



越秀交通基建有限公司

YUEXIU TRANSPORT INFRASTRUCTURE LIMITED

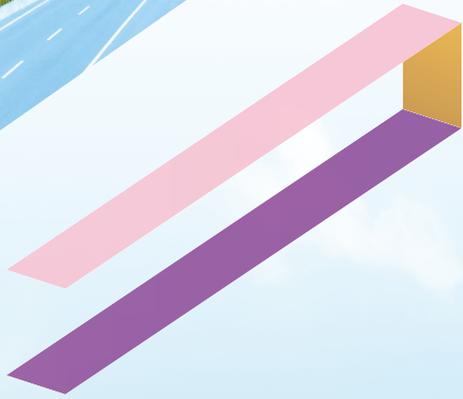
(Stock Code: 01052)

ANNUAL REPORT
2021



CREATING
EXCELLENT VALUES





CONTENTS

Five Years Financial Summary	2
Financial Highlights	3
Corporate Profile	4
Location Maps of Projects	6
Chairman's Statement	14
Management Discussion and Analysis	20
Investor Relations Report	50
Directors' Profiles	52
Corporate Governance Report	55
Report of the Directors	67
Independent Auditor's Report	78
Consolidated Statement of Profit or Loss	84
Consolidated Statement of Comprehensive Income	85
Consolidated Statement of Financial Position	86
Consolidated Statement of Cash Flows	88
Consolidated Statement of Changes in Equity	89
Notes to the Consolidated Financial Statements	91
Corporate and Investor Relations Information	182



FIVE YEARS FINANCIAL SUMMARY

STATEMENTS OF PROFIT OR LOSS

Year ended 31 December

(RMB'000)	2021	2020	2019	2018	2017
Income from operations	3,702,276	2,919,838	3,023,221	2,847,073	2,702,844
Earnings before interests, tax, depreciation and amortisation ("EBITDA") ¹	3,292,190	2,452,006	2,956,565	2,855,785	2,722,179
Profit before income tax	2,218,350	682,421	1,900,445	1,891,655	1,638,417
Profit for the year	1,792,694	404,336	1,595,043	1,411,681	1,267,222
Profit attributable to:					
Shareholders of the Company	1,464,984	160,491	1,137,590	1,054,135	947,942
Non-controlling interests	327,710	243,845	457,453	357,546	319,280
Basic earnings per share for profit attributable to the shareholders of the Company	RMB0.8756	RMB0.0959	RMB0.6799	RMB0.6300	RMB0.5666
Dividend per share	RMB0.4980	RMB0.0584	RMB0.3500	RMB0.3375	RMB0.2970

STATEMENTS OF FINANCIAL POSITION

As at 31 December

(RMB'000)	2021	2020	2019	2018	2017
Total Assets	35,661,108	36,367,600	36,797,875	22,739,750	23,918,489
Total Liabilities	21,188,359	22,713,855	23,169,125	10,332,171	12,101,085
Total Equity	14,472,749	13,653,745	13,628,750	12,407,579	11,817,404
Equity attributable to:					
Shareholders of the Company	11,511,515	10,424,891	10,571,655	10,071,871	9,544,848
Non-controlling interests	2,961,234	3,228,854	3,057,095	2,335,708	2,272,556
Net assets per share to shareholders of the Company	RMB6.88	RMB6.23	RMB6.32	RMB6.02	RMB5.70

FINANCIAL RATIOS

Year ended 31 December

	2021	2020	2019	2018	2017
Return on equity attributable to shareholders of the Company	12.73%	1.54%	10.76%	10.47%	9.93%
EBITDA Interest Coverage	4.6 times	3.1 times	7.6 times	8.2 times	8.4 times
Gearing ratio ²	48.5%	54.3%	55.4%	29.6%	36.0%
Total liabilities/Total assets ratio ³	59.4%	62.5%	63.0%	45.4%	50.6%

1: EBITDA includes profit from associates and joint venture, but excludes non-cash gains and losses.

2: net debts ÷ total capitalization

3: total liabilities ÷ total assets

FINANCIAL HIGHLIGHTS

RESULTS HIGHLIGHTS FOR 2021

26.8% ▲

Revenue
RMB3,702 million

42.6% ▲

Gross Profit
RMB2,223 million

6.7 ▲
percentage point

Gross Margin*
60.1%

98.4% ▲

Operating Profit
RMB2,654 million

225.1% ▲

Profit before income tax
RMB2,218 million

812.8% ▲

Profit attributable to
shareholders of the Company
RMB1,465 million

812.8% ▲

Basic earnings per share
RMB0.8756

812.6% ▲

Diluted earnings per share
RMB0.8752

1.9% ▼

Total Assets
RMB35.7 billion

10.4% ▲

Net assets per
share attributable to
shareholders
RMB6.88

* Gross Margin = Gross profit/Revenue

CORPORATE PROFILE

廣州越秀集團股份有限公司
Guangzhou Yue Xiu Holdings Limited

100%

Public

55.8%

Yue Xiu Enterprises (Holdings) Limited

44.2%

Yuexiu Transport Infrastructure Limited

Expressway / Bridge / Port

- ▣ GNSR Expressway / 60%
- ▣ Cangyu Expressway / 100%
- ▣ Jinxiong Expressway / 60%
- ▣ Changzhu Expressway / 100%
- ▣ Weixu Expressway / 100%
- ▣ Suiyuenan Expressway / 70%
- ▣ Hancai Expressway / 67%
- ▣ Han'e Expressway / 100%
- ▣ Daguangnan Expressway / 90%

- Han-Xiao Expressway / 30%
- Northern Ring Road / 24.3%
- Humen Bridge / 27.78%*
- Shantou Bay Bridge / 30%
- GWSR Expressway / 35%
- Qinglian Expressway / 23.63%
- Pazhou Port / 45%

* The Group's profit sharing ratio in Humen Bridge could be referred to notes of 'Business Review' in page 22.

- ▣ subsidiaries
- associates and joint venture

CORPORATE PROFILE

Yuexiu Transport Infrastructure Limited (“Company”) and its subsidiaries (collectively, “Group”) are principally engaged in investment, operation and management of toll expressways and bridges in Guangdong Province and other high growth provinces in the People’s Republic of China (“PRC”). The Company’s substantial shareholder, Guangzhou Yue Xiu Holdings Limited is a state-owned enterprise under the supervision of the State-owned Assets Supervision and Administration Commission (“SASAC”) of the Guangzhou Municipal People’s Government.

As at 31 December 2021, the Group had a total of 15 investments in its operating expressways and bridge projects which included Guangzhou Northern Second Ring Expressway (“GNSR Expressway”), Guangzhou Western Second Ring Expressway (“GWSR Expressway”), Guangzhou Northern Ring Road (“Northern Ring Road”), Guangdong Humen Bridge (“Humen Bridge”), Shantou Bay Bridge and Guangdong Qinglian Expressway, all of which are located within Guangdong Province; Han-Xiao Expressway, Suiyuan Expressway, Hancai Expressway, Han’e Expressway and Daguangnan Expressway in Hubei Province; Cangyu Expressway in Guangxi Zhuang Autonomous Region (“Cangyu Expressway”); Jinxiong Expressway in Tianjin Municipality; Changzhu Expressway in Hunan Province; and Weixu Expressway in Henan Province. As at 31 December 2021, the attributable toll length of the Group’s subsidiaries is approximately 416.6 km (total toll length is approximately 495.2 km), attributable toll length of the Group’s associates and joint venture is approximately 88.8 km, the total attributable toll length of expressways and bridges is approximately 505.4 km.



LOCATION MAPS OF PROJECTS





TIANJIN

1 Tianjin City Jinxiong Expressway

HENAN

2 Xuchang City Weixu Expressway

HUBEI

3	Wuhan City	Han-Xiao Expressway	4	Jingzhou City	Suiyuan Expressway
		Hancai Expressway	5	Huanggang City	Daguangnan Expressway
		Han'e Expressway			

HUNAN

6 Changsha City Changzhu Expressway

GUANGXI

7 Wuzhou City Cangyu Expressway

GUANGDONG

8	Dongguan City	Humen Bridge	9	Qingyuan City	Qinglian Expressway
8	Guangzhou City	GNSR Expressway	10	Shantou City	Shantou Bay Bridge
		Northern Ring Road			
		GWSR Expressway			
		Pazhou Port			



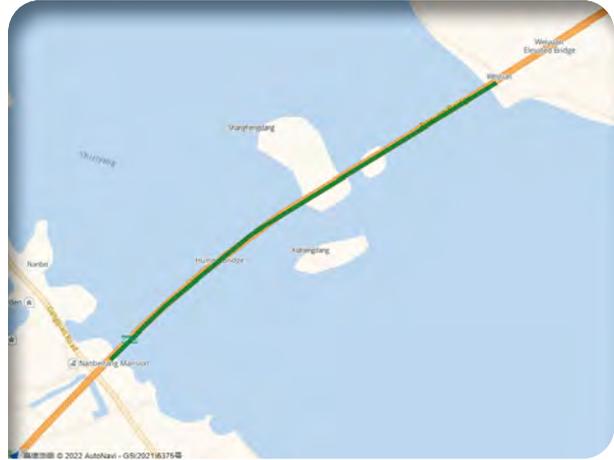
LOCATION MAPS OF PROJECTS

GUANGDONG



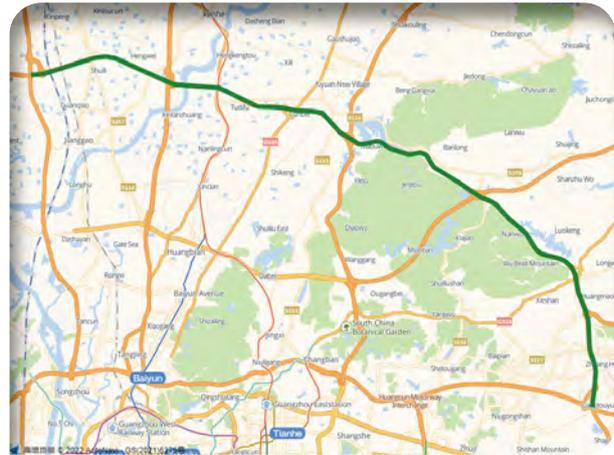
**HUMEN
BRIDGE**

It is a six-lane suspension highway bridge with a toll length of approximately 15.8 km linking Nansha District of Guangzhou City and Humen District of Dongguan City. Its two ends are connected to the Guangzhou Macau Expressway, Guangshen Yanjiang Expressway and GS Superhighway.



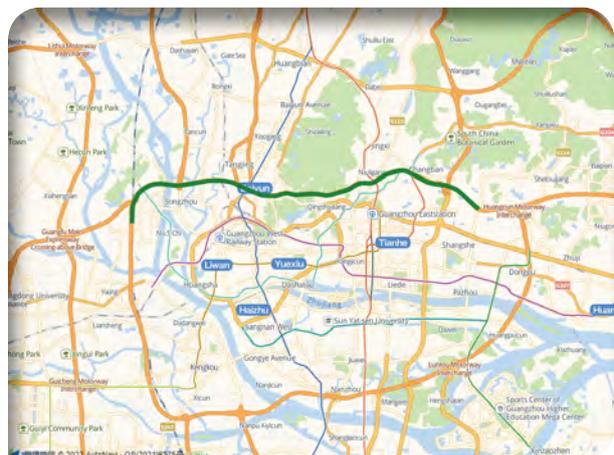
**GNSR
EXPRESSWAY**

It is a six-lane expressway of approximately 42.5 km for toll length, with 10 flyovers in total. GNSR Expressway also connects with GWSR Expressway, Guangqing Expressway, Airport Expressway, G4 Expressway, Huanan Expressway, Guanghe Expressway, Guanghui Expressway, GS Superhighway, GESR Expressway and Fenghuangshan Tunnel, National Highway 105, 106, 324 and Provincial Highway 114 and so on.



**NORTHERN RING
ROAD**

It is located within Guangzhou City with a toll length of approximately 22.0 km with six lanes. It is a part of Guangzhou Ring Expressway, Guangzhou section of Shenhai Expressway and Fukun section of National Highway, linking with GS Superhighway and Guangzhou Foshan Expressway.

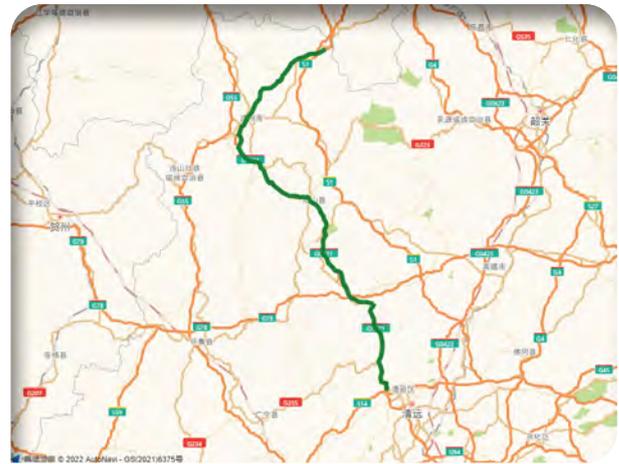


LOCATION MAPS OF PROJECTS



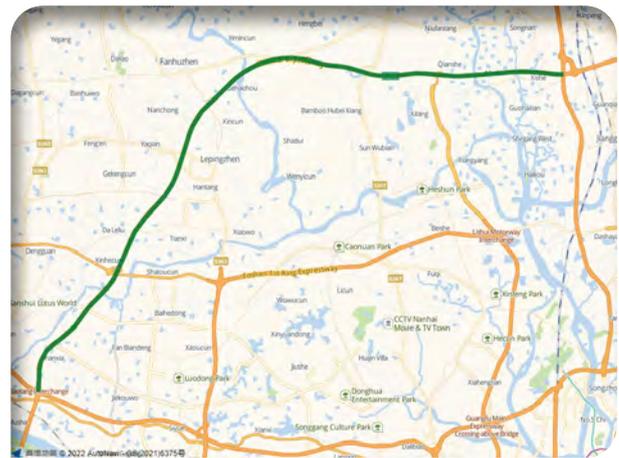
QINGLIAN EXPRESSWAY

It is located in the northwestern part of Guangdong as a significant linkage between Guangdong and Hunan. The toll length is approximately 215.2 km with four lanes.



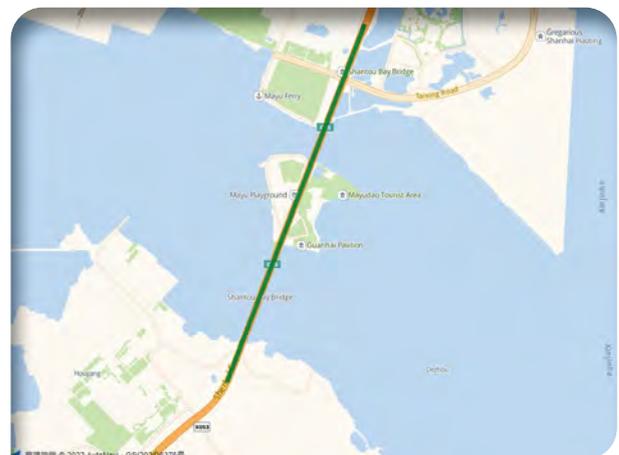
GWSR EXPRESSWAY

The toll length is approximately 42.1 km with six lanes which are connected to GNSR Expressway, Guangqing Expressway, southern part of GWSR Expressway and Guangsan Expressway.



SHANTOU BAY BRIDGE

It is located in the eastern entrance of Shantou Harbour which connects Shenshan Expressway in the south, stretches over Shantou Harbour Huangsha Bay Sea and connects with Shanfen Expressway. The project's toll length is approximately 6.5 km with six lanes.



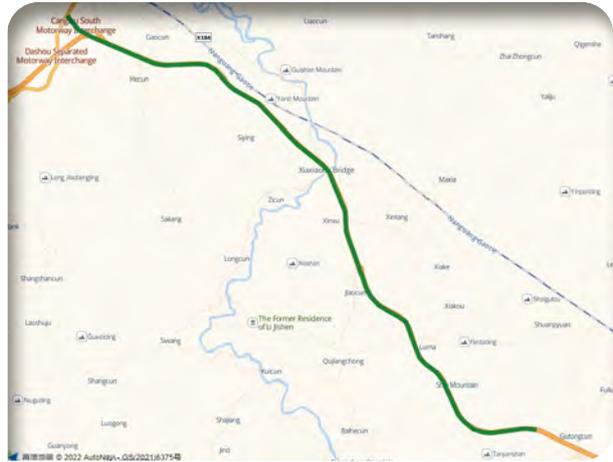
LOCATION MAPS OF PROJECTS

GUANGXI



CANGYU EXPRESSWAY

It is located in Longxu District, which was originally in Cangwu Country, of Wuzhou City in Guangxi Zhuang Autonomous Region, linking Longxu District of Guangxi with the Yunan Country of Guangdong Province. The toll length is approximately 22 km with four lanes, forming a part of Guangkun Expressway (G80).

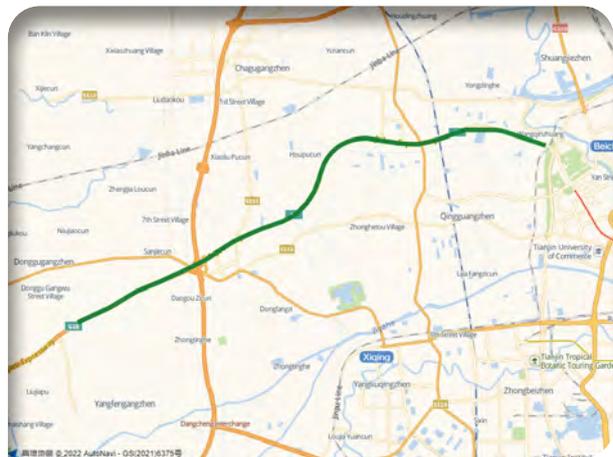


TIANJIN



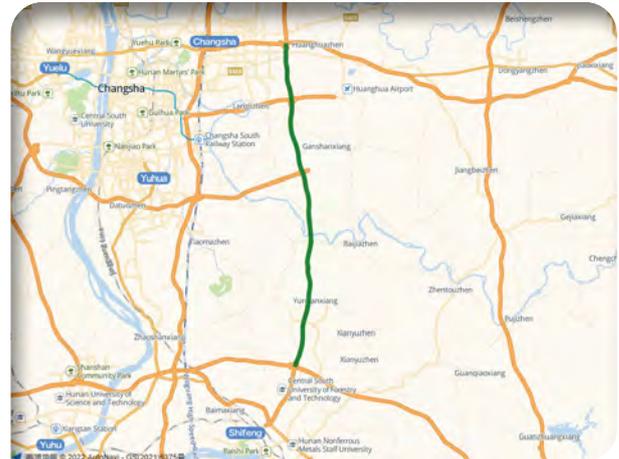
JINXIONG EXPRESSWAY

It is located in the west of Tianjin Municipality, and Hebei Province at the junction, and linking the Jinxiong Expressway (Hebei section), Jinghu Expressway and Tianjin Waihuan Lane etc. with a toll length of approximately 23.9 km with four lanes.

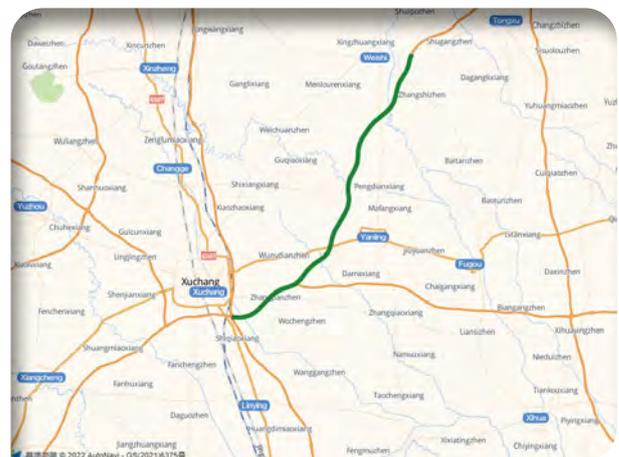


LOCATION MAPS OF PROJECTS**HUNAN****CHANGZHU EXPRESSWAY**

It starts from Huanghua Town in the Changsha County, Changsha City, while ending at northwest of Zhuzhou Electric Factory. Changzhu Expressway has a toll length of approximately 46.5 km with four lanes. It connects with Changsha City Ring Road, Chang-Liu Expressway, Airport Expressway and Hukun Expressway.

**HENAN****WEIXU EXPRESSWAY**

Located in Henan Province, Weixu Expressway is an important part of Lan-nan Expressway as well as the significant linkage between G4 Expressway, Daguang Expressway (G45), Xuguang Expressway (G0421), Er'guang Expressway (G55), Ningluo Expressway (G36) and Lianhuo Expressway (G30). The toll length is approximately 64.3 km with four lanes.



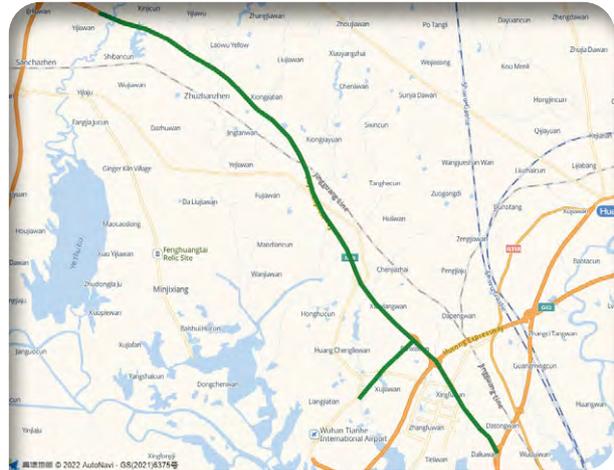
LOCATION MAPS OF PROJECTS

HUBEI



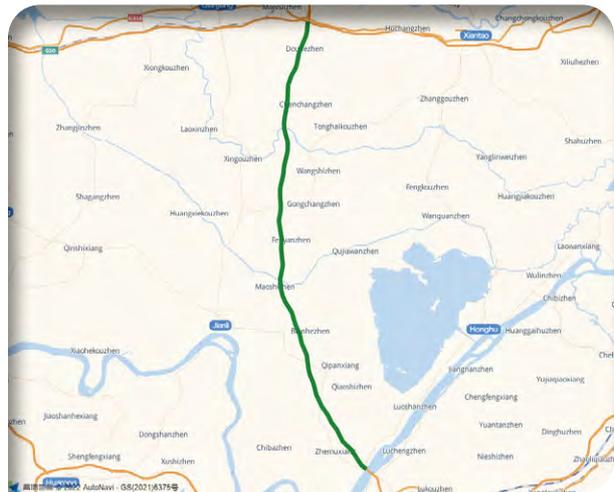
HAN-XIAO EXPRESSWAY

It starts from Huangpi District, Wuhan city and ended at Xiaonan District, Xiaogan City. The toll length is approximately 38.5 km with 6 lanes at the sections of Airport North Extension as well as from Taoyuanji interchange to Hengdian interchange. There are 4 lanes for other sections. Han-Xiao Expressway also connects with Wuhan Airport Expressway, G4 Expressway, Wuhan Ring Road, Daijiasan-Huangpi Expressway and Xiaoxiang Expressway.



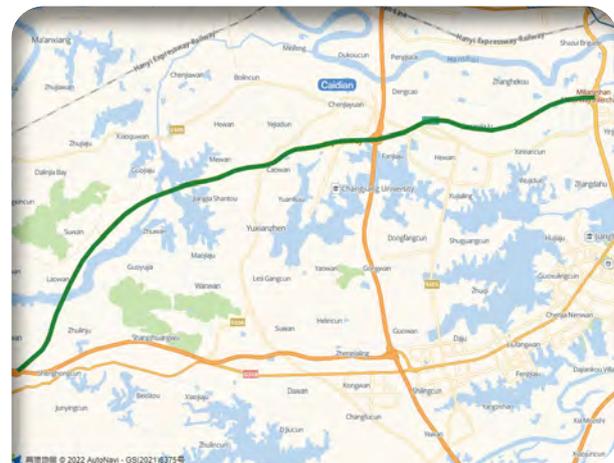
SUIYUENAN EXPRESSWAY

It starts from Hanyi Expressway Zhuji Interchange and ended at north shore of Jinyue Yangtze River Highway Bridge. It is an important expressway in the central region of Hubei for connecting passenger and freight transportation among regions such as Henan and Hunan. The toll length is approximately 98.1 km with four lanes.



HANCAI EXPRESSWAY

It has a toll length of approximately 36.0 km, 13 km of which is six-lane while 23 km is four-lane. Located in the urban area of Wuhan, it connects the Wuhan Third Ring Line and the Beijing-Hong Kong-Macau Expressway (route number G4) and extends to Huyu Expressway (route number G50), being an important west bound corridor for Wuhan.

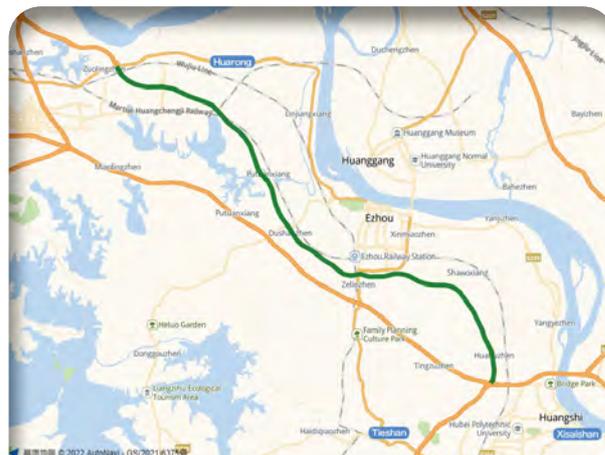


LOCATION MAPS OF PROJECTS



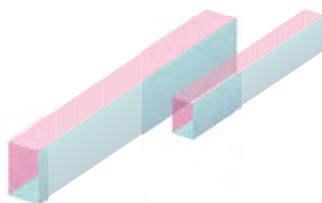
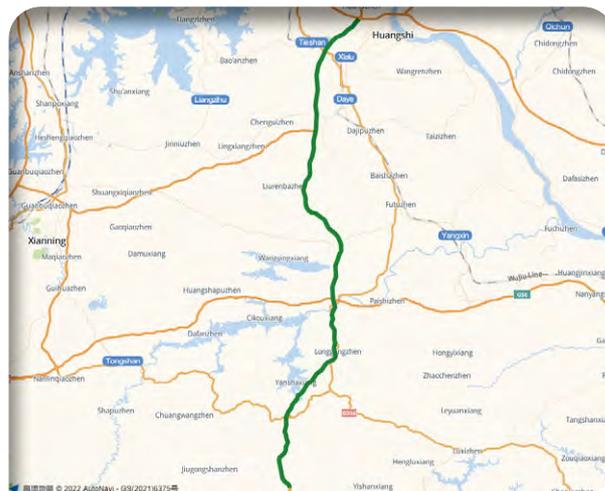
HAN'E EXPRESSWAY

It is a four-lane expressway with approximately 54.8 km of toll length, starts from Xinqiao Village of Zuoling Town in Wuhan and ends at the Huahu interchange which is the southern route of the E'Dong Changjiang Bridge of the Daguang Expressway. This expressway is one of the seven fast urban exit roads in Wuhan's town planning.



DAGUANGNAN EXPRESSWAY

It is a four-lane expressway with approximately 107.1 km of toll length. Located in the southern part of Hubei Province, it is an important passageway connecting Hubei and Jiangxi province.



CHAIRMAN'S STATEMENT





CHAIRMAN'S STATEMENT



LI FENG
CHAIRMAN

OPERATING RESULTS AND DIVIDEND

During the year ended 31 December 2021 (the "Reporting Year"), the Group recorded revenue of RMB3,702 million, representing a year-on-year increase of 26.8%. Profit attributable to shareholders amounted to RMB1,465 million, representing a year-on-year increase of 812.8%. Operating results hit another record high, with a positive momentum of steady growth.

The Board has recommended the payment of a final dividend for 2021 of HK\$0.41 per share. Together with the interim dividend of HK\$0.20 per share paid, the total dividend for the Reporting Year is HK\$0.61 per share, which is equivalent to RMB0.4980 per share, and the annual dividend payout ratio of the year is 56.9%.

CHAIRMAN'S STATEMENT

ANNUAL REVIEW

Marco-Economy and Regulatory Environment of the Sector

In 2021, the global economy continued its recovery in spite of challenges brought on by the recurrence of COVID-19 pandemic. A number of countries, including the United States, experienced widespread inflation, while the economy recovered robustly. A number of emerging markets, including Brazil, Russia and South Africa, successively raised their interest rates in 2021 in advance to cope with the inflationary pressure due to domestic inflationary concerns. The International Monetary Fund (IMF) forecasted that the global economic growth rate in 2021 was expected to be 5.9%, while the World Bank's Global Economic Prospects forecasted a global economic growth of 5.5% in 2021. The Chinese economy has withstood multiple pressure in the face of the severe challenges posed by the COVID-19 pandemic and the uncertainties in the world economy. As COVID-19 vaccination speeds up, the key indicators of China's economic development such as employment, commodity prices and international balance of payments remained generally normal, with GDP growing by 8.1% year-on-year for the year, and the economy continues to recover steadily. Industrial production grew steadily, and the individual added value for enterprises with national scale or above increased by 9.6% year-on-year, representing an average growth of 6.1% for two years. The Chinese economy maintains high-speed growth as compared with other major economies with improving production and favorable imports and exports growth, and the resilience of the Chinese economy continues to grow.

Over the past year, the transport sector still faced the challenges posed by the resurgence of the pandemic. With the normalization of domestic pandemic prevention and control measures, the transport sector was generally stable. In terms of investment in transportation infrastructure construction, from January to November 2021, fixed asset investment was RMB3.28 trillion, including RMB2.53 trillion in highways and waterways, representing a year-on-year increase of 5.7%, with over 9,000 km of new highways expected to be built and expanded throughout the year. In terms of cargo transportation supply chain, while the stable and smooth operation of the global supply chain faced with great challenges due to the pandemic, China's cargo transportation continued to grow, achieving 39.1 billion tonnes of road cargo transportation for the year, representing a year-on-year increase of 14.2%, 15.55 billion tonnes of port cargo throughput, representing a year-on-year increase of 6.8%, and 108.3 billion pieces of express delivery, representing a year-on-year increase of 29.9%. In 2021, 11 infrastructure public offering REITs projects in mainland China were approved for launching, which revitalized the stock of assets and created a virtuous cycle of stock assets and new investments. It is of great significance in promoting the formation of an endogenous growth mechanism for market-driven investment, enhancing the quality and effectiveness of the capital market in serving the real economy, and building a new development pattern in the investment sector.

Business Development

During the Reporting Year, the Group recorded 26.8% increase in revenue. In view of the low comparability of the data for the same period in 2020, the Group's toll revenue recovered well during the period as compared to that in the same period in 2019. During the year, even though projects in Guangdong Province were affected by the recurring pandemic and the diversion of traffic to the surrounding road networks, the Group's earning gradually recovered thanks to regular pandemic prevention and control as well as fine management. Most of the projects in the central provinces have achieved growth in toll revenue and traffic volume as compared to those in 2019. Jinxiong Expressway is affected by the continuous diversion of the Jinshi Expressway. Guangdong Humen Bridge is expected to be closed for major repairs in the future, and affected by the diversion caused by the completion of Shenzhen-Zhongshan Bridge and Shiziyang Tunnel. The impairment was provided in 2021 after impairment assessment and measurement.

During the year, as a positive innovation in establishing the Group's mid- and long-term incentive mechanisms, the Group formally completed the initial grant proposal of share options, which aims to improve the Group's mid- and long-term incentive mechanisms to support the long-term development of the Group. After the proposal was considered and approved by shareholders' general meeting, the proposal was mandated and the first grant was made by the Company. The implementation of the proposal helps to maintain the Company's continued appeal to competent core talents, and motivate them to strive for the benefits of the Group, thereby drive the Group to keep achieving its mid- and long-term goals.

CHAIRMAN'S STATEMENT

On 14 December 2021, the Group's spin-off of Huaxia Yuexiu Expressway REIT offered by Wuhan-Xiaogan Expressway (漢孝高速公路) was successfully listed on the Shenzhen Stock Exchange, which was up to 46.76 times oversubscribed by public investors. The underlying asset of Huaxia Yuexiu Expressway REIT is the Han-Xiao Expressway project. The Group holds 30% of the REIT units, and accounts for REIT as an investment in an associate. The Group will continue to benefit from the future performance of the Han-Xiao Expressway projects, and recoup its upfront capital investment to maintain a reasonable debt ratio, investment grade credit rating and investment intensity, and achieve asset recycling to drive capital recycling. Meanwhile, the Group will generate sustainable management revenue from providing operation and management services for the REIT's assets.

FUTURE PROSPECT AND OUTLOOK

Macroeconomic Prospects

From a global perspective, the international economy has shown signs of recovery with increasing rate of vaccination, but the uncertainty over the impact of variant viruses on economic recovery remains. In January 2022, the IMF released its updated World Economic Outlook report, which projects a global economic growth of 4.4% in 2022. The global economy continues to recover, but due to the impact of the pandemic, there is a risk that the recovery momentum in various countries will weaken, and the uncertainty of the economic outlook will increase. Outbreaks in countries that are at key links in the global supply chain have led to supply disruptions lasting longer than expected, and such global supply has caused further inflation in many countries. The shift in monetary policy in major developed economies has accelerated. In January 2022, the Federal Reserve indicated that it would soon begin increasing interest rates, with the initiation of shrinking balance sheet on a larger scale and at a faster pace expected following the first interest rate hike. The China Monetary Policy Report Q4 2021 of the People's Bank of China envisages the outlook for the world economic and financial situation and mentions that the pandemic situation, inflation trends and macro policy adjustments in developed economies remain highly uncertain and the economic and financial risks that may accompany should not be ignored. In 2022, monetary policies between China and the United States may likely become polarized, which will pose risks to the economic and financial operation in China. Since the PRC continued to benefit from pandemic control and economic recovery, there was more room for monetary policies and greater surplus balance of international payment, which provide better buffer against the spillover effects of tightened monetary policies by the Federal Reserve of the United States. It is expected that the possibility of strong crossborder capital flow impact faced by the PRC would be relatively low. In late February, with rising tensions in Ukraine, Russia has been sanctioned by countries, and the prices of energy, bulk commodities and agricultural products went up and the global inflation pressure increased. Due to the risks of rise in volatility in international market and geopolitics, the monetary policies of various countries are still subject to uncertainties in the near future. The two-way fluctuation of exchange rate of RMB against USD is expected to continue with greater volatility.

The Chinese economy is also under pressure in the context of elevated uncertainty towards the global economic growth outlook. On 5 March 2022, Li Keqiang, the Premier of the State Council, stated in the government work report that the major expected development target in 2022 will be around 5.5% growth in GDP. China will focus on stabilizing macro-economic landscape and maintain economy to be operated within a reasonable range.

Traffic Sector Prospects

In December 2021, the Central Committee of the Chinese Communist Party and the State Council issued the "14th Five-Year Plan for the Development of Modern Comprehensive Transportation System" (《「十四五」現代綜合交通運輸體系發展規劃》). The Development Plan clearly targets that by 2025, the comprehensive transportation will basically achieve integrated development and transportation development will move towards world-class level. Looking forward to 2035, a modern, high-quality national comprehensive three-dimensional transportation network that is convenient and smooth, economical and efficient, safe and reliable, green and intensive, intelligent and advanced will be basically established, and the "National 123 Travel Traffic Circle" (1-hour commute in metropolitan areas, 2-hour access to urban agglomeration, and 3-hour coverage of major cities nationwide) and the "Global 123 Express Cargo Flow Circle" (1-day delivery of express cargo in China, 2-day delivery in neighboring countries, and 3-day delivery in major cities worldwide) will be basically established, and a strong transportation country will then be built. With the rising income levels and the increasing travel demand, room for growth in car ownership, steady growth in freight transport along with the social economy development, the

CHAIRMAN'S STATEMENT

operating performance of expressway assets remains promising. On 18 January 2022, the National Development and Reform Commission emphasized the need for appropriate advancement in policy development in response to the macro-control policy in 2022, with a focus on infrastructure investment and acceleration of progress of major projects under the "14th Five-Year Plan". It is expected to bring more investment opportunities in infrastructure projects.

Development Strategies and Investment Opportunities

Yuexiu Transport is committed to becoming a leading transport infrastructure asset management company in China. Facing the 14th Five-Year Plan, the Group will build and improve the three platforms (listed platform, REITs platform, and incubation platform) under the guidance of the "3331" development strategy, enhance the three core ability (investment ability, operation and maintenance ability, financialization ability), adhere to focusing on three directions (expressway main business, key areas, expansion of related auxiliary businesses), and continue to strengthen and expand its transport infrastructure business.

The Group will firmly grasp the strategic opportunity period for expressway investment and mergers and acquisitions. Gaining a foothold in the Guangdong-Hong Kong-Macao Greater Bay Area and covering the regions benefiting from continued urbanization and rapid industrialization development in the future, with full utilization of collaboration and incubation platform model, the Group insists on strengthening and expanding its infrastructure business mainly based on toll roads. The Group disclosed the potential acquisition of Lan-Wei Expressway in the results announcement published on 9 March 2021, and relevant study is underway. During the Year, the Group also studied other potential acquisition targets. However, no formal agreement has been entered into in respect of any potential acquisition. The Board will make further announcement in this regard in accordance with the Listing Rules and applicable laws as and when appropriate.

In addition, the Group also actively explored investment opportunities of existing projects reconstruction and expansion. For example, the traffic volume of the GNSR Expressway, one of the Group's major project, has become substantially saturated, and to cater for more passing requirements, the Group is commencing the preliminary work for reconstruction and expansion of the GNSR Expressway, including communication with relevant government authorities, inspection of work design, etc. The Board will make relevant announcements in relation to the progress of reconstruction and expansion in due course.

During the Reporting Period, the infrastructure public offering of REITs pilot scheme in Mainland China was officially launched, offering channels and opportunities of liquidation and utilization of existing assets and optimization of asset structure to the Group. The Group captured the opportunity to successfully have Huaxia Yuexiu Expressway REIT listed. On one hand, the Group achieved early investment return for the entire project and received substantial cash proceeds in return. On the other hand, it retained 30% shareholding to enjoy stable distribution in proportion from the project in the future, while providing management service for the spin-off project to receive management fee for a better investment return for the shareholders of the Company as a whole.

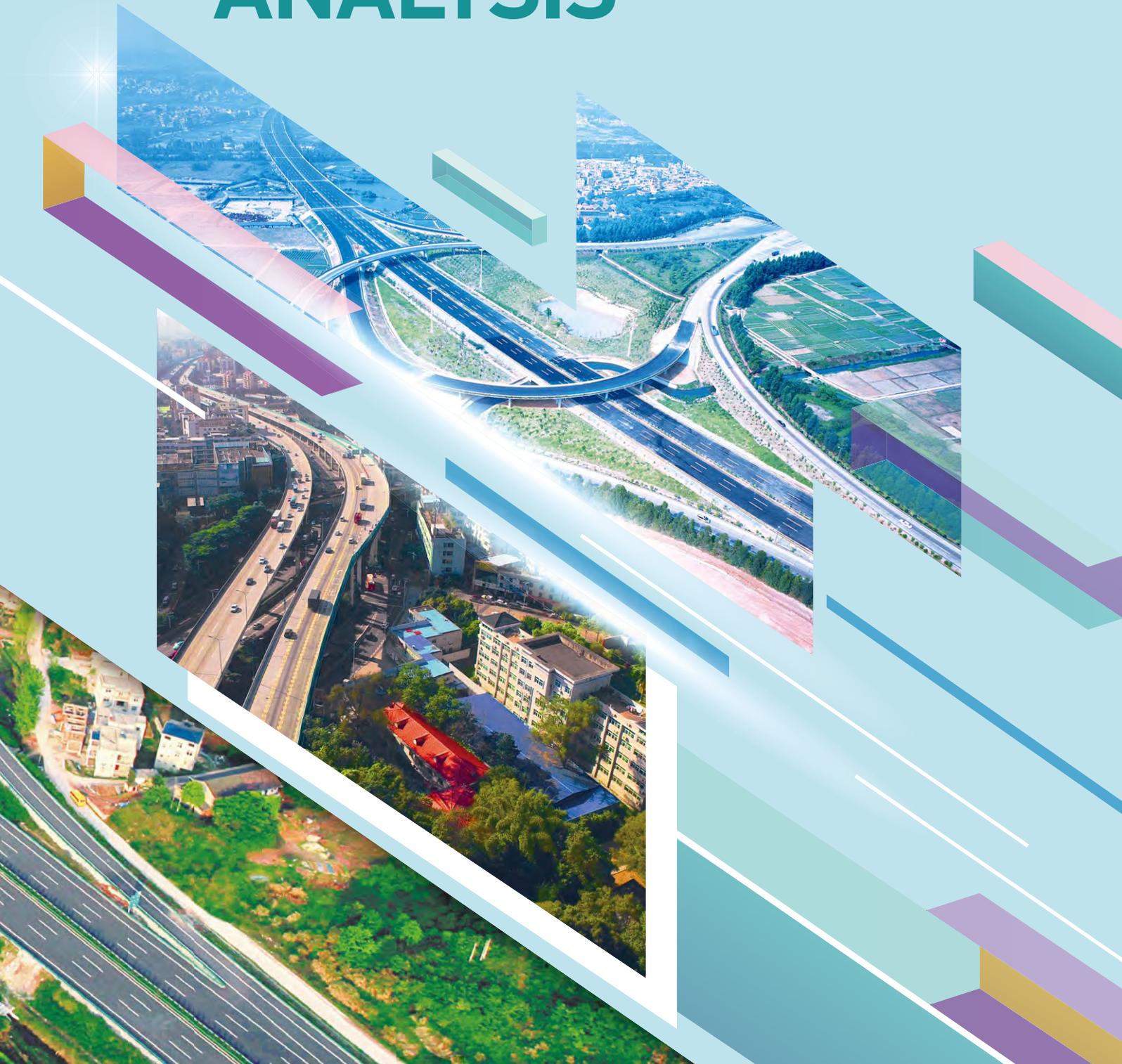
Going forward, the Group will also continue to grasp the policy opportunities of the public offering of infrastructure REITs, and adhere to improving the strategies of "investment, financing, management and retreat". The Group will continue to play a positive role in the public offering of REITs and leverage on the positive interaction between the public offering of REITs and listed companies to realize asset inflow and outflow, optimize the Group's asset portfolio, and create greater value for shareholders.

