Shenzhen International Holdings Limited
深圳國際控股有限公司

(incorporated in Bermuda with limited liability)

(Stock Code: 00152)

(the "Company")

OVERSEAS REGULATORY ANNOUNCEMENT

The document attached hereto is the 2019 Annual Results Preliminary Announcement released by Shenzhen Expressway Company Limited, a subsidiary of the Company.

Hong Kong, 18 March 2020

As at the date of this announcement, the board of directors of the Company consists of Messrs. Gao Lei, Li Hai Tao, Zhong Shan Qun, Liu Jun and Hu Wei as executive directors, Messrs. Xie Chu Dao and Liu Xiao Dong as non-executive directors and Messrs. Ding Xun, Nip Yun Wing, Dr. Yim Fung, JP and Professor Cheng Tai Chiu, Edwin as independent non-executive directors.

深圳高速公路股份有限公司

SHENZHEN EXPRESSWAY COMPANY LIMITED

(a joint stock limited company incorporated in the People's Republic of China with limited liability)

(Stock Code: 00548)

2019 Annual Results Preliminary Announcement

I. Important Notice

1.1 2019 Annual Results Preliminary Announcement of the Company is extracted from the full Annual Report 2019 of the Company. For detailed information, investor shall read the full Annual Report to be published on the website of SSE at http://www.sse.com.cn and HKEx at http://www.hkexnews.com.hk.

All the information to accompany preliminary announcement of results for the financial year required under Appendix 16 to the Listing Rules was included in the 2019 Annual Results Preliminary Announcement published on the website of HKEx.

The 2019 annual financial statements of the Company were prepared in accordance with CASBE, and also were complied with the disclosure requirements under the Hong Kong Companies Ordinance and the Listing Rules.

Unless otherwise stated, the amounts stated in this announcement are in RMB.

1.2 Basic Information of the Company

Type of shares	A Share	H Share
Abbreviation	Shenzhen Expressway	Shenzhen Expressway
Stock code	600548	00548
Listing exchanges	SSE	HKEx
Contacts and details	Secretary of the Board	Securities Officer
Name	GONG Tao Tao	GONG Xin, XIAO Wei
Telephone	(86) 755-8285 3331	(86) 755-8285 3338
Fax	(86) 755-8285 3400	
E-mail	secretary@sz-expressway.com	

II. Proposed Profit Distribution

The Board recommended the payment of a final dividend of RMB0.52 (proposal) (tax included) per share in cash to all shareholders (2018: RMB0.71 per share), based on the total share capital of 2,180,770,326 as at the end of 2019 and totaling RMB1,134,000,569.52. The aforesaid proposal shall be subject to approval by shareholders at the 2019 Annual General Meeting of the Company. The date of the annual general meeting, the record date for dividend payment, dividend payment procedures and payment date, and the book closure period for H Shares will be notified separately. It is expected that the dividend will be distributed on or before 21 August 2020.

III. Principal Financial Data and Information of the Shareholders

3.1 Principal Financial Data

During the Reporting Period, the Group recorded revenue of RMB6,185,825,000, representing a YOY increase of 6.52%. Excluding the effect of the toll revenue from the Three Projects of RMB727,802,000 for the corresponding period of last year due to the government's repurchase in advance at the end of 2018, the comparable revenue increased by 21.78%; In 2019, the Group recorded net profit attributable to owners of the Company ("net profit") of RMB2,499,485,000 (2018: RMB3,440,051,000), representing a YOY decrease of 27.34%. After excluding the effect of the net gains on disposal of assets of the Three Projects recognised during the corresponding period of last year, the net profit recorded a YOY increase of 30.42%.

Unit: RMB

	As at 31 Dec 2019	As at 31 Dec 2018	Change as compared to the end of last year (%)	As at 31 Dec 2017	
				Before adjustment	After adjustment
Total assets	**44,923,734,271.98**	41,100,850,328.23	9.30	44,014,984,643.90	37,473,826,542.60
Owners' equity attributable to owners of the Company	**18,374,542,643.63**	17,387,090,943.28	5.68	13,633,010,893.87	13,618,079,670.58
	2019	**2018**	**Change as compared to the last year (%)**	**2017**	
				Before adjustment	**After adjustment**
Revenue	**6,185,825,111.97**	5,807,108,031.78	6.52	5,210,398,467.52	4,836,620,833.89
Net profit attributable to owners of the Company	**2,499,484,975.75**	3,440,050,607.33	-27.34	1,383,988,489.41	1,426,402,801.01
Net profit attributable to owners of the Company - excluding non-recurring items	**2,243,627,358.26**	1,537,875,136.33	45.89	1,472,409,216.13	1,468,896,951.98
Net cash flows from operating activities	**1,751,428,675.07**	3,222,228,582.62	-45.65	2,975,225,227.75	2,660,705,790.47
Return on equity - weighted average (%)	**14.14**	22.85	Decrease 8.71 pct.pt	9.47	10.88
Earnings per share - basic (RMB/share)	**1.146**	1.577	-27.34	0.635	0.654
Earnings per share - diluted (RMB/share)	**1.146**	1.577	-27.34	0.635	0.654

Due to the change of accounting policy and the consolidation of Coastal Company into the Group as a jointly controlled entity since February 2018, the Company adjusted the data of consolidated financial statements prior to 2018 retrospectively pursuant to relevant requirements under the Accounting Standards for Business Enterprises. For details, please refer to the relevant content in Note III\34 and Note VI of 2018 Annual Report.

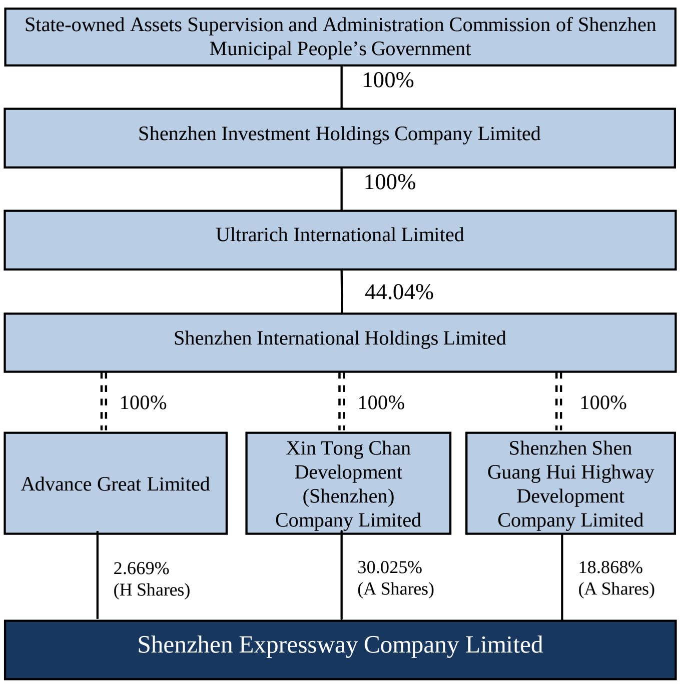
3.2 Information of the Total Number of Shareholders and the Top Ten Shareholders

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

Unit: share

Total number of shareholders as at the end of 2019	The Company had 17,933 shareholders in total, including 17,700 holders of A Shares and 233 holders of H Shares.				
Total number of shareholders as at the end of the last month prior to the Reporting Date	The Company had 22,394shareholders in total, including 22,161 holders of A Shares and 233holders of H Shares.				
Top ten shareholders as at the end of 2019					
Name of shareholder	Nature of shareholders	Percentage	Number of shares held	Number of restricted circulating shares held	Number of shares pledged or frozen
HKSCC NOMINEES LIMITED[1]	Overseas legal person	33.47%	729,925,099	–	Unknown
Xin Tong Chan Development (Shenzhen) Company Limited	State-owned legal person	30.03%	654,780,000	–	None
Shenzhen Shen Guang Hui Highway Development Company	State-owned legal person	18.87%	411,459,887	–	None
China Merchants Expressway Network & Technology Holdings Company Limited	State-owned legal person	4.00%	87,211,323	–	None
Guangdong Roads and Bridges Construction Development Company Limited	State-owned legal person	2.84%	61,948,790	–	None
Hong Kong Central Clearing Company Limited	Domestic non-state-owned legal person	2.05%	44,657,051	–	Unknown
PICC Property and Casualty Company Limited – Tradition-Return Portfolio	Domestic non-state-owned legal person	0.56%	12,161,143	–	Unknown
AU SIU KWOK	Overseas natural person	0.50%	11,000,000	–	Unknown
National Social Security Fund 105	Domestic non-state-owned legal person	0.42%	9,209,078	–	Unknown
China Merchants Bank-SSE Dividend Trading Open Index Securities Investment Fund	Domestic non-state-owned legal person	0.26 %	5,672,397	–	Unknown
Connected relationship or concerted action relationship among the abovementioned shareholders	XTC Company and SGH Company are connected persons under the same control of Shenzhen International. In addition to the above associations, there is no connected relationship among the state-owned shareholders in the above table. The Company did not notice any connected relationship among the other abovementioned shareholders or any connected relationship among the abovementioned state-owned shareholders and other shareholders.				
Note: The H Shares held by HKSCC NOMINEES LIMITED were held on behalf of various clients.					

3.3 The Ownership and the Relation of Control between the Company and the De-facto Controller

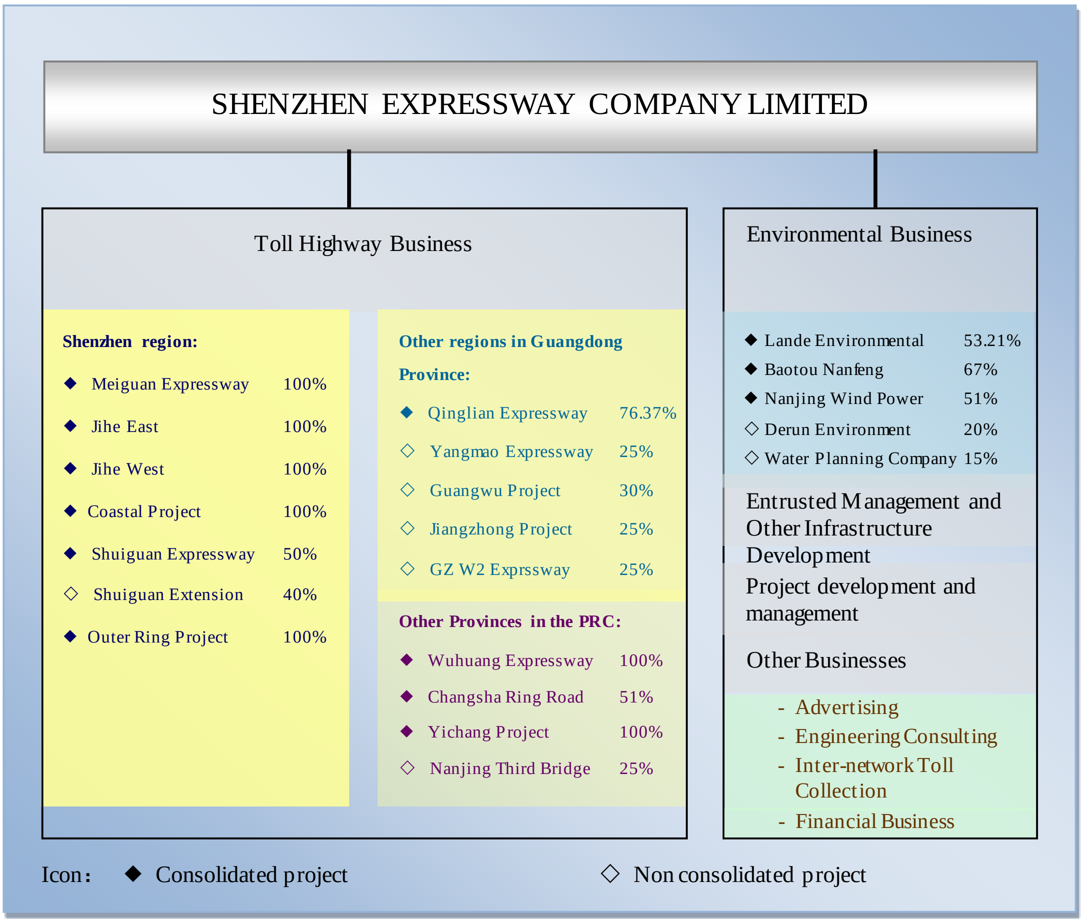


IV. Report of the Directors

In order to achieve the Company's strategic goal of transformation and upgrading, in addition to upgrading and consolidating the core business of toll highway, the Group adheres to a market-oriented, specialised and industrialised approach to continuously adjust and integrate its internal organisational structure and functions. It has gradually established various business platforms for urban infrastructure, environmental protection, operation, construction and advertising, which include the Investment Company, a company principally engages in the business of expanding infrastructure construction market as well as joint comprehensive development of land; the Operation Development Company, a company principally engages in the provision of highway operation, maintenance management services and intelligent transportation businesses; the Environmental Company, a company principally engages in the expansion of businesses relating to the general-environmental protection industry; the Construction Development Company, a company principally engages in the provision of project construction management services; and the Advertising Company, a company principally engages in the advertising resources rental and development businesses. In addition, the Company has established the new energy department, a department principally engages in the expansion of new energy business, such as wind power. Through the aforesaid business platform, the Group will give full play to its own competitive advantages in infrastructure investment and finance, construction, operation and integrated management. The Group will also actively extend its business scope to the upstream and downstream of the industrial chain and develop other service-oreinted businesses, such as operation maintenance, intelligent transportation system, engineering consulting, advertising service, urban comprehensive services and industrial finance. In addition, the Group prudently seeks opportunities for cooperation with major leading and branded enterprises in the general-environmental protection industry to enter the environmental protection and clean energy business sector from a high starting point, thereby gradually developing the Group's professional competitive strengths in various segments and striving for greater rooms for the development of the Group's operation.

4.1 Business Review

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



In 2019, the Group earnestly managed the toll highway and the entrusted management business and steadily developed new types of business such as environmental protection business. During the Reporting Period, the Group recorded revenue of approximately RMB6,186 million, representing a YOY increase of 6.52%, of which toll revenue of approximately RMB4,570 million, entrusted management services revenue of approximately RMB376 million, real estate development revenue of approximately RMB457 million, clean energy revenue of approximately RMB599 million, advertising and other business revenue of approximately RMB184 million accounted for 73.87%, 6.08%, 7.39%, 9.68% and 2.98% of the total revenue of the Group, respectively.

(I) Toll Highway Business

1. Analysis of Operating Environment

(1) Economic environment

Under the complicated international situation and influenced by the intensified global trade conflicts and the escalation of geopolitical tensions, the growth of the global trade slowed down in 2019. The GDP of China recorded a YOY growth of 6.1% and the growth rate is down by 0.5 percentage points as compared with 2018. The overall economic operation was basically stable and remained within a reasonable range despite the downward pressure. In 2019, the regional GDP of Guangdong Province and Shenzhen recorded a YOY growth of 6.2% and 6.7% respectively, which were higher than the national average. The economic structure continued to be optimised. The economic growth remained stable, which was conducive to the general growth of the regional transportation and logistics demand via highway. Under the combined effect of various factors in the macro and regional economic environments, the Group's overall operational performance in toll highway projects remained stable during the Reporting Period. Source of data: Government statistics information website

(2) Policy environment

◆ **Toll highway industry:** In recent years, in order to promote structural reform of the supply side and facilitate the reduction of costs and improvement of efficiency in the logistics industry, the State Council and the traffic management departments at all levels of the State have issued a series of policies and measures, such as selection of some expressways to participate in the pilot projects for differentiated charges in different time periods, and implementation of a preferential policy by offering a 15% discount on truck toll for 43 expressways in Guangdong Province. Since the highway projects under the Group have not been included in the above pilot scope, there has been no effect on toll revenue.

In May 2019, the State Council clearly proposed to strive for removal of provincial boundary highway toll stations by the end of 2019, achieving non-stop express toll collection. The MOT also issued the "Notice on Vigorous Promotion of Development and Application of ETC on Highways" (Jiaoban Gonglu Mingdian [2019] No. 45) (《關於大力推動高速公路 ETC 發展應用工作的通知》(交辦公路明電[2019]45 號)) (the "Notice"). Pursuant to the Notice, the basic preferential policy that offer a discount of not less than 5% of the toll fees for ETC users would be strictly implemented from 1 July 2019. The ETC utilisation rate of vehicles passing through the highways reached over 90% by the end of 2019. The implementation of the above mentioned policy, on the one hand, involved a comprehensive upgrade and improvement of existing toll collection system, which will increase the capital expenditure of the project. The number of ETC users who can enjoy a discount of toll fees will increase sharply, which will negatively affect the toll revenue of the Company to a certain extent. However, on the other hand, it can enhance the traffic efficiency of the roads, providing more convenient and efficient service on highways for both drivers and passengers, which is positive to the reduction of labour cost and management fee of the Group in the long-term. In addition, the MOT issued the "Classification of Toll Fees for Vehicles on Toll Highways" (《收費公路車輛通行費車型分類》) (the "New Standard"), a revised standard for the transportation industry during the same period. The New Standard downgraded the original Type-2 passenger vehicles with 8 and 9 seats as Type-1 mini passenger vehicles. It also amended the classification standard for types of trucks and implemented toll-by-class instead of toll-by-weight policy for trucks. Furthermore, the traffic management department of Guangdong Province issued the relevant documents, requiring a cancellation of toll collection on mileage in relation to interchanges connecting ramp at transportation hubs and reapproval of the toll fees standard for section fees with the amount of toll fees for each section rounded to the nearest cents. The aforementioned policies has been effective since 1 January 2020 and the implementation of which will negatively affect the toll revenue of the Company to a certain extent. The New Standard optimised the classification system of vehicles on toll highways, which is conducive to the reduction of operational errors and disputes on classification, thereby enhancing the efficiency of toll collection. The changes in industrial policies will further improve the traffic efficiency and services and hence will be more favourable for the long-term industrial development, ensuring a controllable impact on the Group's toll revenue.

Furthermore, at the beginning of 2020, there is a relatively serious outbreak of novel coronavirus pneumonia epidemic in the PRC, which has brought about significant impact on the health and economic activities of the general public. As required by the MOT, commencing from 00:00 on 17 February 2020 and until the end of the prevention and control measures taken against the epidemic, a toll-free policy will be implemented for all vehicles using toll highways according to the laws, so as to ensure the transportation of materials for prevention and control of the coronavirus as well as for production and daily lives, thereby supporting the resumption of work and production of enterprises and hence providing strong support for economic and social stability as a whole. The termination date of this policy will be announced separately. Moreover, the government will study and promulgate the relevant supporting and protective policies separately to coordinate and protect the legitimate interests of the users, creditors, investors and operators of the toll highways. It is expected that the implementation of this policy will cause a decrease in the revenue of the Group during the period of prevention and control of the epidemic, and the operating results of the Group will be negatively affected. As of the date of this announcement, the relevant supporting and protective policies are yet to be promulgated. The Group will actively communicate with the transport departments to minimise the negative impacts brought by the epidemic.

- **Environmental protection industry:** The "13th Five-Year Plan for Ecological & Environmental Protection" (《「十三五」生態環境保護規劃》) issued by the State Council in December 2016 further clarified the construction of ecological civilisation as a national strategy. Meanwhile, as mentioned in the "2019 Government Work Report" (《2019 年政府工作報告》), the construction of ecological civilisation and ecological environmental protection will be the major task in 2019. In the first half of 2019, the State and the government departments at all levels have successively issued a series of environmental protection policies. Among which, 9 departments of the State including the Ministry of Housing and Urban-Rural Development have issued the "Notice on the Comprehensive Commencement of Classification of Household Waste in Cities at Prefecture Level and Above in China" (《關於在全國地級及以上城市全面開展生活垃圾分類工作的通知》) in June, requiring that the cities at prefecture level and above nationwide to basically establish a household waste classification and treatment system by 2025. Entering into an era with waste treatment and classification regulated by laws will bring new opportunities for the organic waste treatment segment.

The NDRC issued the "Notice of the National Development and Reform Commission on Improvement of Policy regarding On-grid Tariff of Wind Power" (Fagai Jiage [2019] No. 882) (《國家發展改革委關於完善風電上網電價政策的通知》(發改價格[2019]882 號)) in May 2019 to replace the benchmark on-grid tariff of onshore wind power with government's guided price and the on-grid tariff of all newly approved centralised onshore wind power projects shall be determined through competitive process. For those onshore wind power projects approved in the previous years, there is a clear division of time limit for grid connection and tariff subsidies. Driven by such policy, it is expected that 2019 to 2020 will be the peak period for onshore wind power project construction. While successively withdrawing tariff subsidies, the government has increased efforts in the construction of ultra-high-voltage transmission lines and established a guaranteed purchase system for wind power quotas and power grids based on market mechanism with an aim of improving the problem of wind power curtailment. In light of the progress of the power grid construction and the effect of supportive policies, it is expected that wind power industry will grow rapidly and the investment value of wind power industry will increase with the problem of wind power curtailment continue to decrease and cease eventually.

2. Business Performance and Analysis

In 2019, the traffic volume and toll revenue of most of the highway projects in which the Group operated and invested continued to grow. Basic operational statistics of each project during the Reporting Period are as follows:

Toll highway	Average daily mixed traffic volume (number of vehicles in thousand)[1]			Average daily toll revenue (RMB'000)		
	2019	2018	YOY	2019	2018	YOY
Guangdong Province – Shenzhen Region:						
Meiguan Expressway	112	100	11.6%	383	351	9.1%
Jihe East	305	289	5.9%	2,105	2,076	1.4%
Jihe West	228	222	2.7%	1,830	1,794	2.0%
Coastal Expressway[2]	100	90	10.3%	1,459	1,273	14.6%
Shuiguan Expressway[3]	229	219	4.7%	1,786	1,738	2.8%
Shuiguan Extension[3]	82	80	1.9%	331	329	0.7%
Guangdong Province – Other Regions:						
Qinglian Expressway	48	43	11.5%	2,293	2,084	10.0%
Yangmao Expressway	46	51	-9.3%	1,524	1,771	-13.9%
Guangwu Project	37	39	-6.6%	796	869	-8.3%
Jiangzhong Project	159	149	6.4%	1,250	1,313	-4.8%
GZ W2 Expressway	86	74	15.4%	1,597	1,653	-3.4%
Other Provinces in the PRC:						
Wuhuang Expressway	58	53	9.3%	1,130	1,055	7.1%
Yichang Project	50	51	-2.2%	1,106	1,119	-1.2%
Changsha Ring Road	44	36	22.1%	428	395	8.4%
Nanjing Third Bridge	36	34	3.9%	1,393	1,341	3.9%

Notes:

(1) Traffic volume which is toll free during holidays is not included in the figures of average daily mixed traffic volume.

(2) Coastal Company has been included into the consolidated financial statements of the Group since 8 February 2018. In addition, according to the agreement of implementation of toll adjustment for Lorries by Coastal Project signed between Shenzhen Transport Bureau and Coastal Company, all types of trucks passing through the Coastal Project will be charged 50% of the normal toll fees standard from 1 March 2018 to 31 December 2020, and Shenzhen Transport Bureau compensates to Coastal Company for RMB302 million.

(3) In September 2018, Shuiguan Expressway and Shuiguan Extension made adjustment to the traffic volume statistics calibre after January 2017, which caused a significant change to the traffic volume data. The toll revenue statistics continue to use the original calibre. The adjustment has no effect on the actual traffic volume and toll revenue of the above two projects.

The effect of factors such as economic environment and policy changes on the Company's toll highway projects varied, and the operational performances varied among different projects due to differences in the functional positioning, operation date of respective projects and economic development along the highways. The operational performances of toll highway projects were also affected, positively or negatively, by factors such as changes in surrounding competitive or synergistic road networks, the construction or maintenance of the projects itself, repairs to connected or parallel roads and implementation of urban traffic organisation plans as well as other modes of transportation. In addition, during the Reporting Period, with the rapid increase of the number of ETC users entitled to enjoy a discount of toll fees, the toll revenue of each project has been negatively affected to a certain extent.

(1) Guangdong Province - Shenzhen region:

During the Reporting Period, the total toll revenue of toll highway projects of the Group in Shenzhen region recorded a YOY growth. With the continuous improvement of the transportation network in Shenzhen, coupled with the cancellation of toll collection of certain expressways and regional roads, the traffic distribution and composition of the road network in Shenzhen have also changed to a certain extent.

The commencement of operation of Congguan Expressway (Conghua – Dongguan) (Dongguan Section) in January 2019 has facilitated the growth of Meiguan Expressway's traffic volume. As the major express passage for interprovincial west-to-east traffic of Shenzhen, the traffic volume of Jihe Expressway is saturated. In addition, after implementation of the toll-free policy of the connected Three Projects and Phase II of Qingping Expressway, there was an induced-increase effect on its traffic volume, resulting in traffic congestion during peak hours and thus affected further enhancement of its operational performance. During the Reporting Period, separation measures have been implemented on the lanes for passenger vehicles and trucks so as to enhance its traffic capacity. Due to Shuiguan Expressway's implementation of slope maintenance works in the first half of the year, its full-year operational performances have been affected to a certain extent. The project was completed in July 2019, and so far the influencing factors have been eliminated.

As an important passage for diverting the port's traffic for Shenzhen West Port, the operational performance of Coastal Project (the "Coastal Expressway Shenzhen Section") entered a period of steady growth with increasing awareness of the project among drivers and passengers and the induced-increase effect on its traffic volume of lorries resulting from the implementation of the policy on toll adjustment of lorries. In 2019, the average daily traffic volume and toll revenue delivered a satisfactory YOY record of 10.3% and 14.6% respectively. The interchange of Shenzhen International Convention & Exhibition of Coastal Phase II commenced operation on 3 November 2019, enabling interconnection between the Shenzhen International Convention & Exhibition Center and Coastal Expressway. Coastal Expressway International Convention & Exhibition Center Station ("International Exhibition Center Station") has also commenced operation simultaneously, and will hence become a major transportation hub within the Airport Economic Zone that can fully demonstrate the function of modern logistics, trade and exhibitions to facilitate regional economic cooperation, at the same time developing industrial clusters and expanding into surrounding cities. The station, which is also the first tidal lane toll station in China, has set up 6 tidal lanes with auto-conversion functions, which can alleviate the traffic volume based on the characteristics of tidal traffic at the Exhibition Center by fully converting the existing toll lane functions, thereby significantly improving the traffic efficiency of toll stations. In addition, the airport interchange of Coastal Phase II and the connecting lane on the Shenzhen side of Shenzhen-Zhongshan Tunnel are under construction. It is believed that with the successive completion of the above construction projects, the surrounding road network will be continuously enhanced, and the operational performance of Coastal Project will further improve.

(2) Guangdong Province - Other regions:

In 2019, the average daily traffic volume and toll revenue of Yangmao Expressway recorded a YOY decrease, primarily due to the successive opening of neighboring sections, the reconstruction and expansion of certain sections of Yangmao Expressway and various levels of negative impact caused by the implementation of the policy governing over-limit and overloaded vehicles. Upon completion of reconstruction and opening of Foshan First Ring Expressway in January 2019, no toll was charged and the truck restrictions was cancelled, and consequently, the short-distance traffic volume on GZ W2 Expressway increased while the full-distance volume of transit trucks recorded a substantial YOY decrease, and the adjacent Guangfozhao Expressway is under reconstruction. Due to the combined effects of the above factors, the average daily traffic volume of GZ W2 Expressway recorded a YOY increase while the average daily toll revenue recorded a YOY decrease. Affected by the diversion of Phase II of Xinyang Section (Xinxing – Yangchun) of Yunzhan Expressway and Guangxi Wuzhou Ring Expressway, the average daily traffic volume and toll revenue of Guangwu Project recorded a YOY decrease. Due to the opening of Nansha Bridge, the full-distance traffic volume of the Jiangzhong Project recorded a YOY decrease. Coupled with the effect of policy factors of Humen Bridge such as the implementation of traffic control measures and the control of over-limit and overloaded vehicles, despite a YOY increase in the average daily traffic volume of the Jiangzhong Project, the toll revenue recorded a YOY decrease.

In 2019, the average daily traffic volume and toll revenue of Qinglian Expressway recorded a YOY growth of 11.5% and 10.0%, respectively. Xuguang Expressway commenced operation in September 2018, thereby highlighting the effect of Qinglian Expressway as a north-south traffic artery from Southern China to Central China. The improvement of transportation efficiency has facilitated the operational performance of Qinglian Expressway. The implementation of traffic control measures of Qingyuan Bridge and the opening of Longhuai Section (Longchuan – Huaiji) of Shankun Expressway at the end of 2018 have also brought positive impacts on the operational performance of Qinglian Expressway.

(3) Other provinces

In 2019, due to the combined effects of factors such as growth of vehicle ownership in surrounding cities and continuous enhancement of surrounding road network, the operational performance of Wuhuang Expressway maintained a steady growth. Due to the diversion effect of newly opened Ma'an Expressway (Majitang – Anhua) and Dehan Road (Changde Municipal Road) in the surrounding areas, coupled with the continuous impacts of the implementation of policies on traffic control and those governing over-limit and overloaded vehicles, both the average daily traffic volume and toll revenue of Yichang Expressway recorded a YOY decrease. With the combined effect of various factors such as the implementation of the policy governing over-limit and overloaded vehicles, diversion due to implementing the policy of differentiated charges on neighboring sections, implementation of traffic control policies, continuous enhancement of surrounding road network and the functional changes in the business districts along the highway, the average daily traffic volume and toll revenue of Changsha Ring Road maintained a YOY increase. Due to the peripheral and regional economic development and the implementation of preferential policies for transportation within the province, both the average daily traffic volume and toll revenue of Nanjing Third Bridge recorded a YOY growth.

3. Business Management and Upgrade

◆ **Carry out comprehensive quality management and enhance the quality of work**

During the Reporting Period, the Group carried out in-depth and comprehensive quality improvement with a view to further enhancing the quality of engineering construction and operation service and the standard of comprehensive management and control and service, as well as better facilitating the implementation of the Company's development strategy. In respect of the **construction segment**, focusing on optimising design concepts, management standards, technological innovation and service standards, the Group, based on the specific condition of the project, carried out in-depth research and application on subjects including the assembled construction process, the whole-process BIM technology and the intelligent operation in an effort to vigorously promote the standardisation of engineering construction and build quality projects. During the year, the engineering of pavements of the Outer Ring Project was appraised as the model site of Shenzhen Transport Engineering in 2019, and the contract phase of the Coastal Project was commended by the provincial traffic management departments in the comprehensive quality and safety inspection of provincial expressways. With respect to the **operation segment**, the Group upgraded the refinement and intelligence level of operation and maintenance management with the goal of realising "beautiful road environment, standardised road maintenance, quality service standard and efficient station organisation". During the year, the Company has made great efforts in promoting the construction of intelligent and beautiful Coastal Expressway, and has driven the refinement of operation and management of various sections with the demonstrative effect of "intelligent and beautiful" Coastal, thereby achieving satisfactory results. In terms of the **comprehensive management segment**, the Group raised its work standard by identifying the shortcomings in the Company's comprehensive management with reference to the mindset and approaches of ISO9001, as well as enhancing its work efficiency via management systemisation, standardisation, refinement and normalisation, thereby upgrading the quality of comprehensive management.

◆ Promotion of the Group’s information development to improve work efficiency

In order to improve the Group’s management capability and efficiency and facilitate the operation development via technological innovation, the Group moved forward to promote its information development during the Reporting Period. Integrating its technical resources with that of the professional research institutes and technical teams by way of strategic cooperation, the Group strenuously pushed forward the research and implementation of intelligence traffic by leveraging its advantages of infrastructure resources and operational management experience as well as the strengths of the professional technical teams in aspects such as big data, artificial intelligence and internet technology. Moreover, the Group will seise the opportunity of major expressway construction projects to jointly promote the intelligent development, management and services of transportation infrastructure.

In line with the construction concept of “the integration of construction, management, maintenance and operation”, the Group's Outer Ring Project and other major projects were adopted as carriers to promote the pilot application of innovative technologies such as BIM technology, QR code technology, special equipment monitoring and smart construction site in engineering construction during the Reporting Period. Through adopting information technology, the elements of the construction site were managed in a unified manner to formulate an information-based, visualised and intelligent BIM-based engineering project management system, thereby improving the management efficiency and application value. Through the application of new technologies such as artificial intelligence and the Internet of Things, an integrated expressway monitoring platform was established to realise automatic monitoring, identification, pre-warning and business connection of road conditions, traffic incidents and vehicle flows, thereby improving the traffic efficiency and reducing overall costs. During the year, we developed and officially launched an integrated information platform for the management and control of the road condition of Outer Ring Project, which has effectively increased the efficiency of project management, saved management costs and significantly improved the quality of construction. We have obtained software copyright and two patents for this management platform. The housing construction project adopting Building Information Modeling (BIM) technology carried out by the Group have also been completed in 2019. The International Exhibition Center Station set up tidal lanes that can perform both the function of toll collection and card issuing, which is unprecedented in the country. The station can switch to tidal lanes by simply pressing the “road robot” button remotely and will be able to improve the efficiency and safety level of traffic significantly. In addition, the Group is actively studying various topics such as digitalisation of Jihe Expressway to offer momentum to the core business of the Company through application of innovative technologies, which will in turn improve its work quality and efficiency.

◆ Proactively prepare for the renovation of the non-stop toll collection system

In order to follow and implement the State Council’s decision to “remove provincial boundary toll collection stations on expressway nationwide to realise non-stop convenient toll collection, reduce congestion and facilitate the public”, the Group proactively prepared for relevant work pursuant to the requirements of the overall technical plan of the MOT and the documents of government departments at all levels during the Reporting Period. The relevant work includes the successive implementation of software and hardware renovation of various toll collection stations and lanes, construction of new ETC lanes, entrance weight lanes and ETC gantry systems, removal of provincial boundary toll collection facilities, and commencement of engineering design and construction. During the year, the operation management department overcame difficulties such as “tight schedule with heavy workload” and completed the above construction works on a timely basis. Joint testing and commissioning work of toll collection systems have also been commenced smoothly.

◆ Strengthen the maintenance and management of road assets and improve road conditions

The Company conducted regular quality checks on highways and bridges, and frequent inspections on highway administration. It has also built up a joint-action mechanism between road assets and traffic operational information. The aforementioned arrangements enabled the Company to take timely measures to remove and rectify the unsafe factors on highways or take maintenance measures to better ensure the quality, safety and free traffic of highways. During the Reporting Period, the

Group finalised various engineering projects, including the road surface treatment project for certain sections of Jihe Expressway, the resurfacing project for Qinglian Expressway, the slope reinforcement project for the relief of danger along Shuiguan Expressway and the road surface treatment project for the north-western section of Changsha Ring Expressway. In addition, according to the actual situation and needs, the Group has carried out various small special projects such as slope reinforcement and toll station expansion so as to ensure the safety and clear passage for highways. During the Reporting Period, the Group also used the high slope at Baguang Village of Yanba Expressway and Coastal Expressway as a pilot project for monitoring health conditions of bridges to commence the application of optical-fiber sensing technology in the monitoring of slopes on bridges, tunnels and slopes in construction projects, which has promoted the research and application of online monitoring and warning technology. The Company has established a regular assessment and dynamic adjustment mechanism for planning highway maintenance, which would help to continuously improve and optimise the technical maintenance plan, thereby ensuring the excellent technical conditions of highways and extending the service life of highways, thus effectively reducing the overall highway maintenance cost.

4. Business Development

Outer Ring Project is a toll highway project invested by the Group according to the PPP model, of which, the total length of Phase I of the Outer Ring Section A is about 50.74 kilometers and the total length of Phase II is about 9.35 kilometers. Outer Ring Project is the longest expressway in the highway network planning of Shenzhen to date. Upon completion, it will be connected to 10 expressways and 8 Class 1 highways in Shenzhen region. The project involves a large scale of engineering construction with numerous bridges and tunnels as well as complicated transportation networks, and hence has a high requirement on construction management. During the Reporting Period, with a target to open Phase I of Outer Ring Section A to traffic by the end of 2020, the Group optimised the construction arrangement plan and increased the allocation of resources, thereby exceeding its goal for engineering works in 2019. As at the end of the Reporting Period, approximately 67% of Outer Ring Project has been completed, among which the land resumption and demolition and relocation work have been basically completed. We are now carrying out the engineering of roadbed, bridge pile foundation, tunnels and pavements in full swing. For details of Outer Ring Project, please refer to the relevant contents of the Company's announcement dated 18 March 2016 and circular dated 25 April 2016.

The Company has acquired 100% equity interest in Coastal Project. As at the end of the Reporting Period, approximately 40% of Coastal Phase II has been completed, among which the land resumption work has been fully completed and approximately 97% of the housing demolition and relocation work have been completed. We are now carrying out the engineering construction in aspects such as pile foundation, pier column and bridges in full swing, among which, the engineering of roadbed, bridges and pavements have completed by approximately 49%, 53% and approximately 10%, respectively. In particular, the delivery and acceptance of the interchange of the International Convention and Exhibition Center have been completed on 27 March 2019 and the interchange has commenced operation on 3 November 2019.

To match the overall work plan and arrangement of the government's expressway construction and improve road safety and quality and the traffic environment, the Board of Directors has approved the preliminary work of the Group's preliminary design of the Jihe Expressway reconstruction and expansion project in January 2018. During the Reporting Period, the Company actively communicated and coordinated with various administrative authorities, and reached basic consensus on the overall construction plan. As at the end of the Reporting Period, the Company completed the revision and compilation of the engineering feasibility report on the Jihe Expressway reconstruction and expansion project according to the latest plan, and we are now forging ahead with the preliminary examination and selection of project sites and other special works such as environmental assessment, soil and water conservation as well as energy saving.

The Company holds 25% equity interests in Yangmao Company. The reconstruction and expansion of Yangmao Expressway commenced in mid-2018 and is scheduled to be completed in 2022. As at the end of the Reporting Period, the reconstruction and expansion of Yangmao Expressway are under steady progress. The delivery of land parcels for the main line of the project has been completed, while the construction of main structures including roadbed, girder prefabricated field construction, soft foundation treatment, bridge pile foundation and pavements are well underway.

(II) Environmental Protection Business

In the "2015–2019 Development Strategies", the Group has clearly stated that in order to explore a broader space for the Group's long-term development, the Group will proactively explore the investment prospects and opportunities of the general-environmental protection industry that takes water environment remediation and solid waste treatment as the main content while consolidating and enhancing the core business of toll highway. The Group has established Environmental Company as a market-oriented platform for expanding businesses in relation to the general-environmental protection industry.

The Group subscribed 15% of the equity interests in Water Planning Company in 2017. Water Planning Company is one of the first comprehensive survey and design organisation in the PRC to commence integrated water design. It possesses 7 A-grade qualifications in areas such as water conservancy industry, municipal water supply and drainage, comprehensive engineering survey and mapping etc. It is one of the top 500 PRC enterprises in the field of survey and design, and one of the top 50 PRC enterprises in the field of water conservancy survey and design. During the Reporting Period, Water Planning Company seised the development opportunity arising from the government's vigorous development of Guangdong-Hong Kong-Macau Greater Bay Area to optimise the market layout and extend the business chain on a continuous basis. In 2019, Water Planning Company's newly signed contracts increased by 50% YOY, and it has also won the bids of over 190 projects in aggregate, signifying sufficient business orders and increasing market share. During the year, the Group undertook five sewage treatment facilities projects in Guangdong-Hong Kong-Macau Greater Bay Area and various peripheral provinces and cities. By investing in Water Planning Company at a reasonable price, the Company would be able to achieve reasonable investment return, at the same time acquiring resources for the research and development of urban water business technology as well as expanding market channels of the environmental protection business.

In 2017, Environmental Company, a wholly-owned subsidiary of the Group, acquired 20% equity interests in Derun Environment. Derun Environment is a comprehensive environmental enterprise with majority owned subsidiaries including Chongqing Water and Sanfeng Environment, etc., and major business segments including water supply and sewage treatment, waste incineration power generation and environmental restoration, etc. Chongqing Water is mainly engaged in urban water supply and sewage treatment. Occupying a dominant position in the city's water supply and sewage treatment market, Chongqing Water has stable earnings and abundant cash flow. Sanfeng Environment is a large-scale environmental protection group integrating investment, construction, integrated equipment and operation management in domestic waste incineration power generation field. It is mainly engaged in the investment of waste incineration power generation projects, EPC (Engineering Procurement Construction), equipment manufacturing and operation management of the whole industry chain service, with a complete set of core technologies such as waste incineration and flue gas purification, and third-generation tube-type membrane treatment and other technologies. During the Reporting Period, Derun Environment focused on developing the markets in Chongqing and the peripheral areas and actively pushed forward the construction of projects, including the ecological restoration (EPC), management and maintenance project of landfills in Changshengqiao, Chongqing, water environment remediation project for Changsheng River in Chongqing and water environment remediation project in Wuhou District, Chengdu. By acquiring the equity interests of Derun Environment, the Group, on the one hand, would be able to expand the Company's environmental protection business and obtain a reasonable return on investment. On the other hand, it can carry out in-depth cooperation with domestic leading enterprises.

On 30 October 2019, the consortium formed by companies including the Environmental Company won the bid for the Guangming Environmental Park Project. For details, please refer to the announcement of the Company dated 30 October 2019. The Guangming Environmental Park Project is located in Guangming District, Shenzhen. The project will be developed into a treatment plant with a processing capacity of 1,000 tons/day for kitchen waste, large pieces waste (wasted furniture) and greening waste. The project shall be implemented under the BOT model, social capital partner who has won in the bidding shall incorporate a project company in Guangming District, and such project company shall be responsible for the investment, financing, design, construction, transformation, operation and maintenance, and handover work of the project. The proposed concession period of the project is 10 years. The static total investment of the project is estimated to be approximately RMB708 million. As at the end of the Reporting Period, the preliminary works of the project are proceeding in a steady and orderly manner, communications and negotiations regarding the relevant "concession agreement" and "PPP project contract" have been completed. The project company is currently under preparation, the equity interests of which will be hold as to 65% by the Company.

On 8 January 2020, Environmental Company entered into the "capital increase and equity transfer agreement in respect of acquiring not more than 68.1045% of shares in Lande Environmental Technology Group Holdings Co., Ltd." (the "Agreement") with relevant parties, pursuant to which Environmental Company will acquire not more than 160,000,000 shares of Lande Environmental at a consideration of not more than RMB809,600,000, the shareholding percentage will not exceed 68.1045%. For details, please refer to the announcement of the Company dated 8 January 2020. As of the date of this announcement, the Company holds approximately 53.2067% of the shares in Lande Environmental, and Lande Environmental has been included into the consolidated financial statements of the Group since 20 January 2020. Lande Environmental is currently an important enterprise in the field of organic waste comprehensive treatment, construction and operation in the PRC. It principally engages in provision of systematic comprehensive solutions and services for municipal organic waste treatment (such as kitchen waste and waste leachate) to its customers, including research and development of organic waste treatment technology with a focus on kitchen waste, manufacture of core equipment, investment in construction, and operation and maintenance. Lande Environmental currently has a total of 16 organic waste treatment projects under BOT/PPP model, most of which are located in cities with better economic development, have relatively long concession period, and able to generate relatively stable returns.

The organic waste treatment industry has a relatively large room for development as supported by the national environmental protection policies. Organic waste treatment is a key industry segment of development of the Group in the general-environmental protection area. Lande Environmental is relatively strong in scientific and technological innovation and research and development, and has more than 100 patented technologies. Its management team is relatively mature and possesses the capabilities of technology research and development, equipment manufacturing, integration and sales, investment and construction, operation and maintenance throughout the industry chain. By investing in the Guangming Environmental Park Project and Lande Environmental, the Group may quickly enter into and focus on the sub-industry of organic waste treatment, which will produce business synergy in the entire industrial chain of organic waste treatment, and help to promote the development in the Group's business scale in the organic waste treatment area, thereby establishing the Group's professional competitiveness in the market segment and hence creating long-term stable returns for the Group.

The Group will demonstrate the regional advantages and resources advantages of the Company. It will gradually establish a comprehensive service system integrating cleaning and treatment of household waste. On this basis, the Group will also expand into upstream and downstream industrial chain. In addition, during the Reporting Period, the Group also proactively conducted site visits and negotiations in respect of research and investment projects regarding treatment of industrial hazardous waste and sewage in the field of industrial environmental protection. In conjunction with the regional expansion strategy, the Group will participate in comprehensive urban development and construction, thereby strategically expanding into the area of construction and operation of environmental protection projects such as municipal sanitation integration and treatment of industrial solid waste.

With the approval of the Board, the Group acquired 51% equity interests in Nanjing Wind Power by ways of equity transfer and capital increase at a consideration of RMB510 million. For details, please refer to the Company's announcement dated 15 March 2019. During the Reporting Period, the transaction has been completed. Nanjing Wind Power has been consolidated into the Group's financial statements since 8 April 2019. Nanjing Wind Power is a high-tech company specialising in wind power, a type of renewable new energy. The company is principally engaged in the research, integration, manufacture, installation, sales and maintenance of wind power generation system, as well as investment and operation of wind farms. As Nanjing Wind Power possesses the technological capacity to self-develop and produce large scale wind power generating units, as well as the experience and ability to develop, construct, operate and manage wind farms, the market prospect for business development of Nanjing Wind Power is promising. Clean energy, being an emerging sector in the general-environmental protection industry, will be a new industrial development direction that the Group has decided to place strong emphasis on in its development strategies. The policy environment and market demand-supply relationship for wind power at the current stage have presented valuable market opportunities for Nanjing Wind Power. However, the limited production capacity also exposed the company to pressure resulted from its limited supply capability. Upon completion of acquisition, on one hand, the Group conducted a comprehensive arrangement of internal organisation and personnel structure of Nanjing Wind Power and formulated a comprehensive management system and operation procedures so as to enhance the quality of internal management; on the other hand, the Group strengthened the management and establishment of the production team, aiming to optimise the design of the wind turbine process and comprehensively improve production capacity of the complete machine manufacturing. In the meantime, the Group also enhanced market development and construction of supply chain, contributing to the strengthened capital capacity and substantial improvement of operation and management of Nanjing Wind Power. By consolidating its internal strength for over half a year, Nanjing Wind Power has also taken a firm step forward to marketisation. During the year, the comprehensive strength such as technological research, development and production of Nanjing Wind Power has been recognised by a number of major domestic wind power enterprises and Nanjing Wind Power has successfully been incorporated into the suppliers' purchase lists of certain major wind power enterprises. By simultaneously taking multiple measures, various operational targets of Nanjing Wind Power have been fulfilled successfully in 2019 .

With the approval of the Board, the Group acquired 67% equity interests in Baotou Nanfeng at a consideration of RMB0.67 and assumed shareholders' responsibility for the debt of Baotou Nanfeng of approximately RMB1,352 million, details of which are set out in the announcements of the Company dated 12 September 2019 and 16 September 2019, respectively. During the Reporting Period, the transaction was completed and Baotou Nanfeng has been consolidated into the financial statements of the Group since 17 September 2019. Baotou Nanfeng is principally engaged in the investment, operation and management of five wind power generation farms in Inner Mongolia Autonomous Region, among which four wind power generation farms are located in Damao Banner, Baotou City of the Inner Mongolia Autonomous Region, while the remaining one is located in Bayan Obo Mining District, Baotou City of the Inner Mongolia Autonomous Region. The said wind power generation farms have connected and commenced power generation since 2018. Baotou Nanfeng has 165 wind turbines with a total installed capacity of 247.5MW and an approved feed-in tariff of RMB 0.49/kWh. Investing in Baotou Nanfeng can foster business synergy with Nanjing Wind Power. The Group can gain coordinated advantages along the entire production chain ranging from wind farm resources and the wind power equipment manufacturing to wind farm construction, investment and operation, which has laid a foundation for the Group to rapidly tap into the wind power industry and make further development. Upon the acquisition of Baotou Nanfeng, the Group's project management team immediately tapped into the operation of wind farms, seizing the prime opportunity during the fourth quarter when abundant wind resources are available and closely following the two major work approaches, namely "stable transition" and "production facilitation". By implementing various work measures to facilitate production and ensure safety, the utilisation hours of power generation in the wind farms increased significantly, hence better fulfilling Baotou Nanfeng's annual operation targets.

For details of the profits of Derun Environment, Nanjing Wind Power and Baotou Nanfeng during the Reporting Period, please refer to the relevant content in "Financial Analysis" below and note VI\1 and VII\2 to the Financial Statements in this announcement.

(III) Entrusted Management and the Development of Other Infrastructure

Relying on the core business of toll highway and leveraging the relevant management experience and resources, the Group has continuously been launching or being engaged in the business of entrusted management. The entrusted management business includes the entrusted construction management business and the entrusted operation management business (also known as entrusted construction business and entrusted management business). Building on the expertise and experience accumulated in the relevant areas throughout these years, the Group has realised reasonable revenues and returns from the receipt of management fee and/or bonus according to the calculation methods as agreed with the entrusting parties by providing services relating to construction management and toll highway operation management. In addition, the Group also attempts to use its own financial resources and financing capability to participate in the construction and development of local infrastructure so as to obtain reasonable revenues and returns.

1. Entrusted Construction Business

During the Reporting Period, the Company has had entrusted construction projects including Outer Ring Project, Cargo Organisation Adjustment Project, Longhua Municipal Section Project and Shenshan Environmental Park Project in Shenzhen region, etc. At this stage, the major work of the Group in entrusted construction business is to strengthen the safety and quality management of the projects under construction, coordinate and supervise the collection of revenue from each of the entrusted construction projects, push forward the completion and acceptance of the completed projects and proactively promote the development and cooperation in new markets and new projects.

During the Reporting Period, all the work of the entrusted construction projects has been carried out in good order. In particular, for the relevant information on the progress of Outer Ring Project, please refer to the relevant content in above description of “Business Development” in this chapter. The 4 toll stations in the first batch of Cargo Organisation Adjustment Project have been completed and the second batch of preliminary works for Paibang and Xiufeng stations are being carried out; construction of Longhua Municipal Section Project commenced in September 2018, and as at the end of the Reporting Period, the progress of construction has exceeded 40%.

In addition, the Company was identified as entrusted construction party of infrastructure and ancillary projects for Shenshan Eco-Environmental Science and Technology Industrial Park through an open tendering procedure in July 2019, and was assigned to be responsible for the whole process of infrastructure construction of the Environmental Park. The construction primarily includes four sub-construction projects, namely municipal roads ancillary to the Park, “seven connections and site leveling” in the Park, public management and service facilities and ancillary facilities related to waste transfer. The management fee of the entrusted construction is approximately RMB226.55 million. This infrastructure construction project is invested by the Shenzhen Municipal People's Government and is expected to be completed by 2025. During the Reporting Period, the Company has been proactively promoting tendering works for the preliminary services such as surveying and design of each construction work of the project.

2. Entrusted management business

On 28 December 2018, the Company entered into an entrusted management agreement with Baotong Company, pursuant to which Baotong Company entrusted the Company to manage its 89.93% equity interest in Longda Company. The term of the entrusted management agreement commenced on 1 January 2019 and will expire on 31 December 2019. As such, starting from 1 January 2019, the section of highway that actually requires the management of Longda Company was the toll highway of approximately 4.4 km in the north of Songgang section of Longda Expressway. For details, please refer to the Company’s announcement dated 28 December 2018. On 30 December 2019, the Company entered into a renewal agreement with Baotong Company in respect of the above matters regarding entrusted management. The term of the entrusted management agreement commenced on 1 January 2020 and will expire on 31 December 2020. For details, please refer to the Company’s announcement dated 30 December 2019.

The Four Expressways have been transferred to the Shenzhen Transportation Bureau from 0:00 on 1 January 2019. During the transition period, the comprehensive maintenance work of the Four Expressways has been directly entrusted to the Company. During the Reporting Period, through the public tendering procedures, the consortium established by the Company and Operation

Development Company has successfully won the bid for the comprehensive maintenance project for the Four Expressways and has undertaken the maintenance work of the Four Expressways for a contractual term from 11 June 2019 to 10 June 2020.

For details of the profits as well as incomes and expenses of various entrusted management businesses during the Reporting Period, please refer to the content in “Financial Analysis” below and the relevant content in Note V\45 to the Financial Statements in this announcement.

3. Development and Management of Other Infrastructure

With the approval of the Board, the Investment Company and CCCC Tianjin Dredging Co., Ltd. have jointly established a consortium to participate in the investment, construction and management of the Nanmen River Comprehensive Treatment Project in Shenzhen-Shanwei Special Cooperation Zone. Affected by factors such as changes in local land resumption policies, certain sections were not available for construction, resulting in changes in construction plan of the project. During the Reporting Period, the Company has been proactively communicating and negotiating with relevant management departments regarding solutions for the related matter. As at the end of the Reporting Period, the construction that met the operating conditions was basically completed, among which approximately 72% of the overall physical work has been completed. The scientific and comprehensive water treatment of those river channels will improve the surrounding environment and establish a comprehensive anti-flooding system along the streams of Nanmen River, thereby effectively protecting regions along the river channels.

Duohua Bridge Project is about 2.2 km long in total, and the major construction work of the project is the construction of Duohua Bridge. It is a municipal project invested by the government of Longli County, Guizhou through Guilong Holdings, its platform company. The construction period of the project is expected to be approximately 3 years. On 29 March 2018, Longli County Government, Guilong Holdings and Guishen Company signed an investment cooperation agreement for the project. According to the investment cooperation agreement, Guishen Company is responsible for raising construction funds, and Guilong Holdings will pay project fee to Guishen Company according to the contract. For details, please refer to the announcement of the Company dated 29 March 2018. As at the end of the Reporting Period, approximately 38% of the physical work of the project have been completed, the foundational construction work such as pile foundation, pile cap and subgrade earthwork have been basically completed. Located in a valley with high mountains, Duohua Bridge was requested by the local government to be constructed into a landscape bridge overseeing the scenes of the valley that could be accessed by both pedestrians and vehicles. The engineering design and construction is extremely demanding. During the Reporting Period, the project construction team conducted a series of scientific simulation tests based on the meteorological condition surrounding the bridge and the requirement of vibration control and wind resistant on the bridge, thus providing a reliable scientific basis for the design and construction of the bridge.

The Board of the Company has approved the Investment Company to invest in Fuyong and Songgang Long-term Rental Apartment Project and to establish a joint venture with Shenzhen One Apartment Management Co., Ltd. (深圳市壹家公寓管理有限公司) as the principal entity for the cooperation under the long-term rental apartment business. Shenzhen Expressway One Apartment Management Co., Ltd. (深高速壹家公寓管理有限公司) was incorporated in September 2018 in Shenzhen with a register capital of RMB10 million, which was held as to 60% by the Investment Company. As at the end of the Reporting Period, the occupancy rate of Songgang Project was 85% during the year; the occupancy rate of Fuyong Project was 65% during the year.

On 23 December 2019, the Board has approved the Investment Company to manage the investment and construction of Bimeng Project, provided that relevant condition precedent has been fulfilled. The Project is a residential Resettlement construction Project invested by the government of Longli County through Guilong Holdings. The total investment budget of the project is expected to be not more than RMB1,000 million. As of the date of this announcement, relevant negotiations are actively underway.

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

(IV) Project Development and Management

With the relevant management experience and resources and in accordance with the deployment of the 2015-2019 Development Strategies, the Group prudently explores new business types such as comprehensive development of land and urban renewal, while paying close attention to and seising the opportunities for the cooperation between the advantageous areas and the existing business-related areas as business development and expansion beyond its core business as well as a beneficial supplement to revenue.

