring profit or loss for the current period

Item	Amount
Profits and losses on disposal of non-current assets	42,728,445.20
Government grants recognized in profit or loss (other than grants which are closely related to the Company's business and are either in fixed amounts or determined under quantitative methods in accordance with the national standard)	61,495,011.45
Income earned from lending funds to non-financial institutions and recognized in profit or loss	5,055,604.11
The excess of attributable fair value of identifiable net assets over the consideration paid for the acquisition of subsidiaries, associates and joint ventures	5,772,764.94
In addition to the effective hedging business related to the Company's normal business operations, profits and losses from changes in the fair value arising from the holding of financial assets held for trade, derivative financial assets, financial liabilities held for trade, derivative financial liabilities, and other non-current financial assets, as well as the investment income from the disposal of the above financial assets/liabilities, receivable financing and other debt investments	233,230,358.31
Other non-operating income or expenses other than the above	17,001,564.68
Impact of income tax	(88,630,604.94)
Impact of minority interests	(5,902,229.11)
Total	270,750,914.64

Basis for preparation of the breakdown of non-recurring profit or loss:

Under the requirements in Explanatory Announcement No. 1 on Information Disclosure by Companies Offering Securities to the Public – Non-Recurring Profit or Loss [2008] from the CSRC, non-recurring profit or loss refers to transactions that are not directly relevant to the normal business operations, or that are relevant to ordinary business, but are so extraordinary that would have an influence on users of the financial statements when making proper judgments on the performance and profitability of an enterprise.

2. Return on net assets and earnings per share

The table of calculation of return on net assets and earnings per share has been prepared by Shenzhen Expressway Corporation Limited in accordance with the relevant provisions of *the Preparation Rules for Information Disclosure by Companies Offering Securities to the Public No. 9 – Calculation and Disclosure of Return on Net Assets and Earnings Per Share (revised in 2010) issued by the China Securities Regulatory Commission.*

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary shareholders of the Company	12.24	1.110	1.110
Net profit after deducting non-recurring profit or loss attributable to ordinary shareholders of the Company	10.87	0.985	0.985

Company Information

I. Company Profile

Registered name	深圳高速公路集团股份有限公司
Chinese abbreviation	深高速
English name	Shenzhen Expressway Corporation Limited
English abbreviation	SZEW
Legal representative	HU Wei

II. Contact Information

	Secretary of the Board	Joint company secretary	Securities officer
Name	ZHAO Gui Ping	ZHAO Gui Ping, LAM Yuen Ling Eva	GONG Xin, XIAO Wei
Contact address	46/F, Hanking Center Tower, No.9968 Shennan Avenue, Nanshan District, Shenzhen		
Telephone	(86) 755-8669 8080; (86) 755-8669 8068		
Fax	(86) 755-8669 8002		
E-mail	secretary@sz-expressway.com		
Investor hotline	(86) 755-8669 8069		

Company Information

III. General Information

Registered address	Fumin Toll Station, Fucheng Street, Longhua District, Shenzhen (Postal Code:518110)
Place of business	46/F, Hanking Center Tower, No 9968 Shennan Avenue, Nanshan District, Shenzhen (Postal Code:518057)
Website	http://www.sz-expressway.com
E-mail	ir@sz-expressway.com
Principal place of business in Hong Kong	Room 1603, 16/F, China Building, 29 Queen's Road Central, Hong Kong Tel: (852) 2543 0633 Fax: (852) 2543 9996

IV. Information Disclosure and Site for Inspection

Designated publication newspaper	Shanghai Securities News, Securities Times, China Securities Journal, Securities Daily (for A Shares only)
Designated publication website	http://www.sse.com.cn http://www.hkexnews.hk http://www.sz-expressway.com
Annual report available at	PRC: 46/F Hanking Center Tower, No 9968 Shennan Avenue, Nanshan District, Shenzhen Hong Kong: Room 1603, 16/F, China Building, 29 Queen's Road Central, Hong Kong

V. Security Profile

Type of securities	Listing exchange	Abbreviation	Security code
A Share	The Shanghai Stock Exchange	Shenzhen Expressway	600548
H Share	The Stock Exchange of Hong Kong Limited	Shenzhen Expressway	00548
Bond	The Shanghai Stock Exchange	20 Shenzhen Expressway 01	163300
Bond	The Shanghai Stock Exchange	G20 Shenzhen Expressway 1	175271
Bond	The Shanghai Stock Exchange	G21 Shenzhen Expressway 1	175979
Bond	The Stock Exchange of Hong Kong Limited	SZEXP B2607	40752
Bond	The Shanghai Stock Exchange	21 Shenzhen Expressway 01	188451
Bond	The Shanghai Stock Exchange	22 Shenzhen Expressway 01	185300