APPRECIATION

During the Reporting Year, our directors, senior management officers and all our staff continued to adhere to their pragmatic, diligent and resolute working attitude, in pursuit of excellent performance and quality work. On behalf of all members of our Group, I would like to express my gratitude and appreciation to all our shareholders, banks, business community and partners for their dedicated support over the years.



MANAGEMENT DISCUSSION AND ANALYSIS



MANAGEMENT DISCUSSION AND ANALYSIS

BUSINESS REVIEW

Summary Information of Operating Toll Roads and Bridges

	Toll Mileage (km)	Width (lanes)	Toll Station(s)	Road Type	Attributable Interests (%)	Approved Last Date for Toll Collection ⁽⁴⁾
SUBSIDIARIES						
GNSR Expressway	42.5	6	6	Expressway	60.00	2032/01/09 ^a
Cangyu Expressway	22.0	4	0	Expressway	100.00	2030/12/28 ^b
Jinxiong Expressway	23.9	4	2	Expressway	60.00	2030/03/17 ^c
Changzhu Expressway	46.5	4	5	Expressway	100.00	2040/08/30 ^b
Weixu Expressway	64.3	4	2	Expressway	100.00	2035/11/18 ^c
Suiyuan Expressway	98.1	4	4	Expressway	70.00	2040/03/09 ^b
Hancai Expressway	36.0	4/6 ⁽¹⁾	2	Expressway	67.00	2038/08/28 ^b
Han'e Expressway	54.8	4	5	Expressway	100.00	2041/06/29 ^b
Daguangnan Expressway	107.1	4	6	Expressway	90.00	2042/05/03 ^b
ASSOCIATES AND JOINT VENTURE						
Han-Xiao Expressway ⁽²⁾	38.5	4/6 ⁽²⁾	2	Expressway	30.00	2036/12/09 ^b
GWSR Expressway	42.1	6	2	Expressway	35.00	2030/12/19 ^a
Humen Bridge	15.8	6	4	Suspension Bridge	27.78 ⁽³⁾	2029/05/08 ^a
Northern Ring Road	22.0	6	8	Expressway	24.30	2023/11/29 ^a
Shantou Bay Bridge	6.5	6	3	Suspension Bridge	30.00	2028/12/23 ^a
Qinglian Expressway	215.2	4	15	Expressway	23.63	2034/06/30 ^a

Notes:

- (1) There are 6 lanes at the section from Miliang Shan to Wuhan Outer Ring Road, and 4 lanes on the remaining expressway.
- (2) The Group successfully completed the spin-off of Hubei Hanxiao Expressway for the public offering of REIT and had it listed in Shenzhen Stock Exchange on 14 December 2021. Hubei Hanxiao is no longer a subsidiary of the Group. There are 6 lanes at the sections of Airport North Extension as well as from Taoyuanji interchange to Hengdian interchange. There are 4 lanes for other sections.
- (3) The profit-sharing ratio was 18.446% from 2010 onwards.
- (4)
 - a. Projects within Guangdong Province: Pursuant to the supporting and protective policies regarding waiver of tolls on toll roads during the prevention and control of epidemic caused by the novel coronavirus pneumonia by relevant competent authorities in Guangdong Province, the operators of toll roads of the Group's projects within Guangdong Province shall submit compensation application 1 year before the original toll collection deadline of the project.
 - b. Projects within Guangxi Autonomous Region, Hunan Province and Hubei Province: Pursuant to the supporting and protective policies regarding waiver of tolls on toll roads during the prevention and control of epidemic caused by the novel coronavirus pneumonia by relevant competent authorities in Guangxi Autonomous Region, Hunan Province and Hubei Province, the approved original toll collection deadline of the Group's projects within Guangxi Autonomous Region, Hunan Province and Hubei Province were postponed for 79 days.
 - c. Projects within Tianjin City and Henan Province: relevant supporting and protective policies are under study and development.

MANAGEMENT DISCUSSION AND ANALYSIS

Toll Summary of Toll Roads and Bridges For the twelve months ended 31 December 2021⁽¹⁾

	Average daily toll revenue ⁽²⁾		Average daily toll
	Full year of 2021 ⁽³⁾ (RMB/day)	Y-O-Y Change %	traffic volume Full year of 2021 (Vehicle /day)
SUBSIDIARIES			
GNSR Expressway	3,071,713	-3.0%	280,865
Cangyu Expressway	244,986	28.2%	15,550
Jinxiong Expressway	219,858	-13.9%	34,444
Changzhu Expressway	736,261	2.4%	73,797
Weixu Expressway	956,762	-5.0%	23,531
Suiyuan Expressway	1,682,398	-7.3%	30,465
Hancai Expressway	707,042	13.3%	50,878
Han'e Expressway	573,636	11.9%	41,436
Daguangnan Expressway	1,233,114	4.2%	29,528
ASSOCIATES AND JOINT VENTURE			
Han-Xiao Expressway	618,680	16.4%	33,520
GWSR Expressway	1,380,419	-9.4%	92,549
Humen Bridge	2,370,809	51.6%	89,498
Northern Ring Road	1,958,835	4.7%	372,746
Shantou Bay Bridge	518,590	9.8%	29,553
Qinglian Expressway	2,399,503	4.3%	53,050

Notes:

- (1) Since the closure of the provincial border toll stations on 1 January 2020 due to the outbreak of COVID-19 and the instability of the new system at its initial stage of operation, the industry supervising authorities of the provinces (municipalities) where the projects are located were unable to provide accurate data of toll traffic volume for the full year of 2020, and thus the Group is unable to disclose the toll traffic volume and its year-on-year changes.
- (2) Average daily toll revenue does not include value-added tax.
- (3) National toll fees of small passengers vehicles on toll roads were waived from 0:00 on 24 January 2020 to 24:00 on 8 February (extended by 9 days on the original basis) during the 2020 Spring Festival Holiday according to the "Notice of the Work Related to Exempting Toll Fee for Small Passengers Vehicles During the 2020 Spring Festival Holiday" (關於做好二〇二〇年春節假期免收小型客車通行費有關工作的通知), the "Notice of Extension for the Free Toll Period of Small Passengers Vehicles During the 2020 Spring Festival Holiday" (關於延長二〇二〇年春節假期小型客車免費通行時段的通知) and the "Notice of Extension for the Period of Exempting Toll Fee of Small Passengers Vehicles on Toll Roads during the Spring Festival Holiday" (關於延長春節假期收費公路免收小型客車通行費時段的通知). According to the "Notice on Waiver of Tolls on Toll Roads During the Prevention and Control of Epidemic Caused by the Novel Coronavirus Pneumonia" (《關於新冠肺炎疫情防控期間免收收費公路車輛通行費的通知》), toll fee for all vehicles on toll roads nationwide was exempted from 0:00 on 17 February 2020 until the end of the disease prevention and control. According to the "Announcement on Resumption of Toll Collection for Toll Roads" (《關於恢復收費公路收費的公告》), toll collection for legally approved toll roads is resumed from 0:00 a.m. on 6 May 2020 (79 toll-free days in total). All projects of the Group have been resumed for normal toll collection. The average daily toll revenue of the Group for the full year of 2021 was calculated based on the calendar days of the full year (365 days), and the average daily toll revenue of the Group for the full year of 2020 was calculated based on the number of calendar days in the full year (366 days) less the number of the days exempting toll fees (79 days), which is equivalent to 287 days.

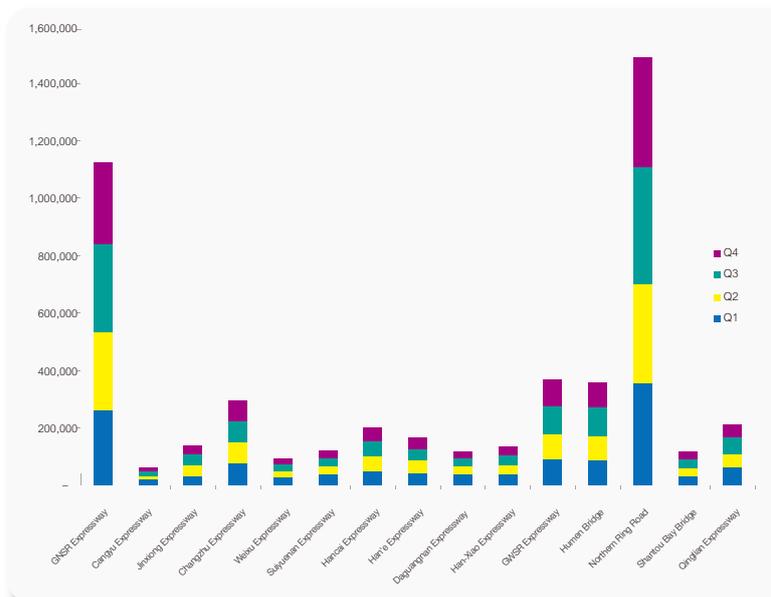
MANAGEMENT DISCUSSION AND ANALYSIS

Toll Roads and Bridges

Quarterly analysis of average daily toll traffic volume for 2021

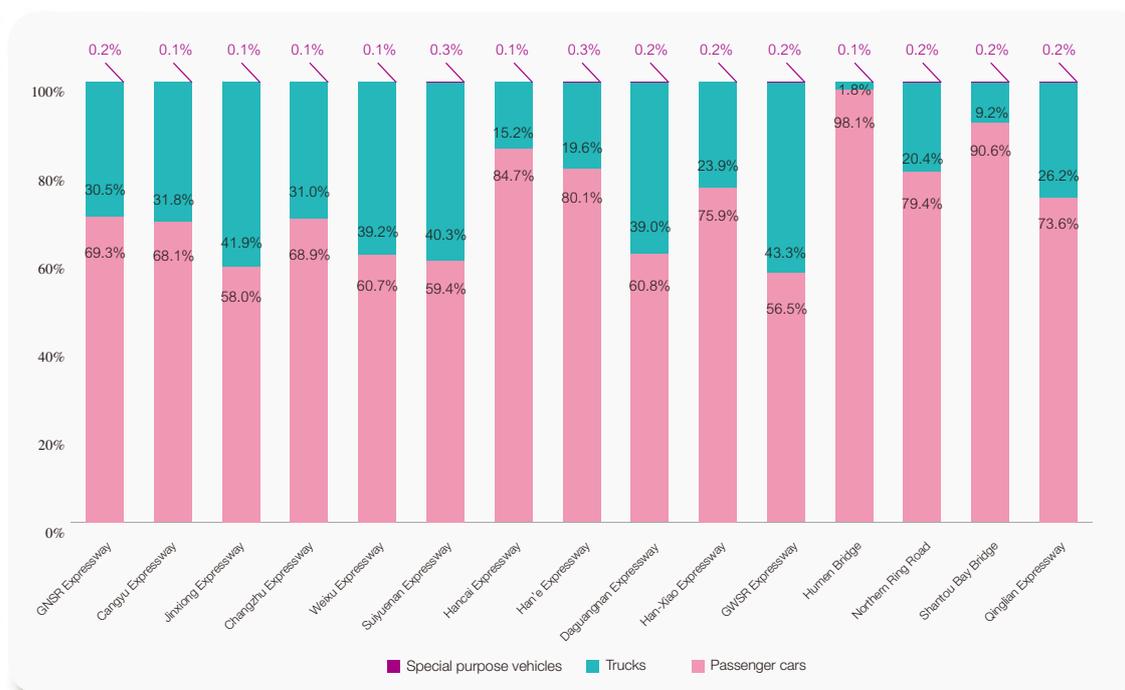
	Average daily toll traffic volume of the First quarter in 2021 (Vehicle/day)	Average daily toll traffic volume of the Second quarter in 2021 (Vehicle/day)	Average daily toll traffic volume of the Third quarter in 2021 (Vehicle/day)	Average daily toll traffic volume of the Fourth quarter in 2021 (Vehicle/day)
SUBSIDIARIES				
GNSR Expressway	260,996	270,187	307,775	283,955
Cangyu Expressway	18,858	13,320	16,059	14,010
Jinxiong Expressway	29,001	38,503	38,325	31,872
Changzhu Expressway	74,087	73,869	74,277	72,961
Weixu Expressway	25,636	22,845	23,214	22,467
Suiyuan Expressway	36,895	28,225	29,898	26,958
Hancai Expressway	48,739	50,404	52,955	51,361
Han'e Expressway	41,686	43,342	40,283	40,460
Daguangnan Expressway	35,141	29,882	29,916	23,301
ASSOCIATES AND JOINT VENTURE				
Han-Xiao Expressway	36,309	32,955	34,133	30,738
GWSR Expressway	88,614	88,153	99,675	93,621
Humen Bridge	86,308	83,535	101,981	86,036
Northern Ring Road	354,997	344,355	407,160	383,780
Shantou Bay Bridge	27,993	29,344	32,737	28,100
Qinglian Expressway	60,169	47,105	57,787	47,228

MANAGEMENT DISCUSSION AND ANALYSIS



Vehicle Type Analysis (By Traffic Volume)

During the Reporting Period, the Group’s operating projects were primarily located in six provinces/municipalities including Guangdong, Guangxi, Hunan, Hubei, Henan and Tianjin. In accordance with the industry standard of “Vehicle Classification of the Toll Highway” implemented on 1 January 2020, in the regions where the Group’s investment and operating projects are located, all vehicles are classified into three categories in a standardized way: passenger cars, trucks, and special purpose vehicles.



Note: (1) Special purpose vehicle refers to the cars with the installation of special equipment or apparatus, in the design and manufacture of vehicles used in engineering special projects, health care and other operations.

MANAGEMENT DISCUSSION AND ANALYSIS

SUMMARY OF OPERATING PERFORMANCE

Macroeconomic Environment

During the Reporting Year, in spite of the uncertainty brought from coronavirus pandemic and external environment, China's economy still experienced a continued recovery. According to the information released by the National Bureau of Statistics, the gross domestic product (GDP) for the year of 2021 amounted to RMB114,367.0 billion, representing a year-on-year increase of 8.1%. By quarter, the GDP for the 1st quarter, the 2nd quarter, the 3rd quarter and the 4th quarter recorded a year-on-year increase of 18.3%, 7.9%, 4.9% and 4.0% respectively.

During the Reporting Year, main indexes of the sector showed an improving trend. From January to November 2021, investment on fixed assets in highway construction amounted to RMB2,392.6 billion, representing a year-on-year increase of 6.0%. From January to December 2021, highway passenger and cargo turnover decreased by 21.8% and increased by 14.8% year-on-year, respectively.

During the Reporting Year, domestic car ownership maintained a steady growth momentum. As of 31 December 2021, domestic car ownership reached 302 million vehicles, representing a year-on-year increase of 7.5%.

The projects invested and operated by the Group are distributed throughout Guangdong, Tianjin, Guangxi, Hunan, Hubei and Henan. The GDP of these regions throughout 2021 increased by 8.0%, 6.6%, 7.5%, 7.7%, 12.9% and 6.3% year-on-year, respectively.

(Unit: RMB100 million)

	National	Guangdong	Tianjin	Guangxi	Hunan	Hubei	Henan
		Province	Municipality	Autonomous Region	Province	Province	Province
GDP for the year 2021	1,143,670	124,370	15,695	24,741	46,063	50,013	58,887
GDP changes for the year 2021	8.1%	8.0%	6.6%	7.5%	7.7%	12.9%	6.3%
GDP changes for the year 2020	2.3%	2.3%	1.5%	3.7%	3.8%	-5.0%	1.3%

Source: National and Provincial Bureaus of Statistics, Ministry of Transport

MANAGEMENT DISCUSSION AND ANALYSIS

Regulatory Environment of the Sector

During the Reporting Year, the COVID-19 infection cases surged in some regions across the country. To prevent and cope with the pandemic, the local governments have adopted some measures of travel restriction, which would affect the Group's local and periphery projects. In order to actively cooperate with the epidemic prevention and control work, all operating projects of the Group actively take various measures such as disinfection of the office space and toll station area, establishment of prevention and control isolation areas and body temperature detection points, priority access for the emergency relief vehicles and maintaining close communication with local hygiene and health authorities.

During the Reporting Year, according to the "Notice of Exempting Toll Fees on Toll Roads During the Period of Prevention and Control of Novel Coronavirus" (《關於新冠肺炎疫情防控期間免收收費公路車輛通行費的通知》), supporting policies will be issued separately to protect the interests of all parties. The safeguard policies have been launched in Guangdong, Guangxi, Hunan and Hubei among the provinces (cities) where the Group's projects operate, while those in other provinces were still under research and formulation. The Group continues to actively communicate with competent authorities of expressway industry and its counterparts to strive for favorable safeguard policies and ensure the benefits of the Company.

During the Reporting Year, highway toll for trucks in Henan, Hubei and Guangxi was reduced, which would have certain impact on toll revenue of the Group's operating projects in Henan, Hubei and Guangxi in short term period.

During the Reporting Year, the Ministry of Transport, the National Development and Reform Commission and the Ministry of Finance jointly promulgated the "Implementation Plan of Full Implementation of Differentiation of Highway Tolls", which further promotes the differentiation of standard highway toll rates for trucks, adheres to government guidance and encourages independent participation by operators, with the aim of improving road network efficiency, reducing logistics costs, and effectively protecting the legitimate rights of highway investors.

In order to further improve the legal and regulatory governance system and promote the sustainable development of toll roads, amendments to the Highway Law and the Regulations on the Administration of Toll Roads have been included in the legislative plan in 2022 of the Ministry of Transport.

Business Improvements and Innovations

During the Reporting Year, the Group proactively expanded the source of revenue. Firstly, the Group continued to commence combined marketing strategies including "navigating and introducing traffic, linking scenic spots, optimizing road signs, advertising and promoting, ensuring smooth traffic flow" to attract traffic and increase toll revenue. Secondly, the Group continued to reinforce the idea of "Expressway+" as well as actively enhanced the quality of service area in the expressway and promoted the liquidation and utilization of resources such as lands along the expressway and billboards to diversify its source of revenue. Thirdly, the Group strengthened its routine inspection and prohibited tax evasion and tax avoidance. In addition, the Group optimized various contingency mechanisms on an ongoing basis to ensure smooth operation, carried out unmanned charging pilot scheme, optimized service quality and increased the efficiency and service level of expressway and toll stations. It also put more effort in the maintenance, adjustment and optimization of key toll collection facilities and equipment, so as to ensure a stable operation. Several indicators including ETC calculation successful rate and car plate automatic identification rate were better than the industry averages.

During the Reporting Year, the Group strived for improving management quality and effectiveness. The Group continued to optimize its organizational management model with benchmarking against top enterprises to improve internal control efficiency. Furthermore, it further refined the diverse incentive system at all levels and types, and officially implemented the share option long-term incentive plan. Moreover, it improved the management system of professional managers to build a solid foundation for the Company's development in the long run.

MANAGEMENT DISCUSSION AND ANALYSIS

During the Reporting Year, the Group continued to advance the application in innovative technology. The Group implemented preventive maintenance measures by vigorously promoting new technology, new materials, new processes and new equipment and application to increase the quality of work effectively and save costs of maintenance. Meanwhile, the Group invested more in technology for putting smart operating management platform and engineering maintenance system into operation, in order to increase the level of operation and maintenance management informatization.

Progress of Investment

During the Reporting Year, the Group continued to put efforts in acquisition of high-quality expressway projects of large and medium scales in order to strengthen its assets under management and scale up the core business. Geographically, the Group has successfully set its foothold in Guangdong, Hong Kong and Macau Greater Bay Area and will expand its presence in developing areas benefiting from continued urbanization and industrialization going forward. The Group will also seek for development opportunities of other infrastructure projects with stable cash flows and projects in the upstream and downstream of expressway value chain.

During the Reporting Year, the Group pushed forward the construction work in the first phase of the Guangzhou Pazhou Port Project. The water terminal and land area works have been completed while various operational support work underwent improvement. Two carbon fiber high-speed passenger ferries have been delivered for use.

During the Reporting Year, the Group successfully had its Huaxia Yuexiu Expressway REIT listed on Shenzhen Stock Exchange with Wuhan-Xiaogan Expressway as its underlying asset. Such listing indicates that the Group successfully built its public offering REITs platform and gained access to capital recycling to achieve innovation in business model.

Possible Risk Exposure

During the Reporting Year, the Group further improved the comprehensive risk management system which covered all aspects of corporate strategies, operation, investment, environmental, social and governance. The Group will continue to monitor the following risks and will adopt effective tackling measures proactively in the future.

Risk of Sectoral and Economic Policies

Risk analysis: The “Regulation on the Administration of Toll Roads” will further strengthen the reform of the toll road system. The downward pressure on the domestic macro economy has increased. In line with the prevention and control of the COVID-19 pandemic, the toll roads were exempted for 79 days nationwide in 2020, with the corresponding compensation policy not yet released in some provinces. In order to lower the costs of logistics, the State ministries issued the “Comprehensive Promotion on the Implementation Scheme of Differentiated Highway Toll Collection” (《全面推廣高速公路差異化收費實施方案》) to further promote the standard deviation of expressway truck rates. Some local governments had released concessionary toll reduction policy for freight vehicles to reduce truck toll rates. The road access requirements and maintenance standards continue to improve. From short term perspective, those measures bring pressure on the operation and management, income and costs of the Company.

Counter measures: Pay close attention to the conditions of provinces where the project companies operate, including transportation industry policies, regional economic policies and macroeconomic changes, collect and collate the relevant information regularly to establish a database for carrying out analysis and research to formulate tackling measures; strengthen interaction between peer entities and supervising authorities to understand the most recent direction of the industry, exchange management experience, establish good cooperation relationship and launch relevant compensation measures. Pay close attention to the changes in the toll road policies of various regions, conduct timely measurement and analysis, and formulate counter measures to maximize the Company’s core interests.

MANAGEMENT DISCUSSION AND ANALYSIS

Risk of Changes in the Planning of Road Networks

Risk analysis: The road network surrounding the Group's expressways continues to be upgraded. The number of parallel roads or alternative routes may increase, coupled with improvement in road condition of local highways and surrounding roads. As a result, the growth of toll revenue in the Group's projects may be affected.

Counter measures: Actively communicate with the competent authorities of the industry, utilize such information gathered through the Internet and on-site visits, and conduct timely assessments and analysis, so as to formulate the corresponding strategies in response.

Performance of Expressways and Bridges

Since the revenue for the year of 2020 recorded a low base due to COVID-19 and related prevention and control measures (e.g. Spring Festival holiday was extended for 9 days apart from the original plan, expressway tolls were exempted for 79 days nationwide, etc.), the average daily toll revenue of the Group's projects for the year of 2021 mostly represents a year-on-year increase.

Subsidiaries

GNSR Expressway

During the Reporting Year, the average daily toll revenue was RMB3,072,000, representing a year-on-year decrease of 3% from 2020. During the Reporting Year, the average daily traffic volume was 280,865 vehicles.

The year-on-year decrease of average daily toll revenue in the Reporting Year was mainly due to (1) the diversion of traffic from the Guangzhou-Foshan-Zhaoqing Expressway, which was completed and commenced operation on 28 December 2020; and (2) the temporary control measures for epidemic prevention in the relevant areas of Guangdong in May and December 2021.

Cangyu Expressway

During the Reporting Year, the average daily toll revenue was RMB245,000, representing a year-on-year increase of 28.2% from 2020. During the Reporting Year, the average daily traffic volume was 15,550 vehicles.

The year-on-year increase of average daily toll revenue in the Reporting Year was mainly attributable to the increase in traffic volume on this road section as a result of (1) the implementation of traffic control for construction undertaken in closed section of Guangkun Expressway (for the section between Liuqing and Xingye and from Nanning to Yulin) from September 2020 to March 2021; and (2) the commencement of operation of the Huaiyang Expressway in December 2020.

Jinxiong Expressway

During the Reporting Year, the average daily toll revenue was RMB220,000, representing a year-on-year decrease of 13.9% from 2020. During the Reporting Year, the average daily traffic volume was 34,444 vehicles.

The year-on-year decrease of average daily toll revenue in the Reporting Year was mainly due to (1) the diversion of the Jinshi Expressway, which was completed and commenced operation on 22 December 2020; and (2) the temporary control measures for epidemic prevention in the relevant areas of Tianjin in January and August 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Changzhu Expressway

During the Reporting Year, the average daily toll revenue was RMB736,000, representing a year-on-year increase of 2.4% from 2020. During the Reporting Year, the average daily traffic volume was 73,797 vehicles.

The year-on-year increase of average daily toll revenue in the Reporting Year was mainly boosted by the economic recovery in the region. In addition, the Changzhu Expressway was also affected by the temporary control measures in the relevant areas of Hunan due to epidemic prevention in August and October 2021.

Weixu Expressway

During the Reporting Year, the average daily toll revenue was RMB957,000, representing a year-on-year decrease of 5.0% from 2020. During the Reporting Year, the average daily traffic volume was 23,531 vehicles.

The year-on-year decrease of average daily toll revenue in the Reporting Year was mainly due to (1) the return of trucks to the surrounding local roads; and (2) the short-term diversion of traffic from the K156+450 middle bridge of the Zhumadian-Biyang section of the Xuguang Expressway from 6 May to 15 August 2021.

Suiyuan Expressway

During the Reporting Year, the average daily toll revenue was RMB1,682,000, representing a year-on-year decrease of 7.3% from 2020. During the Reporting Year, the average daily traffic volume was 30,465 vehicles.

The year-on-year decrease of average daily toll revenue in the Reporting Year was mainly due to (1) the ongoing impact of the opening of the Zaoqian Expressway and Shishou Bridge; (2) the short-term diversion of traffic from the K156+450 middle bridge of the Zhumadian-Biyang section of the Xuguang Expressway from 6 May to 15 August 2021; and (3) the temporary control measures for epidemic prevention in the relevant areas of Hubei in August and October 2021.

Hancai Expressway

During the Reporting Year, the average daily toll revenue was RMB707,000, representing a year-on-year increase of 13.3% from 2020. During the Reporting Year, the average daily traffic volume was 50,878 vehicles.

The year-on-year increase of average daily toll revenue in the Reporting Year was mainly attributable to the increase in traffic volume on this road section as a result of the commencement of operation of the Wuhan Sihuan Line in 30 April 2021. In addition, the Hancai Expressway was also affected by the temporary control measures in the relevant areas of Hubei due to epidemic prevention in August and October 2021.

Han'e Expressway

During the Reporting Year, the average daily toll revenue was RMB574,000, representing a year-on-year increase of 11.9% from 2020. During the Reporting Year, the average daily traffic volume was 41,436 vehicles.

The year-on-year increase of average daily toll revenue in the Reporting Year was mainly attributable to the increase in traffic volume on this road section as a result of the commencement of operation of the Wuhan Sihuan Line in 30 April 2021. In addition, the Han'e Expressway was also affected by the temporary control measures in the relevant areas of Hubei due to epidemic prevention in August and October 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Daguangnan Expressway

During the Reporting Year, the average daily toll revenue was RMB1,233,000, representing a year-on-year increase of 4.2% from 2020. During the Reporting Year, the average daily traffic volume was 29,528 vehicles.

The year-on-year increase of average daily toll revenue in the Reporting Year was mainly attributable to the increase in traffic volume on this road section as a result of the commencement of operation of the Wuhan Sihuan Line in 30 April 2021. In addition, the Daguangnan Expressway was also affected by the temporary control measures in the relevant areas of Hubei due to epidemic prevention in August and October 2021.

Associates and Joint Venture

Han-Xiao Expressway

During the Reporting Year, the average daily toll revenue was RMB619,000, representing a year-on-year increase of 16.4% from 2020. During the Reporting Year, the average daily traffic volume was 33,520 vehicles.

The year-on-year increase of average daily toll revenue in the Reporting Year was mainly attributable to the increase in traffic volume on this road section as a result of the commencement of operation of the Wuhan Sihuan Line in 30 April 2021. In addition, the Han-Xiao Expressway was also affected by the temporary control measures in the relevant areas of Hubei due to epidemic prevention in August and October 2021.

GWSR Expressway

During the Reporting Year, the average daily toll revenue was RMB1,380,000, representing a year-on-year decrease of 9.4% from 2020. During the Reporting Year, the average daily traffic volume was 92,549 vehicles.

The year-on-year decrease of average daily toll revenue in the Reporting Year was mainly due to (1) the diversion of traffic from the Guangzhou-Foshan-Zhaoqing Expressway, which was completed on 28 December 2020; and (2) the temporary control measures for epidemic prevention in the relevant areas of Guangdong in May and December 2021.

Humen Bridge

During the Reporting Year, the average daily toll revenue was RMB2,371,000, representing a year-on-year increase of 51.6% from 2020. During the Reporting Year, the average daily traffic volume was 89,498 vehicles.

The year-on-year increase of average daily toll revenue in the Reporting Year was mainly attributable to (1) lower revenue base in 2020 resulting from traffic control as a result of the vortex vibration phenomenon on Humen Bridge during 5 to 15 May 2020 and traffic control on the traffic lanes towards the Guangzhou-Zhuhai-East Expressway on Humen Bridge for construction works in October and November 2020; and (2) the return of some passenger cars to Humen Bridge as benefited from the denser traffic flow in nearby roads. In addition, the Humen Bridge was also affected by the temporary control measures in the relevant areas of Guangdong due to epidemic prevention in May and December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

Northern Ring Road

During the Reporting Year, the average daily toll revenue was RMB1,959,000, representing a year-on-year increase of 4.7% from 2020. During the Reporting Year, the average daily traffic volume was 372,746 vehicles.

The year-on-year increase of average daily toll revenue in the Reporting Year was mainly boosted by the economic recovery in the region. In addition, the Northern Ring Road was also affected by the temporary control measures in the relevant areas of Guangdong due to epidemic prevention in May and December 2021.

Shantou Bay Bridge

During the Reporting Year, the average daily toll revenue was RMB519,000, representing a year-on-year increase of 9.8% from 2020. During the Reporting Year, the average daily traffic volume was 29,553 vehicles.

The year-on-year increase of average daily toll revenue in the Reporting Year was mainly boosted by the economic recovery in the region. In addition, the Shantou Bay Bridge was also affected by the temporary control measures in the relevant areas of Guangdong due to epidemic prevention in May and December 2021.

Qinglian Expressway

During the Reporting Year, the average daily toll revenue was RMB2,400,000, representing a year-on-year increase of 4.3% from 2020. During the Reporting Year, the average daily traffic volume was 53,050 vehicles.

The year-on-year increase of average daily toll revenue in the Reporting Year was mainly boosted by the economic recovery in the region. In addition, the Qinglian Expressway was also affected by the temporary control measures in the relevant areas of Guangdong due to epidemic prevention in May and December 2021.

MANAGEMENT DISCUSSION AND ANALYSIS

FINANCIAL REVIEW

Key operating results figures

	Reporting Year RMB'000	2020 RMB'000	Change %
Revenue	3,702,276	2,919,838	26.8
Gross profit	2,223,246	1,559,261	42.6
Operating profit	2,653,702	1,337,464	98.4
Earnings before interests, tax, depreciation and amortisation ("EBITDA") ⁽¹⁾	3,292,190	2,452,006	34.3
Finance costs	(743,027)	(805,757)	-7.8
Share of result of a joint venture, net of tax	76,917	56,533	36.1
Share of results of associates, net of tax	186,874	67,822	175.5
Profit attributable to shareholders of the Company	1,464,984	160,491	812.8
Basic earnings per share	RMB0.8756	RMB0.0959	812.8
Diluted earnings per share	RMB0.8752	RMB0.0959	812.6
Dividend	833,323	97,706	752.9

⁽¹⁾ EBITDA includes share of results of associates and a joint venture, net of tax, and excludes non-cash gains and losses.

I. OVERVIEW OF OPERATING RESULTS

The Group's revenue increased by 26.8 percent to RMB3,702.3 million, operating profit increased by 98.4 percent to RMB2,653.7 million and profit attributable to shareholders of the Company increased by 812.8 percent to RMB1,465.0 million in 2021 ("Reporting Year").

The increase in the Group's revenue was mainly attributed to low overall base in 2020 resulting from temporary toll exemption measures (including free toll of small passengers vehicles during Spring Festival holiday extended for 9 days on original basis and exempted tolls collection for 79 days nationwide from 17 February 2020 to 5 May 2020).

The increase in the profit attributable to shareholders of the Company was due to the revenue increment for the year and the gain on disposal recognized as a result of the spin off of the Han-Xiao Expressway minus the respective impairment loss on Jinxiang Expressway and Humen Bridge made during the Reporting Year.

The Directors have recommended the payment of final dividend for 2021 of HK\$0.41 which is equivalent to approximately RMB0.3317 (2020: HK\$0.07 which was equivalent to approximately RMB0.0584) per share. Together with the interim dividend of HK\$0.20 which was equivalent to approximately RMB0.1663 (2020: Nil) per share, the total dividend for the year ended 31 December 2021 amounts to HK\$0.61 which is equivalent to approximately RMB0.4980 (2020: HK\$0.07 which was equivalent to approximately RMB0.0584) per share, representing a dividend payout ratio of 56.9 percent (2020: 60.9 percent).

MANAGEMENT DISCUSSION AND ANALYSIS

II. ANALYSIS OF OPERATING RESULTS

Revenue

The Group recorded total revenue of RMB3,702.3 million in the Reporting Year, which comprised total toll revenue of RMB3,649.8 million and other revenue related to normal toll roads operation of RMB52.5 million.

Toll revenue

The Group recorded total toll revenue of RMB3,649.8 million in the Reporting Year, representing an increase of 27.1 percent as compared with 2020. The increase was mainly attributed to low overall base in 2020 resulting from temporary toll exemption measures, with more details on the toll revenue of each expressway and bridge stated in “Business Review – Performance of Expressways and Bridges”.

Analysis of toll revenue by each controlled project

Controlled Projects	Reporting Year	Percentage of total toll revenue	2020	Percentage of total toll revenue	Change
	RMB'000	%	RMB'000	%	%
GNSR Expressway	1,121,176	30.7	909,122	31.7	23.3
Suiyuanan Expressway	614,075	16.8	520,911	18.1	17.9
Daguangnan Expressway	450,087	12.3	339,748	11.8	32.5
Weixu Expressway	349,218	9.6	288,990	10.1	20.8
Changzhu Expressway	268,735	7.4	206,381	7.2	30.2
Hancai Expressway	258,070	7.1	179,100	6.2	44.1
Han'e Expressway	209,377	5.7	147,171	5.1	42.3
Han-Xiao Expressway ⁽¹⁾	209,348	5.7	152,521	5.3	37.3
Cangyu Expressway	89,420	2.5	54,840	1.9	63.1
Jinxiong Expressway	80,248	2.2	73,257	2.6	9.5
Total toll revenue	3,649,754	100.0	2,872,041	100.0	27.1

⁽¹⁾ Toll revenue accounted for the period from 1 January 2021 to 6 December 2021

Other revenue

In the Reporting Year, other revenue related to normal toll roads operation of RMB52.5 million (2020: RMB47.8 million) mainly consisted of the income from service area and gas station of RMB40.5 million (2020: RMB36.2 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Cost of services

In the Reporting Year, the total cost of services of the Group amounted to RMB1,479.0 million (2020: RMB1,360.6 million), representing an increase of RMB118.4 million or 8.7 percent as compared with 2020. Cost ratio (cost of services/revenue) was 39.9 percent in the Reporting Year, representing a decrease of 6.7 percentage point lower than 2020.

Analysis of cost of services by each controlled project

Controlled Projects	Reporting Year RMB'000	Percentage of total %	2020 RMB'000	Percentage of total %	Change %
GNSR Expressway	355,745	24.0	340,095	25.0	4.6
Suiyuanan Expressway	202,401	13.7	181,097	13.3	11.8
Daguangnan Expressway	195,741	13.2	178,295	13.1	9.8
Weixu Expressway	157,681	10.7	140,056	10.3	12.6
Changzhu Expressway	125,626	8.5	114,822	8.4	9.4
Hancai Expressway	160,840	10.9	136,808	10.1	17.6
Han'e Expressway	125,365	8.5	101,369	7.4	23.7
Han-Xiao Expressway ⁽¹⁾	63,282	4.3	78,928	5.8	-19.8
Cangyu Expressway	35,670	2.4	32,352	2.4	10.3
Jinxiong Expressway	56,679	3.8	56,755	4.2	-0.1
Total	1,479,030	100.0	1,360,577	100.0	8.7

⁽¹⁾ Cost of services accounted for the period from 1 January 2021 to 6 December 2021

Analysis of cost of services by nature

	Reporting Year RMB'000	Percentage of total %	2020 RMB'000	Percentage of total %	Change %
Amortisation of intangible operating rights	1,061,270	71.8	949,918	69.8	11.7
Staff costs	165,840	11.2	145,690	10.7	13.8
Toll highways and bridges maintenance expenses	121,334	8.2	139,151	10.3	-12.8
Toll highways and bridges operating expenses	105,737	7.1	102,257	7.5	3.4
Taxes and surcharges	19,073	1.3	15,074	1.1	26.5
Depreciation of other fixed assets	5,776	0.4	8,487	0.6	-31.9
Total	1,479,030	100.0	1,360,577	100.0	8.7

MANAGEMENT DISCUSSION AND ANALYSIS

Gross profit

Gross profit in the Reporting Year was RMB2,223.2 million, which was RMB664.0 million higher than that for 2020. Gross profit margin in the Reporting Year was 60.1 percent, which was 6.7 percentage point higher than that for 2020.

Analysis of gross profit by each controlled project

Controlled Projects	Reporting Year		2020	
	Gross Profit RMB'000	Gross Margin ⁽¹⁾	Gross Profit RMB'000	Gross Margin ⁽¹⁾
GNSR Expressway	775,429	68.6%	575,644	62.9%
Suiyuanan Expressway	423,960	67.7%	349,936	65.9%
Daguangnan Expressway	265,778	57.6%	172,674	49.2%
Weixu Expressway	194,079	55.2%	150,670	51.8%
Changzhu Expressway	143,903	53.4%	93,087	44.8%
Hancai Expressway	99,411	38.2%	44,809	24.7%
Han'e Expressway	91,250	42.1%	53,040	34.4%
Han-Xiao Expressway ⁽²⁾	150,912	70.5%	79,048	50.0%
Cangyu Expressway	53,828	60.1%	22,603	41.1%
Jinxiong Expressway	24,696	30.3%	17,750	23.8%
Total	2,223,246	60.1%	1,559,261	53.4%

⁽¹⁾ Gross margin = Gross profit/revenue

⁽²⁾ Gross profit accounted for the period from 1 January 2021 to 6 December 2021

General and administrative expenses

The Group's general and administrative expenses in the Reporting Year amounted to RMB369.7 million, representing an increase of 49.7 percent from RMB246.9 million in 2020, mainly due to increase in staff cost of RMB97.3 million and legal and professional fee of RMB20.0 million in the Reporting Year.

Other income, gains and losses – net

The Group's other income, gains and losses – net was RMB800.1 million in the Reporting Year (2020: RMB25.1 million), which was 3,082.0 percent higher than 2020. The change was mainly due to (1) the gain on disposal of RMB961.0 million recognized as a result of the spin off of the Han-Xiao Expressway during the Reporting Year minus (2) the respective impairment loss on Jinxiong Expressway and Humen Bridge of RMB97.3 million and RMB128.2 million based on the assessments made by independent Traffic Consultants and Independent Valuer.

Finance income/Finance costs

The Group's finance income in the Reporting Year amounted to RMB43.9 million (2020: RMB26.4 million), which was 66.5 percent higher than 2020. The increase was mainly due to the increase in interest income from bank during the Reporting Year.

The Group's finance costs in the Reporting Year decreased by 7.8 percent to RMB743.0 million as compared with RMB805.8 million in 2020, mainly due to management continuous effort in reducing the debt level. The Group's overall weighted average interest rate in the Reporting Year was 3.87 percent (2020: 4.15 percent).

MANAGEMENT DISCUSSION AND ANALYSIS

Share of results of associates and a joint venture, net of tax

The Group's share of results of associates and a joint venture, net of tax, increased by 112.1 percent to RMB263.8 million in the Reporting Year (2020: RMB124.4 million). The increase was mainly due to low overall base in 2020 resulting from the temporary toll exemption measures, with more details on the toll revenue of each expressway and bridge stated in "Business Review – Performance of Expressways and Bridges".

Share of post-tax profit of Northern Ring Road in the Reporting Year increased by 58.8 percent to RMB69.7 million. Northern Ring Road has extended its status as eligible entity to enjoy three years' preferential tax treatment of income tax, at a preference income tax rate of 15%, starting from 2021 to 2023. Share of post-tax profit of Humen Bridge in the Reporting Year increased by 224.7 percent to RMB68.0 million. Share of post-tax profit of Shantou Bay Bridge in the Reporting Year increased by 68.9 percent to RMB29.7 million. Share of post-tax profit of Qinglian Expressway in the Reporting Year amounted to RMB28.9 million (2020: share of post-tax loss of RMB7.8 million). Share of post-tax loss of Pazhou Port in the Reporting Year was RMB9.4 million (2020: RMB6.8 million). Pazhou Port was under construction during the Reporting Year and there was no revenue recognized in the Reporting Year. The share of post-tax loss mainly represented the general and administrative expense recorded during the Reporting Year. Upon the completion of the spin off, the Group effectively holds 30% equity interest in the Han-Xiao Expressway through the REIT. Share of post-tax profit of REIT in the Reporting Year was RMB0.03 million. Share of post-tax profit of GWSR Expressway in the Reporting Year increased by 36.1 percent to RMB76.9 million.

Analysis of share of results of associates and a joint venture, net of tax, and the revenue of their respective entities

	Profit Sharing ratio %	Revenue	YoY change %	Share of results, net of tax	YoY change %
		Reporting Year RMB'000		Reporting Year RMB'000	
Associates					
Northern Ring Road	24.3	750,649	30.7	69,656	58.8
Humen Bridge	18.446	890,214	90.2	67,969	224.7
Shantou Bay Bridge	30.0	189,628	39.5	29,745	68.9
Qinglian Expressway	23.63	879,347	32.3	28,904	turned profit
Pazhou Port	45.0	–	–	(9,426)	39.1
Joint venture					
GWSR Expressway	35.0	509,220	15.1	76,917	36.1

Income tax expense

Total income tax expense of the Group in the Reporting Year increased by 53.1 percent to RMB425.7 million. It was because profit before tax increased after resumption of toll fee collection and there was an one-off income tax expense of RMB83.0 million incurred due to the spin off of the Han-Xiao Expressway during the Reporting Year. GNSR Expressway has extended its status as eligible entity to enjoy three years' preferential tax treatment of income tax, at a preference income tax rate of 15%, starting from 2021 to 2023.