1. Development and Management of Land Projects

(1) Guilong Development Project

With the improvement of Guilong Road and the infrastructure in peripheral regions and the development of the whole Guilong Economic Zone, it is expected that the peripheral land in the area of Longli Country will have great potential for appreciation. In order to effectively reduce the risk of fund recovery from Guilong Project and realise expected or even more incomes from the project, Guishen Company actively participated in the land tenders within the development area of Guilong Project. At the end of the Reporting Period, Guishen Company has successfully won the bid for the land of Longli Project with an area of approximately 3,005 mu (approximately 2,000,000 square meters) in aggregate, including approximately 2,770 mu of Guilong Project land with a transaction amount of approximately RMB961 million, and approximately 235 mu of Duohua Bridge Project land with a transaction amount of approximately RMB117.71 million. In respect of Guilong Project land, the interests in approximately 1,610 mu have been transferred, 1,045 mu is under secondary development and the remaining land will be used for secondary self-development or transfer as at the end of the Reporting Period. Guishen Company has set up certain wholly-owned subsidiaries to hold and manage the land use rights of the land parcels mentioned above.

Guishen Company is adopting a rolling development strategy by phases. Focusing on the Interlaken Town Project, it has conducted secondary self-development for certain land parcels acquired, which has an area of 1,045 mu (approximately 697,000 square meters). During the construction of the Interlaken Town Project, Guishen Company fully demonstrated the artisanal spirit of Shenzhen Expressway and diligently delivered high-end and quality works. As such, the Interlaken Town Project has established a favourable brand image in the local market with its unique architectural style, beautiful landscape and good living environment. As at the end of the Reporting Period, a total of 313 sets of houses launched for Interlaken Town Phase I (approximately 247 mu, equivalent to 164,000 square meters) have been sold out and basically delivered for use. A total of 238 sets of houses launched for Interlaken Town Phase II (approximately 389 mu, equivalent to 260,000 square meters) Stage I have been sold out and fully delivered for use, and payments have been received. The construction of the Phase II Stage II project, mainly for commercial supporting property, has been fully completed. 95 sets of commercial properties have been launched, of which 57 sets have been contracted for sale and delivered for use, and payments have been received. The Interlaken Town Phase III (approximately 229 mu, equivalent to 153,000 square meters) has been put into construction. The Phase III Stage I project, which is expected to be completed by the end of 2020, would provide 271 sets of houses, of which 217 sets have been contracted for sale and payments have been received. During the Reporting Period, the construction of the Phase III Stage II project, which is intended to be commercial supporting property, has commenced. Guishen Company is now conducting works in relation to the planning and design for the development of the remaining land.

In order to accelerate the return of funds and realise the market value of the land, in July 2018, the Board approved the Group's overall transfer of 100% equity interests and creditor's rights in Guizhou Shengbo, Guizhou Hengfengxin, Guizhou Henghongda and Guizhou Yehengda ("Four Companies") by public listing with the listing price being not less than the sum of the assets assessment results of the Four Companies, and also being not less than RMB550.80 million. The main assets of these Four Companies are holding of about 810 mu of Guilong land. During the Reporting Period, the transaction was completed and the Group has recovered the land assignment fees of approximately RMB567 million. In addition, at the end of 2018, the Board of the Company has approved Guishen Company to participate in the bidding of Guilong land of approximately 115 mu. During the Reporting Period, the bidding was completed with a transaction amount of approximately RMB63.49 million.

With continuous economic development in the region where Guilong Project is located, the value of the region continued to grow. By operating and implementing the preliminary work of Interlaken Town Project, Guishen Company has explored and accumulated some experience in the management and operation of property development projects, thereby developing a business development model suitable for the property industry in such region. In order to seise the opportunities in the market and effectively lower the risks in relation to the collection of receivables from Duohua Bridge Project, the Board has approved Guishen Company (or the project company it established for holding lands) to participate in the bidding of land of approximately 1,000 mu which was listed for sale and proposed to be sold in batches by the government of Longli County. In 2018, Guishen Company has completed the bidding of land of 235 mu (approximately 157,000 square meters), with a total transaction amount of approximately RMB117.71 million.

On the above basis, Guishen Company will, through means such as timely market transfer, cooperation or self-development based on the overall market conditions and development opportunities, realise the market value of the lands it holds and the Group's investment income as soon as possible, at the same time prevent the contractual and market risks in relation to the lands in an effective way.

(2) Meilin Checkpoint Renewal Project

Pursuant to the relevant agreement and the approval of the general meeting of the Company, the Company, Shenzhen International (through XTC Company, its wholly-owned subsidiary) and Vanke jointly invested in United Land Company. The three parties held 34.3%, 35.7% and 30% equity interests of United Land Company respectively. United Land Company mainly serves as the reporting and implementing entity of Meilin Checkpoint Renewal Project. Meilin Checkpoint Renewal Project occupies a land area of approximately 96,000 square meters, which shall be used for residential and commercial purposes, and a capacity building area of not more than 486,400 square meters (including public facilities) in aggregate. For details, please refer to the Company's announcements dated 8 August 2014, 10 September 2014, 8 October 2014, 25 July 2018, 28 September 2018 and 13 November 2018 respectively and the circular dated 17 September 2014 and 22 October 2018 respectively.

The Meilin Checkpoint Renewal Project will be developed in three phases. Among which, Phase I of the project will comprise residential units with an estimated saleable area of approximately 75,000 square meters, pre-sold houses of more than 830 sets and affordable housing with an area of approximately 42,000 square meters; Phase II of the project will comprise residential units with an estimated saleable area of approximately 68,000 square meters; Phase III of the project will comprise residential units with an estimated saleable area of approximately 63,000 square meters and a complex building of office and business apartment with an area of approximately 190,000 square meters. In addition, the project has reserved approximately 34,500 square meters as commercial supporting property in its overall planning. As at the end of the Reporting Period, 832 sets of houses of the Phase I Hefengxuan have all been sold and payments have been received. The Phase II Heyaxuan has been launched to the market in the end of September of 2019, and a total of approximately 510 sets have been subscribed and contracted for as at the end of the Reporting Period, representing a contract signing rate of 75%. Phase III of the project is applying for relevant construction and the preliminary engineering work has commenced.

(V) Other Businesses

The Group subscribed for the additional shares issued by Bank of Guizhou in 2015 and 2016 respectively. During the Reporting Period, the Board has approved the Company or its authorised subsidiary to increase the shareholding in the Bank of Guizhou with a total investment amount of not more than RMB190 million. The validity period of the authorisation shall be from 11 June 2019 (i.e. the date of approval of the Board) to 20 May 2021. Bank of Guizhou has been listed on the HKEx since 30 December 2019, 76,207,000 shares of which were subscribed under IPO by the Group at a price of HK$2.48/share through Mei Wah Company, a wholly-owned subsidiary of the Group. As at the end of the Reporting Period, the Group held a total of around 502,000,000 shares in Bank of Guizhou, which accounted for approximately 3.44% of its total share capital as at the end of the Reporting Period. As Bank of Guizhou has a sound cash dividend capability and huge rooms for development, the increase in shareholding of the additional shares issued by Bank of Guizhou may optimise the Company's allocation of assets and will create a good synergy to the Company's subsequent investment and operation of infrastructure in the relevant regions. For details of the investment gains from Bank of Guizhou, please refer to the relevant content in "Financial Analysis" below.

In order to effectively consolidate its resources, expand the fund-raising channels and establish a market-oriented talent management system, the Board approved the capital injection of Fund Management Company by way of public listing and competitive negotiation. Two strategic investors were introduced with a shareholding of 49% in aggregate. For details, please refer to the announcement of the Company dated 23 December 2019.

During the Reporting Period, the Board approved the promotion of establishment and participation in the investment of "Shengchuang – Shenzhen Expressway Environmental Technology Industry Investment M&A Fund" ("晟創—深高速環科產業併購投資基金", name of fund subject to the industrial and commercial registration) by the Company. The total size of the fund was RMB1 billion and the amount invested by the Company was RMB450 million, to be injected in three instalments at a proportion of 30%, 30% and 40%, respectively. For details, please refer to the announcements of the Company dated 23 December 2019.

During the Reporting Period, as Shenzhen Lvyuan Energy Conservation and Environmental Protection Fund (Limited Partnership)* (深圳綠源節能環保基金(有限合夥)) (the "Lvyuan Fund") failed to obtain the internal approval from the other participating parties of the Fund and enter into the partnership agreement within the timeframe specified in the resolution of the Board of the Company (i.e. 31 December 2019), the original approval of the Board for the investment in Lvyuan Fund has expired. For details, please refer to the announcements of the Company dated 11 June 2019 and 2 January 2020, respectively.

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

Consulting Company, held as to 24% by the Company, is a professional engineering consulting company with independent legal entity qualification. Its business scope covers pre-consultation, survey and design, tendering agency, cost consulting, engineering supervision, testing and inspection, as well as maintenance consulting, etc., and with the qualification and capability of providing consulting services to the whole process of investment and construction of the engineering project.

Guangdong UETC, held as to 12.86% by the Company, is principally engaged in the electronic clearing business for the toll highways in Guangdong Province, including investment of management and provision of services of the electronic toll and clearing systems, and sales of related products.

During the Reporting Period, each of the above businesses proceeded smoothly and has met the Group's expectation in general. Due to the limitation on the scales or investment modes, the contributions from these businesses currently only account for a very small proportion of the Group's revenue and profit. For details of other businesses during the Reporting Period, please refer to the relevant content in note V\14 and note V\45 to the Financial Statement in this announcement.

4.2 Financial Analysis

In 2019, the Group recorded net profit attributable to owners of the Company ("net profit") of RMB2,499,485,000 (2018: RMB3,440,051,000), representing a YOY decrease of 27.34%. After excluding the effect of the net gains on disposal of assets of the Three Projects recognised during the corresponding period of last year, the net profit recorded a YOY increase of 30.42%, which was mainly due to the completion of capital injection for Coastal Company, the recognition of deferred income tax asset related to a portion of previously compensable loss and the impairment of highway assets, as well as the increase in the Group's investment income arising from real estate development income of Meilin Checkpoint Renewal Project phase I recognised by United Land Company for the current period and the transfer of the whole equity interests and creditor's rights in four subsidiaries (including Guizhou Shengbo) during the Reporting Period.

For descriptions in relation to Coastal Company on the recognition of deferred income tax asset related to a portion of previously compensable loss and the impairment of highway assets, and the investment income arising from the transfer of the whole equity interests and creditor's rights in four subsidiaries (including Guizhou Shengbo), please refer to Point (II) "Description on Material Changes in Profits from Non-main Business" below.

(I) Analysis of Main Business

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

Unit:'000 Currency: RMB

Item	Amount for the current period	Amount for the corresponding period of last year	Change (%)
Revenue	6,185,825	5,807,108	6.52
Cost of services	3,499,538	2,858,212	22.44
Selling expenses	27,305	19,417	40.62
General and administrative expenses	350,732	209,645	67.30
Research and development expenses	18,475	-	N/A
Financial expenses	572,938	1,055,006	-45.69
Investment income	1,242,672	555,594	123.67
Income tax expenses	-92,249	966,447	N/A
Net cash flows from operating activities	1,751,429	3,222,229	-45.65
Net cash flows from investing activities	-253,489	957,939	N/A
Net cash flows from financing activities	-1,147,073	-3,483,902	N/A

1. Analysis of Income and Cost

During the Reporting Period, the Group recorded revenue of RMB6,185,825,000, representing a YOY increase of 6.52%. Excluding the effect of the toll revenue from the Three Projects of RMB727,802,000 for the corresponding period of last year due to the government's repurchase in advance at the end of 2018, the comparable revenue increased by 21.78%, among which, the comparable toll revenue increased by 5.32% in aggregate. In addition, the Group's revenue has increased due to revenue from Guilong Development Project for the year increased as more housing units were delivered, the newly recognised revenue from entrusted management and maintenance service upon the government's repurchase of the Four Expressways, as well as Nanjing Wind Power and Baotou Nanfeng have been consolidated into the financial statements of the Group during the Reporting Period. The detailed analysis of revenue is as follows:

Unit:'000 Currency: RMB

Revenue item	2019	Proportion (%)	2018	Proportion (%)	Change (%)	Description
Revenue from main business – toll highways	4,569,454	73.87	5,066,387	87.24	-9.81	①
Revenue from other businesses – entrusted management services	376,403	6.08	246,261	4.24	52.85	②
Revenue from other businesses – real estate development	456,902	7.39	285,672	4.92	59.94	③
Revenue from other businesses –revenue from sales of wind power equipment	511,126	8.26	-	-	N/A	④
Revenue from other businesses – revenue from wind power generation	87,667	1.42	-	-	N/A	④
Revenue from other businesses – advertising and others	184,273	2.98	208,787	3.60	-11.74	⑤
Total revenue	**6,185,825**	**100.00**	**5,807,108**	**100.00**	**6.52**	

Description:

① During the Reporting Period, the Group recorded a YOY decrease of 9.81% in toll revenue. Excluding the effect of the toll revenue from the Three Projects of RMB727,802,000 for the corresponding period last year, the comparable toll revenue increased by 5.32% year-on-year. Except for the slight decrease in the toll revenue from Yichang Expressway, all the other ancillary toll highways, including Coastal Expressway, Qinglian Expressway and Wuhuang Expressway, recorded various increases. Detailed analysis of the operational performance of various projects during the Reporting Period is set out in the "Business Review" above. Breakdown of revenue by specific items is set out in Point (1) below.

② During the Reporting Period, revenue from management services recorded a YOY increase of 52.85%, mainly in line with the progress of the entrusted construction projects and newly-recognised revenue from entrusted management services and maintenance service for the Four Expressways after the government's repurchase in the Reporting Period.

③ During the Reporting Period, revenue from real estate development recorded a YOY increase of 59.94%, mainly due to the increase in delivered units in the current period of Guilong Development Project.

④ Nanjing Wind Power and Baotou Nanfeng were consolidated into the Group's financial statements on 8 April 2019 and 17 September 2019, contributing RMB511,126,000 and RMB87,667,000 to the revenue of the Group during the Reporting Period, respectively.

⑤ During the Reporting Period, revenue from advertising and others recorded a YOY decrease, mainly due to the decrease in revenue from advertisement distribution.

(1) Breakdown of main business by industry, product and region

Unit:'000 Currency: RMB

Breakdown of main business by industry						
Industry	Revenue	Cost of services	Gross profit margin (%)	YOY change in revenue (%)	YOY change in cost of services (%)	YOY change in gross profit margin (%)
Toll highway	4,569,454	2,270,903	50.30	-9.81	-4.98	Decrease 2.52 pct. pt
Breakdown of main business by product						
Product	Revenue	Cost of services	Gross profit margin (%)	YOY change in revenue (%)	YOY change in cost of services (%)	YOY change in gross profit margin (%)
Qinglian Expressway	837,016	485,484	42.00	10.03	12.44	Decrease 1.24 pct. pt
Jihe East	768,241	333,416	56.60	1.37	-0.02	Increase 0.60 pct. pt
Jihe West	667,663	136,243	79.59	1.94	14.15	Decrease 2.18 pct. pt
Shuiguan Expressway	652,022	480,124	26.36	2.78	2.80	Remain basically the same
Coastal Expressway	532,571	285,670	46.36	14.58	10.30	Increase 2.08 pct. pt
Yichang Expressway	403,518	204,845	49.24	-1.21	2.03	Decrease 1.61 pct. pt
Wuhuang Expressway	412,534	210,942	48.87	7.08	-7.74	Increase 8.22 pct. pt
Changsha Ring Road	156,146	54,633	65.01	8.41	7.44	Increase 0.32 pct. pt
Meiguan Expressway	139,744	79,548	43.08	9.10	0.76	Increase 4.71 pct. pt
Total[Note1]	**4,569,454**	**2,270,903**	**50.30**	**5.32**	**4.66**	**Increase 0.32 pct. pt**
Breakdown of main business by region						
Region	Revenue	Cost of services	Gross profit margin (%)	YOY change in revenue (%)	YOY change in cost of services (%)	YOY change in gross profit margin (%)
Guangdong Province	3,597,256	1,800,484	49.95	-12.87	-5.72	Decrease 3.80 pct. pt
Hubei Province	412,534	210,942	48.87	7.08	-7.74	Increase 8.22 pct. pt
Hunan Province	559,664	259,477	53.64	1.30	3.12	Decrease 0.82 pct. pt
Total	**4,569,454**	**2,270,903**	**50.30**	**-9.81**	**-4.98**	**Decrease 2.52 pct. pt**

Note1: Excluding the relevant revenue and cost of services of the Three Projects for the corresponding period of last year.

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

During the Reporting Period, the overall gross profit margin of the Group's ancillary toll highways was 50.30%, representing a YOY decrease of 2.52 percentage points. The change in gross profit margin was mainly attributable to the repurchase of the Three Projects as well as the changes in toll revenue, special maintenance expenses and depreciation and amortisation expenses of highway projects.

(2) Analysis of Cost

During the Reporting Period, the cost of services of the Group amounted to RMB3,499,538,000 (2018: RMB2,858,212,000), representing a YOY increase of 22.44%. Excluding the effect of the related cost of services of the Three Projects for the corresponding period of last year, the comparable cost of services recorded a YOY increase of 32.65%, which was mainly due to the increases in employee expenses, road maintenance expenses, and depreciation and amortisation expenses of other ancillary toll highways, the increase in real estate development costs carried forward by Guilong Development Project due to increased revenue, the increase in cost of entrusted management services and the increase in relevant costs of services resulting from the consolidation of Nanjing Wind Power and Baotou Nanfeng into the financial statements. The detailed analysis of cost of services is as follows:

Unit:'000 Currency: RMB

Breakdown by industry								
Industry	Cost item	Amount for the current period	Amount for the current period as a percentage of total costs (%)	Amount for the corresponding period of last year	Amount for the corresponding period of last year as a percentage of total costs (%)	Change in amount for the current period as compared to the corresponding period of last year (%)	Description
Cost of main business – toll highway	Employee expenses	362,482	10.36	405,373	14.18	-10.58	①
	Road maintenance expenses	208,335	5.95	120,499	4.22	72.89	②
	Depreciation and amortisation	1,461,617	41.77	1,626,249	56.90	-10.12	③
	Other business costs	238,469	6.81	237,860	8.32	0.26	
	Subtotal	**2,270,903**	**64.89**	**2,389,981**	**83.62**	**-4.98**	④
Other business costs – entrusted management services		356,797	10.20	183,920	6.43	94.00	⑤
Other business costs – real estate development		255,162	7.29	173,577	6.07	47.00	⑥
Other business costs – sales of wind power equipment		395,551	11.30	-	-	N/A	⑦
Other business costs – wind power generation		34,468	0.98	-	-	N/A	⑦
Other business costs – advertising and others		186,658	5.33	110,734	3.87	68.56	⑧
Total cost of services		**3,499,538**	**100.00**	**2,858,212**	**100.00**	**22.44**	

Description:

① Mainly represents a YOY decrease in toll collection staff expense after the repurchase of the Three Projects by the government.

② Mainly represents the reversal of the balance of provision for road maintenance responsibility of Nanguang Expressway and Yanpai Expressway for the corresponding period last year.

③ Mainly due to a YOY decrease in depreciation and amortisation expenses of related assets after the repurchase of the Three Projects by the government.

④ Costs presented based on specific item are set out in Point (1) above.

⑤ Mainly represents an increase in related entrusted construction management cost in line with the progress of the entrusted construction projects and newly-recognised cost from entrusted management and maintenance service cost upon the government's repurchase of the Four Expressways.

⑥ Due to the YOY increase in delivered units, the development cost for commercial housing carried forward by Guilong Development Project recorded a YOY increase.

⑦ Represents the increase in relevant cost regarding the sales of wind power equipment and wind power generation resulting from the consolidation of Nanjing Wind Power and Baotou Nanfeng into the Group's financial statements during the Reporting Period.

⑧ Represents the addition of compensation cost for operation of the newly built toll stations of the Three Projects.

(3) Major customers and major suppliers

Given the nature of the Group's business, the target sales customers of toll highways are not specific. Apart from toll revenue, the total revenue from the top five customers of the Group amounted to RMB918,505,000, accounting for 15% of the overall revenue of the Group; of which none was sales from related parties.

The purchases from the Group's top five suppliers amounted to RMB609,485,000, accounting for 15% of total purchases of the Group for the year; of which none was purchase from related parties.

2. Expenses

The Group's selling expenses for the Reporting Period amounted to RMB27,305,000 (2018: RMB19,417,000), representing a YOY increase of 40.62%, which was mainly due to the increase in the Group's selling expenses resulting from the consolidation of Nanjing Wind Power into the financial statements.

The Group's general and administrative expenses for the Reporting Period amounted to RMB350,732,000 (2018: RMB209,645,000), representing a YOY increase of 67.30%. The increase was mainly due to the increase in staff expenses of the Group attributable to the increase in the number of managerial staff as the Company's business scale expanded during the Reporting Period, the increase in the withdrawal of profit increment based bonus for the year according to the Group's assessed net profit recorded in 2019 and the increase in the Group's general and administrative expenses resulting from the consolidation of Nanjing Wind Power into the financial statements.

The Group's research and development expenses amounted to RMB18,475,000 during the Reporting Period. The increase in the research and development expenses of the Group resulted from the consolidation of Nanjing Wind Power into the financial statements.

The Group's financial expenses for the Reporting Period amounted to RMB572,938,000 (2018: RMB1,055,006,000), representing a YOY decrease of 45.69%, which was mainly due to the assets and liabilities being carried forward simultaneously upon the repurchase of the Three Projects by the government at the end of 2018, the decrease in interest expenses as a result of the reduction in borrowing scale during the Reporting Period, and the YOY decrease in exchange losses as foreign liabilities were affected by fluctuation in RMB exchange rate. During the Reporting Period, the Company continued to lock the foreign exchange swap transactions on US dollar bond. Details of the foreign exchange swap transaction are set out in note V\2 to the Financial Statements in this announcement. After hedging the "Gain from changes in fair value – Income from changes in fair value of foreign currency swap instruments" and "Gains from investment – Gains from completion of foreign currency swaps", the Group's financial cost during the Reporting Period was RMB528,492,000 (2018: RMB988,271,000), representing a YOY decrease of 46.52%. In addition, during the Reporting Period, the comprehensive borrowing cost of Group was 4.39% (2018: 4.66%), representing a YOY decrease of 0.27 percentage points. For details of the changes in borrowing scale, please refer to "Analysis of Assets and Liabilities" below. The detailed analysis of financial expenses is as follows:

Unit: '000 Currency: RMB

Financial expenses item	2019	2018	Change (%)
Interest expenses	734,526	1,060,159	-30.72
Less: Interest capitalised	133,609	69,829	91.34
Interest income	50,849	81,318	-37.47
Add: Exchange loss and others	33,399	133,365	-74.96
Others	-10,530	12,629	-183.38
Total financial expenses	**572,938**	**1,055,006**	**-45.69**

During the Reporting Period, the Group's income tax expenses amounted to RMB-92,249,000 (2018: RMB966,447,000), representing a significant YOY decrease. The decrease was mainly due to the fact that, during the Reporting Period, the Coastal Company completed the capital injection of RMB4.1 billion and according to its future profitability, recognied related deferred income tax assets in respect of partially compensable losses and impairment of road assets incurred in previous periods, and recognistion of the income tax relating to the gains on disposal of assets of the Three Projects in the corresponding period last year.

3. Investment Income

During the Reporting Period, the Group's investment income amounted to RMB1,242,672,000 (2018: RMB555,594,000), representing a YOY increase of 123.67%, which was mainly due to the increase in the Group's investment income arising from the recognition of the revenue of development of commercial housing of Meilin Checkpoint Renewal Project Phase I by United Land Company during the year and the transfer of 100% equity interests and creditor's rights in four subsidiaries including Guizhou Shengbo. Detailed analysis of investment income is as follows:

Unit: ’000 Currency: RMB

Item	2019	2018	Change in amount
1. Investment income attributable to associates:			
Guangwu Project	34,579	37,193	-2,614
Yangmao Expressway	44,343	85,788	-41,445
Jiangzhong Project	19,491	24,659	-5,168
GZ W2 Expressway	59,515	57,397	2,118
Nanjing Third Bridge	53,683	50,342	3,342
United Land Company	377,224	-5,716	382,940
Derun Environment	193,468	162,112	31,356
Others Note	139,735	109,182	30,552
Subtotal	**922,038**	**520,956**	**401,081**
2. Investment income arising from transfer of subsidiaries	262,207	71,876	190,331
3. Investment income from other non-current financial assets	30,125	6,860	23,265
4. Gains from completion of foreign currency swaps	26,860	-49,740	76,600
5. Investment income from wealth management products	1,442	5,643	-4,201
Total	**1,242,672**	**555,594**	**687,078**

Note: Others are attributable to the investment income of Shuiguan Extension, Consulting Company and Bank of Guizhou.

4. Investment in Research and Development

The investment in research and development mainly represents the expenses arising from the research and development of wind power generation system conducted by Nanjing Wind Power. The increase in the investment in research and development was attributable to the consolidation of Nanjing Wind Power into the financial statements of the Group during the year.

Unit: ’000 Currency: RMB

Expensed investment in research and development for the current period	18,475
Capitalised investment in research and development for the current period	-
Total investment in research and development	18,475
Percentage of total investment in research and development over revenue (%)	0.3
Number of research and development staff of the Company (person)	41
Number of research and development staff over the total number of staff of the Company (%)	0.8
Proportion of capitalised investment in research and development (%)	-

5. Cash Flow

Descriptions on the reasons for changes in net cash flows from operating activities: The toll revenue of the Group’s principal toll highway operations is collected in cash, thereby providing the Group with a steady operating cash flow. During the Reporting Period, the Group’s net cash inflows from operating activities amounted to RMB1,751,429,000 (2018: RMB3,222,229,000), representing a YOY decrease of 45.65%, which was mainly due to the YOY increase in the payment of related taxes and the additional procurement expenditure of Nanjing Wind Power during the Reporting Period, and the receipt of freight compensations from the government by Coastal Company for the corresponding period of last year. During the Reporting Period, the net cash flow from the operating activities of the Group was lower than the net profit mainly because the cash flow from the operating activities of the Group during 2019 was basically not affected by the deferred income tax assets of Coastal Company recognised during 2019, the investment income from United Land Company and the investment income from the transfer of the equity interests in the subsidiaries. In addition, the recurring cash return on investments from associates Note during the Reporting Period amounted to RMB398,391,000 (2018: RMB355,654,000), representing a YOY increase of RMB42,737,000.

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

Descriptions on the reasons for changes in net cash flows from investing activities: During the Reporting Period, the Group's net cash from investing activities recorded a YOY decrease of approximately RMB1.21 billion, which was mainly attributable to the increase in expenditure of Outer Ring Project, increase in equity investment expense, and receipt for capital reduction of United Land Company of RMB1.6 billion for the corresponding period of last year.

Descriptions on the reasons for changes in net cash flows from financing activities: During the Reporting Period, the Group's net cash from financing activities recorded a YOY increase of approximately RMB2.34 billion, which was mainly due to the receipt of the shareholder loan from United Land Company in the Reporting Period.

6. Amortisation Policies of Concession Intangible Assets and the Difference of Amortisation Methods

The Group's concession intangible assets are amortised based on the units-of-usage method. The amortised amount is calculated, based on usage amount per unit, by the percentage of the actual traffic volume in the respective periods to the total projected traffic volume during the toll operating period. The Group conducts regular review on the projected traffic volume and makes corresponding adjustments to ensure reasonableness of the amortised amount. Details of this accounting policy and accounting estimates are set out in note III\18(1) and 34(2) to the Financial Statements in this announcement.

During the preliminary stages of toll highways' operation, the amortised amount calculated by the units-of-usage method is generally lower than that calculated by the straight-line method. During the Reporting Period, the difference in amortisation attributable to the Company calculated by using two amortisation methods based on its share of interests was RMB273 million, the difference in amortisation remain basically the same, which was mainly due to the effect resulting from the adjustments of the unit amortisation amount of Meiguan, Jihe East, Jihe West and Jiang zhong Expressway, and the repurchase of the Three Projects. The adoption of different amortisation methods had no impact on the cash flow generated from various toll highway projects and thus had no impact on the valuation of various projects.

(II) Description on Material Changes in Profits from Non-main Business

1. Coastal Company Recognised Deferred Income Tax Assets in respect of Partially Deductible Losses and Impairment of Road Assets, etc. Incurred in Previous Periods

In order to improve the financial position of Coastal Company, in the first half of 2019, the Company completed the capital injection of RMB4.1 billion into Coastal Company. According to the forecast on future profitability of Coastal Company, a deferred income tax assets of approximately RMB512 million was recognised in respect of partially deductible losses and impairment of road assets incurred in previous periods, and the Group's net profit increased by approximately RMB512 million accordingly. Having considered the possible adverse impact brought by the epidemic development at the end of 2019, the Company re-evaluated the future profitability of Coastal Company, and reduced the deferred income tax assets in respect of partially compensable losses recognized in previous years by RMB48 million, decreased the Group's net profit by approximately RMB48 million accordingly. This event as a whole increase in the Group's net profit by RMB464 million. Details are set out in note V\21 to the Financial Statements in this announcement.

2. Investment Income Arising from Transfer of 100% Equity Interests and Creditor's Rights in Four Subsidiaries Including Guizhou Shengbo

During the Reporting Period, the Group has completed the relevant procedures about transfer of 100% equity interests and creditor's rights in Guizhou Shengbo, Guizhou Hengfengxin, Guizhou Henghongda and Guizhou Yehengda. The Group recognised the equity transfer income of RMB262 million and recorded an increase of RMB138 million in the net profit after tax of the Group. Details are set out in note V\51 and note VI\3 to the Financial Statements in this announcement.

3. Provision for Asset Impairment of the Concession Intangible Assets of Shuiguan Expressway

Due to changes in objective conditions, the recoverable value of the concession intangible assets of Shuiguan Expressway owned by Qinglong Company, a 50% -owned subsidiary of the Company, was negatively affected with the appearing of signs of impairment. Impairment test is required and provisions for impairment are made accordingly as needed. According to the valuation results of professional valuation firm, the Company has made provision for asset impairment of RMB552 million for the concession intangible assets of Shuiguan Expressway at the end of 2019, and at the same time adjusted the reversal of the unsettled consideration of RMB26 million in relation to the further acquistion of equity interest in 2015. The above provision for asset impairment and consideration adjustments have reduced the Group's 2019 net profit by approximately RMB 181 million.

Details of this asset impairment are set out in note V\23 to the Financial Statements in this announcement. The above change in provision for the asset impairment has been reviewed and approved at the 25th meeting of the 8th session Board of Directors of the Company. For details, please refer to the Company's announcement of the Board's resolution dated 18 March 2020 and announcement of the provision for asset impairment.

(III) Analysis of Assets and Liabilities

1. Assets and Liabilities

The Group's assets mainly comprise concession intangible assets in high-grade toll highways and equity investments in associates, which accounts for 55.15% of its total assets, and cash at bank and on hand as well as other assets, which accounts for 10.54% and 34.31% of its total assets, respectively. As at 31 December 2019, the Group's total assets amounted to RMB44,923,734,000 (as at 31 December 2018: RMB41,100,850,000), representing an increase of 9.30% over the end of 2018, which was mainly due to the consolidation of Nanjing Wind Power and Baotou Nanfeng into the financial statements during the year 2019.

As at 31 December 2019, the total outstanding interest-bearing liabilities of the Group amounted to RMB16,821,439,000 (as at 31 December 2018: RMB13,922,655,000), representing an increase of 20.82% over the end of 2018, mainly contributed to the withdrawal of project loans for the Outer Ring Project due to an increase in the construction expenditures, receipt of the shareholder loan from United Land Company and the consolidation of Nanjing Wind Power and Baotou Nanfeng into the financial statements during the Reporting Period. In 2019, the Group's average borrowing scale was RMB14.8 billion (2018: RMB21.1 billion), representing a YOY decrease of 30%, which is principally attributed by the transfer-out of the corresponding interest-bearing liabilities under the repurchase of the Three Projects.

Detailed analysis of assets and liabilities is as follows:

Unit:'000 Currency: RMB

Name of item	Amount as at the end of the current period	Amount as at the end of the current period as a percentage of total assets (%)	Amount as at the end of the previous period	Amount as at the end of the previous period as a percentage of total assets (%)	Change in amount as at the end of the current period as compared to the end of the previous period (%)	Description
Transactional financial assets	62,689	0.14	45,103	0.11	38.99	(1)
Other receivables	374,186	0.83	1,580,256	3.84	-76.32	(2)
Contract assets	450,893	1.00	166,842	0.41	170.25	(3)
Assets held for sale	-	-	296,641	0.72	-100.00	(4)
Fixed assets	2,832,371	6.29	840,078	2.04	237.16	(5)
Construction in progress	15,198	0.03	31,264	0.08	-51.39	(6)
Long-term prepaid expenses	32,405	0.07	5,962	0.01	443.53	(7)
Deferred tax assets	597,341	1.33	172,392	0.42	246.50	(8)
Bills receivable	9,895	0.02	-	-	N/A	(9)
Long-term receivables	339,110	0.75	160,973	0.39	110.66	
Prepayments	335,583	0.75	166,448	0.40	101.61	(10)
Accounts receivable	722,267	1.60	174,639	0.42	313.58	
Goodwill	156,040	0.35	-	-	N/A	
Bills payable	131,750	0.29	-	-	N/A	
Provision	10,285	0.02	-	-	N/A	
Accounts payable	970,759	2.16	714,906	1.74	35.79	(11)
Right-of-use asset	152,870	0.34	-	-	N/A	(12)
Lease liabilities	118,270	0.26	-	-	N/A	
Short-term borrowings	363,878	0.81	117,425	0.29	209.88	(13)
Taxes payable	256,919	0.57	1,353,424	3.29	-81.02	(14)
Long-term payables	2,217,015	4.93	-	-	N/A	(15)
Long-term employee benefits payable	105,824	0.24	-	-	N/A	(16)
Other non-current liabilities	-	-	128,370	0.31	-100.00	(17)
Non-current liabilities due within one year	505,102	1.12	379,136	0.92	33.22	(18)

Descriptions of assets and liabilities:

(1) Foreign exchange swap instruments were under the influence of exchange rate fluctuation.

(2) Receipt of the remaining compensation from the government for the repurchase of the Three Projects and the remaining capital reduction of United Land Company and interests.

(3) Increase of the construction fee advanced for Duohua Project and Nanjing Wind Power was consolidated into the financial statements of the Group.

(4) Complete the transfer procedures of 100% equity interests and creditor's rights of four subsidiaries including Guizhou Shengbo.

(5) Baotou Nanfeng was consolidated into the financial statements of the Group and the investment in the renovation on the non-stop toll collection system was carried forward to fixed assets after completion.

(6) Carried forward of the construction-in-progress which have been completed.

(7) Payment of the decoration fee for long-term rental apartment project.

(8) Coastal Company recognised deferred income tax assets in respect of partially deductible losses and impairment of road assets incurred in previous periods.

(9) Items in related statements increase due to the consolidation of Baotou Nanfeng into the financial statement.

(10) Items in related statements increase due to the consolidation of Nanjing Wind Power into the financial statement.

(11) Consolidation of Nanjing Wind Power and Baotou Nanfeng into the financial statements of the Group.

(12) Please refer to Note III\35 to the Financial Statements for effect of changes in accounting policies.

(13) Increase short-term borrowings in light of the adequacy of funds in the marketplace.

(14) Payment of related taxes and expenses for the disposal of the assets of the Three Projects.

(15) Shareholder loan (long-term) from United Land Company was received and Baotou Nanfeng was consolidated into the financial statements of the Group.

(16) The deferred portion of the incremental profit bonus is classified as non-current liabilities

(17) Advanced compensations related to the freight subsidy of Coastal Expressway were classified as non-current liabilities due within one year.

(18) Bond interest payable was classified as non-current liabilities due within one year.

2. Restriction on Main Assets as at the End of the Reporting Period

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

Assets	Type	Bank	Scope of security	Term
Toll collection rights of Qinglian Project[1]	Pledge	A consortium including China Development Bank, etc.	Principal and interests of bank loans in an aggregate amount of RMB5.9 billion	Until repayment of all liabilities under the loan agreement
100% equity interests in Meiguan Company	Pledge	China Construction Bank Shenzhen Branch	Counter-guarantee for the irrevocable guarantee with joint liability in respect of the redemption of the corporate bonds with an amount of RMB800 million upon maturity	Until repayment of corporate bonds (principal and interest)
Toll collection rights of Outer Ring Expressway and all proceeds from the project[2]	Pledge	A consortium including China Development Bank, etc.	Principal and interests of bank loans in an aggregate amount of RMB6.5 billion	Until repayment of all liabilities under the loan agreement
45% equity interests in JEL Company[3]	Pledge	The Hong Kong and Shanghai Banking Corporation Limited	Principal and interests of bank loans in an aggregate amount of HKD350 million	Until repayment of all liabilities under the loan agreement
Toll collection rights of Coastal Expressway[4]	Pledge	A consortium including China Development Bank, etc.	Principal and interests of bank loans in an aggregate amount of RMB5.4 billion	Until repayment of all liabilities under the loan agreement
Equity interests and dividends of four wind farms of Ningyuan, Ningxiang, Nanchuan and Ningfeng companies (all located in Damao Banner) held by Baotou Nanfeng, as well as the electricity bill collection rights of the 198MW project of wind farms and its corresponding income.	Pledge	Three Gorges Financial Leasing Co., Ltd.	Debts and financing handling charges from financing obligations by way of sale and leaseback of its own wind power equipment as leasehold for the 198MW project in wind farms	The date of repayment of all liabilities of finance leases regarding the 198MW wind power stations (sale and leaseback)
Land use rights and auxiliary ground structures and equipment in respect of the 198MW project in wind farms of Ningyuan, Ningxiang, Nanchuan and Ningfeng companies (all located in Damao Banner)[5]	Mortgage			

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

Type of restricted capital	Amount subject to restrictions
Fund in special deposit account for the entrusted construction and management project	RMB1,460 million
Payable guarantee for acceptance of bills	RMB132 million
Consideration for acquisition of equity interest under supervision	RMB210 million

Details of restriction of assets:

(1) Pledged by Qinglian Company, a subsidiary of the Company. As at the end of the Reporting Period, the balance of such consortium loans held by Qinglian Company was RMB1.634 billion.

(2) Outer Ring Company, a wholly-owned subsidiary of the Company, applied for bank loans by pledging the proceeds and credits receivable from the toll collection rights and the operating activities of Outer Ring Expressway. As at the end of the Reporting Period, the balance of such consortium loans withdrawn by Outer Ring Company was RMB3.511 billion.

(3) Pledged by Mei Wah Company, a wholly-owned subsidiary of the Company, for applying bank loans in HKD. As at the end of the Reporting Period, the balance of such loan was HKD50 million.

(4) Pledged by Coastal Company, a wholly-owned subsidiary of the Company, for applying bank loans from the consortium. As at the end of the Reporting Period, the balance of such consortium loans was RMB3.518 billion.

(5) Pledged and mortgaged by Baotou Nanfeng, a controlling subsidiary of the Company. As at the end of the Reporting Period, the balance of such finance lease liability was RMB660 million.

(6) Details of the restrictions on the Group's major assets at the end of the Reporting Period are set out in note V\60 to the Financial Statements in this announcement.

3. Capital Structure and Debt Repayment Capability

The Company is always committed to maintaining a rational capital structure and enhancing its profitability, in order to maintain its good credit ratings and solid financial position. As at the end of the Reporting Period, affected by the increase in total interest-bearing liabilities and the profit distribution for 2018, the debt-to-asset ratio of the Group slightly increased, while the net borrowings-to-equity ratio increased to a certain extent as compared with that at the beginning of the year. During the Reporting Period, the Group's businesses demonstrated steady development, recording an increase in revenue while further enhancing the effectiveness of cost management and steadily improving the debt repayment capability. Given the Group's stable and robust operating cash flows and its strong capability in financing and capital management, the Directors are of the view that the financial leverage ratios remained at a safe level at the end of the Reporting Period.

Key indicators	As at the end of 2019	As at the end of 2018
Debt-to-asset ratio (Total liabilities/Total assets)	53.87%	52.46%
Net borrowings-to-equity ratio ((Total borrowings – cash and cash equivalents)/Total equity)	67.02%	58.04%
Net borrowing/ EBITDA ((Total borrowings – cash and cash equivalents)/ Earnings before interests, tax, depreciation and amortisation) note	3.09	2.20
	2019	2018
Interest covered multiple ((Profit before tax + interest expenses)/Interest expenses)	4.56	5.54
EBITDA interest multiple (Earnings before interests, tax, depreciation and amortisation/Interest expenses)	6.93	7.21

Note: 2018 Net borrowing/EBITDA indicator does not include gains on disposal of the Three Projects.

4. Liquidity and Cash Management

During the Reporting Period, the short term loans of the Group and shareholder loan from United Land Company increased, leading to a decrease in the net current assets as at the end of the period as compared to the end of the previous year. Based on the financial status and capital needs, the Group will strengthen the overall fund arrangements for subsidiaries and key projects, continue to optimise the capital structure, maintain appropriate cash on hand, and sufficient bank credit lines to prevent liquidity risks.

During the Reporting Period, the Company used idle funds to purchase principal-guaranteed RMB wealth management products from cooperating banks on the condition that both safety and liquidity of capital reserve can be assured. As at the end of the Reporting Period, cash used in wealth management has been retrieved, and no deposit was placed in non-bank financial institutions or applied to investment in securities. Detailed information on wealth management products can be found in "Material Contracts and their Performance" below.

Unit: Million Currency: RMB

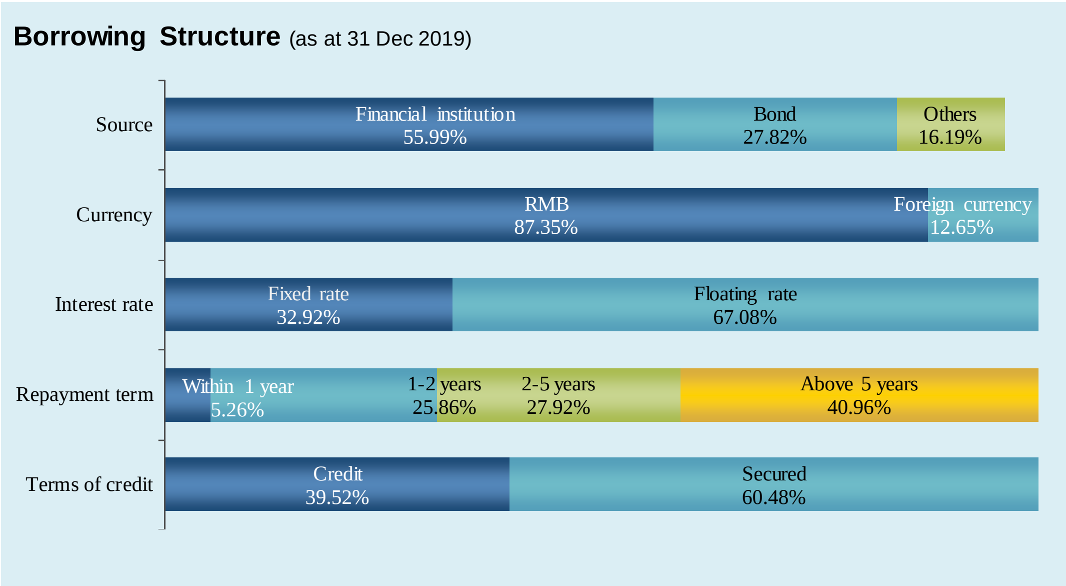
	31 December 2019	31 December 2018	Change
Net current assets	1,185	1,487	-302
Cash and cash equivalents	2,932	2,581	351
Banking facilities available	14,366	13,084	1,282

5. Financial Strategies and Financing Arrangements

During the Reporting Period, the central bank continued to implement the stable and loose monetary policy and increased the base currency supply through the cutting of requirement reserve rate and the open market operations, thereby maintaining sufficient market liquidity in general, which has in turn led to a decrease in the price of funds. During the Reporting Period, the Group used its self-owned funds and some bank loans to meet the capital needs of debt repayment, investment expenditures and dividend distribution, etc. The Group negotiated with the financial institutions to cut the rates of some existing debts due to changes in the market profiles in order to further lower financial cost. Simultaneously, the debt structure was further optimised to lower financial cost and control financial risks. In addition, the Company was approved to issue corporate bond amounting to RMB5 billion during the year, which further expanded the financing channels for the Company.

During the Reporting Period, the Group did not have any overdue principal and interests for bank loans and bonds.

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



During the Reporting Period, the Company continued to maintain the highest credit rating of AAA for domestic entities, and maintained the existing investment grade ratings for international entities where Fitch upgraded the rating of the Company to “BBB” from “BBB-”. As for credit ratings of debt, corporate bonds and medium-term notes remained at the highest credit rating of AAA.

As of 31 December 2019, the Group had obtained a total of RMB28.7 billion of banking facilities, including RMB15.9 billion of credit facilities specifically for construction projects and RMB12.8 billion of general credit facilities. As at the end of the Reporting Period, un-utilised banking facilities amounted to approximately RMB14.4 billion.

6. Contingencies

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

(IV) Analysis of the Investment

1. General Analysis on External Investments

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

(1) Material Equity Investments

During the Reporting Period, the total equity investment of the Group amounted to approximately RMB790 million (2018: RMB58 million), representing a YOY increase of RMB732 million, mainly due to the acquisition of equity interests and the increase of capital in Nanjing Wind Power during the Reporting Period, subscription for the additional shares issued by Bank of Guizhou and the increase in investment of the reconstruction and expansion of Yangmao Expressway. For details, please refer to the content in Business Review above. The details of material equity investments during the Reporting Period are as follows:

Unit: RMB

Name of Investee company	Major business	Shareholding	Investment amount in 2019	Description
Yangmao Company	Investment, construction and operation management of Yangjiang-Maoming Expressway and development of its supporting service projects	25%	108,750,000.00	The approved estimated budget for reconstruction and expansion of Yangmao Expressway is estimated to be RMB8.0 billion (35% are self-raised funds), and the Company should invest RMB700 million in proportion to the 25% shareholding ratio. During the Reporting Period, the Company paid RMB109 million according to shareholding ratio and project progress.
Nanjing Wind Power	Engaging in the research and development, integration, production, installation, sales and maintenance of wind power generation system, as well as investment and operation of wind farms	51%	510,000,000.00	During the Reporting Period, the Company's subsidiary, Environment Company, acquired 30% equity interests in Nanjing Wind Power at a consideration of RMB210 million and made a one-way contribution of RMB300 million. Upon completion of this acquisition and capital increase procedures, Environmental Company had held a total of 51% equity interest in Nanjing Wind Power.
Baotou Nanfeng	Engaging in the investment, development and operation of wind power projects.	67%	0.67	During the Reporting Period, the Company acquired 67% equity interest in Baotou Nanfeng at a consideration of RMB0.67 and assumed their shareholders' responsibility for the debt of Baotou Nanfeng of approximately RMB1,352 million in proportion to their shareholdings.
Bank of Guizhou	Engaging in financial services.	3.44%	171,044,470.10	Bank of Guizhou has been listed on the HKEx since 30 December 2019, 76,207,000 shares of which were subscribed under IPO by the Group at a price of HK$2.48/share through Mei Wah Company, a wholly-owned subsidiary of the Group. As at the end of the Reporting Period, the Group held a total of around 502,000,000 shares in Bank of Guizhou.

(2) Material non-equity investments

During the Reporting Period, the Group's expenditures on material non-equity investments mainly comprised expenditures for the construction of Outer Ring Project and Coastal Phase II, renovation on the non-stop toll collection system of ancillary toll highways and the investment in road properties and mechanical and electrical facilities of the highway sections operated by subsidiaries, totalling approximately RMB1,772,114,000. The investments in major projects are as follows:

Unit: '000 Currency: RMB

Project name	Project amount	Project progress	Amount invested during the Reporting Period	Actual accumulated amount invested	Gains from the project
Outer Ring Project	6,500,000	67%	1,351,014	3,550,221	For details of the operational performance of projects (except for Outer Ring Project and Coastal Phase II, which is in the beginning stage of construction) during the Reporting Period, please refer to the Analysis of Main Business as set out above.
Coastal Phase II	1,000,000	40%	19,299	29,770	
Investment in the renovation on the non-stop toll collection system	438,000	100%	164,007	164,007	
Total	/	/	1,534,320	3,743,998	/

(3) Material assets measured at fair value

Unit: ’000 Currency: RMB

Item name	Opening balance	Closing balance	Change during the period	Impact on total profit for the period
Transactional financial assets	45,103	62,689	17,586	17,586
Other non-current financial assets	180,439	217,939	37,500	37,500

(V) Sale of Material Assets and Equity

During the Reporting Period, the Group's material equity sale mainly involved the transfer of 100% equity and creditor's rights of four subsidiaries including Guizhou Shengbo. For details, please refer to point II “Description on Material Changes in Profits from Non-main Business” above. During the Reporting Period, no material assets were sold.

(VI) Analysis of Major Controlling Companies and Participating Companies

Unit: '000 Currency: RMB

Company name	Percentage of interests held by the Group	Registered capital	31 December 2019		2019			Principal business
			Total assets	Net assets	Revenue	Operating profit	Net profit/ (net loss)	
Meiguan Company	100%	332,400	814,439	522,177	153,073	58,340	44,203	Construction, operation and management of Meiguan Expressway
Jihe East Company	100%	440,000	1,748,066	1,271,796	770,966	434,040	325,229	Construction, operation and management of Jihe East
Mei Wah Company	100%	HKD 795,381	1,981,082	1,277,312	412,534	294,232	239,907	Indirectly holding 25% interests in Qinglian Company, 10% interests in Qinglong Company and 100% interests in Magerk Company
Qinglian Company	76.37%	3,361,000	6,862,855	2,876,313	840,344	173,256	127,946	Construction, operation and management of Qinglian Expressway and related auxiliary facilities
JEL Company	100%	USD 28,000	695,392	538,365	412,534	210,329	157,654	JEL Company: investment holding (holding interests in Magerk Company); Magerk Company: toll collection and management of Wuhuang Expressway
Qinglong Company	50%	324,000	2,734,798	1,592,712	658,485	(406,133)	(302,492)	Development, construction, toll collection and management of Shuiguan Expressway
Investment Company	100%	400,000	2,106,379	796,412	688,093	352,805	164,166	Investment in industries and project construction
Guishen Company	70%	500,000	2,012,007	1,146,763	680,655	409,192	214,769	Investment, construction and management of road and urban and rural infrastructure
Yichang Company	100%	345,000	2,914,089	1,513,033	403,518	152,824	118,616	Construction, operation and management of Yichang Expressway
Coastal Company	100%	4,600,000	8,410,383	6,130,025	534,068	145,835	583,302	Investment in the construction and operation of the Shenzhen section of the Guangzhou-Shenzhen Coastal Expressway
United Land Company	34.3%	714,286	12,145,030	4,411,080	4,067,148	1,371,738	1,034,606	As the reporting entity and legal person for the Meilin Checkpoint Urban Renewal Project, it is responsible for acquiring the land, demolition and relocation and other works in respect of the Meilin Checkpoint Urban Renewal Project
Environment Company	100%	5,000,000	7,260,028	5,458,965	511,304	237,689	197,401	Investment and launching of projects of environmental protection industry as well as investment, construction, operation and management of municipal public works and environmental management engineering. The major asset is 20% equity interests held in Derun Environment

Company name	Percentage of interests held by the Group	Registered capital	31 December 2019		2019			Principal business
			Total assets	Net assets	Revenue	Operating profit	Net profit/ (net loss)	
Derun Environment	20%	1,000,000	42,066,457	15,310,511	10,021,925	2,173,225	967,338	The principal business of Derun Environment is investment holding. The major assets are 50.04% and 56.62% equity interests held in Water Group and Sanfeng Environmental, respectively
Outer Ring Company	100%	100,000	4,317,995	100,000	-	-	-	Investment in the construction and operation of the Shenzhen section of Outer Ring Expressway
Nanjing Wind Power	51%	357,143	2,155,600	759,316	511,126	74,190	65,276	The research, integration, manufacture, installation, sales and maintenance of wind power generation system, as well as investment and operation of wind farms
Baotou Nanfeng	67%	6,000	2,123,799	37,012	87,667	36,902	37,012	The investment, development and operation of wind power projects

Note: the table above is consolidated. The income and the net profit of Nanjing Wind Power and Baotou Nanfeng for 2019 in the table above were the amounts realised upon the completion of acquisition of relevant equity interests.

(VII) Proposed Profit Distribution

The Company's net profit in its 2019 audited consolidated statements based on CASBE and that of the parent company in its statements were RMB2,499,484,975.75 and RMB1,361,437,567.20 respectively. Pursuant to the relevant PRC regulations and the Articles of Association, the Company withdrew its statutory common reserve fund of RMB136,143,756.72 for the year of 2019. The Board recommended to distribute a final dividend of RMB0.52 per share (tax inclusive) in cash to all shareholders for the year ended 31 December 2019, based on the total share capital of 2,180,770,326 shares at the end of 2019, with an aggregate amount of RMB1,134,000,569.52, representing 45.37% of the net profit as shown in the 2019 consolidated statements. The residual balance upon distribution shall be carried forward to the next year. No capital reserve was converted into share capital during the year. The aforesaid recommendation will be proposed at the 2019 Annual General Meeting of the Company for approval.

1. Formulation, Implementation or Adjustment of Cash Dividend Policy

The Company has always been pursuing to reward its shareholders and has been distributing cash dividends for 22 consecutive years since its listing.

Pursuant to the Articles of Association, the Company shall implement a proactive cash dividend policy in line with the principle of attaching great importance to reasonable returns to shareholders while satisfying the needs of sustainable operation and development. The Articles of Association has a clear standard of dividend distribution and the minimum proportion of annual dividends, and has formulated sound decision-making procedures and mechanisms. Any modification to the profit distribution policy or failure in formulating/implementing profit distribution proposals according to such policy by the Company shall be proposed at the general meeting by way of a special resolution for consideration. In addition, the Proposal on Shareholders' Return for the Next Three Years (2017–2019)" of the Company ("Shareholders' Return Proposal") specifies that the Company will endeavor to increase its cash dividend ratio in the three years (2017 to 2019). In case of a sound financial and cash position and that there is no significant investment plans or cash expenditures, the Company intends to allocate the annual profits by cash amounting to not less than 45% of the distributable profits realised during the year.

The 2019 profit distribution proposal (including the cash dividend proposal) formulated by the Company was in compliance with the relevant requirements of the Articles of Association and the "Shareholders' Return Proposal". In formulating and determining the proposal, the Independent Directors have issued an independent opinion after careful study and analysis of relevant factors, and the Company is also able to listen to the opinions of the Independent Directors and the shareholders through various channels, and give regard to the demands and legitimate interests of the minority investors.

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

Unit: RMB

Year of dividend distribution	Number of bonus issue (share) for every 10 shares	Dividend (RMB) for every 10 shares (including tax)	Total number of share (share) for conversion of capital reserve into share capital for every 10 shares	Total cash dividend (including tax)	Net profit in combined statements in the year of dividend distribution	Percentage (%) of dividend distributed to net profit in combined statements
2019 (Proposed)	0	5.20	0	1,134,000,569.52	2,499,484,975.75	45.37%
2018	0	7.10	0	1,548,346,931.46	3,440,050,607.33	45.01%
2017	0	3.00	0	654,231,097.80	1,426,402,801.01	45.9%

Note: The net profits attributable to ordinary shareholders of listed companies in the consolidated statements for 2017 in the above table are data before being restated.