VI. Other Information

Auditor	Deloitte& Hua Yong LLP 30/F Bund Center, No.222 Yang An East Road, Huang Pu District,Shanghai, China Signing auditor: Huang Yue, Liu Chan
PRC legal adviser	Guangdong Junyan Law Firm Room C, 10th Floor, Block5 Dachong International Centre, Huarun, ShennanAvenue, Nanshan District, Shenzhen, China
Hong Kong legal adviser	Loong & Yeung, Solicitors Room 1603, 16/F, China Building, 29 Queen's Road Central, Hong Kong
Domestic share registrar and transfer office	China Securities Depository and Clearing Corporation Limited, Shanghai Branch No.188 South Yanggao Road, Pudong New District, Shanghai
Share registrar and transfer office in Hong Kong	Hong Kong Registrars Limited 46/F, Hopewell Centre, 183 Queen's Road East, Hong Kong
Investor relations consultant of A Shares	Everbloom Investment Consultant Company Limited Room 3801-3803, Rongchao Trade Centre, 4028 Jintian Road, Futian District, Shenzhen
Investor relations consultant of H Shares	Wonderful Sky Financial Group 6/F, Nexus Building, No. 41 Connaught Road Central, Hong Kong
Principal banks	China Development Bank Industrial and Commercial Bank of China China Merchants Bank

Company Information

VII. Project Information (as at March 2022)

Toll highway	Interest held by the Company	Location	Toll mileage (km)	No. of lanes	Status
Meiguan Expressway	100%	Shenzhen	5.4	8	Under operation
Jihe East	100%	Shenzhen	23.7	6	Under operation
Jihe West	100%	Shenzhen	21.8	6	Under operation
Shuiguan Expressway	50%	Shenzhen	20.0	10	Under operation
Shuiguan Extension	40%	Shenzhen	6.3	6	Under operation
Coastal Project	100%	Shenzhen	36.6	8	Coastal Phase I: under operation Coastal Phase II: under construction
Outer Ring Project	100%	Shenzhen	60	6	Under operation
Longda Expressway ⁽²⁾	89.93%	Shenzhen	4.426	6	Under operation
Yangmao Expressway	25%	Guangdong	79.8	4	Under operation
GZ W2 Expressway	25%	Guangdong	40.2	6	Under operation
Qinglian Expressway	76.37%	Guangdong	216.0	4	Under operation
Wuhuang Expressway	100%	Hubei	70.3	4	Under operation
Yichang Project	100%	Hunan	78.3	4	Under operation
Changsha Ring Road	51%	Hunan	34.7	4	Under operation
Nanjing Third Bridge	25%	Jiangsu	15.6	6	Under operation
GZ West Superhighway	50%	Guangzhou, Foshan, Zhongshan,	98	6	Under operation
GS Superhighway	45%	Shenzhen, Dongguan, Guangzhou	122.8	6	Under operation

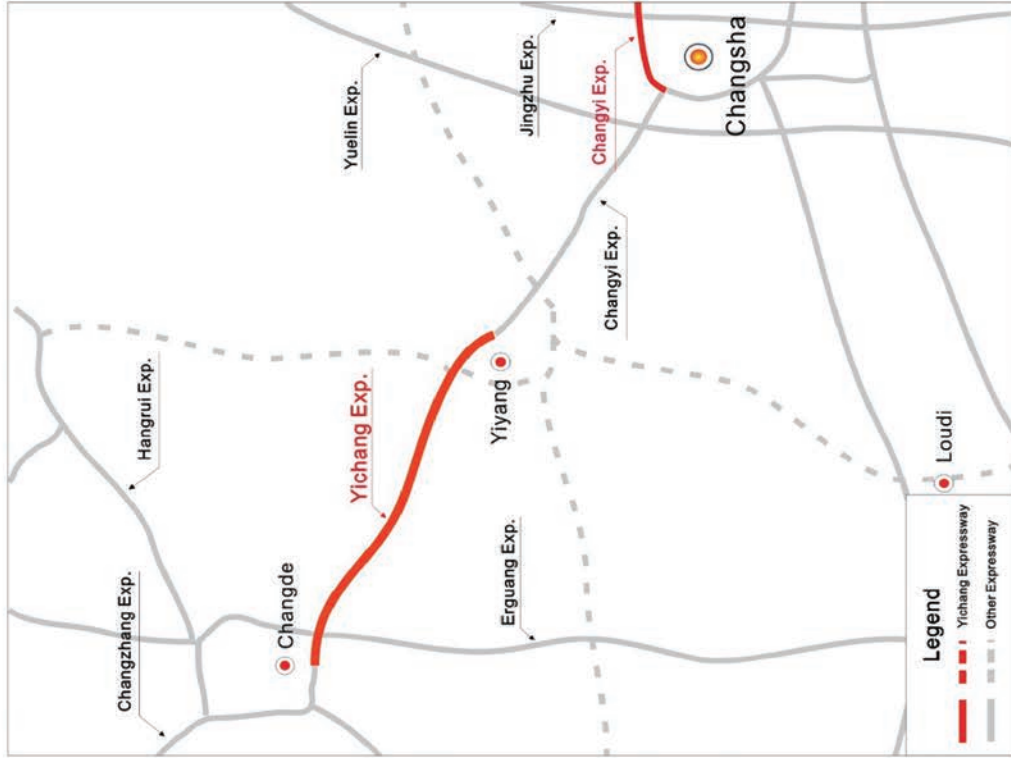
Note:

- (1) For detailed information, toll fees, historical operational data of above projects, and road network of peripheral area of the above projects, please refer to the column "Toll Roads" under "Corporation Business", "Operational Statistics" under "Investor Relations" and "IR Materials" under "Investor Relations" in the website of the Company at <http://www.sz-expressway.com>.
- (2) The Group has signed a contract to acquire 100% equity interest in SIICHIC through its wholly-owned subsidiary Mei Wah Industrial, thereby indirectly holding approximately 71.83% equity interest in Bay Area Development, which indirectly enjoys 50% profit of GZ West Superhighway and 45% profit of GS Superhighway. The relevant equity delivery and industrial and commercial registration change procedures have been completed on January 11, 2022. For details, please refer to the announcement dated 22 July, 10 August, 25 August, 23 November, 10 December 2021, 11 January 2022 and the circular dated 24 November 2021 of the Company.

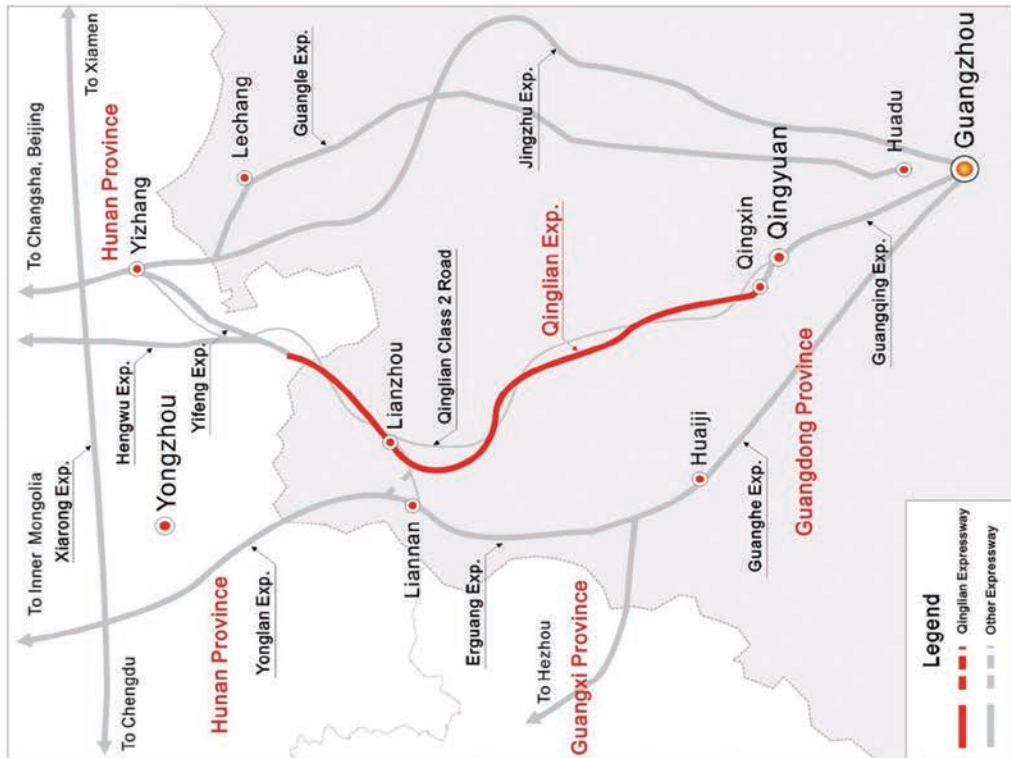
Road Network of Shenzhen



Road Network of Yichang Expressway



Road Network of Qinglian Expressway



Company Information

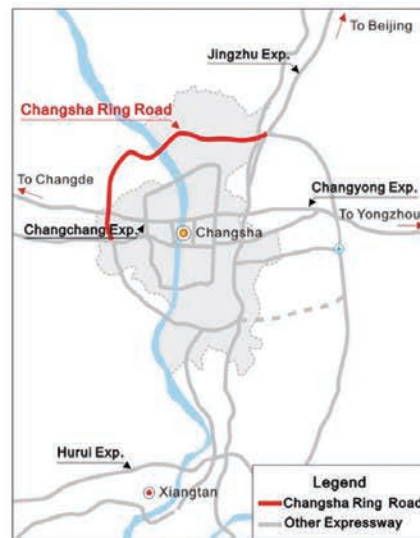
Road Network of Wuhuang Expressway



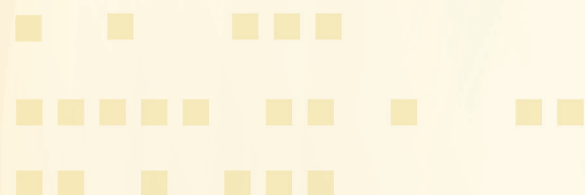
Road Network of Nanjing Third Bridge



Road Network of Changsha Ring Road



- ▷ Unless otherwise stated, the amounts stated in this report are in RMB.
- ▷ The total of breakdown and the total may not equal in mantissa due to rounding.



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