MANAGEMENT DISCUSSION AND ANALYSIS

Profit attributable to shareholders of the Company

The Company reported profit attributable to its shareholders of RMB1,465.0 million in the Reporting Year, representing an increase of 812.8 percent as compared with 2020. The increase mainly results from revenue increment and the gain on disposal of the spin off of the Han-Xiao Expressway minus the respective impairment loss on Jinxiang Expressway and Humen Bridge during the Reporting Year.

The management team continues to optimize the overall debt structure of the Group. During this process, inter-company loan interests were incurred at the controlled projects level and the holding companies level, and such interests would be eliminated ultimately at the consolidated level.

Analysis of the profit attributable to shareholders of the Company after elimination of inter-company loan interests

	Reporting Year RMB'000	Percentage of total %	2020 RMB'000	Percentage of total %	Change %
Net profit from controlled projects	1,186,286	89.7	637,359	83.7	86.1
Net profit from non-controlled projects ⁽¹⁾	135,604	10.3	124,355	16.3	9.0
Net profit from projects	1,321,890	100.0	761,714	100.0	73.5
Withholding tax on PRC dividend/ income	(17,816)		(29,054)		-38.7
Corporate expenses	(366,171)		(177,127)		106.7
Corporate income/gains, net	15,118		5,168		192.5
Corporate finance income	21,250		10,747		97.7
Corporate finance costs	(470,263)		(410,957)		14.4
Profit before disposal gain	504,008		160,491		214.0
Gain on disposal of a subsidiary	960,976		-		N/A
Profit attributable to shareholders of the Company	1,464,984		160,491		812.8

⁽¹⁾ Representing share of results of associates and a joint venture, net of tax, less impairment loss on investment in an associate

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of net profit by each controlled project after elimination of inter-company loan interests

Controlled Projects	Reporting	Percentage	2020	Percentage	Change
	Year	of total		of total	
	RMB'000	%	RMB'000	%	%
GNSR Expressway	403,157	30.5	304,245	39.9	32.5
Suiyuanan Expressway	173,303	13.1	132,480	17.4	30.8
Weixu Expressway	148,212	11.2	103,107	13.5	43.7
Han-Xiao Expressway	100,359	7.6	35,105	4.6	185.9
Daguangnan Expressway	160,134	12.1	30,255	4.0	429.3
Changzhu Expressway	112,675	8.5	32,370	4.3	248.1
Cangyu Expressway	59,962	4.5	17,594	2.3	240.8
Hancai Expressway	58,263	4.4	15,131	2.0	285.1
Jinxiong Expressway					
– operation	8,752	0.7	5,678	0.8	54.1
– impairment loss	(43,786)	-3.3	–	–	N/A
Han'e Expressway	5,255	0.4	(38,606)	-5.1	turned profit
Total	1,186,286	89.7	637,359	83.7	86.1

Analysis of net profit by each controlled project before elimination of inter-company loan interests

Controlled Projects	Reporting	Percentage	2020	Percentage	Change
	Year	of total		of total	
	RMB'000	%	RMB'000	%	%
GNSR Expressway	403,157	37.7	304,245	52.2	32.5
Suiyuanan Expressway	189,924	17.7	140,889	24.2	34.8
Weixu Expressway	150,945	14.1	106,464	18.2	41.8
Han-Xiao Expressway	105,534	9.9	44,385	7.6	137.8
Daguangnan Expressway	13,625	1.3	(68,566)	-11.8	turned profit
Changzhu Expressway	61,264	5.7	8,614	1.5	611.2
Cangyu Expressway	60,870	5.7	17,594	3.0	246.0
Hancai Expressway	13,390	1.2	(24,562)	-4.2	turned profit
Jinxiong Expressway					
– operation	9,064	0.8	6,020	1.0	50.6
– impairment loss	(43,786)	-4.1	–	–	N/A
Han'e Expressway	(29,082)	-2.7	(76,050)	-13.0	loss decreased
Total	934,905	87.3	459,033	78.7	103.7

MANAGEMENT DISCUSSION AND ANALYSIS

In the Reporting Year, net profit from non-controlled projects has increased by 9.0 percent to RMB135.6 million as compared with 2020. The net profit from non-controlled projects included the impairment loss on investment in an associate during the Reporting Year.

At the corporate level, the withholding tax on PRC dividend/income decreased by RMB11.2 million during the Reporting Year. The corporate expense increased by RMB189.0 million mainly due to the increase in staff cost during the Reporting Year. In addition, the corporate finance cost increased by RMB59.3 million mainly due to increase of corporate bonds and notes payable issued at the corporate level to partially refinance the loan at the controlled projects level, as compared to that in 2020. The corporate income/gain, net increased by RMB10.0 million during the Reporting Year. The corporate finance income increased by RMB10.5 million mainly due to the increase in interest income from banks at corporate level during the Reporting Year.

Final dividend

The Directors have recommended the payment of final dividend for 2021 of HK\$0.41 which is equivalent to approximately RMB0.3317 (2020: HK\$0.07 which was equivalent to approximately RMB0.0584) per share payable to shareholders whose names appear on the register of members of the Company on 10 June 2022. Subject to the approval of shareholders at the Annual General Meeting to be held on 31 May 2022, the final dividend will be paid on or about 29 June 2022. Together with the interim dividend of HK\$0.20 which was equivalent to approximately RMB0.1663 (2020: Nil) per share, the total dividend for the year ended 31 December 2021 amounts to HK\$0.61 which is equivalent to approximately RMB0.4980 (2020: HK\$0.07 which was equivalent to approximately RMB0.0584) per share, representing a dividend payout ratio of 56.9 percent (2020: 60.9 percent).

Dividend payable to shareholders will be paid in Hong Kong dollars (“HK\$”). The exchange rate adopted by the Company for its dividend payable is the average middle rate of HK\$ to RMB, as announced by the People’s Bank of China, for the five business days preceding the date of declaration of dividend.

MANAGEMENT DISCUSSION AND ANALYSIS

III. ANALYSIS OF FINANCIAL POSITION

Key financial position figures

	Reporting Year RMB'000	2020 RMB'000	Change %
Total assets	35,661,108	36,367,600	-1.9
Total liabilities	21,188,359	22,713,855	-6.7
Cash and cash equivalents	2,918,574	1,516,004	92.5
Total debts	16,543,589	17,731,090	-6.7
Of which: bank borrowings*	9,590,774	12,874,275	-25.5
Other borrowing*	200,000	200,000	–
Corporate bonds*	3,112,693	1,909,152	63.0
Notes payable*	3,493,891	2,492,974	40.1
Current ratio	0.7 times	0.4 times	
EBITDA interest coverage	4.6 times	3.1 times	
Equity attributable to the shareholders of the Company	11,511,515	10,424,891	10.4

* excluding interest payable

Assets, Liabilities and Equity

As at 31 December 2021, the Group's total assets amounted to RMB35.7 billion which was 1.9 percent lower than the balance as at 31 December 2020. The Group's total assets comprised mainly of intangible operating rights of RMB29.2 billion (31 December 2020: RMB31.7 billion); investments in a joint venture and associates of RMB2.6 billion (31 December 2020: RMB2.0 billion); and cash and cash equivalents of RMB2.9 billion (31 December 2020: RMB1.5 billion).

As at 31 December 2021, the Group's total liabilities amounted to RMB21.2 billion which was 6.7 percent lower than the balance as at 31 December 2020. The Group's total liabilities comprised mainly of bank borrowings of RMB9.6 billion (31 December 2020: RMB12.9 billion); other borrowing of RMB0.2 billion (31 December 2020: RMB0.2 billion); corporate bonds of RMB3.1 billion (31 December 2020: RMB1.9 billion); notes payable of RMB3.5 billion (31 December 2020: RMB2.5 billion); loans from non-controlling interests of RMB72.3 million (31 December 2020: RMB77.7 million); loan from a joint venture of RMB52.5 million (31 December 2020: RMB147.0 million); and deferred income tax liabilities of RMB3.0 billion (31 December 2020: RMB3.3 billion).

As at 31 December 2021, the Group's total equity increased by RMB819.0 million to RMB14.5 billion (31 December 2020: RMB13.7 billion), of which RMB11.5 billion was attributable to the shareholders of the Company (31 December 2020: RMB10.4 billion).

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of major assets, liabilities and equity items

Items	Reporting Year RMB'000	2020 RMB'000	Change %
Total assets	35,661,108	36,367,600	-1.9
Approximately 90.0% of which:			
Intangible operating rights	29,186,460	31,712,956	-8.0
Investments in a joint venture and associates	2,560,928	2,023,718	26.5
Cash and cash equivalents	2,918,574	1,516,004	92.5
Total liabilities	21,188,359	22,713,855	-6.7
Approximately 90.0% of which:			
Bank borrowings* – due within 1 year	2,039,815	878,482	132.2
– long-term portion	7,550,959	11,995,793	-37.1
Other borrowing* – due within 1 year	200,000	–	N/A
– long-term portion	–	200,000	-100.0
Corporate bonds* – due within 1 year	–	1,909,152	-100.0
– long-term portion	3,112,693	–	N/A
Notes payable* – due within 1 year	995,671	–	N/A
– long-term portion	2,498,220	2,492,974	0.2
Loans from non-controlling interests – due within 1 year	10,000	4,318	131.6
– long-term portion	62,287	73,350	-15.1
Loan from a joint venture – due within 1 year	52,500	94,500	-44.4
– long-term portion	–	52,500	-100.0
Deferred income tax liabilities	3,046,469	3,300,573	-7.7
Total equity	14,472,749	13,653,745	6.0
Of which: Equity attributable to the shareholders of the Company	11,511,515	10,424,891	10.4

* excluding interest payable

Cash flows

It has been the primary objective of the Group to focus on preventing risk and improving liquidity. The Group has maintained an appropriate level of cash on hand so as to prevent liquidity risk. As at the end of the Reporting Year, the Group's cash and cash equivalents amounted to RMB2.9 billion which was 92.5 percent higher than the level at 31 December 2020. The Group's cash was deposited in commercial banks, with no deposit in non-bank institutions.

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of cash flow movement

	Reporting Year RMB'000	2020 RMB'000
Net cash generated from operating activities	2,569,950	2,103,180
Net cash generated from/(used in) investing activities	1,285,411	(238,526)
Net cash used in financing activities	(2,450,825)	(1,782,840)
Increase in cash and cash equivalents	1,404,536	81,814
Cash and cash equivalents at 1 January	1,516,004	1,435,062
Effect of exchange rate changes on cash and cash equivalents	(1,966)	(872)
Cash and cash equivalents at 31 December	2,918,574	1,516,004

Net cash generated from operating activities during the Reporting Year amounted to RMB2,570.0 million (2020: RMB2,103.2 million), which was the sum of cash generated from operations of RMB3,069.1 million (2020: RMB2,320.8 million) less PRC enterprise income tax and withholding tax paid of RMB499.1 million (2020: RMB217.6 million).

Net cash generated from investing activities during the Reporting Year amounted to RMB1,285.4 million (2020: net cash used in: RMB238.5 million). The inflow mainly consisted of the disposal of Han-Xiao Expressway amounting to RMB2,031.1 million, dividend distributions from associates and a joint venture of RMB201.7 million (2020: RMB47.3 million); interest received in aggregate of RMB38.1 million (2020: RMB23.6 million); proceeds from compensation arrangement of RMB27.1 million (2020: RMB27.5 million) and proceeds from disposal of property, plant and equipment of RMB0.1 million (2020: RMB1.2 million). The outflow mainly consisted of capital expenditures of RMB1,012.7 million (2020: RMB338.1 million).

Net cash used in financing activities during the Reporting Year amounted to RMB2,450.8 million (2020: RMB1,782.8 million). The outflow mainly included repayment of bank borrowings of RMB7,100.3 million (2020: RMB2,389.7 million); repayment of corporate bonds of RMB1,293.0 million (2020: Nil); payment of finance costs and related fees of RMB633.5 million (2020: RMB755.3 million); dividend paid to the shareholders of the Company of RMB376.0 million (2020: RMB314.5 million); dividend paid to non-controlling interests of RMB595.3 million (2020: RMB72.1 million); repayment of loan from joint venture of RMB94.5 million (2020: Nil); repayments of loans from non-controlling interest of subsidiaries of RMB8.5 million (2020: RMB4.6 million); payment for lease liabilities (including interest) of RMB11.9 million (2020: RMB11.4 million) and no repayment of other borrowings (2020: RMB500.0 million). The inflow mainly included the drawdown of bank borrowings of RMB4,171.0 million (2020: RMB771.0 million), net proceed from corporate bond of RMB2,494.5 million (2020: Nil) and net proceed from notes payable of RMB996.7 million (2020: RMB1,493.8 million).

MANAGEMENT DISCUSSION AND ANALYSIS

Current ratio

The current ratio (current assets over current liabilities) as at 31 December 2021 was 0.7 times (31 December 2020: 0.4 times). As at 31 December 2021, current assets balance was RMB3,293.0 million (31 December 2020: RMB1,878.0 million) and current liabilities balance was RMB4,593.8 million (31 December 2020: RMB4,232.9 million). Cash and cash equivalents were the major components of the Group's current assets and amounted to RMB2,918.6 million as at 31 December 2021 (31 December 2020: RMB1,516.0 million). The Group's current liabilities as at 31 December 2021 mainly included external debts with maturities within one year (excluding interest payable) of RMB3,235.5 million (31 December 2020: RMB2,787.6 million), which consisted of bank borrowings of RMB2,039.8 million, notes payable of RMB995.7 million and other borrowing of RMB200.0 million (31 December 2020: bank borrowings of RMB878.4 million and corporate bonds of RMB1,909.2 million). Management will continue to take a prudent approach to effectively match capital and debt commitments with the existing cash, future operating cash flow and cash return from investments to manage liquidity risk.

EBITDA interest coverage and other financial ratios

EBITDA interest coverage for the year ended 31 December 2021 was 4.6 times (31 December 2020: 3.1 times) which was measured as the ratio of earnings before interests, tax, depreciation and amortisation ("EBITDA"*) to interest expenses (profit and loss impact).

EBITDA to total external debt ratio for the year ended 31 December 2021 was 20.1 percent (31 December 2020: 14.0 percent) which was measured as the ratio of EBITDA to the aggregate balance of bank borrowings, other borrowing, corporate bonds and notes payable ("total external debts").

Profit before interest and income tax interest coverage for the year ended 31 December 2021 was 3.1 times (31 December 2020: 1.9 times) which was measured as the ratio of profit before interest and tax to interest expenses (profit and loss impact).

Cash interest coverage for the year ended 31 December 2021 was 5.8 times (31 December 2020: 4.1 times) which was measured as the ratio of cash generated from operating activities and interest expense (cashflow impact) to interest expenses (cashflow impact).

Capital expenditures and investments

During the Reporting Year, total capital expenditures amounted to RMB1,012.7 million (2020: RMB338.1 million). Capital expenditures related to intangible operating rights and fixed assets included (1) payments of construction costs of toll highways and bridges upgrade services of RMB351.7 million (2020: RMB247.4 million) and (2) purchase of property, plant and equipment of RMB22.0 million (2020: RMB14.7 million). During the Reporting Year, the Group's subscription of REIT led to an increase in investment in associate by RMB639.0 million (2020: the Group's capital injection in Guangzhou Pazhou Port Company Limited led to an increase in investment in associate by RMB76.0 million). Apart from the aforementioned, no material capital expenditure was incurred during the Reporting Year. Going forward, the management believes that the Group's steady operating cash flow and appropriate financing arrangements can satisfy its future capital expenditures and investments needs.

Capital structures

It is also one of the Group's financial policies to maintain a rational capital structure which aims to enhance profitability on one hand and to ensure financial leverage ratios to remain at safe levels on the other hand.

* EBITDA includes share of results of associates and a joint venture, net of tax, and excludes non-cash gains and losses.

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of capital structures

	Reporting Year RMB'000	2020 RMB'000
Total external debts*		
Bank borrowings	9,590,774	12,874,275
Other borrowing	200,000	200,000
Corporate bonds ⁽¹⁾	3,112,693	1,909,152
Notes payable ⁽²⁾	3,493,891	2,492,974
Loans from non-controlling interests	72,287	77,668
Loan from a joint venture	52,500	147,000
Lease liabilities	21,444	30,021
Total debts	16,543,589	17,731,090
Less: cash and cash equivalents	(2,918,574)	(1,516,004)
Net debt	13,625,015	16,215,086
Total Equity	14,472,749	13,653,745
Of which: Equity attributable to the shareholders of the Company	11,511,515	10,424,891
Total capitalization (Net debt + Total equity)	28,097,764	29,868,831

* excluding interest payable

Financial ratios

Gearing ratio (net debt/total capitalization)	48.5%	54.3%
Debt to Equity ratio (net debt/total equity)	94.1%	118.8%
Total liabilities/Total assets ratio	59.4%	62.5%

(1) As at 31 December 2021, the details of the corporate bonds issued in The Shanghai Stock Exchange:

	Drawdown date:	Principal:	Principal repayment date:	Coupon rate (per annum):	Next interest payment date:
RMB700 million seven-year corporate bonds (2016 Phase 1)	22 March 2016	RMB87 million	21 March 2023	3.60%	21 March 2022
RMB800 million seven-year corporate bonds (2016 Phase 2)	28 October 2016	RMB530 million	26 October 2023	3.18%	26 October 2022
RMB1,000 million five-year corporate bonds (2021 Phase 1)	25 January 2021	RMB1,000 million	25 January 2026	3.63%	25 January 2022
RMB1,000 million five-year corporate bonds (2021 Phase 2)	13 May 2021	RMB1,000 million	13 May 2026	3.48%	13 May 2022
RMB500 million seven-year corporate bonds (2021 Phase 2)	13 May 2021	RMB500 million	13 May 2028	3.84%	13 May 2022

MANAGEMENT DISCUSSION AND ANALYSIS

(2) As at 31 December 2021, the details of the notes payable issued in National Association of Financial Market Institutional Investors:

	Drawdown date:	Principal:	Principal repayment date:	Coupon rate (per annum):	Next interest payment date:
RMB1,000 million three-year medium term notes (2019 Phase 1)	2 December 2019	RMB1,000 million	2 December 2022	3.58%	2 December 2022
RMB1,000 million three-year medium term notes (2020 Phase 1)	10 January 2020	RMB1,000 million	10 January 2023	3.47%	10 January 2022
RMB500 million three-year medium term notes (2020 Phase 2)	14 August 2020	RMB500 million	14 August 2023	3.54%	14 August 2022
RMB1,000 million five-year medium term notes (2021 Phase 1)	28 January 2021	RMB1,000 million	28 January 2026	3.78%	28 January 2022

Financing structures

In a way to ensure that the Group is carrying out its financing activities at a safe leverage level, the Company is keeping a close watch on the Group's overall borrowing structure from time to time, so as to optimize its debt portfolio further. In order to effectively maintain cost-efficient funding, the Group, on one hand, continues to maintain close banking relationship with financial institutions both in Hong Kong and China to capitalize on the different levels of liquidity offered by, and to take advantage of the cost differentials, not only of these two markets but also of international markets; and on the other hand, strike a balance between lowering the interest rate and mitigating exchange risk exposure. As at the end of the Reporting Year, the Group's total debts comprised bank borrowings, other borrowing, corporate bonds, notes payable, loans from non-controlling interests, loan from a joint venture and lease liabilities. Debt with foreign exchange risk exposure as at 31 December 2021 was approximately RMB245.1 million (31 December 2020: approximately RMB419.8 million), where such exposure was managed with the forward contract dated 20 June 2019.

As at 31 December 2021, the Group's total external debts (excluding interest payable) in aggregate were RMB16.4 billion (31 December 2020: RMB17.5 billion) which consisted of bank borrowings of RMB9.6 billion (31 December 2020: RMB12.9 billion), other borrowing of RMB0.2 billion (31 December 2020: RMB0.2 billion), corporate bonds of RMB3.1 billion (31 December 2020: RMB1.9 billion) and notes payable of RMB3.5 billion (31 December 2020: RMB2.5 billion). Onshore and offshore debts ratio was 92.6 percent and 7.4 percent (31 December 2020: 92.7 percent and 7.3 percent). Secured external debt ratio was 33.3 percent (31 December 2020: 43.1 percent). The effective interest rate of total external debt at 31 December 2021 was 3.85 percent (31 December 2020: 4.00 percent). Of the bank borrowings, RMB8.6 billion was at floating rates and RMB966.4 million was at fixed rates with the overall effective interest rate of 3.88 percent at 31 December 2021 (31 December 2020: 4.08 percent). Other borrowing was at fixed rate with the effective interest rate of 6.4 percent at 31 December 2021 (31 December 2020: 6.4 percent). Corporate bonds (in five types) were at fixed rates with coupon rates of 3.60 percent, 3.18 percent, 3.63 percent, 3.48 percent and 3.84 percent respectively with overall effective interest rate at 3.65 percent as at 31 December 2021 (31 December 2020: 3.55 percent). Notes payable (in four tranches) was at fixed rates with coupon rate of 3.58 percent, 3.47 percent, 3.54 percent and 3.78 percent respectively with overall effective interest rate at 3.80 percent as at 31 December 2021 (31 December 2020: 3.73 percent).

MANAGEMENT DISCUSSION AND ANALYSIS

Analysis of total external debts* (bank borrowings, other borrowing, corporate bonds and notes payable)

	Reporting Year Percentage of total	2020 Percentage of total
Source		
Onshore	92.6%	92.7%
Offshore	7.4%	7.3%
	100.0%	100.0%
Repayment term		
Within 1 year	19.7%	16.0%
1 to 2 years	25.4%	16.6%
More than 2 years and less than 5 years	36.8%	39.4%
Above 5 years	18.1%	28.0%
	100.0%	100.0%
Currency		
RMB	98.5%	97.6%
HKD	1.5%	2.4%
	100.0%	100.0%
Interest rate		
Fixed	47.4%	32.6%
Floating	52.6%	67.4%
	100.0%	100.0%
Terms of credit		
Secured	33.3%	43.1%
Unsecured	66.7%	56.9%
	100.0%	100.0%
Financing method		
Direct financing	40.3%	25.2%
Indirect financing	59.7%	74.8%
	100.0%	100.0%

* excluding interest payable

MANAGEMENT DISCUSSION AND ANALYSIS

Loans from non-controlling interests of certain subsidiaries were unsecured, interest-free and denominated in RMB. The carrying amounts of these loans approximated their fair values, calculated based on cash flows discounted at a rate of 4.35 percent (2020: 4.35 percent) per annum.

Loans from non-controlling interests of certain subsidiaries are repayable between one to six years, except for loan of RMB10.0 million which is due within one year.

Loans from a joint venture was unsecured, interest bearing at an annual rate of People's Bank of China Benchmark Interest Rates minus 10%, denominated in RMB and repayable in 2022.

Foreign-currency denominated assets and liabilities

The Group's businesses are principally conducted in the PRC and its functional currency is RMB. Except that certain fund-raising exercises were conducted in Hong Kong, all of its revenue, operating expenses, capital expenditures and approximately 98.5 percent (2020: 97.6 percent) of its external debts are denominated in RMB. As at the end of the Reporting Year, the Group's foreign-currency denominated assets and liabilities mainly include external debt of HK\$299.8 million (equivalent to approximately RMB245.1 million). The Group had entered into forward contracts to hedge the external debt's foreign exchange risk. As the foreign exchange market is still volatile, the Group will continue to keep track of developments in the foreign exchange market, strike a balance between interest rate cost and foreign exchange risk, optimize its debt structure and control its foreign currency exposure.

IV. CAPITAL COMMITMENTS AND CONTINGENT LIABILITIES

As at 31 December 2021, the Group had capital commitments related to intangible operating rights and property, plant and equipment, of which approximately RMB192.3 million was contracted but not provided for.

Except for the aforementioned, the Group had no material capital commitments as at 31 December 2021. There were no significant contingent liabilities as at 31 December 2021.

V. EMPLOYEES

As at 31 December 2021, the Group had approximately 2,022 employees of whom about 1,801 were directly engaged in the daily operation, management and supervision of toll projects. The Group remunerates its employees largely based on industry practice, including contributory provident funds, share options and other staff benefits.

MANAGEMENT DISCUSSION AND ANALYSIS

VI. CONTINUING DISCLOSURE REQUIREMENTS UNDER RULE 13.21 OF THE LISTING RULES

Certain facility agreements of the Company include a condition that imposes one or more of the following specific performance obligations on Yue Xiu Enterprises (Holdings) Limited (“Yue Xiu”), the controlling shareholder of the Company:

- (i) Yue Xiu remains as the single largest shareholder of the Company;
- (ii) Yue Xiu maintains a direct or indirect shareholding interest of not less than 35% in the issued voting shares of the Company;
- (iii) Yue Xiu maintains an effective management control over the Company.

As at 31 December 2021, the loan balances subject to the above conditions were RMB970,000,000 and HK\$300,000,000. Such facility agreements will expire on 29 November 2022 and 29 March 2023 respectively.

Breach of the above specific performance obligations will constitute an event of default. Upon the occurrence of such event of default, the relevant bank may declare the relevant facility to be terminated and all the indebtedness under the relevant facility would become due and payable.

These obligations have been duly complied with for the year ended 31 December 2021.

INVESTOR RELATIONS REPORT

INVESTOR RELATIONS AND COMMUNICATIONS

The Group is committed to maintaining a high level of corporate governance as well as good and effective communication mechanism with capital markets. In this regards, the Group has been maintaining open dialogues with investors and industry researchers and, subject to compliance with disclosure requirements, will proactively provide timely and accurate information, including monthly operational data for each project and strategic business developments.

On the basis of strict compliance requirements on information disclosure of the regulatory authorities, the Group, including executive directors and senior management, initiated proactive communication continuously by meeting and communicating with shareholders, industry researchers, domestic and foreign investors who are concerned about the Group regularly through various platforms and channels, including conducting online conferences for results announcement, participating in online roadshows for results announcement and various industry seminars, to disseminate positive information and stabilize market confidence. Furthermore, in the process of communicating with investors and other groups, the Group extensively collected feedback and used it as a reference for improving its governance and management standards.

During the Reporting Year, investment banks such as HSBC, Dongxing Securities, HTSC, CICC and DBS Bank, released research coverage reports on the Group successively, and institutions such as HSBC, HTSC, Industrial Securities, Mizuho Securities and Daiwa Securities also organized market briefings on the Group successively and arranged meetings with international institutional investors, which was a sufficient reflection of the Group's popularity and impact in the capital market.

During the Reporting Year, major investor relations activities of the Group included the following:

- Provided feedback of investors' enquiries in a timely manner through e-mail, telephone and other forms, and released monthly operational data to investors on regular basis.
- Initiated in-depth communication with investors and industry researchers in the form of online meetings.
- Communicated with domestic and worldwide investors through launching activities such as press conferences for results announcement, participating in results roadshows, industry seminars, which included:

Month	Venue and Form	Event	Organizer
March	Guangzhou Conference call	2020 Annual Results Roadshow	HSBC
March	Guangzhou Conference call	2020 Annual Results Roadshow	Mizuho Securities
April	Guangzhou Conference call	2020 Annual Results Roadshow	HTSC
May	Wuhan	Analysts Reverse Roadshow	The Company
August	Guangzhou Conference call	2021 Interim Results Roadshow	HSBC
August	Guangzhou Conference call	2021 Interim Results Roadshow	HTSC
August	Guangzhou Conference call	2021 Interim Results Roadshow	Daiwa Securities
October	Guangzhou Physical Meeting	2021 Interim Results Roadshow	Industrial Securities
November	Guangzhou Conference call	HTSC Annual Strategy Meeting	HTSC

INVESTOR RELATIONS REPORT

During the Reporting Year, the Group participated in the award ceremony of Quamnet.com at the beginning of the year and was awarded the following honors for listed companies by renowned media outlets such as Bloomberg Business Weekly and Quamnet, which demonstrate market recognition for our performance, corporate governance standards and investor relations efforts:

Bloomberg Business Weekly:

Listed Enterprises of the Year 2021

Quamnet.com:

Outstanding Investment and Development of Infrastructure 2021

ARC Awards for Annual Reports:

Honors Awards 2021

CONSISTENT RETURN TO SHAREHOLDERS

While leveraging on the capital market for rapid development, the Group also understands that a positive return to shareholders should be regarded as an important mission and the operation philosophy for an enterprise. Since listing, the Group has distributed cash dividends for over 20 consecutive years, which served as stable return to our shareholders while we recorded consistent growth of our operating results.

	2015	2016	2017	2018	2019	2020	2021
Earnings per share (RMB)	0.318	0.5491	0.5666	0.6300	0.6799	0.0959	0.8756
Dividend per share (HKD)	0.28	0.33	0.36	0.39	0.39	0.07	0.61
Dividend payout ratio	72.2%	52.5%	52.4%	53.6%	51.5%	60.9%	56.9%

DIRECTORS' PROFILES

EXECUTIVE DIRECTORS

Mr Li Feng, aged 53, was appointed an executive director of the Company on 13 April 2018 and Chairman on 22 July 2019. He is the chief capital officer of Guangzhou Yue Xiu Holdings Limited ("Guangzhou Yue Xiu"), the ultimate holding company of the Company, and Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu"). He mainly responsible for formulating and implementing major capital management plans, organizing industrial development and financing coordination, optimizing and deepening the customer resources management, promoting the update of digital transformation, etc. of the Yue Xiu Group. Mr Li is the press spokesperson of the Yue Xiu Group. Mr Li is an executive director of Yuexiu Property Company Limited ("Yuexiu Property") (Stock Code: 123), a director of Guangzhou City Construction & Development Co. Ltd. ("GCCD"), chairman and a non-executive director of Yuexiu Financial Holdings Limited ("YFHL"), the chairman of the board of directors of Yue Xiu Securities Holdings Company Limited, a non-executive director of Yuexiu REIT Asset Management Limited (the manager of Yuexiu Real Estate Investment Trust (Stock Code: 405)), a non-executive director of Chong Hing Bank Limited ("Chong Hing Bank") (which shares were delisted from the Stock Exchange on 30 September 2021), a director of Guangzhou Yuexiu Financial Holdings Group Co., Ltd. (廣州越秀金融控股集團股份有限公司), a company listed on the Shenzhen Stock Exchange (Shenzhen Stock Code: 987).

Mr Li graduated from the South China University of Technology and obtained a Bachelor's degree in architecture, and subsequently he obtained a master of business administration degree from Jinan University. He is also president of Association of Guangzhou Belt and Road Investment Enterprises, member of Guangzhou Housing Provident Fund Management Committee, director of Guangzhou People's Association for Friendship with Foreign Countries and vice-president of The Listed Companies Council, Hong Kong Chinese Enterprises Association, a board member of the Governing Board of The Hong Kong University of Science and Technology (Guangzhou) and a member of the Risk Management Committee of China Evergrande Group (Stock Code: 3333). Mr Li joined Yue Xiu in December 2001, he is familiar with business of listed companies and the operations of capital markets, and has extensive practical experience in capital operations.

Mr He Baiqing, aged 57, was appointed an executive director of the Company on 19 March 2014 and a Deputy Chairman on 31 July 2014. He has been General Manager of the Company since January 2013. He was appointed deputy general manager in 2009 and senior deputy general manager in 2011. Mr He graduated from Changsha Transport Institute in China with a bachelor of engineering degree in Highway and City Roads Engineering. Mr He had held position of the head of Guangzhou Highway Prospecting and Design Institute. He is a senior engineer of Highway and Bridge, and a chartered civil engineer in China. Mr He was in charge of the thirty-year plan of Guangzhou highway network between 1997 and 1998. He has participated in surveying and designing of Guangzhou Northern Second Ring Expressway, Guangzhou Western Second Ring Expressway and has extensive experience in the industry. He previously served as a director of the Company from April 2005 to April 2007.

DIRECTORS' PROFILES

Ms Chen Jing, aged 50, was appointed an executive director of the Company on 13 April 2018. Ms Chen is the chief financial officer and general manager of the finance department of Guangzhou Yue Xiu and Yue Xiu. She is an executive director and chief financial officer of Yuexiu Property, a director of GCCD, Guangzhou Yuexiu Foods Group Co., Ltd. and Guangzhou Yuexiu Agriculture and Animal Husbandry Technology Co., Ltd.. She is also a non-executive director of YFHL and Chong Hing Bank. Ms Chen graduated from the Xi'an Jiaotong University in audit studies, and holds a master of business administration degree of the School of Management and Economics of the Beijing Institute of Technology and the qualification of auditor and certified internal auditor. Ms Chen joined Guangzhou Yue Xiu in July 2004 and was the deputy general manager of the supervisory (audit) office, the general manager of the audit department and the chairman of the board of directors of Yue Xiu Securities Holdings Company Limited. Ms Chen has participated in building systems to monitor the major risks and finance of Guangzhou Yue Xiu. Ms Chen is well versed in risk and internal control management, financial management of listed companies and has extensive experience in establishing a sound system for risk management and internal control, financial management for enterprises. Prior to joining Guangzhou Yue Xiu, Ms Chen worked in school of business of the Hubei University and Hisense Kelon Electrical Holdings Company Limited.

Mr Cai Minghua, aged 44, was appointed an executive director of the Company on 9 July 2021 and obtained a Bachelor's degree in economics from Wuhan University with a major in international economics and trade. Subsequently, he graduated from Wuhan University with a major in world economics and obtained a master's degree in economics.

In July 2005, Mr Cai joined Yuexiu Group and has served as the vice chairman of the labour union of the Company, the general manager of the human resources department of the Company, the chief business director of the human resources (organization) department of Guangzhou Yue Xiu and the chief business director of the human resources department of Yue Xiu. Mr Cai took the lead in the establishment and enhancement of the information system of human resources management in Guangzhou Yue Xiu and the optimization of the human resources management systems in respect of remuneration management, performance appraisals and talent management and development. Mr Cai possesses extensive experience and expertise in remuneration management, administration and management, performance appraisals and human resources management.

DIRECTORS' PROFILES

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr Fung Ka Pun, aged 76, has been an independent non-executive director of the Company since 20 November 1996. Mr Fung is the founder and chairman of the Goodwill International (Holdings) Limited. Mr Fung has over 30 years of experience in finance, stockbroking, securities trading and corporate finance. He is a member of the Institute of Chartered Secretaries and Administrators and a member of the Association of International Accountants. Mr Fung is also an independent non-executive director of Lee Hing Development Limited, the shares of which are listed on the Stock Exchange (Stock Code: 68).

Mr Lau Hon Chuen, GBS, JP, alias Ambrose Lau, aged 74, has been an independent non-executive director of the Company since 20 November 1996. He obtained a Bachelor of Laws degree from the University of London and is a Solicitor of the High Court of Hong Kong, a China-Appointed Attesting Officer and a Notary Public. Mr Lau is the Senior Partner of Messrs. Chu & Lau, Solicitors & Notaries. Mr Lau is currently an independent non-executive director of Glorious Sun Enterprises Limited (Stock Code: 393), Yuexiu Property and Joy City Property Limited (Stock Code: 207). The shares of the companies mentioned above are listed on the Stock Exchange. He is also a director of OCBC Wing Hang Bank (China) Limited, Bank of China Group Insurance Company Limited, BOC Group Life Assurance Company Limited, Nanyang Commercial Bank, Limited, OCBC Wing Hang Bank Limited, Sun Hon Investment & Finance Limited, Wydoff Limited, Wytex Limited, Trillions Profit Nominee & Secretarial Services Limited, Helicoin Limited, Wyman Investments Limited and Cinda Financial Holdings Co., Limited. Mr Lau served as the Chairman of the Central and Western District Board between 1988 and 1994, the President of the Law Society of Hong Kong in 1992-1993, a Member of the Bilingual Laws Advisory Committee between 1988 and 1997 and a Member of the Legislative Council of Hong Kong from 1995 to 2004 (between 1997 and 1998 he was a member of the Provisional Legislative Council). He has served as a Standing Committee Member of the 10th, 11th and 12th National Committee of the Chinese People's Political Consultative Conference.

Mr Cheung Doi Shu, aged 60, has been an independent non-executive director of the Company since 24 July 1997. He is a qualified solicitor in Hong Kong and received his Bachelor's and Master's degrees in law from the University of London. He is the senior partner of D.S. Cheung & Co., Solicitors.

CORPORATE GOVERNANCE REPORT

The Company recognises the importance of good corporate governance to the Company's healthy growth and has devoted considerable efforts to identifying and formulating corporate governance practices appropriate to the conduct and growth of its business.

The Company's corporate governance practices are based on the principles and the code provisions ("Code Provisions") as set out in the Corporate Governance Code ("CG Code") contained in Appendix 14 of The Rules Governing the Listing of Securities ("Listing Rules") on the Stock Exchange.

The Company has complied throughout the year ended 31 December 2021 with the Code Provisions.

The Company periodically reviews its corporate governance practices to ensure that these continue to meet the requirements of the CG Code.

The board of directors ("Board") of the Company plays a crucial role in sustaining high standards of corporate governance and transparency and accountability of Company operations.

The key corporate governance principles and practices of the Company are summarised below.

THE BOARD

Responsibilities

The overall management of the Company's business is vested in the Board, which assumes the responsibility for leadership and control of the Company and is collectively responsible for promoting the success of the Company by directing and supervising its affairs in the interests of the Company. The Board focuses its attention on matters affecting the Company's overall strategic policies and finances, including: the approval and monitoring of all policy matters, overall strategies and budgets, corporate governance, internal control and risk management systems, financial statements, dividend policy, major financial arrangements and major investments, treasury policies, appointment of directors and other significant financial and operational matters.

The Board of the Company attaches great importance to sustainability management, undertakes overall responsibility for the ESG of the Company and oversees the ESG direction and strategies of the Company. It regularly discusses and reviews the Company's ESG development risks and opportunities. The ESG Committee is responsible for managing and supervising the ESG impact of the Company, and reports the ESG-related performance to the Board on a regular basis. It updates the Company's ESG issues every year and conducts materiality assessment of the ESG issues through stakeholders study, questionnaire survey, expert assessment, discussion within the Board, etc. The Board has established, reviewed and discussed the relevant targets for greenhouse gas emissions, waste disposal, energy use and water resource utilization, and will continue to evaluate and pay attention to their progress.

All directors have full and timely access to all relevant information as well as the advice and services of the Company Secretary or external legal advisors, where appropriate, with a view to ensuring compliance of all Board procedures and applicable rules and regulations.

Each director is normally able to seek independent professional advice in appropriate circumstances at the Company's expense, upon making request to the Board.

CORPORATE GOVERNANCE REPORT

Composition

The composition of the Board ensures a balance of skills and experience appropriate to the requirements of the business of the Company and to the exercise of independent judgment. As at 31 December 2021, the Board comprised four executive directors and three independent non-executive directors.

For a list of directors during the year ended 31 December 2021 and up to the date of this annual report, please refer to page 68 of the Report of the Directors. The updated list of directors is also available on the Company's website (www.yuexiutransportinfrastructure.com) and the Stock Exchange's website.

Selection of Board members is based on a range of diversity perspectives, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. The ultimate decision is based on merit and contribution that the selected Board members could bring to the Board, with due regard for the benefits of diversity on the Board. The Board diversity policy is available on the website of the Company. The Board will review and monitor from time to time the implementation of the policy to ensure its effectiveness and application.

None of the members of the Board is related to one another.

During the year ended 31 December 2021, the Board at all times met the requirements of the Listing Rules relating to the appointment of at least three independent non-executive directors with at least one independent non-executive director possessing appropriate professional qualifications, or accounting or related financial management expertise. The number of independent non-executive directors on the Board meets one-third requirement under the Listing Rules throughout the year.

The Company has received written annual confirmation from each independent non-executive director of his independence pursuant to the requirements of the Listing Rules. The Company considered all independent non-executive directors to be independent in accordance with the independence guidelines set out in Listing Rules.

Through active participation in Board meetings, taking the lead in managing issues involving potential conflict of interests and serving on Board committees, all independent non-executive directors made valuable contributions to the effective direction of the Company.

Shareholders may propose a candidate for election as Director in accordance with the Bye-Laws of the Company. The procedures for such proposal are available on the websites of the Company and the Stock Exchange.

CORPORATE GOVERNANCE REPORT

Training for Directors

On appointment to the Board, each Director receives a comprehensive induction package covering business operations, policy and procedures of the Company as well as the general, statutory and regulatory obligations of being a Director to ensure that he is sufficiently aware of his responsibilities under the Listing Rules and other relevant regulatory requirements.

The Directors are regularly briefed on the amendments to or updates on the relevant laws, rules and regulations. In addition, all Directors and senior executives are encouraged to participate in continuous professional development relating to the Listing Rules, companies ordinance/act and corporate governance practices to continuously update and further improve their relevant knowledge and skills. From time to time, Directors are provided with written training materials to develop and refresh their professional skills.

During the year, the Company arranged training programme and provided training materials to the Directors with an emphasis on strategic capabilities, smart traffic and connected transaction. According to the records maintained by the Company, the Directors received trainings in the following areas:

Directors	Corporate Governance/ Updates on Laws, Rules & Regulations	
	Read Materials	Attended Seminars/ Briefings
<i>Executive Directors</i>		
Li Feng	✓	✓
He Baiqing	✓	✓
Chen Jing	✓	✓
Cai Minghua (appointed on 9 July 2021)	✓	✓
Xie Yanhui (resigned on 9 July 2021)	✓	✓
<i>Independent Non-Executive Directors</i>		
Fung Ka Pun	✓	✓
Lau Hon Chuen Ambrose	✓	✓
Cheung Doi Shu	✓	✓

CORPORATE GOVERNANCE REPORT

Board Meetings

Number of Meetings and Directors' Attendance

In year 2021, the Board held 4 meetings. The attendance record of each member of the Board is set out below:

Directors	Attendance/Number of Meetings		
	Board meetings	Annual General Meeting	Special General Meeting
<i>Executive Directors</i>			
Li Feng	4/4	1/1	1/1
He Baiqing	4/4	1/1	1/1
Chen Jing	4/4	1/1	1/1
Cai Minghua (appointed on 9 July 2021)	2/2	–	1/1
Xie Yanhui (resigned on 9 July 2021)	2/2	1/1	–
<i>Independent Non-Executive Directors</i>			
Fung Ka Pun	4/4	1/1	1/1
Lau Hon Chuen Ambrose	4/4	1/1	1/1
Cheung Doi Shu	4/4	1/1	1/1

Practices and Conduct of Meetings

Notices of regular Board meetings are served to all directors at least 14 days before the meetings. For other Board and committee meetings, reasonable notice is generally given.