4.3 Outlook and Plans

(I) Development Strategies of the Company

Based on the in-depth study of the changes in the development of both internal and external environment, the fourth meeting of the seventh session of the Board of the Company held in June 2015 approved the "2015–2019 Development Strategies" of the Company. The Company will "pursue a market-oriented and innovation-driven strategy, continue to seize the opportunities of this era to consolidate and strengthen the core business of toll highway and actively explore and determine the new industry direction so as to achieve the sustainable development of the Company". In view of the promising development prospect and immense business opportunities in domestic transport infrastructure, comprehensive urban exploration and the general-environmental protection industry, as well as the compatibility of the business model and core competitiveness, the Company has basically determined the development directions of placing emphasis on and implementing new projects for the above two industries. In this connection, the Company will actively explore and put into practice the transformation and development of its business to ensure the stable and sustainable development of its business operation.

The "2015–2019 Development Strategies" of the Company has been completed, and its implementation has been recapped and concluded under the section headed "Five-year Strategic Overview" in the "Chairman's Statement" of the annual report of the Company for the year 2019. The formulation of the new "2020–2024 Development Strategies" was basically completed. In general, the Company will, on the basis of its achievements from the transformation and development in the previous strategic phase, continue to pursue the development of its two core businesses, namely transport and urban infrastructure and general environmental protection. Leveraging its core businesses, the Company will also proactively explore and cultivate new businesses, such as comprehensive urban service and integration of industry and finance. The particulars of these strategies, such as specific strategic goals and implementation procedures are still in the process of research and deliberation.

(II) Operation Plans

In 2020, the working goals and focuses for the Group are as follows:

- **Operating Targets:** According to the requirement of the MOT, all toll highway projects operated and invested by the Group will implement a toll-free policy during the outbreak of the epidemic from 00:00 on 17 February 2020. The Group's 2020 operating targets will be affected by the implementation of this policy. In view of the time period for the toll-free policy during the epidemic and the relevant supporting policies are still not yet determined, the Group's 2020 operating targets are also subject to considerable uncertainty. The Group will closely monitor relevant policy trends and actively adopt coping strategies, and it will determine and disclose its operating targets in a timely manner.

- **Toll Highway Business:** The Group will maintain sound communication with the transport departments on supporting and protective policies, so as to minimise the impact caused by the toll-free policy implemented during the period of prevention and control of the epidemic. During the period of prevention and control of the epidemic, the Group will further optimise its cost management and control system to align with the characteristics of operation and management at this stage in an effort to reduce cost on a continuous basis. In terms of project construction, the Group will strive to maintain the construction quality of Coastal Phase II and Section A of Outer Ring, and minimise the impact on construction progress due to the suspension of construction during the epidemic. The Group will further enhance the level of informatisation and intelligence in its construction and operation activities through intelligent collection and integration with a view to earnestly enhancing the level of centralised dispatching management and the comprehensive monitoring and management ability. The Group will also proactively explore opportunities for mergers and restructuring, invest in promising toll highway and bridge projects and continue to strengthen its core business of toll highway.
- **General Environmental Protection:** The Group will properly carry out the construction of Guangming Environmental Park Project, and ensure that it can be completed as scheduled. The handover of and coordination for Lande Environmental project will be completed, while the construction and operation of various BOT/PPP projects will progress as planned. Capitalising opportunities from the market, the Group will step up its effort in boosting the production capacity of Nanjing Wind Power. Systems of safe operation and cost control for wind farms in Baotou will be improved, so as to guarantee that the electricity production target can be met. The Group will continue to optimise the general environmental protection industry platform and the organisation structure, management system and financial structure of its subsidiaries, including Lande Environmental, Nanjing Wind Power and Baotou Nanfeng, with a view to accelerating the creation of synergy between such subsidiaries and other resources of the Group. The Group will pursue appropriate investment opportunities with a focus on segments such as waste treatment, hazardous industrial waste and clean energy. In addition to the continuous recruitment and cultivation of professional talents, and improvement of performance appraisal and salary incentive mechanism, the Group will also enhance its dedication to the research and development of environment technology, and strengthen cooperation with local and international higher education institutes and scientific research institutions in a bid to enhance its core competitiveness.
- **Strategic Research and Business Expansion**: In 2020, the Group will continue to properly carry out the preliminary work of the reconstruction and expansion of Jihe Expressway. On the one hand, the Group will specify the construction plan; on the other hand, the Group will maintain a close communication with the government so as to improve the investment and financing plans. The Group will continue to properly carry out the construction work of Duohua Bridge and Bimeng Project, the development and sales in relation to Meilin Checkpoint Renewal Project and the land development and cash realisation of Guilong Land, and will actively promote the preliminary work such as the feasibility study of infrastructure construction of roads in Shenzhen-Shanwei Special Cooperation Zone. In addition, upon completion of the formulation, approval and implementation of the "2020–2024 Development Strategies", the Group will research, reserve, select and examine projects on toll highway and environmental sub-sectors that are in line with the Company's development strategies and continue to pay attention to and control risks.
- **Financial Management and Corporate Governance:** The Group will strengthen its classification management and control and financial management on the invested companies, and establish a comprehensive authorisation management and control system based on the characteristics of newly acquired enterprises. Through adopting information technology, the Group will strengthen capital planning and management within the Group, implement budget and medium and long-term forecast management, and coordinate financial resources. The Group will actively promote the non-public offering of H shares to replenish the Company's capital, at the same time maintaining sound fund management and financing to reduce financing costs and ensure financial safety. The Group will also adhere to the principles of good corporate governance and further improve corporate governance and various operational rules, with the aim to effectively improve the transparency and independence of the Company's operations, optimise the multi-level incentive and restraint system and promote the healthy and stable development of the Company.

(III) Capital Expenditure Plan

As at the approval date of this announcement, the Group's capital expenditure plan approved by the Board mainly comprised construction expenditures of projects such as investment in Outer Ring Project, Coastal Phase II and reconstruction and extension of Jihe Expressway; investment in road properties and mechanical and electrical equipment in the auxiliary operation sections; and equity investment in reconstruction and expansion of Yangmao Expressway and environmental protection projects of Lande Environmental. It is expected that the total amount will be approximately RMB7.65 billion by the end of 2022. The Group plans to satisfy such capital needs with its own funding and bank borrowings. According to the Directors' assessment, the Group's financial resources and financing capability are currently sufficient for satisfying the needs of various capital expenditures.

The capital expenditure plan of the Group from 2020 to 2022 is as follows:

Unit: 000 Currency: RMB

Project	2020	2021	2022	Total
I. Investment in intangible assets and fixed assets				
Outer Ring Project	1,179,163	1,770,616	-	2,949,779
Coastal Phase II	18,455	16,720	16,720	51,895
Settlement of completed projects such as Qinglian Expressway, Reconstruction and Expansion of Meiguan Expressway, etc.	39,484	-	-	39,484
Earlier Expenditure for Reconstruction and Extension of Jihe Expressway	400,497	-	-	400,497
ETC renovation investment	189,643	-	-	189,643
Reinforcement of Changsha Ring Road Pavement Structure	272,688	73,600	11,400	357,688
Kitchen waste project of Lande Environmental	700,000	300,000	-	1,000,000
Guangming Environmental Park Project	358,000	350,000	-	708,000
Other Investment (Investment in mechanical and electrical equipment, etc.)	264,087	239,090	239,090	742,267
II. Equity investment				
Reconstruction and expansion of Yangmao Expressway	103,750	196,580	196,590	496,920
Environmental protection projects of Lande Environmental [Note]	379,500	-	-	379,500
Environmental Technology Industry Merger and Acquisition Fund	135,000	-	-	135,000
Other projects	198,690	-	-	198,690
Total	**4,238,958**	**2,946,606**	**463,800**	**7,649,364**

Note: the total investment in Lande Environmental Project is not more than RMB809,600,000, among which approximately RMB379,500,000 was the consideration of the transfer and approximately RMB430,100,000 was the capital contribution. Upon consolidation of Lande Environmental into the financial statements of the Group, the capital increase was offset internally, and the investment amount is accounted for not more than RMB379,500,000 on a consolidated basis.

(IV) Risk Management

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

1. Operational Management Risk

Risk position / analysis:

In 2020, the official launch of the nation-wide ETC toll interconnection project has brought new challenges to the toll collection model and management model of the Group's operation. Optimisation of operation required in terms of toll collection model and management model of the Group, to meet new challenges will be generated therefrom, including new requirements on the function of toll collection systems and facilities as well as workload in relation to toll collection inspection and accounting. To a large extent, electronic toll collection has replaced manual toll collection, which on one hand resulted in the problem of staff allocation and job placement, and on the other hand, imposed higher requirements on contingency response capability during the operation of highways. In addition, certain discounts have been offered for ETC toll collection, which may cause certain negative impacts on toll revenue.

Management / response measures:

Upon satisfactory completion of the transformation of toll stations and commissioning of toll collection system in 2019, the Group has switched its toll collection system successfully on 1 January 2020. The new toll collection system and facilities operated reliably as a whole with strong support and the Group will strengthen the communication and coordination with government departments and system suppliers to finalise the specific details of adjustment and complete the running-in as soon as possible. Meanwhile, the Group will also further improve the operation procedures and institutional system, maintain close communication with the operation centre and other toll highway operators, and actively participate in the establishment of audit and credit system with an aim to manage the relevant risks. The Group will carry out internal transfer or job placement of toll collection personnel in accordance with the laws and reinforce the collection, summarisation and integration of data, hence increasing the level of centralised dispatching management and comprehensive monitoring and management capability as well as promoting the upgrade of toll highways with intelligent technology.

The ultimate objective of nation-wide ETC toll interconnection project is to enhance the overall traffic efficiency of road networks, which will definitely attract more drivers using our toll highways and enhance the efficiency of toll highway utilisation. In the long run, it will help to increase the traffic volume and toll revenue of road networks, thereby improving the overall operating performance of each project.

2. Financing Risk

Risk position / analysis:

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

The Group will have to raise additional funds for satisfying the construction costs of Outer Ring Project, Coastal Phase II, Guangming Environmental Park Project, Duohua Bridge and Bimeng Project, and the acquisition cost of Lande Environmental, hence it is expecting a surge in capital expenditures. In case of capital shortage or cost increase in the future market, the Group may be exposed to financing risks, which will in turn affect the Company's operating results.

Management / response measures:

The Group's excellent financing and capital management capability are its major core advantages. The Group will manage such risk in the following manners: (1) analyse changes of macro financial environment and internal financial position to formulate and, on a timely basis, adjust financing strategy, as well as study and implement specific financing scheme in fields supported by the policies; (2) actively promote the non-public issuance of H shares to replenish the Company's capital, enhance the Group's sustainable profitability and its ability to obtain additional financing; (3) timely analyse the changes in the bond market and policy environment to explore the appropriate timing and arrange the issuance of corporate bonds as appropriate; (4) maintain close cooperation and communication with banks, relevant government authorities and investment platforms to actively study financing products and methods including securitisation and Reits and further expand financing channels; (5) coordinate bank resources, maintain sufficient credit lines, strengthen the management of existing credit lines, maintain effective communication and information renewal with credit rating agencies and safeguard the Company's domestic and overseas credit rating.

3. Business Expansion Risks

Risk position / analysis:

Since the Group specified the general-environmental protection industry as its second core business, it has made breakthroughs in the general-environmental protection business with the successive acquisition of shares in Nanjing Wind Power, Baotou Nanfeng and Lande Environmental and co-investment in Guangming Environmental Park Project with other partners in 2019. The Group needs to cope with the issues of how to manage partnerships, how to consolidate its M&A projects and how to align its management model with the Group's strategies while retaining the existing management team and core talents.

With the preliminary works of the reconstruction and expansion of Jihe Expressway is in progress, the Group has encountered difficulties for the reconstruction and expansion of Jihe Expressway such as the increase in land acquisition and demolition costs as well as construction costs. Under normal circumstances, the tolling period can be extended as appropriate if the reconstruction and expansion are carried out for the purpose of improving the traffic capacity. However, the reconstruction and expansion of the existing projects are subject to material risk, that is, whether the enhancement of traffic capacity through reconstruction and expansion and the increase in revenue through the extension of tolling period will be able to cover the investment made for reconstruction and expansion and whether it will be able to bring reasonable investment return.

Management / response measures:

Aiming to realise standardised management and sustainable development of each acquisition and collaboration projects, the Group will establish and improve its various rules, regulations and systems as well as incentive measures, and assign staff to be responsible for the management of the project companies so as to achieve all-round control over respective risks in terms of investments, finance, management, operations and human resources. Leveraging its advantages in project construction and fund raising, the Group will push ahead with the construction of all acquisition and collaboration projects and optimise the financial structure of each project company to reduce the comprehensive finance costs. Regarding its management and organisational structure, the Group will standardise and refine its authorisation management system by benchmarking to the industrial leaders, at the same time establishing and optimising the rules, regulations and systems and working procedures in connection with party building and discipline inspection, project construction, financial management, investment management, safety management and administration and human resources, and improving its remuneration management and long-term incentive system, hence boosting the motivation of its staff and enhancing their sense of identity towards Shenzhen Expressway.

For the reconstruction and expansion of the existing projects, apart from devoting efforts in construction feasibility studies and drawing designs, the Group has also regarded project financing plans and business model design as the significant measures to manage the risks of expansion of toll highway projects. As for project financing, besides the evaluation of project value, reasonable financing and capital bridging solutions during the design and construction as well as operation period can also effectively reduce the financial risk of the project. With regard to business model design, the Group will give full play to the innovative capabilities of the business model, conduct sufficient evaluation and estimation on the project value, maintain adequate communication and cooperation with the government, specify rights and responsibilities through business contracts and control relevant risks, striving to achieve a win-win situation benefiting the government, society and enterprises.

4. Construction and Management Risks

Risk position/analysis:

The current construction cost, future operating cost, project profitability and company reputation are directly or indirectly dependent on whether the project construction met the expected objectives in terms of construction period, quality, cost, safety and environmental protection. Fluctuations of building materials price, change of planning or design, new policy and technical regulations promulgated by the government, administrative measures on public affairs introduced by the government and the adjustment of development plans made by the government may affect the realisation of the above construction and management goals.

In 2020, the Group’s main construction projects include Section A of Outer Ring, Coastal Phase II, Guangming Environmental Park Project and Duohua Bridge, etc., with the total construction scale exceeding RMB5 billion in the next few years. Looking forward, the Group will commence the reconstruction and expansion of Jihe Expressway, which will bring more challenges to the Group in terms of construction technology, traffic organisation and closure measures.

Management/response measure:

Project construction management capability has become one of the Group’s important core competencies after more than 20 years of development. The Group has maintained an effective management system and is capable of managing various types of risks in the course of project construction. For preliminary works, the Group will conduct full research, strengthen communication with design units, optimise design and construction plans, overcome technical difficulties, and economise project cost. As for contract and construction management, on the one hand, the Group will take full consideration of the adjustment of material in the construction contract, which can effectively reduce or transfer building material price fluctuation risks through the terms of the contract. On the other hand, the Group will enhance internal control and reduce changes of design by strengthening its management of changes in construction projects. Changes in construction projects shall be reported hierarchically and strictly as required, and responsibilities shall be allocated on an equality basis in terms of duties, powers and interests. In terms of quality and safety management, the Company will re-classify the source of the material risk of projects in order to identify safety pitfalls in time, at the same time devoting efforts in safety management training and preparing various contingency plans. The Company will strictly implement the management procedures to strengthen the supervision of on-site materials, test management, standardisation of production operations and safety management. For the reconstruction and expansion projects, the Group needs to strengthen its communication and coordination with the government departments in duly arranging the construction and traffic organisation plans and thereby minimising the comprehensive negative impact of the reconstruction and expansion projects on the Company and road users.

V. Matters Related to Financial Statements

5.1 Changes in Accounting Policies and Accounting Estimates During the Reporting Period

1. Impact of Implementing New Accounting Standards

At the end of 2018, the Ministry of Finance of the PRC issued the revised Accounting Standards for Business Enterprises No. 21 – Lease (the "New Lease Standard"). In accordance with the requirements of the standard, as an A+H listed company, the Group began to adopt the New Lease Standard and change the relevant accounting policies from 1 January 2019. The changes in this accounting policy have been reviewed and approved at the 15th meeting of the 8th session Board of Directors of the Company. For details, please refer to the Company's announcement of the Board's resolution dated 22 March 2019.

The Group has applied the New Lease Standard since 1 January 2019. According to relevant requirements of the convergence rules in the New Lease Standard, it is optional to adjust the amount of the retained earnings and other relevant accounts in the financial statement at the beginning of the year when the New Lease Standard is initially implemented based on the cumulative impact of the initial implementation of the New Lease Standard without adjusting the information for the comparable period. During the Reporting Period, the Group has adopted the New Lease Standard, and discounted the remaining lease payment based on the lessee incremental borrowing rate as of the first implementation date of the New Lease Standard, recorded present value RMB124,331,000 as lease liability and recognised RMB132,917,000 as right-of-use asset. The difference of RMB8,586,000 between the lease liability and the right-of-use asset is the prepaid lease payment.

2. Impact of Changes in Accounting Estimates

According to the Company's requirements under relevant accounting policies and systems, and in view of the actual situation of each main toll roads, the Group changed relevant accounting estimates of unit amortisation amount of the concession intangible assets of Jihe East, Jihe West and Meiguan Expressway with effect from 1 April 2019. The above changes in accounting estimates have resulted in an increase of approximately RMB36,122,000 in equity attributable to owners of the Company as of 31 December 2019 and an increase of approximately RMB36,122,000 in the Group's net profit for the Reporting Period. The above changes in accounting estimates did not have significant impact on the financial position and operating results of the Group as a whole.

3. Impact of Revised Report Format

Pursuant to the requirements of Notice on Format Revision of 2019 Annual General Financial Statements issued by the Ministry of Finance in April 2019 (Accounting [2019] No. 6), since the Company has implemented the above New Lease Standard, it should prepare its financial statement in accordance with Appendix 2 pursuant to the requirement of the said notice. Adoption of the new statement format mainly concerns the reclassification of certain assets, liabilities and profit and loss items in the financial statements of the Group, and there will be no impact on the net assets and net profit attributable to the shareholders of the Company.

The above changes in accounting policies and accounting estimates have been reviewed and approved at the 19th meetings of the 8th session Board of Directors of the Company. For details, please refer to note III\35 to the Financial Statements in this announcement and the relevant announcements of the Company dated 23 August 2019.

5.2 Fulfillment of performance commitment and impact on goodwill impairment test

On 15 March 2019, Environment Company, a wholly-owned subsidiary of the Company, entered into the "Equity Acquisition Agreement in respect of Nanjing Wind Power Technology Co., Ltd"

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

The audited revenue and net profit of Nanjing Wind Power for 2019 were RMB512 million and RMB58 million, respectively, both meeting performance target for 2019. The Group's goodwill arising from the acquisition of equity interest in Nanjing Wind Power was RMB156 million. Pursuant to the evaluation report issued by Shenzhen Pengxin Asset, Land and Real Estate Appraisal Co., Ltd. on the asset position of Nanjing Wind Power as of 31 December 2019 (i.e. the evaluation benchmark date), the recoverable amount of the asset group (including goodwill) was RMB1,369,490,000, which is higher than the carrying amount, hence, no impairment loss on goodwill was recorded.

5.3 Accounting Errors Occurred during the Reporting Period

There is no correction of accounting errors by the Company occurred during the Reporting Period.

5.4 Changes in the Scope of Consolidated Financial Statements during the Reporting Period

In 2019, the changes in the scope of the consolidated financial statements of the Group is as follows:

1) During the Reporting Period, the Company completed the acquisition of 51% equity interests in Nanjing Wind Power, which has been included into the scope of the Group's consolidated financial statements since 8 April 2019.

2) During the Reporting Period, the Company completed the acquisition of 67% equity interests in Baotou Nanfeng, which has been included into the scope of the Group's consolidated financial statements since 17 September 2019.

3) During the Reporting Period, the Group's overall transfer of 100% equity interests and creditor's rights in Guizhou Shengbo, Guizhou Hengfengxin, Guizhou Henghongda and Guizhou Yehengda ("Four Companies") by public listing, the transactions were completed and the said companies were not included into the scope of the Group's consolidated financial statements since 20 May 2019.

4) For further details of the changes in the scope of consolidation please refer to the note VI to the Financial Statements in this announcement.

5.5 The Consolidated Financial Statements and Notes for the Year 2019 of the Company are set out in the Appendix to this Results Preliminary Announcement.

5.6 Results Review

The audit committee of the Company has reviewed and confirmed the financial statements and the annual report of the Company for the year 2019.

5.7 Auditors' Procedures Performed on This Results Preliminary Announcement

The figures in the 2019 Annual Results Preliminary Announcement have been agreed by the Company's auditors, Ernst & Young Hua Ming LLP ("Ernst & Young Hua Ming"), to the amounts set out in the Company's audited consolidated financial statements for the year 2019. The work performed by Ernst & Young Hua Ming in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young Hua Ming on this results preliminary announcement.

VI. Other Matters

6.1 Purchase, Sale or Redemption of Securities

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

6.2 Compliance with the Corporate Governance Code

During the Reporting Period, the Company has fully adopted all the code provisions of the "Corporate Governance Code" as set out in Appendix 14 of the Listing Rules and there is no material deviation or breach of the code provisions occurred.

6.3 Compliance with the Model Code

The "Securities Transaction Code" of the Company has been adopted by the Board in accordance with Appendix 10 to the Listing Rules, as written guidelines to regulate dealings in the Company's securities by the Directors, Supervisors and relevant staff. The "Securities Transaction Code" of the Company has incorporated the standards as set out in Appendix 10 to the Listing Rules, and gone beyond such standards to certain extents. After making specific enquiry to all the Directors, Supervisors and senior management, the Company confirms that all the Directors, Supervisors and senior management had complied with the standards for securities transactions as stipulated under the aforesaid code during the Reporting Period.

VII. Definitions

Company	Shenzhen Expressway Company Limited
Group	The Company and its consolidated subsidiaries
Year, Reporting Period, Period, 2019(year)	The year ended 31 December 2019
Reporting Date	The date on which Annual Report 2019 of the Company is approved by the Board, i.e. 18 March 2020
YOY	Year-on-year change rate as compared to the same period of 2018
SSE	The Shanghai Stock Exchange
HKEx	The Stock Exchange of Hong Kong Limited
Listing Rules	The Rules Governing the Listing of Securities on HKEx
CASBE	The Accounting Standards for Business Enterprises (2006) of the PRC and the specific accounting standards as well as relevant provisions issued later
NDRC	中華人民共和國國家發展和改革委員會 (National Development and Reform Commission)
MOT	中華人民共和國交通運輸部 (Ministry of Transport of the People's Republic of China)
Shenzhen SASAC	深圳市人民政府國有資產監督管理委員會 (State-owned Assets Supervision and Administration Commission of Shenzhen Municipal People's Government)

Shenzhen Transport Bureau	深圳市交通運輸局 (Transport Bureau of Shenzhen Municipality), formerly known as 深圳市交通運輸委員會 (Transport Commission of Shenzhen Municipality).
Three Projects	Nanguang Expressway, Yanpai Expressway and Yanba Expressway. On November 30, 2015, the Company entered into the Three Expressways Agreement with the Transport Commission
Four Expressways	Nanguang Expressway, Yanpai Expressway, Yanba Expressway and the Shenzhen section of Longda Expressway (the Four Expressways), all of which have been transferred to Shenzhen Transport Bureau from 0:00 on 1 January 2019
Yichang Company	湖南益常高速公路開發有限公司 (Hunan Yichang Expressway Development Company Limited).
Yichang Project	The expressway from Yiyang to Changde in Hunan ***(Yichang Expressway)*** and Changde connection line
SIHCL	深圳市投資控股有限公司（Shenzhen Investment Holdings Company Limited）
Shenzhen International	Shenzhen International Holdings Limited
XTC Company	新通產實業開發(深圳)有限公司 (Xin Tong Chan Development (Shenzhen) Company Limited)
SGH Company	深圳市深廣惠公路開發有限公司(Shenzhen Shen Guang Hui Highway Development Company Limited)
Cargo Organisation Adjustment Project	The entrusted construction project of the highway toll stations and ancillary facilities undertook by the Company due to the implementation of the freight traffic organisation adjustment of Shenzhen
Shenshan Environmental Park Project	The entrusted construction and management project for the whole process in relation to the infrastructure and ancillary projects for Shenshan Eco-Environmental Science and Technology Industrial Park undertaken by the Group
Bimeng Project	The Bimeng Garden community resettlement project in Longli, Guizhou undertaken by the Group with BT model.
JEL Company	Jade Emperor Limited
Meiguan Company	Shenzhen Meiguan Expressway Company Limited
Jihe East Company	Shenzhen Airport-Heao Expressway (Eastern Section) Company Limited
Qinglian Company	Guangdong Qinglian Highway Development Company Limited
Magerk Company	Hubei Magerk Expressway Management Private Limited
Outer Ring Company	Shenzhen Outer Ring Expressway Investment Company Limited
Mei Wah Company	Mei Wah Industrial (Hong Kong) Limited
Coastal Company	Shenzhen Guangshen Coastal Expressway Investment Company Limited
Qinglong Company	Shenzhen Qinglong Expressway Company Limited
Investment Company	Shenzhen Expressway Investment Company Limited
Guishen Company	Guizhou Guishen Investment Development Company Limited
Guizhou Property	Guizhou Shenzhen Expressway Property Company Limited
Guizhou Yehengda	Guizhou Yehengda Property Company Limited
Guizhou Yuelong	Guizhou Yuelong Investment Company Limited.
Guizhou Shengbo	Guizhou Shengbo Land Company Limited
Guizhou Hengfengxin	Guizhou Hengfengxin Property Company Limited.

Guizhou Henghongda	Guizhou Henghongda Property Company Limited.
Industrial Fund Management Company	Shenzhen Expressway(Guangzhou) Industrial Investment Fund Management Co. Ltd.
Vanke	China Vanke Co.,Ltd.
ShenShan Company	Shenzhen Expressway Infrastructure and Environmental Protection Development CO.Ltd
Operation Development Company	Shenzhen Expressway Operation Development Company Limited
Advertising Company	Shenzhen Expressway Advertising Company Limited
Environmental Company	Shenzhen Expressway Environmental Company Limited
Construction Company	Shenzhen Expressway Construction Development Company Limited
United Land Company	Shenzhen International United Land Co., Ltd.
Consulting Company	Shenzhen Expressway Engineering Consulting Company Limited
Shenchang Company	Hunan Changsha Shenchang Expressway Company Limited
Guangdong UETC	Guangdong United Electronic Toll Collection Inc
Bank of Guizhou	Guizhou Bank Corporation Limited
Land of Longli Project	The peripheral land of Guilong Project and the Duohua Bridge Project were successfully bid by the Group. As at the end of the Reporting Period, the Group has cumulatively won the bids for the land of Longli Project with an area of approximately 3,005 mu, including 2,770 mu for Guilong Project and 235 mu for the Duohua Bridge Project
Guilong Development Project	The proprietary secondary development project with an area of over 1,000 mu, conducted by the Group on Guilong Project, which has been approved by the Board.
Duohua Bridge Project	A road construction project from Jichang Village to Duohua Village in Longli County undertaken by Guishen Company by BT model. The major work of the project is Duohua Bridge.
CCCC Second Highway	CCCC Second Highway Engineering Co.,Ltd.
Meilin Checkpoint Urban Renewal Project	Shenzhen Longhua New Area Mingzhi Office Meilin Checkpoint Urban Renewal Project, the entity which carried out the project is United Land Company and area of the land is approximately 96,000 square meters
Water Planning Company	深圳市水務規劃設計院有限公司(Shenzhen Water Planning & Design Institute Company Limited)
Derun Environment	Chongqing Derun Environment Company Limited
Water Asset	重慶市水務資產經營有限公司 (Chongqing Water Asset Management Company Limited)
Chongqing Water	重慶水務集團股份有限公司(Chongqing Water Group Company Limited), a company listed on the Shanghai Stock Exchange, stock code: 601158
Sanfeng Enviroment	重慶三峰環境集團股份有限公司(Chongqing San Feng Environmental Industrial Group Co., Ltd.)
Suez Group	Suez Group, France
SITA Asia	SITA Asia Pacific Limited
Nanjing Wind Power	南京風電科技有限公司 (Nanjing Wind Power Technology(NJWP) Co., Ltd.)

Baotou Nanfeng	包頭市南風風電科技有限公司 (Baotou Nanfeng Wind Power Technology Co., Ltd.)
Damao Ningyuan	達茂旗寧源風力發電有限公司 (Damao Ningyuan Wind Power Company Limited), a wholly-owned subsidiary of Baotou Nanfeng
Damao Ningxiang	達茂旗寧翔風力發電有限公司 (Damao Ningxiang Wind Power Company Limited), a wholly-owned subsidiary of Baotou Nanfeng
Damao Ningfeng	達茂旗寧風風力發電有限公司 (Damao Ningfeng Wind Power Company Limited), a wholly-owned subsidiary of Baotou Nanfeng
Damao Nanchuan	達茂旗南傳風力發電有限公司 (Damao Nanchuan Wind Power Company Limited), a wholly-owned subsidiary of Baotou Nanfeng
Lingxiang Company	包頭市陵翔新能源有限公司 (Baotou Lingxiang New Energy Company Limited), a wholly-owned subsidiary of Baotou Nanfeng
Guangming Environmental Park Project	The Shenzhen Guangming Environmental Park PPP (Public-Private-Partnership) Project invested and constructed by the consortium composed of the Environment Company and the other companies under the BOT (Build-Operate-Transfer) model
Lande Environmental	藍德環保科技集團股份有限公司 (Lande Environmental Technology Group Holdings Co., Ltd)
One Apartment	深圳市深高速壹家公寓管理有限公司 (Shenzhen Expressway One Apartment Management Co., Ltd.)
BIM	建築信息模型(Building Information Modelling), which is a model equipped with a complete and realistic construction database by building a virtual three-dimensional construction model and using digitisation technology. It is a digitized tool applied to engineering design, construction and management. Meanwhile, the model plays a key role in enhancing productivity, saving costs and shortening construction periods
PPP (model)	Public-Private-Partnership model, refer to a partnership on the basis of concession agreement for the construction of urban infrastructure projects or the provision of public goods and services between the government and private organizations. PPP model ultimately makes both parties of the cooperation get more favorable results than those who act alone expected, by signing the contract to define the rights and obligations of both parties, to ensure the smooth completion of cooperation
Green Passage Toll Free Policy	The policy to waive the toll fees for the vehicles used for legal transportation of fresh agricultural products. Since December 2010. Such policy must be implemented in all expressway projects in PRC. In order to strengthen the supervision on transportation of livestock, the State Council issued a notice on 24 October 2018. From the date of issuing such notice, vehicles transporting livestock would cease to enjoy the Green Passage Toll Free Policy for the transportation of fresh agricultural products.
Standardisation Scheme	The scheme that toll fees of the expressways in Guangdong Province, starting from 1 June 2012, be standardised based on the unified toll rate, toll coefficient, calculating method for ramps and rounding principles, and include subsequent adjustment made for the increase of the toll fees as a result of the implementation of aforesaid scheme
Toll Free Scheme on Holidays	The policy that the toll fees of toll highways for passenger cars with seven seats or less be waived during the periods of four national holidays, i.e. Spring Festival, Tomb Sweeping Day, Labor Day and National Day, and their consecutive days off. Such policy has been implemented in PRC since the second half of 2012

BOT (model)	Build-Operate-Transfer model, refer to the infrastructure model of investment, construction and operation. On premised on an agreement between the government and the private sector, the government issues a franchise to the private sector to allow it to raise funds for a certain period of time to build an infrastructure ,manage and operate the facility and its corresponding products and services
EPC (model)	Engineering Procurement Construction model means the Company is entrusted by the owner to carry out the whole process or several stages of contracting for the design, procurement, construction, and trial operation of a construction project in accordance with the contract. Usually, the company is responsible for the quality, safety, cost and schedule of the contracted project under the conditions of the total price contract
Outer Ring Project	The project of Shenzhen section of Outer Ring Expressway in Shenzhen City (Outer Ring Expressway), among which, the section from the north side of Shenzhen Waterlands Resort in Bao'an District (connecting with Coastal Expressway) to the interchange of Shenshan Expressway in Longgang District (excluding Dongguan section) referred to as Section A of Outer Ring
Airport Economic Zone	Shenzhen Bao'an Airport and its surrounding areas. The area mainly includes the western coastal area of Shajing and Fuyong. It covers Shenzhen Airport, Bao'an West River area and Qianhai area, with a total area of approximately 95 square kilometres. It is located at the intersection of three urban circles, including Guangdong-Foshan-Zhaoqing, Shenzhen-Dongguan-Huizhou and Zhuhai-Zhongshan-Jiangmen, and the core of the Pearl River Estuary Bay area, with outstanding strategic location advantages
Epidemic	The novel coronavirus pneumonia epidemic that occured in Wuhan and subsequently spread across the PRC in early 2020.
Toll-free Policy during the Epidemic	On 15 February 2020, the Ministry of Transport issued a notice, which stated that as approved by the State Council, a toll-free policy will be implemented for all vehicles using toll highways in the PRC according to the laws, effective from 00:00 on 17 February 2020 and until the end of the prevention and control measures taken against the epidemic.
Coastal Freight Compensation Scheme	The scheme that all types of freight cars passing through the Coastal Project will be charged 50% of the normal toll fees standard from 1 March 2018 to 31 December 2020, and Shenzhen Transport Commission compensates to Coastal Company for RMB302 million
Coastal Project	The section from Nanshan, Shenzhen to Dongbao River (the boundary between Dongguan and Shenzhen) (Coastal Expressway(Shenzhen Section)) of the costal expressway from Guangzhou to Shenzhen (Coastal Expressway). Among which, the project of main line of Coastal Expressway (Shenzhen Section) and facilities referred to as Coastal Phase I, and the project of the ramp bridge of airport interchange of Coastal Expressway (Shenzhen Section) and facilities referred to as Coastal Phase II
PRC	The People's Republic of China excluding, for the purpose of this announcement, the Hong Kong Special Administrative Region, the Macau Special Administrative Region and Taiwan

Note: *For definitions of the relevant highways/projects of the Company, please refer to Company's website at http://www.sz-expressway.com under the section of "Company Business".*

By Order of the Board
Hu Wei
Chairman

Shenzhen, PRC, 18 March 2020

As at the date of this announcement, the Directors of the Company are Mr. HU Wei (Executive Director and Chairman of the Board), Mr. LIAO Xiang Wen (Executive Director and President), Mr. WEN Liang (Executive Director), Ms. CHEN Yan (Non-executive Director), Mr. FAN Zhi Yong (Non-executive Director), Mr. CHEN Yuan Jun (Non-executive Director), Mr. CHEN Kai (Non-executive Director), Mr. CAI Shu Guang (Independent non-executive Director), Mr. WAN Siu Wah Wilson (Independent non-executive Director), Ms. CHEN Xiao Lu (Independent non-executive Director) and Mr. BAI Hua (Independent non-executive Director).

This announcement is prepared in Chinese and English. In case of any inconsistency between the Chinese version and the English version, the Chinese version shall prevail.

This results preliminary announcement, which has been published on the website of HKEx at http://www.hkexnews.com.hk, only gives a summary of the information and particulars contained in the full "Annual Report 2019" of the Company. The "Annual Report 2019" of the Company containing all the information to accompany annual report required under Appendix 16 to the Listing Rules will be subsequently published on the website of HKEx in due course.

Appendix:

SHENZHEN EXPRESSWAY COMPANY LIMITED

Consolidated Financial Statements (including notes)

For the Year ended 31 December 2019

CONTENTS **Page**

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

Shenzhen Expressway Company Limited
Consolidated Statement of Financial Position
2019 **RMB**

Item	Notes	31 December 2019	31 December 2018
Current assets			
Cash at banks and on hand	V.1	4,733,118,401.80	4,226,691,084.07
Transactional financial assets	V.2	62,689,444.00	45,103,194.00
Bills receivable	V.3	9,895,060.34	-
Accounts receivable	V.4	722,266,920.82	174,639,116.34
Prepayments	V.5	335,582,597.94	166,448,063.98
Other receivables	V.6	374,186,451.62	1,580,256,204.51
Inventories	V.7	723,283,163.42	588,939,198.83
Held-for-sale assets		-	296,640,634.06
Contract assets	V.8	450,892,553.87	166,842,230.65
Current portion of non-current assets	V.9	22,548,751.19	22,548,751.19
Other current assets	V.10	231,554,033.51	264,155,141.70
Total current assets		**7,666,017,378.51**	**7,532,263,619.33**
Non-current assets			
Long-term prepayments	V.11	360,050,431.14	367,160,992.89
Long-term receivables	V 12	339,110,117.99	160,973,492.73
Other non-current financial assets	V.13	217,939,080.00	180,438,820.00
Long-term equity investments	V.14	8,706,289,341.73	7,859,108,497.62
Investment properties	V.15	11,798,941.20	12,374,883.60
Fixed assets	V.16	2,832,370,579.89	840,078,401.28
Construction in progress	V.17	15,197,595.66	31,264,050.74
Right-of-use assets	V.18	152,870,380.46	-
Intangible assets	V.19	23,493,705,251.38	23,596,233,488.95
Goodwill	V 20	156,039,775.24	-
Long-term prepaid expenses		32,405,392.30	5,962,359.05
Deferred tax assets	V.21	597,340,506.48	172,392,222.04
Other non-current assets	V.22	342,599,500.00	342,599,500.00
Total non-current assets		**37,257,716,893.47**	**33,568,586,708.90**
Total assets		**44,923,734,271.98**	**41,100,850,328.23**
Current liabilities			
Short-term borrowings	V.24	363,877,741.65	117,424,819.20
Bills payable	V.25	131,749,731.69	-
Accounts payable	V.26	970,759,025.09	714,905,820.77
Contract liabilities	V.27	953,225,966.42	858,712,742.77
Employee benefits payable	V.28	280,583,659.74	221,882,422.16
Taxes payable	V.29	256,919,349.87	1,353,423,918.60
Other payables	V.30	3,015,875,682.79	2,396,828,896.75
Current portion of non-current liabilities	V.31	505,101,989.80	379,135,997.24
Deferred revenue	V.38	2,601,126.90	2,796,223.13
Total current liabilities		**6,480,694,273.95**	**6,045,110,840.62**
Non-current liabilities			
Long-term borrowings	V.32	9,031,815,479.53	8,892,735,993.43
Bonds payable	V.33	4,676,256,207.56	4,632,920,008.39
Long-term payables	V.34	2,217,015,191.85	-
Long-term employee benefits payable	V.35	105,824,300.00	-
Lease liabilities	V.36	118,269,744.66	-
Provision	V.37	10,284,566.66	-
Deferred revenue	V 38	402,819,711.85	439,287,093.37
Deferred tax liabilities	V.21	1,157,482,536.08	1,422,673,617.86
Other non-current liabilities	V.39	-	128,370,047.21
Total non-current liabilities		**17,719,767,738.19**	**15,515,986,760.26**
Total liabilities		**24,200,462,012.14**	**21,561,097,600.88**
Owners' equity			
Share capital	V.40	2,180,770,326.00	2,180,770,326.00
Capital surplus	V.41	6,220,711,401.21	6,219,027,132.41
Other comprehensive income	V.42	916,005,374.46	881,375,987.20
Surplus reserve	V.43	2,617,808,817.01	2,481,665,060.29
Undistributed profits	V 44	6,439,246,724.95	5,624,252,437.38
Total equity attributable to owners of the Company		18,374,542,643.63	17,387,090,943.28
Minority interests		2,348,729,616.21	2,152,661,784.07
Total owners' equity		**20,723,272,259.84**	**19,539,752,727.35**
Total liabilities and owners' equity		**44,923,734,271.98**	**41,100,850,328.23**

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

Legal representative: Hu Wei Chief financial officer: Zhao Guiping Head of accounting department(Account officer): Luo Chaoyun

Shenzhen Expressway Company Limited

Balance sheet

2019 **RMB**

Item	Notes	31 December 2019	31 December 2018
Current assets			
Cash at banks and on hand		1,309,001,086.11	1,222,994,093.07
Transactional financial assets		62,689,444.00	45,103,194.00
Accounts receivable	XIV.1	16,170,543.00	21,331,105.99
Prepayments		15,546,278.08	23,773,795.01
Other receivables	XIV.2	1,005,795,909.83	2,479,355,358.90
Inventories		776,373.15	1,843,919.52
Contract assets		115,303,836.38	118,201,711.53
Other current assets		13,771,786.56	-
Total current assets		**2,539,055,257.11**	**3,912,603,178.02**
Non-current assets			
Long-term prepayments		80,469,002.23	-
Long-term receivables		4,503,665,771.45	3,890,963,143.15
Long-term equity investments	XIV.3	19,741,522,254.89	14,667,348,245.71
Other non-current financial assets		217,939,080.00	180,438,820.00
Investment properties		11,798,941.20	12,374,883.60
Fixed assets		159,982,306.36	139,593,056.31
Construction in progress		2,398,709.49	877,667.43
Right-of-use assets		32,330,237.50	-
Intangible assets		219,274,003.05	254,160,514.28
Long-term prepaid expenses		1,144,174.07	973,111.15
Deferred tax assets		62,996,204.64	62,934,792.94
Total non-current assets		**25,033,520,684.88**	**19,209,664,234.57**
Total assets		**27,572,575,941.99**	**23,122,267,412.59**
Current liabilities			
Accounts payable		19,760,352.78	20,223,942.78
Contracts liabilities		2,411,761.00	-
Employee benefits payable		101,746,485.90	88,250,867.34
Taxes payable		14,883,928.57	986,619,918.16
Other payables		2,140,465,637.62	1,485,329,854.15
Current portion of non-current liabilities		61,868,729.65	44,454,545.45
Total current liabilities		**2,341,136,895.52**	**2,624,879,127.88**
Non-current liabilities			
Long-term borrowings		4,015,858,867.55	823,000,000.00
Bonds payable		4,676,256,207.56	4,632,920,008.39
Long-term payables		1,618,960,000.00	-
Long-term employee benefits payable		59,000,200.00	-
Provisions		28,620,243.26	-
Deferred income		291,504,931.35	312,144,931.35
Total non-current liabilities		**10,690,200,449.72**	**5,768,064,939.74**
Total liabilities		**13,031,337,345.24**	**8,392,944,067.62**
Owners' equity			
Share capital	V.40	2,180,770,326.00	2,180,770,326.00
Capital surplus		3,279,942,664.85	3,279,942,664.85
Other comprehensive income		770,798.03	1,946,181.99
Surplus reserve	V.43	2,617,808,817.01	2,481,665,060.29
Undistributed profits		6,461,945,990.86	6,784,999,111.84
Total owners' equity		**14,541,238,596.75**	**14,729,323,344.97**
Total liabilities and owners' equity		**27,572,575,941.99**	**23,122,267,412.59**

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

Shenzhen Expressway Company Limited

Consolidated Income Statement

2019 **RMB**

Item	**Notes**	**For the year ended 31 December 2019**	**For the year ended 31 December 2018**
1.Total revenue		6,185,825,111.97	5,807,108,031.78
Including: Revenue from services	V.45	6,185,825,111.97	5,807,108,031.78
2.Total costs		4,523,563,329.29	4,192,022,326.88
Including: Cost of services	V.45	3,499,538,158.68	2,858,211,931.76
Taxes and surcharges	V.46	54,575,075.54	49,742,097.47
Selling expenses		27,304,777.79	19,417,328.93
General and administrative expenses	V.47	350,732,443.82	209,644,932.04
R & D expenses	V.48	18,474,814.08	-
Financial expenses	V.49	572,938,059.38	1,055,006,036.68
Including: Interest expense		599,895,084.68	985,524,012.93
Interest income		49,826,103.21	76,511,408.47
Add: Other income	V.50	8,522,310.22	139,095.35
Add: Investment income	V.51	1,242,672,036.85	555,594,384.15
Including: Share of profits of associates and joint ventures	V.14	899,684,300.39	520,956,388.49
Gain or loss from changes in fair value (loss shown with“-”)	V.52	81,086,510.00	134,403,871.30
Impairment loss on credit (reverse shown with“-”)		-1,129,098.22	-235,884.16
Impairment loss on assets	V.53	552,000,000.00	-
Gain or loss on disposal of assets (loss shown with“-”)	V.54	386,045.39	2,227,126,379.18
3.Operating profits		2,444,057,783.36	4,532,585,319.04
Add: Non-operating income	V.55	12,400,677.84	17,432,390.89
Less: Non-operating expenses	V.56	12,224,737.39	4,840,143.38
4.Total profit		2,444,233,723.81	4,545,177,566.55
Less: Income tax expenses	V.58	-92,249,497.96	966,446,984.07
5.Net profit		2,536,483,221.77	3,578,730,582.48
(1) Classified by business continuity			
Net profit from continuing operations		2,536,483,221.77	3,578,730,582.48
(2) Classified by ownership			
Net profit attributable to owners of the Company		2,499,484,975.75	3,440,050,607.33
Minority interests		36,998,246.02	138,679,975.15
6.Other comprehensive income after tax (loss shown with“-”)		34,629,387.26	-6,248,183.30
Other comprehensive income after tax attributable to owners of the company		34,629,387.26	-6,248,183.30
Items that may be reclassified subsequently to profit or loss		34,629,387.26	-6,248,183.30
Including: Foreign exchange gain/loss	V.41	1,407,655.27	2,493,305.25
Share of other comprehensive income from investees accounted for the equity method to be reclassified to profit or loss in the subsequent year	V.42	33,221,731.99	-8,741,488.55
7.Total comprehensive income		2,571,112,609.03	3,572,482,399.18
Total comprehensive income attributable to owners of the company		2,534,114,363.01	3,433,802,424.03
Total comprehensive income attributable to minority interests		36,998,246.02	138,679,975.15
8.Earnings per share			
Basic earnings per share (RMB/share)	V.63(1)	1.146	1.577
Diluted earnings per share (RMB/share)	V.63(1)	1.146	1.577

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

Shenzhen Expressway Company Limited

Income statement

2019 **RMB**

Item	Notes	2019	2018
1. Total revenue	XIV.4	847,458,688.26	1,554,640,393.63
Less: Cost of services	XIV.4	304,766,868.20	395,357,520.94
Tax and surcharges		5,870,527.93	9,343,049.45
General and administrative expenses		253,094,815.03	149,915,240.55
Financial expenses		212,540,305.49	447,763,608.09
Including：Interest expenses		335,770,080.64	408,013,267.33
Interest income		169,176,987.11	82,606,674.75
Add: Investment income	XIV.5	1,274,784,245.06	1,358,091,368.31
Including: Share of profits of associates and joint ventures		705,905,909.94	358,844,701.61
Add: Gain or loss from changes in fair value (loss shown with“-”)		55,086,510.00	134,403,871.30
Gain or loss on disposal of assets		401,073.56	1,983,369,381.61
Other income		1,411,793.31	-
2.Operating profit		1,402,869,793.54	4,028,125,595.82
Add: Non-operating income		334,300.41	1,481,804.02
Less: Non-operating expenses		883,418.11	1,210,382.61
3.Total profit		1,402,320,675.84	4,028,397,017.23
Less: Income tax expenses		40,883,108.64	597,895,653.24
4. Net profit		1,361,437,567.20	3,430,501,363.99
Net profit from continuing operations		1,361,437,567.20	3,430,501,363.99
5. Other comprehensive income (loss shown with“-”)		-1,175,383.96	8,375,513.47
Items that may be reclassified subsequently to profit or loss		-1,175,383.96	8,375,513.47
Share of other comprehensive income from investees accounted for the equity method to be reclassified to profit or loss in the subsequent year	V.14(1)	-1,175,383.96	8,375,513.47
6. Total comprehensive income		1,360,262,183.24	3,438,876,877.46

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

Shenzhen Expressway Company Limited
Consolidated Statement of Cash Flows
2019 **RMB**

Item	Notes	2019	2018
1.Cash flows from operating activities:			
Cash received from selling goods and rendering services		5,416,250,186.24	5,677,577,695.35
Refund of taxes		10,311,510.97	3,313,281.58
Cash received relating to other operating activities	V.59(1)	138,154,871.27	102,414,183.79
Sub-total of cash inflows		5,564,716,568.48	5,783,305,160.72
Cash paid for goods and services		1,428,063,561.78	575,402,355.62
Cash paid to and on behalf of employees		674,374,616.82	599,212,936.31
Payments of taxes and surcharges		1,013,396,098.06	679,914,315.81
Cash paid relating to other operating activities	V.59(2)	697,453,616.75	706,546,970.36
Sub-total of cash outflows		3,813,287,893.41	2,561,076,578.10
Net cash flows from operating activities	V.61(1)	1,751,428,675.07	3,222,228,582.62
2.Cash flows from investing activities:			
Cash received from recovery of investments		588,000,000.00	1,617,000,000.00
Cash received from returns on investments		398,391,397.49	355,654,290.54
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		932,731,534.97	107,705,376.17
Net cash received from disposal of subsidiaries and other business units	V.59(3)	567,000,000.00	180,820,430.08
Cash received relating to other investing activities	V.59(4)	409,788,403.86	1,122,033,807.93
Sub-total of cash inflows		2,895,911,336.32	3,383,213,904.72
Cash paid to acquire fixed assets, intangible assets and other long-term assets		1,609,773,814.33	1,109,552,303.57
Payments for investing activities		279,794,470.10	57,500,000.00
Cash paid relating to other investing activities	V.59(5)	1,259,832,118.97	1,258,222,104.60
Sub-total of cash outflows		3,149,400,403.40	2,425,274,408.17
Net cash flows from investing activities		-253,489,067.08	957,939,496.55
3.Cash flows from financing activities:			
Cash received from investments		2,205,000.00	4,000,000.00
Cash received from borrowings		4,857,576,249.18	5,252,122,300.05
Cash received relating to other financing activities	V.59(6)	2,569,790,000.00	-
Sub-total of cash inflows		7,429,571,249.18	5,256,122,300.05
Cash repayments of borrowings		4,567,023,779.19	7,284,061,843.30
Cash payments for interest expenses and distribution of dividends or profits		2,332,317,908.23	1,374,475,173.61
Including: Cash payments for dividends or profit to minority shareholders of subsidiaries		150,000,000.00	84,721,229.30
Cash payments relating to other financing activities	V.59(7)	1,677,302,187.93	81,487,461.49
Sub-total of cash outflows		8,576,643,875.35	8,740,024,478.40
Net cash flows from financing activities		-1,147,072,626.17	-3,483,902,178.35
4.Effect of foreign exchange rate changes on cash and cash equivalents		113,030.18	7,206.26
5.Net increase /decrease in cash and cash equivalents	V.60(1).2	350,980,012.00	696,273,107.08
Add: Cash and cash equivalents at beginning of the year		2,580,843,329.57	1,884,570,222.49
6.Cash and cash equivalents at end of the year	V.60(1).2	**2,931,823,341.57**	**2,580,843,329.57**

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

Shenzhen Expressway Company Limited

Company Statement of Cash Flows

2019 **RMB**

Item	Notes	2019	2018
1.Cash flows from operating activities:			
Cash received from selling goods and rendering services		798,453,954.44	751,154,093.48
Cash received relating to other operating activities		2,398,164,503.30	1,050,958,559.32
Sub-total of cash inflows		3,196,618,457.74	1,802,112,652.80
Cash paid for goods and services		88,113,186.77	155,830,019.48
Cash paid to and on behalf of employees		219,375,894.78	203,426,577.06
Payments of taxes and surcharges		129,354,240.36	142,776,273.48
Cash paid relating to other operating activities		2,783,675,175.29	410,335,440.14
Sub-total of cash outflows		3,220,518,497.20	912,368,310.16
Net cash flows from operating activities		-23,900,039.46	889,744,342.64
2.Cash flows from investing activities:			
Cash received from recovery of investments		622,570,553.84	1,671,979,827.76
Cash received from returns on investments		400,767,287.90	321,022,394.58
Net cash received from disposal of fixed assets, intangible assets and other long-term assets		932,730,318.97	87,481,821.35
Cash received relating to other investing activities		1,342,203,863.53	737,340,089.38
Sub-total of cash inflows		3,298,272,024.24	2,817,824,133.07
Cash paid to acquire fixed assets, intangible assets and other long-term assets		102,597,953.29	21,140,438.31
Payments for investing activities		108,750,000.00	57,500,000.00
Net cash paid to acquire subsidiaries and other business units		4,650,200,000.67	14,600,000.00
Cash paid relating to other investing activities		2,286,832,118.97	1,562,976,500.00
Sub-total of cash outflows		7,148,380,072.93	1,656,216,938.31
Net cash flows from investing activities		-3,850,108,048.69	1,161,607,194.76
3.Cash flows from financing activities:			
Cash received from borrowings		6,815,500,000.00	3,350,589,196.51
Cash received relating to other financing activities		1,896,790,000.00	16,000,000.00
Sub-total of cash inflows		8,712,290,000.00	3,366,589,196.51
Cash repayments of borrowings		2,869,954,545.45	3,918,734,319.04
Cash payments for interest expenses and distribution of dividends or profits		1,882,670,260.13	892,498,706.42
Cash payments relating to other financing activities		10,993,833.63	35,990,292.59
Sub-total of cash outflows		4,763,618,639.21	4,847,223,318.05
Net cash flows from financing activities		3,948,671,360.79	-1,480,634,121.54
4.Effect of foreign exchange rate changes on cash and cash equivalents		-80.34	-2,968.51
5.Net increase /decrease in cash and cash equivalents		74,663,192.30	570,714,447.35
Add: Cash and cash equivalents at beginning of the year		1,192,441,921.64	621,727,474.29
6.Cash and cash equivalents at end of the year		**1,267,105,113.94**	**1,192,441,921.64**

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

2019

Item	Attributable to owners of the Company						Minority interests	Total owners' equity
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Sub total		
1.Beginning balance on 1 January 2019	2,180,770,326.00	6,219,027,132.41	881,375,987.20	2,481,665,060.29	5,624,252,437.38	17,387,090,943.28	2,152,661,784.07	19,539,752,727.35
2.Increases/decreases during the year ("-" for decreases)	-	1,684,268.80	34,629,387.26	136,143,756.72	814,994,287.57	987,451,700.35	196,067,832.14	1,183,519,532.49
(1) Total comprehensive income	-	-	34,629,387.26	-	2,499,484,975.75	2,534,114,363.01	36,998,246.02	2,571,112,609.03
Net profit	-	-	-	-	2,499,484,975.75	2,499,484,975.75	36,998,246.02	2,536,483,221.77
Other comprehensive income	-	-	34,629,387.26	-	-	34,629,387.26	-	34,629,387.26
(2) Withdrawal or transfer of investment by shareholders	-	-	-	-	-	-	309,069,586.12	309,069,586.12
Investment by stockholders	-	-	-	-	-	-	342,284,431.96	342,284,431.96
Withdrawal of investment by shareholders	-	-	-	-	-	-	-33,214,845.84	-33,214,845.84
(3) Profit distribution (Note V.44)	-	-	-	136,143,756.72	-1,684,490,688.18	-1,548,346,931.46	-150,000,000.00	-1,698,346,931.46
Appropriation to surplus reserves	-	-	-	136,143,756.72	-136,143,756.72	-	-	-
Profit distribution to equity owners	-	-	-	-	-1,548,346,931.46	-1,548,346,931.46	-150,000,000.00	-1,698,346,931.46
(4) Others	-	1,684,268.80	-	-	-	1,684,268.80	-	1,684,268.80
3. Ending balance on 31 December 2019	2,180,770,326.00	6,220,711,401.21	916,005,374.46	2,617,808,817.01	6,439,246,724.95	18,374,542,643.63	2,348,729,616.21	20,723,272,259.84

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

Shenzhen Expressway Company Limited
Consolidated Statement of Financial Position (continued)
2019 **RMB**

2018

Item	Attributable to owners of the Company						Minority interests	Total owners' equity
	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Sub total		
1. Ending balance on 31 December 2017	2,180,770,326.00	2,154,994,921.43	887,624,170.50	2,138,614,923.89	6,256,075,328.76	13,618,079,670.58	2,156,486,969.40	15,774,566,639.98
Add: Business combination under common control	-	3,128,000,000.00	-	-	3,113,068,776.71	14,931,223.29	-	14,931,223.29
Sub-total	2,180,770,326.00	5,282,994,921.43	887,624,170.50	2,138,614,923.89	3,143,006,552.05	13,633,010,893.87	2,156,486,969.40	15,789,497,863.27
Add: Changes of accounting policy	-	-	-	-	38,476,512.20	38,476,512.20	-1,494,904.48	36,981,607.72
2.Beginning balance on 1 January 2018	2,180,770,326.00	5,282,994,921.43	887,624,170.50	2,138,614,923.89	3,181,483,064.25	13,671,487,406.07	2,154,992,064.92	15,826,479,470.99
3.Increases/decreases during the year ("-" for decreases)	-	936,032,210.98	-6,248,183.30	343,050,136.40	2,442,769,373.13	3,715,603,537.21	-2,330,280.85	3,713,273,256.36
(1) Total comprehensive income	-	-	-6,248,183.30	-	3,440,050,607.33	3,433,802,424.03	138,679,975.15	3,572,482,399.18
Net profit	-	-	-	-	3,440,050,607.33	3,440,050,607.33	138,679,975.15	3,578,730,582.48
Other comprehensive income	-	-	-6,248,183.30	-	-	-6,248,183.30	-	-6,248,183.30
(2) Withdrawal or transfer of investment by shareholders	-	-	-	-	-	-	-48,823,756.08	-48,823,756.08
Withdrawal of investment by shareholders	-	-	-	-	-	-	-48,823,756.08	-48,823,756.08
(3) Profit distribution (Note V.44)	-	-	-	343,050,136.40	-997,281,234.20	-654,231,097.80	-92,186,499.92	-746,417,597.72
Appropriation to surplus reserves	-	-	-	343,050,136.40	-343,050,136.40	-	-	-
Profit distribution to equity owners	-	-	-	-	-654,231,097.80	-654,231,097.80	-92,186,499.92	-746,417,597.72
(4) Others	-	936,032,210.98	-	-	-	936,032,210.98	-	936,032,210.98
4. Ending balance on 31 December 2018	2,180,770,326.00	6,219,027,132.41	881,375,987.20	2,481,665,060.29	5,624,252,437.38	17,387,090,943.28	2,152,661,784.07	19,539,752,727.35

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

Shenzhen Expressway Company Limited
Company Statement of Financial Position
2019 **RMB**

2019

Item	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Total owner's equity
1.Beginning balance on 1 January 2019	2,180,770,326.00	3,279,942,664.85	1,946,181.99	2,481,665,060.29	6,784,999,111.84	14,729,323,344.97
2.Increases/decreases during the period ("-" for decreases)	-	-	-1,175,383.96	136,143,756.72	-323,053,120.98	-188,084,748.22
(1) Total comprehensive income	-	-	-1,175,383.96	-	1,361,437,567.20	1,360,262,183.24
Net profit	-	-	-	-	1,361,437,567.20	1,361,437,567.20
Other comprehensive income	-	-	-1,175,383.96	-	-	-1,175,383.96
(2) Profit distribution (Note V.44)	-	-	-	136,143,756.72	-1,684,490,688.18	-1,548,346,931.46
Appropriation to surplus reserves	-	-	-	136,143,756.72	-136,143,756.72	-
Profit distribution to equity owners	-	-	-	-	-1,548,346,931.46	-1,548,346,931.46
3. Ending balance on 31 December 2019	2,180,770,326.00	3,279,942,664.85	770,798.03	2,617,808,817.01	6,461,945,990.86	14,541,238,596.75

2018

Item	Share capital	Capital surplus	Other comprehensive income	Surplus reserve	Undistributed profit	Total owner's equity
1.Ending balance on 31 December 2017	2,180,770,326.00	2,329,774,011.94	-6,429,331.48	2,138,614,923.89	4,309,814,359.39	10,952,544,289.74
Add: Changes of accounting policy	-	-	-	-	41,964,622.66	41,964,622.66
2.Beginning balance on 1 January 2018	2,180,770,326.00	2,329,774,011.94	-6,429,331.48	2,138,614,923.89	4,351,778,982.05	10,994,508,912.40
3.Increases/decreases during the period ("-" for decreases)	-	950,168,652.91	8,375,513.47	343,050,136.40	2,433,220,129.79	3,734,814,432.57
(1) Total comprehensive income	-	-	8,375,513.47	-	3,430,501,363.99	3,438,876,877.46
Net profit	-	-	-	-	3,430,501,363.99	3,430,501,363.99
Other comprehensive income	-	-	8,375,513.47	-	-	8,375,513.47
(2) Profit distribution (Note V.44)	-	-	-	343,050,136.40	-997,281,234.20	-654,231,097.80
Appropriation to surplus reserves	-	-	-	343,050,136.40	-343,050,136.40	-
Profit distribution to equity owners	-	-	-	-	-654,231,097.80	-654,231,097.80
(3) Business combination under common control	-	15,939,407.88	-	-	-	15,939,407.88
(4) Others	-	934,229,245.03	-	-	-	934,229,245.03
4. Ending balance on 31 December 2018	2,180,770,326.00	3,279,942,664.85	1,946,181.99	2,481,665,060.29	6,784,999,111.84	14,729,323,344.97

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

I. General information

1. General information of the Company

Shenzhen Expressway Company Limited (the "Company") was established as a joint stock limited company in Guangdong Province, the People's Republic of China (the "PRC") on 30 December 1996. The Company has its H shares and A shares listed on the Stock Exchange of Hong Kong Limited and the Shanghai Stock Exchange of the PRC, respectively. The address of its registered office is Fumin Toll Station, Fucheng Subdistrict, Longhua District, Shenzhen, the PRC. The head office of the Company is located at 2-4/F, Jiangsu Building, Yitian Road, Futian District, Shenzhen, the PRC.