Board papers together with all appropriate, complete and reliable information are sent to all directors at least three days before each Board meeting or committee meeting to keep the directors apprised of the latest developments and financial position of the Company and to enable them to make informed decisions. The Board and each director also have separate and independent access to the senior management as and when they deemed appropriate.

Minutes of all Board meetings and committee meetings are kept by the Company Secretary. Draft minutes are normally circulated to directors for comment within a reasonable time after each meeting and the final version is open for directors' inspection.

According to current Board practice, any material transaction, which involves a conflict of interests for a substantial shareholder or a director, will be considered and dealt with by the Board at a duly convened Board meeting. The Company's Bye-Laws also contain provisions requiring directors to abstain from voting and not to be counted in the quorum at meetings for approving transactions in which such directors or any of their associates have a material interest.

The Company has arranged directors and officer liability insurances for its directors and officers.

CORPORATE GOVERNANCE REPORT

CHAIRMAN AND CHIEF EXECUTIVE OFFICER

The Company fully supports the division of responsibility between the Chairman of the Board and General Manager to ensure a balance of power and authority.

The position of the Chairman is held by Mr Li Feng while the position of General Manager is held by Mr He Baiqing.

The Chairman provides leadership and is responsible for the effective functioning of the Board in accordance with good corporate governance practice. With the support of the senior management, the Chairman is also responsible for ensuring that the directors receive adequate, complete and reliable information in a timely manner and appropriate briefing on issues arising at Board meetings.

The General Manager focuses on implementing objectives, policies and strategies approved and delegated by the Board.

BOARD COMMITTEES

The Board has established four committees, namely, the Audit Committee, the Remuneration Committee, the Nomination Committee and the ESG Committee for overseeing particular aspects of the Company's affairs. All Board committees of the Company are established with defined written terms of reference. The full terms of reference of the Audit Committee, the Remuneration Committee and the Nomination Committee are available on the Company's website (www.yuexiutransportinfrastructure.com) and the Stock Exchange's website.

Audit Committee

The Audit Committee comprises three independent non-executive directors (including one independent non-executive director who possesses the appropriate professional qualifications or accounting or related financial management expertise) and Mr Lau Hon Chuen Ambrose is the chairman of the committee. None of the members of the Audit Committee is a former partner of the Company's existing external auditor.

The main duties of the Audit Committee include the following:

- (a) To review the relationship with the external auditor by reference to the work performed by the auditor, their fees and terms of engagement, and make recommendation to the Board on the appointment, re-appointment and removal of external auditor.
- (b) To review the financial statements and reports and consider any significant or unusual items raised by the qualified accountant or external auditor before submission to the Board.
- (c) To review the adequacy and effectiveness of the Company's financial reporting system, risk management and internal control systems and associated procedures.

CORPORATE GOVERNANCE REPORT

The Audit Committee held two meetings during the year ended 31 December 2021 to review the financial results and reports, financial reporting and compliance procedures, internal control and risk management systems and the re-appointment of the external auditor. The composition of the Audit Committee and attendance record of each Audit Committee member are set out below:

Members	Meetings Attended
<i>Independent Non-Executive Directors</i>	
Fung Ka Pun	2/2
Lau Hon Chuen Ambrose	2/2
Cheung Doi Shu	2/2

There are no material uncertainties relating to events or conditions that may cast significant doubt on the Company's ability to continue as a going concern.

Remuneration Committee

During the year, the Remuneration Committee comprises one executive director, namely Mr Li Feng and three independent non-executive directors, namely Mr Fung Ka Pun, Mr Lau Hon Chuen Ambrose and Mr Cheung Doi Shu, and Mr Lau Hon Chuen Ambrose is the chairman of the committee.

The primary objectives of the Remuneration Committee include making recommendations on the remuneration policy and structure and remuneration packages of the executive directors and the senior management, including benefits in kind, pension rights and compensation payments such as compensation payable for loss or termination of their office or appointment. The Remuneration Committee is also responsible for establishing transparent procedures for developing such remuneration policy and structure to ensure that no director or any of his associates will participate in deciding his/her own remuneration, which remuneration will be determined by reference to the performance of the individual and the Company as well as market practice and conditions.

The composition of the Remuneration Committee and attendance record of each Remuneration Committee member are set out below:

Members	Meeting Attended
<i>Executive Director</i>	
Li Feng	1/1
<i>Independent Non-Executive Directors</i>	
Fung Ka Pun	1/1
Lau Hon Chuen Ambrose	1/1
Cheung Doi Shu	1/1

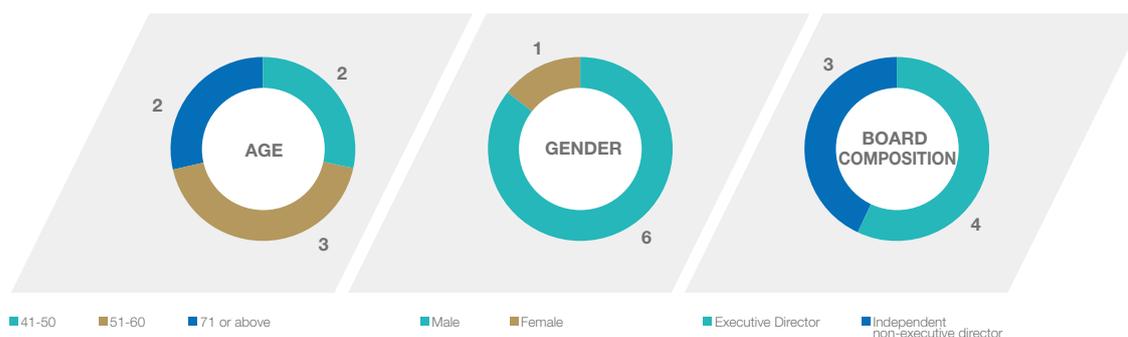
The Remuneration Committee met once during the year ended 31 December 2021 with 100% attendance to review and make recommendations on the remuneration policy and structure of the Company and remuneration packages of the executive directors for the year under review.

CORPORATE GOVERNANCE REPORT

Nomination Committee

The Nomination Committee comprises one executive director, namely Mr Li Feng and three independent non-executive directors, namely Mr Fung Ka Pun, Mr Lau Hon Chuen Ambrose and Mr Cheung Doi Shu. The committee is chaired by Mr Li Feng, the Chairman of the Board.

The role and function of the Nomination Committee includes reviewing the structure, size and composition of the Board, assessing the independence of the independent non-executive directors and making recommendations on the selection of individuals nominated for directorship, the appointment or re-appointment of directors and succession planning for directors. In assessing the Board composition and the candidate proposed to the Nomination Committee for consideration, the Nomination Committee would take into account various aspects set out in the Board Diversity Policy, including but not limited to gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service. Board members' appointments will be based on meritocracy, and candidates will be considered against objective criteria, having due regard for the benefits of diversity on the Board. The Board is currently comprised of diversified members, including 7 directors, one of whom is female (2020: 1). Four directors are experienced in finance, toll road construction/operation, financial, capital operations, administrative management and human resource management and the other three directors, being the independent non-executive directors, contribute extensive experiences in the legal and compliance, acquisition and mergers as well as financial businesses to the Board. In order to ensure that the Board possesses experiences and skills relevant to its strategy and the ability and mindset to manage changes from time to time in new generation, the Nomination Committee formulates the following measurable objectives: gender, age, length of tenure, professional experience and knowledge (e.g. legal, accounting, establishment/operation of highways, finance and capital management, etc.), reviews the diversity of the Board and makes proposal to the Board if necessary.



CORPORATE GOVERNANCE REPORT

Process of appointment of directors

In accordance with the strategic needs of the Board, suitable candidates are identified for consideration by the Nomination Committee. The Nomination Committee would consider such candidates based on various factors such as the gender, age, cultural and educational background, ethnicity, professional experience, skills, knowledge and length of service set out in the Board Diversity Policy. Recommendation will be made to the Board based on meritocracy and objective criteria, having due regard for the benefits of diversity on the Board. The Board will ultimately decide on the merits of the candidate and their potential contributions to the Board. New directors so appointed shall be re-elected at the Company's general meeting as required by the Articles of Association.

The composition of the Nomination Committee and the attendance record of each Nomination Committee member are set out below:

Members	Meeting Attended
<i>Executive Director</i>	
Li Feng	1/1
<i>Independent Non-Executive Directors</i>	
Fung Ka Pun	1/1
Lau Hon Chuen Ambrose	1/1
Cheung Doi Shu	1/1

The Nomination Committee met once during the year ended 31 December 2021 to review the structure, size and composition of the Board.

ENVIRONMENTAL, SOCIAL AND GOVERNANCE COMMITTEE

The Environmental, Social and Governance ("ESG") Committee ("ESG Committee") was established on 8 March 2022. It comprises two executive directors, namely Mr Li Feng and Mr He Baiqing and three independent non-executive directors, namely Mr Fung Ka Pun, Mr Lau Hon Chuen Ambrose and Mr Cheung Doi Shu. The committee is chaired by Mr Li Feng, the Chairman of the Board.

The main duties of the ESG Committee include the following:

- (a) To review, formulate and approve the Group's vision, goals, strategies and management policies regarding ESG issues, and make recommendations to the Board on the relevant ESG matters;
- (b) To review and evaluate the adequacy and effectiveness of the management framework for ESG matters at the Group level;
- (c) To review and monitor the Group's policies on ESG to ensure compliance with legal and regulatory requirement; and
- (d) To review and report to the Board on major international trends in legislation and regulation of corporate ESG, identify and assess the ESG related risks and opportunities that have an impact on the Group's operation;

The ESG Committee shall report to the Board on their decisions or recommendations not less than once a year.

CORPORATE GOVERNANCE REPORT

MODEL CODE FOR SECURITIES TRANSACTIONS

The Company has adopted the Model Code for Securities Transactions by Directors of Listed Issuers (“Model Code”) as set out in Appendix 10 to the Listing Rules.

Specific enquiry has been made of all the directors and the directors have confirmed that they have complied with the Model Code throughout the year ended 31 December 2021.

Specific employees who are likely to be in possession of unpublished price sensitive information of the Group have been requested to comply with the provisions of the Model Code. No incident of non-compliance was noted by the Company.

COMPANY SECRETARY

Mr Yu Tat Fung has been the company secretary of the Company since 2004. He is the Group General Counsel of Yue Xiu, and also the company secretary of Yue Xiu, Yuexiu Property Company Limited (Stock Code: 123), Yuexiu Services Group Limited (Stock Code: 6626) and Yue Xiu REIT Asset Management Limited (the manager of Yuexiu Real Estate Investment Trust (Stock Code: 405)). Mr Yu obtained a bachelor’s degree in Social Sciences from the University of Hong Kong in 1981. He attained the Solicitors Final Examination in England in 1983. He was admitted as a solicitor of the Supreme Court of Hong Kong in 1986. He was also admitted to the Bar of the Province of British Columbia in Canada in 1995. Prior to joining the Company in 1997, he was engaged in private practice with an emphasis on corporate and commercial law. Mr Yu is responsible for advising the Board on governance matters. During 2021, Mr Yu has taken no less than 15 hours of relevant professional training.

ACCOUNTABILITY AND AUDIT

Responsibilities in Respect of the Financial Statements and Auditor’s Remuneration

The Board is responsible for presenting a balanced, clear and understandable assessment of annual and interim reports, price-sensitive announcements and other disclosures required under the Listing Rules and other regulatory requirements.

The directors acknowledge their responsibility for preparing the consolidated financial statements of the Company for the year ended 31 December 2021.

The statement of the external auditor of the Company about their reporting responsibilities on the consolidated financial statements is set out in the “Independent Auditor’s Report”.

During the year ended 31 December 2021, the remuneration paid or payable to Ernst & Young (Certified Public Accountants and Registered Public Interest Entity Auditor), the external auditor of the Company in respect of audit related services amounted to approximately RMB2,700,000 and in respect of non-audit services fees amounted to RMB386,000.

CORPORATE GOVERNANCE REPORT

RISK MANAGEMENT AND INTERNAL CONTROLS

Role of the Board

The Board has overall responsibility for evaluating and determining the nature and extent of the risks (including environmental, social and governance risks) taken by the Group to achieve its strategic business objectives. The Board, through its Audit Committee and ESG Committee, regularly reviews the effectiveness of the risk management and internal control systems and monitors the corporate governance practices, compliance procedures and environmental, social and governance practices on an ongoing basis. To assist the Audit Committee and ESG Committee to fulfill its responsibilities, the management has formed a task force, comprising representatives from major departments of the Company, to identify, update and report the key risk areas which covered all aspects of corporate strategies, operation, finance, environmental, social and governance performance and reporting to the Board quarterly. The possible risk exposure of the Group is set out on pages 28 to 29 of this Annual Report.

The Board has reviewed the risk management and internal control systems of the Company and considered it to be effective and adequate and did not note any material deviation during the Reporting Year.

Risk management structural framework

The Group's risk management structural framework comprises the following components:

Audit Committee of the Board

- Approve the Company's annual risk appetite policy and measures
- Consider the risk appetite report from the management and monitor the implementation continuously
- Assess the appropriateness of risk appetite with respect to business environment and development strategy and encourage the management for improvement

Management

- Review the risk appetite policy and measures and submit them for the Audit Committee's approval
- Approve the risk limit indicators with reference to the Company's annual risk appetite policy
- Review the implementation of risk appetite and report to the Audit Committee

Audit and risk management department

- Prepare and amend the risk appetite measures
- Initiate the risk management work plan regularly. With the support from various departments and subsidiaries, determine various risk appetite indicators and measurements and submit them for the management's approval
- Responsible for monitoring risk appetite indicators, collecting and summarising the implementation situation of the risk appetite. Arrange and coordinate relevant departments to provide solutions for abnormal indicator and make timely report to the management
- Gather comment and feedback from various departments and subsidiaries during the implementation process and provide recommendations to the management

CORPORATE GOVERNANCE REPORT

Internal control system

The internal control system of the Company is designed to facilitate effective and efficient operations, to ensure reliability of financial reporting and compliance with applicable laws and regulations, to identify and manage risks and to safeguard the assets of the Company against loss or fraud. The main features of internal control system consist of five elements including, internal environment, risk assessment, monitoring activities, information and communication and internal monitoring. However, any internal control system can provide only reasonable but not absolute assurance of full protection against material errors, losses, fraud or failure to meet its business objectives.

The Company's internal control system is operated through segregation of duties (e.g. between toll collecting staff and supervision staff), staff management, budget management, toll collection audit, financial accounting system controls, repairs and maintenance project management and so forth. Apart from periodic review by senior management including financial controllers designated by the Company to each major operation, internal audit department of the Company or audit groups of each major toll road operation were responsible for inspecting and assessing the performance of such operation. In financial accounting system control, the Company has adopted relevant procedures including strict compliance with approval procedures, proper safekeeping of fixed assets, verification and maintenance of accounting records, so as to ensure financial information, whether applied in operation or for public disclosure purposes, are reliable.

Internal audit

The Group's audit and risk management department plays an important role in reviewing and monitoring the overall internal compliance and governance system of the Group. The department directly reports to the Audit Committee and performs specific internal audit projects. The department has unrestricted access to review all the Group's business activities, departments and subsidiaries and identify the areas of concern. During the Year, the department has completed 15 internal audit projects covering performance auditing, economic responsibility auditing and special projects auditing.

Handling and dissemination of inside information

For the purpose of handling and disseminating inside information in accordance with the Listing Rules and the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong), the Group has taken various procedures and measures, including arousing the awareness to preserve confidentiality of inside information within the Group, sending blackout period and securities dealing restrictions notification to the relevant directors and employees regularly, disseminating information to specified persons on a need-to-know basis and regarding closely to the "Guidelines on Disclosure of Inside Information" issued by the Securities and Futures Commission in June 2012.

COMMUNICATIONS WITH SHAREHOLDERS AND INVESTORS

The Company considers that effective communication with shareholders is essential for enhancing investor relations and investor understanding of the Group's business performance and strategies. The Company also recognises the importance of transparency and timely disclosure of corporate information, which will enable shareholders and investors to make informed investment decisions.

The general meetings of the Company provide a forum for communication between the shareholders and the Board. The Chairman of the Board as well as chairman of the board committees are available to answer questions at the shareholders' meetings. Separate resolutions are proposed at shareholders' meetings on each substantial issue.

The Company continues to enhance communications and relationships with its investors. Designated senior management maintains regular dialogue with institutional investors and analysts to keep them abreast of the Company's developments. Enquiries from investors are dealt with in an informative and timely manner.

CORPORATE GOVERNANCE REPORT

To promote effective communication, the Company also maintains a website at www.yuexiutransportinfrastructure.com, where extensive information and updates on the Company's business developments and operations, financial information, corporate governance practices and other information are posted.

Resolutions put to vote at the general meetings of the Company (other than on procedural and administrative matters) are taken by poll. Procedures regarding the conduct of the poll are explained to the shareholders at the commencement of each general meeting, and questions from shareholders regarding the voting procedures are answered. The poll results are posted on the websites of the Stock Exchange and the Company respectively on the same day as the poll.

Shareholders are encouraged to attend all general meetings of the Company. Pursuant to the Company's Bye-Laws, shareholder(s) holding at the date of the deposit of requisition not less than one-tenth of such of the paid-up capital of the Company as at the date of the deposit carries the right of voting at general meetings of the Company may, in accordance with the requirements and procedures set out in the Companies Act of Bermuda, require the directors of the Company to convene a special general meeting. The requisition must state the objects of the meeting, and must be signed by the shareholder(s) concerned and deposited at the registered office of the Company for the attention of the Company Secretary. The requisition may consist of several documents in like form, each signed by one or more shareholders concerned. If the directors do not within 21 days from the date of the deposit of the requisition proceed duly to convene a general meeting, the shareholder(s) concerned, or any of them representing more than one-half of the total voting rights of all of them, may themselves convene a general meeting, but any meeting so convened shall not be held after the expiration of 3 months from the said date. Shareholders representing not less than one-twentieth of the total voting rights or not less than 100 shareholders, may put forward resolutions for consideration at a general meeting of the Company by depositing at the registered office a written request for such resolutions according to the Companies Act of Bermuda.

The Company is committed to maintaining a relatively stable and sustainable dividend policy. The dividend policy is based on the principle of balancing shareholders' expectations and maintaining the Company's sustainable development, with consideration of various factors, such as the current business position, future operations and income, and the financial position of the Company, current and future macroeconomic environment and development, capital needs and capital reserves, future major investment or acquisition plans, adjustments to industry policies and continuity of past dividend policies. Generally speaking, the total dividend of the Company for a year represents approximately 50% to 60% of the profit attributable to shareholder. During the period, the payout ratio was 56.9%. The Board will review and monitor the implementation of said policy from time to time to ensure its effectiveness and application.

CONSTITUTIONAL DOCUMENTS

The Company's Bye-Laws are available on the websites of the Company and the Stock Exchange. During 2021, there is no change in the Company's constitutional documents.

REPORT OF THE DIRECTORS

The Directors submit their report together with the audited financial statements for the year ended 31 December 2021.

PRINCIPAL ACTIVITIES

The principal activities of the Group consist of investment in, operation and management of expressways and bridges in Guangdong Province and other high-growth provinces in the PRC.

RESULTS AND APPROPRIATIONS

The results for the year are set out in the consolidated statement of profit or loss on page 84.

The Directors have declared and now recommend the following dividends in respect of the year ended 31 December 2021:

	RMB'000
Interim dividend of HK\$0.20 equivalent to approximately RMB0.17 per share paid on 29 November 2021	278,320
Proposed final dividend of HK\$0.41 equivalent to approximately RMB0.33 per share	555,003
	833,323

CLOSURE OF REGISTER OF MEMBERS

The register of members of the Company will be closed from Thursday, 26 May 2022 to Tuesday, 31 May 2022, both days inclusive, during which period no transfer of shares will be registered. For the purpose of ascertaining the shareholders' eligibility to participate in the forthcoming annual general meeting of the Company to be held on 31 May 2022, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Wednesday, 25 May 2022.

In addition, the register of members of the Company will be closed from Wednesday, 8 June 2022 to Friday, 10 June 2022, both days inclusive, for the purpose of ascertaining the shareholders' entitlement to the final dividend. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Abacus Limited, no later than 4:30 p.m. on Tuesday, 7 June 2022.

DONATIONS

During the year, charitable donations made by the Group amounted to approximately RMB253,000.

BUSINESS REVIEW

The business review of the Group for the year ended 31 December 2021 is set out in the section headed "Management Discussion And Analysis" on pages 20 to 49 of this Annual Report.

SHARE CAPITAL

Details of the movements in the issued share capital of the Company during the year are set out in note 23 to the consolidated financial statements.

REPORT OF THE DIRECTORS

PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES

During the year, the Company has not redeemed any of its shares. Neither the Company nor any of its subsidiaries has purchased or sold any of the Company's shares during the year.

PRINCIPAL SUBSIDIARIES

Details of the Company's principal subsidiaries as at 31 December 2021 are set out in note 40 to the consolidated financial statements.

DISTRIBUTABLE RESERVES

As at 31 December 2021, the distributable reserves of the Company available for distribution amounted to RMB1,984,594,000 (2020: RMB2,355,841,000).

DIRECTORS

The Directors who held office during the year and up to the date of this report were:

Executive Directors

Mr Li Feng

Mr He Baiqing

Ms Chen Jing

Mr Cai Minghua (appointed on 9 July 2021)

Mr Xie Yanhui (resigned on 9 July 2021)

Independent Non-Executive Directors

Mr Fung Ka Pun

Mr Lau Hon Chuen Ambrose

Mr Cheung Doi Shu

The Directors' Profiles are set out on pages 52 to 54.

ROTATION AND RE-ELECTION OF DIRECTORS

Mr Fung Ka Pun and Mr Lau Hon Chuen Ambrose retire by rotation in accordance with Bye-Law 99 of the Company's Bye – Laws at the forthcoming annual general meeting and, being eligible, offer themselves for re-election.

The Board recommended the re-appointment of the directors standing for re-election at the forthcoming annual general meeting of the Company.

MANAGEMENT CONTRACTS

No contracts concerning the management and administration of the whole or any substantial part of the business of the Company were entered into or existed during the year.

DIRECTORS' SERVICE CONTRACTS

None of the Directors of the Company has a service contract with the Company which is not determinable by the employer within one year without payment of compensation, other than statutory compensation.

REPORT OF THE DIRECTORS

DIRECTORS' MATERIAL INTERESTS IN TRANSACTIONS, ARRANGEMENTS AND CONTRACTS THAT ARE SIGNIFICANT IN RELATION TO THE COMPANY'S BUSINESS

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

CONNECTED TRANSACTIONS

Bank Deposits Agreement

In the ordinary and usual course of business, the Company and its subsidiaries place and maintain bank deposits with Chong Hing Bank Limited ("Chong Hing Bank") on normal commercial terms. On 29 October 2014, the Company entered into a bank deposits agreement with Chong Hing Bank setting out that the aggregate maximum balance of the bank deposits maintained by the Group with Chong Hing Bank would not exceed HK\$200 million on any given day for the period ended 31 December 2014 and the two years ended 31 December 2015 and 31 December 2016, respectively. Chong Hing Bank is a subsidiary of Yue Xiu Enterprises (Holdings) Limited, which is a controlling shareholder of the Company, and therefore is a connected person of the Company.

The Company entered into another bank deposits agreement with Chong Hing Bank on 28 December 2016 ("2016 Bank Deposits Agreement") to renew the term of the bank deposits agreement expiring on 31 December 2016, and pursuant to which the aggregate maximum balance of the bank deposits maintained by the Group with Chong Hing Bank would not exceed RMB260 million on any given day during the period from 1 January 2017 to 31 December 2019. The Company entered into a new bank deposits master agreement with Chong Hing Bank on 2 May 2018 ("2018 Bank Deposits Agreement") to increase the annual caps in relation to the bank deposits, and pursuant to which the aggregate maximum balance of the bank deposits maintained by the Group with Chong Hing Bank on any given day would not exceed RMB800 million, RMB1.2 billion and RMB1.5 billion for the years ending 31 December 2018, 2019 and 2020, respectively. The 2018 Bank Deposits Agreement has replaced the 2016 Bank Deposits Agreement with effect from 30 May 2018. The Company entered into a new bank deposits agreement with Chong Hing Bank on 23 November 2020 ("2021 Bank Deposits Agreement") to renew the 2018 Bank Deposits Agreement, and pursuant to which the aggregate maximum balance of the bank deposits maintained by the Group with Chong Hing Bank on any given day would not exceed RMB1.5 billion for the years ending 31 December 2021, 2022 and 2023. As at 31 December 2021, the aggregate Bank balances deposited by the Group with Chong Hing Bank amounted to approximately RMB654,828,000. The maximum daily aggregate amount of outstanding deposits maintained by the Group with Chong Hing Bank for the year ended 31 December 2021 amounted to approximately RMB1,457,554,000. This transaction had also been disclosed as a related party transaction in note 37(c)(i) to the consolidated financial statements.

The aforesaid continuing connected transactions have been reviewed by independent non-executive directors of the Company. The independent non-executive directors confirmed that the aforesaid connected transactions were entered into (a) in the ordinary and usual course of business of the Group; (b) either on normal commercial terms or better; (c) in accordance with the relevant agreements governing them on terms that are fair and reasonable and in the interests of the shareholders of the Company as a whole.

REPORT OF THE DIRECTORS

The Company has engaged the auditor of the Company to report on the aforesaid continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements 3000 (Revised) “Assurance Engagements Other Than Audits or Reviews of Historical Financial Information” and with reference to Practice Note 740 “Auditor’s Letter on Continuing Connected Transactions under the Hong Kong Listing Rules” issued by the Hong Kong Institute of Certified Public Accountants. The auditor has issued an unqualified letter containing the findings and conclusions in respect of the aforesaid continuing connected transactions in accordance with Rule 14A.56 of the Listing Rules and nothing has come to their attention that causes them to believe that the disclosed continuing connected transactions: (i) have not been approved by the Board of the Company; (ii) were not, in all material respects, in accordance with the pricing policies of the Group if the transactions involve the provision of goods or services by the Group; (iii) were not entered into, in all material respects, in accordance with the relevant agreements governing the transactions; and (iv) have exceeded the maximum aggregate annual caps in respect of the disclosed Continuing Connected Transactions.

Other related party transactions disclosed in note 37(b)(i), (ii), (iii), (vii) and (viii) to the consolidated financial statements also constitute connected transactions entered into or continued by the Group during the Reporting Year and are regarded as “exempted transaction” or “de minimis transaction”, pursuant to the Listing Rules.

On 20 June 2019, the Company entered into the two foreign exchange forward contracts with Yue Xiu to purchase HKD in the amount of HK\$200 million and HK\$300 million, respectively, with RMB on the terms stated therein, with a view to managing the Group’s foreign exchange exposure in relation to the two principal repayments of (i) HK\$200 million on 29 March 2021 and (ii) HK\$300 million on 29 March 2022, respectively. As Yue Xiu is the controlling shareholder of the Company, it is a connected person of the Company.

BANK LOANS AND OTHER BORROWINGS

Analysis of bank loans and other borrowings of the Group as at 31 December 2021 is set out in note 25 to the consolidated financial statements.

INTERESTS OF DIRECTORS

As at 31 December 2021, the interests and short positions of the Directors and chief executive of the Company in the shares, underlying shares and debentures of the Company and its associated corporations (within the meaning of Part XV of the Securities and Futures Ordinance (“SFO”)), which are required to be recorded in the register maintained by the Company under Section 352 of the SFO or notified to the Company and the Stock Exchange were as follows:

REPORT OF THE DIRECTORS

The Company

Long positions in shares and underlying shares of the Company:

Name of Director	Nature of interest	Beneficial interest in shares	Interests in underlying shares pursuant to share options	Aggregate interests	Approximate % of interest
Mr He Baiqing	Personal	52,000	1,371,993	1,423,993	0.082
Mr Lau Hon Chuen Ambrose	Personal	195,720	—	195,720	0.012
Mr Cheung Doi Shu	Personal	500,000	—	500,000	0.030

Yuexiu Property Company Limited

Long positions in shares of Yuexiu Property Company Limited:

Name of Director	Nature of interest	Beneficial interest in shares	Approximate % of interest
Mr Li Feng	Personal	34,580*	0.001
Mr Lau Hon Chuen Ambrose	Personal	968,240*	0.031

* On 10 June 2021, the share consolidation of every 5 existing shares into 1 consolidated share of Yuexiu Property Company Limited ("Consolidated Share") (where the number of Consolidated Shares was rounded down to the nearest whole number by disregarding each and every fractional Consolidated Share that would have arisen from the share consolidation) became effective.

Save as disclosed herein, as at 31 December 2021, none of the Directors or chief executive of the Company had or was deemed to have any interest or short position in the shares, underlying shares or debentures of the Company or its associated corporations (within the meaning of Part XV of the SFO), which are required to be recorded in the register maintained by the Company pursuant to Section 352 of the SFO or notified to the Company and the Stock Exchange pursuant to the Model Code for Securities Transactions by Directors of Listed Companies.

Save as disclosed herein, at no time during the year was the Company, its holding company, its subsidiaries, or its fellow subsidiaries a party to any arrangement to enable the Directors of the Company (including their spouse and children under 18 years of age) to acquire benefits by means of acquisition of shares in, or debentures of, the Company or any other body corporate.

REPORT OF THE DIRECTORS

DISCLOSEABLE INTERESTS OF SHAREHOLDERS UNDER THE SECURITIES AND FUTURES ORDINANCE

As at 31 December 2021, the following persons had an interest or short position in the shares or underlying shares of the Company which were recorded in the register required to be kept by the Company under Section 336 of the SFO:

Long positions in the shares of the Company

Name	Capacity in holding interest	Number of shares held	Approximate % of shareholding in shares
廣州越秀集團股份有限公司 (Guangzhou Yue Xiu Holdings Limited (Note 1))	Interest of controlled corporations	739,526,200	44.20
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu") (Notes 1 & 2)	Beneficial owner and interest of controlled corporations	739,526,200	44.20
Grace Lord Group Limited (Note 2)	Beneficial owner	303,159,087	18.12
Housemaster Holdings Limited (Note 2)	Beneficial owner	367,500,000	21.96
Matthews International Capital Management, LLC	Investment manager	133,990,000	8.00

Notes:

- (1) The entire issued shares of Yue Xiu is owned by 廣州越秀集團股份有限公司 (Guangzhou Yue Xiu Holdings Limited). By virtue of the SFO, 廣州越秀集團股份有限公司 (Guangzhou Yue Xiu Holdings Limited) was deemed to be interested in the interest of Yue Xiu in the shares of the Company as described in note(2) below.
- (2) Yue Xiu was interested in an aggregate of 739,526,200 shares of the Company (long position) of which 8,653 shares were held by it as beneficial owner. By virtue of the SFO, Yue Xiu is also deemed to be interested in the balance of 739,517,547 shares (long position) through its wholly-owned subsidiaries, namely, Housemaster Holdings Limited, Grace Lord Group Limited, Greenwood Pacific Limited, Yue Xiu Finance Company Limited and Dragon Year Industries Limited.

REPORT OF THE DIRECTORS

SHARE OPTION INCENTIVE SCHEME

Pursuant to the resolution of the Shareholders' passed on 11 October 2021, the Company has adopted the Share Option Incentive Scheme (the Share Option Scheme) to recognise and acknowledge the contributions of the Eligible Participants to the Group by granting Options to them as incentives or rewards.

Set out below is a summary of the principal terms of the Share Option Scheme:

1. Purpose

The purpose of the Share Option Scheme is to recognise and acknowledge the contributions of the Eligible Participants to the Group by granting Options to them as incentives or rewards. The basis of eligibility of any of the Eligible Participants to the grant of Options shall be determined by the Board from time to time at its absolute discretion on the basis of his contribution or potential contribution to the development and growth of the Group.

2. Duration of the Share Option Scheme

The Share Option Scheme shall be valid and effective for the period commencing on the Adoption Date (the date on which the Share Option Scheme is adopted by an ordinary resolution of the Shareholders on 11 October, 2021) and expiring at 5:00 p.m. on the Business Day immediately preceding the tenth anniversary of the Adoption Date unless terminated earlier by the Shareholders in general meeting (Scheme Period). Upon termination of the Share Option Scheme, no further Options may be granted but in all other respects the provisions of the Share Option Scheme shall remain in full force and effect.

3. Participants

Only the Eligible Participants may be granted Options. On and subject to the terms of the Share Option Scheme, the Board may, on a Business Day during the Scheme Period, at its absolute discretion (and subject to any conditions as it may think fit, including but not limited to the achievement of any performance target and/or any minimum period for which an Option must be held before it can be exercised) make an offer in writing (in such form as the Board may from time to time determine) to an Eligible Participant an Option to subscribe at the Exercise Price for such number of Shares as the Board may determine.

"Eligible Participant" refers to any employee (whether full-time or part-time) or director of any member of the Group, other than an Excluded Person. "Excluded Person" refers to (i) any person who is an independent non-executive director of any member of the Group; (ii) any person alone or together with his family member(s) is interested in 5% or more of the issued Shares at the time of any proposed grant; or (iii) the spouse, father, mother or child of the person referred to in (i) or (ii) above and who is not an employee of any member of the Group.

4. Acceptance of a grant

Any grant may be accepted on or before the date specified in the grant (or at such other time and in such other manner as the Board may otherwise determine, including but not limited to an agreement in relation to the grant of the Options between an Eligible Participant and the Company) provided that no grant shall be open for acceptance after the expiry of the Scheme Period or after the Share Option Scheme has been terminated in accordance with the provisions thereof. An amount of HK\$1.00 is payable by an Eligible Participant on acceptance of a grant.

REPORT OF THE DIRECTORS

5. Exercise price

The price per Share payable on the exercise of an Option as determined by the Board and shall at least be the highest of: (a) the nominal value of the Shares; (b) the closing price of the Shares as stated in the Stock Exchange's daily quotations sheet on the date of grant, which shall be a Business Day; and (c) the average closing price of the Shares as stated in the Stock Exchange's daily quotations sheets for the five Business Days immediately preceding the date of grant; or (where applicable) such price as from time to time adjusted pursuant to the Share Option Scheme.

The total subscription price payable upon exercise of an Option shall be an amount equal to the Exercise Price multiplied by the relevant number of Shares in respect of which the Option is exercised.

6. Maximum number of shares for which options may be granted

The total number of Shares which may be issued in aggregate upon exercise of all Options to be granted under the Share Option Scheme and any Other Schemes (i.e. schemes analogous to a share option scheme as described in Chapter 17 of the Listing Rules) not exceed 10% (167,316,229 Shares) of the Shares in issue as at the date of adoption of Share Option Incentive Scheme.

7. Maximum number of options to each participant

The total number of Shares issued and to be issued upon the exercise of all Options granted to each Eligible Participant (including both exercised and outstanding Options) in any period of twelve (12) consecutive months shall not exceed 1% of the Shares in issue.

The Company may grant further Options in excess of the limit set out in the preceding paragraph, subject to the Shareholders' approval in general meeting, at which the Eligible Participant involved and his close associates (or his associates if the Eligible Participant is a connected person) shall abstain from voting, and the following provisions shall apply:

- (a) a circular containing the identity of the Eligible Participant involved, the number and terms of Options granted and to be granted and the information and the disclaimer respectively required under Rule 17.02(2)(d) and Rule 17.02(4) of the Listing Rules shall be dispatched to the Shareholders together with the notice of the relevant general meeting;
- (b) the number and terms (including the Exercise Price) of Options to be granted to the Eligible Participant involved shall be fixed before the general meeting; and
- (c) the date of the meeting of the Board for proposing such further grant should be taken as the date of grant for the purpose of calculating the Exercise Price.

REPORT OF THE DIRECTORS

8. Exercise period of the options

Subject to the provisions of the Share Option Scheme and the terms and conditions of the relevant grant(s), Options may be exercised by an Eligible Participant (or in the case of his death, his designated successor or legal successor and including the personal representative(s)), in whole or in part, at any time during the Option Period.

In order for the exercise of an Option to be effective, the secretary of the Company (or such other officers or department as the Board may designate from time to time) must, prior to the expiry of the Option Period, have received, among other things, a written notice exercising the Option and payment in full of the Subscription Price. Unless otherwise agreed between the Company and the Option Holder, Shares in respect of an Option shall be issued within twenty eight (28) days of the date upon which the exercise of the Option becomes effective.

9. The remaining life of the share option

The Share Option Scheme became effective since 11 October 2021. It, unless otherwise cancelled or amended, will remain in force for ten years from that date.

A summary of the principal terms and conditions of the Share Option Scheme is set out in the Appendix to the circular of the Company dated 20 September 2021.

The details and the movement of the options granted under this Share Option Scheme during the year ended 31 December 2021 are as below:–

Grantees	Outstanding options as at 1 January 2021	Date of the conditional grant	Exercise price per share (HK\$)	Closing price		Vesting period/ Exercise period	Number of options conditionally granted	Exercised during the period	Lapsed/ Cancelled during the period	Outstanding options as at 31 December 2021
				before the date of the conditional grant (HK\$)	date of the conditional grant (HK\$)					
He Baiqing	0	25 June 2021	4.43	4.44	Note 1	1,371,993	N/A (Note 4)	–	1,371,993	
Cai Minghua	0	9 July 2021	4.45	4.37	Note 2	519,131	N/A (Note 4)	–	519,131	
Other employees of the Group (in aggregate)	0	25 June 2021	4.43	4.44	Note 1	14,321,367	N/A (Note 4)	409,228	13,912,139	
	0	25 August 2021	4.68	4.64	Note 3	519,131	N/A (Note 4)	–	519,131	
					Total	16,731,622	N/A (Note 4)	409,228	16,322,394	

REPORT OF THE DIRECTORS

Notes:

1. Subject to the terms of the share option scheme and the terms of the Initial Grant Proposal, these options shall be vested and become exercisable until 10 years from the date of the conditional grant in four tranches each comprising 25% of the options conditionally granted as described below: the first tranche shall be vested on the second anniversary of the date of the conditional grant (i.e. 25 June 2023); the second tranche shall be vested on the third anniversary of the date of the conditional grant (i.e. 25 June 2024); the third tranche shall be vested on the fourth anniversary of the date of the conditional grant (i.e. 25 June 2025); the fourth tranche shall be vested on the fifth anniversary of the date of the conditional grant (i.e. 25 June 2026).
2. Subject to the terms of the share option scheme and the terms of the Initial Grant Proposal, these options shall be vested and become exercisable until 10 years from the date of the conditional grant in four tranches each comprising 25% of the options conditionally granted as described below: the first tranche shall be vested on the second anniversary of the date of the conditional grant (i.e. 9 July 2023); the second tranche shall be vested on the third anniversary of the date of the conditional grant (i.e. 9 July 2024); the third tranche shall be vested on the fourth anniversary of the date of the conditional grant (i.e. 9 July 2025); the fourth tranche shall be vested on the fifth anniversary of the date of the conditional grant (i.e. 9 July 2026).
3. Subject to the terms of the share option scheme and the terms of the Initial Grant Proposal, these options shall be vested and become exercisable until 10 years from the date of the conditional grant in four tranches each comprising 25% of the options conditionally granted as described below: the first tranche shall be vested on the second anniversary of the date of the conditional grant (i.e. 25 August 2023); the second tranche shall be vested on the third anniversary of the date of the conditional grant (i.e. 25 August 2024); the third tranche shall be vested on the fourth anniversary of the date of the conditional grant (i.e. 25 August 2025); the fourth tranche shall be vested on the fifth anniversary of the date of the conditional grant (i.e. 25 August 2026).
4. None of the options had become exercisable during the period ended 31 December 2021.

The value of share options and assumptions adopted for valuation were disclosed in note 32. The values of share options calculated using the binomial model are subject to certain fundamental limitations, due to the subjective nature of and uncertainty relating to a number of assumptions of the expected future performance input to the model, and certain inherent limitations of the model itself. The value of an option varies with different variables of certain subjective assumptions. Any change to the variables used may materially affect the estimation of the fair value of an option.

PRE-EMPTIVE RIGHTS

There are no provisions for pre-emptive rights under the Company's Bye-Laws and there are no restrictions against such rights under the laws of Bermuda.

PUBLIC FLOAT

Based on the information that is publicly available to the Company as at the date of this report and within the knowledge of the Directors, there was a sufficiency of public float of the Company's securities as required under the Listing Rules.

MAJOR CUSTOMERS AND SUPPLIERS

No disclosure with regard to the Group's major customers and suppliers are made since the aggregate percentages of sales and purchases attributable to the Group's five largest customers and suppliers are less than 30% of the Group's total sales and purchases during the current and previous years.

REPORT OF THE DIRECTORS

AUDITOR

The consolidated financial statements have been audited by Ernst & Young (“EY”), Certified Public Accountants and Registered Public Interest Entity Auditor.

At the annual general meeting of the Company held on 2 June 2021, PricewaterhouseCoopers retired as the auditor of the Company and EY appointed as the new auditor of the Company.

EY retire and, being eligible, offer themselves for re-appointment.

On behalf of the Board

Li Feng

Chairman

Hong Kong, 8 March 2022

INDEPENDENT AUDITOR'S REPORT



Ernst & Young
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Quarry Bay, Hong Kong

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To the shareholders of Yuexiu Transport Infrastructure Limited

(Incorporated in Bermuda with limited liability)

OPINION

We have audited the consolidated financial statements of Yuexiu Transport Infrastructure Limited (the “Company”) and its subsidiaries (the “Group”) set out on pages 84 to 181, which comprise the consolidated statement of financial position as at 31 December 2021, and the consolidated statement of profit or loss, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at 31 December 2021, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

BASIS FOR OPINION

We conducted our audit in accordance with Hong Kong Standards on Auditing (“HKSAs”) issued by the HKICPA. Our responsibilities under those standards are further described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report. We are independent of the Group in accordance with the HKICPA’s *Code of Ethics for Professional Accountants* (the “Code”), and we have fulfilled our other ethical responsibilities in accordance with the Code. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

KEY AUDIT MATTERS

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

We have fulfilled the responsibilities described in the *Auditor’s responsibilities for the audit of the consolidated financial statements* section of our report, including in relation to these matters. Accordingly, our audit included the performance of procedures designed to respond to our assessment of the risks of material misstatement of the consolidated financial statements. The results of our audit procedures, including the procedures performed to address the matters below, provide the basis for our audit opinion on the accompanying consolidated financial statements.

INDEPENDENT AUDITOR'S REPORT**KEY AUDIT MATTERS (CONTINUED)**

Key audit matter	How our audit addressed the key audit matter
<p><i>Amortisation of intangible operating rights</i></p> <p>As at 31 December 2021, the Group has intangible operating rights of RMB29,186 million which accounted for 82% of the Group's total assets and was material to the Group. During the year ended 31 December 2021, the Group recognised amortisation of intangible operating rights amounting to RMB1,061 million which represented 72% of the Group's cost of services provided.</p> <p>Amortisation of intangible operating rights is calculated to write off their costs on a unit-of-usage basis based on the traffic volume for a particular period over the projected total traffic volume throughout the operating period of the intangible operating rights (the "IOR amortisation calculations").</p> <p>This projected total traffic volume estimation takes into account the historical operating information, the expected development of the toll road and its adjacent traffic network and where applicable, independent professional traffic studies prepared by traffic consultants which require significant management judgement and estimates. Prospective adjustments will be made if there are material changes in the estimates of the projected total traffic volume.</p> <p>Details of the amortisation of intangible operating rights are disclosed in notes 2(f), 4(c) and 13 to the consolidated financial statements.</p>	<p>We performed the following procedures in relation to the amortisation of intangible operating rights:</p> <ul style="list-style-type: none"> – Obtained an understanding of management's internal control and assessment process of the projected total traffic volume; – Obtained and understood the procedures taken by management in estimating the projected total traffic volume of the intangible operating rights and discussed with management on the reasonableness of such estimation; – Where traffic studies prepared by traffic consultants have been used and referenced by management, performed evaluation of the independent external traffic consultants' qualifications, competence, capabilities and objectivity; – Evaluated the key assumptions used in the estimates of the projected total traffic volume; and – Recalculated and checked management's calculation on the amortisation recognised for intangible operating rights.

INDEPENDENT AUDITOR'S REPORT

KEY AUDIT MATTERS (CONTINUED)

Key audit matter	How our audit addressed the key audit matter
<p><i>Impairment assessment of long-term assets</i></p> <p>As at 31 December 2021, the Group has non-financial long term assets including intangible operating rights of RMB29,186 million, goodwill of RMB515 million, investment in a joint venture of RMB481 million and investments in associates of RMB2,079 million, which accounted for 91% of the Group's total assets and were material to the Group. During the year ended 31 December 2021, the Group recognised impairment of intangible operating rights and investments in associates amounting to RMB97 million and RMB128 million, respectively.</p> <p>Management assessed whether there were any impairment indicators for all non-financial long term assets excluding goodwill as at 31 December 2021. Long term assets with impairment indicators and goodwill are tested for impairment. Management calculated the recoverable amounts of the cash-generating units ("CGUs"), which are the higher of the fair value less costs of disposal and the value in use in the impairment test. The calculation of the recoverable amounts involved significant judgements and assumptions, such as estimated traffic volume, revenue growth, discount rates, etc.</p> <p>Details of the impairment of non-financial long term assets are disclosed in notes 2(g), 2(k), 4(a), 4(b), 13, 14, 19 and 20 to the consolidated financial statements.</p>	<p>We performed the following procedures in relation to the impairment assessment of non-financial long term assets:</p> <ul style="list-style-type: none"> - Obtained an understanding of management's internal control and assessment process of impairment assessments; - Discussed with management on the impairment indicators of non-financial long term assets and checked the reasonableness of impairment test model; - Involved internal valuation experts to assist in evaluating the appropriateness of assumptions and parameters; - Evaluated the methodologies used and the appropriateness of the key assumptions based on our knowledge of the industry; - Checked input data to supporting evidence, such as historical financial information, approved budgets and reviewed the accuracy of management's budgets made historically; - Checked the mathematical accuracy of management's value in use and fair value less costs of disposal calculations in management's impairment assessments; and - Performed sensitivity analysis on reasonably possible downside changes in key assumptions adopted including discount rate and the growth in revenue generated from future traffic.

INDEPENDENT AUDITOR'S REPORT

OTHER INFORMATION INCLUDED IN THE ANNUAL REPORT

The directors of the Company are responsible for the other information. The other information comprises the information included in the Annual Report, other than the consolidated financial statements and our auditor's report thereon.

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

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

RESPONSIBILITIES OF THE DIRECTORS FOR THE CONSOLIDATED FINANCIAL STATEMENTS

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

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

The directors of the Company are assisted by the Audit Committee in discharging their responsibilities for overseeing the Group's financial reporting process.

INDEPENDENT AUDITOR'S REPORT

AUDITOR'S RESPONSIBILITIES FOR THE AUDIT OF THE CONSOLIDATED FINANCIAL STATEMENTS

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Our report is made solely to you, as a body, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report.

Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSA's will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSA's, we exercise professional judgement and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.
- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors.
- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.
- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.
- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

INDEPENDENT AUDITOR'S REPORT

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

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

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

The engagement partner on the audit resulting in this independent auditor's report is Hui Kin Fai, Stephen.

Ernst & Young

Certified Public Accountants

Hong Kong

8 March 2022

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

YEAR ENDED 31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
Revenue	5	3,702,276	2,919,838
Cost of services	7,8	(1,479,030)	(1,360,577)
Construction income under service concession upgrade services	35	179,847	307,235
Construction costs under service concession upgrade services	35	(179,847)	(307,235)
Other income, gains and losses – net	6	800,120	25,145
General and administrative expenses	7,8	(369,664)	(246,942)
Operating profit		2,653,702	1,337,464
Finance income	9	43,884	26,359
Finance costs	9	(743,027)	(805,757)
Share of result of a joint venture, net of tax	19	76,917	56,533
Share of results of associates, net of tax	20	186,874	67,822
Profit before income tax		2,218,350	682,421
Income tax expense	10	(425,656)	(278,085)
Profit for the year		1,792,694	404,336
Attributable to:			
Shareholders of the Company		1,464,984	160,491
Non-controlling interests		327,710	243,845
		1,792,694	404,336
Earnings per share for profit attributable to the shareholders of the Company	11	RMB	RMB
Basic earnings per share		0.8756	0.0959
Diluted earnings per share		0.8752	0.0959

The notes on pages 91 to 181 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

YEAR ENDED 31 DECEMBER 2021

	2021 RMB'000	2020 RMB'000
Profit for the year	1,792,694	404,336
Other comprehensive income		
<i>Items that may be reclassified to profit or loss in subsequent period:</i>		
Currency translation differences	276	592
Cash flow hedges:		
Effective portion of changes in fair value of hedging instruments arising during the year	(14,076)	6,637
Reclassification adjustments for gains included in the consolidated statement of profit or loss	10,471	–
	(3,605)	6,637
Other comprehensive (loss)/income for the year	(3,329)	7,229
Total comprehensive income for the year	1,789,365	411,565
Total comprehensive income attributable to:		
Shareholders of the Company	1,461,655	167,720
Non-controlling interests	327,710	243,845
	1,789,365	411,565

The notes on pages 91 to 181 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

31 DECEMBER 2021

	Notes	31 December 2021 RMB'000	31 December 2020 RMB'000
ASSETS			
Non-current assets			
Intangible operating rights	13	29,186,460	31,712,956
Goodwill	14	514,577	632,619
Property, plant and equipment	15(a)	39,125	53,099
Other intangible assets	16	8,444	–
Investment properties	17	37,900	37,144
Right-of-use assets	15(b)	20,722	30,021
Investment in a joint venture	19	481,431	487,605
Investments in associates	20	2,079,497	1,536,113
		32,368,156	34,489,557
Current assets			
Trade receivables	21	153,028	204,361
Other receivables, deposits and prepayments	21	139,963	157,678
Amounts due from associates	37	81,387	–
Cash and cash equivalents	22	2,918,574	1,516,004
		3,292,952	1,878,043
Total assets		35,661,108	36,367,600
EQUITY			
Equity attributable to the shareholders of the Company			
Share capital	23	147,322	147,322
Reserves	24	11,364,193	10,277,569
		11,511,515	10,424,891
Non-controlling interests		2,961,234	3,228,854
Total equity		14,472,749	13,653,745

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

	Notes	31 December 2021 RMB'000	31 December 2020 RMB'000
LIABILITIES			
Non-current liabilities			
Borrowings	25	7,613,246	12,321,643
Notes payable	28	2,498,220	2,492,974
Corporate bonds	29	3,112,693	–
Contract liabilities and deferred revenue	26	312,584	332,860
Deferred income tax liabilities	27	3,046,469	3,300,573
Lease liabilities	15(b)	11,314	19,510
Derivative financial instruments	30	–	13,365
		16,594,526	18,480,925
Current liabilities			
Borrowings	25	2,318,081	977,300
Notes payable	28	1,074,013	–
Corporate bonds	29	73,932	1,909,152
Amount due to a non-controlling interest of a subsidiary	37	1,611	1,611
Amounts due to holding companies	37	2,613	153
Trade and other payables and accrued charges	31	990,929	1,219,362
Contract liabilities and deferred revenue	26	25,573	22,309
Lease liabilities	15(b)	10,130	10,511
Derivative financial instruments	30	26,758	10,677
Current income tax liabilities		70,193	81,855
		4,593,833	4,232,930
Total liabilities		21,188,359	22,713,855
Total equity and liabilities		35,661,108	36,367,600

The financial statements on pages 84 to 181 were approved by the Board of Directors on 8 March 2022 and were signed on its behalf by:

Li Feng
Director

He Baiqing
Director

The notes on pages 91 to 181 are an integral part of these consolidated financial statements.

CONSOLIDATED STATEMENT OF CASH FLOWS

YEAR ENDED 31 DECEMBER 2021

	Notes	2021 RMB'000	2020 RMB'000
Cash flows from operating activities			
Cash generated from operations	34(a)	3,069,110	2,320,758
PRC enterprise income tax and withholding tax paid		(499,160)	(217,578)
Net cash generated from operating activities		2,569,950	2,103,180
Cash flows from investing activities			
Payments of construction costs under service concession upgrade services		(351,671)	(247,410)
Investment in an associate		(639,000)	(75,960)
Disposal of a subsidiary	33	2,031,057	–
Proceeds from compensation arrangements		27,090	27,510
Proceeds from disposal of property, plant and equipment and other intangible asset		146	1,151
Purchase of property, plant and equipment and other intangible asset		(22,063)	(14,717)
Dividends received from associates		118,594	7,290
Dividend received from a joint venture		83,091	39,983
Interest received		38,167	23,627
Net cash generate from/(used in) investing activities		1,285,411	(238,526)
Cash flows from financing activities			
Proceeds from bank borrowings	34(b)	4,171,000	771,000
Proceeds from issuance of notes		996,719	1,493,828
Proceeds from issuance of corporate bonds		2,494,458	–
Repayment of bank borrowings		(7,100,257)	(2,389,665)
Repayment of other borrowing		–	(500,000)
Payment of bank facility fees		(300)	(1,968)
Repayment of corporate bonds		(1,293,000)	–
Repayment of loan from a joint venture		(94,500)	–
Repayment of loans from non-controlling interests of subsidiaries		(8,516)	(4,586)
Dividends paid to the shareholders of the Company		(376,026)	(314,484)
Dividends paid to non-controlling interests		(595,330)	(72,086)
Interest paid		(633,158)	(753,407)
Payment for lease liabilities (including interest)		(11,915)	(11,472)
Net cash used in financing activities		(2,450,825)	(1,782,840)
Net increase in cash and cash equivalents		1,404,536	81,814
Cash and cash equivalents at 1 January		1,516,004	1,435,062
Effects of exchange rate changes on cash and cash equivalents		(1,966)	(872)
Cash and cash equivalents at 31 December	22	2,918,574	1,516,004

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

YEAR ENDED 31 DECEMBER 2021

	Attributable to shareholders of the Company		Non- controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Reserves RMB'000		
Balance at 1 January 2021	147,322	10,277,569	3,228,854	13,653,745
Comprehensive income				
Profit for the year	–	1,464,984	327,710	1,792,694
Other comprehensive income				
Currency translation differences	–	276	–	276
Cash flow hedges – movement in hedging reserve	–	(3,605)	–	(3,605)
Total other comprehensive income	–	(3,329)	–	(3,329)
Total comprehensive income	–	1,461,655	327,710	1,789,365
Transactions with owners				
Equity-settled share option arrangements	–	995	–	995
Dividends to the shareholders of the Company	–	(376,026)	–	(376,026)
Dividends to non-controlling interests	–	–	(595,330)	(595,330)
Total transactions with owners	–	(375,031)	(595,330)	(970,361)
Balance at 31 December 2021	147,322	11,364,193	2,961,234	14,472,749

CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

	Attributable to shareholders of the Company		Non- controlling interests RMB'000	Total RMB'000
	Share capital RMB'000	Reserves RMB'000		
Balance at 1 January 2020	147,322	10,424,333	3,057,095	13,628,750
Comprehensive income				
Profit for the year	–	160,491	243,845	404,336
Other comprehensive income				
Currency translation differences	–	592	–	592
Cash flow hedges – movement in hedging reserve	–	6,637	–	6,637
Total other comprehensive income	–	7,229	–	7,229
Total comprehensive income	–	167,720	243,845	411,565
Transactions with owners				
Dividends to the shareholders of the Company	–	(314,484)	–	(314,484)
Dividends to non-controlling interests	–	–	(72,086)	(72,086)
Total transactions with owners	–	(314,484)	(72,086)	(386,570)
Balance at 31 December 2020	147,322	10,277,569	3,228,854	13,653,745

The notes on pages 91 to 181 are an integral part of these consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

1 GENERAL INFORMATION

Yuexiu Transport Infrastructure Limited (the “Company”) and its subsidiaries (collectively referred to as the “Group”) are principally engaged in investment in and development, operation and management of expressways and bridges mainly in Guangdong, Hubei and other high-growth provinces in the People’s Republic of China (the “PRC”).

The Company is an exempted company incorporated under the laws of Bermuda. The address of its registered office is Victoria Place, 5th Floor, 31 Victoria Street, Hamilton HM 10, Bermuda and its principal place of business in Hong Kong is 17A, Yue Xiu Building, 160 Lockhart Road, Wanchai, Hong Kong.

The Company is listed on the Main Board of The Stock Exchange of Hong Kong Limited (the “Stock Exchange”).

These financial statements are presented in Renminbi (“RMB”), unless otherwise stated and all values are rounded to the nearest thousand except when otherwise indicated. These financial statements have been approved for issue by the Board of Directors on 8 March 2022.

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

This note provides a list of the significant accounting policies applied in the preparation of these consolidated financial statements. These policies have been consistently applied to all the years presented, unless otherwise stated.

(a) Basis of preparation

(i) Compliance with HKFRSs and HKCO

These financial statements have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) (which include all Hong Kong Financial Reporting Standards, Hong Kong Accounting Standards (“HKASs”) and Interpretations) issued by the Hong Kong Institute of Certified Public Accountants (“HKICPA”) and the disclosure requirements of the Hong Kong Companies Ordinance (“HKCO”).

(ii) Going concern consideration

As at 31 December 2021, the Group’s current liabilities exceeded its current assets by RMB1,300,881,000. The Group’s current liabilities primarily comprise current portion of borrowings, notes payable, corporate bonds, and trade and other payables and accrued charges of RMB2,318,081,000, RMB1,074,013,000, RMB73,932,000 and RMB990,929,000, respectively. Notwithstanding the above, the directors of the Company are confident that the Group will be able to meet its liabilities as they fall due in the next twelve months, taking into account the forecast cash flows including the banking facilities available to the Group and the internally generated funds from operations. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

(iii) Historical cost convention

The consolidated financial statements have been prepared on a historical cost basis, except for certain financial assets and liabilities (including derivative financial instruments) and investment properties which are measured at fair value.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(iv) New standards, amendments to standards

The Group has adopted the following revised HKFRSs for the first time for the current year's financial statements.

Amendments to HKFRS 9, HKAS 39, HKFRS 7, HKFRS 4 and HKFRS 16	<i>Interest Rate Benchmark Reform – Phase 2</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions</i>
Amendment to HKFRS 16	<i>Covid-19-Related Rent Concessions beyond 30 June 2021 (early adopted)</i>

The above new standards, amendments, effective or early adopted for the financial year beginning 1 January 2021 do not have a material impact on the Group.

The Group has not applied the following new and revised HKFRSs, that have been issued but are not yet effective, in these financial statements.

New standards, amendments, improvements		Effective for accounting periods beginning on or after
HKFRS 3 (Amendments)	<i>Reference to the Conceptual Framework</i>	1 January 2022
HKFRS 10 and HKAS 28 (2011) (Amendments)	<i>Sale or Contribution of Assets between an Investor and its Associate or Joint Venture</i>	To be announced
HKFRS 17	<i>Insurance Contracts*</i>	1 January 2023
HKFRS 17 (Amendments)	<i>Insurance Contracts*</i>	1 January 2023
HKAS 1 (Amendments)	<i>Classification of Liabilities as Current or Non-current**</i>	1 January 2023
HKAS 1 and HKFRS Practice Statement 2 (Amendments)	<i>Disclosure of Accounting Policies**</i>	1 January 2023
HKAS 8 (Amendments)	<i>Definition of Accounting Estimates</i>	1 January 2023
HKAS 12 (Amendments)	<i>Deferred Tax related to Assets and Liabilities arising from a Single Transaction</i>	1 January 2023
HKAS 16 (Amendments)	<i>Property, Plant and Equipment: Proceeds before intended use</i>	1 January 2022
HKAS 37 (Amendments)	<i>Onerous Contracts – Cost of Fulfilling a Contract</i>	1 January 2022
Amendments to annual improvements project	<i>Annual Improvements to HKFRSs 2018–2020</i>	1 January 2022

* As a consequence of the amendments to HKFRS 17 issued in October 2020, HKFRS 4 was amended to extend the temporary exemption that permits insurers to apply HKAS 39 rather than HKFRS 9 for annual periods beginning before 1 January 2023.

** As a consequence of the amendments to HKAS 1, Hong Kong Interpretation 5 Presentation of Financial Statements – Classification by the Borrower of a Term Loan that Contains a Repayment on Demand Clause was revised in October 2020 to align the corresponding wording with no change in conclusion.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(a) Basis of preparation (Continued)

(iv) New standards, amendments to standards (Continued)

Management considers that the adoption of the above mentioned new standards, amendments are not expected to have a material impact on the Group in future reporting periods when they become effective.

(b) Principles of consolidation and equity accounting

(i) Subsidiaries

Subsidiaries are all entities (including structured entities) over which the Group has control. The Group controls an entity when the Group is exposed to, or has rights to, variable returns from its involvement with the entity and has the ability to affect those returns through its power to direct the activities of the entity. Subsidiaries are fully consolidated from the date on which control is transferred to the Group. They are deconsolidated from the date that control ceases.

Intercompany transactions, balances and unrealised gains on transactions between the Group are eliminated. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the transferred asset. Accounting policies of subsidiaries have been changed where necessary to ensure consistency with the policies adopted by the Group.

Non-controlling interests in the results and equity of subsidiaries are shown separately in the consolidated statement of profit or loss, consolidated statement of comprehensive income, consolidated statement of financial position and consolidated statement of changes in equity.

(ii) Associates

Associates are all entities over which the Group has significant influence but not control or joint control. This is generally the case where the Group holds between 20% and 50% of the voting rights. Investments in associates are accounted for using the equity method of accounting (note 2(b)(iv)), after initially being recognised at cost.

(iii) Joint arrangements

Under HKFRS 11 Joint Arrangements, investments in joint arrangements are classified as either joint operations or joint ventures. The classification depends on the contractual rights and obligations of each investor, rather than the legal structure of the joint arrangement. The Group only has joint ventures.

Joint ventures

Interests in joint ventures are accounted for using the equity method (note 2(b)(iv)), after initially being recognised at cost in the consolidated statement of financial position.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Principles of consolidation and equity accounting (Continued)

(iv) Equity accounting

Under the equity method of accounting, the investments are initially recognised at cost and adjusted thereafter to recognise the Group's share of the post-acquisition profits or losses of the investee in profit or loss, and the Group's share of movements in other comprehensive income of the investee in other comprehensive income. Dividends received or receivable from associates and joint ventures are recognised as a reduction in the carrying amount of the investment.

When the Group's share of losses in an equity-accounted investment equals or exceeds its interest in the entity, including any other unsecured long-term receivables, the Group does not recognise further losses, unless it has incurred obligations or made payments on behalf of the other entity.

Unrealised gains on transactions between the Group and its associates and joint ventures are eliminated to the extent of the Group's interest in these entities. Unrealised losses are also eliminated unless the transaction provides evidence of an impairment of the asset transferred. Accounting policies of equity accounted investees have been changed where necessary to ensure consistency with the policies adopted by the Group.

The carrying amount of equity-accounted investments is tested for impairment in accordance with the policy described in note 2(k).

(v) Changes in ownership interests

The Group treats transactions with non-controlling interests that do not result in a loss of control as transactions with equity owners of the Group. A change in ownership interest results in an adjustment between the carrying amounts of the controlling and non-controlling interests to reflect their relative interests in the subsidiary. Any difference between the amount of the adjustment to non-controlling interests and any consideration paid or received is recognised in a separate reserve within equity attributable to owners of the Group.

When the Group ceases to consolidate or equity account for an investment because of a loss of control, joint control or significant influence, any retained interest in the entity is remeasured to its fair value with the change in carrying amount recognised in profit or loss. This fair value becomes the initial carrying amount for the purposes of subsequently accounting for the retained interest as an associate, joint venture or financial asset. In addition, any amounts previously recognised in other comprehensive income in respect of that entity are accounted for as if the Group had directly disposed of the related assets or liabilities. This may mean that amounts previously recognised in other comprehensive income are reclassified to profit or loss or transferred to another category of equity as specified/permitted by applicable HKFRSs.

If the ownership interest in a joint venture or an associate is reduced but joint control or significant influence is retained, only a proportionate share of the amounts previously recognised in other comprehensive income is reclassified to profit or loss where appropriate.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(b) Principles of consolidation and equity accounting (Continued)

(vi) Business combinations

The acquisition method of accounting is used to account for all business combinations, regardless of whether equity instruments or other assets are acquired. The consideration transferred for the acquisition of a subsidiary comprises the fair values of the assets transferred, liabilities incurred to the former owners of the acquired business, equity interests issued by the Group, fair value of any asset or liability resulting from a contingent consideration arrangement, and fair value of any pre-existing equity interest in the subsidiary.

Identifiable assets acquired and liabilities and contingent liabilities assumed in a business combination are, with limited exceptions, measured initially at their fair values at the acquisition date. The Group recognises any non-controlling interest in the acquired entity on an acquisition-by-acquisition basis either at fair value or at the non-controlling interest's proportionate share of the acquired entity's net identifiable assets. Acquisition-related costs are expensed as incurred.

The excess of the consideration transferred, amount of any non-controlling interest in the acquired entity, and acquisition-date fair value of any previous equity interest in the acquired entity over the fair value of the net identifiable assets acquired is recorded as goodwill. If those amounts are less than the fair value of the net identifiable assets of the business acquired, the difference is recognised directly in profit or loss as a bargain purchase.

Contingent consideration is classified either as equity or a financial liability. Amounts classified as a financial liability are subsequently remeasured to fair value with changes in fair value recognised in profit or loss.

If the business combination is achieved in stages, the acquisition date carrying value of the acquirer's previously held equity interest in the acquiree is remeasured to fair value at the acquisition date. Any gains or losses arising from such remeasurement are recognised in profit or loss.

(c) Separate financial statements

Investments in subsidiaries are accounted for at cost less impairment. Cost also includes direct attributable costs of investment. The results of subsidiaries are accounted for by the Company on the basis of dividend and receivable.

Impairment testing of the investments in subsidiaries is required upon receiving dividends from these investments if the dividend exceeds the total comprehensive income of the subsidiary in the period the dividend is declared or if the carrying amount of the investment in the separate financial statements exceeds the carrying amount in the consolidated financial statements of the investee's net assets including goodwill.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(d) Segment reporting

Operating segments are reported in a manner consistent with the internal reporting provided to the chief operating decision-maker. The chief operating decision-maker, who is responsible for allocating resources and assessing performance of the operating segments, has been identified as the Executive Directors of the Company that make strategic decisions.

(e) Foreign currency translation

(i) Functional and presentation currency

Items included in the financial statements of each of the Group's entities are measured using the currency of the primary economic environment in which the entity operates (the "functional currency").

The consolidated financial statements are presented in Renminbi (RMB), which is the Company's functional and presentation currency.

(ii) Transactions and balances

Foreign currency transactions are translated into the functional currency using the exchange rates at the dates of the transactions. Foreign exchange gains and losses resulting from the settlement of such transactions and from the translation of monetary assets and liabilities denominated in foreign currencies at year end exchange rates are recognised in the consolidated statement of profit or loss.

All foreign exchange gains and losses are presented as "Finance income/(costs)" in the consolidated statement of profit or loss.

Non-monetary items that are measured at fair value in a foreign currency are translated using the exchange rates at the date when the fair value was determined. Translation differences on assets and liabilities carried at fair value are reported as part of the fair value gain or loss. For example, translation differences on non-monetary assets and liabilities such as equities held at fair value through profit or loss are recognised in profit or loss as part of the fair value gain or loss and translation differences on non-monetary assets such as equities classified as at fair value through other comprehensive income are recognised in other comprehensive income.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(e) Foreign currency translation (Continued)

(iii) Group companies

The results and financial position of foreign operations (none of which has the currency of a hyperinflationary economy) that have a functional currency different from the presentation currency are translated into the presentation currency as follows:

- assets and liabilities for each statement of financial position presented are translated at the closing rate at the date of that statement of financial position;
- income and expenses for each statement of profit or loss are translated at average exchange rates (unless this is not a reasonable approximation of the cumulative effect of the rates prevailing on the transaction dates, in which case income and expenses are translated at the dates of the transactions); and
- all resulting exchange differences are recognised in other comprehensive income.

On consolidation, exchange differences arising from the translation of any net investment in foreign entities, and of borrowings and other financial instruments designated as hedges of such investments, are recognised in other comprehensive income. When a foreign operation is sold or any borrowings forming part of the net investment are repaid, the associated exchange differences are reclassified to profit or loss, as part of the gain or loss on sale.

Goodwill and fair value adjustments arising on the acquisition of a foreign operation are treated as assets and liabilities of the foreign operation and translated at the closing rate.

(iv) Disposal of foreign operation and partial disposal

On the disposal of a foreign operation (that is, a disposal of the Group's entire interest in a foreign operation, or a disposal involving loss of control over a subsidiary that includes a foreign operation, a disposal involving loss of joint control over a joint venture that includes a foreign operation, or a disposal involving loss of significant influence over an associate that includes a foreign operation), all of the currency translation differences accumulated in equity in respect of that operation attributable to the owners of the Company are reclassified to profit or loss.

In the case of a partial disposal that does not result in the Group losing control over a subsidiary that includes a foreign operation, the proportionate share of accumulated currency translation differences are re-attributed to non-controlling interests and are not recognised in profit or loss. For all other partial disposals (that is, reductions in the Group's ownership interest in associates or joint ventures that do not result in the Group losing significant influence or joint control) the proportionate share of the accumulated exchange difference is reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(f) Intangible operating rights

The Group has been granted by the relevant local government authorities the rights to operate the toll highways and bridges for operating periods of 18 to 30 years. According to the approval documents of the relevant government and the relevant regulations, the Group is responsible for the construction of the toll highways and bridges and the acquisition of the related facilities and equipment and it is also responsible for the operation and management, maintenance and overhaul of the toll highways and bridges during the approved operating periods. The toll fees collected during the operating periods are attributable to the Group. The relevant toll highway/bridge assets are required to be returned to the local government authorities upon the expiry of the operating rights without any compensation to the Group.

The Group applies the intangible asset model to account for the toll highway and bridge infrastructures where they are paid by the users of the toll highways and bridges. The concession grantors (the respective local governments) have not provided any contractual guarantees for the recovery of the amounts of construction costs incurred. The intangible assets correspond to the rights granted by the respective concession grantors to the Group to charge users of the toll road/bridge services and are recorded in the consolidated statement of financial position as “Intangible operating rights”.

Amortisation of intangible operating rights is calculated to write off their costs on a unit-of-usage basis based on the traffic volume for a particular period over the projected total traffic volume throughout the life of the asset. The Group reviews regularly the projected total traffic volume throughout the life of the asset, and if it is considered appropriate, independent professional traffic studies will be obtained. Prospective adjustment will be made should there be a material change from the previous estimates on the projected total traffic volume.

(g) Goodwill

Goodwill on acquisitions of subsidiaries is included in intangible assets. Goodwill is not amortised but it is tested for impairment annually, or more frequently if events or changes in circumstances indicate that it might be impaired, and is carried at cost less accumulated impairment losses as described in note 2(k). Gains and losses on the disposal of an entity include the carrying amount of goodwill relating to the entity sold.

Goodwill is allocated to cash-generating units (“CGUs”) for the purpose of impairment testing. The allocation is made to those CGUs or groups of CGUs that are expected to benefit from the business combination in which the goodwill arose. The units or groups of units are identified at the lowest level at which goodwill is monitored for internal management purposes.

(h) Intangible assets (other than intangible operating rights and goodwill)

Intangible assets acquired separately are measured on initial recognition at cost. The cost of intangible assets acquired in a business combination is the fair value at the date of acquisition. The useful lives of intangible assets are assessed to be either finite or indefinite. Intangible assets with finite lives are subsequently amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year end.

Software

Software is stated at cost less any impairment losses and is amortised on the straight-line basis over its estimated useful life of 5 years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(i) Property, plant and equipment

Land and building comprise offices and staff quarters. Leasehold land classified as finance lease and all other property, plant and equipment are stated at historical cost less depreciation. Historical cost includes expenditure that is directly attributable to the acquisition of the items.

Subsequent costs are included in the asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the item will flow to the Group and the cost of the item can be measured reliably. The carrying amount of any component accounted for as a separate asset is derecognised when replaced. All other repairs and maintenance costs are charged to profit or loss during the reporting period in which they are incurred.

Depreciation is calculated using the straight-line method to allocate their cost, net of their residual values, over their estimated useful lives, as follows:

Leasehold land classified as finance lease	Shorter of the remaining lease term and the useful life
Buildings	25–50 years
Furniture, fixtures and equipment	3–20 years
Motor vehicles	3–10 years

The assets' residual values and useful lives are reviewed, and adjusted if appropriate, at each reporting period.

An asset's carrying amount is written down immediately to its recoverable amount if the asset's carrying amount is greater than its estimated recoverable amount (note 2(k)).

Gains and losses on disposals are determined by comparing the proceeds with carrying amount. These are included in profit or loss.

(j) Investment properties

Investment properties, principally freehold office buildings, are held for long-term rental yields and are not occupied by the Group. Investment properties are initially measured at cost, including related transaction costs and where applicable borrowing costs. Subsequently, they are carried at fair value. Changes in fair values are recorded in profit or loss as part of "Other income, gains and losses – net".

(k) Impairment of investments in non-financial assets

Goodwill and intangible assets that have an indefinite useful life are not subject to amortisation and are tested annually for impairment, or more frequently if events or changes in circumstances indicate that they might be impaired. Other assets are tested for impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. An impairment loss is recognised for the amount by which the asset's carrying amount exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs of disposal and value in use. For the purposes of assessing impairment, assets are grouped at the lowest levels for which there are separately identifiable cash inflows which are largely independent of the cash inflows from other assets or groups of assets (cash-generating units). In testing a cash-generating unit for impairment, a portion of the carrying amount of a corporate asset (e.g., a headquarters building) is allocated to an individual cash-generating unit if it can be allocated on a reasonable and consistent basis or, otherwise, to the smallest group of cash-generating units. Non-financial assets other than goodwill that suffered an impairment are reviewed for possible reversal of the impairment at the end of each reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Investments and other financial assets

(i) Classification

The Group classifies its financial assets in the following measurement categories:

- Fair value through profit or loss (“FVPL”);
- Fair value through other comprehensive income (“FVOCI”); or
- Amortised cost.

The classification requirements for debt and equity instruments are described below:

Debt instruments are those instruments that meet the definition of a financial liability from the issuer’s perspective, such as loans and corporate bonds.

Classification and subsequent measurement of debt instruments depend on:

- those to be measured subsequently at fair value (either through OCI or through profit or loss); and
- those to be measured at amortised cost.

The classification depends on the entity’s business model for managing the financial assets and the contractual terms of the cash flows.

For assets measured at fair value, gains and losses will either be recorded in profit or loss or OCI. For investments in equity instruments that are not held for trading, this will depend on whether the Group has made an irrevocable election at the time of initial recognition to account for the equity investment at fair value through other comprehensive income (“FVOCI”).

The Group reclassifies debt investments when and only when its business model for managing those assets changes.

(ii) Recognition and derecognition

Regular way purchases and sales of financial assets are recognised on the trade-date, the date on which the Group commits to purchase or sell the asset. Financial assets are derecognised when the rights to receive cash flows from the financial assets have expired or have been transferred and the Group has transferred substantially all the risks and rewards of ownership.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(I) Investments and other financial assets (Continued)

(iii) Measurement

At initial recognition, the Group measures a financial asset at its fair value plus, in the case of a financial asset not at fair value through profit or loss (“FVPL”), transaction costs that are directly attributable to the acquisition of the financial asset. Transaction costs of financial assets carried at FVPL are expensed in profit or loss.

Financial assets with embedded derivatives are considered in their entirety when determining whether their cash flows are solely payment of principal and interest.

Debt instruments

Subsequent measurement of debt instruments depends on the Group’s business model for managing the asset and the cash flow characteristics of the asset. There are three measurement categories into which the Group classifies its debt instruments:

Amortised cost: Assets that are held for collection of contractual cash flows where those cash flows represent solely payments of principal and interest are measured at amortised cost. Interest income from these financial assets is included in finance income using the effective interest rate method. Any gain or loss arising on derecognition is recognised directly in profit or loss and included in “Finance income/(costs)” together with foreign exchange gains and losses. Impairment losses are presented as separate line items in the statement of profit or loss.

FVOCI: Assets that are held for collection of contractual cash flows and for selling the financial assets, where the assets’ cash flows represent solely payments of principal and interest, are measured at FVOCI. Movements in the carrying amount are taken through OCI, except for the recognition of impairment gains or losses, interest income and foreign exchange gains and losses which are recognised in profit or loss. When the financial asset is derecognised, the cumulative gain or loss previously recognised in OCI is reclassified from equity to profit or loss and recognised in “Finance income/(costs)”. Interest income from these financial assets is included in finance income using the effective interest rate method. Foreign exchange gains and losses are included in “Finance income/(costs)” and impairment expenses are presented as separate line items in the statement of profit or loss.

FVPL: Assets that do not meet the criteria for amortised cost or FVOCI are measured at FVPL. A gain or loss on a debt investment that is subsequently measured at FVPL is recognised in profit or loss and presented net within “Other income, gains and losses – net” in the period in which it arises.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(l) Investments and other financial assets (Continued)

(iii) Measurement (Continued)

Equity instruments

The Group subsequently measures all equity investments at fair value. Where the Group's management has elected to present fair value gains and losses on equity investments in OCI, there is no subsequent reclassification of fair value gains and losses to profit or loss following the derecognition of the investment. Dividends from such investments continue to be recognised in profit or loss as "Finance income/(costs)" when the Group's right to receive payments is established. Changes in the fair value of financial assets at FVPL are recognised in "Finance income/(costs)" in the statement of profit or loss as applicable. Impairment losses (and reversal of impairment losses) on equity investments measured at FVOCI are not reported separately from other changes in fair value.

(m) Impairment of financial assets at amortised cost

The Group assesses on a forward looking basis the expected credit losses associated with its financial assets carried at amortised cost. The impairment methodology applied depends on whether there has been a significant increase in credit risk.

For trade receivables, the Group applies the simplified approach permitted by HKFRS 9, which requires expected lifetime losses to be recognised from initial recognition of the receivables, see note 3.1(b) for further details.

(n) Derivatives and hedging activities

Derivatives are initially recognised at fair value on the date a derivative contract is entered into and are subsequently remeasured to their fair value at the end of each reporting period. The accounting for subsequent changes in fair value depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged. The Group designates certain derivatives as either:

- hedges of the fair value of recognised assets or liabilities or a firm commitment (fair value hedges)
- hedges of a particular risk associated with the cash flows of recognised assets and liabilities and highly probable forecast transactions (cash flow hedges), or
- hedges of a net investment in a foreign operation (net investment hedges).

At the inception of the hedging, the Group documents the economic relationship between hedging instruments and hedged items, including whether changes in the cash flows of the hedging instruments are expected to offset changes in the cash flows of hedged items. The Group documents its risk management objective and strategy for undertaking its hedge transactions.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Derivatives and hedging activities (Continued)

The fair values of derivative financial instruments designated in hedge relationships are disclosed in note 30. Movements in the hedging reserve in shareholders' equity are shown in note 24. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months; it is classified as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

(i) Cash flow hedges that qualify for hedge accounting

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in cash flow hedge reserve within equity. The gain or loss relating to the ineffective portion is recognised immediately in profit or loss within "Finance income/(costs)" as shown in note 9.

When forward contracts are used to hedge forecast transactions, the Group generally designates only the change in fair value of the forward contract related to the spot component as the hedging instrument. Gains or losses relating to the effective portion of the change in the spot component of the forward contracts are recognised in the cash flow hedge reserve within equity. The change in the forward element of the contract that relates to the hedged item ("aligned forward element") is recognised within OCI in the costs of hedging reserve within equity.

Amounts accumulated in equity are reclassified in the periods when the hedged item affects profit or loss, as follows:

- Where the hedged item subsequently results in the recognition of a non-financial asset (such as inventory), both the deferred hedging gains and losses and the deferred time value of the option contracts or deferred forward points, if any, are included within the initial cost of the asset. The deferred amounts are ultimately recognised in profit or loss as the hedged item affects profit or loss (for example through cost of sales).
- The gain or loss relating to the effective portion of the interest rate swaps hedging variable rate borrowings is recognised in profit or loss within finance costs at the same time as the interest expense on the hedged borrowings.

When a hedging instrument expires, or is sold or terminated, or when a hedge no longer meets the criteria for hedge accounting, any cumulative deferred gain or loss and deferred costs of hedging in equity at that time remains in equity until the forecast transaction occurs, resulting in the recognition of a non-financial asset such as inventory. When the forecast transaction is no longer expected to occur, the cumulative gain or loss and deferred costs of hedging that were reported in equity are immediately reclassified to profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(n) Derivatives and hedging activities (Continued)

(ii) Derivatives that do not qualify for hedge accounting

Changes in the fair value of any derivative instrument that does not qualify for hedge accounting are recognised immediately in profit or loss and are included in “other income, gains and losses – net”.

(o) Trade receivables

Trade receivables are recognised initially at fair value and subsequently measured at amortised cost using the effective interest method, less provision for impairment. Trade receivables are generally due for settlement within 30 days and therefore are all classified as current.

(p) Cash and cash equivalents

For the purpose of presentation in the consolidated statement of cash flows, cash and cash equivalents include cash on hand and deposits held at call with financial instruments and short-term bank deposits with original maturities of three months or less that are readily convertible to known amounts of cash and which are subject to an insignificant risk of changes in value.

(q) Share capital

Ordinary shares are classified as equity. Incremental costs directly attributable to the issue of new shares or options are shown in equity as a deduction, net of tax, from the proceeds.

(r) Trade and other payables

Trade and other payables are recognised initially at the amount of consideration that is unconditional unless they contain significant financing components and subsequently measured at amortised cost using the effective interest method. Trade and other payables are classified as current liabilities unless payment is not due within 12 months after the reporting period.

(s) Borrowings and borrowing costs

Borrowings are recognised initially at fair value, net of transaction costs incurred. Borrowings are subsequently measured at amortised cost. Any difference between the proceeds (net of transaction costs) and the redemption value is recognised in profit or loss over the period of the borrowings using the effective interest method. Fees paid on the establishment of loan facilities are recognised as transaction costs of the loan to the extent that it is probable that some or all the facility will be drawn down. In this case, the fee is deferred until the drawn-down occurs. To the extent there is no evidence that it is probable that some or all of the facility will be drawn down, the fee is capitalised as a prepayment for liquidity services and amortised over the period of the facility to which it relates.

Borrowings are classified as current liabilities unless the Group has an unconditional right to defer settlement of the liability for at least 12 months after the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(s) Borrowings and borrowing costs (Continued)

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, i.e., assets that necessarily take a substantial period of time to get ready for their intended use or sale, are capitalised as part of the cost of those assets. The capitalisation of such borrowing costs ceases when the assets are substantially ready for their intended use or sale.

All other borrowing costs are charged to the consolidated statement of profit or loss in the period in which they are incurred.

Foreign exchange differences arising from financing are included as a component of finance costs.

(t) Notes payable

Notes payable are recognised initially at fair value, net of debt discount. Debt issuance costs incurred which are directly attributable are capitalised and amortised over the estimated term of the facilities using the effective interest method. Debt discount is recorded as a reduction of the proceeds received and the related accretion is recorded as interest expense in the consolidated statement of profit or loss over the estimated term of the facilities using the effective interest method.

(u) Corporate bonds

The corporate bonds are recognised initially at fair value, net of debt issuance costs incurred. Corporate bonds are subsequently stated at amortised cost; any difference between the proceeds (net of debt issuance costs) and the redemption value is recognised in the consolidated statement of profit or loss over the period of the corporate bonds using the effective interest method.

(v) Current and deferred income tax

The income tax expense or credit for the period is the tax payable on the current period's taxable income based on the applicable income tax rate for each jurisdiction adjusted by changes in deferred tax assets and liabilities attributable to temporary differences and to unused tax losses.