The principal activities of the Company and its subsidiaries (collectively the "Group") are the construction, operation, management and investment of toll highways and expressways in China.

Shenzhen International Holdings Limited ("Shenzhen International") is the parent company of the Company. The State-owned Assets Supervision and Administration Commission of the People's Government of Shenzhen Municipality ("Shenzhen SASAC") is the ultimate controlling company of the Company.

These financial statements have been approved for issue by the Company's Board of Directors on 18 March 2020.

The consolidation scope of the financial statements is determined on the basis of control. The detailed information of changes in the scope of consolidation is included in Note VI.

II. Basis of preparation of the financial statements

The financial statements have been prepared in accordance with the Basic Standards and the Specific Standards of the Accounting Standards for Business Enterprises ("ASBEs") issued by the Ministry of Finance, and Application Guidance for ASBEs, interpretations and other relevant regulations issued and revised thereafter (hereafter referred to as "CAS"). In addition, the financial statements have been prepared in accordance with the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited and regulations of the Hong Kong Companies Ordinance.

The financial statements have been prepared on a going concern basis.

Except for certain financial instruments, the financial statements have been prepared using historical cost as the principle of measurement. A disposal group classified as held for sale is reported at the lower of the book value and the net amount of the fair value less the cost of the sale. Where assets are impaired, provisions for asset impairment are made in accordance with the relevant requirements.

III. Summary of significant accounting policies and accounting estimates

The Group adopts specific accounting policies and makes accounting estimates according to the characteristics of its business operations. The focus of the accounting policies and accounting is the criteria for determining impairment of non-current assets (Note III.19), depreciation policy for fixed assets and amortization policy for intangible assets (Note III.14 and 18), measurement of provisions (Note III.23), revenue recognition (Note III.24) and recognition of deferred income tax assets (Note III.28), etc.

Key judgments and estimates applied for critical accounting policies by the Group are disclosed in Note III.34.

1. Statement of compliance with Accounting Standards for Business Enterprises

In compliance with the Chinese Accounting Standards, the financial statements truly and completely present the consolidated and the Company's financial position on 31 December 2019 and the operating results, cash flows and other information of the Group and the Company for the year ended 31 December 2019.

2. Accounting period

The accounting period started on 1 January 2019 and ended on 31 December 2019.

3. Normal operating cycle

Except for the real estate business and construction business, the operating cycle of the Group's business is relatively short. The classification standard of asset and liability's liquidity is 12 months. The operating cycle of the real estate business is generally longer than 12 months, starting from the commencement of property development to the collection of sales proceeds. The length of the specific operating cycle, which is used as the classification criterion of the liquidity of assets and liabilities in this business, depends on the development project. The operating cycle of the construction business is generally longer than 12 months, starting from the commencement of construction project to completion settlement. The length of the specific operating cycle, which is used as the classification criterion of the liquidity of assets and liabilities in this business, depends on the development project.

4. Functional currency

The Company adopts Renminbi ("RMB") as its functional currency for preparing its financial statements except that Fameluxe Investment Company Limited ("Fameluxe Investment") adopts the Hong Kong dollar ("HKD") as its functional currency. The financial statements are denominated in RMBunless there is any special circumstance.

5. Business combinations

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

<u>The accounting treatment of business combinations involving enterprises under common control</u>

A business combination involving entities under common control is a business combination in which all of the combining entities are ultimately controlled by the same party or parties both before and after the combination, and that control is not transitory. For a business combination involving entities under common control, the party that, on the combination date, obtains control of another entity participating in the combination is the merging party, the other combining enterprise(s) is(are) the merged party(parties). The combination date is the date on which the merging party actually obtains control of the merged party(parties). Assets and liabilities (including goodwill arising from the acquisition of the merged party by the ultimate controlling party) obtained by the merging party in a business combination shall be measured at their carrying amounts at the date of combination as recorded by the ultimate controlling party. The difference between the carrying amount of the net assets obtained and the carrying amount of the consideration paid for the combination (or the aggregate face value of shares issued as consideration) shall be adjusted to share premium under capital surplus. If the capital surplus is not sufficient to absorb the difference, any excess shall be adjusted against retained earnings.

III. Summary of significant accounting policies and accounting estimates (continued)

5. Business combinations (continued)

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

A business combination not involving entities under common control is a business combination in which all of the combining entities are not ultimately controlled by the same party or parties both before and after the combination. In a business combination not involving enterprises under common control, the party which obtains control of other combining enterprise(s) on the combination date is the acquirer, the other combining enterprise(s) is(are) the acquiree(s). The combination date is the date on which the acquirer actually obtains control of the acquiree(s).

The acquiree's identifiable assets, liabilities and contingent liabilities acquired by the acquirer in a business combination not involving enterprises under common control that meet the recognition criteria shall be measured at fair value at the acquisition date.

Where the fair value of combination consideration (or the fair value of issued equity securities) and the fair value of the equity interest held in the acquiree prior to the acquisition date exceed the acquirer's interest in the fair value of the acquiree's identifiable net assets, the difference is recognized as goodwill, which is subsequently measured at cost less accumulated impairment losses. Where the fair value of combination consideration (or the fair value of issued equity securities) and the fair value of the equity interest held in the acquiree prior to the acquisition date are less than the acquirer's interest in the fair value of the acquiree's identifiable net assets, the acquirer firstly reassesses the measurement of the fair values of the acquiree's identifiable assets, liabilities and contingent liabilities and measurement of the fair value of combination consideration (or the fair value of issued equity securities) and the fair value of the equity interest held in the acquiree prior to the acquisition date. If the fair value of combination consideration (or the fair value of issued equity securities) and the fair value of the equity interest held in the acquiree prior to the acquisition date are still less than the acquirer's interest in the fair value of the acquiree's identifiable net assets after the reassessment, the acquirer recognizes the difference immediately in profit or loss for the current period.

6. Preparation of consolidated financial statements

The scope of consolidation in the consolidated financial statements is determined on the basis of control. The consolidated financial statements comprise the financial statements of the Company and all of its subsidiaries. A subsidiary is an entity (including an entity, a separable part of an investee, and the structural entities controlled by the Company) which is under the control of the Company.

The accounting policies and accounting periods of the Company and subsidiaries are consistent in the preparation of the consolidated financial statements. All assets, liabilities, equity, income, expenses and cash flows arising from intra-group transactions are eliminated on consolidation.

When the amount of loss for the period attributable to the non-controlling shareholders of a subsidiary exceeds the non-controlling shareholders' portion of the opening balance of owners' equity of the subsidiary, the excess amount is still charged against non-controlling interests.

III. Summary of significant accounting policies and accounting estimates (continued)

6. Preparation of consolidated financial statements (continued)

For a subsidiary that is acquired in a business combination involving enterprises not under common control, the operating results and cash flows of the acquiree shall be consolidated into the consolidated financial statements from the date on which the Group takes control of acquiree to the date on which such control ceases. In the preparation of the consolidated financial statements, the financial statements of the subsidiary are adjusted based on the fair value of the subsidiary's identifiable assets, liabilities or contingent liabilities determined as at the acquisition date.

For a subsidiary that is acquired in a business combination involving enterprises under common control, the operating results and cash flows of the merged party shall be incorporated into the consolidated financial statements at the beginning of the current period. In the preparation of the consolidated financial statements, the relative items of the financial statements of the previous period are treated as if the merged party had been formed under the control of the Group at the very beginning.

If a change in any facts and circumstances gives rise to one or more changes in controlling factors, the Group will reassess whether it controls the investee or not.

Change in non-controlling interests that does not result in the loss of control over the subsidiary is accounted for as an equity transaction.

In the case of package deals, in which the equity investment in the subsidiary is lost through step-by-step disposals and multiple transactions until it loses control, the transaction will be treated as a transaction disposing of the subsidiary and losing control. However, before the loss of control, the difference between the disposal price and the share of the net assets of the subsidiary should be recognized in the consolidated financial statements as other comprehensive income. When the control right is lost, it is transferred to profit or loss of the period of losing control. In the case of disposing of the equity investment in the subsidiary through multiple transactions until the loss of control right, which does not belong to the package deals, a corresponding accounting treatment shall be carried out on whether each transaction division loses the control right. In the case of losing control, the remaining equity shall be remeasured at the fair value on the date of the loss of control. The difference between the consideration obtained by disposing of the equity, adding the fair value of the remaining equity and the share of the net assets calculated on the basis of the original shareholding proportion at the purchase date, is recognized in profit or loss for the period of losing control. If there is goodwill for the subsidiary, the amount of the goodwill should be deducted when calculating the gain or loss on the disposal of the subsidiary. Other comprehensive income related to the equity investment of the original subsidiary is treated on the same basis as the subsidiary directly disposes of the relevant assets or liabilities when losing control. The shareholders' equity recognized in the change in other shareholders' equity, other than the net profit or loss, other comprehensive income, and profit distribution of the original subsidiary, should be transferred to profit or loss for the period of losing control.

7. Cash and cash equivalents

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

8. Foreign currency translation

The Group's foreign currency transactions are translated and recorded in the respective functional currencies.

III. Summary of significant accounting policies and accounting estimates (continued)

8. Foreign currency translation (continued)

A foreign currency transaction is recorded in the functional currency on initial recognition, by applying the exchange rate on the date of transaction or applying the average exchange rate through the transaction period. At the end of the reporting period, foreign currency monetary items are translated into the functional currency using the spot exchange rates at the end of the reporting period. Exchange differences arising from the differences between the spot exchange rates prevailing at the end of the reporting period and those on initial recognition or at the end of the previous reporting period are recognized in profit or loss for the period, except that exchange differences that qualify for capitalization related to a specific-purpose borrowing denominated in foreign currency are capitalized as part of the cost of the qualifying asset during the capitalization period. Foreign currency non-monetary items measured at historical cost are re-translated at the spot exchange rate on the date of transaction but the amount of the functional currency is not changed. Foreign currency non-monetary items measured at fair value are re-translated at the spot exchange rate on the date the fair value is determined. Differences between the re-translated functional and the original functional currency amount are recognized in profit or loss or as other comprehensive income depending on the nature of the non-monetary items.

For the purpose of preparing the consolidated financial statements, financial statements of a foreign operation are translated from the foreign currency into RMBusing the following method: assets and liabilities on the statement of financial position are translated at the spot exchange rate at the end of the reporting period; shareholders' equity items except for retained earnings are translated at the spot exchange rates at the dates on which such items arose; income and expenses in profit or loss are translated at the average exchange rates during the transaction period. The exchange differences arising on translation of financial statements denominated in foreign currencies are recognized as other comprehensive income. For disposals of equity interests in foreign operations, the proportionate share of the accumulated exchange differences arising on translation of financial statements in other comprehensive income of foreign operations is transferred to profit or loss. For partial disposals, the reclassification is determined in proportion to the disposal.

Foreign currency cash flow and cash flow of overseas subsidiaries shall be converted at the average exchange rate of the period when the cash flow occurs. The impact of exchange rate changes on cash is shown separately in the statement of cash flows as an adjustment item.

9. Financial instruments

Financial instruments refer to contracts that form the financial assets of one company and form the financial liabilities or equity instruments of other companies.

<u>Recognition and derecognition of financial instruments</u>
The Group recognizes a financial asset or financial liability when it becomes a party to a financial instrument contract.

A financial asset (or part of a financial asset, or a portion of a group of similar financial assets) is derecognized and written off from its account and balance sheet, when the following conditions are met:
(1) The right to receive cash flows from financial assets expires;
(2) Transferring the right to receive cash flows from financial assets, or under the "hands-on agreement", the obligation to pay the full amount of cash flows to the third party in full; and (a) substantially transferring the ownership of the financial assets all risks and rewards, or (b) abandoning the control of the financial asset, although it does not substantially transfer or retain almost all of the risks and rewards of ownership of the financial asset.

If the responsibility for a financial liability has been fulfilled or revoked or has expired, the financial liability should be derecognized. If an existing financial liability is replaced by another financial liability of the same creditor on substantially virtually different terms, or if the terms of the existing liability are substantially modified, such replacement or modification is deemed to terminate the recognition of the original liability and to confirm the new disposal of liabilities, the difference is included in the current profit or loss.

The purchases and sales of financial assets in regular ways are recognized and derecognized on a trade date basis. The purchases and sales of financial assets in regular ways refer to the collection or delivery of financial assets within the time limit stipulated by regulations or common practices in accordance with the terms of the contract. The trading day is the date on which the Group commits to buy or sell the financial assets.

III. Summary of significant accounting policies and accounting estimates (continued)

9. Financial instruments (continued)

Classification and measurement of financial assets

The financial assets of the Group are classified upon the initial recognition based on the business model of the Group's financial asset management and the characteristics of the financial assets' contractual cash flows: financial assets measured at fair value and whose changes are included in the current profit and loss, financial assets measured at amortized cost, financial assets measured at fair value and whose changes are included in other comprehensive income. Financial assets are measured at fair value at initial recognition, but accounts receivable or bills receivable due to sales of goods or provision of services do not contain significant financing components or do not consider financing components that do not exceed one year, the initial measurement is based on the transaction price.

For financial assets measured at fair value through profit or loss, the related transaction expense is directly recognized in profit or loss for the current period. The related transaction costs of other types of financial assets are included in their initial recognition amount.

Subsequent measurement of financial assets depends on their classification:

Debt instrument investments measured at amortized cost
Financial assets are classified as financial assets measured at amortized cost if the financial assets meet the following conditions: The Group's business model for managing the financial assets is to collect contractual cash flows; the contractual terms of the financial assets stipulate that cash generated on a specific date. The flow is only the payment of the principal and the interest based on the outstanding principal amount. The effective interest method is used to recognize interest revenue for such financial assets. The gains or losses arising from derecognition, modification or impairment are recognized in profit or loss.

Debt instruments at fair value through other comprehensive income
Financial assets fulfilling all of the following conditions are classified as financial assets at fair value through other comprehensive income: the objective of the Group's business management model in respect of such type of financial assets is both to generate contract cash flow and to sell such type of financial assets; the contract terms of such type of financial assets provide that cash flow generated on specific dates represents interest payment in relation to principal amounts based on outstanding principal amounts only. Interest income from this type of financial assets is recognised using the effective interest rate method. Other than interest income, impairment loss and exchange differences which shall be recognised as current profit or loss, other fair value changes shall be included in other comprehensive income. Upon derecognition of the financial assets, the cumulative gains or losses previously included in other comprehensive income shall be transferred from other comprehensive income to current profit or loss.

Financial assets measured at fair value through profit or loss
For financial assets classified as measured at fair value through profit or loss, fair value is used for subsequent measurement, and all changes in fair value are recognized in profit or loss for the current period.

Only when it is possible to eliminate or significantly reduce accounting mismatches, financial assets can only be designated as financial assets at fair value through profit or loss.

Once the Company initially designates a financial asset as a financial asset measured at fair value through profit or loss, it cannot be reclassified to other financial assets; other financial assets cannot be reclassified to financial assets measured at fair value through profit or loss after initial recognition.

Under the above conditions, such financial assets designated by the Group consist mainly of transactional financial assets (Note V.2) and other non-current financial assets (Note V.13).

III. Summary of significant accounting policies and accounting estimates (continued)

9. Financial instruments (continued)

Classification and measurement of financial liabilities

The financial liabilities of the Group are classified as financial liabilities at fair value through profit or loss and other financial liabilities. For financial liabilities measured at fair value through profit or loss, the related transaction expense is directly recognized in profit or loss, while the related transaction expense of other financial liabilities is included in the initial recognition amount.

Subsequent measurement of financial liabilities depends on their classification:

Financial liabilities measured at fair value through profit or loss
Financial liabilities measured at fair value through profit or loss include financial liabilities (including derivatives that are financial liabilities) and financial liabilities designated as at fair value through profit or loss.
If one of the following conditions is met, it is a transactional financial liability: the purpose of undertaking the relevant financial liability is mainly for the purpose of selling or repurchasing in the near future; it is a combination of identifiable financial instruments that are centrally managed. Partly, and there is objective evidence that the Company has recently adopted short-term profit-making methods; it is a derivative instrument, except for derivatives that are designated as effective hedging instruments and derivatives that qualify for financial guarantee contracts. Transactional financial liabilities (including derivatives that are financial liabilities) are subsequently measured at fair value. All changes in fair value of transactional financial liabilities are recorded in the profit or loss of the current period, except for hedge accounting.

If only one of the following conditions is satisfied, financial liabilities can be designated as financial liabilities at fair value through profit or loss at their initial measurement.

(1) Accounting mismatches can be eliminated or significantly reduced.
(2) A formal written document on risk management or investment strategy states that the portfolio of financial instruments is managed, evaluated and reported to key management personnel on a fair value basis.
(3) A hybrid instrument that includes one or more embedded derivatives, unless the embedded derivative does not significantly change the cash flow of the hybrid instrument, or the embedded derivative is clearly not to be split from the relevant hybrid tool.
(4) A hybrid instrument that includes embedded derivatives that need to be split but cannot be separately measured at the time of acquisition or on the subsequent statement day.

Once the Company initially designates a financial liability as a financial liability measured at fair value through profit or loss, it cannot be reclassified to other financial liabilities; other financial liabilities cannot be reclassified to financial liabilities measured at fair value through profit or loss after initial recognition.

Other financial liabilities
For such financial liabilities, the actual interest rate method is adopted and the subsequent measurement is carried out according to the amortized cost.

III. Summary of significant accounting policies and accounting estimates (continued)

9. Financial instruments (continued)

Impairment of financial instruments

On the basis of expected credit losses, the Group performs the impairment treatment on financial assets and contract assets measured at amortized cost and confirms the loss provision.

For receivables that do not contain significant financing components and contractual assets, the Group uses a simplified measurement method to measure loss provision based on the amount of expected credit losses equivalent to the entire duration of the life.

For lease receivables, receivables with significant financing components and contractual assets, the Group uses a simplified measurement method to measure loss provisions based on the amount of expected credit losses equivalent to the entire duration of the life.

In addition to the above-mentioned financial assets other than the simplified measurement method, the Group assesses whether its credit risk has increased significantly since the initial recognition on each statement date. If the credit risk has increased significantly since the initial recognition, the Group's amount of expected credit losses during the lifetime is measured for loss; if the credit risk has not increased significantly since the initial recognition, the Group measures the loss provision based on the amount of expected credit loss over the next 12 months, and interest revenue shall be calculated on the basis of the carrying balance and the actual interest rate; if the credit risk has increased significantly since the initial confirmation but no credit impairment has occurred, it is in the second stage. The Group shall measure the loss reserve according to the amount equivalent to the expected credit loss in the whole duration, and calculate the interest income according to the book balance and the actual interest rate. If credit impairment occurs after the initial recognition, it is in the third stage. The Group shall measure the loss reserve according to the amount equivalent to the expected credit loss in the whole duration, and calculate the interest income according to the amortized cost and the actual interest rate. For financial instruments with low credit risk at the date of statement of financial position, the Group assumes that their credit risk has not increased significantly since the initial recognition.

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

Bad debt provision for receivables that are subject to provision by group with similar credit risk characteristics	
Group 1 Receivables from government and related parties	Other appropriate methods
Group 2 Receivables from other third parties	Aging analysis
Group 3 Receivables from wind power client	Aging analysis

When the Group no longer reasonably expects to be able to fully or partially recover the contractual cash flows of financial assets, the Group directly writes down the carrying amount of the financial assets.

Offsetting of financial instruments

If the following conditions are met at the same time, the financial assets and financial liabilities are presented in the statement of financial position offset with each other: a statutory right to offset the confirmed amount, and the legal right is currently enforceable; net settlement, or simultaneous realization of the financial assets and settlement of the financial liabilities.

III. Summary of significant accounting policies and accounting estimates (continued)

9. Financial instruments (continued)

Derivative financial instruments

The Group uses derivative financial instruments, which are currency forward contracts, to hedge its foreign currency risk. Derivative financial instruments are initially recognized at fair value on the date on which a derivative contract is entered into and are subsequently remeasured at fair value. Derivatives are carried as assets when the fair value is positive and as liabilities when the fair value is negative.

The gain or loss arising from changes in the fair value of derivatives is recognized directly in profit or loss, except for those that are related to hedge accounting.

Transfer of financial assets

If the Group has transferred substantially all the risks and rewards associated with the ownership of a financial asset to the transferee, the asset should be derecognised. If the Group retains substantially all the risks and rewards of ownership of a financial asset, the asset should not be derecognised.

When the Group has neither transferred nor retained substantially all the risks and rewards of ownership of the financial asset, it may either derecognise the financial asset and recognise any associated assets and liabilities if control of the financial asset has not been retained; or recognises the financial asset to the extent of its continuing involvement in the transferred financial asset and recognises an associated liability if control has been retained.

Assets formed by the continuing involvement by way of the provision of financial guarantee in respect of the transferred financial assets shall be recognised as the lower of the carrying value of the financial asset and the amount of financial guarantee. The amount of financial guarantee means the maximum amount among the considerations received to be required for repayment.

10. Inventories

(1) Classification

Inventory includes real estate development properties, raw materials, in-process products, goods in stock, tickets, low-value consumables, maintenance and repair parts, contract performance costs and inventory materials, etc., which are listed at the lower of cost and net realizable value.

Real estate properties comprise properties held for sale, properties under development and properties held for development. Properties held for sale are those properties completed and for sale, while properties under development are those properties still under construction and for sale purposes, and properties held for development are those lands purchased and planned to have properties developed on. The costs of raw materials, work in progress, and inventory items include procurement costs, processing costs, and other costs.

(2) Costing of inventories

The cost of completed properties held for sale is determined using the specific identification method, which comprises the land cost, construction cost and other cost. The actual cost of raw materials, work in progress, and inventory goods is determined using the FIFO method. The costs of toll tickets, low value consumables, maintenance and repair parts and materials in stock are determined using the weighted average method or amortization method.

III. Summary of significant accounting policies and accounting estimates (continued)

(3) Basis for the determination of net realisable value and provisions for declines in the value of inventories

At the end of the reporting period, the inventories are measured at the lower of the cost and the net realizable value. If the cost is higher than the net realizable value, the provision for the inventories should be recognized in profit or loss for the current period. If the influencing factors of the provision for inventories have been eliminated and the net realizable value of inventories is higher than its book value, the previously deducted amount will be recovered from the amount of provision for inventories accrued previously and the amount should be recognized in profit or loss for the current period.

Net realizable value is determined based on the estimated selling price in the ordinary course of business, less the estimated costs and related taxes necessary to achieve completion and to make the sale. When recognizing the provision for value decline of inventories, the raw materials are recognized based on the categories, and the finished goods are recognized based on the items. The provisions for declines in value of inventories are consolidated for the inventories that are related to a product line produced and sold in the same region having the same or similar end use or purpose and difficult to measure separately from other items.

The Perpetual Inventory System is adopted for the inventories

11. Non-current assets and disposal groups held for sale

Non-current assets and disposal groups are classified as held for sale if their carrying amounts will be recovered principally through a sales transaction rather than through continuing use. For this to be the case, the asset or disposal group must be available for immediate sale in its present condition subject only to terms that are usual and customary for the sale of such assets or disposal groups and its sale must be highly probable. (The relevant regulations require the approval of the relevant authority of the enterprise or the regulatory department before the sale, which has already been approved). If the control of the subsidiary is lost due to the sale of the investment in the subsidiary, whether or not part of the equity investment is retained after the sale, and if the conditions for holding the sale for sale are met, the investment in the subsidiary is divided into Classes held for sale, all assets and liabilities of subsidiaries are classified as held for sale in the consolidated financial statements.

If the non-current assets or disposal group (except financial assets and deferred income tax assets) held for sale has a book value higher than the net value after deducting the selling expenses, the book value shall be reduced to the fair value minus The net amount after selling expenses, the amount of write-down is recognized as asset impairment loss, which is included in the current profit and loss, and at the same time provision for impairment of assets held for sale is made. Non-current assets held for sale or non-current assets in disposal groups are not depreciated or amortized.

12. Long-term equity investments

Long-term equity investments comprise the Company's long-term equity investments in its subsidiaries as well as the Group's long-term equity investments in its joint ventures and associates.

Subsidiaries are the investees over which the Company is able to exercise control. A joint venture arrangement reached by the Group through a separate entity that can exercise joint control with other parties and has rights to its net assets based on legal form, contract terms, and other facts and circumstances.. Associates are the investees that the Group has significant influence on their financial and operating policies.

Investments in subsidiaries are presented in the Company's financial statements using the cost method, and are adjusted for preparing the consolidated financial statements using the equity method. Investments in joint ventures and associates are accounted for using the equity method.

III. Summary of significant accounting policies and accounting estimates (continued)

12. Long-term equity investments (continued)

(1) Determination of investment costs

For long-term equity investments acquired through a business combination: for a long-term equity investment acquired through a business combination involving enterprises not under common control, the investment cost shall be the combination costs. Where the initial investment cost of a long-term equity investment is acquired through a business combination involving enterprises under common control, the initial investment cost is the absorbing party's share of the carrying amount of the owners' equity of the party being absorbed in the consolidated financial statements of the ultimate controlling party at the combination date. The difference between the initial investment cost and the carrying amount of the consideration of the combination is adjusted to capital reserve (and the excess goes to retained earnings, if any). For other comprehensive income before the combination date, it is accounted for on the same basis as would have been required if the investee has directly disposed of the related assets or liabilities. The investee's shareholders' equity recognized resulting from changes in shareholders' equity other than net profit or loss, other comprehensive income and profit distribution is charged to profit or loss when the related investment is disposed of. Investments which remain long-term after disposal are recognized in proportion, whereas investments converted to financial instruments after disposal are recognized in full.

For long-term equity investments acquired not through a business combination: for a long-term equity investment acquired by payment in cash, the initial investment cost shall be the purchase price actually paid; for long-term equity investments acquired by issuing equity securities, the initial investment cost shall be the fair value of the equity securities issued.

(2) Subsequent measurement and the methods of investment income recognition

For long-term equity investments accounted for cost method, they are measured at the initial investment costs, and cash dividends or profit distribution declared by using the investees are recognized as investment income in profit or loss.

For long-term equity investments accounted for cost method, where the initial investment cost of a long-term equity investment exceeds the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the long-term equity investment is measured at the initial investment cost; where the initial investment cost is less than the Group's share of the fair value of the investee's identifiable net assets at the acquisition date, the difference is recognized in profit or loss for the period, and the cost of the long-term equity investment is adjusted accordingly.

For long-term equity investments accounted for using the equity method, the Group recognizes the investment income according to its share of net profit or loss of the investee. The Group discontinues to recognize its share of net losses of an investee after the book value of the long-term equity investment and any long-term interests that, in substance, form part of the investor's net investment in the investee is reduced to zero. However, if the Group has obligations for additional losses and the criteria with respect to recognition of provisions under the accounting standards on contingencies are satisfied, the Group continues to recognize the investment losses and the provisions. For changes in owners' equity of the investee other than those arising from its net profit or loss, comprehensive income and profit distribution, the Group records its proportionate share directly in capital surplus. The book value of the investment is reduced by the Group's share of the profit distribution or cash dividends declared by an investee. The unrealized profits or losses arising from the intra-group transactions amongst the Group and its investees are eliminated in proportion to the Group's equity interests in the investees, and then based on which the investment gains or losses are recognized. For the loss on the intra-group transaction amongst the Group and its investees attributable to asset impairment, any unrealized loss is not eliminated.

On disposal of a long-term equity investment, the difference between the proceeds actually received and the book value is recognized in profit or loss for the current period. For a long-term equity investment accounted for using the equity method, when the Group discontinues to use the equity method, any other comprehensive income previously recognized is accounted for on the same basis as would have been required for if the investee had directly disposed of the related assets or liabilities. Shareholders' equity recognized resulting from changes in shareholders' equity other than net profit or loss, other comprehensive income and profit distribution is charged to profit or loss in its entirety. When the Group continues to use the equity method, any other comprehensive income previously recognized is accounted for on the same basis as would have been required for if the investee had directly disposed of the related assets or liabilities and charged to the current period profit or loss on a pro-rata basis. Shareholders' equity, recognized resulting from changes in shareholders' equity other than net profit or loss, other comprehensive income and profit distribution, is charged to profit or loss on a pro-rata basis.

III. Summary of significant accounting policies and accounting estimates (continued)

12. Long-term equity investments (continued)

(3) Basis for determination of the existence of control, joint control or significant influence over the investees

Control refers to having the power over the investee, enjoying variable returns by participating in related activities of the investee, and being able to use its power over the investee to influence the investment return.

Joint control refers to the common control of an arrangement in accordance with relevant agreements, and related activities of the arrangement can only be made after the unanimous consent of the participants sharing control.

Significant influence is the power to participate in the decision making of financial and operating policies of the investee, but is not control or joint control over those policies.

(4) Impairment of long-term equity investments

The book value of long-term equity investments in subsidiaries, joint ventures and associates should be reduced to the recoverable amount if the recoverable amount is below the book value (Note III.19).

13. Investment properties

Investment properties, the buildings held for the purpose of leasing, are measured initially at cost. Subsequent expenditures incurred in relation to an investment property are included in the cost of the investment property when it is probable that the associated economic benefits will flow to the Group and its cost can be reliably measured; otherwise, the expenditures are recognized in profit or loss in the period in which they are incurred.

The Group adopts the cost model for the subsequent measurement of investment properties. Investment properties are depreciated or amortized to their estimated net residual values over their estimated useful lives. The estimated useful life, the estimated residual value rate and the annual amortization rate of the investment properties are as follows:

	Estimated useful life	Estimated residual value rate	Annual amortization rate
Car parking spaces	30 years	-	3.33%

When an investment property is transferred to an owner-occupied property, it is reclassified as fixed asset or intangible asset at the date of the transfer. When an owner-occupied property is transferred for earning rentals or for capital appreciation, the fixed asset or intangible asset is reclassified as investment property at its carrying amount at the date of the transfer.

The estimated useful life, the net residual value of the investment property and the amortization method applied are reviewed and adjusted at each year-end.

An investment property is derecognized on disposal or when the investment property is permanently withdrawn from use and no future economic benefits are expected from its disposal. The net amount of proceeds from sales, transfer, retirement or damage of an investment property after its carrying amount and related taxes and expenses is recognized in profit or loss for the current period.

The carrying amount of investment properties should be reduced to the recoverable amount when its recoverable amount is below the carrying amount (Note III.19).

III. Summary of significant accounting policies and accounting estimates (continued)

14. Fixed assets

(1) Recognition and initial measurement of fixed assets

Fixed assets comprise buildings, traffic equipment, motor vehicles, and office and other equipment.

Fixed assets are initially measured at cost. The cost of purchasing a fixed asset includes the purchase price, related taxes and fees, and other expenses directly attributable to the asset incurred before the fixed asset is ready for its intended use. The cost and accumulated depreciation of fixed assets invested by state shareholders to the Company on 1 January 1997 were recognized according to the valuation results performed by the valuer which were certified by the State-owned Assets Supervision and Administration Bureau in accordance with Guo Zi Ping (1996) No.911.

Subsequent expenditures incurred for a fixed asset are included in the cost of the fixed asset when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. The carrying amount of the replaced part is derecognized. All the other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

(2) Depreciation methods of fixed assets

Fixed assets are depreciated using the straight-line method to allocate the cost of the assets to their estimated residual values over their estimated useful lives. For the fixed assets that have been impaired, the related depreciation charge is prospectively determined based upon the adjusted carrying amounts over their remaining useful lives.

Type	Depreciation method	Estimated useful life	Estimated residual value rate	Annual depreciation rate
Buildings				
- Office buildings	Straight-line	20-30 years	5%	3.17%-4.75%
- Temporary houses	Straight-line	5-10 years	5%	9.50%-19.00%
- Constructions	Straight-line	15 years	5%	6.33%
Traffic equipment	Straight-line	5-11 years	0%-5%	7.00%-20.00%
Mechanical equipment	Straight-line	5-20 years	4%-5%	4.00%-19.00%
Motor vehicles	Straight-line	5-6 years	5%	15.83%-24.00%
Office and other equipment	Straight-line	3-5 years	0%-5%	9.50%-33.33%

The estimated useful life, the estimated net residual value of a fixed asset and the depreciation method applied to the asset are reviewed and adjusted at least at each year-end.

(3) Impairment of fixed assets

The book value of fixed assets is reduced to the recoverable amount if the recoverable amount is below the book value (Note III.19).

(4) Disposal of fixed assets

A fixed asset is derecognized on disposal or when no future economic benefits are expected from its use or disposal. The amount of proceeds from disposal on sale, transfer, retirement or damage of a fixed asset net of its book value and related taxes and expenses is recognized in profit or loss for the period.

III. Summary of significant accounting policies and accounting estimates (continued)

15. Construction in progress

Construction in progress is measured at actual cost. Actual cost comprises construction costs, installation costs and borrowing costs that are eligible for capitalization and other costs necessary to bring the construction in progress ready for their intended use. Construction in progress should be transferred to fixed assets when the assets are ready for their intended use, and should start to depreciate in the following month. The book value of construction in progress should be reduced to the recoverable amount if the recoverable amount is below the book value (Note III.19).

16. Borrowing costs

The borrowing costs that are directly attributable to the acquisition and construction of a fixed asset that needs a substantially long period of time for acquisition and construction for its intended use, which are to be capitalized and recorded as part of the cost of the asset when expenditures for the asset and borrowing costs have been incurred, and the activities relating to the acquisition and construction that are necessary to prepare the asset for its intended use have commenced. The capitalization of borrowing costs ceases when the asset under acquisition or construction becomes ready for its intended use, the borrowing costs incurred thereafter are recognized in profit or loss for the current period. Capitalization of borrowing costs is suspended during the periods in which the acquisition or construction of a fixed asset is interrupted abnormally and the interruption lasts for more than 3 months, until the acquisition or construction is resumed.

For the specific borrowings obtained for the acquisition or construction of a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by deducting any interest income earned from depositing the unused specific borrowings in the banks or any investment income arising on the temporary investment of those borrowings during the capitalization period.

For the general borrowings occupied by the acquisition or construction of a qualifying asset, the amount of borrowing costs eligible for capitalization is determined by multiplying the weighted average effective interest rate of general borrowings by the weighted average of the excess amount of cumulative expenditures on the asset over the amount of specific borrowings. The effective interest rate is the rate at which estimated future cash flows during the expected or shorter period applied to be discounted to the initial amount of the borrowings.

17. Right-of-use assets (Applicable from 1 January 2019)

Right-of-use assets comprise buildings, Fan equipment and billboards.

On the commencement date of the lease term, the Group recognises its right to use the leased asset over the lease term as the right-of-use asset, including: (1) the initial measurement amount of the lease liability; (2) the payment on or before the commencement date of the lease term The amount of the lease payment, if there is a lease incentive, deducting the relevant amount of the lease incentives already enjoyed; (3) the initial direct expenses incurred by the lessee; (4) the lessee is to dismantle and remove the leased assets, restoring the site where the leased asset is located, or restoring the leased asset to the state agreed in the lease terms. The Group's subsequent years of averaging method is used to depreciate the right-of-use assets. If it is reasonable to determine the ownership of the leased asset at the expiration of the lease term, the Group will depreciate the remaining useful life of the leased asset. If it is not reasonable to determine that the leasehold asset can be acquired at the expiration of the lease term, the Group depreciates during the shorter period between the lease term and the remaining useful life of the leased asset.

When the Group re-measures the lease liability based on the present value of the changed lease payments and adjusts the book value of the right-of-use asset accordingly. If the book value of the right-of-use asset has been reduced to zero, the lease liability still needs to be further reduced, the Group accounts for the remaining amount in the current profit or loss.

III. Summary of significant accounting policies and accounting estimates (continued)

18. Intangible assets

Intangible assets include concession intangible assets, billboard use right, patent, land use right and software. Intangible assets are measured at cost.

(1) Concession intangible assets

Concession intangible assets refer to the rights granted by the respective concession grantors, which entitle the Group to receive the toll fees from users and land use right obtained in conjunction with the concession arrangement. Concession intangible assets are measured at actual cost because the Group subcontracts the construction to third parties instead of providing actual construction service. Actual cost comprises construction infrastructure prices, construction related costs and borrowing costs that are eligible for capitalization and incurred before the toll roads are ready for their intended use. The concession intangible assets of the toll road that the Group has delivered but not yet completed the final settlement account are temporarily estimated based on the book value of the toll road project or the estimated value of the project. When the final account is completed, the book value will be adjusted to the actual value.

The concession intangible assets and the toll roads invested by the state-owned shareholders on 1 January 1997 were stated at valuation performed by the asset valuation firms and the values were certified by the State-owned Assets Supervision and Administration Bureau (“SASAB”) in accordance with Guo Zi Ping (1996) No.911. The land use right relating to Shenzhen Airport-Heao Expressway (Western Section) invested to the Company by the promoter of the Company during the restructuring period of the Group was stated at the then revaluation amount admitted by the SASAB on 30 June 1996. The land use right relating to Meiguan Expressway owned by Shenzhen Meiguan Expressway Company Limited (“Meiguan Company”), a subsidiary, was invested by Xin Tong Chan Development (Shenzhen) Company Limited (“Xin Tong Chan Company”), one of the promoters of the Company, at the value specified in the respective investment agreement.

When toll roads are ready for their intended use, amortization of concession intangible assets is calculated to write off their costs on the traffic volume amortization method. Amortization is provided on projected units-of-usage (“unit usage”), which is calculated based on the total projected traffic volume during the operating period of the concessions and the original or book value of the concession intangible assets with the concession combined with the actual traffic volume during each accounting period.

The Company has set policies to execute internal review on the total projected traffic volume during the operating period of the concessions annually. The Group also appoints an independent professional traffic consultant to perform independent professional traffic studies when material differences between actual traffic volume and projected traffic volume exist, or every 3 to 5 years and then adjust the amortization unit usage according to the revised total projected traffic volume, to ensure that the respective concession intangible assets would be fully amortized in the operating period.

The respective operating periods and amortization units of the toll roads are set out as follows:

Item	Operating period	The unit usage (RMB)
Meiguan Expressway	May 1995 to March 2027	0.53 (Note 1)
Shenzhen Airport-Heao Expressway (Western Section)	May 1999 to March 2027	0.59 (Note 1)
Shenzhen Airport-Heao Expressway (Eastern Section)	October 1997 to March 2027	2.95(Note 1)
Wuhuang Expressway	September 1997 to September 2022	5.82
Qinglian Expressway	July 2009 to July 2034	30.03
Shuiguan Expressway	March 2002 to February 2027	5.86
Yichang Expressway	January 2004 to December 2033	9.55
Changsha Ring Road (North-western Section) (“Changsha Ring Road”)	November 1999 to October 2029	1.71
Coastal Expressway	December 2013 to December 2038	6.31

Note 1: As stated in Note III.35(a), the Company appointed an independent professional traffic consultant to reassess the traffic volume of Meiguan Expressway, Shenzhen Airport-Heao Expressway (Western Section), and Shenzhen Airport-Heao Expressway (Eastern Section) in the future operating period in June 2019. The unit usages of concession intangible assets of Meiguan Expressway, Shenzhen Airport-Heao Expressway (Western Section), and Shenzhen Airport-Heao Expressway (Eastern Section) have been adjusted from RMB0.84, RMB0.78, and RMB3.49 to RMB0.53, RMB0.59 and RMB2.95 separately from 1 April 2019.

III Summary of significant accounting policies and accounting estimates (continued)

18. Intangible assets (continued)

(1) Concession intangible assets (continued)

Subsequent expenditures incurred for the toll roads are included in the cost of the concession intangible assets when it is probable that the associated economic benefits will flow to the Group and the related cost can be reliably measured. All the other subsequent expenditures are recognized in profit or loss in the period in which they are incurred.

(2) Other intangible assets

The useful lives of other intangible assets are set out as follows:

	Useful life (year)
Billboard use right	5
Patent	10
Land use rights	50
Software and others	2-10

Intangible assets with finite useful lives are amortized over their estimated useful lives using the straight-line method.

(3) Periodical review of useful life and amortization method

For an intangible asset with a finite useful life, review and adjustment on its useful life and amortization method are performed at each year-end.

(4) Impairment of intangible assets

The book value of intangible assets should be reduced to the recoverable amount if the recoverable amount is below the book value (Note III.19).

Internal research and development expenditures are classified as research expenditures and development expenditures. Research expenditure is recognized in profit or loss, when it is incurred.

Development expenditure can only be capitalized if the following conditions are all met, namely: It is technically feasible to complete the intangible asset that can be used or sold; It is intending to use or sell the completed intangible asset; The intangible asset produced can generate economic benefits, including the ability to prove that the product, produced by the intangible asset, or the intangible asset itself exists in the market, or that the intangible asset is useful for the internal use; the Group has sufficient technologies, financial resources, and other resources to support and complete the development, and has the ability to use or sell the intangible asset once it is made; and the development expenditure can be properly measured. If the development expenditure cannot meet the condition listed above, the development expenditure will be recognized in profit or loss when it is incurred.

III. Summary of significant accounting policies and accounting estimates (continued)

19. Impairment of long-term assets

Fixed assets, construction in progress, Right-of-use assets, intangible assets with finite useful lives, investment properties measured using the cost model and long-term equity investments in subsidiarie, joint ventures, associates and right-of- use assets are tested for impairment if there is any indication that an asset may be impaired at the end of the reporting period; intangible asset that is not ready for its intended use should be tested at least annually, with or without evidence of impairment. If the result of the impairment test indicates that the recoverable amount of the asset is less than its book value, a provision for impairment and an impairment loss are recognized for the amount by which the asset's book value exceeds its recoverable amount. The recoverable amount is the higher of an asset's fair value less costs to sell and the present value of the future cash flows expected to be derived from the asset. Provision for asset impairment is determined and recognized on the individual asset basis. If it is not possible to estimate the recoverable amount of an individual asset, the recoverable amount of a group of assets to which the asset belongs is determined. A group of assets is the smallest group of assets that is able to generate independent cash inflows.

For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated on a reasonable basis to each of the Group's cash-generating units or to relevant groups of cash-generating units if it is difficult to do so. Each unit or group of units to which the goodwill is so allocated represents those which are expected to benefit from the synergies of the combination and is not larger than a reported segment by the Group.

In testing an asset group or a set of asset groups to which goodwill has been allocated for impairment, if there is evidence of impairment in relation to goodwill, the Group shall at first test the asset group or the set of asset groups excluding the amount of goodwill allocated for impairment. It shall determine and compare the recoverable amount with the related carrying amount and recognise any impairment loss. After that, the Group shall test the asset group or set of asset groups including the goodwill for impairment. The carrying amount is compared to its recoverable amount. If the recoverable amount of the asset group or set of asset groups is lower than its carrying amount, an impairment loss on goodwill shall be recognised. Firstly, the impairment loss shall be allocated to reduce the carrying amount of any goodwill allocated to the asset group or set of asset groups. Then, the impairment loss shall be allocated to the other assets of the asset group or set of asset groups (excluding the goodwill) on the basis of the proportion of the carrying amount of each asset in the asset group or set of asset groups.

Once an impairment loss of the above-mentioned asset is recognised, it shall not be reversed in any subsequent period.

20. Long-term prepaid expenses

Long-term prepaid expenses comprise the prepaid expenditures but should be recognized as expenses for the current and subsequent periods, which in total are more than one year. Long-term prepaid expenses are averagely amortized over the expected benefit period and are presented at actual expenditure net of accumulated amortization.

21. Employee benefits

Employee benefits represent all kinds of allowances and compensations paid by the Group for services rendered by employees or for termination of employment relationship, which mainly include short-term wages, retirement benefits, termination of employment benefits and other long-term staff welfare**.**

III. Summary of significant accounting policies and accounting estimates (continued)

21. Employee benefits (continued)

(1) Accounting treatment of short-term wages

Short-term wages include wages or salaries, bonuses, allowances and subsidies, staff welfare, medical insurance, employment injury insurance, maternity insurance, housing funds, labor union funds, employee education funds, short term paid leave and etc. Actual short-term wages are recognized as liabilities in the periods when the employees render services and are charged to profit or loss or capitalized in costs of related assets. The non-monetary welfare is measured at fair value.

(2) Accounting treatment of retirement benefits

The Group classifies the retirement benefit plans as defined contribution plans and defined benefit plans. A defined contribution plan is a pension plan under which the Group pays fixed contributions into an independent fund. As a result, the Group has no legal or constructive obligations to pay further contributions. A defined benefit plan is a pension plan other than a defined contribution plan. During the reporting period, the Group’s retirement benefits were mainly basic pension insurance and unemployment insurance which were both defined contribution plans.

(a) Basic pension insurance

The Group’s employees are involved in the basic social pension insurance organized and implemented by the local labor and social security bureau. The Group pays the basic pension issuance expenses monthly to designated insurance companies for its employees. The basic amounts and rates are determined by the local regulations. Upon employees’ retirement, the local labor and social security bureau is responsible for paying the pension benefit to the retired employees. The amounts of pension insurance payable calculated according to the above regulations are recognized as liabilities in profit or loss or capitalized in costs of related assets during the periods when the employees provide services.

(b) Enterprise annuity plan

Beside the above basic social pension insurance, the Company establishes an enterprise annuities plan in accordance with relevant national enterprise annuity system policies (“enterprise annuity plan”), in which the Group’s employees can voluntarily participate. The Company shall prepare the annuities to a certain proportion of employees’ total wages, the corresponding expenditures shall be recorded in current profit or loss. Except for the above-mentioned, the Company did not have any other significant social insurance commitments to its employees.

(3) Accounting treatment of termination benefits

The Group provides compensation for the termination of employment relationship before the expiry of employment contracts or for employees’ voluntary layoffs. The compensation is recognized as a liability and in profit or loss at the earlier of the date the Group is unable to unilaterally withdraw the plan on the termination of employment relationship or the layoff proposal and the date on which the costs and expenses in relation to the payment of compensation to the termination of employment relationship are recognized.

(4) Other long-term employee benefits

For other long-term employee benefits provided to employees, the net liabilities or net assets of other long-term employee benefits shall be recognized and measured in accordance with the relevant provisions of pension benefits, but changes are included in the current profit or loss or the cost of related assets.

III. Summary of significant accounting policies and accounting estimates (continued)

22. Lease liabilities (Applicable from 1 January 2019)

On the commencement date of the lease term, the Group recognizes the present value of the lease payments that have not been paid as lease liabilities, except for short-term leases and low-value asset leases. In calculating the present value of the lease payments, the Group uses the leased interest rate as the discount rate; if the interest rate of the lease cannot be determined, the lessee's incremental borrowing rate is used as the discount rate. The Group calculates the interest expense of the lease liability for each period of the lease term based on the fixed periodic interest rate and recognises it in profit or loss for the current period. The variable lease payments that are not included in the measurement of the lease liabilities are recognised in profit or loss when incurred.

After the commencement date of the lease period, when the actual fixed payment amount changes, the expected amount of the guarantee residual value changes, or the index or ratio used to determine the lease payment amount changes, the purchase option, the renewal option or the termination option is evaluated and when the results or actual exercise rights change, the Group re-measures the lease liability based on the present value of the changed lease payments.

23. Provisions

Except for contingent consideration and contingent liabilities arising from business combinations not involving enterprises under common control, contingent liabilities are recognized as provision when the Group has an obligation related to a contingency where all of the following conditions are met:

(1) It is a present obligation related to a contingency;
(2) It is probable that an outflow of economic benefits will be required to settle the obligation; and
(3) the amount of the obligation can be measured reliably.

The amount initially recognized as a contingent liability is the best estimate of the consideration required to settle the present obligation, taking into account factors pertaining to a contingency such as the risks, uncertainties and time value of money. The carrying amount of a contingent liability is reviewed at the end of the reporting period. Where there is objective evidence that the carrying amount does not reflect the best estimation of the contingency, the contingent liability would be adjusted according to the best estimated amount.

24. Revenue from contracts with customers

The Group has fulfilled its performance obligations of the contract that the revenue is recognized when the customers take control of the relevant goods or services. Taking control of the relevant goods or services means being able to dominate the use of the goods or the provision of the services and obtain almost all of the economic benefits from them.

(1) The Group’s toll revenue from the operations of toll roads is recognized when the related services have been provided, revenue and total costs can be measured reliably and economic benefits with transactions can flow to the Group.

(2) Service contracts between the Group and its customers usually include the obligation to perform construction management services. As the services provided by the Group in the course of performance are irreplaceable and the Group has the right to calculate the revenue accumulated to date for the performance of the Contract during the whole contract period, the Group shall treat the services provided by the Group as the obligation to perform within a certain period of time and recognize revenue according to the progress of performance except for cases when the progress of performance cannot be reasonably determined. The Group determines the progress of service delivery according to the input method. If the cost incurred by the Group is expected to be compensated when the progress of performance cannot be reasonably determined, revenue shall be recognized according to the amount of cost incurred until the progress of performance can be reasonably determined. For construction management services, when the results of the construction management services can be estimated reliably, construction management service revenue is recognized using the percentage of completion method and the stage of completion is measured with reference to the actual construction costs and related management expenses incurred till the end of the reporting period as a percentage of the total estimated construction costs and management expenses. When the results of the construction management services cannot be estimated reliably, construction management service revenue is recognized at the same amount of actual management expenses incurred only to the extent that such expenses are probable to be recovered.