The current income tax charge is calculated on the basis of the tax laws enacted or substantively enacted at the end of reporting date in the countries where the Company's subsidiaries, associates and a joint venture operate and generate taxable income. Management periodically evaluates positions taken in tax returns with respect to situations in which applicable tax regulation is subject to interpretation. It establishes provisions where appropriate on the basis of amounts expected to be paid to the tax authorities.

Deferred income tax is provided in full, using the liability method, on temporary differences arising between the tax bases of assets and liabilities and their carrying amounts in the consolidated financial statements. However, deferred tax liabilities are not recognised if they arise from the initial recognition of goodwill. Deferred income tax is also not accounted for if it arises from initial recognition of an asset or liability in a transaction other than a business combination that at the time of the transaction affects neither accounting nor taxable profit or loss. Deferred income tax is determined using tax rates (and laws) that have been enacted or substantively enacted by the end of the reporting period and are expected to apply when the related deferred income tax asset is realised or the deferred income tax liability is settled.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(v) Current and deferred income tax (Continued)

The deferred income tax liability in relation to investment property that is measured at fair value is determined assuming the property will be recovered entirely through sale.

Deferred income tax assets are recognised only if it is probable that future taxable amount will be available to utilise those temporary differences and losses.

Deferred income tax liabilities and assets are not recognised for temporary differences between the carrying amount and tax bases of investments in foreign operations where the Group is able to control the timing of the reversal of the temporary differences and it is probable that the differences will not reverse in the foreseeable future.

Deferred income tax assets and liabilities are offset when there is a legally enforceable right to offset current income tax assets and liabilities and when the deferred income taxes balances relate to the same taxation authority. Current income tax assets and tax liabilities are offset where the entity has a legally enforceable right to offset and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Current and deferred income tax is recognised in profit or loss, except to the extent that it relates to items recognised in other comprehensive income or directly in equity. In this case, the tax is also recognised in other comprehensive income or directly in equity, respectively.

(w) Provisions

Provisions are recognised when: the Group has a present legal or constructive obligation as a result of past events, it is probable that an outflow of resources will be required to settle the obligation; and the amount has been reliably estimated. Provisions are not recognised for future operating losses.

Where there are a number of similar obligations, the likelihood that an outflow will be required in settlement is determined by considering the class of obligations as a whole. A provision is recognised even if the likelihood of an outflow with respect to any one item included in the same class of obligations may be small.

Provisions are measured at the present value of management's best estimate of the expenditures required to settle the present obligation at the end of the reporting period. The discount rate used to determine the present value is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability. The increase in the provision due to passage of time is recognised as interest expense.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Leases

Leases are recognised as a right-of-use asset and a corresponding liability at the date at which the leased asset is available for use by the Group.

Contracts may contain both lease and non-lease components. The Group allocates the consideration in the contract to the lease and non-lease components based on their relative stand-alone prices. However, for leases of real estate for which the Group is a lessee, it has elected not to separate lease and non-lease components and instead accounts for these as a single lease component.

Assets and liabilities arising from a lease are initially measured on a present value basis. Lease liabilities include the net present value of the following lease payments (where applicable):

- fixed payments (including in-substance fixed payments), less any lease incentives receivable
- variable lease payments that are based on an index or a rate, initially measured using the index or rate as at the commencement date
- amounts expected to be payable by the Group under residual value guarantees
- the exercise price of a purchase option if the Group is reasonably certain to exercise that option, and
- payments of penalties for terminating the lease, if the lease term reflects the Group exercising that option.

Lease payments to be made under reasonably certain extension options are also included in the measurement of the liability.

The lease payments are discounted using the interest rate implicit in the lease. If that rate cannot be readily determined, which is generally the case for leases in the Group, the lessee's incremental borrowing rate is used, being the rate that the individual lessee would have to pay to borrow the funds necessary to obtain an asset of similar value to the right-of-use asset in a similar economic environment with similar terms, security and conditions.

To determine the incremental borrowing rate, the Group uses recent third-party financing received by the individual lessee as a starting point, adjusted to reflect changes in financing conditions since third party financing was received.

Lease payments are allocated between principal and finance cost. The finance cost is charged to profit or loss over the lease period so as to produce a constant periodic rate of interest on the remaining balance of the liability for each period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(x) Leases (Continued)

Right-of-use assets are measured at cost comprising the following:

- the amount of the initial measurement of lease liability
- any lease payments made at or before the commencement date less any lease incentives received
- any initial direct costs, and
- restoration costs.

Right-of-use assets are generally depreciated over the shorter of the asset's useful life and the lease term on a straight-line basis. If the Group is reasonably certain to exercise a purchase option, the right-of-use asset is depreciated over the underlying asset's useful life.

Payments associated with short-term leases and leases of low-value assets are recognised on a straight-line basis as an expense in profit or loss. Short-term leases are leases with a lease term of 12 months or less. Low-value assets comprise small items of office furniture.

Lease income from operating leases where the Group is a lessor is recognised in income on a straight-line basis over the lease term. Initial direct costs incurred in obtaining an operating lease are added to the carrying amount of the underlying asset and recognised as expense over the lease term on the same basis as lease income. The respective leased assets are included in the statement of financial position based on their nature.

(y) Retirement benefit costs

A defined contribution plan is a pension plan under which the Group pays fixed contributions into a separate entity. The Group has no legal or constructive obligations to pay further contributions if the fund does not hold sufficient assets to pay all employees the benefits relating to employee service in the current and prior periods.

The Group's contributions to the defined contribution retirement schemes are expensed as incurred. The assets of the schemes are held separately from those of the Group in an independently administered fund.

(z) Revenue recognition

Revenue is measured at the fair value of the consideration received or receivable for the services in the ordinary course of the Group's activities. If contracts involve the sale of multiple services, the transaction price will be allocated to each performance obligation based on their relative stand-alone selling prices. If the stand-alone selling prices are not directly observable, they are estimated based on expected cost plus a margin or adjusted market assessment approach, depending on the availability of observable information.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(z) Revenue recognition (Continued)

Revenues are recognised when or as the control of the service is transferred to the customer. Depending on the terms of the contract and the laws that apply to the contract, control of the service may be transferred over time or at a point in time.

Control of the service is transferred over time if the Group's performance:

- provides all of the benefits received and consumed simultaneously by the customer;
- creates or enhances an asset that the customer controls as the Group performs; or
- does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

If control of the asset transfers over time, revenue is recognised over the period of the contract by reference to the progress towards complete satisfaction of that performance obligation. Otherwise, revenue is recognised at the point in time when the customer obtains control of the asset. Specific criteria where revenue is recognised are described below.

The progress towards complete satisfaction of the performance obligation is measured based on one of the following methods that best depicts the Group's performance in satisfying the performance obligation:

- direct measurements of the value transferred by the Group to the customer; or
 - the Group's efforts or inputs to the satisfaction of the performance obligation relative to the total expected efforts or inputs.
- (i) Toll revenue from road and bridge operations and other toll operating income is recognised at the point in time when the related services are provided.
 - (ii) Rental income from investment property and income from service area and gas station is recognised in the consolidated statement of profit or loss on a straight-line basis over the term of the lease.
 - (iii) Construction income generated from construction and upgrade services rendering by the Group is recognised over time as the Group's performance creates or enhances an asset or work in progress that the customer controls as the asset is created or enhanced. Thus, the Group satisfies a performance obligation over time, by reference to completion of the specific transaction assessed on the basis of the actual costs incurred up to the end of year as a percentage of total estimated costs for each contract. In determining the transaction price, the Group adjusts the amount of consideration for the effect of a financing component if it is significant.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(aa) Dividend distribution, dividend income and interest income

Dividend distribution to the Company's shareholders is recognised as a liability in the Group's and the Company's financial statements in the period in which the dividends are approved by the Company's shareholders or Directors of the Company ("Directors"), where appropriate.

Dividend income is recognised when the right to receive payment is established.

Interest income is recognised on a time-proportion basis using the effective interest method.

(ab) Contract liabilities

Upon entering into a contract with a customer, the Group obtains rights to receive consideration from the customer and assumes performance obligations to provide services to the customer.

(ac) Government grants

Grants from the government are recognised at their fair value where there is a reasonable assurance that the grant will be received and the Group will comply with all attached conditions.

Government grants relating to costs are deferred and recognised in profit or loss over the period necessary to match them with the costs that they are intended to compensate.

Government grants relating to the purchase of property, plant and equipment are included in non-current liabilities as deferred income and are credited to profit or loss on a straight-line basis over the expected lives of the related assets.

(ad) Related parties

A party is considered to be related to the Group if:

- (a) the party is a person or a close member of that person's family and that person
 - (i) has control or joint control over the Group;
 - (ii) has significant influence over the Group; or
 - (iii) is a member of the key management personnel of the Group or of a parent of the Group;

or

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ad) Related parties (Continued)

- (b) the party is an entity where any of the following conditions applies:
- (i) the entity and the Group are members of the same group;
 - (ii) one entity is an associate or joint venture of the other entity (or of a parent, subsidiary or fellow subsidiary of the other entity);
 - (iii) the entity and the Group are joint ventures of the same third party;
 - (iv) one entity is a joint venture of a third entity and the other entity is an associate of the third entity;
 - (v) the entity is a post-employment benefit plan for the benefit of employees of either the Group or an entity related to the Group; and the sponsoring employers of the post-employment benefit plan;
 - (vi) the entity is controlled or jointly controlled by a person identified in (a);
 - (vii) a person identified in (a)(i) has significant influence over the entity or is a member of the key management personnel of the entity (or of a parent of the entity); and
 - (viii) the entity, or any member of a group of which it is a part, provides key management personnel services to the Group or to the parent of the Group.

(ae) Share-based payments

The Company operates a share option scheme for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group's operations. Employees (including directors) of the Group receive remuneration in the form of share-based payments, whereby employees render services as consideration for equity instruments ("equity-settled transactions").

The cost of equity-settled transactions is measured by reference to the fair value at the date at which they are granted. The fair value is determined by an external valuer using a binomial model, further details of which are given in note 32 to the financial statements.

The cost of equity-settled transactions is recognised in employee benefit expense, together with a corresponding increase in equity, over the period in which the performance and/or service conditions are fulfilled. The cumulative expense recognised for equity-settled transactions at the end of each reporting period until the vesting date reflects the extent to which the vesting period has expired and the Group's best estimate of the number of equity instruments that will ultimately vest. The charge or credit to the statement of profit or loss for a period represents the movement in the cumulative expense recognised as at the beginning and end of that period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

2 SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED)

(ae) Share-based payments (Continued)

Service and non-market performance conditions are not taken into account when determining the grant date fair value of awards, but the likelihood of the conditions being met is assessed as part of the Group's best estimate of the number of equity instruments that will ultimately vest. Market performance conditions are reflected within the grant date fair value. Any other conditions attached to an award, but without an associated service requirement, are considered to be non-vesting conditions. Non-vesting conditions are reflected in the fair value of an award and lead to an immediate expensing of an award unless there are also service and/or performance conditions.

For awards that do not ultimately vest because non-market performance and/or service conditions have not been met, no expense is recognised. Where awards include a market or non-vesting condition, the transactions are treated as vesting irrespective of whether the market or non-vesting condition is satisfied, provided that all other performance and/or service conditions are satisfied.

Where the terms of an equity-settled award are modified, as a minimum an expense is recognised as if the terms had not been modified, if the original terms of the award are met. In addition, an expense is recognised for any modification that increases the total fair value of the share-based payments, or is otherwise beneficial to the employee as measured at the date of modification.

Where an equity-settled award is cancelled, it is treated as if it had vested on the date of cancellation, and any expense not yet recognised for the award is recognised immediately. This includes any award where non-vesting conditions within the control of either the Group or the employee are not met. However, if a new award is substituted for the cancelled award, and is designated as a replacement award on the date that it is granted, the cancelled and new awards are treated as if they were a modification of the original award, as described in the previous paragraph.

The dilutive effect of outstanding options is reflected as additional share dilution in the computation of earnings per share.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT

The Group's activities expose it to a variety of financial risks: market risk (including foreign exchange risk and interest rate risk), credit risk and liquidity risk. The Group's overall risk management policy focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Group's financial performance. The Group regularly monitors its exposure and entered into foreign exchange forward contracts to mitigate the foreign exchange rate risk arising from bank borrowings as mentioned in note 3.1(a)(i).

3.1 Financial risk factors

(a) Market risk

(i) Foreign exchange risk

The functional currency of the Company and its major subsidiaries is RMB. The majority of the revenues of the Group are derived from operations in the PRC. It did not have significant exposure to foreign exchange risk in the PRC, except for certain balances as set out below:

As at 31 December 2021	Denominated in Hong Kong dollars ("HKD") RMB'000	Denominated in United States dollars ("USD") RMB'000	Total RMB'000
Cash and cash equivalents	5,416	–	5,416
Other receivables	152	–	152
Other payable	(20,984)	–	(20,984)
Bank borrowings	(245,109)	–	(245,109)

As at 31 December 2020	Denominated in Hong Kong dollars ("HKD") RMB'000	Denominated in United States dollars ("USD") RMB'000	Total RMB'000
Cash and cash equivalents	29,087	1	29,088
Other receivables	211	–	211
Other payable	(20,105)	–	(20,105)
Bank borrowings	(419,810)	–	(419,810)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(a) Market risk (Continued)

(i) Foreign exchange risk (Continued)

During the year ended 31 December 2021, the following foreign-exchange related amounts were recognised in the consolidated statement of profit or loss and the consolidated statement of comprehensive income:

	2021 RMB'000	2020 RMB'000
<i>Amounts recognised in the consolidated statement of profit or loss</i>		
Net other exchange gain/(loss)	3,889	(10,287)
Net foreign exchange gain/(loss) recognised in profit before income tax for the year	3,889	(10,287)
<i>Amount recognised in other comprehensive income</i>		
Currency translation differences	276	592
Cash flow hedges – movement in hedging reserve	(3,605)	6,637
Net gain/(loss) recognised in other comprehensive income (note 24)	(3,329)	7,229

The conversion of RMB into HKD is subject to the rules and regulations of foreign exchange control promulgated by the PRC government.

As at 31 December 2021, if HKD had weakened/strengthened by 5% against the RMB with all other variables held constant, post-tax profit for the year would have been approximately RMB771,000 higher/lower (2020: RMB470,000 higher/lower), mainly as a result of net foreign exchange gain/(loss) on translation of foreign currency denominated balances.

(ii) Cash flow and fair value interest rate risk

The Group's main interest rate risk arises from bank balances, borrowings, notes payable and corporate bonds. Borrowings issued at variable rates expose the Group to cash flow interest rate risk which is partially offset by bank balances held at variable rates. Borrowings, notes payable and corporate bonds issued at fixed rates expose the Group to fair value interest rate risk. The Group's policy is to minimise the interest rate risk by closely monitoring the ratio between borrowings at variable rates and borrowings, notes payable and corporate bonds at fixed rates. During 2021 and 2020, the Group's borrowings at variable rate were mainly denominated in RMB and HKD.

At 31 December 2021, if interest rates had been 50 basis points higher/lower with all other variables held constant, post-tax profit for the year would have been decreased/increased by RMB21,593,000 (2020: RMB39,020,000).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(b) Credit risk

The carrying amounts of short-term bank deposits, cash and cash equivalents, trade receivables, other receivables, deposits and prepayments, and amounts due from associates represent the Group's maximum exposure to credit risk in relation to its financial assets. The credit risk for bank deposits and bank balances is minimal as such balances are placed with state-owned banks or listed banks, and management considers these balances are subject to low credit risk. The Group carries out regular reviews and follow-up actions on any overdue amounts to minimise exposures to credit risk. There is no significant concentration of credit risk as at 31 December 2021.

The Group applies the simplified approach to measure expected credit losses which uses a lifetime expected loss allowance for all trade receivables with an insignificant expected loss rate applied. The counterparty of the trade receivables is the PRC Government and hence the expected credit loss is minimal. Trade receivables of the Group continue to be recognised at amortised cost.

Impairment of other receivables, deposits and prepayments and amounts due from associates are measured as either 12-month expected credit losses or lifetime expected credit losses, depending on whether there has been a significant increase in credit risk since initial recognition. If there is a significant increase in credit risk since initial recognition, the impairment is measured as lifetime expected credit losses. As at 31 December 2021 and 2020, the Group assessed the expected credit losses for the other receivables to be insignificant.

The Group does not hold any collateral as security. The maximum exposure to credit risk at the reporting date is the carrying value of the receivables as stated in the consolidated statement of financial position.

(c) Liquidity risk

Due to the capital intensive nature of the Group's business, the Group ensures that it maintains sufficient cash and credit lines to meet its liquidity requirements (see also note 2(a)(ii)).

The tables below analyse the Group's financial liabilities into relevant maturity groupings based on their contractual maturities for:

- (a) all non-derivative financial liabilities, and
- (b) net and gross settled derivative financial instruments for which the contractual maturities are essential for an understanding of the timing of the cash flows

The table below analyses the Group's financial liabilities based on the remaining period at the end of the reporting period to the contractual maturity dates. The amounts disclosed in the table are the contractual undiscounted cash flows (including respective interest payments).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.1 Financial risk factors (Continued)

(c) Liquidity risk (Continued)

	On demand RMB'000	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total contractual cash flows RMB'000	Carrying amount liabilities RMB'000
Contractual maturities of financial liabilities							
As at 31 December 2021							
Borrowings	-	2,173,099	2,930,532	3,084,064	3,504,854	11,692,549	9,931,327
Notes payable	-	1,123,058	1,549,997	1,002,900	-	3,675,955	3,572,233
Corporate bonds	-	110,286	721,793	2,560,606	-	3,392,685	3,186,625
Amounts due to holding companies	2,613	-	-	-	-	2,613	2,613
Amount due to a non-controlling interest of a subsidiary	1,611	-	-	-	-	1,611	1,611
Trade and other payables and accrued charges	-	772,557	-	-	-	772,557	990,929
Lease liabilities	-	11,192	11,101	385	-	22,678	21,444
	4,224	4,190,192	5,213,423	6,647,955	3,504,854	19,560,648	17,706,782

	On demand RMB'000	Less than 1 year RMB'000	Between 1 and 2 years RMB'000	Between 2 and 5 years RMB'000	Over 5 years RMB'000	Total contractual cash flows RMB'000	Carrying amount liabilities RMB'000
Contractual maturities of financial liabilities							
As at 31 December 2020							
Borrowings	-	1,548,135	2,568,418	6,459,176	5,515,553	16,091,282	13,298,943
Notes payable	-	88,200	1,085,159	1,542,761	-	2,716,120	2,492,974
Corporate bonds	-	1,941,910	-	-	-	1,941,910	1,909,152
Amounts due to holding companies	153	-	-	-	-	153	153
Amount due to a non-controlling interest of a subsidiary	1,611	-	-	-	-	1,611	1,611
Trade and other payables and accrued charges	-	816,685	-	-	-	816,685	1,219,362
Lease liabilities	-	11,158	10,110	10,330	-	31,598	30,021
	1,764	4,406,088	3,663,687	8,012,267	5,515,553	21,599,359	18,952,216

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.2 Capital risk management

The Group's objectives for managing capital are to safeguard the Group's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure to reduce the cost of capital.

In order to maintain or adjust the capital structure, the Group may adjust the amount of dividends paid to shareholders, issue new shares or sell assets to reduce debt.

Consistent with others in the industry, the Group monitors capital on the basis of the gearing ratio. This ratio is calculated as net debt divided by total capital. Net debt is calculated as the total of notes payable, corporate bonds, borrowings (excluding interest payable to notes payable, corporate bonds and borrowings), lease liabilities less cash and cash equivalents. Total capital is calculated as equity, as shown in the consolidated statement of financial position, plus net debt.

The gearing ratio is calculated as follows:

	2021 RMB'000	2020 RMB'000
Borrowings	9,915,561	13,298,943
Notes payable	3,493,891	2,492,974
Corporate bonds	3,112,693	1,909,152
Lease liabilities	21,444	30,021
Total debts	16,543,589	17,731,090
Less: cash and cash equivalents	(2,918,574)	(1,516,004)
Net debt	13,625,015	16,215,086
Total equity	14,472,749	13,653,745
Total capital	28,097,764	29,868,831
Gearing ratio	48.5%	54.3%

The decrease in the gearing ratio during 2021 primarily resulted from the decrease in borrowings due to repayments during the year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.3 Fair value estimation

This section explains the judgements and estimates made in determining the fair values of the financial instruments that are recognised and measured at fair value in the financial statements. To provide an indication about the reliability of the inputs used in determining fair value, the Group has classified its financial instruments into the three levels prescribed under the accounting standards. An explanation of each level follows underneath the table.

The Group's policy is to recognise transfers into and transfers out of fair value hierarchy levels as at the end of the reporting period. There were no transfers among level 1, level 2 and level 3 fair value hierarchy classifications in both years.

Level 1: The fair value of financial instruments traded in active markets (such as publicly traded derivatives, and trading and available-for-sale securities) is based on quoted market prices at the end of the reporting period. The quoted market price used for financial assets held by the Group is the current bid price. These instruments are included in level 1.

Level 2: The fair value of financial instruments that are not traded in an active market (for example, over-the-counter derivatives) is determined using valuation techniques which maximise the use of observable market data and rely as little as possible on entity-specific estimates. If all significant inputs required to fair value an instrument are observable, the instrument is included in level 2.

Level 3: If one or more of the significant inputs is not based on observable market data, the instrument is included in level 3.

The following table presents the Group's financial instruments that are measured at fair value.

	Level 1 RMB'000	Level 2 RMB'000	Level 3 RMB'000	Total RMB'000
As at 31 December 2021				
Derivative financial instruments – liabilities	–	(26,758)	–	(26,758)
As at 31 December 2020				
Derivative financial instruments – liabilities	–	(24,042)	–	(24,042)

The fair value of financial instruments that are not traded in an active market is determined by using valuation techniques. These valuation techniques maximise the use of observable market data where it is available and rely as little as possible on entity specific estimates. The fair values of foreign currency forwards contracts are calculated as the present value of the estimated future cash flows based on forward exchange rate at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

3 FINANCIAL RISK MANAGEMENT (CONTINUED)

3.4 Fair value of financial assets and liabilities measured at amortised cost

The fair value of other non-current receivables and non-current borrowings approximate to the present value of future cash flows discounted at the applicable interest rates and are categorised at level 2. The fair value of notes payable and corporate bonds is determined by using valuation techniques as it is not traded in an active market and is categorised as level 2.

The carrying amount and fair value of the respective financial assets and liabilities measured at amortised cost are as follows:

	Carrying amount		Fair value	
	31 December 2021 RMB'000	31 December 2020 RMB'000	31 December 2021 RMB'000	31 December 2020 RMB'000
Non-current borrowings	7,613,246	12,321,643	7,198,945	11,701,664
Notes payable (due after one year)	2,498,220	2,492,974	2,605,080	2,500,756
Corporate bonds (due after one year)	3,112,693	–	3,238,195	–

The fair values of the following financial assets and liabilities approximate to their carrying amounts:

- Trade receivables
- Other receivables, deposits and prepayments
- Amounts due from associates
- Cash and cash equivalents
- Borrowings due within one year
- Amounts due to a non-controlling interest of a subsidiary
- Amounts due to holding companies
- Trade and other payables and accrued charges
- Corporate bonds due within one year
- Notes payable due within one year

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS

The preparation of consolidated financial statements requires the use of accounting estimates which, by definition, will seldom equal the actual results. Management also needs to exercise judgement in applying the Group's accounting policies. Estimates and judgements are continually evaluated and are based on historical experience and other factors, including expectations of future events that are believed to be reasonable under the circumstances.

The Group makes estimates and assumptions concerning the future. The resulting accounting estimates will, by definition, seldom equal the related actual results. The estimates and assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets or liabilities within the next financial year are discussed below.

(a) Impairment of goodwill and intangible operating rights

The Group tests annually whether goodwill has suffered any impairment. The Group also tested whether intangible operating rights have suffered any impairment whenever events or changes in circumstances indicate that the carrying amount may not be recoverable. The recoverable amounts of cash-generating units have been determined based on value-in-use and fair value less costs of disposal calculations. The calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units to which the goodwill and intangible operating right belong and the use of suitable discount rates in order to calculate the present value. When the carrying amount of the cash-generating unit exceeds its value-in-use, the Group also assesses its fair value less costs of disposal to determine the cash-generating unit's recoverable amount, which is the higher of its fair value less costs of disposal and value-in-use. During the year ended 31 December 2021, the Group recognised an impairment loss of RMB97,302,000 against intangible operating rights following a reduction in the future cash flow projection of Tianjin Jinfu Expressway Co., Ltd. Further details are given in note 13 to the financial statements.

(b) Impairment of non-financial assets (other than goodwill and intangible operating rights)

The Group assesses whether there are any indicators of impairment for all non-financial assets (including the right-of-use assets) at the end of each reporting period. Other non-financial assets are tested for impairment when there are indicators that the carrying amounts may not be recoverable. An impairment exists when the carrying value of an asset or a cash-generating unit exceeds its recoverable amount, which is the higher of its fair value less costs of disposal and its value in use. The calculation of the fair value less costs of disposal is based on available data from binding sales transactions in an arm's length transaction of similar assets or observable market prices less incremental costs for disposing of the asset. When value in use calculations are undertaken, management must estimate the expected future cash flows from the asset or cash-generating unit and choose a suitable discount rate in order to calculate the present value of those cash flows. During the year ended 31 December 2021, the Group recognised an impairment loss of RMB128,186,000 against investments in associates following a reduction in the future cash flow projection of Guangdong Humen Bridge Co., Ltd. Further details are given in note 20 to the financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

4 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS (CONTINUED)

(c) Amortisation of intangible operating rights

Amortisation of intangible operating rights is calculated to write off their costs on a unit-of-usage basis based on the traffic volume for a particular period over the projected total traffic volume throughout the life of the assets.

At present, the range of annual traffic growth rates that have been projected for individual toll highways and bridges is around 0% to 16% (excluding the growth rates in the year of performing significant repair and maintenance).

(d) Current income tax and deferred income tax

The Group is subject to income tax in the PRC. Significant judgement is required in determining the amount of the provision for and the timing of payment of the related income tax. There are many transactions and calculations for which the ultimate tax determination is uncertain during the ordinary course of business. Where the final tax outcome of these matters is different from the amounts that were initially recorded, such differences will impact the income tax and deferred tax provisions in the periods in which such determination are made.

Deferred income tax assets relating to certain temporary differences and tax losses are recognised as management considers it is probable that future taxable profit will be available against which the temporary differences or tax losses can be utilised. The management exercises judgement in determining the future taxable profit based on the projected future traffic volume and specific circumstance of the toll highways and bridges operated by the individual entity with tax losses. Where the expectation is different from the original estimate, such differences will impact the recognition of deferred income tax assets and income tax in the periods in which such estimate is changed.

(e) Fair value of investment properties

The fair value of investment properties is determined by using valuation technique. Details of the judgement and assumptions have been disclosed in note 17.

5 SEGMENT INFORMATION

The Group is principally engaged in the operation and management of toll highways and bridges in the PRC.

The chief operating decision-maker (the "CODM") has been identified as the Executive Directors. The Executive Directors review the Group's internal reporting in order to assess performance of the Group's main reporting segment – Toll highways and bridges projects in the PRC. The Executive Directors assess the performance of this main reporting segment based on measurement of profit after income tax for the year. Other operations mainly comprise investment and others. There have been no sales carried out between segments. None of these operations constitutes a separate segment. The financial information provided to the CODM is measured in a manner consistent with that of the consolidated financial statements.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (CONTINUED)

	Toll roads operations RMB'000	All other segments RMB'000	Total RMB'000
Year ended 31 December 2021			
Revenue (from external customers)			
– Toll revenue	3,649,754	–	3,649,754
– Other toll operating income	12,053	–	12,053
– Income from service area and gas station	40,469	–	40,469
	3,702,276	–	3,702,276
Amortisation of			
– Intangible operating rights	(1,061,270)	–	(1,061,270)
– Other intangible asset	(1,884)	–	(1,884)
Depreciation of			
– property, plant and equipment	(13,167)	(677)	(13,844)
– right-of-use assets	(10,665)	(336)	(11,001)
Other compensation income	10,824	–	10,824
Government subsidy	14,169	–	14,169
Impairment of intangible operating right	(97,302)	–	(97,302)
Impairment of investment in an associate	(128,186)	–	(128,186)
Gain on disposal of a subsidiary	960,976	–	960,976
Operating profit	2,653,296	406	2,653,702
Finance income	43,884	–	43,884
Finance costs	(743,027)	–	(743,027)
Share of result of a joint venture, net of tax	76,917	–	76,917
Share of results of associates, net of tax	196,300	(9,426)	186,874
Profit/(loss) before income tax	2,227,370	(9,020)	2,218,350
Income tax expense	(425,656)	–	(425,656)
Profit/(loss) for the year	1,801,714	(9,020)	1,792,694

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (CONTINUED)

	Toll roads operations RMB'000	All other segments RMB'000	Total RMB'000
Year ended 31 December 2020			
Revenue (from external customers)			
– Toll revenue	2,872,041	–	2,872,041
– Other toll operating income	11,590	–	11,590
– Income from service area and gas station	36,207	–	36,207
	2,919,838	–	2,919,838
Amortisation of intangible operating rights	(949,918)	–	(949,918)
Depreciation of			
– property, plant and equipment	(15,292)	(761)	(16,053)
– right-of-use assets	(10,187)	–	(10,187)
Other compensation income	1,071	–	1,071
Government subsidy	16,373	–	16,373
Operating profit/(loss)	1,339,780	(2,316)	1,337,464
Finance income	26,359	–	26,359
Finance costs	(805,757)	–	(805,757)
Share of result of a joint venture, net of tax	56,533	–	56,533
Share of results of associates, net of tax	67,822	–	67,822
Profit/(loss) before income tax	684,737	(2,316)	682,421
Income tax expense	(278,085)	–	(278,085)
Profit/(loss) for the year	406,652	(2,316)	404,336
Assets and liabilities			
As at 31 December 2021			
Total segment assets	35,563,329	97,779	35,661,108
Addition to non-current assets	193,736	1,702	195,438
Total segment assets include:			
– Investment in a joint venture	481,431	–	481,431
– Investments in associates	2,015,237	64,260	2,079,497
Total segment liabilities	(21,188,074)	(285)	(21,188,359)
As at 31 December 2020			
Total segment assets	36,259,700	107,900	36,367,600
Addition to non-current assets	311,847	–	311,847
Total segment assets include:			
– Investment in a joint venture	487,605	–	487,605
– Investments in associates	1,455,653	80,460	1,536,113
Total segment liabilities	(22,637,538)	(76,317)	(22,713,855)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

5 SEGMENT INFORMATION (CONTINUED)

All major operating entities are domiciled in the PRC. All revenues of the Group from external customers are generated in the PRC. Besides, most of the assets of the Group are located in the PRC. Thus, no geographic information is presented.

Information about the Group's performance obligations is summarised below:

Toll revenue and other toll operating income

The performance obligation is satisfied when the relevant services have been provided upon the completion of passing through the road and bridge. Payment is due immediately when the service is provided.

Income from service area and gas station

The performance obligation is satisfied over time on a straight-line basis over the service period. Payment in advance is normally required for income from service area and gas station.

6 OTHER INCOME, GAINS AND LOSSES – NET

	2021 RMB'000	2020 RMB'000
Gain on disposal of a subsidiary (note 33)	960,976	–
Impairment of intangible operating right (note 13)	(97,302)	–
Impairment of investment in an associate (note 20)	(128,186)	–
Fair value gain/(loss) on investment properties (note 17)	1,404	(1,312)
(Loss)/gain on disposal of property, plant and equipment	(211)	720
Compensation for expressways and bridges damages	28,432	7,362
Other compensation income (note a)	10,824	1,071
Management service income	6,035	2,778
Government subsidy (note b)	14,169	16,373
Others	3,979	(1,847)
	800,120	25,145

Notes:

- (a) The amount mainly represented compensation from third parties and the government on requisition of land and demolition of plants and other greening facilities.
- (b) The amount mainly represented a one-off non-assets related government subsidy of RMB5,999,000 (2020: RMB7,162,000) received from the Guangzhou Municipal Bureau of Commerce and RMB4,660,000 (2020: RMB6,460,000) from the Wuhan Municipal Bureau of Commerce in 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

7 EXPENSES BY NATURE

Expenses included in cost of services and general and administrative expenses primarily comprise the following items:

	2021 RMB'000	2020 RMB'000
Taxes and surcharges	19,073	15,074
Amortisation of		
– Intangible operating rights (note 13)	1,061,270	949,918
– Other intangible asset (note 16)	1,884	–
Depreciation of		
– Property, plant and equipment (note 15(a))	13,844	16,053
– Right-of-use assets (note 15(b))	11,001	10,187
Employee benefit expense (note 8)	437,441	320,039
Toll highways and bridges maintenance expenses	121,334	139,151
Toll highways and bridges operating expenses	105,737	102,257
Auditor's remuneration		
– Audit services	2,700	3,300
– Non-audit services	386	3,143
Legal and professional fees	34,580	14,572

8 EMPLOYEE BENEFIT EXPENSE

	2021 RMB'000	2020 RMB'000
Staff costs (including directors' emoluments)		
– Wages and salaries	331,617	251,676
– Pension costs (defined contribution plan) (note a)	32,187	6,251
– Social security costs	36,585	29,890
– Staff welfare and other benefits	36,057	32,222
– Equity-settled share option expense	995	–
Total employee benefit expense	437,441	320,039

Employee benefit expenses are included in “cost of services” and “general and administrative expenses” of RMB165,840,000 (2020: RMB145,690,000) and RMB271,601,000 (2020: RMB174,349,000) respectively in the consolidated statement of profit or loss.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

8 EMPLOYEE BENEFIT EXPENSE (CONTINUED)

Notes:

- (a) The Group also participates in the Mandatory Provident Fund Scheme (“MPF Scheme”) for other Hong Kong employees. The Group’s MPF Scheme contributions are at 5% of the employees’ relevant income as defined in the Hong Kong Mandatory Provident Fund Schemes Ordinance up to a maximum of HKD1,500 (equivalent to RMB1,301) per employee per month. The employees also contribute a corresponding amount to the MPF Scheme if their relevant income is more than HKD7,100 per month (equivalent to RMB6,158). The MPF contributions are fully and immediately vested in the employees as accrued benefits once they are paid.

Subsidiaries of the Company in the PRC are required to participate in defined contribution retirement plans organised by the respective Provincial or Municipal People’s Governments.

There was no forfeited contribution as at 31 December 2021 (2020: Nil). No forfeited contribution was utilised during the year (2020: Nil). Contributions totalling RMB32,187,000 (2020: RMB6,251,000) were payable to the fund during the year. There are no forfeited contributions that may be used by the Group as the employer to reduce the existing level of contributions.

- (b) Five highest paid individuals

The five individuals whose emoluments were the highest in the Group for the year include three (2020: four) directors whose emoluments are reflected in the analysis shown in note 39. The emoluments payable to the remaining two (2020: one) individual(s) during the year amounted to RMB5,129,000 (2020: RMB1,853,000), which include(s) salaries of RMB1,076,000 (2020: RMB595,000), discretionary bonuses of RMB3,499,000 (2020: RMB1,105,000), estimated money value of other benefits of RMB213,000 (2020: RMB68,000), employer’s contribution to a retirement benefit scheme of RMB220,000 (2020: RMB85,000) and equity-settled share option expense of RMB121,000 (2020: nil).

The number of non-director and non-chief executive highest paid employees whose emoluments fell within the following bands is as follows:

	Number of individuals	
	2021	2020
Emolument bands (in HK dollar)		
HKD2,000,001 – HKD2,500,000	–	1
HKD2,500,001 – HKD3,000,000	–	–
HKD3,000,001 – HKD3,500,000	2	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

9 FINANCE INCOME/(COSTS)

	2021 RMB'000	2020 RMB'000
Bank interest income	38,167	23,627
Interest income on other non-current receivables	1,828	2,732
Net other exchange gain	3,889	–
Finance income	43,884	26,359
Interest expenses:		
– Bank borrowings	(459,608)	(607,589)
– Other borrowing	(15,839)	(14,558)
– Bank facility fees	(3,573)	(4,143)
– Loan from a joint venture	(5,920)	(6,389)
– Loans from non-controlling interests of certain subsidiaries	(76)	(191)
– Notes payable (note 28)	(127,402)	(78,819)
– Corporate bonds (note 29)	(107,965)	(67,087)
– Lease liabilities (note 15(b))	(1,636)	(975)
Net other exchange loss	–	(10,287)
Others	(21,008)	(15,719)
Finance costs	(743,027)	(805,757)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 INCOME TAX EXPENSE

- (a) No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group had no assessable income subject to Hong Kong profits tax during the year (2020: Nil).
- (b) During the year ended 31 December 2021, PRC enterprise income tax was provided on the profits of the Group's subsidiaries, associates and joint venture in the PRC in accordance with the Corporate Income Tax Law of China. The applicable principal income tax rate for the year ended 31 December 2021 is 25% (2020: 25%). Guangzhou North Second Ring Transport Technology Company Limited ("GNSR"), a subsidiary of the Group, has been recognised as an eligible entity in 2019 to enjoy three years' preferential tax treatment of income tax, at a preferential income tax rate of 15%, started from 2018. During the year ended 31 December 2021, the preferential tax treatment of income tax has been extended to the year ended 31 December 2023. Guangxi Yuexiu Cangyu Expressway Company Limited, a subsidiary of the Group, has been recognised as an eligible entity to enjoy preferential tax treatment of income tax, at a preferential income tax rate of 15%, started from 2013 and extended to the year ended 31 December 2030 during the year ended 31 December 2020.

In addition, dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 is subject to withholding income tax at a rate of 5% or 10%. During the year, withholding income tax was provided for undistributed profits of certain of the Group's subsidiaries and associates in the PRC at a rate of 5% or 10% (2020: 5% or 10%).

As at 31 December 2021, deferred tax liabilities of RMB113,942,000 (2020: RMB85,863,000) were not recognised in respect of withholding tax on the unremitted earnings of certain entities in the PRC, as these earnings are expected to be reinvested in the PRC.

- (c) The amount of income tax charged/(credited) to the consolidated statement of profit or loss represents:

	2021 RMB'000	2020 RMB'000
Current income tax		
PRC enterprise income tax	480,970	221,810
Deferred income tax (note 27)	(55,314)	56,275
	425,656	278,085

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

10 INCOME TAX EXPENSE(CONTINUED)

- (c) The amount of income tax charged/(credited) to the consolidated statement of profit or loss represents:
(Continued)

The tax on the Group's profit before income tax less share of results of associates and a joint venture differs from the theoretical amount that would arise using the principal applicable tax rate as follows:

	2021 RMB'000	2020 RMB'000
Profit before income tax	2,218,350	682,421
Less: share of results of associates, net of tax	(186,874)	(67,822)
Less: share of result of a joint venture, net of tax	(76,917)	(56,533)
	1,954,559	558,066
Calculated at a tax rate of 25% (2020: 25%)	488,640	139,517
Income not subject to tax	(82,704)	(3,105)
Expenses not deductible for tax purposes	129,329	64,929
Profit of subsidiaries with preferential tax treatment	(95,318)	(73,328)
Tax losses not recognised (note i)	77,746	124,749
Utilisation of previously unrecognised tax losses	(90,266)	–
Overprovision in the prior year	(2,559)	(3,731)
Effect of change in tax rate on the balance of deferred tax	(17,028)	–
Effect of income tax on the distributable profits of subsidiaries and associates	17,816	29,054
Income tax expense	425,656	278,085

Note:

- (i) Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately RMB72,377,000 (2020: RMB244,017,000) in respect of unused losses amounting to approximately RMB289,508,000 (2020: RMB976,069,000). Unused tax losses of approximately RMB81,291,000 (2020: RMB160,454,000) will expire in 1 year and the remaining unused tax losses will expire prior to 2026.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

11 EARNINGS PER SHARE

The calculation of basic earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company, and the weighted average number of ordinary shares of 1,673,162,000 (2020: 1,673,162,000) during the year.

The calculation of diluted earnings per share is based on the profit for the year attributable to ordinary equity holders of the Company, adjusted to reflect the interest on the share options, where applicable (see below). The weighted average number of ordinary shares used in the calculation is the number of ordinary shares in issue during the year, as used in the basic earnings per share calculation, and the weighted average number of ordinary shares assumed to have been issued at no consideration on the deemed exercise of all dilutive potential ordinary shares into ordinary shares.

The calculations of basic and diluted earnings per share are based on:

	2021	2020
Earnings		
Profit attributable to shareholders of the Company used in the basic earnings per share calculation (RMB'000)	1,464,984	160,491
Shares		
Weighted average number of ordinary shares in issue during the year used in the basic earnings per share calculation ('000)	1,673,162	1,673,162
Effect of dilution – weighted average number of ordinary shares:		
Share options ('000)	686	–
Weighted average number of ordinary shares in issue and potential ordinary shares during the year used in the diluted earnings per share calculation ('000)	1,673,848	1,673,162

12 DIVIDENDS

	2021 RMB'000	2020 RMB'000
Interim, paid, HKD0.20 equivalent to approximately RMB0.17 (2020: nil) per share	278,320	–
Final, proposed, HKD0.41 equivalent to approximately RMB0.33 (2020: HKD0.07 equivalent to approximately RMB0.06) per share	555,003	97,706
	833,323	97,706

The final dividend was proposed after the end of the reporting period and has not been recognised as a liability at the end of the reporting period.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 INTANGIBLE OPERATING RIGHTS

	RMB'000
Year ended 31 December 2021	
Opening net book amount	31,712,956
Additions	176,504
Amortisation	(1,061,270)
Impairment	(97,302)
Disposal of a subsidiary (note 33)	(1,544,428)
Closing net book amount	<u>29,186,460</u>
At 31 December 2021	
Cost	35,324,729
Accumulated amortisation and impairment	(6,138,269)
Net book amount	<u>29,186,460</u>
Year ended 31 December 2020	
Opening net book amount	32,369,121
Additions	293,753
Amortisation	(949,918)
Closing net book amount	<u>31,712,956</u>
At 31 December 2020	
Cost	37,524,636
Accumulated amortisation and impairment	(5,811,680)
Net book amount	<u>31,712,956</u>

Amortisation of intangible operating rights is included in the cost of services in the consolidated statement of profit or loss.

At 31 December 2021, toll highway operating rights with a net book amount of RMB25,730,337,000 (2020: RMB27,889,899,000) were pledged to secure the Group's bank borrowings.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

13 INTANGIBLE OPERATING RIGHTS (CONTINUED)

For the current financial year, the average daily toll traffic volume and average daily toll revenue of Jinxiong Expressway recorded a decrease, which was mainly due to the diversion of Jinshi Expressway. Jinshi Expressway was completed and commenced operation on 22 December 2020. The Group has performed an impairment assessment on the cash-generating unit related to the intangible operating right of Jinxiong Expressway with carrying amount of RMB364,710,000. The recoverable amounts of the cash-generating units have been determined based on value-in-use and fair value less costs of disposal calculations. The calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units to which the intangible operating right belong and the use of suitable discount rates in order to calculate the present value. When the carrying amount of the cash-generating unit exceeds its value-in-use, the Group also assesses its fair value less costs of disposal to determine the cash-generating unit's recoverable amount, which is the higher of its fair value less costs of disposal and value-in-use. The recoverable amount of the cash-generating unit was determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by management covering the remaining concession period of Jinxiong Expressway with a budgeted revenue growth rate of 4% to 6% per annum. The pre-tax discount rate applied to the cash flow projection was 11.6%. There have been no subsequent changes in the valuation methods used in the prior year.

As at 31 December 2021, based on the impairment review results, the carrying amount of the cash-generating unit has been reduced to its recoverable amount of RMB267,408,000 through recognition of an impairment loss of RMB97,302,000 against intangible operating right for the current year, following a reduction in the future cash flow projection of Jinxiong Expressway which has been taken into account the following development during the current year: the diversion of Jinshi Expressway, which was completed and commenced operation on 22 December 2020. This impairment loss has been included in "other income, gains and losses – net" in the consolidated statement of profit or loss. The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of intangible operating right:

Budgeted revenue growth rates – The revenue growth rates were projected by an independent traffic consultant based on traffic survey, historic traffic data, historic economic indices and expected toll network development at nearby areas.

Discount rate – The discount rate was determined by an independent professional valuer with reference to risk-free rate, data of toll road operators, market risk premium and other specific adjustments applicable to the Group.

The values assigned to the key assumptions on market development and discount rate are consistent with external information sources.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

14 GOODWILL

	2021 RMB'000	2020 RMB'000
Cost:		
At 1 January	687,115	687,115
Disposal of a subsidiary (note 33)	(119,265)	–
At 31 December	567,850	687,115
Accumulated impairment:		
At 1 January	(54,496)	(54,496)
Disposal of a subsidiary (note 33)	1,223	–
At 31 December	(53,273)	(54,496)
Net carrying amount:		
At 31 December	514,577	632,619

Goodwill is allocated to the Group's five cash-generating units ("CGUs") including the operations of Guangzhou Northern Second Ring Expressway, Guangxi Cangyu Expressway, Henan Weixu Expressway, Hunan Changzhu Expressway and Hubei Suiyuanan Expressway. The recoverable amounts of the above cash-generating units are determined based on value-in-use and fair value less costs of disposal calculations. These calculations use cash flow projections based on financial budgets approved by management covering the operating period of the expressways and the annual traffic growth rates ranged from 0% to 11% (excluding the growth rates in the year of performing significant repair and maintenance), which is similar to industry practice.

Key assumptions and considerations used in the calculations included estimated traffic growth, vehicle types of the toll expressways and highway operation and discount rate. Toll fee charging rates of the expressways or highways were regulated by the relevant government authorities in the PRC.

Management determined the above key assumptions and considerations based on historical records, past performance and its expectations for the market development. Both internal and external factors are considered, independent professional traffic studies on traffic flow growth will be obtained where appropriate. Discount rates adopted range from 7.5% to 8.6%. The specific risks underlying the toll highways industry are incorporated in the calculations.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15(a) PROPERTY, PLANT AND EQUIPMENT

	Leasehold land RMB'000	Buildings RMB'000	Furniture, fixtures and equipment RMB'000	Motor vehicles RMB'000	Total RMB'000
31 December 2021					
Opening net book amount	380	2,605	40,304	9,810	53,099
Additions	–	–	14,380	2,852	17,232
Disposal of a subsidiary (note 33)	–	–	(1,998)	(363)	(2,361)
Disposals and reclassification	–	–	(14,799)	(129)	(14,928)
Depreciation	(16)	(663)	(10,145)	(3,020)	(13,844)
Exchange differences	(9)	(64)	–	–	(73)
Closing net book amount	355	1,878	27,742	9,150	39,125
At 31 December 2021					
Cost	432	16,505	92,800	23,261	132,998
Accumulated depreciation	(77)	(14,627)	(65,058)	(14,111)	(93,873)
Net book amount	355	1,878	27,742	9,150	39,125
31 December 2020					
Opening net book amount	421	3,487	37,887	10,526	52,321
Additions	–	–	15,828	2,266	18,094
Disposals	–	–	(775)	(291)	(1,066)
Depreciation	(16)	(710)	(12,636)	(2,691)	(16,053)
Exchange differences	(25)	(172)	–	–	(197)
Closing net book amount	380	2,605	40,304	9,810	53,099
At 31 December 2020					
Cost	438	16,990	117,073	22,163	156,664
Accumulated depreciation	(58)	(14,385)	(76,769)	(12,353)	(103,565)
Net book amount	380	2,605	40,304	9,810	53,099

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15(b) LEASES

This note provides information for leases where the Group is a lessee:

(i) *Amounts recognised in the consolidated statement of financial position*

The carrying amounts of the Group's right-of-use assets and lease liabilities and the movements during the year are as follows:

	2021 RMB'000	2020 RMB'000
Right-of-use assets – properties		
As at 1 January	30,021	10,528
Additions	1,702	29,680
Depreciation charge	(11,001)	(10,187)
As at 31 December	<u>20,722</u>	<u>30,021</u>
Lease liabilities		
Carrying amount at 1 January	30,021	10,838
New leases	1,702	29,680
Accretion of interest recognised during the year	1,636	975
Payments	(11,915)	(11,472)
Carrying amount at 31 December	<u>21,444</u>	<u>30,021</u>
Analysed into:		
Current	10,130	10,511
Non-current	11,314	19,510
	<u>21,444</u>	<u>30,021</u>

The maturity analysis of lease liabilities is disclosed in note 3 to the financial statements.

(ii) *Amounts recognised in the consolidated statement of profit or loss*

The consolidated statement of profit or loss includes the following amounts relating to leases:

	2021 RMB'000	2020 RMB'000
Depreciation charge of right-of-use assets	(11,001)	(10,187)
Interest expense (included in finance costs) (note 9)	(1,636)	(975)
Total amount recognised in profit or loss	<u>(12,637)</u>	<u>(11,162)</u>

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

15(b) LEASES (CONTINUED)

(iii) *The total cash outflow for leases*

The total cash outflow for leases included in the statement of cash flows is as follows:

	2021 RMB'000	2020 RMB'000
Within financing activities	11,915	11,472

16 OTHER INTANGIBLE ASSETS

31 December 2021	Software RMB'000
Cost at 1 January 2021, net of accumulated amortisation	–
Additions	2,368
Amortisation provided during the year	(1,884)
Reclassification	8,047
Disposals	(83)
Disposal of a subsidiary (note 33)	(4)
At 31 December 2021	8,444
At 31 December 2021:	
Cost	15,872
Accumulated amortisation	(7,428)
Net carrying amount	8,444

As at 31 December 2021, software was included in “other intangible assets”, which was included in “property, plant and equipment” in previous years.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 INVESTMENT PROPERTIES

	2021 RMB'000	2020 RMB'000
At 1 January	37,144	39,923
Exchange differences	(648)	(1,467)
Fair value gain/(loss) (note 6)	1,404	(1,312)
At 31 December	37,900	37,144

Independent valuations of the Group's investment properties were performed by the valuers, C S Surveyors Limited and Vigers Appraisal and Consulting Limited, to determine the fair value of the investment properties as at 31 December 2021. The fair value of each investment property is individually determined at the end of each reporting period by the independent valuers. The revaluation gains or losses are included in "Other income, gains and losses – net" in the consolidated statement of profit or loss (note 6).

Description	Fair value measurements using significant unobservable inputs (Level 3)	
	2021 RMB'000	2020 RMB'000
Recurring fair value measurements		
Investment properties:		
– Office units – PRC	14,925	14,420
– Office units – Hong Kong	16,352	15,991
– Residential units – Hong Kong	6,623	6,733
	37,900	37,144

The Group's policy is to recognise transfers in/out of fair value hierarchy levels as of the date of the event or change in circumstances that caused the transfer. There were no transfers between Levels 1, 2 and 3 during the year (2020: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 INVESTMENT PROPERTIES (CONTINUED)

Fair value measurements using significant unobservable inputs (Level 3)

	Year ended 31 December 2021		
	Office units	Office units	Residential
	– PRC	– Hong Kong	units
	RMB'000	RMB'000	– Hong Kong
			RMB'000
Opening balance	14,420	15,991	6,733
Net gains from fair value adjustment	505	817	82
Exchange difference	–	(456)	(192)
Closing balance	14,925	16,352	6,623
Total changes in unrealised gains for the year as included in profit or loss for assets held at the end of the year	505	817	82

	Year ended 31 December 2020		
	Office units	Office units	Residential
	– PRC	– Hong Kong	units
	RMB'000	RMB'000	– Hong Kong
			RMB'000
Opening balance	15,020	17,916	6,987
Net (losses)/gains from fair value adjustment	(600)	(842)	130
Exchange difference	–	(1,083)	(384)
Closing balance	14,420	15,991	6,733
Total changes in unrealised (losses)/gains for the year as included in profit or loss for assets held at the end of the year	(600)	(842)	130

Valuation processes of the Group

The Group's investment properties at 31 December 2021 and 2020 were valued by independent professionally qualified valuers who hold recognised and relevant professional qualifications and have recent experience in the locations and segments of the investment properties valued. For all investment properties, their current use equates to the highest and best use.

The Group's finance department reviews the valuation performed by the independent valuer for financial reporting purposes. The Group's finance department reports directly to the senior management. At each year end, the finance department verifies all major inputs to the independent valuation report; assesses property valuation movements when compared to the prior year valuation report; and holds discussions with the independent valuer.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

17 INVESTMENT PROPERTIES (CONTINUED)

Valuation techniques

For office and residential units in the PRC and Hong Kong, the valuation was determined using the direct comparison approach. The direct comparison method is based on comparing the property to be valued directly with other comparable properties, which have recently transacted in close proximity and are adjusted for differences in key attributes such as property size. The most significant input into this valuation approach is price per square metre/foot.

There were no changes in valuation techniques during the year and all investment properties are included in level 3 fair value hierarchy as at 31 December 2021.

Description	Fair value at 31 December 2021 (RMB'000)	Valuation techniques	Unobservable inputs	Range of unobservable inputs	Relationship of unobservable inputs to fair value
Office units – PRC	14,925 (2020: 14,420)	Direct comparison approach	Adjusted average price per square metre	RMB10,000 – RMB11,000 per square metre	The higher the adjusted average price per square meter, the higher the fair value
Office units – Hong Kong	16,352 (2020: 15,991)	Direct comparison approach	Adjusted average price per square foot	RMB10,804 – RMB15,110 per square foot	The higher the adjusted average price per square foot, the higher the fair value
Residential units – Hong Kong	6,623 (2020: 6,733)	Direct comparison approach	Adjusted average price per square foot	RMB6,607 – RMB7,246 per square foot	The higher the adjusted average price per square foot, the higher the fair value

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 SUBSIDIARIES

(a) Subsidiaries

Details of the principal subsidiaries of the Company are set out in note 40.

(b) Material non-controlling interests

As at 31 December 2021, the total non-controlling interests were RMB2,961,234,000 (2020: RMB3,228,854,000).

Name of subsidiary with material non-controlling interests	Percentage of equity interests held by non-controlling interests		Non-controlling interests	
	31 December 2021	31 December 2020	31 December 2021 RMB'000	31 December 2020 RMB'000
Guangzhou North Second Ring Transport Technology Company Limited	40%	40%	1,031,170	1,347,254
Hubei Suiyuan Expressway Company Limited	30%	30%	1,161,131	1,080,545
Tianjin Jinfu Expressway Company Limited	40%	40%	168,486	204,646
Hubei A'shennan Expressway Development Company Limited	10%	10%	200,336	200,076
Hancai Expressway Company Limited of Hubei Province	33%	33%	396,771	392,992

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 SUBSIDIARIES (CONTINUED)**(b) Material non-controlling interests (Continued)**

Set out below is the summarised financial information for each subsidiary that has non-controlling interests material to the Group. The amounts disclosed are before any inter-company eliminations.

Summarised statement of financial position

	Guangzhou North Second Ring Transport Technology Company Limited		Hubei Suiyuan Expressway Company Limited		Tianjin Jinfu Expressway Company Limited		Hubei A'shennan Expressway Development Company Limited		Hancui Expressway Company Limited of Hubei Province	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Current assets	536,727	1,147,172	570,225	384,856	92,061	89,079	125,130	132,110	39,925	21,183
Current liabilities	(237,748)	(245,283)	(161,759)	(111,478)	(29,406)	(26,740)	(3,773,569)	(2,883,138)	(1,102,022)	(1,122,516)
Total net current assets/(liabilities)	298,979	901,889	408,466	273,378	62,655	62,339	(3,648,439)	(2,751,028)	(1,062,097)	(1,101,333)
Non-current assets	2,771,776	2,982,978	5,814,025	5,934,897	326,888	456,610	7,020,851	7,143,350	3,654,108	3,773,497
Non-current liabilities	(494,937)	(518,838)	(2,352,054)	(2,606,455)	(93,953)	(132,958)	(1,369,050)	(2,391,566)	(1,389,674)	(1,481,279)
Total net non-current assets	2,276,839	2,464,140	3,461,971	3,328,442	232,935	323,652	5,651,801	4,751,784	2,264,434	2,292,218
Net assets	2,575,818	3,366,029	3,870,437	3,601,820	295,590	385,991	2,003,362	2,000,756	1,202,337	1,190,885

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 SUBSIDIARIES (CONTINUED)

(b) Material non-controlling interests (Continued)
Summarised statement of profit or loss

	Guangzhou North Second Ring Transport Technology Company Limited		Hubei Suiyuan Expressway Company Limited		Tianjin Jinfu Expressway Company Limited		Hubei A'shennan Expressway Development Company Limited		Hancui Expressway Company Limited of Hubei Province	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Revenue	1,131,174	915,738	626,361	531,033	81,375	74,504	461,519	350,969	260,251	181,617
Profit/(loss) before income tax	774,399	574,861	357,991	265,150	(80,869)	10,147	43,173	(42,267)	6,594	(49,296)
Income tax (expense)/credit	(106,014)	(70,761)	(89,373)	(66,554)	20,195	(2,647)	(40,567)	(35,129)	4,858	11,009
Profit/(loss) and total comprehensive income/(loss)	668,385	504,100	268,618	198,596	(60,674)	7,500	2,606	(77,396)	11,452	(38,287)
Total comprehensive income/(loss) attributable to non-controlling interests	267,354	201,640	80,586	59,579	(24,270)	3,000	260	(7,740)	3,779	(12,635)
Dividends declared to non-controlling interests	583,438	72,086	-	-	11,890	-	-	-	-	-

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

18 SUBSIDIARIES (CONTINUED)**(b) Material non-controlling interests (Continued)
Summarised cash flows**

	Guangzhou North Second Ring Transport Technology Company Limited		Hubei Suiyuanan Expressway Company Limited		Tianjin Jinfu Expressway Company Limited		Hubei A'shennan Expressway Development Company Limited		Hancui Expressway Company Limited of Hubei Province	
	2021	2020	2021	2020	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Cash flows from operating activities										
Cash generated from operations	1,015,913	874,889	595,913	540,715	51,058	47,920	370,692	291,852	195,140	159,254
Income tax paid	(139,663)	(135,799)	(86,173)	(68,443)	(5,872)	(5,116)	-	-	(5,992)	-
Net cash generated from operating activities	876,250	739,090	509,740	472,272	45,186	42,804	370,692	291,852	189,148	159,254
Net cash used in investing activities	(25,425)	(50,554)	(253,952)	(170,686)	(6,693)	(15,344)	(116,030)	(20,413)	(22,516)	(5,846)
Net cash used in financing activities	(1,458,596)	(180,216)	(275,019)	(370,622)	(33,728)	-	(257,588)	(271,129)	(149,647)	(157,586)
Net increase/(decrease) in cash and cash equivalents	(607,771)	508,320	(19,231)	(69,036)	4,765	27,460	(2,926)	310	16,985	(4,178)
Cash and cash equivalents at 1 January	1,115,007	606,687	51,544	120,580	61,637	34,177	12,604	12,294	823	5,001
Cash and cash equivalents at 31 December	507,236	1,115,007	32,313	51,544	66,402	61,637	9,678	12,604	17,808	823

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 INVESTMENT IN A JOINT VENTURE

Movements in the Group's investment in a joint venture are set out below:

	2021 RMB'000	2020 RMB'000
At 1 January	487,605	471,055
Share of results for the year		
– profit before income tax	105,615	75,254
– income tax expense	(28,698)	(18,721)
	76,917	56,533
Dividends	(83,091)	(39,983)
At 31 December	481,431	487,605

The joint venture, Guangzhou Western Second Ring Expressway Co., Ltd., is a private company and there is no quoted market price available for its shares. There are no contingent commitments and liabilities relating to the Group's interest in the joint venture.

Summarised financial information of the joint venture is set out below:

	2021 RMB'000	2020 RMB'000
Revenue	509,220	442,428
Depreciation and amortisation	(128,736)	(122,101)
Interest income	18,049	17,753
Interest expense	(28,633)	(35,579)
Other expenses – net	(68,144)	(88,623)
Profit before income tax	301,756	213,878
Income tax expense	(81,994)	(52,355)
Profit and total comprehensive income	219,762	161,523

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

19 INVESTMENT IN A JOINT VENTURE (CONTINUED)

	2021 RMB'000	2020 RMB'000
Current		
Cash and cash equivalents	99,090	171,837
Other current assets	159,702	433,453
Total current assets	258,792	605,290
Trade payables and other current liabilities	(99,167)	(158,863)
Total current liabilities	(99,167)	(158,863)
Non-current		
Total non-current assets	1,586,475	1,729,834
Financial liabilities	(312,000)	(762,000)
Other liabilities	(58,584)	(21,104)
Total non-current liabilities	(370,584)	(783,104)
Net assets	1,375,516	1,393,157

The information above reflects the amounts presented in the financial statements of the joint venture (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the joint venture.

Reconciliation of the summarised financial information presented to the carrying amount of the Group's investment in the joint venture is set out below:

	2021 RMB'000	2020 RMB'000
Opening net assets at 1 January	1,393,157	1,345,872
Profit for the year	219,762	161,523
Dividends paid	(237,403)	(114,238)
Closing net assets at 31 December	1,375,516	1,393,157
Group's share of net assets	481,431	487,605
Carrying amount of investment in the joint venture	481,431	487,605

Details of the Group's joint venture are set out in note 40.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 INVESTMENTS IN ASSOCIATES

Movements in the Group's investments in associates are set out below:

	2021 RMB'000	2020 RMB'000
At 1 January	1,536,113	1,399,621
Share of results for the year		
– profit before income tax	240,898	86,117
– income tax expense	(54,024)	(18,295)
	186,874	67,822
Capital injection	–	75,960
Subscription	639,000	–
Dividends	(154,304)	(7,290)
Impairment	(128,186)	–
At 31 December	2,079,497	1,536,113

There are no contingent liabilities relating to the Group's interests in associates.

On 14 December 2021, the Group completed the spin-off and separate listing of Hubei Han Xiao Highway Construction and Operations Company Limited ("Project Company") on the Shenzhen Stock Exchange ("SZSE") through the establishment of the Real Estate Investment Trust ("REIT") as a close-ended publicly-listed infrastructure securities investment fund. Upon completion of the spin-off, the interests of the Group in the Project Company will be effectively reduced from 100% to 30%. The 30% interest in the REIT amounting to RMB639,000,000 was initially considered as the Group's investment in an associate and was subsequently accounted for using the equity method.

The forecast future toll traffic volume and toll revenue of Guangdong Humen Bridge Co., Ltd. are expected to record a decrease and will not meet expectations, which was mainly due to the overhaul of Humen Bridge and diversion of Shenzhong tunnel and Shiziyang tunnel in the coming years. The Group has performed an impairment assessment on investments in Guangdong Humen Bridge Co., Ltd. with carrying amount of RMB463,270,000. The recoverable amounts of the cash-generating units have been determined based on value-in-use and fair value less costs of disposal calculations. The calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating units to which the investments in associates belong and the use of suitable discount rates in order to calculate the present value. When the carrying amount of the cash-generating unit exceeds its value-in-use, the Group also assesses its fair value less costs of disposal to determine the cash-generating unit's recoverable amount, which is the higher of its fair value less costs of disposal and value-in-use. The recoverable amount of the investments was determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by management covering the remaining concession period of Guangdong Humen Bridge Co., Ltd. with budgeted revenue growth rate of –18% to 10% per annum excluding the growth rates in the year of performing significant repair and maintenance. The pre-tax discount rate applied to the cash flow projections was 15.1%. There have been no subsequent changes in the valuation methods used in the prior year.

As at 31 December 2021, based on the impairment review results, the carrying amount of the net investment has been reduced to its recoverable amount of RMB335,084,000 through recognition of an impairment loss of RMB128,186,000 against investments in associates for the current year, following a reduction in the future cash flow projection of Guangdong Humen Bridge Co., Ltd which has been taken into account the following development: (i) decrease in the expected profitability due to the overhaul of Humen Bridge; and (ii) the diversion of Shenzhong tunnel and Shiziyang tunnel.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 INVESTMENTS IN ASSOCIATES (CONTINUED)

This impairment loss has been included in “other income, gains and losses – net” in the consolidated statement of profit or loss.

The following describes each key assumption on which management has based its cash flow projections to undertake impairment testing of intangible operating right:

Budgeted revenue growth rates – The revenue growth rates were projected by an independent traffic consultant based on traffic survey, historic traffic data, historic economic indices and expected toll network development at nearby areas.

Discount rate – The discount rate was determined by an independent professional valuer with reference to risk-free rate, data of toll road operators, market risk premium and other specific adjustments applicable to the Group.

The values assigned to the key assumptions on market development and discount rate are consistent with external information sources.

The following table illustrates the aggregate financial information of the Group’s associates that are not individually material:

	2021 RMB'000	2020 RMB'000
Share of the associates’ profit for the year	26	–
Share of the associates’ total comprehensive income	26	–
Aggregate carrying amount of the Group’s investments in the associates	639,026	–

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 INVESTMENTS IN ASSOCIATES (CONTINUED)

Summarised financial information of the investments in associates that are material to the Group is set out below:

	Guangdong Humen Bridge Co., Ltd.		Guangdong Qinglian Highway Development Co., Ltd.		Guangdong Northring Super Highway Co., Ltd.		Guangdong Shantou Bay Bridge Co., Ltd.		Guangzhou Pazhou Port Co., Ltd.	
	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000	2021 RMB'000	2020 RMB'000
Revenue	890,214	468,141	879,347	664,674	750,649	574,218	189,628	135,918	-	-
Profit/(loss) and total comprehensive income/(loss)	368,478	75,349	122,318	(33,049)	286,651	180,504	99,148	58,710	(20,946)	(15,055)
Capital injection	-	-	-	-	-	-	-	-	-	168,800
Dividends declared from the associates	(68,166)	-	-	-	(35,710)	(7,290)	(50,428)	-	-	-
Assets:										
Non-current assets	1,812,793	1,674,713	5,708,724	6,107,636	263,682	400,778	215,918	234,051	246,311	130,987
Current assets	240,850	152,885	137,393	99,630	909,525	462,305	76,549	116,745	32,799	32,904
	2,053,643	1,827,598	5,846,117	6,207,266	1,173,207	863,083	292,467	350,796	279,110	163,891
Liabilities:										
Non-current liabilities	(466,941)	(326,033)	(2,659,773)	(3,368,819)	(7,891)	(2,249)	(37,673)	(41,560)	(136,057)	-
Trade payables and other current liabilities	(139,368)	(170,453)	(196,834)	(171,255)	(273,725)	(108,935)	(38,387)	(23,884)	(254)	(146)
	(606,309)	(496,486)	(3,056,607)	(3,540,074)	(281,616)	(111,184)	(76,060)	(65,444)	(136,311)	(146)
Net assets	1,447,334	1,331,112	2,789,510	2,667,192	891,591	751,899	216,407	285,352	142,799	163,745

The information above reflects the amounts presented in the financial statements of the associates (and not the Group's share of those amounts) adjusted for differences in accounting policies between the Group and the associates.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

20 INVESTMENTS IN ASSOCIATES (CONTINUED)

Reconciliation of the summarised financial information presented to the carrying amount of the Group's investments in associates that are material to the Group is set out below:

	Guangdong		Guangdong		Guangdong		Guangdong		Guangdong		Guangzhou		
	Humen Bridge Co., Ltd.	Qinglian Highway Development Co., Ltd.	Northring Super Highway Co., Ltd.	Shantou Bay Bridge Co., Ltd.	Pazhou Port Co., Ltd.	2021	2020	2021	2020	2021	2020	2021	2020
	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000	RMB'000
Opening net assets at 1 January	1,331,112	2,667,192	2,700,241	751,899	601,395	285,352	226,642	163,745	10,000				
Profit/(loss) for the year	368,478	122,318	(33,049)	286,651	180,504	99,147	58,710	(20,946)	(15,055)				
Capital injection	-	-	-	-	-	-	-	-	168,800				
Dividends	(252,256)	-	-	(146,956)	(30,000)	(168,092)	-	-	-				
Closing net assets at 31 December	1,447,334	2,789,510	2,667,192	891,594	751,899	216,407	285,352	142,799	163,745				
Group's share of net assets	369,585	659,160	630,256	216,677	182,728	64,922	85,607	64,260	73,685				
Goodwill (less cumulative impairment)	-	-	-	-	-	-	106,073	-	-				
Provision for impairment losses	(34,502)	(5,702)	(5,702)	-	-	-	-	-	-				
Carrying amount of investments in the associates	335,081	653,458	624,554	216,677	182,728	170,995	191,680	64,260	73,685				

Details of the Group's associates are set out in note 40.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

21 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2021 RMB'000	2020 RMB'000
Trade receivables	153,028	204,361
Other receivables, deposits and prepayments	139,963	157,678
	292,991	362,039

As at 31 December 2021, trade receivables were all aged below 30 days (2020: 30 days) by invoice date.

The Group's revenue is generally settled in cash and it usually does not maintain any account balances owing. The trade receivables represented amounts due from local transport departments which collected the toll revenue for all operating entities due to the implementation of unified toll collection policy on expressways and highways in China. The settlement period is normally within a month.

The carrying amounts of trade and other receivables and deposits approximated to their fair values and were mainly denominated in RMB. The trade and other receivables are measured at amortised cost.

22 CASH AND CASH EQUIVALENTS

	2021 RMB'000	2020 RMB'000
Cash at banks and in hand	1,634,014	1,494,229
Short-term bank deposits with original maturities of less than three months	1,284,560	21,775
Cash and cash equivalents	2,918,574	1,516,004

Cash and cash equivalents are denominated in the following currencies:

	2021 RMB'000	2020 RMB'000
Renminbi	2,913,158	1,486,916
HK dollars	5,416	29,087
US dollars	-	1
	2,918,574	1,516,004

Cash at banks earns interest at floating rates based on daily bank deposit rates. Short term time deposits are made for varying periods of between one day and three months depending on the immediate cash requirements of the Group and earn interest at the respective short term time deposit rates. The bank balances are deposited with creditworthy banks with no recent history of default.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

23 SHARE CAPITAL

	2021		2020	
	Number of shares	RMB'000	Number of shares	RMB'000
Issued and fully paid:				
Ordinary shares of RMB0.08805 each	1,673,162,295	147,322	1,673,162,295	147,322

24 RESERVES

	Share premium	Capital reserve	Share option reserve	Exchange fluctuation reserve	Statutory reserves	Hedging reserve	Retained profits	Asset revaluation reserve	Transaction with non-controlling interests	Total
	RMB'000	(note (a)) RMB'000	(note 32) RMB'000	RMB'000	(note (b)) RMB'000	RMB'000	RMB'000	(note (c)) RMB'000	RMB'000	RMB'000
Balance at 1 January 2021	2,375,743	1,501,716	-	404,153	400,383	4,260	5,098,799	558,250	(65,735)	10,277,569
Profit for the year	-	-	-	-	-	-	1,464,984	-	-	1,464,984
Currency translation differences	-	-	-	276	-	-	-	-	-	276
Cash flow hedges										
– movement in hedging reserve	-	-	-	-	-	(3,605)	-	-	-	(3,605)
Transfers	-	-	-	-	34,080	-	(34,080)	-	-	-
Equity-settled share option arrangements	-	-	995	-	-	-	-	-	-	995
Dividends										
– 2020 final dividend (note 12)	-	-	-	-	-	-	(96,090)	-	-	(96,090)
– 2021 interim dividend (note 12)	-	-	-	-	-	-	(279,936)	-	-	(279,936)
Balance at 31 December 2021	2,375,743	1,501,716	995	404,429	434,463	655	6,153,677	558,250	(65,735)	11,364,193

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

24 RESERVES (CONTINUED)

	Share premium RMB'000	Capital reserve (note (a)) RMB'000	Exchange fluctuation reserve RMB'000	Statutory reserves (note (b)) RMB'000	Hedging reserve RMB'000	Retained profits RMB'000	Asset revaluation reserve (note (c)) RMB'000	Transaction with non- controlling interests reserve RMB'000	Total RMB'000
Balance at 1 January 2020	2,375,743	1,501,716	403,561	229,362	(2,377)	5,423,813	558,250	(65,735)	10,424,333
Profit for the year	-	-	-	-	-	160,491	-	-	160,491
Currency translation differences	-	-	592	-	-	-	-	-	592
Cash flow hedges – movement in hedging reserve	-	-	-	-	6,637	-	-	-	6,637
Transfers	-	-	-	171,021	-	(171,021)	-	-	-
Dividends – 2019 final dividend (note 12)	-	-	-	-	-	(314,484)	-	-	(314,484)
Balance at 31 December 2020	2,375,743	1,501,716	404,153	400,383	4,260	5,098,799	558,250	(65,735)	10,277,569

Notes:

- (a) Capital reserve represents the difference between the nominal value of the shares/registered capital of the subsidiaries acquired and the nominal value of the shares issued by Kiu Fung Limited, a subsidiary of the Company, as consideration of the acquisition in 1996.
- (b) Statutory reserves represent enterprise expansion and general reserve funds appropriated by the operating subsidiaries, associates and a joint venture in the PRC. As stipulated by regulations in the PRC, the Company's subsidiaries, associates and a joint venture established and operated in the PRC are required to appropriate a portion of their after-tax profits (after offsetting prior year losses) to the enterprise expansion and general reserve funds, at rates determined by their respective Boards of Directors. According to the Regulations for the Implementation of the Law of The People's Republic of China on Joint Ventures Using Chinese and Foreign Investment, upon approval by the Board, the general reserve funds may be used for making up losses and increasing capital while the enterprise expansion fund may be used for increasing capital.
- (c) The asset revaluation reserve represents the fair value gain on revaluation of the 40% equity interest in GNSR Expressway Company Limited held by the Group as an associate in 2007 prior to the Group's further acquisition of an additional 20% equity interest to become a subsidiary.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

25 BORROWINGS

	2021 RMB'000	2020 RMB'000
Bank borrowings	9,590,774	12,874,275
Other borrowing	200,000	200,000
Loan from a joint venture	52,500	147,000
Loans from non-controlling interests of certain subsidiaries	72,287	77,668
Interest payable	15,766	–
Total borrowings	9,931,327	13,298,943
Less: Amounts due within one year as shown under current liabilities	(2,318,081)	(977,300)
Total non-current borrowings	7,613,246	12,321,643

- (a) As at 31 December 2021, the Group's borrowings were repayable as follows:

	2021 RMB'000	2020 RMB'000
Within one year	2,318,081	977,300
Between one and two years	2,109,083	1,983,398
Between two and five years	2,533,955	5,434,512
Later than five years	2,970,208	4,903,733
	9,931,327	13,298,943

- (b) Bank borrowings of RMB4,659,890,000 (2020: RMB7,523,749,000) are secured by intangible operating rights (note 13) of the Group. All bank borrowings are interest-bearing at rates ranging from 1.80% to 4.90% (2020: 3.35% to 4.90%) per annum. The effective interest rate of these borrowings at 31 December 2021 is 4.06% (2020: 4.08%).
- (c) The other borrowing is unsecured, interest-bearing at a rate of 6.4% (2020: 6.4%) per annum and repayable within one year.
- (d) Loan from a joint venture is unsecured, interest-bearing at an annual rate of the People's Bank of China Benchmark Interest Rate minus 10% and is repayable within one year.
- (e) Loans from non-controlling interests of certain subsidiaries are unsecured and interest-free. The carrying amounts of these interest-free loans approximate to their fair values which are calculated based on cash flows discounted at a rate of 4.35% (2020: 4.35%) per annum.
- Loans from non-controlling interests of certain subsidiaries are repayable between one and six years except for a loan of RMB10,000,000 which is due within one year.
- (f) The borrowings are denominated in RMB(2020: RMB), except for bank borrowings of approximately RMB245,109,000 (2020: RMB419,810,000) which are denominated in HKD.
- (g) Interest payables accrued were included in "Borrowings", which were included in "Trade and other payables and accrued charges" in previous years. The comparative figure of interest payable of RMB19,575,000 was not restated.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

26 CONTRACT LIABILITIES AND DEFERRED REVENUE

Contract liabilities and deferred revenue are mainly related to fees received in advance from contractors relating to operation of service areas and petrol stations along the toll highway for the remaining 1 to 21 years.

	2021 RMB'000	2020 RMB'000
At 1 January	355,169	373,522
Addition	6,104	–
Credited to “Revenue”	(23,116)	(18,353)
At 31 December	338,157	355,169
Less: non-current portion	(312,584)	(332,860)
Current portion	25,573	22,309

As at 31 December 2021, the Group expects that the transaction price allocated to unsatisfied performance obligation for income from service area and gas station of RMB359,460,000 will be recognised as income from service area and gas station from 2022 onwards.

27 DEFERRED INCOME TAX

Deferred income tax is calculated in full on temporary differences under the liability method using the applicable income tax rate.

	2021 RMB'000	2020 RMB'000
Deferred income tax assets:		
Deferred income tax assets to be recovered after 12 months	47,813	64,485
Deferred income tax assets to be recovered within 12 months	12,645	28,290
	60,548	92,775
Deferred income tax liabilities:		
Deferred income tax liabilities to be recovered after 12 months	3,089,105	3,263,210
Deferred income tax liabilities to be recovered within 12 months	17,822	130,138
	3,106,927	3,393,348
Deferred income tax liabilities (net)	3,046,469	3,300,573

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 DEFERRED INCOME TAX (CONTINUED)

The gross movement in the deferred income tax account is as follows:

	2021 RMB'000	2020 RMB'000
At 1 January	3,300,573	3,244,298
Charged/(credited) to the consolidated statement of profit or loss (note 10)	(55,314)	56,275
Disposal of a subsidiary (note 33)	(187,061)	-
Others	(11,729)	-
At 31 December	3,046,469	3,300,573

Deferred income tax liabilities

	Withholding tax on dividend distributed for reinvestment RMB'000	Withholding tax on undistributed profits of subsidiaries and associates RMB'000	Fair value gain on interest in toll highway arising from acquisition of subsidiaries RMB'000	Accelerated tax amortisation of intangible operating rights RMB'000	Fair value gain on investment properties RMB'000	Total RMB'000
At 1 January 2021	35,000	76,435	2,569,582	712,227	104	3,393,348
Charged/(credited) to the consolidated statement of profit or loss (note 10)	-	17,816	(130,548)	74,468	125	(38,139)
Transferred to current income tax expenses for dividends declared	-	(61,221)	-	-	-	(61,221)
Disposal of a subsidiary (note 33)	-	-	(115,512)	(71,549)	-	(187,061)
At 31 December 2021	35,000	33,030	2,323,522	715,146	229	3,106,927
At 1 January 2020	35,000	53,516	2,658,230	655,484	254	3,402,484
Charged/(credited) to the consolidated statement of profit or loss (note 10)	-	29,054	(88,648)	56,743	(150)	(3,001)
Transferred to current income tax expenses for dividends declared	-	(6,135)	-	-	-	(6,135)
At 31 December 2020	35,000	76,435	2,569,582	712,227	104	3,393,348

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

27 DEFERRED INCOME TAX (CONTINUED)

Deferred income tax assets

	Deferred income RMB'000	Accelerated accounting amortisation of intangible operating rights RMB'000	Tax losses RMB'000	Total RMB'000
At 1 January 2021	–	(21,308)	(71,467)	(92,775)
Charged to the consolidated statement of profit or loss (note 10)	–	21,308	22,738	44,046
Others	(11,729)	–	–	(11,729)
At 31 December 2021	(11,729)	–	(48,729)	(60,548)
At 1 January 2020	–	(86,719)	(71,467)	(158,186)
Charged to the consolidated statement of profit or loss (note 10)	–	65,411	–	65,411
At 31 December 2020	–	(21,308)	(71,467)	(92,775)

For presentation purposes, certain deferred tax assets and liabilities have been offset in the statement of financial position.

28 NOTES PAYABLE

	2021 RMB'000	2020 RMB'000
Notes payable	3,493,891	2,492,974
Notes interest payable	78,342	–
Total notes payable	3,572,233	2,492,974
Less: amounts due within one year shown under current liabilities	(1,074,013)	–
Total non-current notes payable	2,498,220	2,492,974

On 2 December 2019, the Group issued 2019 Phase I Medium Term Notes with a coupon rate of 3.58% per annum due December 2022 for an aggregate principal amount of RMB1,000,000,000 (the “2019 Phase I Notes”). The 2019 Phase I Notes were issued at 100% of the aggregate nominal amount with interest payable annually.

On 13 January 2020, the Group issued 2020 Phase I Medium Term Notes with a coupon rate of 3.47% per annum due January 2023 for an aggregate principal amount of RMB1,000,000,000 (the “2020 Phase I Notes”). The 2020 Phase I Notes were issued at 100% of the aggregate nominal amount with interest payable annually.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

28 NOTES PAYABLE (CONTINUED)

On 17 August 2020, the Group issued 2020 Phase II Medium Term Notes with a coupon rate of 3.54% per annum due August 2023 for an aggregate principal amount of RMB500,000,000 (the “2020 Phase II Notes”). The 2020 Phase II Notes were issued at 100% of the aggregate nominal amount with interest payable annually.

On 28 January 2021, the Group issued 2021 Phase I Medium Term Notes with a coupon rate of 3.78% per annum due January 2026 for an aggregate principal amount of RMB1,000,000,000 (the “2021 Phase I Notes”). The 2021 Phase I Notes were issued at 100% of the aggregate nominal amount with interest payable annually. The Company shall be entitled to adjust the coupon rate, and the holders shall be entitled to sell back the relevant notes to the Company, at the end of the third year.

The 2019 Phase I Notes, 2020 Phase I Notes, 2020 Phase II Notes and 2021 Phase I Notes (collectively, the “Notes”) were recognised initially at fair values. Note issuance costs directly attributable were capitalised and amortised over the estimated term of the Notes using the effective interest method.

The effective interest rate for the Notes is 3.80% (31 December 2020: 3.73%) per annum, which includes the interest charged on the Notes as well as amortisation of the capitalised cost on issuance of the Notes. The Group recognised interest expense of RMB127,402,000 (31 December 2020: RMB78,819,000) on the Notes for the year ended 31 December 2021.

Notes interest payable accrued were included in “Notes payable”, which were included in “Trade and other payables and accrued charges” in previous years. The comparative figures of interest payable of RMB43,338,000 was not restated.

29 CORPORATE BONDS

	2021 RMB'000	2020 RMB'000
Corporate bonds	3,112,693	1,909,152
Bonds interest payable	73,932	–
Total corporate bonds	3,186,625	1,909,152
Less: amounts due within one year shown under current liabilities	(73,932)	(1,909,152)
Total non-current corporate bonds	3,112,693	–

The Company received the Approval Document Zheng Jian Xu Ke No. [2016] 522 and the Approval Document Zheng Jian Xu Ke No. [2016] 1530 from the China Securities Regulatory Commission (“CSRC”) on 16 March 2016 and 8 July 2016, respectively, approving the application of the Company for a public issue of corporate bonds in an aggregate principal amount of up to RMB1,000,000,000 and RMB2,000,000,000, respectively, to the qualified investors in the PRC.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 CORPORATE BONDS (CONTINUED)

The first phase of 2016 corporate bonds (“First Phase 2016 Corporate Bonds”) to qualified investors in the PRC were drawn down on 22 March 2016. The First Phase 2016 Corporate Bonds were issued in two tranches:

- i. five-year corporate bonds of RMB300,000,000 with a coupon rate of 2.85% per annum; the Company shall be entitled to adjust the coupon rate and has the right to redeem the relevant corporate bonds, and the investors shall be entitled to sell back the relevant corporate bonds to the Company, at the end of the third year; and
- ii. seven-year corporate bonds of RMB700,000,000 with a coupon rate of 3.38% per annum; the Company shall be entitled to adjust the coupon rate and has the right to redeem the relevant corporate bonds, and the investors shall be entitled to sell back the relevant corporate bonds to the Company, at the end of the fifth year.

During the year ended 31 December 2019, the Company adjusted the coupon rate of the five-year corporate bonds of the First Phase 2016 Corporate Bonds from 2.85% to 4.10%, and part of the investors sold back the relevant corporate bonds of RMB10,000,000 to the Company.

On 22 March 2021, the first tranche of the corporate bonds of a principal amount of RMB290,000,000 issued on 22 March 2016 have been fully paid off.

The second phase of 2016 corporate bonds (“Second Phase 2016 Corporate Bonds”) to qualified investors in the PRC were drawn down on 28 October 2016. The Second Phase 2016 Corporate Bonds were issued in two tranches:

- i. five-year corporate bonds of RMB200,000,000 with a coupon rate of 2.90% per annum; the Company shall be entitled to adjust the coupon rate and has the right to redeem the relevant corporate bonds, and the investors shall be entitled to sell back the relevant corporate bonds to the Company, at the end of the third year; and
- ii. seven-year corporate bonds of RMB800,000,000 with a coupon rate of 3.18% per annum; the Company shall be entitled to adjust the coupon rate and has the right to redeem the relevant corporate bonds, and the investors shall be entitled to sell back the relevant corporate bonds to the Company, at the end of the fifth year.