III. Summary of significant accounting policies and accounting estimates (continued)

24. Revenue from contracts with customers (continued)

(3) For the Group's property sales revenue, after the completion and acceptance of the property, the Group and the client signed a sales contract, then obtains the proof of the buyer's payment and delivers the property to the buyer after the property is completed and passes the acceptance. When the buyer is informed of launch literally and does not have a proper reason to reject it, the related revenue is recognized after the time limit of the information is over. The Group's property sales contracts with customers generally include a performance obligation. In addition, the Group believes that the income from the sale of the property should be recognized when the asset control is transferred to the customer (usually after the delivery) based on the terms of the existing sales contract. The application of the new income standard has no effect on the timing of revenue recognition.

According to the new income standard, if the payment period of the customer is different from the period during which the promised goods or services are transferred according to the contract, the transaction price and the income from the sales need to be adjusted for the impact of the financing component (if significant). The Group believes that the consideration of the time difference between the customer's payment and the delivery of the property to the customer and the current market interest rate, the amount of the financing component is significant, the sales price must be discounted to calculate the significant financing component. The Group recognizes contractual liabilities for advances from customers that include significant financing components. The Group did not consider the significant financing components existing in the contract for the expectation that the customer's control over the acquisition of the goods and the payment of the customer's payment did not exceed one year. In addition, the outstanding balance of customer advances has been reclassified from advance receipts to contractual liabilities.

(4) Revenue from entrusted services is recognized on a straight-line basis over the contract period.

(5) For the service concession contracts entered into with the government departments, according to which the Group participates in the development, financing, operations and maintenance of the toll road construction, the Group recognizes no construction service revenue because the Group subcontracts the work to other parties and does not undertake the construction work on its own.

(6) Advertising revenue is recognized on a straight-line basis over the contract period.

(7) Interest income is determined by using the effective interest method, based on the length of time for which the Group's cash is used by others.

(8) Income from an operating lease is recognized on a straight-line basis over the period of the lease.

(9) There are sales rebates in some of the Group's contracts with customers (early completion awards or other arrangements based on actual customer conditions) and results in a variable consideration. The Group determines the best estimate amount of the variable consideration based on the expected value or the most likely amount, but the transaction price including the variable consideration does not exceed the amount that the accumulated revenue is likely not to be significantly reversed when the relevant uncertainty is eliminated.

(10) For construction management service projects, the Group is responsible for the construction and implementation of the entire project as the general contractor. For the construction unit, survey and design, consulting, etc., the Group is responsible for bidding and signing contracts with the third-party units and the government shall pay the total price of the project investment to the Group in accordance with the payment method agreed in the agency construction. The Group takes control over the projects under construction before transferring the goods to the owners, leads the third party to provide services to the owners, and bears the primary responsibility for transferring the construction to the owners. Therefore, the Group is the main responsible person and recognizes the revenue according to the total consideration received or receivable. Otherwise, the Group is an agent and recognizes the revenue according to the amount of the commission or handling fee expected to receive. The amount shall be netted according to the total amount received or receivable, after deducting the price payable to other related parties, or the established commission amount or proportion is determined.

(11) The contracts for the sale of goods between the Group and the customer usually contain the performance obligations for the transfer of the complete machine, components, and accessories of wind turbine generators. The Group generally recognizes revenue at the point of transfer of control of the goods on the basis of a combination of the following factors: the current right to collect the goods, the transfer of major risks and benefits in the ownership of the goods, and the transfer of the legal ownership of the goods, the transfer of physical assets of the goods and that the customers have accepted the goods.

(12) Contracts for the sale of goods between the Group and customers usually include performance obligations for the sale of electricity. The Group generally recognizes revenue at the point in time when the control of the commodity is transferred on the basis of comprehensive consideration of the following factors. Obtain the current collection rights of the goods, the transfer of main risks and rewards of the ownership of the goods, the transfer of legal ownership of the goods, the transfer of physical assets of the goods, and the customer's acceptance of the goods.

III. Summary of significant accounting policies and accounting estimates (continued)

24. Revenue from contracts with customers (continued)

(13) For sales with a sales return clause, when the customer receives the ownership, the Group recognizes revenue based on the amount of consideration expected to be received, and recognizes the liability based on the amount expected to be refunded due to the return. Meanwhile, the cost of the sales equals to the book value at the time of transfer of the transferred good after deducting the net cost of the asset, which equals to the expected recognized book value of the returned goods at the time of transfer after deducting the estimated cost of recovering the goods (including the impairment of the returned goods' value). On each statement day, the Group re-estimates the future sales return and re-measures the assets described above and the liabilities.

(14) According to the contractual agreement, legal provisions and so on, the Group provides quality assurance for the goods sold. For the quality assurances of guarantees, which ensure the established standard of the product, and the quality assurances of services, which provide separate services from the product, the Group treats both of them as a single performance obligation. For this performance obligation, the Group allocates part of the transaction price to the quality assurance of the service category with the relative ratio of the individual selling prices of the product to that of the provided quality assurance, and the revenue of this performance obligation is recognized when the customers obtain the control of the service. In assessing whether the quality assurance provides a separate service in ensuring that the goods sold meet the established standards, the Group considers the statutory requirement of the assurances, the term of the assurance, the nature of the Group's commitment of performance, and so on.

(15) The construction contract between the Group and the customer usually includes the performance obligation of the construction project. As the customer can control the goods under construction during the performance of the Group, the Group regards it as a performance obligation performed within a certain period of time and recognizes the income according to the progress of the performance, except that the progress of the performance cannot be reasonably determined. The Group determines the progress of the performance of the services provided in accordance with the input method. If the performance of the Group is expected to be compensated if the performance of the performance cannot be reasonably determined, the revenue will be recognized according to the amount of costs incurred, until the performance of the performance can be reasonably determined.

(16) When the contract for the construction contract between the Group and the customer changes:

a) If the contract change adds a clearly distinguishable construction service and contract price and the new contract price reflects the separate selling price of the new construction service, the Group treats the contract change as a separate contract for accounting treatment;

b) If the contract change does not fall within the above-mentioned situation (1), and the construction service transferred and the one not transferred can be clearly distinguished on the contract change date, the Group will regard it as the original contract termination, and at the same time, the non-compliance part of the contract and the contract change part are merged into a new contract for accounting treatment;

c) If the contract change does not fall within the above-mentioned situation (1), and there is no clear distinction between the construction service transferred and the one not transferred on the contract change date, the Group will treat the changed part of the contract as part of the original contract. The resulting impact on the recognized revenue is adjusted for current income on the contract change date.

III. Summary of significant accounting policies and accounting estimates (continued)

25. Contract asset and liability

Contracts with customers will be presented in the Group's statement of financial position as a contract liability or a contract asset, depending on the relationship between the Group's performance and the customer's payment. The Group offsets the contract assets and contract liabilities under the same contract and presents them on the statement of financial position as a net amount.

Contract asset

A contract asset is recognized when the Group's right to consideration is conditional on something other than the passage of time, for example future performance of the Group. A receivable is recognized when the Group's right to consideration is unconditional except for the passage of time.

The Group's method for determining and accounting for expected credit losses, which are related to contract assets are detailed in Note III.9.

Contract liability

A contract liability is presented in the statement of financial position where a customer has paid an amount of consideration prior to the Group performing by transferring the related good or service to the customer.

26. Assets relating to contract cost

The Group's assets relating to contract costs include the contract acquisition costs and contract performance costs, presented respectively under inventories, other current assets and other noncurrent assets.

Where the Group expects the incremental costs for acquiring a contract to be recoverable, such contract acquisition costs are recognised as an asset (unless the amortisation period of the asset is not more than 1 year).

Costs incurred by the Group for the performance of a contract are recognised as an asset as contract performance costs if they do not fall under the scope of the relevant standards for inventories, fixed assets or intangible assets but meet all the following conditions:

(1) They are directly related to a current or anticipated contract, including direct labor, direct materials, manufacturing expenses (or similar expenses), to be borne by customers as specifically stipulated, and otherwise incurred solely in connection with the contract;
(2) They will increase the resources to be utilised in the Company's future performance of its contractual obligations;
(3) They are expected to be recoverable.

The Group amortises assets relating contract costs on the same basis as that for the recognition of revenue relating to such assets and recognises the amortised assets in current profit or loss.
For assets relating to contract costs whose carrying value is higher than the difference between the following two items, the Group makes provision for impairment for the excess to be recognised as asset impairment losses:
(1) The remaining consideration expected to be obtained as a result of the transfer of goods relating to such assets;
(2) Estimated costs to be incurred in connection with the transfer of relevant goods.

In the event that the difference between (1) and (2) becomes higher than the carrying value of such assets as a result of changes in the factors of impairment for previous periods, previous provisions for asset impairment losses should be written back and included in current profit or loss, provided that the carrying asset value following the write-back shall not exceed the carrying value such assets would have on the date of write-back were there no provision for impairment.

III. Summary of significant accounting policies and accounting estimates (continued)

27. Government grants

A government grant is recognized when the condition attached to it is fulfilled and the grant can be received. The monetary grant from the government is measured at the amount received or receivable. The non-monetary grant from the government is measured at its fair value. If the fair value cannot be reliably determined, it is measured at a nominal amount.

Government documents stipulate that if the long-term assets are obtained by acquisitions, constructions or other forms, the grants should be recognized as the government grants related to assets. If the government documents are unclear, they should be judged on the basis of the basic conditions necessary for obtaining such grants. if the long-term assets are obtained by acquisitions, constructions or other forms, the grants should be recognized as the government grants related to assets, and others should be recognized as income-related government grants.

The total amount method is applied for the Group's government grants.

For government grants related to income, where the grant is a compensation for related expenses or losses to be incurred in the subsequent periods, the grant is recognized as deferred income, and included in profit or loss over the periods in which the related costs are recognized or adjusted against the relevant cost; where the grant is a compensation for related expenses or losses already incurred by the Group, the grant is recognized immediately in profit or loss for the current period or is adjusted against the relevant cost.

Government grants related to assets are adjusted against the book value of the assets or recognized as deferred income and evenly distributed in profit or loss over the useful life of related assets in a reasonable and systematic way. Government grants measured at their nominal amounts shall be recognized immediately in profit or loss for the current period. If the relevant assets are sold, transferred, disposed of or ruined before their useful life ends, the undistributed relevant deferred income shall be transferred to the gain from asset disposal for the current period.

III. Summary of significant accounting policies and accounting estimates (continued)

28. Income tax

The income tax expenses include current income tax and deferred tax. Current and deferred tax expenses or income are recognized in profit or loss for the period, except when they arise from transactions or events that are directly recognized in owners' equity, in which case they are recognized in owners' equity; and when they arise from business combinations, in which case they adjust the carrying amount of goodwill.

Current income tax liabilities (or assets) for the current and prior periods are measured at the amount expected to be paid (or recovered) according to the requirements of tax laws.

At the end of the reporting period, for temporary differences between the carrying amounts of certain assets or liabilities and their tax base, or between the carrying amounts of items that are not recognized as assets or liabilities and their tax base that can be determined according to tax laws, deferred tax assets and liabilities are recognized using the balance sheet liability method.

Deferred tax liabilities are recognized for all taxable temporary differences, except:

(1) When the taxable temporary difference arises from: the initial recognition of goodwill or the initial recognition of an asset or liability in transactions that are not business combinations and, at the time of the transaction, affects neither the accounting profit, taxable profit or loss nor deductible losses;

(2) In respect of taxable temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, where the timing of the reversal of the temporary differences can be controlled and it is probable that the temporary differences will not be reversed in the foreseeable future.

For deductible temporary differences, deductible losses and tax credits that can be carried forward, deferred tax assets are recognized to the extent that it is probable that future taxable profits will be available against which the deductible temporary differences, deductible losses and tax credits can be utilized, except:

(1) When the deductible temporary differences do not arise from business combinations and, at the time of the transaction, affects neither the accounting profit, taxable profit or loss nor deductible losses;

(2) In respect of deductible temporary differences associated with investments in subsidiaries and associates and interests in joint arrangements, deferred tax assets are only recognized to the extent that it is probable that the temporary differences will reverse in the foreseeable future and taxable profit will be available against which the temporary differences can be utilized.

At the end of the reporting period, deferred tax assets and liabilities are measured at applicable tax rates according to the requirements of tax laws during the period that the assets are expected to be recovered or the liability expected to be repaid. The recognition of deferred tax assets and liabilities also takes the recovery or the repayment terms into account.

At the end of the reporting period, the carrying amount of deferred tax assets is reviewed and reduced if it is no longer probable that sufficient taxable profits will be available in the future to allow the benefit of deferred tax assets to be utilized. At the end of the reporting period, the carrying amount of deferred tax assets is reviewed and recognized to the extent that it is probable that available taxable profits in the future will allow the benefit of deferred tax assets to be utilized.

When all of the following conditions are satisfied simultaneously, the deferred income tax assets and deferred income tax liabilities are listed as the net amount after offsetting: the Group has a legal right to settle current tax assets and liabilities on a net basis; the deferred taxes are related to the same tax payer within the Group and the same taxation authority, or related to different tax payers but during the period when each of the significant deferred income tax assets and deferred income tax liabilities is reversed and the tax payer involved intends to settle the current income tax asset and current income tax liability on a net basis, or simultaneously obtain assets and pay off the debts.

III. Summary of significant accounting policies and accounting estimates (continued)

29. Leases (Applicable from 1 January 2019)

Identification of leases

On the contract start date, the Group assesses whether the contract is a lease or includes a lease. If one of the parties transfers the right to control the use of one or more identified assets for a certain period of time in exchange for consideration, the contract is leased or included a lease. In order to determine whether the contract has transferred the right to control the use of the identified assets within a certain period of time, the Group assesses whether the customers in the contract are entitled to almost all of the economic benefits arising from the use of the identified assets during the period of use and have right to direct the use of the identified assets during that use period.

Identification of separate leases

Where the contract contains multiple separate leases, the Group will split the contract and separate the leases for accounting treatment. The right to use the identified asset constitutes a separate lease in the contract if the following conditions are met:

(1) The lessee can profit from using the asset alone or in conjunction with other resources that are readily available;
(2) The asset does not have a high degree of dependency or a high degree of association with other assets in the contract.

Assessment of lease period

The lease term is the period during which the Group has the right to use the leased asset and is irrevocable. The Group has the option to renew the lease, that is, it has the right to choose to renew the lease, and it is reasonable to determine that the option will be exercised. The lease term also includes the period covered by the option to renew the lease. The Group has the option to terminate the lease, that is, it has the right to choose to terminate the lease of the asset, but it is reasonable to determine that the option will not be exercised. The lease term includes the period covered by the termination of the lease option. In the event of a major event or change within the Group's controllable range, and affecting whether the Group reasonably determines that the option will be exercised, the Group determines whether it will reasonably exercise the option to renew the lease, purchase option or terminate the lease option.

As a lessee

For the general accounting treatment of the Group as a lessee, refer to Note III.17 and Note III.22.

Lease changes
The lease changes include change of lease scope, lease consideration, and lease term change outside the original contract terms, including the increase or termination of the use rights of one or more leased assets, and the extension or shortening of the lease period stipulated in the contract.

If the lease changes and meets the following conditions, the Group will account for the lease change as a separate lease:

(1) The lease change expands the lease by increasing the right to use one or more leased assets;
(2) The increased consideration and the individual price of the enlarged portion of the lease are equivalent to the amount adjusted for the contract.

If the lease change is not accounted for as a separate lease, the Group re-determines the lease term on the effective date of the lease change and discounts the changed lease payments using the revised discount rate to re-measure the lease liability. When calculating the present value of the lease payment after the change, the Group adopts the lease interest rate of the remaining lease period as the discount rate; if the lease interest rate of the remaining lease period cannot be determined, the Group's incremental increase will be made on the effective date of the lease change.

III. Summary of significant accounting policies and accounting estimates (continued)

29. Leases (Applicable from 1 January 2019) (continued)

Regarding the impact of the above adjustment of lease liabilities, the Group distinguishes between the following cases for accounting treatment

(1) If the lease change results in a narrower lease or a shorter lease term, the Group reduces the book value of the right-of-use asset to reflect the termination or complete termination of the lease. The Group recognizes the related gains or losses that partially terminate or completely terminate the leases in profit or loss for the current period.
(2) For other lease changes, the Group adjusts the book value of the right-of-use assets accordingly.

Short-term leases and lease of low value assets

The Group will be on the commencement date of the lease term, the lease term is not more than 12 months, and the lease that does not include the purchase option is recognized as a short-term lease; the lease with a value of not more than RMB50,000.00 when the single leased asset is a new asset is recognized as a lease of low-value asset If the Group subleases or expects to sublease the leased assets, the original lease is not recognized as a lease of low-value asset. The Group does not recognize the right-of-use assets and lease liabilities for short-term leases and low-value asset leases. During the period of the lease term, the related asset cost or current profit or loss is recognised using the straight-line method.

<u>As a lessor</u>

Leases that transfer substantially all of the risks and rewards associated with the ownership of the leased asset on the lease commencement date are finance leases, and all other leases are operating leases.

As lessor of an operating lease

Rental income from operating leases is recognized on a straight-line basis over the lease term in profit or loss and contingent rentals are recognised in profit or loss when incurred.

<u>Leaseback transaction</u>

Evaluate and determine whether the asset transfer in the leaseback transaction belongs to the sale in accordance with Note III.24.

As a lessee

If the asset transfer in the sale and leaseback transaction does not belong to the sale, the Group, as the lessee, continues to recognize the transferred asset, and meanwhile recognizes a financial liability equal to the transfer income. The financial liability shall be accounted for in accordance with notes III and 19.

30. Leases (Applicable before 1 January 2019)

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

<u>As lessee of an operating lease</u>

Lease payments under an operating lease are recognized by a lessee on a straight-line basis over the lease term and either included in the cost of the related asset or charged to profit or loss for the current period. Contingent rents are charged to profit or loss in the period in which they actually arise.

III. Summary of significant accounting policies and accounting estimates (continued)

30. Leases (Applicable before 1 January 2019) (continued)

As lessor of an operating lease

Rental income under an operating lease is recognized by a lessor on a straight-line basis over the lease term through profit or loss. Contingent rents are charged to profit or loss in the period in which they actually arise.

31. Dividend distribution

Cash dividends of the Company are recognized as liabilities after being approved at the shareholders' meeting.

32. Fair value measurement

The Group measures its derivative financial instruments at fair value at the end of each reporting period. Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. The measurement of the related assets and liabilities at fair value is based on the presumption that the transaction to sell the asset or transfer the liability takes place either in the principal market for the asset or liability, or in the absence of a principal market, in the most advantageous market for the asset or liability. The principal or the most advantageous market is accessible by the Group as at the measurement date. The fair value of an asset or a liability is measured using the assumptions that market participants would use when pricing the asset or liability, assuming that market participants act in their economic best interest.

A fair value measurement of a non-financial asset takes into account a market participant's ability to generate economic benefits by using the asset at its highest and best use or by selling it to another market participant that would use the asset at its highest and best use.

The Group uses valuation techniques that are appropriate in the circumstances and for which sufficient data are available to measure fair value, maximizing the use of relevant observable inputs and minimizing the use of unobservable inputs.

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorized within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole: Level 1 – based on quoted prices (unadjusted) in active markets for identical assets or liabilities; Level 2 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is observable, either directly or indirectly; Level 3 – based on valuation techniques for which the lowest level input that is significant to the fair value measurement is unobservable.

For assets and liabilities that are recognized in the financial statements on a recurring basis, the Group determines whether transfers have occurred between levels in the hierarchy by reassessing categorization at the end of each reporting period.

33. Other significant accounting policies and accounting estimates

Segment information

The Group identifies operating segments based on the internal organization structure, management requirements and internal reporting system, and discloses segment information of reportable segments which is determined on the basis of operating segments.

An operating segment is a component of the Group that satisfies all of the following conditions: (1) the component is able to earn revenues and incur expenses from its ordinary activities; (2) the component's operating results are regularly reviewed by the Group's management to make decisions about resources to be allocated to the segment and to assess its performance; (3) the information on the financial position, operating results and cash flows of the segment is available to the Group. If two or more operating segments have similar economic characteristics and satisfy certain conditions, they are aggregated into one single operating segment.

III. Summary of significant accounting policies and accounting estimates (continued)

34. Significant accounting judgments and estimates

The preparation of financial statements requires management to make judgments, estimates and assumptions that affect the presentation and disclosure of income, expenses, assets and liabilities, and the disclosure of contingent liabilities at the date of statement of financial position. However, the results of these assumptions and estimated uncertainties may cause significant adjustments to the carrying amounts of future assets or liabilities that are affected.

Judgments

During the application of the Group’s accounting policies, management made the following judgments that had a significant impact on the confirmed amounts in the financial statements:

(1) Business model

The classification of financial assets at initial recognition depends on the business model of the Group's management of financial assets. When determining whether the business model is still likely to be based on the collection of contractual cash flows, the Group needs to analyze the sale of financial assets before the maturity date. It also requires judgment whether the sale is accidental or whether the value of the sale is low.

(2) Contractual cash flow characteristics

The classification of financial assets at initial recognition depends on the contractual cash flow characteristics of the financial assets. When it is necessary to judge whether the contractual cash flow is only the payment of the principal and the interest based on the outstanding principal, the correction of the time value of the currency is included. In the assessment, it is necessary to judge whether there is a significant difference compared with the benchmark cash flow, and for the financial assets including the prepayment characteristics, it is necessary to judge whether the fair value of the early repayment characteristics is very small.

(3) Principal responsible person/agent

As for the Group's ability to lead a third party to provide services on behalf of the Group to its customers, the Group has the right to decide the price of the commodities traded independently, that is, the Group can control the project before transferring the agent project to the customer. Therefore, the Group is the main responsible person, recognizing the revenue according to the total consideration received or receivable. Otherwise, the Group as an agent shall recognize income in accordance with the amount of commission or commission expected to be entitled to collect. The amount shall be determined by deducting the net amount payable to other interested parties from the total amount of consideration received or receivable, or by the established amount or proportion of commission.

(4) Lease period - Lease contract with renewal option

The lease term is the period during which the Group has the right to use the leased asset and is irrevocable. If there is an option to renew the lease and it is reasonably determined that the option will be exercised, the lease term also includes the period covered by the option to renew the lease. Some of the Group's lease contracts have the option to renew the lease for 1 to 3 years. In assessing whether it is reasonable to determine whether the option to renew the lease will be exercised, it will consider all relevant facts and circumstances that bring economic benefits to the exercise of the option of renewal of the Group, including the facts from the commencement date of the lease term to the date of exercise of the option and expected changes in the situation. The Group believes that due to the conditions relating to the exercise of the option and the possibility of meeting the relevant conditions, the Group can reasonably determine that the option to renew the lease will be exercised. Therefore, the lease period includes the period covered by the option of renewal.

III. Summary of significant accounting policies and accounting estimates (continued)

34. Significant accounting judgments and estimates(continued)

Estimation uncertainty

The critical accounting estimates and key assumptions that have a significant risk of causing a material adjustment to the carrying amounts of assets and liabilities within the future financial year are addressed below:

(1) Estimation of construction management services income and costs

As stated in Note III.24(2), the Group recognizes revenue from construction management services using the percentage of completion method when the outcome of the construction management services can be estimated reliably.

During the current year, the directors of the Company recognized construction management service income and costs according to the optimum estimation on the total investment top limit, project costs as well as other construction management service costs.

If the total budget for the project and project costs as well as the actual construction management service costs is different from management’s current estimates, the construction management service income and costs will be changed prospectively.

(2) Amortization of concession intangible assets

As stated in Note III.18(1), amortization of concession intangible assets is provided under the traffic volume amortization method. Appropriate adjustments to the amortization of concession intangible assets will be made when there is a material difference between total projected traffic volume and the actual results.

The directors perform periodic assessment of the total projected traffic volume. The Group will appoint an independent professional traffic consultant to perform independent professional traffic studies in order to make an appropriate adjustment if there is a material and continuous difference between projected and actual traffic volume. The Group appointed independent professional traffic consultants to perform independent professional traffic studies on its main toll roads in years 2014, 2015, 2016, 2017, 2018 and 2019 and perform independent traffic volume studies respectively on Meiguan Expressway, Shenzhen Airport-Heao Expressway – Western Section, and Shenzhen Airport-Heao Expressway - Eastern Section in year 2019, and then prospectively adjusted the amortization unit according to the revised total projected traffic volume.

(3) Impairment of goodwill

The Group determines whether goodwill is impaired at least on an annual basis. This requires an estimation of the present value of the future cash flows expected to be derived from the asset groups (sets of asset groups) to which the goodwill is allocated. Estimating the present value requires the Group to make an estimate of the expected future cash flows from the asset groups (sets of asset groups) and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

(4) Income tax and deferred tax

The Group is subject to income taxes in several jurisdictions. During the ordinary course of business, the ultimate tax determinations of some transactions and events are uncertain. Significant judgment is required from the Group in determining the provision for income taxes in each of these jurisdictions. 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 period in which such determination is made.

The Group recognizes deferred tax assets based on estimates that it is probable to generate enough taxable income in the foreseeable future that the deductible losses will be utilized. The recognition of deferred tax assets mainly involves management’s judgments and estimations about the timing and the amount of taxable income of the Company which has tax losses. Where the final outcome of timing and the amount is different from the oringinal estimate, such differences will impact the current income taxes and deferred tax assets in the period in which such determination is made.

III. Summary of significant accounting policies and accounting estimates (continued)

34. Significant accounting judgments and estimates (continued)

Estimation uncertainty (continued)

(5) Impairment of financial assets

The Group assesses at the end of the reporting period whether there is any objective evidence that a financial asset or a group of financial assets is impaired. An impairment test should be executed when there is any indication that the carrying amount is not recoverable. An impairment exists if the carrying amount of the financial asset or the group of financial assets exceeds its recoverable amount, which is the higher of the fair value net of disposal costs and the present value of the estimated future cash flow. The net amount of fair value minus disposal costs is determined by reference to the agreement price or observable market price of similar assets in the fair trade. When estimating the present value of future cash flows, management must estimate the expected future cash flows of the asset or asset group and select the appropriate discount rate to determine the present value of future cash flows.

(6) Estimate of fair value of the identifiable net assets acquired

(a) During the year 2015, the Company's wholly-owned subsidiary, Mei Wah Industrial (Hong Kong) Limited ("Mei Wah Company"), purchased a 10% equity interest in Shenzhen Qinglong Expressway Co., Ltd. ("Qinglong Company") indirectly by purchasing a 100% equity interest in Fameluxe Investment at a cash consideration of RMB280 million. After the completion of the transaction, the Group directly and indirectly held an aggregate of 50% equity interests in Qinglong Company and obtained the control over Qinglong Company.

The purchase agreement includes the following conditions that would trigger an adjustment to the consideration:1) Qinglong Company and the local government authority entering into an agreement in relation to the traffic management arrangement and adjustment scheme of Shuiguan Expressway on or before 31 December 2016 with a comparable price lower than the preliminary consideration; 2) from the date of signing the share transfer agreement to 31 December 2016, the aforesaid adjustment agreement not yet being entered into and the relevant government authorities failing to grant the approval for the extension application of Shuiguan Expressway, or if the extension period of the concession granted under the approval being shorter than five years. Based on the available information and data, the Company made the best estimate that Qinglong Company was probable to obtain an approval of additional 4 tolling years before 31 December 2016, and the acquisition consideration of the 10% interests was estimated to be RMB266 million.

On 31 December 2016, due to the expectation that the negotiations between the Shenzhen Government and Qinglong Company on the adjustment of fees and charges were not completed before the original adjustment period (31 December 2016), Mei Wah Company, Hetai investment Company which was the former holder of Fameluxe Investment and Huayu Company and its actual controller, Mr. Chen Yangnan signed a Supplemental Agreement to extend the original contract period from 31 December 2016 to 31 December 2018. Due to the expectation that the negotiations between the Shenzhen Government and Qinglong Company on the adjustment of fees and charges were not completed before 31 December 2018. They signed a Supplemental Agreement on 30 December 2018. The conditions that would trigger an adjustment to the consideration were changed to: 1) Shenzhen Government entering into an adjustment fee agreement with Qinglong Company before 31 December 2020 with the comparable price calculated based on the arrangement and the purchase price from the share transfer agreement lower than the preliminary consideration; 2) On or before 31 December 2020, the aforesaid adjustment arrangement not yet being entered into and the relevant government authorities failing to grant the approval for the extension application of Shuiguan Expressway, or if the extension period of concession granted under the approval being shorter than 5 years.

The Company made the best estimate based on the available information and data, and considered that Qinglong Company would sign the adjustment fee agreement before 31 December 2020 and the purchasing price under the agreement would be equal to RMB266 million and lower than the initial consideration as calculated based on the terms set by the share trading agreement, and accordingly, the purchase price of the 10% equity remained at RMB266 million.

III. Summary of significant accounting policies and accounting estimates (continued)

34. Significant accounting estimates and judgments (continued)

Estimation uncertainty (continued)

(6) Estimate of fair value of the identifiable net assets acquired (continued)

(b) As shown in note VI.1, during the year, the Company's wholly-owned subsidiary, Shenzhen Expressway Environment Construction Management Co., LTD ("Environment Company") , completed the acquisition of 51% of the shares of Nanjing Wind Power Technology Co., LTD. (" Nanjing Wind Power "), thereby aobtaining its control. According to the terms and conditions of the equity purchase agreement:

1) During the Valuation Adjustment Mechanism period, if Nanjing Wind Power fails to reach the gambling performance in 2019 and 2020, it will trigger a profit compensation mechanism: the original shareholders who still hold the shares will transfer some of the shareholders' profits for the year to the environmental company without compensation for compensation. That is, the original shareholders transferred part of the shareholders' profits corresponding to their shareholdings to the environmental company as compensation to ensure that the actual shareholder profit of the environmental company for the year reached the shareholder profit that the environmental company should obtain according to the shareholding ratio under the current year's performance. The profit compensation to the environmental company shall be subject to the profit for the year corresponding to all the equity held by the original shareholders;

2) During the Valuation Adjustment Mechanism period, if Nanjing Wind Power does not reach the performance in 2021 and 2022, the equity adjustment mechanism will be triggered: the original shareholders were required to transfer the corresponding proportion of equity at no charge to the stock ratio based on the net profit amount that the performance should achieve in the current year to the environmental company. That is, the original shareholders transferred the corresponding proportion of equity to the environmental company free of charge in order to compensate the environmental company to ensure that the actual shareholder profit of the environmental company in the year after obtaining this part of the equity reached the shareholder profit that the environmental company should obtain according to the shareholding ratio .

On the purchase date, the Company judged that the performance could be reached based on the profit forecast, and the contingent consideration was zero.

At the end of the year, Nanjing Wind Power successfully achieved the 2019 performance indicators; the Company also continued to pay attention to the realization of Nanjing Wind Power's future performance, and based on the existing profit forecast, it judged that future performance could still be achieved, and the contingent consideration was zero.

(7) Impairment of concession intangible assets

The estimates on the net realizable value should be made when considering the impairment of the concession intangible assets.

When considering the impairment of the concession intangible assets, the management of the Company calculates the future cash flows of the toll roads and determines the recoverable amount. The key assumptions of this calculation include the estimated growth rate of the traffic volume, the standards of toll road charge, operating period, maintenance cost and the required return rate. Under the previous assumptions, the Group's management considered that a concession intangible asset had a recoverable amount higher than the book value, and therefore provision for the impairment of a concession intangible asset was not necessary during the current period. The Group is going to exam the relevant items closely and continually. Adjustments will be made during the corresponding period once there is any indication for adjustment of the accounting estimates.

In the current year, due to the shortening of the expected charging period of Shuiguan Expressway, the key assumptions of future cash flow application have changed. Other assumptions based on the market conditions existing on the evaluation date are comprehensively considered, including the expected growth of vehicle flow, the economic development of the region, the impact of future road network planning on the traffic flow of the highway, the road condition and maintenance fee. The management re-evaluates and determines the recoverable amount of the franchise right of Shuiguan Expressway based on the applicable enterprise income tax rate of value-added tax and the discount rate equivalent to the operation risk of the highway. According to the relevant results, the Company made an impairment provision of 552 million yuan for intangible assets of Shuiguan Expressway franchise in the consolidated level this year. The recoverable amount is determined according to the present value of the expected future cash flow of the asset group or the fair value assessed by a professional evaluation institution. When determining the present value of the expected future cash flow of the asset group, the after tax discount rate is 8.86%, and the pre-tax discount rate is 16.07%.

III. Summary of significant accounting policies and accounting estimates (continued)

34. Significant accounting estimates and judgments (continued)

Estimation uncertainty (continued)

(8) depreciation and amortization

After the residual value of fixed assets and intangible assets is taken into account, depreciation and amortization of fixed assets and intangible assets are calculated and withdrawn on a straight-line basis within their service life. The group periodically reviews the service life to determine the amount of depreciation and amortization that will be included in each reporting period. The service life of the group is based on previous experience with similar assets and in combination with expected technical updates. In the event of a material change in previous estimates, depreciation and amortization expenses are adjusted for future periods.

(9) method for determining the performance progress of a construction contract

The group determines the performance progress of the construction contract according to the input method. Specifically, the group determines the performance progress according to the proportion of the construction cost actually incurred to the expected total cost, which includes the direct cost and indirect cost incurred in the process of the group transferring goods to customers. The group believes that the construction contract price with the customer is determined on the basis of the construction cost, and the proportion of the actual construction cost to the estimated total cost can accurately reflect the performance progress of the construction service. The group shall determine the performance progress in accordance with the proportion of the accumulated construction cost to the estimated total cost and recognize the revenue accordingly. In view of the long duration of the construction contract, which may span several accounting periods, the group will review and revise the budget as the construction contract progresses, and adjust the amount of revenue recognition accordingly.

(10) Impairment of financial instruments

The Group uses the expected credit loss model to assess the impairment of financial instruments. The application of the expected credit loss model requires significant judgments and estimations, and all reasonable and evidenced information, including forward-looking information, should be considered. In making such judgments and estimations, the Group infers the expected changes in the debtor's credit risk based on the historical repayment data in combination with economic policies, macroeconomic indicators, and industry risks. For the current year, the Group assessed that there is no significant impact about expected credit losses on the amounts or disclosures shown in the consolidated financial statements for the year.

(11) Fair value of unlisted equity investments

Fair value of non-listed equity investment at fair value through profit or loss is estimated using the market-based method. The assumptions on which it is based are unobservable input. The estimation requires the management to determine comparable public companies (peers) based on industry, scale, gearing and strategy and compute appropriate price multiples in respect of each identified comparable company, such as enterprise value to EBITDA (“EV/EBITDA”), price to book (“P/B”) or price to earnings (“P/E”), etc. Such multiples are measured and arrived at based on the relevant data of the comparable companies and discounted by a percentage for the lack of liquidity. The discounted multiple shall be used for the measurement of the profit or asset of the non-listed equity investment to arrive at its fair value. The management believes that the estimated fair value (as recorded in the financial statement) and changes in fair value (as recorded in profit or loss and other comprehensive income) arrived at using the aforesaid valuation method were reasonable and represented the most appropriate value as the end of the reporting period.

(12) Quality assurance

The Group will make a reasonable estimate of warranty rate for the contract Product improvements combination with similar characteristics based on historical warranty data, current warranty conditions, market changes, and other relevant information. The Group re-evaluates the warranty rate at least on every balance sheet date and determines the estimated liability based on the re-evaluated warranty rate.

III. Summary of significant accounting policies and accounting estimates (continued)

34. Significant accounting estimates and judgments (continued)

Estimation uncertainty (continued)

(13) Sales containing significant financing elements

The newly added subsidiary of the group, Baotou Southern Wind Power Technology co., LTD. (" Baotou Southern Wind "), in recognizing the subsidy income for wind power generation, determined that there was a significant financing element in the sales transaction due to the time lag between the power grid access and the actual grant of subsidy funds by the government; Baotou Southern Wind considers the influence of time value and amortizes it according to the real interest rate method.

35. Changes in accounting policies and accounting estimates

Changes in accounting policies

The new lease standard
In 2018, the Ministry of Finance promulgated the revised “Accounting Standard for Business Enterprises No. 21 – Leases” (referred to as the “new lease standards”). The new lease standard adopts a single model like the current accounting treatment of financial leases, requiring the lessee to recognize depreciations and interest expenses for all leases other than leases and low-value asset leases. The Group began to makeaccounting treatment according to the newly revised leass standard on January , 2019. For the contract that existed before the first implementation date, the Group chose not to re-evaluate whether it is a lease or including a lease, and according to the connection rules, there is no adjustment to comparable period information, the first implementation of the difference between the new lease standard and the current lease criteria retrospective adjustment of retained earnings in early 2019:

(1) For operating leases prior to the first execution date, the Group measures the lease liability based on the present value of the residual lease payments at the incremental borrowing rates on the first execution date, and is based on the amount of each lease based on the lease liability. The rent is subject to the necessary adjustments to measure the right to use assets. It is assumed that the new lease standard is adopted from the start date of the lease term, and the incremental borrowing interest rate of the Group as the lessee on the first execution date is used as the book value of the discount rate.

(2) The Group shall conduct impairment tests on the assets of the right to use and carry out corresponding accounting treatment in accordance with the policy in note iii.19.

III. Summary of significant accounting policies and accounting estimates (continued)

35. Changes in accounting policies and accounting estimates (continued)

Changes in accounting policies (continued)

The new lease standard (continued)

The Group's operating leases, which are classified as low-value assets before the first implementation date, or operating leases that will be completed within 12 months, are treated as a simple way, and the right-of-use assets and lease liabilities are not recognized. In addition, the Group has adopted the following simplifications for operating leases prior to the first implementation date:

(1) When measuring lease liabilities, leases with similar characteristics may use the same discount rate; the measurement of right-of-use assets may not include initial direct costs;
(2) Where there is a renewal option or the termination of the lease option, the Group determines the lease term based on the actual exercise of the option before the first execution date and other recent developments;
(3) As an alternative to the impairment test of the right-of-use asset, the Group assesses whether the contract including the lease is a loss contract before the first execution date according to Note III.18, and adjusts the right-of-use asset based on the loss provision amount included in the balance sheet before the first execution date; and
(4) For the first implementation of the previous lease change, the Group performs accounting treatment based on the final arrangement of the lease change.

For the minimum lease payments that have not been paid for the significant operating leases disclosed in the 2018 financial statements, the Group discounted the present value of the incremental borrowing rate of the Group as the lessee on 1 January 2019. The process of adjusting the difference in the lease liability included in the balance sheet is as follows:

Minimum lease payments for major operating lease on 31 December 2018	167,147,546.49
Less: simplified minimum lease payments	5,389,706.88
Including: Short-term leases	4,987,487.60
Low-value asset lease with a remaining lease term of over 12 months	402,219.28
Minimum lease payments under the new lease standard on 1 January 2019	161,757,839.61
Weighted average of incremental borrowing rate on 1 January 2019	4.75%
Amount of lease liabilities on 1 January 2019	124,330,525.49

The impact of the implementation of the new lease criteria on the financial statement on 1 January 2019 is as follows:

Consolidated Statement of Financial Position:

	Amounts	Assuming the original criteria	Impact of the New Lease Standard
Prepayments	157,861,979.49	166,448,063.98	-8,586,084.49
Right-of-use assets	132,916,609.98	-	132,916,609.98
Lease liabilities	124,330,525.49	-	124,330,525.49

Company Statement of Financial Position

	Amounts	Assuming the original criteria	Impact of the New Lease Standard
Right-of-use assets	659,638.78	-	659,638.78
Lease liabilities	659,638.78	-	659,638.78

III. Summary of significant accounting policies and accounting estimates (continued)

35. Changes in accounting policies and accounting estimates (continued)

Changes in accounting policies (continued)

The new lease standard (continued)

The impact of the implementation of the new lease standard on the financial statements for 2019 is as follows:

Consolidated Statement of Financial Position:

	Amounts	Assuming the original criteria	Impact of the New Lease Standard
Prepayments	335,582,597.94	345,819,322.06	-10,236,724.12
Right-of-use assets	152,870,380.46	-	152,870,380.46
Current portion of non-current liabilities	505,101,989.80	470,420,445.20	34,681,544.60
Other payables	3,015,875,682.79	3,020,400,079.03	-4,524,396.24
Lease liabilities	118,269,744.66	-	118,269,744.66
Undistributed profits	6,439,246,724.95	6,443,820,599.07	-4,573,874.12
Minority interests	2,348,729,616.21	2,349,948,978.77	-1,219,362.56

Consolidated Statement of Profit or Loss and Other Comprehensive Income:

	Amounts	Assuming the original criteria	Impact of the New Lease Standard
Operating cost	3,499,538,158.68	3,499,663,354.69	-125,196.01
General and administrative expenses	350,732,443.82	351,788,811.71	-1,056,367.89
Financial expenses	572,938,059.38	565,963,258.80	6,974,800.58

Company Statement of Financial Position:

	Amounts	Assuming the original criteria	Impact of the New Lease Standard
Right-of-use assets	32,330,237.50	-	32,330,237.50
Current portion of non-current liabilities	155,386,860.13	148,818,130.48	6,568,729.65
Other payables	2,046,947,507.14	2,049,307,152.86	-2,359,645.72
Lease liabilities	28,620,243.26	-	28,620,243.26
Undistributed profits	6,461,945,990.86	6,462,445,080.55	-499,089.69

Company Statement of Profit or Loss and Other Comprehensive Income:

	Amounts t	Assuming the original criteria	Impact of the New Lease Standard
Operating cost	304,766,868.20	304,890,843.29	(123,975.09)
Administrative expenses	253,094,815.03	253,507,144.27	(412,329.24)
Financial expenses	212,540,305.49	211,504,911.47	1,035,394.02

In addition, the cash paid by the Group for repayment of the principal and interest of the lease liabilities is included in the cash flow statement as cash outflows from the financing activities, and the short-term lease payments and low-value asset lease payments that are simplified are made and variable lease payments that are not included in the measurement of lease liabilities are still included in cash outflows from operating activities.

III. Summary of significant accounting policies and accounting estimates (continued)

35. Changes in accounting policies and accounting estimates (continued)

Changes in accounting policies (continued)

Change in presentation of financial statements

According to the “Notice on Amending the 2019 Annual General Financial Statement Format of the General Enterprise” (Accounting [2019] No. 6) and the “Notice on Amending the Issuance of the Format of Consolidated Financial Statements” (2019 Edition) (Accounting [2019] No. 16), in the Balance Sheet, the “Receivable notes and Accounts receivable” item is split into “Notes Receivable” and “Accounts Receivable”, “Accounts Payable and Accounts Payable” item is split into “Payable Bills” and “Accounts Payable”; the "interest receivable" in the "other receivables" item has been changed to reflect only the interest that the relevant financial instruments have matured and can be collected but have not yet received at the balance sheet date (Interest for financial instruments based on the actual interest rate method is included in the book balance of the corresponding financial instrument), The "interest payable" in the "other payables" item is changed to reflect only the interest that is due for the relevant financial instrument but has not been paid at the balance sheet date (Interest for financial instruments based on the actual interest rate method is included in the book balance of the corresponding financial instrument), The comparative data will not be adjusted retrospectively with reference to the convergence requirements of the new financial instrument standards. This change in accounting policy has no effect on the merger and the Company's net profit and owner's equity.

Changes in accounting estimates

Details and reasons for changes in accounting estimates	Procedures for approval	Effective date	Notes (Financial statement items and amounts affected)
Changes in accounting estimates of unit usage of Meiguan Expressway,West section of Airport-Heao Expressway and East section of Airport-Heao Expressway	Approved by the Board of Directors of the Company on 23 August 2019.	1 April 2019	(a)

Changes in accounting estimates of unit usage of concession intangible assets of Meiguan Expressway, West section of Airport-Heao Expressway and East section of Airport-Heao Expressway:

(a) Since the actual traffic volumes of Meiguan Expressway, the West section of Airport-Heao Expressway and East section of Airport-Heao Expressway significantly differed from the projected traffic volumes in the current period and the difference between the actual traffic volumes and the previous projected traffic volumes is expected to continue, and furthermore the surrounding highway networks and traffic diversion impact became stable, the Company appointed an independent professional traffic consultant to reassess the traffic volume of Meiguan Expressway,the West section of Airport-Heao Expressway and the East section of Airport-Heao Expressway in the future operating period in June 2019. The Board of Directors of the Company approved the changes in accounting estimates according to the revised traffic volume projection, on 23 August 2019, and adjusted the unit amortization of the aforesaid expressways according to the revised total projected traffic volume from 1 April 2019 using prospective application. The unit amortization of Meiguan Expressway was adjusted from RMB0.84 to RMB0.53, the unit amortization of the West section of Airport-Heao Expressway was adjusted from RMB0.78 to RMB0.59, and the unit usage of the East section of Airport-Heao Expressway was adjusted from RMB3.49 to RMB2.95. Such changes in accounting estimates had impact on the financial statement items for the year of 2019 as follows:

	Impact amount		
	Meiguan Expressway	West section of Airport-Heao Expressway	East section of Airport-Heao Expressway
Increase in intangible assets	13,238,298.60	8,598,129.42	26,326,424.22
Increase in deferred tax liabilities	240,949.44	-	4,573,706.82
Dncrease in deferred tax assets	3,068,625.21	2,149,532.35	2,007,899.23
Decrease in cost of services	13,238,298.60	8,598,129.42	26,326,424.22
Increase in income tax expenses	3,309,574.65	2,149,532.35	6,581,606.06
Increase in net profit	9,928,723.95	6,448,597.07	19,744,818.16
Increase in net profit attributable to owners of the Company	9,928,723.95	6,448,597.07	19,744,818.16

The above changes in accounting estimates would impact the magnitude of future amortization of the concession intangible assets of Meiguan Expressway, the West section of Airport-Heao Expressway and the East section of Airport-Heao Expressway to a certain extent.

IV. Taxation

1. Main categories and rates of taxes:

Category	**Tax base**	**Tax rate**
Value added tax ("VAT")	Income form the sale of goods and rendering of services (from 1 May 2016 to 30 April 2018)	17%
	Income form the sale of goods and rendering of services (from 1 May 2018 to 31 March 2019)	16%
	Income form the sale of goods and rendering of services (from 1 April 2019)	13%
	Real estate development (from 1 May 2016 to 30 April 2018)	11%
	Real estate development income (from 1 May 2018)	10%
VAT	Taxable advertisement income	6%
VAT	Entrusted management income revenue from businesses other than expressway toll road (from 1 May 2016)	6%
VAT	Revenue from expressway toll road business (from 1 May 2016)	3%
VAT	Property operating lease income	5%(simply impose)
City maintenance and construction tax	Amount of commodity turnover tax paid	5%, 7%
Educational surcharge	Amount of commodity turnover tax paid	3%
Local educational surcharge	Amount of commodity turnover tax paid	2%
Construction fee for culture undertakings	Amount of advertising turnover	3%
Corporate income tax ("CIT")	Taxable income	Except the companies in the nest chart, 25%
Land appreciation tax	Gain on the transfer of real estate	Four-level progressive rates, 30%-60%

The different CIT rates used by the Company's subsidiary are disclosed as follows:

The Company	Applicable tax rate
Fameluxe Company (1)	16.5%
Nanjing Wind Power Technology Co., Ltd. (Nanjing Wind Power) (2)	15%

(1) Fameluxe Company is incorporated in Hong Kong with an applicable income tax rate of 16.5%.

(2) Nanjing Wind Power obtained the High-tech Enterprise Certification (Certification Code: GR201632004558) in November 2016. The high-tech enterprise certification is valid for three years. In November 2019, Nanjing Wind Power was recognized as the second batch of high-tech enterprises in Jiangsu Province in 2019.According to the "Enterprise Income Tax Law of the People's Republic of China" and the "Regulations on Tax Matters" of the Nanjing Local Taxation Bureau of Jiangsu Province, Nanjing Wind Power enjoys the preferential corporate income tax policy, under which it a 15% corporate income tax rate for 2019.

IV. Taxation (continued)

2. Tax preference

(1) Baotou Nanfeng Company is a wind power enterprise and has the following tax benefits:

(a) 50% VAT refund policy

Caishui [2015] Notice of the State Administration of Taxation on Wind Power VAT Policy: In order to encourage the use of wind power and promote the healthy development of related industries, the VAT policy for wind power is hereby notified: As of July 1, 2015, Taxpayers who sell their self-produced power products using wind power are subject to a 50% VAT refund policy.

(b) Preferential policies for three exemptions, three halves and half of corporate income tax

Caishui [2012] No.10 notice of the State Administration of Taxation on Issues Concerning Preferential Policies on Corporate Income Taxes for Public Infrastructure Projects and Environmental Protection, Energy Saving and Water Saving Projects: Enterprises engaged in compliance with the "Public Infrastructure Project Corporate Income Tax Preferential Catalogue", December 31, 2007 Income from investment and operation of public infrastructure projects that have been approved recently, and income from environmental protection, energy-saving and water-saving projects approved in accordance with the "Environmental Protection, Energy-Saving and Water-Saving Project Corporate Income Tax Preferential Catalogue" and approved before December 31, 2007 , From the tax year in which the project 's first production and operation income is obtained, the “three exemptions, three halves, and half reductions” of corporate income tax calculated in accordance with the new tax law can enjoy the reduction and exemption of its remaining years from January 1, 2008 Corporate income tax benefits. "Public Infrastructure Project Corporate Income Tax Preference List" includes: new wind power projects, new wind power projects approved by the government investment authority.

Baotou Nanfeng Company started grid-connected power generation in 2018, and obtained its first production and operation income. The "three exemptions, three halvings" tax incentive period began in 2018 and ends in 2023.

(2) Nanjing Wind Power enjoys preferential corporate income tax for high-tech enterprise qualification, and a 15% corporate income tax rate applies.

Except for the above, there are no tax benefits that have a significant impact on the Group.

3. Others

According to Guoshuihan (2010) No. 651, “Reply from the State Administration of Taxation concerning about the recognition as resident enterprises of related overseas enterprises of Shenzhen Expressway Company Limited” issued by the State Administration of Taxation on 30 December 2010, Mei Wah Company, Maxprofit Company and JEL Company were recognized as resident enterprises of China and would be subject to the relevant taxation administration, which came into effect in 2008.

V. Notes to the consolidated financial statements

1. Cash and cash equivalents

Item	2019	2018
Cash on hand	10,439,104.00	10,969,104.99
Bank deposits	4,590,114,843.01	4,215,721,979.08
Other money funds	132,564,454.79	-
Total	**4,733,118,401.80**	**4,226,691,084.07**
Including: restricted bank deposits	1,801,295,060.23	1,645,847,754.50

On 31 December 2019, the foreign currency funds of the Group amounted to RMB13,418,993.21 (31 December 2018: RMB17,281,573.35).

On 31 December 2019, the group's special account for project management was RMB1,459,545,328.54, the acceptance margin of notes payable was RMB131,749,731.69 and the regulated equity purchase fund was RMB210,000,000.00, with a total balance of RMB1,801,295,060.23 (31 December 2018: special account for project management was RMB1,645,847,754.50).The above deposits are reflected in the statement of the cash flows as restricted bank deposits.

Current deposits earn interest at the rate based on current deposit interest rates. Maturities of short-term time deposits range from 7 days to 12 months depending on the fund arrangement of the Group. Time deposits earn interest at the relevant rates with different maturities.

2. Transactional financial assets

Item	2019	2018
Transactional financial assets	62,689,444.00	45,103,194.00
Including: Derivative financial liabilities (a)	62,689,444.00	45,103,194.00
Total	**62,689,444.00**	**45,103,194.00**

(a) Transactional financial assets are foreign exchange swaps and foreign exchange forward contracts that are measured at fair value through profit or loss. On 18 July 2016, the Company issued a 5-year long-term bonds whose face value was 300 million United States Dollar (“USD”). In order to hedge exchange rate risk, the Company signed foreign exchange swap/forward contracts with a number of banks in phases. The first contract period is from July 2016 to July 2017, with a total amount of USD295 million, all of which are ordinary foreign exchange swap/forward contracts. The second contract period is from July 2017 to July 2018, with a total amount of USD300 million, of which USD150 million is a capped swap/forward contract and USD150 million is a regular foreign exchange swap/forward contract. In July 2018, the original foreign exchange swap and foreign exchange forward contract expired, the Company confirmed a total investment loss of RMB49,740,000.00. The third contract period began in July 2018, of which the USD150 million contract will expire in July 2019, and the other USD150 million contract will expire in July 2021. In July 2019, after the third phase of the USD150 million contract expired, the Company confirmed the investment income of RMB26,860,000.00, and signed a USD150 million fourth ordinary foreign exchange swap/forward contract, which will expire in July 2020. During the year, the above-mentioned derivative financial instruments have a fair value gain of RMB17,586,250.00 (2018: a fair value gain of RMB116,475,051.30) (Note V.52).

V Notes to the consolidated financial statements (continued)

3. Bills receivable

	2019	2018
Bank acceptance bills	9,895,060.34	-
Total	**9,895,060.34**	**-**

The bills receivable that have been endorsed or discounted but not yet matured at the balance sheet date are as follows:

	2019		2018	
	Derecognition	Non-termination confirmation	Derecognition	Non-termination confirmation
Bank acceptance bills	106,751,000.00	-	-	-
Total	**106,751,000.00**	**-**	**-**	**-**

4. Accounts receivable

Trade receivables are interest-free with a credit period of one to six months in general.

(1) The aging of accounts receivable according to the recognition date is analyzed below:

	2019	2018
Within 1 year	692,053,011.03	142,974,232.51
1 to 2 years	3,684,818.95	26,732,147.73
2 to 3 years	22,404,325.16	93,869.66
Over 3 years	6,320,201.24	5,038,866.44
Sub-total	**724,462,356.38**	**174,839,116.34**
Less：Provision for bad debts	2,195,435.56	200,000.00
Total	**722,266,920.82**	**174,639,116.34**

(2) The changes in the provision for bad debt are as follows:

	Beginning balance	Business combinations not under common control	Additions	Reversal	Cancellation after verification (a)	Ending balance
2019	200,000.00	3,799,343.70	459,054.07	1,966,962.21	296,000.00	2,195,435.56
2018	450,000.00	-	-	250,000.00	-	200,000.00

(a) Accounts receivable actually written off in 2019 were RMB296,000.00 (2018: Nil). The amount was due from Shenzhen High-speed Advertising Co., Ltd. (“Advertising Company”), which was due to Shenzhen Weikasi Technology Cultural Industry Co., Ltd., Shenzhen Jinfang Chuanggu Industrial Co., Ltd., and Hubei Zhenghong Advertising Co., Ltd. As approved by the general manager's office meeting, the irrecoverable amount written off this year was RMB296,000.00.