During the year ended 31 December 2021, the Company has adjusted the coupon rate of the seven-year corporate bonds of the Second Phase 2016 Corporate Bonds from 3.38% to 3.60%, and part of the investors has sold back the relevant corporate bonds of RMB1,003,000,000 to the Company.

During the year ended 31 December 2019, the Company has adjusted the coupon rate of the five-year corporate bonds of Second Phase 2016 Corporate Bonds from 2.90% to 3.60%, and part of the investors sold back the relevant corporate bonds of RMB80,000,000 to the Company.

The Company received the Approval Document Zheng Jian Xu Ke No. [2020] 1004 from the CSRC on 26 May 2020, approving the application of the Company for a public issue of corporate bonds in an aggregate principal amount of up to RMB2,500,000,000 to the qualified investors in the PRC.

The first phase of 2021 corporate bonds (“First Phase 2021 Corporate Bonds”) to qualified investors in the PRC were drawn down on 25 January 2021. The First Phase 2021 Corporate Bonds were issued with five-year corporate bonds of RMB1,000,000,000 with a coupon rate of 3.63% per annum; the Company shall be entitled to adjust the coupon rate and has the right to redeem the relevant corporate bonds, and the investors shall be entitled to sell back the relevant corporate bonds to the Company, at the end of the third year.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

29 CORPORATE BONDS (CONTINUED)

The second phase of 2021 corporate bonds (“Second Phase 2021 Corporate Bonds”) to qualified investors in the PRC were drawn down on 13 May 2021. The Second Phase 2021 Corporate Bonds were issued in two tranches:

- i five-year corporate bonds of RMB1,000,000,000 with a coupon rate of 3.48% per annum; the Company shall be entitled to adjust the coupon rate and has the right to redeem the relevant corporate bonds, and the investors shall be entitled to sell back the relevant corporate bonds to the Company, at the end of the third year; and
- ii seven-year corporate bonds of RMB500,000,000 with a coupon rate of 3.84% per annum; the Company shall be entitled to adjust the coupon rate and has the right to redeem the relevant corporate bonds, and the investors shall be entitled to sell back the relevant corporate bonds to the Company, at the end of the fifth year.

The First Phase 2016 Corporate Bonds, Second Phase 2016 Corporate Bonds, First Phase 2021 Corporate Bonds, and Second Phase 2021 Corporate Bonds (Collectively, “Corporate Bonds”) were recognised initially at fair values. Debt issuance costs directly attributable were capitalised and amortised over the estimated term of the facilities using the effective interest method.

The effective interest rate for the Corporate Bonds is 3.65% (2020: 3.55%) per annum, which includes the interest charged on the Corporate Bonds as well as amortisation of the debt issuance cost. The Group recognised interest expense of RMB107,965,000 (2020: RMB67,087,000) on the Corporate Bonds for the year ended 31 December 2021.

Bonds interest payable accrued were included in “Corporate bond”, which were included in “Trade and other payables and accrued charges” in previous years. The comparative figure of interest payable of RMB33,361,000 was not restated.

30 DERIVATIVE FINANCIAL INSTRUMENTS

	2021 RMB'000	2020 RMB'000
Non-current liabilities		
Foreign exchange forward contracts – cash flow hedges	–	(13,365)
Current liabilities		
Foreign exchange forward contracts – cash flow hedges	(26,758)	(10,677)

The notional principal amount of the outstanding foreign exchange forward contracts designated as cash flow hedges as at 31 December 2021 was HKD300,000,000 (2020: HKD500,000,000). The foreign exchange forward contracts have been assessed as highly effective hedging instruments for the HKD denominated borrowings of the Group.

Changes in fair values of derivative financial instruments are included in “Finance income/(costs)” in the consolidated statement of profit or loss (note 9).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

31 TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	2021 RMB'000	2020 RMB'000
Trade payables	60,768	73,232
Other payables and accrued charges	688,368	789,828
Construction related accruals and payables	241,793	356,302
	990,929	1,219,362

The ageing analysis of trade payables and construction related accruals and payables by invoice date is as follows:

	2021 RMB'000	2020 RMB'000
0–30 days	44,580	162,111
31–90 days	23,032	43,679
Over 90 days	234,949	223,744
	302,561	429,534

32 SHARE OPTION SCHEME

The Company operates a share option scheme (the “Scheme”) for the purpose of providing incentives and rewards to eligible participants who contribute to the success of the Group’s operations and/or to enable the Group to recruit and retain high calibre employees and attract human resources that are valuable to the Group and any invested entity. Eligible participants of the Scheme include any employee (whether full-time or part-time) or director of any member of the Group, other than an (i) any person who is an independent non-executive director of any member of the Group and/or (ii) any person alone or together with his family member(s) is interested in 5% or more of the issued Shares at the time of any proposed grant; or (iii) the spouse, father, mother or child of the person referred to in (i) or (ii) above and who is not an employee of any member of the Group;. The Scheme became effective on 11 October 2021 and, unless otherwise cancelled or amended, will remain in force for 10 years from that date.

The maximum number of unexercised share options currently permitted to be granted under the Scheme is an amount equivalent, upon their exercise, to 10% of the shares of the Company in issue at any time. The maximum number of shares issuable under share options to each eligible participant in the Scheme within any 12-month period is limited to 1% of the shares of the Company in issue at any time. Any further grant of share options in excess of this limit is subject to shareholders’ approval in a general meeting.

Share options granted to a director, chief executive or substantial shareholder of the Company, or to any of their associates, are subject to approval in advance by the independent non-executive directors.

The offer of a grant of share options may be accepted on or before the date specified in the grant provided that no grant shall be open for acceptance after the expiry of the scheme period or after the Scheme has been terminated in accordance with the provisions thereof, upon payment of a nominal consideration of HKD1 in total by the grantee.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 SHARE OPTION SCHEME (CONTINUED)

The exercise period of the share options granted is determinable by the directors, and commences after a vesting period of two to five years and ends on a date which is not later than ten years from the date of offer of the share options or the expiry date of the Scheme, if earlier.

The exercise price of share options is determinable by the board of directors in its absolute discretion and shall not be less than the highest of (i) the closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets on the date of the grant, which must be a business day; (ii) the average closing price of the Company's shares as stated in the Stock Exchange's daily quotation sheets for the five trading days immediately preceding the date of offer; and (iii) the nominal value of a share of the Company.

Share options do not confer rights on the holders to dividends or to vote at shareholders' meetings.

The following share options were outstanding under the Scheme during the year:

	2021	
	Weighted average exercise price HKD per share	Number of options '000
At 1 January	–	–
Granted during the year	4.44	16,732
Forfeited during the year	4.44	(410)
At 31 December	4.44	16,322

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 SHARE OPTION SCHEME (CONTINUED)

The exercise prices and exercise periods of the share options outstanding as at the end of the reporting period are as follows:

2021

Number of options '000	Exercise price* HKD per share	Exercise period
3,538	4.43	2023-06-25 to 2031-06-25
318	4.45	2023-07-09 to 2031-07-09
104	4.68	2023-08-25 to 2031-08-25
26	4.45	2024-01-01 to 2031-07-09
26	4.68	2024-01-01 to 2031-08-25
283	4.43	2024-01-01 to 2031-06-25
3,538	4.43	2024-06-25 to 2031-06-25
104	4.45	2024-07-09 to 2031-07-09
104	4.68	2024-08-25 to 2031-08-25
3,538	4.43	2025-06-25 to 2031-06-25
104	4.45	2025-07-09 to 2031-07-09
104	4.68	2025-08-25 to 2031-08-25
283	4.43	2026-01-01 to 2031-06-25
26	4.45	2026-01-01 to 2031-07-09
26	4.68	2026-01-01 to 2031-08-25
3,538	4.43	2026-06-25 to 2031-06-25
104	4.45	2026-07-09 to 2031-07-09
104	4.68	2026-08-25 to 2031-08-25
283	4.43	2029-01-01 to 2031-06-25
26	4.45	2029-01-01 to 2031-07-09
26	4.68	2029-01-01 to 2031-08-25
69	4.43	2031-01-01 to 2031-06-25
26	4.45	2031-01-01 to 2031-07-09
24	4.68	2031-01-01 to 2031-08-25
<u>16,322</u>		

* The exercise price of the share options is subject to adjustment in the case of rights or bonus issues, or other similar changes in the Company's share capital.

The fair value of the 16,732,000 share options granted during the year was HKD15,405,000 (equivalent to RMB12,776,000), of which the Group recognised a share option expense of RMB995,000 during the year ended 31 December 2021.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 SHARE OPTION SCHEME (CONTINUED)

The fair value of equity-settled share options granted during the year ended 31 December 2021 was estimated as at 11 October 2021 using a binomial model, taking into account the terms and conditions upon which the options were granted. The following table lists the inputs to the model used:

	Options granted on 25 June 2021	Options granted on 9 July 2021	Options granted on 25 August 2021
Benchmark date	11 October 2021	11 October 2021	11 October 2021
Exercise price (HKD)	4.43	4.45	4.68
Dividend yield (%)	6.20	6.20	6.20
Expected volatility (%)	24.83	24.81	24.83
Risk-free interest rate (%)	1.30	1.30	1.30
Expected life of options (year)	9.71	9.74	9.87
Exercise multiple	2.80	2.80	2.80

Set out below are the specific assumptions for the valuation:

- (1) The valuer adopted the interest rate of the Exchange Fund Notes of Hong Kong, the period of which is similar to the option period, as the input parameter of risk-free interest rate in the computation of the fair value of the options;
- (2) The valuer assumed that there will be no material changes in both the risk-free interest rate and the annualized volatility during the option period;
- (3) The actual dividend rates in the future depend on the share prices, actual profit and dividend payout ratio in the future, such parameters were unknown as at the valuation benchmark dates. Hence, the valuer adopted the average value of the ratio of the historical share prices of the Company during 2015 to 2019 to the amount of dividend of the relevant years (being 6.20%) in estimating the expected dividend rate of the relevant options of the Company within the option period. The profits and amounts of dividends of the Company for 2020 were adversely affected by epidemic and therefore no interim dividend for 2020 had been distributed and dividend decreased substantially when compared with normal years and hence may not reflect the actual circumstances in terms of expected profit for the future. On the other hand, the valuer noted that the Company announced resumption of payment of interim dividend on 10 August 2021 (HK\$0.20 per share), the amount of which is higher than the interim dividend in each of the years in 2015 to 2019. The valuer considered that dividend rate for the entire year of 2020 was an exceptional case and has not considered the dividend rate of 2020 in setting the dividend rate;
- (4) After discussion with the management of the Company, the tenure of office of the directors or members of the senior management has four phases, namely 2021 to 2023, 2024 to 2025, 2026 to 2028 and 2029 to 2030 respectively and they are reflected in different vesting dates;
- (5) As the Company does not have historical data of exercise of options, the valuer therefore assumed that the exercise multiple of the options will be 280% of the exercise price based on its valuation experience;
- (6) The expected volatility of share price is the result of analysis based on the statistics of the daily closing prices of the shares of the Company for the past 10 years prior to the valuation benchmark dates. The calculation is based on the assumption that there is no material difference between the expected volatility and historical volatility of the relevant shares during the option period;

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

32 SHARE OPTION SCHEME (CONTINUED)

- (7) The trading days per annum will be 260 days;
- (8) The exit rate of the holders of options after the vesting of the options will be 0% per annum;
- (9) The valuation has not taken into account the future alteration in the capital structure of the Company during the option period, such as issue of new shares or grant of share options after the valuation benchmark dates since alteration in the capital structure in future was unforeseeable as at the valuation benchmark dates; and
- (10) The valuer assumed that there were no hidden or unexpected conditions associated with the assets or liabilities of the Company that might adversely affect the reported value.

No other feature of the options granted was incorporated into the measurement of fair value.

At the end of the year, the Company had 16,322,000 share options outstanding under the Scheme. The exercise in full of the outstanding share options would, under the present capital structure of the Company, result in the issue of 16,322,000 additional ordinary shares of the Company and additional share capital of HKD72,469,680 (before issue expenses).

At the date of approval of these financial statements, the Company had 16,322,000 share options outstanding under the Scheme, which represented approximately 0.98% of the Company's shares in issue as at that date.

33 DISPOSAL OF A SUBSIDIARY

During the year, the Group completed the spin-off of Hubei Hanxiao Expressway for the public offering of REIT and had it listed in Shenzhen Stock Exchange on 14 December 2021. Hubei Hanxiao Expressway was no longer a subsidiary of the Group after the completion of the spin-off.

	Notes	2021 RMB'000
Net assets disposed of:		
Intangible operating rights	13	1,544,428
Property, plant and equipment	15(a)	2,361
Other intangible assets	16	4
Trade receivables		23,531
Other receivables, deposits and prepayments		1,225
Cash and cash equivalents		97,443
Borrowings		(350,000)
Deferred income tax liabilities	27	(187,061)
Trade and other payables and accrued charges		(31,570)
Current income tax liabilities		(5,201)
Amount due to a holding company		(45,678)
		1,049,482
Goodwill	14	118,042
		1,167,524
Gain on disposal of a subsidiary	6	960,976
		2,128,500
Satisfied by:		
Cash		2,128,500

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

33 DISPOSAL OF A SUBSIDIARY (CONTINUED)

An analysis of the net inflow of cash and cash equivalents in respect of the disposal of a subsidiary is as follows:

	2021 RMB'000
Cash consideration	2,128,500
Cash and bank balances disposed of	(97,443)
Net inflow of cash and cash equivalents in respect of the disposal of a subsidiary	<u>2,031,057</u>

34 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS

(a) Reconciliation of operating profit to cash generated from operations:

	Notes	2021 RMB'000	2020 RMB'000
Operating profit		2,653,702	1,337,464
Amortisation of intangible operating rights	13	1,061,270	949,918
Amortisation of other intangible asset	16	1,884	–
Depreciation of			
– property, plant and equipment	15(a)	13,844	16,053
– right-of-use assets	15(b)	11,001	10,187
Fair value (gains)/losses on investment properties	17	(1,404)	1,312
Impairment losses on intangible operating rights	13	97,302	–
Impairment losses on investments in associates	20	128,186	–
Gain/(loss) on disposal of property, plant and equipment	6	211	(720)
Gain on disposal of a subsidiary	6, 33	(960,976)	–
Contract liabilities and deferred income	26	(23,116)	(18,353)
Equity-settled share option expense		995	–
Operating cash flows before working capital changes		<u>2,982,899</u>	2,295,861
Changes in working capital:			
– decrease/(increase) in trade and other receivables, deposits and prepayments		25,053	(27,985)
– (increase)/decrease in amounts due from associates		(45,678)	27,729
– increase in trade and other payables and accrued charges		98,272	27,629
– addition of contract liabilities and deferred income		6,104	–
– decrease in an amount due to a joint venture		–	(2,298)
– increase/(decrease) in amounts due to holding companies		2,460	(178)
Cash generated from operations		<u>3,069,110</u>	2,320,758

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

34 NOTES TO THE CONSOLIDATED STATEMENT OF CASH FLOWS (CONTINUED)

(b) Reconciliation of liabilities arising from financing activities:

2021

	Borrowings RMB'000	Notes payable RMB'000	Corporate bonds RMB'000	Lease liabilities RMB'000
Balance as at 31 December 2020	13,298,943	2,492,974	1,909,152	30,021
Changes from financing cash flows	(3,032,573)	996,719	1,201,458	(11,915)
Disposal of a subsidiary (note 33)	(350,000)	–	–	–
Foreign exchange adjustments	(7,517)	–	–	–
Other non-cash movements	22,474	82,540	76,015	3,338
Balance as at 31 December 2021	9,931,327	3,572,233	3,186,625	21,444

2020

	Borrowings RMB'000	Notes payable RMB'000	Corporate bonds RMB'000	Lease liabilities RMB'000
Balance as at 31 December 2019	15,439,299	996,522	1,907,554	10,838
Changes from financing cash flows	(2,125,219)	1,493,828	–	(11,472)
Foreign exchange adjustments	(26,998)	–	–	–
Other non-cash movements	11,861	2,624	1,598	30,655
Balance as at 31 December 2020	13,298,943	2,492,974	1,909,152	30,021

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

35 CONSTRUCTION INCOME/(COSTS) UNDER SERVICE CONCESSION UPGRADE SERVICES

The construction income/(costs) associated with the construction and upgrade services provided under the service concessions recognised for the year are as follows:

	2021 RMB'000	2020 RMB'000
Construction income under service concession upgrade services	179,847	307,235
Construction costs under service concession upgrade services	(179,847)	(307,235)

Construction income is recognised over time.

As at 31 December 2021, the Group expects that the transaction price allocated to unsatisfied performance obligation for construction income under service concession upgrade of RMB75,895,000 will be recognised as construction income from 2022 onwards.

36 COMMITMENTS

(a) Capital commitments

	2021 RMB'000	2020 RMB'000
Contracted but not provided for Upgrade and construction of toll expressways under concession arrangements and construction of port	192,311	159,706
	192,311	159,706

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 RELATED PARTY TRANSACTIONS

(a) Related parties

The Company's Directors regard 廣州越秀集團股份有限公司 (Guangzhou Yue Xiu Holdings Limited) ("GZYX") (incorporated in the PRC) as its ultimate holding company and the Guangzhou City Government as its ultimate controlling party.

The table set forth below summarises the names of related parties, with whom the Group has significant transactions during the year, and their relationship with the Company as at 31 December 2021:

Significant related parties	Relationship with the Company
Yue Xiu Enterprises (Holdings) Limited ("Yue Xiu")	A wholly-owned subsidiary of the ultimate holding company
Yuexiu Property Company Limited ("Yuexiu Property")	A fellow subsidiary
Artform Investment Limited ("Artform")	A fellow subsidiary
Chong Hing Bank Limited ("Chong Hing Bank")	A fellow subsidiary
Chong Hing Insurance Co., Ltd ("Chong Hing Insurance")	A fellow subsidiary
Guangzhou Yuexiu City Construction Jones Lang LaSalle Property Management Co., Ltd. ("YX Jones Lang LaSalle")	A fellow subsidiary
Guangzhou Yue Xiu Enterprises (Holding) Limited ("GZYXE")	A fellow subsidiary
Guangzhou Western Second Ring Expressway Co., Ltd. ("GWSR")	A joint venture
Guangdong Humen Bridge Co., Ltd. ("Humen Bridge")	An associate
Guangdong Qinglian Highway Development Co., Ltd. ("Qinglian Highway")	An associate
Guangdong Shantou Bay Bridge Co., Ltd. ("Shantou Bay Bridge")	An associate
Guangzhou Northring Super Highway Co., Ltd. ("Northring")	An associate
Guangzhou Pazhou Port Company Limited ("Pazhou")	An associate
Real Estate Investment Trust for Huaxia Yuexiu Expressway ("Huaxia Yuexiu Expressway REIT")	An associate
Guangzhou Yue Xiu City Construction International Finance Center Co., Ltd. ("Yue Xiu IFC")	An associate of a fellow subsidiary

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(b) Transactions with related parties

In addition to the transactions detailed elsewhere in these financial statements, the Group had the following transactions with related parties during the year:

	2021 RMB'000	2020 RMB'000
(i) Administrative service fees to Yuexiu Property	1,079	1,160
(ii) Building management fee to Yue Xiu Property Management Ltd	153	149
(iii) Building management fee to YX Jones Lang LaSalle	1,993	1,722
(iv) Interest income from Chong Hing Bank	12,605	13,593
(v) Management service income from Humen Bridge, Pazhou, Qinglian Highway, GWSR and Huaxia Yuexiu Expressway REIT	6,035	2,778
(vi) Interest expense to GWSR	5,920	6,389
(vii) Insurance expenses to Chong Hing Insurance	37	72
(viii) Guarantee fee to GZYZ	1,021	2,231
(ix) Addition of right-of-use assets from Yue Xiu IFC	–	27,896
(x) Addition of right-of-use assets from Artform	2,108	–

In June 2019, the Group entered into two foreign exchange forward contracts with Yue Xiu to purchase HKD in the amount of HKD200 million and HKD300 million respectively with RMB.

The HKD200 million forward contract was settled on 29 March 2021. The other forward contract will be settled on 29 March 2022.

The guarantee fee paid to GZYZ has been disclosed in the circular dated 16 October 2019.

(c) Balances with related parties

	2021 RMB'000	2020 RMB'000
(i) Bank balance deposited in a fellow subsidiary	654,828	649,933
(ii) Amounts due to holding companies	(2,613)	(153)
(iii) Loan from a joint venture	(52,500)	(147,000)
(iv) Loans from non-controlling interests of certain subsidiaries	(72,287)	(73,350)
(v) Amount due to a non-controlling interest of a subsidiary	(1,611)	(1,611)
(vi) Amounts due from associates	81,387	–
(vii) Lease liabilities to an associate of a fellow subsidiary	(18,378)	(29,153)
(viii) Lease liabilities to a fellow subsidiary	(1,829)	(342)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

37 RELATED PARTY TRANSACTIONS (CONTINUED)

(d) Key management compensation

	2021 RMB'000	2020 RMB'000
Salaries and other short-term benefits	9,711	10,092

Further details of directors' emoluments are included in note 39 to the financial statements.

38 STATEMENT OF FINANCIAL POSITION, RESERVE MOVEMENT, STATEMENT OF PROFIT OR LOSS, STATEMENT OF CASH FLOWS OF THE COMPANY

Note (i) Statement of financial position:

	31 December 2021 RMB'000	31 December 2020 RMB'000
ASSETS		
Non-current assets		
Property, plant and equipment	1,548	2,162
Investments in subsidiaries	5,929,459	5,928,601
Right-of-use assets	1,810	–
	5,932,817	5,930,763
Current assets		
Amounts due from subsidiaries	14,226,573	11,543,635
Deposits and prepayments	8,163	3,845
Cash and cash equivalents	374,988	75,869
	14,609,724	11,623,349
Total assets	20,542,541	17,554,112
EQUITY		
Equity attributable to the shareholders of the Company		
Share capital	147,322	147,322
Reserves (note (ii))	4,361,987	4,735,853
Total equity	4,509,309	4,883,175

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 STATEMENT OF FINANCIAL POSITION, RESERVE MOVEMENT, STATEMENT OF PROFIT OR LOSS, STATEMENT OF CASH FLOWS OF THE COMPANY (CONTINUED)

Note (i) Statement of financial position: (Continued)

	31 December 2021 RMB'000	31 December 2020 RMB'000
LIABILITIES		
Non-current liabilities		
Borrowings	849,326	1,120,120
Notes payable	2,498,220	2,492,974
Corporate bonds	3,112,693	–
Deferred income tax liabilities	35,000	35,000
Lease liabilities	1,121	–
Derivative financial instruments	–	13,365
	6,496,360	3,661,459
Current liabilities		
Borrowings	868,201	165,032
Notes payable	1,074,013	–
Corporate bonds	73,931	1,909,152
Amounts due to subsidiaries	7,468,423	6,828,474
Amounts due to holding companies	2,458	–
Other payables and accrued charges	22,380	96,143
Lease liabilities	708	–
Derivative financial instruments	26,758	10,677
	9,536,872	9,009,478
Total liabilities	16,033,232	12,670,937
Total equity and liabilities	20,542,541	17,554,112

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 STATEMENT OF FINANCIAL POSITION, RESERVE MOVEMENT, STATEMENT OF PROFIT OR LOSS, STATEMENT OF CASH FLOWS OF THE COMPANY (CONTINUED)

Note (ii) Reserve movement of the Company

	Share premium RMB'000	Share option reserve RMB'000	Contributed surplus (note) RMB'000	Hedging reserve RMB'000	Retained profits RMB'000	Total RMB'000
At 1 January 2021	2,375,743	-	1,561,564	4,260	794,286	4,735,853
Profit for the year	-	-	-	-	4,770	4,770
Cash flow hedges – movement in hedging reserve	-	-	-	(3,605)	-	(3,605)
Equity-settled share option arrangements	-	995	-	-	-	995
Dividends:						
2020 final dividend (note 12)	-	-	-	-	(96,090)	(96,090)
2021 interim dividend (note 12)	-	-	-	-	(279,936)	(279,936)
At 31 December 2021	2,375,743	995	1,561,564	655	423,030	4,361,987
At 1 January 2020	2,375,743	-	1,561,564	(2,377)	919,217	4,854,147
Profit for the year	-	-	-	-	189,553	189,553
Cash flow hedges – movement in hedging reserve	-	-	-	6,637	-	6,637
Dividends:						
2019 final dividend (note 12)	-	-	-	-	(314,484)	(314,484)
At 31 December 2020	2,375,743	-	1,561,564	4,260	794,286	4,735,853

Note:

The contributed surplus represents the difference between the nominal value of the shares issued by the Company in exchange for all the issued ordinary shares of Kiu Fung Limited and the value of net assets of the underlying subsidiaries acquired by the Company as at 30 November 1996. Under the Companies Act 1981 of Bermuda (as amended), the contributed surplus is distributable to the shareholders.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 STATEMENT OF FINANCIAL POSITION, RESERVE MOVEMENT, STATEMENT OF PROFIT OR LOSS, STATEMENT OF CASH FLOWS OF THE COMPANY (CONTINUED)

Note (iii) Statement of profit or loss of the Company

	Notes	2021 RMB'000	2020 RMB'000
Other income, gains and losses – net	(a)	250,000	400,000
General and administrative expenses	(b)	(31,946)	(31,858)
Operating profit		218,054	368,142
Finance income	(c)	97,451	109,439
Finance costs	(c)	(310,735)	(288,028)
Profit before income tax		4,770	189,553
Income tax expense		–	–
Profit for the year		4,770	189,553

Notes:

- (a) Other income, gains and losses – net

	2021 RMB'000	2020 RMB'000
Dividend income	250,000	400,000

- (b) Expenses by nature

	2021 RMB'000	2020 RMB'000
Depreciation of		
– property, plant and equipment	697	362
– right-of-use asset	362	–
Auditor's remuneration		
– Audit services	2,400	3,300
– Non-audit services	386	3,143
Legal and professional fee	13,107	2,325
Employee benefit expense (including directors' emoluments)	14,622	18,066

- (c) Finance income/(costs)

	2021 RMB'000	2020 RMB'000
Bank interest income	4,999	6,754
Intercompany loan interest income	92,452	102,685
Finance income	97,451	109,439
Interest expenses:		
– Bank borrowings	(56,862)	(45,909)
– Bank facility fees	(3,573)	(4,143)
– Notes payable (note 28)	(127,402)	(78,819)
– Corporate bonds (note 29)	(107,965)	(67,087)
– Others	(44)	(4,977)
Net other exchange loss	(14,889)	(87,093)
Finance costs	(310,735)	(288,028)

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

38 STATEMENT OF FINANCIAL POSITION, RESERVE MOVEMENT, STATEMENT OF PROFIT OR LOSS, STATEMENT OF CASH FLOWS OF THE COMPANY (CONTINUED)

Note (iv) Statement of cash flows of the Company

	2021 RMB'000	2020 RMB'000
Cash flows from operating activities		
Operating profit	218,054	368,142
Depreciation of		
– property, plant and equipment	697	697
– right-of-use asset	362	-
Operating cash flows before working capital changes	219,113	368,839
Changes in working capital:		
(Increase)/decrease in deposits and prepayments	(4,318)	4,808
Decrease in other payables and accrued charges	(14,145)	(100,563)
Increase in amounts due from subsidiaries	(2,590,486)	(7,562,530)
Increase in amounts due to subsidiaries	642,392	5,559,962
Net cash used in operating activities	(1,747,444)	(1,729,484)
Cash flows from investing activities		
Purchase of property, plant and equipment	(84)	(35)
Interest received	4,999	6,754
Net cash flows generated from investing activities	4,915	6,719
Cash flows from financing activities		
Payment of bank facility fees	(300)	(1,968)
Proceeds from bank borrowings	599,000	451,000
Proceeds from issuance of corporate bonds	2,494,458	-
Proceeds from issuance of notes	996,719	1,493,828
Repayment of corporate bonds	(1,293,000)	-
Repayment of bank borrowings	(168,396)	-
Dividend paid to shareholders of the Company	(376,026)	(314,484)
Interest paid	(207,707)	(146,167)
Payment for lease liabilities (including interest)	(496)	-
Net cash flows generated from financing activities	2,044,252	1,482,209
Net increase/(decrease) in cash and cash equivalents	301,723	(240,556)
Cash and cash equivalents at 1 January	75,869	317,278
Effect of exchange rate changes on cash and cash equivalents	(2,604)	(853)
Cash and cash equivalents at 31 December	374,988	75,869

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 BENEFITS AND INTERESTS OF DIRECTORS

(a) Directors' and chief executive's emoluments

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2021

Name of directors	Emoluments paid or receivable in respect of person's services as a director, whether of the Company or its subsidiary undertaking						Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking		Total RMB'000
	Fees RMB'000	Salaries RMB'000	Discretionary bonuses (note c) RMB'000	Housing allowance RMB'000	Estimated money value of other benefits (note d) RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	Equity- settled share option expense RMB'000	RMB'000	
Executive directors									
LI Feng	-	640	2,356	-	-	-	-	-	2,996
CHEN Jing	-	597	1,500	-	-	-	-	-	2,097
XIE Yanhui (note a)	-	240	1,139	-	52	60	-	-	1,491
CAI Minghua (note b)	-	238	868	-	55	58	30	-	1,249
	-	1,715	5,863	-	107	118	30	-	7,833
Executive director and the Chief executive									
HE Baiqing	-	507	1,079	-	329	132	80	1,277	3,404
Independent non-executive directors									
FUNG Ka Pun	220	-	-	-	-	-	-	-	220
LAU Hon Chuen Ambrose	285	-	-	-	-	-	-	-	285
CHEUNG Doi Shu	220	-	-	-	-	-	-	-	220
	725	-	-	-	-	-	-	-	725
	725	2,222	6,942	-	436	250	110	1,277	11,962

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(a) Directors' and chief executive's emoluments (Continued)

The remuneration of every director and the chief executive is set out below:

For the year ended 31 December 2020

Name of directors	Emoluments paid or receivable in respect of person's services as a director, whether of the Company or its subsidiary undertaking						Emoluments paid or receivable in respect of director's other services in connection with the management of the affairs of the Company or its subsidiary undertaking		Total RMB'000
	Fees RMB'000	Salaries RMB'000	Discretionary bonuses (note c) RMB'000	Housing allowance RMB'000	Estimated money value of other benefits (note d) RMB'000	Employer's contribution to a retirement benefit scheme RMB'000	RMB'000	RMB'000	
Executive directors									
LI Feng	—	689	1,965	—	—	—	—	—	2,654
CHEN Jing	—	643	1,215	—	—	—	—	—	1,858
XIE Yanhui (note a)	—	443	1,344	—	53	93	—	—	1,933
	—	1,775	4,524	—	53	93	—	—	6,445
Executive director and the Chief executive									
HE Baiqing	—	568	839	—	328	121	1,126	—	2,982
Independent non-executive directors									
FUNG Ka Pun	200	—	—	—	—	—	—	—	200
LAU Hon Chuen Ambrose	265	—	—	—	—	—	—	—	265
CHEUNG Doi Shu	200	—	—	—	—	—	—	—	200
	665	—	—	—	—	—	—	—	665
	665	2,343	5,363	—	381	214	1,126	—	10,092

Notes:

- (a) Appointed on 28 February 2020 and Resigned with effect from 9 July 2021.
- (b) Appointed on 9 July 2021.
- (c) Discretionary bonuses are determined based on the Group's financial performance.
- (d) Other benefits mainly include provision of accommodation.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

39 BENEFITS AND INTERESTS OF DIRECTORS (CONTINUED)

(b) Directors' retirement benefits

No retirement benefits were paid to or receivable by the directors in respect of their services as directors of the Company and its subsidiaries or other services in connection with the management of the affairs of the Company or its subsidiary undertaking (2020: Same).

(c) Directors' termination benefits

During the year, no payments or benefits in respect of the termination of directors' services were paid or made, directly or indirectly, to the directors; nor are any payable (2020: Nil).

(d) Consideration provided to third parties for making directors' services available

During the year, no consideration was provided to or receivable by third parties for making director's services available (2020: Nil).

(e) Information about loans, quasi-loans and other dealings in favour of directors, controlled bodies corporate by and connected entities with such directors

During the year, there are no loans, quasi-loans or other dealings in favour of the directors, their controlled bodies corporate and connected entities (2020: Nil).

(f) Directors' material interests in transactions, arrangements or contracts

No significant transactions, arrangements and contracts in relation to the Company's business to which the Company was a party and in which a director of the Company had a material interest, whether directly or indirectly, subsisted at the end of the year or at any time during the year (2020: Nil).

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 GROUP STRUCTURE

As at 31 December 2021, the Company held shares/interest in the following principal subsidiaries, a joint venture and associates.

Company	Place of incorporation, establishment and operation and type of legal entity	Issued and fully paid-up share capital/registered capital	Percentage of ownership interest held by the Company		Principal activities
			Direct	Indirect	
Principal subsidiaries					
Asian East Worldwide Limited	British Virgin Islands	50,000 Ordinary shares of USD1.00 each	-	100	Investment holding in Guangzhou Northring Super Highway Co., Ltd.
Bentfield Limited	British Virgin Islands	1 Ordinary share of USD1.00 each	-	100	Investment holding in Guangzhou North Second Ring Transport Technology Co., Limited
Choice Tone Limited	Hong Kong	1 Ordinary share	-	100	Investment holding in Tianjin Jinfu Expressway Co., Ltd.
Famous Kind International Limited	British Virgin Islands	1 Ordinary share of USD1.00 each	100	-	Investment holding
Grand Speed Limited	Hong Kong	1 Ordinary share	-	100	Investment holding in Guangxi Yuexiu Cangyu Expressway Co., Ltd
Guangzhou North Second Ring Transport Technology Company Limited	PRC, limited liability company	RMB900,000,000	-	60	Development and management of Guangzhou Northern Second Ring Expressway in Guangzhou
Guangzhou Suiqiao Development Company Limited	PRC, limited liability company	RMB1,000,000	-	100	Investment holding in Guangdong Humen Bridge Co., Ltd.
Guangzhou Yue Peng Information Limited	PRC, limited liability company	RMB260,000,000	-	100	Investment holding
Guangzhou Yue Da Investment Company Limited	PRC, limited liability company	RMB2,000,000,000	-	100	Investment holding
Guangzhou Yue Hong Investment Company Limited	PRC, limited liability company	RMB65,000,000	-	100	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 GROUP STRUCTURE (CONTINUED)

Company	Place of incorporation, establishment and operation and type of legal entity	Issued and fully paid-up share capital/registered capital	Percentage of ownership interest held by the Company		Principal activities
			Direct	Indirect	
Principal subsidiaries					
Guangzhou Yue Tong Expressway Operations and Management Company Limited	PRC, limited liability company	RMB301,000,000	100	–	Investment holding in Guangdong Qinglian Highway Development Company Limited
Guangzhou Yue Xin Investment Company Limited	PRC, limited liability company	RMB5,000,000	–	100	Investment holding
Guangxi Yuexiu Cangyu Expressway Company Limited	PRC, limited liability company	RMB190,925,000	–	100	Development and management of Cangyu Expressway in Guangxi
Hancai Expressway Company Limited of Hubei Province	PRC, limited liability company	RMB150,000,000	–	67	Development and management of Hancai Expressway in Hubei Province
Henan Yuexiu Weixu Expressway Company Limited	PRC, limited liability company	RMB660,754,500	–	100	Development and management of Henan Weixu Expressway
Hubei A'shennan Expressway Development Company Limited	PRC, limited liability company	RMB200,000,000	–	90	Development and management of Daguangnan Expressway in Hubei Province
Hubei Suiyuan Expressway Company Limited	PRC, limited liability company	RMB1,770,000,000	–	70	Development and management of Suiyuan Expressway in Hubei Province
Hubei Yue Xiu Han'e Expressway Company Limited	PRC, limited liability company	RMB135,000,000	–	100	Development and management of Han'e Expressway in Hubei Province
Hunan Changzhu Expressway Development Company Limited	PRC, limited liability company	RMB927,730,000	–	100	Development and management of Changzhu Expressway in Hunan Province

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 GROUP STRUCTURE (CONTINUED)

Company	Place of incorporation, establishment and operation and type of legal entity	Issued and fully paid-up share capital/registered capital	Percentage of ownership interest held by the Company		Principal activities
			Direct	Indirect	
Principal subsidiaries					
Ickleton Limited	British Virgin Islands	1 Ordinary share of USD1.00 each	-	100	Investment holding
Kam Cheong Limited	British Virgin Islands	1 Ordinary share of USD1.00 each	-	100	Investment holding
Kiu Fung Limited	British Virgin Islands	2 Ordinary shares of HKD1.00 each	100	-	Investment holding
Smart Top Enterprises Limited	Hong Kong	2 Ordinary shares	-	100	Property holding
Super Praise Ltd.	British Virgin Islands	1 Ordinary share of USD1.00 each	-	100	Investment holding in Guangdong Shantou Bay Bridge Company Limited
Swift Full Limited	Hong Kong	1 Ordinary share	-	100	Investment holding in Hubei Han Xiao Highway Construction and Operations Company Limited
Tianjin Jinfu Expressway Company Limited	PRC, limited liability company	RMB265,200,000	-	60	Development and management of Jinxiang Expressway in Tianjin
Wuhan Andi Technology Industry Development Company Limited	PRC, limited liability company	RMB260,000,000	-	100	Investment holding
Yan Tung Investment Limited	British Virgin Islands	10,000 Ordinary shares of USD1.00 each	-	83.3	Investment holding
Yuexiu (China) Transport Infrastructure Investment Company Limited	PRC, limited liability company	RMB4,000,000,000	100	-	Investment holding
Yuexiu (Hubei) Expressway Company Limited	PRC, limited liability company	RMB30,000,000	-	100	Investment holding

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

40 GROUP STRUCTURE (CONTINUED)

Joint venture	Place of incorporation/ establishment and operation and type of legal entity	Registered capital	Percentage of ownership interest/voting power/profit sharing indirectly held by the Company			Principal activities
			Ownership	Voting power	Profit sharing	
Guangzhou Western Second Ring Expressway Company Limited	PRC, limited liability company	RMB1,000,000,000	35	33	35	Development and management of Guangzhou Western Second Ring Expressway in Guangzhou

Associates	Place of incorporation/ establishment and operation and type of legal entity	Registered capital	Percentage of ownership interest held by the Company		Principal activities
			Direct	Indirect	
Guangdong Humen Bridge Company Limited	PRC, limited liability company	RMB273,900,000	–	27.78 (note a)	Development and management of Humen Bridge in Humen
Guangdong Qinglian Highway Development Company Limited	PRC, limited liability company	RMB3,361,000,000	–	23.63	Development and management of Qinglian Expressway
Guangdong Shantou Bay Bridge Company Limited	PRC, limited liability company	RMB75,000,000	–	30	Development and management of Shantou Bay Bridge in Shantou
Guangzhou Northring Super Highway Company Limited	PRC, limited liability company	USD19,255,000	–	24.3	Development and management of Guangzhou City Northern Ring Road
Guangzhou Pazhou Port Company Limited	PRC, limited liability company	RMB178,800,000	–	45	Development and management of Pazhou Port in Guangzhou
Real Estate Investment Trust for Huaxia Yuexiu Expressway ("Huaxia Yuexiu Expressway REIT")	PRC, trust fund	–	–	30	Development and management of Han Xiao Expressway in Hubei Province

(a) The profit sharing ratio was changed to 18.446% from 2010 onwards.

CORPORATE AND INVESTOR RELATIONS INFORMATION

BOARD OF DIRECTORS

Executive directors

Mr Li Feng (*Chairman*)
Mr He Baiqing
Ms Chen Jing
Mr Cai Minghua

Independent non-executive directors & audit committee members

Mr Fung Ka Pun
Mr Lau Hon Chuen Ambrose
Mr Cheung Doi Shu

COMPANY SECRETARY

Mr Yu Tat Fung

AUDITOR

Ernst & Young
Hong Kong Certified Public Accountants
Registered Public Interest Entity Auditor

REGISTERED OFFICE

Victoria Place, 5th Floor
31 Victoria Street
Hamilton HM 10
Bermuda

HEAD OFFICE AND PRINCIPAL PLACE OF BUSINESS

17A
Yue Xiu Building
160 Lockhart Road
Wanchai
Hong Kong

HONG KONG BRANCH SHARE REGISTRAR

Tricor Abacus Limited
Level 54, Hopewell Centre
183 Queen's Road East
Hong Kong

LISTING EXCHANGE

Shares

The Stock Exchange of Hong Kong Limited

The stock codes are:
The Stock Exchange of Hong Kong Limited-01052
Reuters-1052.HK
Bloomberg-1052 HK

Bonds and notes

Shanghai Stock Exchange
RMB87,000,000 3.6 per cent. Corporate Bonds
due 2023 (code: 136324)

RMB530,000,000 3.18 per cent. Corporate Bonds
due 2023 (code: 136806)

RMB1,000,000,000 3.63 per cent. Corporate Bonds
due 2026 (code: 175650)

RMB1,000,000,000 3.48 per cent. Corporate Bonds
due 2026 (code: 188057)

RMB500,000,000 3.84 per cent. Corporate Bonds
due 2028 (code: 188058)

Beijing Financial Assets Exchange
RMB1,000,000,000 3.58 per cent. Medium Term Notes
due 2022 (code: 101901632)

RMB1,000,000,000 3.47 per cent. Medium Term Notes
due 2023 (code: 102000026)

RMB500,000,000 3.54 per cent. Medium Term Notes
due 2023 (code: 102001532)

RMB1,000,000,000 3.78 per cent. Medium Term Notes
due 2026 (code: 102100198)

INVESTOR RELATIONS

For further information about
Yuexiu Transport Infrastructure Limited, please contact:
Ms Grace Li

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Email : contact@yuexiutransport.com.hk

WEBSITES TO ACCESS COMPANY INFORMATION

<http://www.yuexiutransportinfrastructure.com>
<http://www.irasia.com/listco/hk/yuexiutransport>
<http://www.hkexnews.hk>