(3) Accounts receivable are analyzed by category as follows:

Category	2019			
	Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance
Receivables that are subject to provision by group with similar credit risk characteristics	724,462,356.38	100.00	2,195,435.56	0.30
Group 1	56,345,778.13	7.78	-	-
Group 2	133,870,845.85	18.48	363,054.07	0.27
Group 3	534,245,732.40	73.74	1,832,381.49	0.34
Total	**724,462,356.38**	**100.00**	**2,195,435.56**	**0.30**

V. Notes to the consolidated financial statements (continued)

4. Accounts receivable (continued)

(3) Accounts receivable are analyzed by category as follows: (continued)

The aging of group 2 and group 3 according to the recognition date is analyzed below：

Group 2	2019		
Aging	Estimated default book balance	Expected credit loss rate (%)	Expected credit loss over the duration
Within 1 year	132,098,579.96	0.10	170,440.07
1 to 2 years	1,545,850.81	10.29	159,071.03
2 to 3 years	226,415.08	14.81	33,542.97
Over 3 years	-	/	-
Total	**133,870,845.85**	**/**	**363,054.07**

Group 3	2019		
Aging	Estimated default book balance	Expected credit loss rate (%)	Expected credit loss over the duration
Within 1 year	532,764,397.60	0.13	709,825.98
1 to 2 years	-	/	-
2 to 3 years	-	/	-
Over 3 years	1,481,334.80	75.78	1,122,555.51
Total	**534,245,732.40**	**/**	**1,832,381.49**

Category	2018			
	Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance
Receivables that are subject to provision by group with similar credit risk characteristics	174,839,116.34	100.00	200,000.00	0.11
Group 1	59,555,198.06	34.06	-	-
Group 2	115,283,918.28	65.94	200,000.00	0.17
Total	**174,839,116.34**	**100.00**	**200,000.00**	**/**

The aging of group 2 according to the recognition date is analyzed below：

	2018		
	Estimated default book balance	Expected credit loss rate (%)	Expected credit loss over the duration
Within 1 year	114,757,633.54	-	-
1 to 2 years	232,415.08	-	-
2 to 3 years	93,869.66	-	-
Over 3 years	200,000.00	100	200,000.00
Total	**115,283,918.28**	**/**	**200,000.00**

V. Notes to the consolidated financial statements (continued)

4. Accounts receivable (continued)

(3) Accumulated accounts receivable from the five largest debtors:

	Balance	Provision for bad debts	% of total balance
Total accumulated accounts receivable from the five largest debtors at 31 December 2019	670,859,175.71	688,980.50	92.60
Total accumulated accounts receivable from the five largest debtors at 31 December 2018	141,502,579.74	-	80.93

5. Advances to suppliers

(1) Advances to suppliers presented on the basis of their respective nature:

	2019	2018
Prepaid land-transferring fund	136,912,559.45	121,245,420.00
Prepaid material payment	115,464,238.07	-
Others	83,205,800.42	45,202,643.98
Total	**335,582,597.94**	**166,448,063.98**

As at 31 December 2019, the amount represents the prepayments for land-transferring fee,construction payment;prepaid material payment, prepaid fuel card, survey and design fee, prepaid advertising company billboard production cost, prepaid administrative cost, payment for goods, road production insurance and other costs.

(2) The aging analysis of advances to suppliers is as follows:

Aging	2019		2018	
	Amount	% of total balance	Amount	% of total balance
Within 1 year	198,913,662.95	59.27	160,443,756.49	96.40
1 to 2 years	134,696,211.26	40.14	4,310,402.64	2.59
2 to 3 years	1,136,063.92	0.34	973,564.98	0.58
Over 3 years	836,659.81	0.25	720,339.87	0.43
Total	**335,582,597.94**	**100.00**	**166,448,063.98**	**100.00**

As of December 31, 2019, prepayments with an age of more than one year were mainly prepaid land transfer payments. Since the terms of delivery agreed in the land transfer agreement have not been reached, that is, the government has not completed the demolition work, the funds have not been carried forward.

(3) Accumulated advances to the five largest suppliers

RMB

Total accumulated advances to the five largest suppliers	Amount	% of total balance
31 December 2019	207,797,685.53	61.92
31 December 2018	134,680,899.49	80.91

V. Notes to the consolidated financial statements (continued)

6. Other receivables

(1) Other receivables are classified as follows:

	2019	2018
Interest receivable	6,517,105.90	2,367,187.50
Other receivables	367,669,345.72	1,577,889,017.01
Total	**374,186,451.62**	**1,580,256,204.51**

(2) The aging of other receivables according to the recognition date is analyzed below:

	2019	2018
Within 1 year	263,138,925.19	1,575,487,005.82
1 to 2 years	89,901,338.25	676,601.04
2 to 3 years	17,290,150.38	668,709.88
Over 3 years	3,856,037.80	3,423,887.77
Total	**374,186,451.62**	**1,580,256,204.51**

(3) The changes in the ending balance and provision for bad debts are as follows:

2019

	The first stage Expected credit loss over the next 12 months		The third stage Financial assets for which credit impairment has occurred	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Beginning balance	1,580,256,204.51	-	-	-
Additions	712,202,822.38	-	-	-
Reduction	1,918,272,575.27	-	-	-
Ending balance	374,186,451.62	-	-	-

2018

	The first stage Expected credit loss over the next 12 months		The third stage Financial assets for which credit impairment has occurred	
	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Beginning balance	41,691,364.33	-	14,115.84	-
Additions	3,131,143,411.79	-	-	14,115.84
Reduction	1,592,578,571.61	-	14,115.84	14,115.84
Ending balance	1,580,256,204.51	-	-	-

V. Notes to the consolidated financial statements (continued)

6. Other receivables (continued)

(4) Classification of other receivables by nature:

Nature of payment	2019	2018
Advances receivable	164,880,235.27	6,778,921.63
Deposits and guarantees	152,948,350.82	9,257,016.93
Account receivable due to cancellation of toll stations in Yanpai and Yanba sections	11,170,906.19	-
Receivable from Nanjing Economic Development Commission	10,000,000.00	-
Interest receivable	6,517,105.90	2,367,187.50
Employee advance loan	4,258,371.18	1,791,768.65
Administrative reserve	3,118,676.45	3,897,417.77
Taxes receivable due to government compensation income due to the expansion and expansion of Meiguan Company	2,441,247.40	2,442,470.58
Taxes and receivables related to three items	-	932,672,618.97
Receivables reduced	-	606,662,489.40
Others	18,851,558.41	14,386,313.08
Total	**374,186,451.62**	**1,580,256,204.51**

(5) The five largest other receivables are analysed as follows:

2019

Company name	Nature	2019	Aging	% of total balance	Provision for bad debts
Nanjing Ningfeng Energy Technology Co., Ltd. ("Nanjing Ningfeng")	Advances receivable	125,704,571.95	Within 3 year	33.59	-
Henan Senyuan Group Co., Ltd.	Margin	80,000,000.00	Within 1 year	21.38	-
China Power Construction Corporation Jiangxi Electric Power Construction Co., Ltd.	Margin	41,200,000.00	Within 1 year	11.01	-
Ningxia Zhongwei Xintang New Energy Co., Ltd.	Margin and advances receivable	25,200,000.00	Within 1 year	6.73	-
Zhangshu Gaochuan New Energy Co., Ltd.	Advances receivable	24,524,497.74	Within 2 year	6.56	-
Total	**/**	**296,629,069.69**	**/**	**79.27**	**-**

V. Notes to the consolidated financial statements (continued)

6. Other receivables (continued)

(5) The five largest other receivables are analysed as follows: (continued)

2018

Company name	Nature	2018	Aging	% of total balance	Provision for bad debts
Shenzhen Transportation Bureau	The taxes for the Three Expressways borne by the government	932,672,618.97	Within 1 year	59.02	-
Shenzhen International Land Co., Ltd	Reduction of capital and other receivables	606,662,489.40	Within 1 year	38.39	-
Zhang Junyu, Pang Yanxi	Deposit	3,700,000.00	Within 1 year	0.23	-
China United Property Insurance Co. Ltd	Insurance company claims receivable	2,591,805.00	Within 1 year	0.16	-
Tax Authorities	The multi-junction tax of the government compensation	2,442,470.58	Within 2 year	0.15	-
Total	**/**	**1,548,069,383.95**	/	**97.95**	-

7. Inventories

(1) Inventory classification

Item	2019			2018		
	Carrying amount	Allowance for impairment	Net book amount	Carrying amount	Allowance for impairment	Net book amount
Properties held for development (a)	167,000,061.05	-	167,000,061.05	115,302,984.60	-	115,302,984.60
Properties under development (b)	271,966,290.35	-	271,966,290.35	191,304,337.32	-	191,304,337.32
Properties held for sale (c)	63,146,328.73	-	63,146,328.73	277,051,859.65	-	277,051,859.65
Raw materials	205,092,765.90	-	205,092,765.90	-	-	-
Work in progress	1,246,570.01	-	1,246,570.01	-	-	-
Stock items	12,769,985.57	1,930,228.28	10,839,757.29	-	-	-
Toll tickets	2,856,506.53	-	2,856,506.53	4,103,579.38	-	4,103,579.38
Maintenance and repair parts	603,923.00	-	603,923.00	637,258.00	-	637,258.00
Low value consumables	530,960.56	-	530,960.56	539,179.88	-	539,179.88
Total	**725,213,391.70**	**1,930,228.28**	**723,283,163.42**	**588,939,198.83**	**--**	**588,939,198.83**

(a) Properties held for development were the lands held by the Group located in Longli County to be developed, among which the lands held by Guizhou Shenzhen Expressway Land Co., Ltd. (Guizhou Land) were parts of the land planned to be developed under Phase IV to Phase V of "Interlaken Town Project".

(b) Properties under development

Name of project	Start time	Estimated completion date	The amount of estimated investment	Ending balance on 31 December 2019	Opening balance on 1 January 2019
Phase II Stage II of "Interlaken Town Project"	May 2018	April 2019	120,000,000.00	-	22,778,722.61
Phase III Stage I of "Interlaken Town Project"	December 2018	October 2020	425,000,000.00	111,198,261.43	63,007,941.28
Public area	December 2015	/	/	160,768,028.92	105,517,673.43
Total	**/-**	/	**/**	**271,966,290.35**	**191,304,337.32**

V. Notes to the consolidated financial statements (continued)

7. Inventories (continued)

(1) Inventory classification (continued)

(c) The property held for sale is the first stage of Phase I and the first stage of Phase II of Interlaken Town Project. The first Stage of Phase I achieved a completed area of 37,195.49 square meters in 2016, 37,195.49 square meters of the completed area were delivered. During the year, there was no delivery area and the remaining completed saleable area was 1,573.14 square meters. The second stage of Phase II achieved completion areas of 8,899.77 square meters during the current period. At the end of the current period, the sales were carried forward to 3,185.02 square meters, and the remaining completed saleable area was 5,714.75 square meters.

(2) The changes in the inventory depreciation reserve are as follows:

2019

	Initial balance	Increase in business combinations not under common control	Accrued this year	Switch back this year	Write-off this year	Ending balance
Stock items	-	1,930,228.28	-	-	-	1,930,228.28

(3) Explanation of inventories year-end balance containing capitalization of borrowing costs:

During the year, the additional capitalized interest expense in the Group's inventories was RMB1,672,862.02, and the capitalization rate used to confirm the amount of capitalization was 4.75% (2018: RMB6,796,607.96, used to confirm the amount of capitalization was 4.75%).

8. Contract assets

	2019			2018		
Item	Book balance	Provision for bad debt	Book value	Book balance	Provision for bad debt	Book value
Receivables from construction business	407,966,983.87	-	407,966,983.87	166,842,230.65	-	166,842,230.65
Receivable warranty (a)	43,736,000.00	810,430.00	42,925,570.00	-	-	-
Total	451,702,983.87	810,430.00	450,892,553.87	166,842,230.65	-	166,842,230.65

(a) During the year, the Group's warranty receivable amounted to RMB42,925,570.00, which is the warranty guarantee for wind turbine sales of Nanjing Wind Power.

The changes in the impairment of contract assets are as follows:

	Beginning balance	Business combinations not under common control additions	Additions	Reversal	Cancellation after verification	Ending balance
2019	-	684,150.00	126,280.00	-	-	810,430.00
2018	-	-	-	-	-	-

9. Current portion of non-current assets

Item	2019	2018
Receivables from Longli BT Project (Note V.12(b))	22,548,751.19	22,548,751.19
Total	**22,548,751.19**	**22,548,751.19**

V. Notes to the consolidated financial statements (continued)

10. Other current assets

Item	2019	2018
Prepaid tax	13,771,786.56	41,310,337.24
Pending deduction of input value-added tax	217,782,246.95	22,844,804.46
Financial products	-	200,000,000.00
Total	231,554,033.51	264,155,141.70

Financial product are the closed-end capital-saving and floating-income No. 2018573 products issued by the China Development Bank Shenzhen Branch purchased by Shenzhen Guangshen Coastal Expressway Investment Co., Ltd. ("Coastal Company") in 2018. The upper limit of the annualized rate of return is 3.9%, and the period is from 23 October 2018 to 7 January 2019. It has expired this year, and there are no financial products on the books as of 31 December 2019.

11. Long-term prepayments

Item	2019	2018
Construction prepayments from the Shenzhen Outer Ring Expressway Investment Company Limited (Outer Ring Company)	272,936,643.91	367,160,992.89
Prepayments for resettlement	87,113,787.23	-
Total	360,050,431.14	367,160,992.89

On 31 December 2019, the Outer Ring Company had prepaid the construction funds for Baoan District and Longgang District in Outer Ring Expressway amounting to RMB272,936,643.91. And the Group's head office prepaid the engineering fee of RMB87,113,787.23 for the renovation and expansion of the machine.The prepayments will be settled according to the progress of the construction.

12. Long-term receivables

(1) General information:

Item	2019			2018			Range of discount rate
	Carrying amount	Bad debt provision	Net book amount	Carrying amount	Bad debt provision	Net book amount	
Due from Shenzhen-Shanwei Special Cooperation Zone Development and Construction Co., Ltd.(a)	159,360,103.10		159,360,103.10	156,473,492.73	-	156,473,492.73	-
Due from Guizhou Longli County Government in relation to the project management services provided to Longli BT Project (b)	22,548,751.19		22,548,751.19	22,548,751.19	-	22,548,751.19	4.75%
Electricity compensation income (c)	180,731,074.84	981,059.95	179,750,014.89	-	-	-	-
Receivable on billboard quality deposits	-	-	-	4,500,000.00	-	4,500,000.00	-
Sub-total	**362,639,929.13**	**981,059.95**	**361,658,869.18**	**183,522,243.92**	**-**	**183,522,243.92**	**-**
Less: Current portion	22,548,751.19	-	22,548,751.19	22,548,751.19	-	22,548,751.19	-
Total	**340,091,177.94**	**981,059.95**	**339,110,117.99**	**160,973,492.73**	**-**	**160,973,492.73**	**/**

(a) The company's subsidiary, Shenzhen-expressway (Shenzhen-Shantou Special Cooperation Zone) infrastructure and environmental protection development co., LTD. (" Shenzhen-Shantou Company "), shall receive the advance payment from Shenzhen-Shantou Special Sooperation Zone development and construction co., LTD. As of 31 December, 2019, the receivable balance of the company's first phase project of comprehensive treatment of Nanmen River system was RMB109,534,176.62.The receivables balance of Houmen Project is 109,534,176.62 yuan.The receivable balance of Houmen Project, Land Leveling and related supporting engineering projects is RM 49,825,926.48.

V. Notes to the consolidated financial statements (continued)

12. Long-term receivables (continued)

(1) General information (continued):

(b) The Longli BT project entrusted to Guishen Company was completed at the end of 2014. As of 31 December 2019, accounts receivable due from the Longli BT project amounted to RMB22,548,751.19 (2018: RMB22,548,751.19)

(c) As of December 31 2019, the balance of subsidy income for electricity charges receivable of Baotou Southern Wind in this year is RMB179,750,014.89 yuan,with a discount rate of 4.75%.

(2) The changes in the ending balance and provision for bad debts are as follows:

2019

	The first stage Expected credit loss over the next 12 months	
	Ending balance	Provision for bad debt
Beginning balance	160,973,492.73	-
Additions	19,627,986.82	252,529.92
Additions of the business combinations not under common control	163,989,698.39	728,530.03
Reduction	4,500,000.00	-
Ending balance	340,091,177.94	981,059.95

2018

	The first stage Expected credit loss over the next 12 months	
	Ending balance	Provision for bad debt
Beginning balance	148,506,567.52	-
Additions	24,486,158.08	-
Reduction	12,019,232.87	-
Ending balance	**160,973,492.73**	**-**

13. Other non-current financial assets

Item	2019	2018
Financial assets at fair value through profit or loss		
Guangdong United Electronic Services Co., Ltd. ("United Electronics")	114,814,080.00	103,998,820.00
Shenzhen Water Planning and Design Institute Co., Ltd. ("Water Regulation Institute") equity	103,125,000.00	76,440,000.00
Total	**217,939,080.00**	**180,438,820.00**

During the year, gains from changes in fair value of those equity investments amounted to RMB37,500,260.00 (2018: gains of RMB17,928,820.00), please refer to Note V.52.

V. Notes to the consolidated financial statements (continued)

14. Long-term equity investments

2019

Investee	2018	Current year movements						2019	Share-holding (%)	Impairment provided during the year
		Current year additions	Reduction	Investment income / loss recognized under equity pick-up method	Cash dividend declared	Investment cost refunded	Others			
Associates			-							
Guangdong Jiangzhong Expressway Company Limited ("Jiangzhong Company")	315,321,289.79	-	-	19,491,390.53	-19,491,390.53	-3,539,309.29	-	311,781,980.50	25	-
Nanjing Yangtze River Third Bridge Company Limited ("Nanjing Third Bridge Company")	336,657,796.18	-	-	53,683,206.87	-53,683,206.87	-11,671,414.88	-	324,986,381.30	25	-
Guangdong Yangmao Expressway Company Limited ("Yangmao Company")	383,837,714.75	108,750,000.00	-	44,343,401.49	-44,343,401.49	-63,944,846.23	-	428,642,868.52	25	-
Guangzhou Western Second Ring Expressway Company Limited ("GZ W2 Company")	289,747,039.65	-	-	59,515,308.40	-52,349,212.60	-	-	296,913,135.45	25	-
Yunfu Guangyun Expressway Company Limited ("Guangyun Company")	68,925,398.16	-	-	34,578,929.22	-2,632,365.80	-	-	100,871,961.58	30	-
Shenzhen International United Land Company Limited ("United Land Company") (1)	1,014,607,875.06	-	-	354,869,950.44	-	-	22,091,980.80	1,391,569,806.30	34.30	-
Chongqing Derun Environment Co., Limited ("Derun Environment") (3)	4,411,573,102.56	-	-	193,467,531.92	-116,000,000.00	-	36,015,624.47	4,525,056,258.95	20	-
Others(2)	1,038,438,281.47	171,044,470.10		139,734,581.52	-9,818,750.96	-11,756,249.04	-1,175,383.96	1,326,466,949.13	/	
/Total	**7,859,108,497.62**	**279,794,470.10**	**-**	**899,684,300.39**	**-298,318,328.25**	**-90,911,819.44**	**56,932,221.31**	**8,706,289,341.73**	**/**	-

V. Notes to the consolidated financial statements (continued)

14. Long-term equity investments (continued)

2018

Investee	2017	Current year movements						2018	Share-holding (%)	Impairment provided during the year
		Current year additions	Reduction	Investment income / loss recognized under equity pick-up method	Cash dividend declared	Investment cost refunded	Others			
Associates			-							
Jiangzhong Company	307,302,158.66	-	-	24,658,956.25	-16,639,825.12	-	-	315,321,289.79	25	-
Nanjing Third Bridge Company	286,316,237.75	-	-	50,341,558.43	-	-	-	336,657,796.18	25	-
Yangmao Company	337,426,224.67	57,500,000.00	-	85,788,247.72	-85,788,247.72	-11,088,509.92	-	383,837,714.75	25	-
GZ W2 Company	254,647,119.35	-	-	57,397,107.70	-22,297,187.40	-	-	289,747,039.65	25	-
Guangyun Company	74,884,552.95	-	-	37,192,737.78	-37,192,737.78	-5,959,154.79	-	68,925,398.16	30	-
United Land Company(1)	2,445,154,415.03	-	-2,205,000,000.00	-5,716,308.49	-	-	780,169,768.52	1,014,607,875.05	34.30	-
Derun Environment (3)	4,410,925,451.75	-	-	162,111,686.88	-146,400,000.00	-	-15,064,036.07	4,411,573,102.56	20	-
Others(2)	947,596,120.75			109,182,402.22	-39,745,000.00		21,404,758.50	1,038,438,281.47	/	
Total	**9,064,252,280.91**	**57,500,000.00**	**-2,205,000,000.00**	**520,956,388.49**	**-348,062,998.02**	**-17,047,664.71**	**786,510,490.95**	**7,859,108,497.62**	**/**	**-**

V. Notes to the consolidated financial statements (continued)

14. Long-term equity investments (continued)

(1) The Company holds a 34.3% equity interest in United Land, which has a significant impact on its important financial and production and operation decisions. Therefore, the Company uses the equity method to account for this long-term equity investment. During the year, according to the sold ratio of the United Landmark Meilinguan Urban Renewal Project of 15.85%, the unrealized internal transaction gains and losses offset by previous years were reversed to RMB22,091,980.80. For details, please refer to Note V. 51 (a)

(2) Others include the Company's affiliated company Shenzhen Expressway Engineering Consulting co., LTD. (" Consulting Company "), Shenzhen Huayu Expressway Investment co., LTD. (" Huayu Company "), Guizhou Hengtongli Property co., LTD. (" Guizhou Hengtongli "), and Guizhou Bank co., LTD. (" Guizhou Bank ").

(3) Due to the change of other comprehensive income of Derun environment in this year, the Group confirmed the increase of other comprehensive income of RMB34,331,355.67 according to the shareholding ratio, and confirmed the increase of RMB1,684,268.80 according to the shareholding ratio due to the change of derun environment's capital reserve.

(4) The percentage of ownership interest of the associated enterprise held is the same as the percentage of its voting power.

V. Notes to the consolidated financial statements (continued)

15. Investment properties

Subsequently measured at cost：

Item	2019	2018
1. Cost		
Balance at 1 January	18,180,000.00	18,180,000.00
Balance at 31 December	18,180,000.00	18,180,000.00
2. Accumulated depreciation		
Balance at 1 January	5,805,116.40	5,229,275.00
Current period additions	575,942.40	575,841.40
-Addition	575,942.40	575,841.40
Balance 31 December	6,381,058.80	5,805,116.40
3. Carrying amount		
Balance at 1 January	11,798,941.20	12,374,883.60
Balance at 31 December	12,374,883.60	12,950,725.00

The investment property is a parking space in the parking lot of jiangsu building, the office building of the company, and the property company is entrusted to rent it to the relevant car owners.

*The Group’s investment properties are all located in the mainland of China and held under medium term leases.

On 31 December 2019, the investment without the certificate of ownership is listed as follows:

	Carrying amount	Reason for not yet obtaining the certificate of ownership
The parking lot beneath the Jiangsu Building	11,798,941.20	All the certificates of ownership of the parking lots in Shenzhen are not available

V. Notes to the consolidated financial statements (continued)

16. Fixed assets

(1) Fixed asset movements

2019

Item	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Mechanical equipment	Total
1. Cost						
31 December 2018	633,055,713.66	1,020,537,484.54	31,226,582.54	50,564,688.61	-	1,735,384,469.35
Current year additions	3,386,035.46	445,826,822.96	3,701,235.46	10,727,458.99	1,686,905,817.02	2,150,547,369.89
-Purchase	2,369,806.13	90,113,211.66	2,965,268.20	9,576,148.22	13,326,416.87	118,350,851.08
-Construction in progress	1,016,229.33	355,453,553.66	-	-	-	356,469,782.99
-Acquisition of subsidiaries	-	260,057.64	735,967.26	1,151,310.77	345,726,339.03	347,873,674.70
Transfer of right-of-use assets	-	-	-	-	1,327,853,061.12	1,327,853,061.12
Current year reductions	16,381,450.50	10,308,473.21	4,528,296.45	4,303,171.64	-	35,521,391.80
-Disposals	16,381,450.50	10,308,473.21	4,528,296.45	4,303,171.64	-	35,521,391.80
31 December 2019	620,060,298.62	1,456,055,834.29	30,399,521.55	56,988,975.96	1,686,905,817.02	3,850,410,447.44
2. Accumulated depreciation						
31 December 2018	202,159,528.15	642,541,768.63	22,899,553.18	27,705,218.11	-	895,306,068.07
Current year additions	30,360,958.55	83,948,530.79	4,338,013.85	6,913,062.09	25,841,191.50	151,401,756.78
-Addition	30,360,958.55	83,948,530.79	4,338,013.85	6,913,062.09	19,279,782.95	144,840,348.23
Transfer of right-of-use assets	-	-	-	-	6,561,408.55	6,561,408.55
Current year reductions	12,361,034.08	8,232,077.73	4,289,266.78	3,785,578.71	-	28,667,957.30
-Disposals	12,361,034.08	8,232,077.73	4,289,266.78	3,785,578.71	-	28,667,957.30
31 December 2019	220,159,452.62	718,258,221.69	22,948,300.25	30,832,701.49	25,841,191.50	1,018,039,867.55
3. Net book value						
31 December 2019	399,900,846.00	737,797,612.60	7,451,221.30	26,156,274.47	1,661,064,625.52	2,832,370,579.89
31 December 2018	430,896,185.51	377,995,715.91	8,327,029.36	22,859,470.50	-	840,078,401.28

V. Notes to the consolidated financial statements (continued)

16. Fixed assets (continued)

(1) Fixed asset movements (continued)

2018

Item	Buildings	Traffic equipment	Motor vehicles	Office and other equipment	Total
1. Cost					
31 December 2017	882,607,957.15	1,513,595,621.98	31,281,453.96	57,899,811.93	2,485,384,845.02
Current year additions	3,283,091.21	84,819,791.68	4,149,975.80	6,509,600.49	98,762,459.18
-Purchase	3,073,657.24	54,069,843.16	4,149,975.80	6,131,903.49	67,425,379.69
-Construction in progress	209,433.97	30,749,948.52	-	377,697.00	31,337,079.49
Current year reductions	252,835,334.70	577,877,929.12	4,204,847.22	13,844,723.81	848,762,834.85
-Disposals	252,835,334.70	577,877,929.12	4,204,847.22	13,844,723.81	848,762,834.85
31 December 2018	633,055,713.66	1,020,537,484.55	31,226,582.54	50,564,688.61	1,735,384,469.35
2. Accumulated depreciation					
31 December 2017	283,145,800.71	987,437,691.77	23,844,912.29	33,821,171.48	1,328,249,576.25
Current year additions	38,078,448.28	110,613,183.80	3,038,610.19	6,606,298.52	158,336,540.79
-Addition	38,078,448.28	110,613,183.80	3,038,610.19	6,606,298.52	158,336,540.79
Current year reductions	119,064,720.84	455,509,106.94	3,983,969.30	12,722,251.89	591,280,048.97
-Disposals	119,064,720.84	455,509,106.94	3,983,969.30	12,722,251.89	591,280,048.97
31 December 2018	202,159,528.15	642,541,768.64	22,899,553.18	27,705,218.11	895,306,068.08
3. Net book value					
31 December 2018	430,896,185.51	377,995,715.91	8,327,029.36	22,859,470.50	840,078,401.28
31 December 2017	599,462,156.44	526,157,930.21	7,436,541.67	24,078,640.45	1,157,135,268.77

(2) Fixed assets without certificates of ownership

On 31 December 2019, the fixed assets without the certificates of ownership were listed as follows:

Item	Carrying amount	Reason for lacking certificates of ownership
Buildings	297,839,214.40	As all toll roads and the affiliated buildings and structures would be returned to the government when the approved operating periods expire, the Group has no intention to acquire the related property ownership certificates.

During the year, depreciation expenses amounting to RMB138,876,434.52 were charged to cost of services (2018: RMB152,789,410.27), and depreciation expenses amounting to RMB5,963,913.71 were charged to general and administrative expenses (2018: RMB5,509,693.25).

V. Notes to the consolidated financial statements (continued)

17. Construction in progress

(1) General information of construction in progress

Item	2019			2018		
	Carrying amount	Impairment	Net book amount	Carrying amount	Impairment	Net book amount
Increase ETC lane project	6,466,074.25	-	6,466,074.25	964,412.87	-	964,412.87
First-class weighting equipment project	2,085,479.05	-	2,085,479.05	5,383,423.19	-	5,383,423.19
Toll station expansion project	1,142,383.00	-	1,142,383.00	9,311,802.25	-	9,311,802.25
BTC system project	734,080.00	-	734,080.00	695,250.00	-	695,250.00
Video monitoring project	-	-	-	6,672,530.60	-	6,672,530.60
Fire control system updating project	183,000.00	-	183,000.00	2,254,576.14	-	2,254,576.14
Billboard and light box projects	23,386.32	-	23,386.32	463,594.09	-	463,594.09
Others	4,563,193.04		4,563,193.04	5,518,461.60	-	5,518,461.60
Total	**15,197,595.66**	-	**15,197,595.66**	**31,264,050.74**	-	**31,264,050.74**

V. Notes to the consolidated financial statements (continued)

17. Construction in progress (continued)

(2) Movements of significant construction in progress during the year

2019

Item	Budget amount	2019	Current year additions	Transfer to fixed assets	Transfer to intangible assets	Other reductions in current year	2019	The proportion of the current year additions to total budget (%)	Progress of construction	Interest capitalized	Source of funds
Increase ETC lane project	59 million	964,412.87	5,680,457.38	178,796.00	-	-	6,466,074.25	9.63%	In progress	-	**Self-owned funds**
First-class weighting equipment project	9.58 million	5,383,423.19	4,138,031.00	7,435,975.14	-	-	2,085,479.05	43.19%	In progress	-	**Self-owned funds**
Fee system software upgrade	15 million	2,254,576.14	1,278,327.68	3,349,903.82	-	-	183,000.00	8.52%	In progress	-	**Self-owned funds**
Toll station expansion project	25 million	9,311,802.25	1,211,227.20	388,844.20	8,177,668.25	814,134.00	1,142,383.00	4.84%	In progress	-	**Self-owned funds**
BTC system project	1.2 million	695,250.00	163,775.00	124,945.00	-	-	734,080.00	13.65%	In progress	-	**Self-owned funds**
Billboard and light box projects	10 million	463,594.09	23,386.32	463,594.09	-	-	23,386.32	0.23%	In progress	-	**Self-owned funds**
Cancellation of the provincial toll station	334 million	-	333,636,338.64	333,636,338.64	-	-	-	100%	Completed	-	**Self-owned funds**
Video monitoring project	6.67 million	6,672,530.60	-	6,672,530.60	-	-	-	100%	Completed	-	**Self-owned funds**
Others (a)	-	5,518,461.60	3,275,469.94	4,218,855.50	-	11,883.00	4,563,193.04	-	In progress	-	**Self-owned funds**
Total	/	**31,264,050.74**	349,407,013.16	356,469,782.99	**8,177,668.25**	**826,017.00**	**15,197,595.66**	**/**		/	/

V. Notes to the consolidated financial statements (continued)

17. Construction in progress (continued)

(2) Movements of significant construction in progress during the year (continued)

2018

Item	Budget amount	2017	Current year additions	Transfer to fixed assets	Transfer to intangible assets	Other reductions in current year	2018	The proportion of the current year additions to total budget (%)	Progress of construction	Interest capitalized	Source of funds
Nation-wide ETC toll interconnection project	59 million	266,000.00	4,517,838.29	3,819,425.42	-	-	964,412.87	7.64	In progress	-	Self-owned funds
Billboard and light box projects	10 million	670,830.18	2,197.88	104,716.98	-	104,716.99	463,594.09	0.02	In progress	-	Self-owned funds
Maintenance planning research and basic database construction project for the maintenance of the information platform construction project	2.56 million	1,743,754.46	-	-	-	1,743,754.46	-	-	Completed	-	Self-owned funds
Toll station expansion project	25 million	7,731,870.05	6,531,825.20	3,675,127.00	-	1,276,766.00	9,311,802.25	26.41	In progress	-	Self-owned funds
First-class weighting equipment project	9.58 million	4,921,937.80	3,524,052.55	3,062,567.16	-	-	5,383,423.19	36.77	In progress	-	Self-owned funds
Fire control system updating project	4.03 million	2,040,276.84	17,140.00	2,057,416.84	-	-	-	0.43	Completed	-	Self-owned funds
Toll station weighting equipment movement projects	2.1 million	1,705,350.22	-	1,634,845.22	-	70,505.00	-	-	Completed	-	Self-owned funds
Video monitoring project	17 million	7,695,323.28	10,716,226.33	11,739,019.01	-	-	6,672,530.60	61.32	In progress	-	Self-owned funds
Tailing engineering	73 million	3,869,546.31	5,635,490.63	-	9,505,036.94	-	-	7.75	Completed	-	Self-owned funds
Fee system software upgrade	15 million	-	2,254,576.14	-	-	-	2,254,576.14	14.99	In progress	-	Self-owned funds
BTC system project	1.2 million	-	695,250.00	-	-	-	695,250.00	57.94	In progress	-	Self-owned funds
Others (a)	/	5,178,306.64	7,063,326.28	5,243,961.86	1,459,213.49	19,995.97	5,518,461.60	-	In progress	-	-
Total	/	**35,823,195.78**	**40,957,923.30**	**31,337,079.49**	**10,964,250.43**	**3,215,738.42**	**31,264,050.74**	**/**	**/**	**/**	**/**

(a) The amounts of projects were not disclosed separately as they are not material.

V. Notes to the consolidated financial statements (continued)

18. Right-of-use assets

2019

Item	Buildings	Billboard	Wind field	Total
1. Cost				
31 December 2018	-	-	-	-
Changes in accounting policies	107,254,807.99	25,661,801.99	-	132,916,609.98
Initial balance	107,254,807.99	25,661,801.99	-	132,916,609.98
Current year additions	54,268,277.46	-	1,327,853,061.12	1,382,121,338.58
- Addition	54,268,277.46	-	-	54,268,277.46
-Combination not under common control	-	-	1,327,853,061.12	1,327,853,061.12
Current year reductions	-	-	1,327,853,061.12	1,327,853,061.12
-Current year transfer to fixed assets	-	-	1,327,853,061.12	1,327,853,061.12
31 December 2019	161,523,085.45	25,661,801.99	-	187,184,887.44
2. Accumulated depreciation				
Current year additions	28,849,860.59	5,464,646.39	6,561,408.55	40,875,915.53
-Addition	28,849,860.59	5,464,646.39	6,561,408.55	40,875,915.53
Current year reductions	-	-	6,561,408.55	6,561,408.55
-Current year transfer to fixed assets	-	-	6,561,408.55	6,561,408.55
31 December 2019	28,849,860.59	5,464,646.39	-	34,314,506.98
3. Net book value				
31 December 2019	132,673,224.86	20,197,155.60	-	152,870,380.46
31 December 2018	-	-	-	-

19. Intangible assets

2019

Item	Concession intangible assets (a)	Software and others	Billboard land use rights	Land use right€	Patent(e)	Total
1. Cost						
31 December 2018	34,532,766,806.91	13,549,554.76	63,075,736.39		-	34,609,392,098.06
Current year additions	1,675,661,600.32	7,752,095.24	-	52,741,993.14	79,810,700.00	1,815,966,388.70
- Purchased	43,127,536.44	5,101,189.10	-	-	-	48,228,725.54
- From construction in progress	8,177,668.25	-	-	-	-	8,177,668.25
- Constructions	1,624,356,395.63	-	-	-	-	1,624,356,395.63
- Combination not under common control	-	2,650,906.14	-	52,741,993.14	79,810,700.00	135,203,599.28
Current year reductions	9,973,647.00	-	-	-	-	9,973,647.00
- Other reduction	9,973,647.00	-	-	-	-	9,973,647.00
31 December 2019	36,198,454,760.23	21,301,650.00	63,075,736.39	52,741,993.14	79,810,700.00	36,415,384,839.76
2. Accumulated amortization						
31 December 2018	7,685,608,539.71	9,545,558.54	59,769,216.25	-	-	7,754,923,314.50
Current year additions	1,346,629,444.04	1,917,423.44	1,034,832.33	953,476.96	5,985,802.50	1,356,520,979.27
- Additions	1,346,629,444.04	1,917,423.44	1,034,832.33	953,476.96	5,985,802.50	1,356,520,979.27
31 December 2019	9,032,237,983.75	11,462,981.98	60,804,048.58	953,476.96	5,985,802.50	9,111,444,293.77
3. Impairment						
31 December 2018	3,258,235,294.61	-	-	-	-	3,258,235,294.61
Current year additions	552,000,000.00	-	-	-	-	552,000,000.00
31 December 2019	3,810,235,294.61	-	-	-	-	3,810,235,294.61
4. Net book value						
31 December 2019	23,355,981,481.87	9,838,668.02	2,271,687.81	51,788,516.18	73,824,897.50	23,493,705,251.38
31 December 2018	23,588,922,972.59	4,003,996.22	3,306,520.14	-	-	23,596,233,488.95

V. Notes to the consolidated financial statements (continued)

19. Intangible assets (continued)

2018

Item	Concession intangible assets (a)	Software and others	Billboard land use rights	Total
1. Cost				
31 December 2017	38,462,465,396.52	16,308,069.85	62,311,555.28	38,541,085,021.65
Current year additions	1,047,584,230.03	1,969,017.09	764,181.11	1,050,317,428.23
- Purchased	-	1,969,017.09	-	1,969,017.09
- Constructions	1,031,457,349.37	-	764,181.11	1,032,221,530.48
- Other additions	16,126,880.66	-	-	16,126,880.66
Current year reductions	4,977,282,819.64	4,727,532.18	-	4,982,010,351.82
- Disposal	4,940,354,858.86	4,727,532.18	-	4,945,082,391.04
- Other reduction	36,927,960.78	-	-	36,927,960.78
31 December 2018	34,532,766,806.91	13,549,554.76	63,075,736.39	34,609,392,098.06
2. Accumulated amortization				
31 December 2017	7,754,009,955.65	11,173,014.08	53,684,488.40	7,818,867,458.13
Current year additions	1,474,838,768.83	2,584,489.97	6,084,727.85	1,483,507,986.65
- Additions	1,474,838,768.83	2,584,489.97	6,084,727.85	1,483,507,986.65
Current year reductions	1,543,240,184.77	4,211,945.51	-	1,547,452,130.28
- Disposal	1,543,240,184.77	4,211,945.51	-	1,547,452,130.28
31 December 2018	7,685,608,539.71	9,545,558.54	59,769,216.25	7,754,923,314.50
3. Impairment				
31 December 2017	3,258,235,294.61	-	-	3,258,235,294.61
31 December 2018	3,258,235,294.61	-	-	3,258,235,294.61
4. Net book value				
31 December 2018	23,588,922,972.59	4,003,996.22	3,306,520.14	23,596,233,488.95
31 December 2017	27,450,220,146.26	5,135,055.77	8,627,066.88	27,463,982,268.91

As of 31 December 2019, 19. Intangible assets without the certificates of ownership were listed as follows:

Item	Net book value	Reason for lacking certificates of ownership
Land use right of Baiyun wind power project	17,259,908.82	In pr ogress
Land use right of Damaoqi wind power project	12,279,286.87	In progress
Total	**29,539,195.69**	

V. Notes to the consolidated financial statements (continued)

19. Intangible assets (continued)

(a) The detailed information of concession intangible assets is analysed below:

2019

	Cost	31 December 2018	Current year additions	Current year reductions	Current year amortization	Current year amortization transfer out	31 December 2019	Accumulated amortization	Impairment
Qinglian Expressway (b)	9,288,957,970.39	6,748,322,028.50	8,177,668.25	9,973,647.00	297,200,871.04	-	6,449,325,178.71	2,219,632,791.68	620,000,000.00
Shenzhen Airport-Heao Expressway - Eastern Section	3,086,787,505.32	1,358,244,757.07	-	-	194,731,527.99	-	1,163,513,229.08	1,923,274,276.24	-
Shuiguan Expressway (g)	4,448,811,774.58	3,410,481,252.11	-	-	348,179,509.42	552,000,000.00	2,510,301,742.69	1,386,510,031.89	552,000,000.00
Wuhuang Expressway	1,523,192,561.64	347,707,901.88	-	-	95,130,817.38	-	252,577,084.50	1,270,615,477.14	-
Meiguan Expressway	604,588,701.64	256,852,212.06	-	-	31,258,206.91	-	225,594,005.15	378,994,696.49	-
Shenzhen Airport-Heao Expressway - Western Section	843,517,682.25	251,736,510.04	-	-	37,131,694.67	-	214,604,815.37	628,912,866.88	-
Outer Ring Expressway (b)	3,409,706,840.88	1,947,057,863.50	1,462,648,977.38	-	-	-	3,409,706,840.88	-	-
Yichang Expressway (b)	3,123,065,164.24	2,889,552,387.26	-	-	143,836,039.97	-	2,745,716,347.29	377,348,816.95	-
Changsha Ring Road	284,957,909.37	205,589,616.50	43,127,536.44	-	18,586,823.16	-	230,130,329.78	54,827,579.59	-
Coastal Expressway (b)	9,584,868,649.92	6,173,378,443.67	161,707,418.25	-	180,573,953.50	-	6,154,511,908.42	792,121,446.89	2,638,235,294.61
Total	36,198,454,760.23	23,588,922,972.59	1,675,661,600.32	9,973,647.00	1,346,629,444.04	552,000,000.00	23,355,981,481.87	9,032,237,983.75	3,810,235,294.61

V. Notes to the consolidated financial statements (continued)

19. Intangible assets (continued)

(a) The detailed information of concession intangible assets is analysed below (continued):

2018

	Cost	31 December 2017	Current year additions	Current year reductions	Current year amortization	Current year amortization transfer out	31 December 2018	Accumulated amortization	Impairment
Qinglian Expressway (b)	9,290,753,949.14	6,981,982,455.22	10,964,250.43	1,200,000.00	243,424,677.15	-	6,748,322,028.50	1,922,431,920.64	620,000,000.00
Nanguang Expressway (c)	-	2,246,769,553.45	-	2,807,909,473.41	78,036,897.46	639,176,817.42	-	-	-
Shenzhen Airport-Heao Expressway - Eastern Section	3,086,787,505.32	1,573,896,458.74	-	-	215,651,701.67	-	1,358,244,757.07	1,728,542,748.25	-
Shuiguan Expressway (b)	4,448,811,774.58	3,747,150,068.38	-	-	336,668,816.27	-	3,410,481,252.11	1,038,330,522.47	-
Yanba Expressway (c)	-	849,062,065.24	-	1,255,412,727.61	39,301,813.75	445,652,476.12	-	-	-
Wuhuang Expressway	1,523,192,561.64	468,045,326.57	-	-	120,337,424.69	-	347,707,901.88	1,175,484,659.76	-
Meiguan Expressway	604,588,701.64	295,900,042.29	-	-	39,047,830.23	-	256,852,212.06	347,736,489.58	-
Yanpai Expressway (c)	-	488,218,744.61	-	910,532,308.18	36,097,327.66	458,410,891.23	-	-	-
Shenzhen Airport-Heao Expressway - Western Section	843,517,682.25	296,195,206.74	-	-	44,458,696.70	-	251,736,510.04	591,781,172.21	-
Outer Ring Expressway (b)	1,947,057,863.50	926,564,764.56	1,020,493,098.94	-	-	-	1,947,057,863.50	-	-
Yichang Expressway (b)	3,123,065,164.24	3,040,424,917.48	-	2,228,310.44	148,644,219.78	-	2,889,552,387.26	233,512,776.98	-
Changsha Ring Road	241,830,372.93	225,143,413.87	-	-	19,553,797.37	-	205,589,616.50	36,240,756.43	-
Coastal Expressway (b)/(e)	9,423,161,231.67	6,310,867,129.11	16,126,880.66	-	153,615,566.10	-	6,173,378,443.67	611,547,493.39	2,638,235,294.61
Total	**34,532,766,806.91**	**27,450,220,146.26**	**1,047,584,230.03**	**4,977,282,819.64**	**1,474,838,768.83**	**1,543,240,184.77**	**23,588,922,972.59**	**7,685,608,539.71**	**3,258,235,294.61**

(b) The pledge information relating to the concession intangible assets of Qinglian Expressway, Outer Ring Expressway, Yichang Expressway and Coastal Expressway is set out in in Note V.32(1)(b) and Note V.60

V. Notes to the consolidated financial statements (continued)

19. Intangible assets (continued)

(c) The Company transferred the second-stage rights of Nanguang Expressway, Yanba Expressway and Yanpai Expressway to Shenzhen Transportation Bureau at the end of 2018. For details, please refer to Note V.39(a).

(d) For the year ended 31 December 2019, the amount of amortization of intangible assets was RMB1,356,520,979.27 (2018: RMB1,483,507,986.65).

(e) During the year of 2019， there were two companies combined not under common control result in increasing of RMB52,741,993.14 land use right, RMB79,810,700.00 patent and RMB2,650,906.14 software and others. For details, please refer to Note VI.1

(f) During the year, the Group capitalized borrowing costs on intangible assets amounting to RMB131,935,775.82 (2018: RMB63,032,385.80).

(g) During the year of 2019, the Group the amount of impairment of Shuiguan Expressway recognized was RMB552,000,000.00.

*The land use rights of the Group are located in Mainland China, but the expressway is in the form of concession intangible assets.

20. Goodwill

	2018	Current year additions	Current year reductions	2019
		Business combinations not under common control		
Nanjing Wind Power	-	156,039,775.24	-	156,039,775.24

The Group acquired Nanjing Wind Power in April 2019, and the goodwill generated was RMB156,039,775.24. Please refer to note VI. 1 for the calculation process.

Goodwill from the merger has been allocated to the following asset groups for impairment testing:

- Fan manufacturing asset group

The carrying amount of goodwill is allocated to the asset group as follows:

	Fan manufacturing asset group	
	31 December,2019	31 December,2018
Carrying amount	156,039,775.24	-

The recoverable amount is based on the present value of the projected future cash flow and the pre-tax discount rate used in the cash flow forecast is 13.97%, based on the cash flow forecast based on the five-year budget approved by management.

Key assumptions made by management in determining the cash flow forecast for the goodwill impairment test are described below:

Budget margin	The basis is to increase the average gross profit margin based on the average gross profit margin realized in the year prior to the budget year based on the expected improvement in efficiency.
Discount rate	The discount rate used is the pre-tax discount rate that reflects the specific risk of the relevant asset group or asset group combination.

The amounts assigned to the asset group or combination of the key assumptions are consistent with the Group's historical experience and external information.

V. Notes to the consolidated financial statements (continued)

21. Deferred tax assets and deferred tax liabilities

(1) Deferred tax assets without taking into consideration the offsetting of balances

Item	2019		2018	
	Deductible temporary differences	Deferred tax assets	Deductible temporary differences	Deferred tax assets
Impairment and amortization differences of intangible assets of Yanjiang Expressway (a)	1,140,350,272.00	285,087,568.00	-	-
Deductible losses of Yanjiang Expressway (a)	571,400,876.52	142,850,219.13	-	-
Operating compensation of a newly built toll station of Three Expressways (b)	291,504,931.36	72,876,232.84	312,144,931.35	78,036,232.84
Fair value adjustment of the merged Shenchang company (c)	183,059,248.59	45,764,812.15	201,289,764.53	50,322,441.13
Payroll accrued but not paid	101,216,999.16	25,304,249.79	32,879,467.40	8,219,866.85
Property compensation of Meiguan (d)	98,885,805.48	24,721,451.37	117,511,628.52	29,377,907.13
Operating compensation of newly built gates of Meiguan Expressway (e)	94,832,847.16	23,708,211.79	107,913,239.80	26,978,309.95
Amortization of franchise intangible assets (f)	50,465,440.16	12,616,360.04	-	-
Freight subsidies along Yanjiang Expressway (g)	25,232,071.76	6,308,017.94	-	-
The significant financing component of Guizhou Land's advance payment (h)	24,133,322.64	6,033,330.66	17,370,317.88	4,342,579.47
Interest receivable from United Land Company's capital reduction (i)	20,052,445.24	5,013,111.31	23,518,603.00	5,879,650.75
Guizhou Land's advance payment of prepaid income tax (j)	10,993,400.64	2,748,350.16	18,982,478.60	4,745,619.65
Nanjing Wind Power''s accrued maintenance service deposit	13,783,960.66	2,067,594.10	-	-
Compensation for demolition costs of an old toll station of Three Expressways (k)	6,413,246.28	1,603,311.57	18,209,415.88	4,552,353.97
Others	6,462,338.09	1,158,280.53	2,582,357.12	645,589.28
Total	**2,638,787,205.74**	**657,861,101.38**	**852,402,204.08**	**213,100,551.02**

(a) In order to improve the financial status of Coastal Company, in April 2019, the Company completed a capital increase of RMB4,100,000,000.00 in Coastal Company. According to the future profitability of Coastal Company, the impairment of its intangible assets, the cumulative amortization tax difference and the previous year losses can be partially offset. Losses were recognized as deferred income tax assets of RMB308,514,392.46 and the impairment of its intangible assets and the cumulative amortization tax difference were recognized as deferred income tax assets of RMB142,850,219.13 元. The deferred income tax assets of RMB23,426,824.46 were carried forward during the year.

(b) The Company received a prepayment from the Shenzhen Government for the arrangement of compensation for the toll adjustment and asset transfer agreement of the Three Expressways, and recognized the differences between the tax base and book value as deferred tax assets.

(c) When the Company acquired Shenchang Company and confirmed the fair value of its identifiable assets and liabilities, it recognized the corresponding deferred tax assets for the temporary difference between the tax base and the book value.

(d) Meiguan, a subsidiary of the Company, recognized non-current assets and gains from asset disposal on future relocation properties compensated by United Land Company. Considering the impact of the unrealized profits of associates, the Group has confirmed the corresponding deferred income tax assets on the temporary difference between the tax base of the recognized asset disposal gains and the book value difference. This year, the deferred income tax asset corresponding to the realized profit portion was transferred back according to the proportion of properties sold by United Land Company..

(e) In 2015, the Group received a prepayment from the Shenzhen Government for compensation for the toll adjustment of Meiguan Expressway, and recognized the differences between the tax base and book value as deferred tax assets.

V. Notes to the consolidated financial statements (continued)

21. Deferred tax assets and deferred tax liabilities (continued)

(1) Deferred tax assets without taking into consideration the offsetting of balances (continued)

(f) The tax deduction for the amortization of highway assets after 2011 was changed to the straight-line method this year. Temporary differences are recognized as deferred income tax assets for temporary differences between the book value and the tax basis differences of the franchise intangible assets of the Jihedong section, Jihexi section and the Meiguan Expressway.

(g) On 28 February, 2018, Coastal Company and Shenzhen Communications Bureau signed an agreement on freight compensation for the Shenzhen section of the Guangzhou-Shenzhen Expressway along the Zhujiang River. The agreement stipulated that during the adjustment of freight charges for the Shenzhen section of the Yanjiang Expressway, 50% of the tolls will be charged for passing trucks. Tolls and freight charges will be adjusted from 00:00 on 1 March, 2018 to 24:00 on 31 December, 2020. The Group recognizes deferred income tax assets on temporary differences in the book value and tax base of freight subsidy income.

(h) According to "ASBE No.14 – Revenue", Guizhou Land recognized the impact of the financing component and accrued the interest expense on the contract between the customer's payment and the promised transfer of ownership of the property or service for more than one year, and the deferred income tax asset was recognized accordingly.

(i) During the year, United Land Company, an associated company of the Company capitalized the interest of the capital reduction of the headquarters. Considering the impact of the unrealized profits of the associates, the Company recognized the corresponding deferred income tax assets based on its shareholding ratio of 34.30% formed by the difference between the tax base and the book value.

(j) According to the requirements of Guo Shui Fa [2009] No. 31, Guizhou Land pre-paid income tax on the estimated gross profit calculated based on the estimated tax rate of advances from sales of unfinished development products, and recognized the differences between the tax bases and book values as deferred tax assets.

(k) The Company advanced demolition costs of all old toll station for the arrangement of compensation for the toll adjustment and asset transfer agreement of the Three Expressways, and recognized the differences between the tax base and book value as deferred tax assets. Due to the payment of RMB11,796,169.63 for the demolition of the old toll station this year, the corresponding deferred income tax assets of RMB2,949,042.40 were reversed accordingly.

V. Notes to the consolidated financial statements (continued)

21. Deferred tax assets and deferred tax liabilities (continued)

(2) Deferred tax liabilities without taking into consideration the offsetting of balances

Item	2019		2018	
	Taxable temporary differences	Deferred tax liabilities	Taxable temporary differences	Deferred tax liabilities
The amortisation of concession intangible assets (a)	483,447,613.04	120,861,903.26	512,270,677.60	128,067,669.40
Business combinations involving enterprises not under common control (b)				
- Qinglong Company	1,540,183,175.01	385,045,793.76	2,335,732,937.38	583,933,234.35
- Hunan Yichang Expressway Development Co., Ltd. (Yichang Company)	1,001,457,170.10	250,364,292.53	1,053,989,516.07	263,497,379.02
- Airport-Heao Eastern Company	815,727,365.08	203,931,843.26	952,142,717.36	238,035,681.33
- Guangdong Qinglian Highway Development Co., Ltd(“Qinglian Company”)	598,774,512.44	146,388,821.20	626,365,911.82	153,286,671.05
- JEL Company	185,579,904.54	46,259,142.58	256,178,269.87	63,908,733.92
- Nanjing Wind Power	41,482,438.48	10,370,609.62		
- Baotou Nanfeng	35,822,266.12	8,955,566.53		
- Meiguan Company	17,310,641.43	2,307,319.68	19,706,829.55	2,906,366.71
Financial assets’ appreciation (c)	85,144,510.22	21,286,127.56	73,881,650.22	18,470,412.56
Foreign exchange swap (d)	62,689,444.00	15,672,361.00	45,103,194.00	11,275,798.50
Total	**4,867,619,040.46**	**1,211,443,780.98**	**5,875,371,703.87**	**1,463,381,946.84**

(a) The deferred tax liability was recognized based on the temporary difference between the tax base (straight-line basis) and accounting base (traffic volume basis) for the amortisation of toll road concession intangible assts.

(b) When the Company acquired equity interests of Qinglian Company, Airport-Heao Eastern Company, Qinglong Company, JEL Company, Meiguan Company and Yichang Company, Nanjing Wind Power Company, Baotou Nanfeng Company, deferred tax liabilities were recognized on temporary differences between the fair values and book values of the respective identifiable assets and liabilities acquired.

(c) According to “ASBE No. 22-Identification and Measurement of Financial Instruments”, the Company recognized the deferred tax liabilities based on the temporary difference by the added value after evaluation of stock right of United Electronic Company and Shenzhen Water Planning & Design Institute Co., Ltd held by the Company.

(d) The foreign exchange swap contract and foreign exchange cap swap contract signed by the Company and the bank resulted in a fair value change was recognized as deferred income tax liability.

V. Notes to the consolidated financial statements (continued)

21. Deferred tax assets and deferred tax liabilities (continued)

(3) Offsetting of balances of deferred tax assets and liabilities

Item	Deferred tax assets and liabilities offset as at 31 December 2019	Net values of deferred tax assets/liabilities as at 31 December 2019	Deferred tax assets and liabilities offset as at 31 December 2018	Net values of deferred tax assets/liabilities as at 31 December 2018
Deferred tax assets	-60,520,594.90	597,340,506.48	-40,708,328.98	172,392,222.04
Deferred tax liabilities	60,520,594.90	1,157,482,536.08	40,708,328.98	1,422,673,617.86

(4) Deductible tax losses that were not recognized as deferred tax assets are analysed as follows:

Item	2019	2018
Deductible tax losses	754,671,547.22	1,682,080,362.81
Deductible temporary difference	31,574,764.62	1,333,793,699.39
Total	**786,246,311.84**	**3,015,874,062.20**

(5) The aforesaid unrecognized deductible tax losses will be due in the following years:

Year	2019	2018
Year 2018	-	442,150,072.39
Year 2019	276,182,194.76	406,315,244.29
Year 2020	201,922,965.70	380,503,712.89
Year 2021	117,539,725.50	350,004,673.74
Year 2022	84,781,898.41	103,106,659.50
Year 2023	74,244,762.85	-
Total	**754,671,547.22**	**1,682,080,362.81**

22. Other non-current assets

Item	2019	2018
Meiguan Company-relocation property compensation（a）	342,599,500.00	342,599,500.00
Total	**342,599,500.00**	**342,599,500.00**

(a) According to the “Compensation Agreement for Meilinguan Urban Renewal Project of Shenzhen Longhua New District Minzhi Office”, In July 2016, United Land Company paid the compensation for the demolition of RMB28,328,230.00 to Meiguan Company, a subsidiary of the Company. On 27 April 2018, the two parties entered into the “Supplementary agreement for compensation Agreement for Meilinguan Urban Renewal Project of Shenzhen Longhua New District Minzhi Office”, stipulating that the United Land Company will increase the property compensation on the basis of the above monetary compensation, the compensated relocated property is the office building property of United Land Company, and the compensated building area is 9,120 square meters. The relocated property will be built in 2-3 years. On the date of signing the supplementary agreement, according to the evaluation report issued by Shenzhen Pengxin Assets Appraisal Co., Ltd. (Pengxin Valuing Newspaper [2018] No. 062), the fair value of the relocated property was RMB342,599,500.00, unchanged in 2019.

V. Notes to the consolidated financial statements (continued)

23. Provision for impairment of assets

2019

Item	2018	Additions	Additions	Reductions		2019
		Business combinations not under common control		Reversal	Cancellation after verification	
Provision for impairment of concession intangible assets (a)	3,258,235,294.61	-	552,000,000.00	-	-	3,810,235,294.61
Provision for falling stock prices	-	1,930,228.28		-		1,930,228.28
Provision for impairment of accounts receivable	200,000.00	3,799,343.70	459,054.07	1,966,962.21	296,000.00	2,195,435.56
Provision for impairment of contract assets	-	684,150.00	126,280.00	-	-	810,430.00
Provision for impairment of long-term receivables	-	728,530.03	252,529.92	-	-	981,059.95
Total	**3,258,435,294.61**	**7,142,252.01**	**552,837,863.99**	1,966,962.21	**296,000.00**	**3,816,152,448.40**

2018

Item	2017	Additions	Reductions		2018
			Reversal	Cancellation after verification	
Provision for impairment of concession intangible assets (a)	3,258,235,294.61	-	-	-	3,258,235,294.61
Provision for impairment of accounts receivable	450,000.00	-	250,000.00	-	200,000.00
Provision for impairment of other receivables	-	14,115.84	-	14,115.84	-
Total	**3,258,685,294.61**	**14,115.84**	**250,000.00**	**14,115.84**	**3,258,435,294.61**

(a) As mentioned in Note 3, 34 (6), because Shuiguan Expressway is expected to charge years of extension and the government repurchase probability is low , this year the Group has confirmed the impairment provision of RMB552,000,000.00 for the year.The recoverable amount is based on the present value of the estimated future cash flow of the asset group, the pre-tax discount rate is 16.07%.

24. Short-term borrowings

Item	2019	2018
Pledged (1)	44,905,614.03	117,424,819.20
Credit (2)	318,972,127.62	-
Total	**363,877,741.65**	**117,424,819.20**

(1) As at 4 April 2019, the remaining loan of RMB117,424,819.20 carried interest at 0.8% plus HIBOR, with the pledge of 45% shares in Jade Emperor Ltd, has repaid by Mei Wah. The term of the loan is from 4 April 2018 to 4 April 2019. On 31 December 2019, the above short-term borrowings of RMB44,905,614.03 were bank loans of Mei Wah, and interest was charged at Hong Kong Interbank Offered Rate (HIBOR) + 0.8% p.a., together with the share pledged of Jade Emperor Ltd (45% of stake). The borrowing period is from 3 December 2019 to 2 December 2020.

(2) On 31 December 2019, RMB200,737,272.18 of the above short-term loan was the overdraft balance of Coastal Company in the overdraft account of Ping An Bank. This loan receives overdraft interest and handling fees at 0.3% and 1% on a quarterly basis according to the actual overdraft amount. The borrowing period is from 26 December 2019 to 25 June 2020. Of the above short-term loans RMB118,234,855.44 was a bank loan of Nanjing Wind Power, and the borrowing rate was a 5% increase in the benchmark interest rate of the People's Bank of China during the same period. The borrowing period is from 27 September 2019 to 3 December 2020.

(3) As at 31 December 2019, the Company had no overdue loans.

V. Notes to the consolidated financial statements (continued)

24. Short-term borrowings (continued)

25. Bills payable

	2019	2018
Bank acceptance bills	131,749,731.69	-
Total	**131,749,731.69**	**-**

As at 31 December 2019, the Company had no notes payable due (31 December 2018: Nil).

26. Accounts payable

Accounts payable are interest-free which will be paid within one year in general. Accounts payable aged over 1 year are mainly payables for construction projects which will be settled after settlement.

(1) Analysis of accounts payable

Item	2019	2018
Payables for construction projects and quality deposits	728,788,697.10	675,770,466.91
Payables for goods	192,518,335.20	-
Others	49,451,992.79	39,135,353.86
Total	**970,759,025.09**	**714,905,820.77**

(2) The significant accounts payable aged over 1 year:

Item	2019	Reason for unsettlement
China Railway 18 Bureau Group Co., Ltd.	26,589,844.07	The project payment is not settled
CCCC Second Highway Engineering Co., Ltd.	23,521,302.82	The project payment is not settled
Shenzhen He Wang Electric Co., Ltd.	20,180,316.83	The payment for goods is not paid
CCCC Second Harbour Engineering Co., Ltd.	12,048,999.47	The project payment is not settled
China Railway 12 Bureau Group Co., Ltd.	11,198,572.13	The project payment is not settled
Total	93,539,035.32	**/**

(3) *The aging of accounts payable according to the recognition date is analysed below:

	2019	2018
Within 1 month	86,605,396.23	187,599,514.67
1 to 2 months	15,811,871.78	9,784,229.98
2 to 3 months	17,772,323.36	5,957,578.85
3 months to 1 year	203,213,637.74	138,259,093.75
Over 1 year	647,355,795.98	373,305,403.52
Total	**970,759,025.09**	**714,905,820.77**

V. Notes to the consolidated financial statements (continued)

27. Contract liabilities

(1) General information of advances from customers

Item	2019	2018
Advances from sales of real estates(a)	601,994,692.65	841,962,908.84
Advances from sales of wind turbine set(b)	338,728,000.00	
Advances from advertising customers	4,750,118.33	14,872,110.48
Advances from operation and maintenance service charge	3,499,394.00	-
Others	4,253,761.44	1,877,723.45
Total	953,225,966.42	858,712,742.77

(a) As of December 31, 2019, the balance of advance sales of development properties in Phase II, Phase II and Phase III, Phase I of Interlaken Town was RMB217,441.00 and RMB601,777,251.65. (As of December 31, 2018: The balance of advance sales of development properties in Phase I, Phase II, Phase II and Phase III Phase I of Interlaken Town was RMB421,901,935.18, RMB42,991,971.00, and RMB377,069,002.66, respectively.)

(b) Advances from sales of wind turbine set is the pre-received wind turbines for Datong Wind Power Project and equipment for Zhongwei Gantang 49.5MW Wind Farm Project. As of 31 December, 2019, the balance of contractual liabilities was RMB38,728,000.00 and RMB300,000,000.00, respectively.

28. Employee benefits payable

(1) Analysis of employee benefits payable

2019

Item	31 December 2018	Current year additions	Current year reductions	31 December 2019
I. Short-term wages	220,939,842.22	654,640,401.57	596,687,070.67	278,893,173.12
II. Pension benefits - defined contribution plans	942,579.94	49,726,681.23	48,978,774.55	1,690,486.62
Total	**221,882,422.16**	**704,367,082.80**	**645,665,845.22**	**280,583,659.74**

2018

Item	31 December 2017	Current year additions	Current year reductions	31 December 2018
I. Short-term wages	167,642,617.23	604,732,206.40	551,434,981.41	220,939,842.22
II. Pension benefits - defined contribution plans	1,179,415.02	48,737,047.46	48,973,882.54	942,579.94
Total	**168,822,032.25**	**653,469,253.86**	**600,408,863.95**	**221,882,422.16**

V. Notes to the consolidated financial statements (continued)

28. Employee benefits payable (continued)

(2) Analysis of short-term wages

2019

Item	31 December 2018	Current year additions	Current year reductions	31 December 2019
I. Wages and salaries, bonuses, allowances and subsidies	212,282,445.71	538,595,769.69	481,064,799.65	269,813,415.75
II. Staff welfare	958,617.42	49,368,863.23	49,537,216.54	790,264.11
III.Social security contributions	258,998.08	19,013,910.38	19,095,942.78	176,965.68
Including: Medical insurance	217,559.11	15,971,737.67	16,040,645.11	148,651.67
Work injury insurance	13,559.28	995,432.05	999,726.69	9,264.64
Maternity insurance	27,879.69	2,046,740.66	2,055,570.98	19,049.37
IV.Housing funds	683,037.28	29,827,351.25	30,183,484.69	326,903.84
V. Labor union funds and employee education funds	6,725,493.73	13,868,798.50	12,942,818.49	7,651,473.74
VI.Others	31,250.00	3,965,708.52	3,862,808.52	134,150.00
Total	**220,939,842.22**	**654,640,401.57**	**596,687,070.67**	**278,893,173.12**

2018

Item	31 December 2017	Current year additions	Current year reductions	31 December 2018
I. Wages and salaries, bonuses, allowances and subsidies	159,652,011.10	496,330,666.30	443,700,231.69	212,282,445.71
II. Staff welfare	683,247.79	46,879,772.64	46,604,403.01	958,617.42
III.Social security contributions	371,523.98	19,017,404.54	19,129,930.44	258,998.08
Including: Medical insurance	312,081.18	15,974,672.77	16,069,194.84	217,559.11
Work injury insurance	19,450.33	995,614.99	1,001,506.04	13,559.28
Maternity insurance	39,992.47	2,047,116.78	2,059,229.56	27,879.69
IV.Housing funds	339,519.95	26,702,477.44	26,358,960.11	683,037.28
V. Labor union funds and employee education funds	5,939,362.19	12,064,542.98	11,278,411.44	6,725,493.73
VI.Others	656,952.22	3,737,342.50	4,363,044.72	31,250.00
Total	**167,642,617.23**	**604,732,206.40**	**551,434,981.41**	**220,939,842.22**

V. Notes to the consolidated financial statements (continued)

28. Employee benefits payable (continued)

(3) Analysis of defined contribution plans

2019

Item	31 December 2018	Current year additions	Current year reductions	31 December 2019
I. Basic pensions	472,206.04	34,666,216.14	34,815,777.85	322,644.33
II. Unemployment insurance	9,791.90	718,855.87	721,957.26	6,690.51
III. Enterprise annuities	460,582.00	14,341,609.22	13,441,039.44	1,361,151.78
Total	**942,579.94**	**49,726,681.23**	**48,978,774.55**	**1,690,486.62**

2018

Item	31 December 2017	Current year additions	Current year reductions	31 December 2018
I. Basic pensions	677,363.59	34,672,586.69	34,877,744.24	472,206.04
II. Unemployment insurance	14,046.14	718,987.98	723,242.22	9,791.90
III. Enterprise annuities	488,005.29	13,345,472.79	13,372,896.08	460,582.00
Total	**1,179,415.02**	**48,737,047.46**	**48,973,882.54**	**942,579.94**

29. Taxes payable

Item	2019	2018
Corporate income tax payable (a)	207,377,482.79	898,414,800.80
VAT payable (a)	33,794,034.07	393,466,058.79
Land appreciation tax payable	2,119,422.41	9,605,497.19
City maintenance and construction tax payable (a)	1,505,986.25	28,479,600.84
Educational surcharge payable (a)	10,115,954.44	20,711,960.35
Others	2,006,469.91	2,746,000.63
Total	**256,919,349.87**	**1,353,423,918.60**

(a) The decrease in taxes payable was mainly due to the related taxes recognized in the payment of three project adjustment fee compensations and the arrangements for asset transfer agreements this year.

V. Notes to the consolidated financial statements (continued)

30. Other payables

(1) Analysis of other payables by nature

Item	2019	2018
Project funds retained for construction management contracts (a)	1,478,561,695.23	1,674,316,405.94
Payables due to associates	284,859,099.00	22,649,344.39
Payables for the cost of provincial toll station cancellation project	219,206,085.74	-
Payables for Nanjing Wind Power's equity acquisition	210,046,233.40	-
Payable related to maintenance for roads	196,771,126.66	170,954,316.82
Payable related to costs of construction projects independently	139,530,736.25	139,615,305.62
Payables for the construction cost of the Shenzhen World Exhibition & Convention Center toll station	139,855,284.60	-
Accrued project expenditure and administrative special expenses	58,902,262.01	37,964,492.97
Mechanical and electrical costs payable	56,384,831.38	36,771,928.46
Payable for tender and performance deposits and warranty	55,673,378.50	73,210,634.09
Country road construction fee and management service fee of Hunan Province	37,968,950.48	33,980,129.28
Temporary reciept due to equity transfer liquidated damages of Guizhou Xinhe Lifu Real Estate Development Co., Ltd.	20,412,000.00	-
Payable for agent-construction fee of Coastal Project Phase II	19,378,599.38	19,378,599.38
Payable for demolition fee of an old stations	6,413,246.26	18,209,415.89
Subscription funds and down deposits received for real estate sales	1,610,000.00	1,970,000.00
Compensation settlement for Meiguan reconstruction and expansion	-	33,249,357.80
Payables for estimated equity acquisition	-	26,000,000.00
Interest payable	-	89,973,729.42
Dividend payable(b)	54,447,000.00	-
Others	35,855,153.90	18,585,236.69
Total	**3,015,875,682.79**	**2,396,828,896.75**

V. Notes to the consolidated financial statements (continued)

30. Other payables (continued)

(1) Analysis of other payables by nature (continued)

(a) The Company was entrusted by the Shenzhen Government for the management of the construction of highway projects. The projects are funded by the Shenzhen Government. The Company follows the arrangement of the entrusted contract to pay for the construction. According to the entrusted contract, the Company was required to set up a special deposit account to settle the payment. The account was classified as a deposit in the special account of entrusted construction management and disclosed as restricted bank deposits in the statement of cash and cash equivalents.

(b) Dividend payable

Dividend payable is the dividend declared by Nanjing Wind Power in December 2018, a subsidiary of the Company, distributed to the original shareholders. As at 31 December 2019, the outstanding balance of dividends payable was RMB54,447,000.00.

(2) Significant other payables aged over 1 year

Item	2019	Reason for unsettlement
Hunan Expressway Group Co., Ltd.	34,083,530.48	The terms of payment have not been met.
Guangdong Changda Highway Engineering Co., Ltd.	9,200,000.00	Contract settlement has not been completed.
Zhonglu Gawker Traffic Inspection and Certification Co., Ltd.	6,664,837.60	Contract settlement has not been completed.
CCCC Tunnel Engineering Bureau Co., Ltd.	6,179,986.50	Contract settlement has not been completed.
Shenzhen Expressway Engineering Testing Co., Ltd.	6,097,020.00	Contract settlement has not been completed.
Total	**62,225,374.58**	**/**

V. Notes to the consolidated financial statements (continued)

31. Current portion of non-current liabilities

Item	2019	2018
Compensations related to adjustment of fees and the freight subsidy of Coastal Expressway due within one year (Note V.39(b))	128,370,047.21	99,561,965.67
Current portion of long-term payables (Note V.34(1))	73,121,418.41	-
Current portion of lease liabilities (Note V.36)	34,681,544.60	-
Current portion of non-current borrowings (Note V.32(1))	191,133,945.38	279,574,031.57
Including: Pledged loan	134,826,577.78	235,119,486.12
Credit loan	56,307,367.60	44,454,545.45
Current portion of bonds payable (Note V.33(1))	77,795,034.20	-
Total	**505,101,989.80**	**379,135,997.24**

32. Long-term borrowings

(1) Analysis of long-term borrowings

Item	2019	2018
Pledged	8,668,942,057.31	8,304,855,479.55
Credit	554,007,367.60	867,454,545.45
Less: Current portion(Note V. 31)	191,133,945.38	279,574,031.57
Total	**9,031,815,479.53**	**8,892,735,993.43**

(a) As at 31 December 2019, the Group's borrowings were repayable as follows:

Item	2019	2018
Within 1 year	191,133,945.38	279,574,031.57
1 to 2 years	656,800,000.00	491,231,349.07
2 to 5 years	1,475,276,341.23	2,746,479,185.62
Over 5 years	6,899,739,138.30	5,655,025,458.74
Total	**9,222,949,424.91**	**9,172,310,025.00**

V. Notes to the consolidated financial statements (continued)

32. Long-term borrowings (continued)

(b) As at 31 December 2019, details of the long-term borrowings are set out as follows:

Item	Interest rate in current year	Currency	Amount in RMB	Guarantee details
Syndicated borrowings of Qinglian(i)	4.41%	RMB	1,634,224,000.00	Operating rights of Qinglian Expressway
Syndicated borrowings of Outer Ring(ii)	4.41%-4.90%	RMB	3,510,872,611.98	Operating rights of Outer Ring Expressway
Syndicated borrowings of Shenzhen Expressway (iii)	4.41%	RMB	3,518,158,867.55	Operating rights of Coastal Expressway
Bank borrowings of Shenzhen Expressway(iv)	4.275%	RMB	388,000,000.00	Credit (Floating Loan/Mergers & Acquisitions Loan)
Entrusted borrowings of Shenzhen Expressway (v)	3.915%-4.275%	RMB	165,000,000.00	Credit (Entrusted)
Plus: Interest accrued		RMB	6,693,945.38	
Less: Current portion		RMB	191,133,945.38	Pledged toll of Qinglian Expressway
Total	**/**	**/**	**9,031,815,479.53**	**/**

(i) On 31 December 2019, the interest rate on the loan was 10% below the benchmark interest rate for loans over five years on the actual withdrawal date.

(ii) On 31 December 2019, the interest rate on the loan of RMB2,185,416,705.99 was 10% below the benchmark interest rate for loans over five years; the interest rate on the remaining loan of RMB1,325,455,905.99 was the benchmark interest rate for loans over five years.

(iii) On 31 December 2019, the interest rate on the loan was 10% below the benchmark interest rate for loans over five years on the actual withdrawal date. From 21 June 2019, the borrower changed from coastal Company to Shenzhen Expressway.

(iv) On 31 December 2019, the benchmark interest rate of these loans is 10% lower than the benchmark interest rate of the People's Bank of China for one to five years (inclusive).

(v) On 31 December 2019, the benchmark interest rate of RMB105,000,000.00 was 10% below the benchmark interest rate of the corresponding grade loan announced by the People's Bank of China on the date of withdrawal. For the remaining part amounting to RMB60,000,000.00, the annual interest rate was 10% below the benchmark interest rate for loans with maturity of one year announced by the People's Bank of China on the actual withdrawal date.

V. Notes to the consolidated financial statements (continued)

33. Bonds payable

(1) Bonds payable

Item	2019	2018
Corporate bonds	2,912,420,937.41	2,838,547,774.79
Medium-term notes	1,841,630,304.35	1,794,372,233.60
Less: Current portion(Note V. 31)	77,795,034.20	-
Total	**4,676,256,207.56**	**4,632,920,008.39**

(2) Movements of bonds payable

Name	Par value	Date of issuance	Maturity	Issued amount	31 December 2018	Current year-issued	Accrual of interest by par value	Discount and issue fee amortization	Exchange gains - net	Current year-repaid	31 December 2019
Corporate bonds (a)	800,000,000.00	31 July 2007	15 years	800,000,000.00	797,605,782.59	-	44,000,000.00	668,153.64	-	-	798,273,936.23
Corporate bonds (a)	1,995,330,000.00	18 July 2016	5 years	1,984,555,218.00	2,040,941,992.20	-	60,201,285.33	7,086,824.13	33,900,000.00	-	2,081,928,816.33
Medium-term notes (b)	1,000,000,000.00	30 July 2018	3 years	1,000,000,000.00	997,556,093.96	-	55,912,636.28	906,226.07	-	-	998,462,320.03
Medium-term notes (b)	800,000,000.00	15 August 2018	5 years	800,000,000.00	796,816,139.64	-	50,889,066.25	774,995.33	-	-	797,591,134.97
Total	**4,595,330,000.00**	**/**	**/**	**4,584,555,218.00**	**4,632,920,008.39**	**-**	**211,002,987.86**	**9,436,199.17**	**33,900,000.00**	**-**	**4,676,256,207.56**

V. Notes to the consolidated financial statements (continued)

33. Bonds payable (continued)

(2) Movements of bonds payable (continued)

(a) Corporate bonds

The Company issued long-term corporate bonds with a principal amount of RMB800,000,000.00, bearing interest at a rate of 5.5% per annum on 31 July 2007 in accordance with the approval of Fa Gai Cai Jin [2007] No.1791 issued by the National Development & Reform Commission. The interest is payable annually and the principal is repayable in full upon maturity on 31 July 2022. The principal and interest of the bonds are unconditionally and irrevocably guaranteed by China Construction Bank Corporation, and are in turn secured by the Company's 100% equity interest in Meiguan.

The Company held a shareholders' meeting on 19 May 2016 to consider and approve the issuance of debt financing instruments, and endowed the Board of Directors with the general license for issuance. On 18 July 2016, the Company issued a long-term bond with a principal value of USD300 million. The bond issuance price was 99.46% of the principal value, bearing a term of 5 years and interest at a rate of 2.875% per annum. Interest has begun to be accrued from 18 July 2016 and is repaid semi-annually. On 17 July 2021, the bond should be fully repaid upon maturity. The main purpose of the bond is to repay the bank loans and supplement the Group's operating capital.

(b) Medium term notes

On 30 July 2018, approved by the China Association of Interbank Market Dealers, the Company issued medium-term notes of RMB1,000,000,000.00, which bear a term of 3 years and interest at a rate of 4.14% per annum with the interest payable annually and the principal repayable in full upon maturity on 30 July 2021.

On 15 August 2018, Approved by the China Association of Interbank Market Dealers, the Company issued medium-term notes of RMB800,000,000.00, which bear a term of 5 years and interest at a rate of 4.49% per annum with the interest payable annually and the principal repayable in full upon maturity on 15 August 2023.

34. Long-term payables

Item	2019	2018
Long-term payables	2,217,015,191.85	-
Total	**2,217,015,191.85**	**-**

(1) The details of long-term payables

Item	2019	2018
Financial liabilities arising from sale and leaseback transactions (a)	660,027,912.26	-
Borrowings from associates (b)	1,618,960,000.00	-
Sub-total	**2,278,987,912.26**	**-**
Less: Current portion (a) (Note V. 31)	61,972,720.41	-
Total	**2,217,015,191.85**	**-**

V. Notes to the consolidated financial statements (continued)

34. Long-term payables (continued)

(a) The long-term payable principal of the Group's subsidiary Baotou Nanfeng Fan Equipment after the sale and leaseback is RMB673,000,000.00, and the financial cost of amortization of unrecognized financing costs for the year is RMB13,050,811.01, and the payment of the financing lease fee of RMB4,038,000.00 will be repaid Gold amounted to RMB15,000,000.00 and interest payment amounted to RMB6,984,898.75; as of 31 December, 2019, the balance of this amount was RMB660,027,912.26.

(b) The borrowings of the Headquarters is from the United Land Company for a term of three years in July 2019. The loan agreement was signed on 25 July 2019 at an annual interest rate of 3.65%. As of 31 December, 2019, the long-term payable balance of the Headquarters is RMB1,618,960,000.00. The confirmed interest expense on financial expenses was RMB11,148,698.00. Refer to Note X.5(6)(f) for details.

(2) The analysis of long-term payables due date is as follows:

	2019	2018
Within 1 year	73,121,418.41	
1 to 2 years	598,055,191.85	-
2 to 5 years	1,618,960,000.00	-
Total	**2,290,136,610.26**	**-**

35. Long-term employee benefits payable

Item	2019	2018
Other long-term employee benefits(a)	105,824,300.00	-

(a) Other long-term employee benefits are long-term incentive bonuses, which are expected to be paid during the period from year 2021 to 2023.

36. Lease liabilities (Applicable from 1 January 2019)

Item	2019
Lease contract	152,951,289.26
Less: Current portion(Note V. 31)	34,681,544.60
Total	**118,269,744.66**

37. Estimated liabilities

Item	2019	2018
Product warranty (a)	10,284,566.66	-
Total	**10,284,566.66**	**-**

The estimated liability for this year is the product quality deposit accrued from the sales of "Nanjing Wind Power" wind turbines.

V. Notes to the consolidated financial statements (continued)

38. Deferred income

2019

Item	31 December 2018	Current year additions	Current year reductions	31 December 2019	Explanation
Non-current liabilities					
Compensation to operating costs for Toll Free Section of Meiguan Expressway	107,913,239.80	-	13,080,392.64	94,832,847.16	Shenzhen Government compensation to the accrued operating costs for Toll Free Section of Meiguan Expressway in the future
Government compensation for demolition	19,228,922.22	-	2,746,988.88	16,481,933.34	Government compensation for demolition of Qinglong Company
Compensation to the accrued operating costs for Nanguang and Yanpai new station (a)	312,144,931.35	-	20,640,000.00	291,504,931.35	Shenzhen Government compensation to the accrued operating costs for Nanguang and Yanpai new station
Sub-total	439,287,093.37	-	36,467,381.52	402,819,711.85	/
Current liabilities					
Government financial grants	2,796,223.13	-	195,096.23	2,601,126.90	Return of government financial grants provided from Guizhou Longli County Government of Guishen Company
Total	**442,083,316.50**	**-**	**36,662,477.75**	**405,420,838.75**	**/**

(a) As a result of the adjustment of the fee compensation and asset transfer agreements for the three expressways this year, other business income was recognized at RMB43,920,000.00 and amortization of unrecognized financing costs was RMB23,280,000.00, resulting in a decrease in net deferred income of RMB20,640,000.00. For details, please refer to Note V. 39 (a).

2018

Item	31 December 2018	Current year additions	Current year reductions	31 December 2019	Explanation
Non-current liabilities					
Compensation to operating costs for Toll Free Section of Meiguan Expressway	120,993,632.44	-	13,080,392.64	107,913,239.80	Shenzhen Government compensation to the accrued operating costs for Toll Free Section of Meiguan Expressway in the future
Government compensation for demolition	21,975,911.10	-	2,746,988.88	19,228,922.22	Government compensation for demolition of Qinglong Company
Compensation to the accrued operating costs for Nanguang and Yanpai new station (a)	-	330,104,931.35	17,960,000.00	312,144,931.35	Shenzhen Government compensation to the accrued operating costs for Nanguang and Yanpai new station
Sub-total	142,969,543.54	330,104,931.35	33,787,381.52	439,287,093.37	
Current liabilities					
Government financial grants	2,688,148.48	247,170.00	139,095.35	2,796,223.13	Return of government financial grants provided from Guizhou Longli County Government to Guishen Company
Total	**145,657,692.02**	**330,352,101.35**	**33,926,476.87**	**442,083,316.50**	**/**

V. Notes to the consolidated financial statements (continued)

38. Deferred income (continued)

Items of government grants:

2019

Item	31 December 2018	Additional grants in current year	Recognized in non-operating income in current year	Other changes	31 December 2019	Related to assets/revenue
Government financial grants	2,796,223.13		195,096.23	-	2,601,126.90	Related to assets
Compensation for demolition	19,228,922.22		2,746,988.88	-	16,481,933.34	Related to assets
Total	**22,025,145.35**		**2,942,085.11**	**-**	**19,083,060.24**	**/**

2018

Item	31 December 2017	Additional grants in current year	Recognized in non-operating income in current year	Other changes	31 December 2018	Related to assets/revenue
Government financial grants	2,688,148.48	247,170.00	139,095.35	-	2,796,223.13	Related to assets
Compensation for demolition	21,975,911.10	-	2,746,988.88	-	19,228,922.22	Related to assets
Total	**24,664,059.58**	**247,170.00**	**2,886,084.23**	**-**	**22,025,145.35**	**/**

V. Notes to the consolidated financial statements (continued)

39. Other non-current liabilities

Item	2019	2018
Compensations related to the toll adjustment of Three Expressways		
Acquisition of compensations related to the toll adjustment of Three Expressways (a)	-	6,588,000,000.00
Add: Cumulative recognition of financial expense	-	904,210,000.00
Less: Cumulative deduction of toll income containing tax	-	2,130,330,000.02
Less: Carry forward of compensations related to the toll adjustment of Three Expressways (a)	-	5,361,879,999.98
Balances of compensations related to the toll adjustment of Three Expressways	-	-
Sub-total	**-**	**-**
Compensations related to the freight subsidy of Coastal Expressway		
Acquisition of compensations related to the freight subsidy of Coastal Expressway (b)	302,000,000.00	302,000,000.00
Add: Cumulative recognition of financial expense	37,188,757.06	20,311,356.88
Less: Tax	9,775,736.90	9,775,736.90
Less: Cumulative deduction of toll income containing tax	201,042,972.95	84,603,607.10
Balances of compensations related to the freight subsidy of Coastal Expressway	128,370,047.21	227,932,012.88
Less: Current portion of compensations related to the freight subsidy of Coastal Expressway	128,370,047.21	99,561,965.67
Sub-total	-	128,370,047.21
Total	-	**128,370,047.21**

(a) On 30 November 2015, the Company and Shenzhen Transportation Bureau signed an agreement on compensation for compensation for three projects and asset transfer. The Company has received the first cash compensation amount of RMB6,588,000,000.00 on 29 December 2015, which is included in the bank deposit as the present value of future income, and the final value of future income is included in other non-current liabilities. Accordingly, starting at 00:00 on 7 February 2016, the three projects will be implemented free of charge in two phases. The first phase began on 7 February 2016 and ended on 31 December 2018. During this period, while retaining the rights and interests of the relevant sections of the toll road and continuing to assume management and maintenance responsibilities, the Shenzhen Transportation Bureau purchased the toll services of these sections from the Company and provided corresponding cash compensation for the toll revenue that was waived.

In the fourth quarter of 2018, the Shenzhen Transportation Bureau issued the "Notice of the Municipal Transport and Transport Commission on Printing and Distributing the Toll Adjustment Method for the Second Stage of Nanguang, Yanpai, and Yanba Three Expressways", clarifying the second stage toll selection method, namely The Shenzhen Transportation Bureau withdraws the remaining toll road rights and interests in the adjustment sections. The Company will no longer own the toll road rights and interests in such sections and will no longer bear the corresponding management and maintenance responsibilities. As of 31 December 2018, the Company has transferred three projects, and the corresponding assets and liabilities have been carried forward.

The second phase started from 1 January 1 2019 and expire on the toll road equity period of the three projects. In the case of using the second method in the second phase, the compensation for the operation of the newly-built station involves the commissioned operation of the Shenzhen toll committee to build a new toll station: Nanguang Expressway, Nanguang / Jihe Interchange Ramp Toll Station, and Yanpai Expressway's Yanpai / Toll station on the south side of Jihe Interchange. In 2018, the company recorded the deferred income of RMB488,866,666.67 based on the future operating compensation income and the final value of taxes and fees formed in 2018-2027. The difference was included in the unrecognized financing expenses of RMB158,761,735.32, which increased the net deferred income by RMB330,104,931.35 yuan. Carry forward other operating income based on operating service income for each year and amortize unrecognized financing expenses. This year, other business income was recognized at RMB43,920,000.00, and amortized unrecognized financing expenses were RMB23,280,000.00. For details, see Note V. 38 (a).

V. Notes to the consolidated financial statements (continued)

39. Other non-current liabilities (continued)

(b) On 28 February 2018, Coastal Company and the Shenzhen Municipal Transportation Commission signed an agreement on freight compensation for the Shenzhen section of the Guangzhou-Shenzhen Coastal Expressway. The agreement stipulated that during the adjustment, the freight charges of the Shenzhen section of the Coastal Expressway will be charged at 50% of the standard, and the freight charge adjustment period starts from 0:00 on 1 March 2018 to 24:00 on 31 December 2020. On 31 March 2018, Coastal Company received the above compensation amount of RMB302 million, the compensation management to the above received as the present value of future income credited to bank deposits, and adjust the freight charges during transportation income compensation of RMB346 million after deducting relevant taxes 10 million yuan as a future income final value write down other non-current liabilities, income is expected to end value and the actual received the gap between the present value of the RMB44 million recorded into the unrecognized financing charges, the financial expenses were not recognized in this amount. Financial expenses recognized during the year were RMB16,877,400.18.

40. Share capital

2019	31 December 2018	Movement					31 December 2019
		New shares issued	Rights issue	Transfer from surplus	Others	Sub-total	
Total share capital	2,180,770,326.00	-	-	-	-	-	2,180,770,326.00

2018	31 December 2017	Movement					31 December 2018
		New shares issued	Rights issue	Transfer from surplus	Others	Sub-total	
Total share capital	2,180,770,326.00	-	-	-	-	-	2,180,770,326.00

The twenty-third meeting of the eighth Board of Directors of the company. held on 10 January, 2020 reviewed and approved the proposal on the non-public issuance of H shares, and the non-public issue of no more than 300 million H shares. The par value of each share is RMB1.00 yuan. After obtaining the approval from the China Securities Regulatory Commission and other relevant agencies and the listing and approval of the issuance on the Hong Kong Stock Exchange, the Company will choose to implement it at an appropriate time within the valid period of approval. As of the disclosure date of this statement, the above-mentioned H shares have not yet been issued.

41. Capital surplus

2019

Item	31 December 2018	Current year additions	Current year reductions	31 December 2019
Share premium	2,274,351,523.42	-	-	2,274,351,523.42
Other capital reserve-Business combination involving enterprise under common control	3,128,000,000.00	-	-	3,128,000,000.00
Other capital reserve-Acquisition of minority interests	-120,924,166.49	-	-	-120,924,166.49
Capital injection in the invested entity	921,200,000.00	-	-	921,200,000.00
Other capital reserve-others	16,399,775.48	1,684,268.80	-	18,084,044.28
Total	**6,219,027,132.41**	**1,684,268.80**	**-**	**6,220,711,401.21**

V. Notes to the consolidated financial statements (continued)

41. Capital surplus (continued)

2018

Item	31 December 2017	Current year additions	Current year reductions	31 December 2018
Share premium	2,274,351,523.42	-	-	2,274,351,523.42
Other capital reserve-Business combination involving enterprise under common control	3,128,000,000.00	-	-	3,128,000,000.00
Other capital reserve-Acquisition of minority interests	-120,924,166.49	-	-	-120,924,166.49
Capital injection in the invested entity(a)	-	921,200,000.00	-	921,200,000.00
Other capital reserve-Others	1,567,564.50	15,082,210.98	250,000.00	16,399,775.48
Total	**5,282,994,921.43**	**936,282,210.98**	**250,000.00**	**6,219,027,132.41**

42. Other comprehensive income

2019	31 December 2018	Amount incurred in current year		31 December 2019
		Pre-tax amount incurred during the year	Post-tax amount attributable to owners of the Company	
Items that may be reclassified subsequently to profit or loss:	881,375,987.20	34,629,387.26	34,629,387.26	916,005,374.46
- Appreciation of initial equity interest upon business combination	893,132,218.74	-	-	893,132,218.74
- Equity investment reserve	406,180.00	-	-	406,180.00
- Share of other comprehensive income from investees accounted for the equity method to be reclassified to profit or loss in the subsequent year	-13,566,824.35	33,221,731.99	33,221,731.99	19,654,907.64
- Foreign currency financial statement translation difference	1,404,412.81	1,407,655.27	1,407,655.27	2,812,068.08
Total other comprehensive income	**881,375,987.20**	**34,629,387.26**	**34,629,387.26**	886,936,751.46

2018	31December2017	Amountincurredincurrentyear		31December2018
		Pre-taxamountincurredduringtheyear	Post-taxamountattributabletoownersoftheCompany	
Items that may be reclassified subsequently to profit or loss:	887,624,170.50	-6,248,183.30	-6,248,183.30	881,375,987.20
- Appreciation of initial equity interest upon business combination	893,132,218.74	-	-	893,132,218.74
- Equity investment reserve	406,180.00	-	-	406,180.00
- Share of other comprehensive income from investees accounted for the equity method to be reclassified to profit or loss in the subsequent year	-4,825,335.80	-8,741,488.55	-8,741,488.55	-13,566,824.35
- Foreign currency financial statement translation difference	-1,088,892.44	2,493,305.25	2,493,305.25	1,404,412.81
Total other comprehensive income	**887,624,170.50**	**-6,248,183.30**	**-6,248,183.30**	881,375,987.20

V. Notes to the consolidated financial statements (continued)

43. Surplus reserve

2019	31 December 2018	Current year additions	Current year reductions	31 December 2019
Statutory surplus reserve	2,028,273,730.23	136,143,756.72	-	2,164,417,486.95
Discretionary surplus reserve	453,391,330.06	-	-	453,391,330.06
Total	**2,481,665,060.29**	**136,143,756.72**	**-**	**2,617,808,817.01**

2018	31 December 2017	Current year additions	Current year reductions	31 December 2018
Statutory surplus reserve	1,685,223,593.83	343,050,136.40	-	2,028,273,730.23
Discretionary surplus reserve	453,391,330.06	-	-	453,391,330.06
Total	**2,138,614,923.89**	**343,050,136.40**	**-**	**2,481,665,060.29**

In accordance with the Company Law of the People's Republic of China, the Company's Articles of Association and the resolution of the Board of Directors, companies should appropriate 10% of the net profit for the year to the statutory surplus reserve, where the appropriation can cease when the statutory surplus reserve reaches 50% of the registered capital. The statutory surplus reserve can be used to make up for the loss or increase capital after approval from the appropriate authorities. The company's statutory surplus reserve fund for 2019 is RMB136,143,756.72. (2018: RMB343,050,136.40).

The Company appropriates the discretionary surplus reserve after the shareholders' meeting approves the proposal from the Board of Directors. The discretionary surplus reserve can be used to make up for the loss or increase capital after approval from the appropriate authorities. The Company did not appropriate any discretionary surplus reserve for ended 31 December 2019 (2018: Nil).

44. Undistributed profits

Item	2019	2018
Unadjusted balance of undistributed profit at the end of the last financial year	5,624,252,437.38	6,256,075,328.76
Adjusted: Business combination involving enterprises under common control	-	-3,113,068,776.71
Sub-total	5,624,252,437.38	3,143,006,552.05
Adjusted: Changes in accounting policies	-	38,476,512.20
Adjusted opening balance of undistributed profits	5,624,252,437.38	3,181,483,064.25
Add: Net profit attributable to equity holders of the Company in current period/year	2,499,484,975.75	3,440,050,607.33
Less: Appropriation for statutory surplus reserve	136,143,756.72	343,050,136.40
Dividends	1,548,346,931.46	654,231,097.80
Undistributed profits at the end of the year	**6,439,246,724.95**	**5,624,252,437.38**

According to the resolution of the annual meeting of shareholders on May 22, 2019, the Company distributed 2018 cash dividends to all shareholders at RMB0.71 per share. Based on the 2,180,770,326 shares issued, cash dividends totaling RMB1,548,346,931.46 were distributed amounting to 45% of 2018 net profit. As of 31 December, 2019, the above dividends have been fully distributed.

V. Notes to the consolidated financial statements (continued)

45. Revenue and cost of services

Item	2019		2018	
	Revenue	Cost	Revenue	Cost
Main business - toll road	4,569,454,414.90	2,270,903,104.28	5,066,387,436.63	2,389,981,090.59
Other services -				
Environmental revenue	598,968,458.64	430,021,848.73	-	-
- Revenue related to wind turbine equipment	511,125,563.54	395,550,875.16	-	-
- Wind power revenue	87,666,895.10	34,467,853.57	-	-
- Others	176,000.00	3,120.00	-	-
Real estate development revenue	456,902,470.68	255,161,517.06	285,672,407.32	173,577,128.71
Management services revenue	376,403,186.50	356,797,256.75	246,261,295.37	183,919,594.25
Advertising services revenue	55,875,222.93	51,518,188.66	93,674,087.27	74,852,195.80
Others	128,221,358.32	135,136,243.20	115,112,805.19	35,881,922.41
Sub-total of other businesses	1,616,370,697.07	1,228,635,054.40	740,720,595.15	468,230,841.17
Total	**6,185,825,111.97**	**3,499,538,158.68**	**5,807,108,031.78**	**2,858,211,931.76**

The revenue is analyzed as follows:

2019

Reportable segments	Toll road	Environmental	Real estate development	Management service	Advertising service	Others	Total
Main operating areas							
Guangdong Province	3,597,256,460.71	176,000.00	-	152,572,764.83	55,875,222.93	114,017,985.76	3,919,898,434.23
Hunan Province	559,664,089.09	-	-	-	-	9,410,501.41	569,074,590.50
Guizhou Province	-	-	456,902,470.68	223,830,421.67	-	4,792,871.15	685,525,763.50
Hubei Province	412,533,865.10	-	-	-	-	-	412,533,865.10
Jiangsu Province	-	511,125,563.54	-	-	-	-	511,125,563.54
Inner Mongolia Autonomous Region	-	87,666,895.10	-	-	-	-	87,666,895.10
Total	4,569,454,414.90	598,968,458.64	456,902,470.68	376,403,186.50	55,875,222.93	128,221,358.32	6,185,825,111.97
Main service categories							
Toll road	4,569,454,414.90	-	-	-	-	-	4,569,454,414.90
Environmental	-	598,968,458.64	-	-	-	-	598,968,458.64
Real estate development	-	-	456,902,470.68	-	-	-	456,902,470.68
Management service	-	-	-	376,403,186.50	-	-	376,403,186.50
Advertising service	-	-	-	-	55,875,222.93	-	55,875,222.93
Others	-	-	-	-	-	128,221,358.32	128,221,358.32
Total	4,569,454,414.90	598,968,458.64	456,902,470.68	376,403,186.50	55,875,222.93	128,221,358.32	6,185,825,111.97
Timing for revenue recognition							
Revenue recognized at a certain point in time	4,569,454,414.90	597,427,112.64	456,902,470.68	-	7,303,827.29	27,171,390.33	5,658,259,215.84
Revenue recognized over a period of time	-	1,541,346.00	-	376,403,186.50	48,571,395.64	101,049,967.99	527,565,896.13
Total	4,569,454,414.90	598,968,458.64	456,902,470.68	376,403,186.50	55,875,222.93	128,221,358.32	6,185,825,111.97

V. Notes to the consolidated financial statements (continued)

45. Revenue and cost of services (continued)

The revenue is analyzed as follows: (continued)

2018

Reportable segments	Toll road	Real estate development	Management service	Advertising service	Others	Total
Main operating areas						
Guangdong Province	4,128,639,932.45	-	110,471,348.13	93,674,087.27	114,124,092.70	4,446,909,460.55
Hunan Province	552,506,455.85	-	-	-	988,712.49	553,495,168.34
Guizhou Province	-	285,672,407.32	135,789,947.24	-	-	421,462,354.56
Hubei Province	385,241,048.33	-	-	-	-	385,241,048.33
Total	5,066,387,436.63	285,672,407.32	246,261,295.37	93,674,087.27	115,112,805.19	5,807,108,031.78
Main service categories						
Toll road	5,066,387,436.63	-	-	-	-	5,066,387,436.63
Real estate development	-	285,672,407.32	-	-	-	285,672,407.32
Management service	-	-	246,261,295.37	-	-	246,261,295.37
Advertising service	-	-	-	93,674,087.27	-	93,674,087.27
Others	-	-	-	-	115,112,805.19	115,112,805.19
Total	5,066,387,436.63	285,672,407.32	246,261,295.37	93,674,087.27	115,112,805.19	5,807,108,031.78
Timing for revenue recognition						
Recognize revenue at a certain point in time	5,066,387,436.63	285,672,407.32	-	1,556,275.13	9,032,426.22	5,362,648,545.30
Revenue recognized at some point (during some period)	-	-	246,261,295.37	92,117,812.14	106,080,378.97	444,459,486.48
Total	5,066,387,436.63	285,672,407.32	246,261,295.37	93,674,087.27	115,112,805.19	5,807,108,031.78

The income recognized in the current year and included in the beginning book value of contract liabilities is as follows:

Item	2019	2018
Advances from sales of real estates	417,435,394.79	112,953,842.00
Advances from advertising customers	6,814,256.43	7,118,628.72
Others	1,500,689.35	1,023,009.81
Total	**425,750,340.57**	**121,095,480.53**

V. Notes to the consolidated financial statements (continued)

45. Revenue and cost of services (continued)

The Group's information related to performance obligations is as follows:

Road toll
The performance obligation is recognized in accordance with the amount received and receivable when the vehicle is in traffic.

Sales of goods
The contract for the sale of goods between the Group and its customers includes a performance obligation that is fulfilled when control is transferred.

Wind power
This performance obligation is usually recognized at the time of power transmission and is measured based on the amount of wind power transmitted and the applicable fixed tariff.

Quality assurance services
Revenue from quality assurance services is recognised when the service is provided over a period of time.

46. Tax and surcharges

Item	2019	2018
City maintenance and construction tax	25,270,279.55	15,803,609.33
Educational surcharge	10,797,855.85	14,015,379.63
Land appreciation tax	8,058,394.83	10,605,159.56
Property tax	5,355,936.05	6,120,521.17
Stamp tax	891,679.13	1,162,461.45
Construction fee for culture development	3,114,010.09	1,586,478.86
Others	1,086,920.04	448,487.47
Total	**54,575,075.54**	**49,742,097.47**

47. General and administrative expenses

Item	2019	2018
Salaries and wages	256,099,232.40	149,597,177.02
Depreciation and amortization	29,079,076.77	6,971,340.56
Legal and advisory fees	23,174,146.43	8,083,618.48
Audit fees	8,061,628.86	5,837,606.92
Stock exchange fees	5,340,561.51	4,708,838.53
Business hospitality fees	4,486,615.57	4,087,837.93
Travel fees	3,872,724.70	4,670,996.77
Office building management fees	3,621,029.54	4,191,569.43
Office and communication charges	3,166,515.26	2,516,692.86
Vehicle fees	1,797,141.55	1,416,768.50
Rental fees	1,323,303.48	10,854,061.53
Others	10,710,467.75	6,708,423.51
Total	**350,732,443.82**	**209,644,932.04**

*The remuneration of the statutory auditor of the Group was RMB6,676,000.00 in 2019 (tax included) (2018: RMB5,850,000.00).

V. Notes to the consolidated financial statements (continued)

48. Research and development expenses

Item	2019	2018
Direct consumables	6,035,604.83	-
Labor cost	9,194,257.65	-
Depreciation and amortization	269,979.33	-
Others	2,974,972.27	-
Total	**18,474,814.08**	**-**

49. Financial expenses

Item	2019	2018
Interest expenses	734,526,133.16	1,060,159,474.79
Including: Interest expenses on lease liabilities(Note XIII.2(2))	14,227,011.48	-
Interest expenses on borrowings	434,561,336.96	548,088,478.72
Interest expenses on bonds payable	190,798,550.73	164,406,792.95
Large transportation financing expense	-	273,369,600.00
Unrecognized financing expense for allocation of the subsidy of the new toll of Three Expressways (Note V.38)	23,280,000.00	24,680,000.00
Unrecognized financing expense for allocation of the freight subsidy of Coastal Expressway (Note V.39(b))	16,877,400.18	20,311,356.88
Interest expense for advance payment	30,582,324.80	29,303,246.24
Interest expenses on long-term payables (Note V.34)	24,199,509.01	-
Less: Interest income	50,848,513.85	81,317,876.57
Less: Interest capitalized	133,608,637.84	69,828,993.76
Including: interest expense capitalized	134,631,048.48	74,635,461.86
Interest income capitalized	1,022,410.64	4,806,468.10
Less: Financial benefit for pre-repayment of finance lease(Note XV.1)	22,492,284.97	-
Exchange gains or losses	33,399,084.64	133,364,616.16
Others	11,962,278.24	12,628,816.06
Total	**572,938,059.38**	**1,055,006,036.68**

During the year, the Group's borrowing interest capitalization amount has been included in inventories and intangible assets. Please refer to Note V.7(3) and Note V.19(f) for the relevant information.

The details of the interest income are listed as follows:

Item	2019	2018
Cash and cash equivalents	48,472,236.51	30,182,226.56
Long-term receivables	1,731,571.08	1,794,965.49
Other receivables	644,706.26	49,340,684.52
Less: interest income capitalized	1,022,410.64	4,806,468.10
Total	**49,826,103.21**	**76,511,408.47**

V. Notes to the consolidated financial statements (continued)

50. Other income

Government grants related to daily activities are as follows:

Item	2019	2018	Asset / profit related
Government grants related to deferred income (Note V.38)	195,096.23	139,095.35	Asset related
Talent support funds	6,240,000.00	-	Profit related
Others	2,087,213.99	-	Profit related
Total	**8,522,310.22**	**139,095.35**	

51. Investment income

Item	2019	2018
Investment income from long-term equity investments in associates under the equity method (Note V.14)	899,684,300.39	520,956,388.49
Investment income from financial products	1,441,847.76	5,642,543.29
Investment income from non-current financial assets	30,125,114.78	6,859,719.35
Investment gain/(loss) from foreign exchange swap (Note V.2)	26,860,000.00	-49,740,000.00
Investment income from disposal of subsidiaries (Note VI.3)	262,207,206.28	71,875,733.02
Realized income from downstream trading (a) (Note V.14(1))	22,091,980.80	-
Unrealized income from downstream trading	261,586.84	-
Total	**1,242,672,036.85**	**555,594,384.15**

(a) The Group's consolidated level offsets the asset disposal income of the shareholding part from compensation for office building property of Meiguan company by United Land in 2018, during the year, the income from United Land Company construction project was realized, and the Group’s realized profit of RMB22,091,980.80 according to the proportion of the sold properties of United Land Company.

52. Gains or losses from changes in fair value

Item	2019	2018
Financial assets measured at fair value through profit or loss	55,086,510.00	134,403,871.30
Including: Derivative financial instruments (Note V.2)	17,586,250.00	116,475,051.30
Including: Financial assets designated to be measured at fair value through profit or loss (Note V.13)	37,500,260.00	17,928,820.00
Gains from adjustment of Shuiguan Expressway’s acquisition contingent consideration (Note III.34(6))	26,000,000.00	-
Total	**81,086,510.00**	**134,403,871.30**

53. Asset impairment loss

Item	2019	2018
Impariment of Shuiguan Expressway (Note V.23(a))	552,000,000.00	-
Total	**552,000,000.00**	**-**

V. Notes to the consolidated financial statements (continued)

54. Gains or losses on disposal of assets

Item	2019	2018
Compensation for toll adjustment of Yanba, Yanpai and Nanguang ("Three Expressways") (Note V.39)	-	1,961,413,854.90
Compensation for land expropriation loss on Meiguan Expressway	-	225,087,871.50
Compensation for Yanba Road housing demolition	-	22,295,210.06
Gain and loss on disposal of the property of Hubei Magerk Expressway Management Co., LTD	-	11,558,170.10
Disposal of the right of using the land of Meiguan	-	7,620,000.00
Others	386,045.39	-848,727.38
Total	**386,045.39**	**2,227,126,379.18**

55. Non-operating income

Item	2019	2018	Amount recorded as non-recurring profit or loss for the year ended 31 December 2019
Government grants not related to daily activities (a)	3,246,706.07	8,116,655.45	3,246,706.07
Others	9,153,971.77	9,315,735.44	9,153,971.77
Total	**12,400,677.84**	**17,432,390.89**	**12,400,677.84**

(a) Government grants not related to daily activities are as follows:

Item	2019	2018	Asset / profit related
Government incentives (i)	499,717.19	5,369,666.57	Profit related
Government grants related to deferred income (ii)	2,746,988.88	2,746,988.88	Asset related
Total	**3,246,706.07**	**8,116,655.45**	/

(i) The government incentive fund is mainly a preferential incentive fund of RMB400,000.00 received by Nanjing wind power Company and the stable post subsidies by each subsidiary.

(ii) In 2010, 2011 and 2014, Qinglong Company received the compensation for land expropriation from Longgang District of Shenzhen, and the deferred amortization income of RMB2,746,988.88 was included in the non-operating income for the year. Refer to Note V.38 for details.

56. Non-operating expenses

Item	2019	2018	Amount recognized in non-recurring profit or loss for the year ended 31 December 2019
The loss on damage or scrap of non-current assets	8,576,427.18	2,787,962.43	8,576,427.18
Donation	1,016,000.00	1,041,400.00	1,016,000.00
Others	2,632,310.21	1,010,780.95	2,632,310.21
Total	**12,224,737.39**	**4,840,143.38**	**12,224,737.39**

V. Notes to the consolidated financial statements (continued)

57. Expenses by nature

Costs of services, selling expenses, general and administrative expenses, research and development expenses in income statement are analyzed by nature as follows:

Item	2019	2018
Depreciation and amortization	1,547,151,172.63	1,644,408,248.39
Salaries and wages	798,906,022.57	646,830,799.86
Fan material costs	395,550,875.16	-
Real estate development costs	255,161,517.06	173,577,128.71
Costs of construction management services	233,952,570.62	147,034,046.65
Road maintenance expenses	233,292,013.93	74,761,877.13
Entrusted management expenses for Wuhuang Expressway	107,382,395.19	100,278,107.75
Material, water and electrical costs	52,852,530.40	53,093,044.18
Mechanical and electrical costs	40,405,344.58	45,737,150.56
Costs of agencies	36,957,500.53	18,300,340.05
Integrated tolls settlement service expenses	24,567,690.68	17,460,709.44
Promotion and marketing expenses	7,742,026.05	8,603,499.74
Other expenses	162,128,534.97	157,189,240.27
Total	**3,896,050,194.37**	**3,087,274,192.73**

58. Income tax expense

(1) Classification of income tax expense

Item	2019	2018
Income tax expense	617,801,743.24	1,129,749,372.17
Deferred income tax	-710,051,241.20	-163,302,388.10
Total	**-92,249,497.96**	**966,446,984.07**

(2) Income tax expense reconciled from profit before tax

Item	2019	2018
Profit before tax	2,444,233,723.81	4,545,177,566.55
Income tax expense calculated at the applicable tax rate	611,058,430.95	1,137,255,514.54
Impact of applying different tax rates to subsidiaries	-16,274,150.81	-
Effect of withholding tax on distributable profits of the Group's PRC subsidiaries	1,650,136.16	3,361,116.38
Income not subject to tax	-238,040,745.70	-187,693,956.92
Unrecognized tax losses during the year	17,749,348.38	24,815,541.97
Use of unrecognized tax losses in previous years	-3,200,554.91	-11,363,307.35
Coastal Company reconfirmed the effects of unrecognized deductible losses and deductible temporary differences in previous years	-473,765,943.45	-
Adjustment of income tax in the prior year	6,657,216.86	-1,478,423.34
Expenses not deductible for tax purposes	1,916,764.56	1,550,498.79
Income tax expense calculated based on the effective tax rate of the Group	**-92,249,497.96**	**966,446,984.07**

V. Notes to the consolidated financial statements (continued)

59. Notes to the consolidated statement of cash flows

(1) Cash received relating to other operating activities

Item	2019	2018
Received operating management fees	41,339,763.77	-
Received highway engineering and maintenance related payments	23,865,794.00	-
Received the engineering and management costs of the expressway comprehensive maintenance project	3,864,516.75	-
Collected the rent of the site of Shenzhen Branch of China Tower Corporation	2,555,018.52	-
Received Talent Fund from Longhua Finance Bureau	2,400,000.00	
Received insurance claims transferred from PICC	1,875,098.25	-
Received advance payment for CLP's traffic violation and accident detection projects	1,339,282.48	-
Compensation for delayed opening of new stations for three highways	-	31,973,506.85
Received information service fees	-	8,120,407.21
Received deposit of Expressway Quality Improvement Program	-	7,200,000.00
Received compensation refund for toll adjustment of Meiguan Expressway	-	7,112,414.02
Received rent expenses of service zones from China National Petroleum Gas Corporation	-	2,935,500.00
Received deposit returned for 2017 A share interest distribution	-	2,000,000.00
Received bidding deposit for Landslide Reinforcement Program	-	2,000,000.00
Others	60,915,397.50	41,072,355.71
Total	**138,154,871.27**	**102,414,183.79**

(2) Cash paid relating to other operating activities

Item	2019	2018
Payment of advances for commissioned construction projects	278,250,815.20	120,647,391.60
Paid deposit	153,244,093.77	-
Constrution management expenses	72,661,999.42	153,444,440.55
Payment for acquisition of land use right	63,490,930.00	117,714,000.00
Refund of compensation for Meiguan Expressway toll adjustment project	33,227,515.27	-
Intermediary service fees paid	30,841,700.27	18,783,570.14
Payment for further development of land	-	232,320,968.32
Other operating expenses paid	65,736,562.82	63,636,599.75
Total	**697,453,616.75**	**706,546,970.36**

V. Notes to the consolidated financial statements (continued)

59. Notes to the consolidated statement of cash flows (continued)

(3) Cash received from disposal of subsidiaries and other business units

Item	2019	2018
Received the transfer of equity and debts from Hengfengxin, Henghongda, Yehengda, and Shengbo (Notes VI 3)	567,000,000.00	-
Cash received for the equity transfer of Guizhou Yuelong Investment Co. LTD (Yuelong Company)	-	180,800,000.00
Shareholder advance returned by Yuelong Company	-	20,430.08
Total	**567,000,000.00**	**180,820,430.08**

(4) Cash received relating to other investment activities

Item	2019	2018
Maturity redemption of financial products	300,000,000.00	1,000,000,000.00
Received interest income of bank deposits	39,002,229.97	20,670,801.52
Received money of disposal of financial assets(Note.V.2)	26,860,000.00	-
Received shareholder loan interest income from United Land	20,742,909.45	52,899,158.22
Received liquidated damages from Guizhou Xinhelifu Real Estate Development Co., Ltd.	20,412,000.00	-
Cash inflow from Nanjing Wind Power acquisition	2,368,672.22	-
Cash inflows from the acquisition of Baotou Nanfeng	402,592.22	-
Received interest of Three Expressways compensation	-	20,452,109.59
Received fund for equity bid intention	-	20,000,000.00
Returned foreign exchange swap deposit	-	8,011,738.60
Total	**409,788,403.86**	**1,122,033,807.93**

V. Notes to the consolidated financial statements (continued)

59. Notes to the consolidated statement of cash flows (continued)

(5) Cash paid relating to other investment activities

Item	2019	2018
Paid taxes and fees related to the three highways	929,832,118.97	-
Nanjing Wind Power equity purchase	210,000,000.00	-
Purchased financial products	100,000,000.00	1,200,000,000.00
Refund of 810 Mu Land Rights Transfer Deposit from Guizhou Xinhe Lifu Real Estate Development Co., Ltd.	20,000,000.00	-
Losses from settlement of the dollar bonds	-	49,740,000.00
Deposit paid for foreign exchange swap	-	8,000,000.00
Others	-	482,104.60
Total	**1,259,832,118.97**	**1,258,222,104.60**

(6) Cash received relating to other financing activities

Item	2019	2018
Received loans from United Land shareholders	1,896,790,000.00	-
Sale and leaseback financing received (Note V. 34 (a))	673,000,000.00	-
Total	**2,569,790,000.00**	**-**

(7) Cash paid relating to other financing activities

Item	2019	2018
Repayment of equipment for a finance lease company	1,424,271,632.23	-
Repayment of the minority shareholder Jiangsu Jinzhi loan	172,000,000.00	-
Paid advances to the minority shareholder of a subsidiary	33,214,845.87	52,823,756.08
Pay the principal and interest of the sale and leaseback financing (Notes XIII.2)	26,022,898.75	-
Repayment of principal and interest on lease liabilities	20,561,750.92	-
Commission fee for issuing shares and bonds	400,000.00	767,040.00
Swap settlement differences of dollar loans	-	22,392,000.00
Others	831,060.16	5,504,665.41
Total	**1,677,302,187.93**	**81,487,461.49**

V. Notes to the consolidated financial statements (continued)

60. Assets with ownership or use right restricted

Item	2019	2018	Reason for restriction
Operating right of Qinglian Expressway	6,449,325,178.71	6,748,322,028.50	Note 1
Operating right of Yichang Expressway	-	2,889,552,387.26	Note 2
Operating right of Outer Ring Expressway	3,409,706,840.88	1,947,057,863.50	Note 3
Operating right of Coastal Expressway	6,154,511,908.42	6,173,378,443.67	Note 4
The equity interest in Meiguan Company	522,176,501.47	523,973,642.55	Note 5
45% shares in JEL	242,264,078.87	275,862,743.30	Note 6
Baotou Nanfeng Damaoqi Wind Power Equipment	1,359,289,012.09	-	Note 7
Baotou Nanfeng Damaoqi Land Use Right	18,912,756.63	-	Note 7
Cash at banks and on hand	1,801,295,060.23	1,645,847,754.50	Note 8
Total	**19,957,481,337.30**	**20,203,994,863.28**	**/**

Note 1: On 31 December 2019, the operating right of Qinglian Expressway with a net carrying amount of RMB6,449,325,178.71 (31 December 2018: RMB6,748,322,028.50) was pledged to secure long-term bank loans granted to the Group. The pledged term will end on 17 July 2024. The loans balance was RMB1,634,224,000.00 on 31 December 2019.

Note 2: The operation right of Yichang Expressway was pledged by the wholly-owned subsidiary Yichang Company to secure bank loans and the proportion of the operation right pledged was estimated according to the loan quota granted by each bank. On 31 December 2018, the balance of loans amounted to RMB4,400,000.00 and the proportion of the operation right pledged was 10%. The loan was paid off on 18 January 2019 and the pledge was relieved.

Note 3: On 31 December 2019, the operating right of Outer Ring Expressway with a net carrying amount of RMB3,409,706,840.88 (31 December 2018: RMB1,947,057,863.50) was pledged to secure long-term bank loans granted to the Group. The pledged term will end on 14 March 2042. The loans balance was RMB3,510,872,611.98 on 31 December 2019.

Note 4: On 31 December 2019, the operating right of Coastal Expressway with a net carrying amount of RMB6,154,511,908.42 (31 December 2018: RMB6,173,378,443.67) was pledged to secure long-term bank loans granted to the Group. The pledged term will end on 9 November 2033. The loans balance was RMB3,518,158,867.55 on 31 December 2019.

Note 5: On 31 December 2019, the 100% equity of Meiguan Company with a net carrying amount of RMB522,176,501.47 (31 December 2018: RMB523,973,642.55) was pledged to secure long-term bonds granted to the Group. The pledged term will end on 31 July 2022.

Note 6: On 31 December 2019, the 45% equity of JEL Company with a net carrying amount of RMB242,264,078.87 (31 December 2018: RMB275,862,743.30) was pledged to secure short-term bank loan granted to the Group. The pledged term will end on 2 December 2020. The balance was HKD50,000,000.00 on 31 December 2019.

Note 7: On 31 December 2019, Baotou Nanfeng Damaoqi Wind Power equipment with a net carrying amount of RMB1,359,289,012.09, Baotou Nanfeng Damaoqi land-use right with a net carrying amount of RMB18,912,756.63 and 100% equity of Damaoqi Ningyuan, Damaoqi Ningxiang, Damaoqi Nanchuan and Damaoqi Ningfeng were pledged and mortgaged to sale-leaseback from Three Gorges Financial Leasing Co., Ltd to the Group. The pledged term will end on 23 October 2021. The balance was RMB660,027,912.26 on 31 December 2019

V. Notes to the consolidated financial statements (continued)

60. Assets with ownership or use right restricted (continued)

Note 8: On 31 December 2019, cash and cash equivalents with a net carrying amount of RMB1,801,295,060.23 (31 December 2018: RMB1,645,847,754.50) were restricted project funds retained for construction management. Please refer to Note V.1.

61. Supplementary information to the consolidated statement of cash flows

(1) Supplementary information to the consolidated statement of cash flows

Supplementary information	2019	2018
1. Reconciliation from net profit to cash flows from operating activities:		
Net profit	2,536,483,221.77	3,578,730,582.48
Depreciation of fixed assets	144,840,348.23	158,299,103.52
Right-of-use asset depreciation	40,875,915.53	-
Amortization of investment properties	575,942.40	575,841.40
Amortization of intangible assets	1,356,520,979.27	1,483,507,986.65
Amortization of long-term prepaid expenses	4,337,987.20	2,025,316.82
Losses from disposal of fixed, intangible and other long-term assets (profit is shown with“-”)	-386,045.39	-2,227,126,379.18
Losses from damage and scrap of non-current assets	8,576,427.18	2,787,962.43
Losses from change in fair value (profit is shown with“-”)	-81,086,510.00	-134,403,871.30
Financial expenses	572,938,059.38	1,055,006,036.68
Investment income	-1,242,672,036.85	-555,594,384.15
Asset impairment loss	552,000,000.00	-
Credit losses (reversal is shown with“-”)	-1,129,098.22	-235,884.16
Decrease in deferred income tax assets (increase is shown with“-”)	-426,800,493.44	-34,373,291.63
Increase in deferred income tax liabilities (decrease is shown with“-”)	-283,250,747.76	-128,929,096.47
Decrease in inventories (increase is shown with“-”)	-134,343,964.59	10,579,274.57
Decrease in operating receivables (increase is shown with“-”)	-807,413,283.50	-864,974,421.15
Increase in operating payables (decrease is shown with“-”)	-488,638,026.14	876,353,806.11
Net cash flows from operating activities	1,751,428,675.07	3,222,228,582.62

Supplementary information	2019	2018
2. Net change in cash and cash equivalents		
Cash at the end of the year	2,931,823,341.57	2,580,843,329.57
Less: Cash at the beginning of the year	2,580,843,329.57	1,884,570,222.49
Net increase in cash and cash equivalents	350,980,012.00	696,273,107.08

V. Notes to the consolidated financial statements (continued)

61. Supplementary information to the consolidated statement of cash flows (continued)

(2) Cash and cash equivalents

Item	2019	2018
Cash		
Including: Cash on hand	10,439,104.00	10,969,104.99
Cash at banks	2,921,384,237.57	2,569,874,224.58
Cash and cash equivalents at the end of the year	2,931,823,341.57	2,580,843,329.57
Including: Restricted cash held by subsidiaries of the Company and the Group (Note V.1)	1,801,295,060.23	1,645,847,754.50
Total cash at banks and on hand	4,733,118,401.80	4,226,691,084.07

V. Notes to the consolidated financial statements (continued)

62. Monetary items denominated in foreign currency

(1) Monetary items denominated in foreign currency

	2019			2018		
Item	Original amount	Exchange rate	Equivalent to RMB	Original amount	Exchange rate	Equivalent to RMB
Monetary capital						
HKD	6,919,466.36	0.8958	6,198,457.97	3,862,558.29	0.8762	3,384,373.58
USD	2,242.72	6.9762	15,645.66	2,241.68	6.8632	15,385.09
EUR	12.00	7.8155	93.79	1.53	7.8473	12.00
FRF	11.70	7.2028	84.27	11.70	6.9494	81.31
ESP	445.96	0.0468	20.87	445.96	0.0468	20.88
JPY	380.00	0.0641	24.35	380.05	0.0619	23.52
Other receivables						
HKD	1,239,013.80	0.8958	1,109,908.56	1,239,014.15	0.8762	1,085,624.20
Short-term borrowings						
HKD	50,129,062.32	0.8958	44,905,614.03	134,016,000.00	0.8762	117,424,819.20
Employee benefits payable						
HKD	414,400.00	0.8958	371,219.52	545,196.50	0.8762	477,701.17
Other payables						
HKD	54,855.00	0.8958	49,139.11	402,486.34	0.8762	352,658.53
USD	-	6.9762	-	3,905,208.33	6.8632	26,802,225.81
Bond payable						
USD	298,433,074.79	6.9762	2,081,928,816.33	297,374,692.88	6.8632	2,040,941,992.20
Current portion of non-current liabilities						
USD	3,905,208.33	6.9762	27,243,514.35	-	6.8632	-
Lease liabilities						
HKD	6,344,321.19	0.8958	5,683,242.92	-	0.8762	-

V. Notes to the consolidated financial statements (continued)

63. Others

(1) Earnings per share

(a) Basic earnings per share

Basic earnings per share is calculated by dividing the consolidated net profit attributable to ordinary shareholders of the Company by the weighted average number of ordinary shares outstanding:

Item	2019	2018
Consolidated net profit attributable to ordinary shareholders of the Company	2,499,484,975.75	3,440,050,607.33
Weighted average number of ordinary shares outstanding	2,180,770,326.00	2,180,770,326.00
Basic earnings per share	1.146	1.577
Including: Basic earnings per share from continuing operations	1.146	1.577

(b) Diluted earnings per share

Diluted earnings per share is calculated by dividing the net profit attributable to ordinary shareholders of the Company adjusted based on the dilutive potential ordinary shares by the adjusted weighted average number of ordinary shares outstanding. As there were no dilutive potential ordinary shares in the year ended 31 December 2019, diluted earnings per share was equal to basic earnings per share.

VI. Change in consolidation

1. Business combination not under common control

(1) Business combination not under common control in the period

Purchased company	Share acquisition date	Cost of acquisition	Shareholding percentage (%)	Obtaining method	Obtaining date	Obtaining date determination
Nanjing Wind Power and its subsidiaries	8 April 2019	510,000,000.00	51%	(a)	8 April 2019	Equity transfer procedures completed
Baotou Nanfeng and its subsidiaries	17 September 2019	0.67	67%	（b）	17 September 2019	Equity transfer procedures completed

(a) On 15 March 2019, Environmental Company (a subsidiary of the Company), and Nanjing Abexin Investment Management Co., Ltd., Jiangyin Construction Engineering Group Co., Ltd., Pan Aihua, Wang Anzheng and the others (original shareholder of Nanjing Wind Power), entered into an Acquisition Agreement to acquire a 30% equity interest in Nanjing Wind Power at a consideration of RMB210,000,000.00, and make a one-way contribution of RMB300,000,000.00 into Nanjing Wind Power after completion of the acquisition. Upon completion of acquisition and capital increase procedures, Environmental Company shall hold a 51% equity interest in Nanjing Wind Power. The equity acquisition was completed on 8 April 2019.

(b) On 12 September 2019, the Company and Jiangsu Jin Zhi Group Co., LTD. (" Jiangsu Jin Zhi ") entered into an Acquisition Agreement to acquire a 100% equity interest in Baotou Nanfeng Wind Power at a consideration of RMB1.00, with Nanjing Ning Wind Energy Technology Co., LTD., which was the original shareholder of Baotou Nanfeng. The Company and Jiangsu Jin Zhi paid RMB0.67 and RMB0.33, respectively. After the completion of the transaction under the equity merger and acquisition agreement, the Company shall hold a 67% equity interest in Baotou Nanfeng. The equity acquisition was completed on 17 September 2019.

VI. Change in consolidation(continued)

1. Business combination not under common control (continued)

(1) Business combination not under common control in the period (continued)

Identifiable assets and liabilities of the acquirees acquired on the obtaining date are listed below:

	Nanjing Wind Power		Baotou Nanfeng	
	8 April 2019	8 April 2019	17 September 2019	17 September 2019
	Fair value	Book value	Fair value	Book value
Assets:	**1,019,299,950.96**	**946,989,250.96**	**1,963,525,855.89**	**1,927,264,775.98**
Cash at banks and on hand	302,368,672.22	302,368,672.22	402,592.89	402,592.89
Bills receivable	700,000.00	700,000.00	3,093,200.00	3,093,200.00
Accounts receivable	114,412,278.84	114,412,278.84	8,539,341.81	8,539,341.81
Advances	14,331,951.66	14,331,951.66	356,787.14	356,787.14
Other receivable	307,911,179.45	307,911,179.45	235,930.57	235,930.57
Inventories	44,876,144.85	44,876,144.85	-	-
Contract assets	134,665,850.00	134,665,850.00	-	-
Other current assets	13,396,234.65	13,396,234.65	62,801,404.81	62,801,404.81
Long-term receivables	-	-	163,261,168.36	163,261,168.36
Fixed assets	3,633,298.65	3,633,298.65	344,240,376.05	334,101,181.97
Intangible assets	82,461,606.14	10,150,906.14	52,741,993.14	48,218,209.94
Right-of-use assets	-	-	1,327,853,061.12	1,306,254,958.49
Long-term prepaid expenses	542,734.50	542,734.50	-	-
Liabilities:	**325,260,294.57**	**314,413,689.57**	**1,963,525,854.89**	**1,954,460,584.91**
Short-term borrowings	-	-	172,000,000.00	172,000,000.00
Bills payable	12,164,846.53	12,164,846.53	-	-
Accounts payable	173,134,220.03	173,134,220.03	306,508,362.12	306,508,362.12
Contract liabilities	3,278,940.00	3,278,940.00	-	-
Employee benefits payable	282,252.37	282,252.37	27,302.68	27,302.68
Taxes payable	-	-	247,604.50	247,604.50
Other payables	117,383,921.56	117,383,921.56	147,824,254.49	147,824,254.49
Provision	8,169,509.08	8,169,509.08	-	-
Deferred tax liabilities	10,846,605.00	-	9,065,269.98	-
Current portion of non-current liabilities	-	-	409,698,448.01	409,698,448.01
Lease liabilities	-	-	918,154,613.11	918,154,613.11
Net assets	694,039,656.39	632,575,561.39	1.00	-27,195,808.93
Less: Minority interests	340,079,431.63		0.33	
Acquired net assets	353,960,224.76		0.67	
Goodwill on acquisition	156,039,775.24	/	-	/
Considerations	510,000,000.00	/	0.67	/

VI. Change in consolidation (continued)

1. Business combination not under common control (continued)

(1) Business combination not under common control in the period (continued)

Reasons for the large amounts of goodwill:

Established in Nanjing, Jiangsu Province in 2011, Nanjing Wind Power is a high-tech enterprise specializing in renewable, new energy wind power generation. The company's main business is the development, integration, manufacturing, installation, sale and maintenance of wind power systems. And Investment operations of wind farms. Nanjing Wind Power has independent research and development capabilities. It has the experience and capability of wind farm development, construction and operation management. The company's business development has a good market prospect. Clean energy is an emerging field in the environmental protection industry and it is the development direction of new industries identified in the Group's development strategy. After obtaining the controlling interest of Nanjing Wind Power, the Group can take advantage of Nanjing Wind Power itself to quickly enter the new energy sector, optimize the Group's industrial structure and enhance the Group's sustainable development market competitiveness.

Operating results and cash flows of the acquirees from the date of acquisition to the end of the period are listed below:

	Nanjing Wind Power	Baotou Nanfeng Wind Power
	From 8 April to 31 December 2019	From 17 September to 30 December 2019
Revenue	511,125,563.54	87,666,895.10
Net loss	65,276,483.45	37,011,849.84
Net cash flow	355,824,923.41	16,962,523.93

2. Establishment of new company

Harbin Lingfeng New Energy Co., Ltd. was established on 28 November, 2019 in Harbin, Heilongjiang Province, with registered capital of RMB5,000,000. A subsidiary of the Group, Nanjing Wind Power, holds 100% of its equity. The company's business scope includes power-related technology development, consulting, power engineering design, and construction activities. The newly established subsidiary was included in the scope of consolidation this year.

Qing'an County Nanfeng New Energy Technology Co., Ltd. was established on 29 November, 2019 in Qing'an County, Heilongjiang Province with registered capital of RMB5,000,000.00. Nanjing Wind Power, a subsidiary of the Group, holds 100% of its equity. The company's business scope is wind power, photovoltaic power generation, new energy technology development, etc ; the newly established subsidiary was included in the scope of consolidation this year.

Wulian County Nanfeng New Energy Co., Ltd. was established on 31 July, 2019 in Wulian County, Shandong Province, with registered capital of RMB5,000,000.00. Nanjing Wind Power, a subsidiary of the Group, holds 100% equity for the period. The company's business scope includes new energy technology development and technical consulting. The newly established subsidiary was included in the scope of consolidation this year.

Wulian County Pengguang New Energy Co., Ltd. was established on 21 August, 2019 in Wulian County, Shandong Province, with registered capital of RMB2,000,000.00. A subsidiary of the Group, Nanjing Wind Power, holds 100% of its equity for the period. The company's business scope includes new energy technology development and technical consulting. The newly established subsidiary was included in the scope of consolidation this year.

Wulian County Ningxu New Energy Co., Ltd. was established on 21 August, 2019 in Wulian County, Shandong Province, with a registered capital of RMB2,000,000.00. A subsidiary of the Group, Nanjing Wind Power, holds 100% of its equity for the period. The company's business scope includes new energy technology development and technical consulting. The newly established subsidiary was included in the scope of consolidation this year.

VI. Change in consolidation (continued)

3. Disposal of subsidiaries

	Place of registration	Nature of business and principal activities	Proportion of equity attributable to the Group	Proportion of voting right attributable to the Group	Reason for deconsolidation
Guizhou Shengbo Land Company ("Guizhou Shengbo")	Longli County, Guizhou Province, PRC	Infrastructure construction	70%	70%	Note (a)
Hengfengxin Property Company Limited ("Guizhou Hengfengxin")	Longli County, Guizhou Province, PRC	Infrastructure construction	70%	70%	Note (a)
Henghongda Property Company Limited ("Guizhou Henghongda")	Longli County, Guizhou Province, PRC	Infrastructure construction	70%	70%	Note (a)
Guizhou Yehengda Company ("Guizhou Yehengda")	Longli County, Guizhou Province, PRC	Infrastructure construction	70%	70%	Note (a)

Note (a): On 23 January 2019, Guizhou Guishen Investment Development Company Limited ("Guishen Company") and Guizhou Shenzhen Expressway Land Company Limited ("Guizhou Land Company") signed an equity and obligation transfer agreement with Guizhou Xinhe Lifu Real Estate Development Company Limited ("Xinhe Lifu Company") to sell 100% equity and obligation of Guizhou Shengbo, Guizhou Hengfengxin, Guizhou Henghongda and Guizhou Yeheng with a consideration of RMB567,000,000.00. The transaction has been completed on 20 May 2019. Guishen Company and Guizhou Land Company paid the property transaction service fee including tax of RMB614,622.64. Therefore, since 20 May 2019, the Group has no longer included these Companies in the scope of consolidation. The relevant financial information of these companies is consolidated as follows:

	20 May 2019	31 December 2018
	Book value	Book value
Cash and cash equivalents	-	4,868,719.65
Inventories	304,178,171.08	296,640,634.06
Other payables	295,269,119.56	297,571,327.26
Net assets	8,909,051.52	3,938,026.45
Non-controlling interests (30%)	2,672,715.46	1,181,407.94
Net assets attributable to the Group	6,236,336.06	2,756,618.51
Losses on disposal	**262,207,206.28**	/
Attributable to the Group	183,545,044.40	/
Attributable to minority shareholders	78,662,161.88	/
Disposal consideration	**566,385,377.36**	/
Assignment of creditor's rights	295,269,119.56	/
Assignment of equity interest	271,116,257.80	/

	From 1 January to 20 May 2019
Revenue	-
costs	-
Net losses	2,640.01

VII. Interests in other entities

1. Interests in subsidiaries

(1) Particulars of the Company's subsidiaries are as follows:

Name of subsidiaries	Place of main business	Place of registration	Nature of business and principal activities	Share capital	Equity interest (%) Direct	Indirect	Acquired through
Outer Ring Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB100,000,000.00	100%	-	Incorporation
Shenzhen Expressway Investment Company Limited ("Investment Company")	Guizhou Province, PRC	Shenzhen City, Guangdong Province, PRC	Investment	RMB400,000,000.00	95%	5%	Incorporation
Guishen Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Infrastructure construction	RMB500,000,000.00	-	70%	Incorporation
Guizhou Land Company	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	RMB158,000,000.00	-	70%	Incorporation
Shenzhen Expressway Property Management Company ("Property Company")	Longli County, Guizhou Province, PRC	Shenzhen City, Guangdong Province, PRC	Property management	RMB1,000,000.00	-	100%	Incorporation
Environmental Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Environmental projects and advisory	RMB5,000,000,000.00	100%	-	Incorporation
JEL Company	Hubei Province, PRC	Cayman Islands	Investment holding	USD30,000,000.00	-	100%	Business combinations involving enterprises under common control
Hubei Magerk Expressway Management Co., LTD. ("Magerk Company")	Hubei Province, PRC	Hubei Province, PRC	Toll road operation	USD28,000,000.00	-	100%	Business combinations involving enterprises under common control
Qinglian Company(b)	Qingyuan City, Guangdong Province, PRC	Qingyuan City, Guangdong Province, PRC	Toll road operation	RMB3,361,000,000.00	51.37%	25%	Business combinations involving enterprises not under common control
Shenzhen Expressway Advertising Company ("Advertising Company")	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Advertising agency	RMB30,000,000.00	95%	5%	Business combinations involving enterprises not under common control
Meiguan Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB332,400,000.00	100%	-	Business combinations involving enterprises not under common control
Mei Wah Company	Hubei Province and Guangdong Province, PRC	Hong Kong	Investment holding	RMB823,012,897.00	100%	-	Business combinations involving enterprises not under common control
Maxprofit Company	Guangdong Province, PRC	British Virgin Islands	Investment holding	USD85,360,000.00	-	100%	Business combinations involving enterprises not under common control
Airport-Heao Eastern Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB440,000,000.00	100%	-	Business combinations involving enterprises not under common control
Fameluxe Company	Hong Kong	Hong Kong	Investment holding	HKD10,000.00	-	100%	Business combinations involving enterprises not under common control
Shenzhen Expressway Operation Development Co., LTD. ("Operation Development Company")	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB30,000,000.00	95%	5%	Incorporation
Qinglong Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB324,000,000.00	40%	10%	Business combinations involving enterprises not under common control
Shenchang Company	Changsha City, Hunan Province, PRC	Changsha City, Hunan Province, PRC	Toll road operation	RMB200,000,000.00	51%	-	Business combinations involving enterprises not under common control
Yichang Company	Changde City, Hunan Province, PRC	Changde City, Hunan Province, PRC	Toll road operation	RMB345,000,000.00	100%	-	Business combinations involving enterprises not under common control
Shenzhen Expressway Construction Development Company Limited ("Construction and Development Company")	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Infrastructure construction	RMB30,000,000.00	95%	5%	Incorporation
Shenshan Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Environment protection construction	RMB500,000,000.00	51%	49%	Incorporation
Shenzhen Expressway (Guangzhou) Industrial Investment Fund Management Co., Ltd("Fund Management Company")	Guangzhou City, Guangdong Province, PRC	Guangzhou City, Guangdong Province, PRC	Capital market services	RMB10,000,000.00	95%	5%	Incorporation
Coastal Company	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Toll road operation	RMB4,600,000,000.00	100%	-	Business combination under the same control common
Guizhou Shenzhen Expressway Investment Land Company ("Guishen Expressway Investment")	Longli County, Guizhou Province, PRC	Longli County, Guizhou Province, PRC	Land development	RMB1,000,000.00	-	70%	Incorporation
Shenzhen Expressway Yijia Apartment Management Limited Company ("Shenzhen Expressway Yijia")	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Apartment rental and management	RMB10,000,000.00	-	60%	Incorporation
Guizhou Yefengrui Land Limited Company ("Yefengrui Land")	Longli County, Guizhou Province, China	Longli County, Guizhou Province, China	Land development	RMB1,000,000.00	-	70%	Incorporation
Shenzhen Expressway SUEZ Environment Limited Company ("SUEZ Environment")	Shenzhen City, Guangdong Province, PRC	Shenzhen City, Guangdong Province, PRC	Environmental technology development consultation	RMB100,000,000.00	-	51%	Incorporation
Nanjing Wind Power	Nanjing City, Jiangsu Province, PRC	Nanjing City, Jiangsu Province, PRC	Manufacturing	RMB357,142,900.00	-	51%	Business combinations not under common control
Wulatehouqi Chifeng Ningfeng Wind Power Technology	Wulatehouqi City, Inner Mongolia Province, PRC	Wulatehouqi City, Inner Mongolia Province, PRC	Manufacturing	RMB1,000,000.00	-	51%	Business combinations not under common control
Chifeng NanjingNingfeng Technology	Ongniud Bannar, Chifeng City, Inner Mongolia Province, PRC	Ongniud Bannar, Chifeng City, Inner Mongolia Province, PRC	Manufacturing	RMB2,000,000.00	-	51%	Business combinations not under common control
Baotou Jinling Wind Power Technology	Baotou City, Inner Mongolia Province, PRC	Baotou City, Inner Mongolia Province, PRC	Manufacturing	RMB20,000,000.00	-	51%	Business combinations not under common control
Xuanwei Nanfeng New Energy	Xuanwei City, Yunnan Province, PRC	Xuanwei City, Yunnan Province, PRC	Manufacturing	RMB3,000,000.00	-	51%	Incorporation
Harbin Lingfeng New Energy Co., Ltd.	Harbin City, Heilongjiang Province, PRC	Harbin City, Heilongjiang Province, PRC	Manufacturing	RMB5,000,000.00	-	51%	Incorporation
Wulian County Nanfeng New Energy Co., Ltd.	Rizhao City,Shandong Province, PRC	Rizhao City,Shandong Province, PRC	Manufacturing	RMB5,000,000.00	-	51%	Incorporation
Qing'an County Nanfeng New Energy Technology Co., Ltd.	Suihua City, Heilongjiang Province, PRC	Suihua City, Heilongjiang Province, PRC	Manufacturing	RMB5,000,000.00	-	51%	Incorporation
Wulian County Pengguang New Energy Co., Ltd.	Rizhao City,Shandong Province, PRC	Rizhao City,Shandong Province, PRC	Manufacturing	RMB2,000,000.00	-	51%	Incorporation
Wulian Ningxu New Energy Co., Ltd.	Rizhao City,Shandong Province, PRC	Rizhao City,Shandong Province, PRC	Manufacturing	RMB2,000,000.00	-	51%	Incorporation

VII. Interests in other entities (continued)

1. Interests in subsidiaries (continued)

(1) Particulars of the Company's subsidiaries are as follows: (continued)

Baotou Nanfeng(a)	Baotou City, Inner Mongolia Province, PRC	Baotou City, Inner Mongolia Province, PRC	Wind Power	RMB6,000,000.00	67%	-	Business combinations not under common control
Baotou Lingxiang New Energy Co. LTD(a)	Baotou City, Inner Mongolia Province, PRC	Baotou City, Inner Mongolia Province, PRC	Wind Power	RMB80,000,000.00	-	67%	Business combinations not under common control
Damaoqi Nanchuan Wind Power Co. LTD(a)	Baotou City, Inner Mongolia Province, PRC	Baotou City, Inner Mongolia Province, PRC	Wind Power	RMB1,000,000.00	-	67%	Business combinations not under common control
Damaoqi Ningyuan Wind Power Co. LTD(a)	Baotou City, Inner Mongolia Province, PRC	Baotou City, Inner Mongolia Province, PRC	Wind Power	RMB1,000,000.00	-	67%	Business combinations not under common control
Damaoqi Ningxiang Wind Power Co. LTD(a)	Baotou City, Inner Mongolia Province, PRC	Baotou City, Inner Mongolia Province, PRC	Wind Power	RMB1,000,000.00	-	67%	Business combinations not under common control
Damaoqi Ningfeng Wind Power Co. LTD(a)	Baotou City, Inner Mongolia Province, PRC	Baotou City, Inner Mongolia Province, PRC	Wind Power	RMB1,000,000.00	-	67%	Business combinations not under common control

(a) New consolidated subsidiary in 2019, see Note VI.1 for details

(2) Significant partly-owned subsidiaries

31 December 2019

Name of subsidiaries	Equity interest held by minority interests	Net profit attributable to minority shareholders for the year	Dividend declared by subsidiaries to the minority shareholders for the year	Shareholder investment withdrawn	New business combination	Minority interests as at 31 December 2019
Qinglian Company	23.63%	30,233,579.95	-	-	-	680,396,142.99
Guishen Company	30.00%	92,043,926.93	-	-	-	344,028,762.08
Qinglong Company	50.00%	-151,245,759.94	-150,000,000.00	-	-	796,356,226.42
Shenchang Company	49.00%	40,918,233.03	-	-33,214,845.87	-	158,424,582.87
Nanjing Wind Power	49.00%	31,985,476.89	-	-	340,079,431.63	372,064,908.52
Total	**/**	**43,935,456.86**	**-150,000,000.00**	**-33,214,845.87**	**340,079,431.63**	**2,351,270,622.88**

31 December 2018

Name of subsidiaries	Equity interest held by minority interests	Net profit attributable to minority shareholders for the year	Dividend declared by subsidiaries to the minority shareholders for the year	Shareholder investment withdrawn	New business combination	Minority interests as at 31 December 2018
Qinglian Company	23.63%	26,482,934.01	-	-	-	650,162,563.04
Guishen Company	30.00%	29,388,054.16	-1,494,904.48	-	-	251,984,835.15
Qinglong Company	50.00%	49,890,350.36	-	-92,186,499.92	-	1,097,601,986.36
Shenchang Company	49.00%	34,727,432.81	-	-	-52,823,756.08	150,721,195.71
Total	**/**	**140,488,771.34**	**-1,494,904.48**	**-92,186,499.92**	**-52,823,756.08**	**2,150,470,580.26**

(3) Main financial information of significant partly-owned subsidiaries

Name of subsidiaries	31 December 2019					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	145,272,948.91	6,717,582,286.12	6,862,855,235.03	306,424,129.32	3,680,117,647.03	3,986,541,776.35
Guishen Company	1,959,179,316.17	52,827,347.96	2,012,006,664.13	865,244,123.96	-	865,244,123.96
Qinglong Company	85,063,882.24	2,649,734,125.26	2,734,798,007.50	160,557,827.55	981,527,727.10	1,142,085,554.65
Shenchang Company	71,149,442.64	356,756,480.26	427,905,922.90	104,640,225.29	127,161.18	104,767,386.47
Nanjing Wind Power	2,061,637,929.15	93,961,656.09	2,155,599,585.24	1,372,128,875.12	24,154,570.28	1,396,283,445.40

Name of subsidiaries	31 December 2018					
	Current assets	Non-current assets	Total assets	Current liabilities	Non-current liabilities	Total liabilities
Qinglian Company	93,322,579.79	6,978,215,443.47	7,071,538,023.26	258,053,857.66	4,065,116,453.64	4,323,170,311.30
Guishen Company	1,874,469,325.70	53,138,767.22	1,927,608,092.92	1,087,658,642.52	-	1,087,658,642.52
Qinglong Company	117,154,434.51	3,527,256,810.02	3,644,411,244.53	266,045,115.23	1,183,162,156.57	1,449,207,271.80
Shenchang Company	43,631,081.10	300,557,640.04	344,188,721.14	36,771,383.02	-	36,771,383.02

VII. Interests in other entities (continued)

1. Interests in subsidiaries (continued)

(3) Main financial information of significant partly-owned subsidiaries (continued)

Name of subsidiaries	For the year ended 31 December 2019 Revenue	Net (loss)/profit	Total comprehensive income	Net cash flows from operating activities
Qinglian Company	840,343,568.52	127,945,746.72	127,945,746.72	640,086,081.16
Guishen Company	680,655,214.65	306,813,089.77	306,813,089.77	-411,319,538.50
Qinglong Company	658,484,578.21	-302,491,519.88	-302,491,519.88	381,510,016.71
Shenchang Company	165,556,111.94	83,506,598.03	83,506,598.03	116,565,862.20
Nanjing Wind Power (a)	511,125,563.54	65,276,483.45	65,276,483.45	-329,781,805.07

Name of subsidiaries	For the year ended 31 December 2018 Revenue	Net (loss)/profit	Total comprehensive income	Net cash flows from operating activities
Qinglian Company	764,016,571.34	112,073,355.95	112,073,355.95	591,354,427.23
Guishen Company	411,902,608.75	97,959,760.00	97,959,760.00	254,086,763.35
Qinglong Company	641,636,907.04	99,780,700.72	99,780,700.72	462,116,780.65
Shenchang Company	145,021,623.54	70,872,311.86	70,872,311.86	95,248,934.51

(a) As Nanjing Wind Power became the Company's subsidiary on 8 April 2019, the financial information only includes the data from 8 April 2019 to 31 December 2019.

(4) Substantial restriction to the usage of assets or the settlement of liabilities of the Group

As at 31 December 2019, there was no substantial restriction which prohibited the usage of assets or the settlement of liabilities of the Group (31 December 2018: Nil).

2. Interests in associates

Particulars of the Company's associates are as follows:

	Place of incorporation	Place of registration	Principal activities	Issued capital (RMB)	Percentage of shares held by the Company (%) Direct	Indirect	Accounting method
Consulting Company	Shenzhen City, Guangdong Province, China	Shenzhen City, Guangdong Province, China	Engineering consulting service	18,750,000.00	24	-	Equity method
Huayu Company	Shenzhen City, Guangdong Province, China	Shenzhen City, Guangdong Province, China	Toll road operation	150,000,000.00	40	-	Equity method
Jiangzhong Company	Guangdong Province, China	Guangzhou City, Guangdong Province, China	Toll road operation	1,110,000,000.00	25	-	Equity method
Nanjing Third Bridge Company	Nanjing City, Jiangsu Province, China	Nanjing City, Jiangsu Province, China	Toll road operation	1,080,000,000.00	25	-	Equity method
Yangmao Company	Guangdong Province, China	Guangzhou City, Guangdong Province, China	Toll road operation	200,000,000.00	25	-	Equity method
GZ W2 Company	Guangzhou City, Guangdong Province, China	Guangzhou City, Guangdong Province, China	Toll road operation	1,000,000,000.00	25	-	Equity method
Guangyun Company	Guangdong Province, China	Yunfu City, Guangdong Province, China	Toll road operation	10,000,000.00	30	-	Equity method
Guizhou Hengtongli	Longli County, Guizhou Province, China	Longli County, Guizhou Province, China	Real estate development	52,229,945.55	-	49	Equity method
United Land	Shenzhen City, Guangdong Province, China	Shenzhen City, Guangdong Province, China	Real estate development	714,285,714.29	34.30	-	Equity method
Bank of Guizhou(a)	Guiyang City, Guizhou Province, China	Guiyang City, Guizhou Province, China	Financial service	14,588,046,744.00	2.92	0.52	Equity method
Derun Environment	Chongqing City, China	Chongqing City, China	Environment improvement and resources recovery	1,000,000,000.00	-	20	Equity method

(a) The Group appoints a director to the board of directors of the Bank of Guizhou, which has a significant impact on its operating and financial decisions.

VII. Interests in other entities (continued)

2. Interests in associates (continued)

(1) Financial information of a material associate

The Group's important associates include Derun Environment and United Land Company, which are accounted for using the equity method. The following table lists the financial information of the above important associates. These financial information adjusted all accounting policy differences and adjusted to the carrying amount of this financial statement:

2019

	Derun Environment (Notes 1)	United Land (Note 2)
Current assets	8,774,191,466.35	12,144,640,551.27
Of which: cash and cash equivalents	3,814,983,093.60	1,185,142,641.81
Non-current assets	29,572,544,964.32	389,179.64
Total assets	38,346,736,430.67	12,145,029,730.91
Current liabilities	8,366,837,442.13	5,401,949,479.48
Non-current liabilities	8,416,187,469.53	2,332,000,000.00
Total liabilities	16,783,024,911.66	7,733,949,479.48
Non-controlling interest	9,972,920,906.84	-
Equity attributable to owners of the parent	11,590,790,612.17	4,411,080,251.43
Net assets shared by proportion of equity holding	2,318,158,122.43	1,513,000,526.25
Adjustment items	2,206,898,136.52	-121,430,719.95
Goodwill	1,462,953,999.22	
Premium of appraisal on non-current assets	743,944,137.30	-
Unrealized profits from internal transactions	-	-121,430,719.95-
Book value of the equity investment	4,525,056,258.95	1,391,569,806.30
Revenue	10,021,925,093.24	4,067,148,180.06
Income tax expense	216,356,467.47	337,026,750.48
Net profit/(loss)	2,248,369,209.90	1,034,606,269.51
Net profit/(loss) attributable to owners of the parent (Note 1)	1,157,182,155.33	1,034,606,269.51
Other comprehensive income	304,234,732.73	-
Post-tax other comprehensive income attributable to owners of the parent	152,231,454.39	-
Total comprehensive income	2,552,603,942.63	1,034,606,269.51
Dividend received	116,000,000.00	

VII. Interests in other entities (continued)

2. Interests in associates (continued)

(1) Financial information of a material associate (continued)

2018

	Derun Environment	United Land
Current assets	9,242,290,347.80	7,803,774,943.70
Non-current assets	23,770,923,185.35	30,219,515.40
Total assets	33,013,213,533.15	7,833,994,459.10
Current liabilities	6,615,202,263.71	3,057,520,477.18
Non-current liabilities	6,691,348,460.44	1,400,000,000.00
Total liabilities	13,306,550,724.15	4,457,520,477.18
Non-controlling interest	9,081,990,816.99	-
Equity attributable to owners of the parent	10,624,671,992.01	3,376,473,981.92
Net assets shared by proportion of equity holding	2,124,934,398.40	1,158,130,575.80
Adjustment items	2,286,638,704.16	-143,522,700.75
Goodwill	1,462,953,999.22	-
Premium of appraisal on non-current assets	840,014,704.94	-
Differences on accounting policies	-16,330,000.00	-
Unrealized profits from internal transactions	-	-143,522,700.75
Book value of the equity investment	4,411,573,102.56	1,014,607,875.05
Revenue	8,616,218,232.10	-
Income tax expense	212,974,859.70	-
Net profit/(loss)	1,943,814,517.84	-13,637,069.17
Net profit/(loss) attributable to owners of the parent (Note 1)	1,020,708,167.89	-13,637,069.17
Other comprehensive income	-7,864,122.06	-
Post-tax other comprehensive income attributable to owners of the parent	-3,935,010.08	-
Total comprehensive income	1,936,425,095.43	-13,637,069.17
Dividend received	146,400,000.00	-

Note 1: The Group shares the net profit attributable to shareholders of the parent company of Derun Environment in the proportion of 20%, and after deducting the premium of RMB41,796,243.24 for amortization of premiums for the year, the Group recognizes the investment income of RMB193,467,531.92 for Derun Environment. The Group shared the net after-tax of RMB34,331,355.67 of other comprehensive income attributable to the shareholders of the parent company of Derun Environment in accordance with the 20% shareholding, and confirmed that the capital reserve of Derun Environment was RMB1,684,268.80. See details in Note V.14.

Note 2: The Group shares the net profit attributable to the shareholders of United Land in accordance with the 34.3% shareholding ratio. This year, it recognized the investment income of United Land for RMB354,869,950.44, and at the same time transferred back the realized profit portion of RMB22,091,980.80 in accordance with the proportion of properties sold by United Land. For details, please refer to Note V.14.

VII. Interests in other entities (continued)

2. Interests in joint ventures or associates (continued)

(2) Main financial information of associates that are not material

	2019	2018
Associates:		
Total book value of investment	2,789,663,276.48	2,432,927,520.00
Sub-total amount of the following items calculated in the Group's equity proportion in associates:		
- Net profit	351,346,818.03	364,561,010.10
- Other comprehensive income	-1,175,383.96	8,375,513.47
- Total comprehensive income	350,171,434.07	372,936,523.57
- Movement of capital reserve	-	15,082,210.98

Except for the important associates listed in (1), during the current year, the directors of the Company considered that the Group has no material joint ventures or associates (2018: the same) as the investment income/ (loss) from associates did not exceed 10% of the Group's total profit for the respective period and, the net book value of long-term equity investments from joint ventures and associates did not exceed 5% of the total net assets of the Group.

(3) Explanation to substantial restriction on transferring funds between the Group and associates

As at 31 December 2019, there was no substantial restriction on transferring funds between the Group and associates (31 December 2018: Nil).

VIII. Financial instruments and risks

1. Financial instruments by category

2019

Financial assets

	Financial assets at fair value through profit or loss		Measured at amortized cost	Total
	Required by standard	Appointed		
Cash	-	-	4,733,118,401.80	**4,733,118,401.80**
Transactional financial liabilities	62,689,444.00	-	-	**62,689,444.00**
Notes receivable	-	-	9,895,060.34	**9,895,060.34**
Accounts receivable	-	-	722,266,920.82	**722,266,920.82**
Contract assets	-	-	450,892,553.87	**450,892,553.87**
Other receivables	-	-	374,186,451.62	**374,186,451.62**
Current portion of non-current assets	-	-	22,548,751.19	**22,548,751.19**
Long-term receivables	-	-	339,110,117.99	**339,110,117.99**
Other non-current financial assets	-	217,939,080.00	-	**217,939,080.00**

Financial liabilities

	Measured at amortized cost	Total
Short-term borrowings	361,456,200.24	**361,456,200.24**
Notes payable	131,749,731.69	**131,749,731.69**
Accounts payable	970,759,025.09	**970,759,025.09**
Other payables	3,015,875,682.79	**3,015,875,682.79**
Long-term payable	2,217,015,191.85	**2,217,015,191.85**
Current portion of non-current liabilities	376,731,942.59	**376,731,942.59**
Long-term borrowings	9,031,815,479.53	**9,031,815,479.53**
Bonds payable	4,676,256,207.56	**4,676,256,207.56**
Lease liabilities	118,269,744.66	**118,269,744.66**

VIII. Financial instruments and risks (continued)

1. Financial Instruments by category (continued)

2018

Financial assets

	Financial assets at fair value through profit or loss		Measured at amortized cost	**Total**
	Required by standard	Appointed		
Cash	-	-	4,226,691,084.07	**4,226,691,084.07**
Transactional financial liabilities	45,103,194.00	-	-	**45,103,194.00**
Accounts receivable	-	-	174,639,116.34	**174,639,116.34**
Contract assets	-	-	166,842,230.65	**166,842,230.65**
Other receivables	-	-	1,580,256,204.51	**1,580,256,204.51**
Current portion of non-current assets	-	-	22,548,751.19	**22,548,751.19**
Other current assets	-	-	200,000,000.00	**200,000,000.00**
Long-term receivables	-	-	160,973,492.73	**160,973,492.73**
Other non-current financial assets	-	180,438,820.00	-	**180,438,820.00**

Financial liabilities

	Measured at amortized cost	**Total**
Short-term borrowings	117,424,819.20	**117,424,819.20**
Accounts payable	714,905,820.77	**714,905,820.77**
Other payables	2,396,828,896.75	**2,396,828,896.75**
Current portion of non-current liabilities	279,574,031.57	**279,574,031.57**
Long-term borrowings	8,892,735,993.43	**8,892,735,993.43**
Bonds payable	4,632,920,008.39	**4,632,920,008.39**

VIII. Financial instruments and risks (continued)

2. Transfer of financial assets

Transferred financial assets that have been derecognised as a whole but continue to be involved

On 31 December 2019, the book value of bank acceptance bills discounted by Nanjing Wind Power was RMB100,000,000.00. The Group believes that almost all the risks and rewards related to bills receivable have been transferred at the time of discounting, which meets the conditions for derecognition of financial assets. Therefore, the relevant bills receivable are derecognized at the discount date based on their book values. If the bill of exchange is due to be rejected by the acceptor, the discounter has the right to recourse from the Group ("continue to participate"). The maximum losses and undiscounted cash flows that continue to be involved in and repurchase are equal to their book values. The Group believes that continuing involvement in fair value is not significant.

On 31 December 2019, Nanjing Wind Power endorsed the supplier's bank acceptance bills for settlement of accounts payable with a carrying value of RMB6,200,000.00, and Baotou Nanfeng endorsed the supplier's bank acceptance bill for settlement of accounts payable. The book value was RMB551,000.00. As of December 31 2019, its maturity date is 1 to 12 months. According to the relevant provisions of the Bills Act, if the accepting bank refuses to pay, its holders have the right to recourse from the Group ("continue to participate in "). The Group believes that the Group has transferred almost all of its risks and rewards, and therefore derecognised the book value of it and the related payable accounts. The maximum losses and undiscounted cash flows that continue to be involved in and repurchase are equal to their book values. The Group believes that continuing involvement in fair value is not significant.

In 2019, the Group has not recognized gains or losses on its transfer date. The Group has no reason to continue to be involved in the current year of the financial assets that have been derecognized and the accumulatively recognized gains or expenses.

3. Risks of financial instruments

The Group is faced with risks of various financial instruments in daily activities, which mainly include credit risk, liquidity risk and market risk (including exchange rate risk and interest rate risk). The Group's risk management policy is outlined below. The main financial instruments of the Group include monetary funds, loans and receivables, financial assets/liabilities measured at fair value and their changes recorded in profit or loss for the current year, financial instruments available for sale, loans, payables and bonds payable, etc. The risks associated with these instruments and the risk management strategies adopted by the Group to mitigate these risks are described below.

The board of directors shall be responsible for planning and establishing the risk management framework of the Group, formulating the Group's risk management policies and relevant guidelines, and supervising the implementation of risk management measures. The Group has developed risk management policies to identify and analyze risks faced by the Group. These risk management policies specify specific risks and cover many aspects such as market risk, credit risk and liquidity risk management. The Group periodically evaluates changes in the market environment and the Group's business activities to determine whether to update risk management policies and systems. The risk management of the Group shall be carried out by the risk management committee in accordance with the policies approved by the board of directors. The risk management committee works closely with other business units of the group to identify, assess and mitigate risks. The internal audit department of the Group conducts regular audits on risk management control and procedures and reports the audit results to the Group's audit committee.

The Group diversifies the risks of financial instruments through appropriate diversification of investments and business portfolios, and reduces the risk of concentration in any single industry, specific region or specific counterparty by formulating appropriate risk management policies.

VIII. Financial instruments and risks (continued)

3. Risks of financial instruments (continued)

Credit risk

The Group deals only with recognized and reputable third parties. In accordance with the Group's policy, all customers requiring credit transactions are subject to credit audits. In addition, the Group continuously monitors the balance of accounts receivable to ensure that the Group does not face significant risk of bad debts. For transactions that are not settled in the accounting base currency of the relevant business units, the Group will not provide conditions for credit transactions unless the Group's credit control department specifically approves them.

Because the counterparty of currency funds and bills receivable is a bank with good reputation and a high credit rating, the credit risk of these financial instruments is low.

Other financial assets of the Group include monetary funds, creditor's rights investments and other receivables. The credit risk of these financial assets originates from the default of the counterparty. The maximum risk exposure is equal to the book value of these instruments.

Credit risk increases judgment criteria significantly

The Group assesses whether the credit risk of the relevant financial instruments has increased significantly since the initial confirmation at each date of the statement of financial position. In determining whether credit risk has increased significantly since the initial recognition, the Group considers that reasonable and valid information, including qualitative and quantitative analysis based on the Group's historical data, external credit risk rating and forward-looking information, can be obtained without undue cost or effort. Based on a single financial instrument or a portfolio of financial instruments with similar credit risk characteristics, the Group compares the risk of default of financial instruments on the date of statement of financial position. with the risk of default on the initial recognition date to determine the change of default Risks of financial instruments during the expected lifetime.

When triggering one or more of the following quantitative and qualitative criteria, the Group believes that the credit risks of financial instruments has increased significantly,

- Quantitative criteria are that the probability of default of the remaining duration of the reporting day rises by more than a certain proportion compared with the initial recognition.
- Qualitative criteria include major adverse changes in the debtor's business or financial situation, early warning list of customers, etc.
- The upper limit is that the debtor's contract payments (including principal and interest) are more than 30 days overdue.

Definition of assets with impaired credit

In order to determine whether credit impairment occurs, the defining criteria adopted by the Group are consistent with the internal objectives of credit risk management for the relevant financial instruments, taking into account quantitative and qualitative indicators. In assessing whether the debtor has suffered credit impairment, the Group mainly considers the following factors:

- Major financial difficulties faced by the issuer or debtor;
- The debtor breaches the contract, such as paying interest on defaulting or overdue principal, etc.
- The creditor gives the debtor concessions in no other case for economic or contractual considerations related to the debtor's financial difficulties;
- The debtor is likely to go bankrupt or undergo other financial restructuring;
- The financial difficulties of the issuer or debtor lead to the disappearance of the active market of the financial assets;
- To purchase and derive a financial asset at a substantial discount, which reflects the fact that credit losses occur.

The occurrence of credit impairment in financial assets may be the result of a combination of multiple events, not necessarily those that can be identified separately.

VIII. Financial instruments and risks (continued)

3. Risks of financial instruments (continued)

Credit risk (continued)

Parameters for Measuring Expected Credit Losses
Depending on whether credit risk has increased significantly and whether credit impairment has occurred, the Group measures impairment provision for different assets with the expected credit loss for 12 months or the whole life period, respectively. The key parameters for anticipated credit loss measurement include default probability, default loss rate and default risk exposure. Considering the quantitative analysis and forward-looking information of historical statistical data (such as counterparty ratings, guarantees and collateral types, repayment methods, etc.), the Group establishes a default probability, default loss rate and default risk exposure model.

The relevant definitions are as follows:

- The probability of default refers to the possibility that the debtor will not be able to fulfil its obligation to pay in the next 12 months or throughout the remaining period. The default probability of the Group is adjusted on the basis of the expected credit loss model, and forward-looking information is added to reflect the default probability of the debtor under the current macroeconomic environment.
- The default loss rate refers to the Group's expectation of the extent of loss from exposure to default risk. According to the type of counterparty, the way and priority of recourse, and the different collateral, the loss rate of breach of contract is also different. The default loss rate is the percentage of risk exposure loss at the time of default, which is calculated on the basis of the next 12 months or the whole duration.
- The default risk exposure is the amount that the Group should be repaid in the event of default in the next 12 months or throughout the remaining period.

The assessment of significant increases in credit risk and the calculation of expected credit losses involve forward-looking information. Through historical data analysis, the Group identifies key economic indicators that affect the credit risk and expected credit loss of various business types.

The impact of these economic indicators on default probability and default loss rate varies with different business types. In this process, the Group applies expert judgment to forecast these economic indicators quarterly based on the results of expert judgment, and through regression analysis to determine the impact of these economic indicators on default probability and default loss rate.

VIII. Financial instruments and risks (continued)

3. Risks of financial instruments (continued)

Liquidity risk

The Group adopts a revolving liquidity plan tool to manage the risk of capital shortage. The tool takes into account both the maturity date of its financial instruments and the expected cash flow generated by the operation of the Group.

The Group's goal is to maintain a balance between the sustainability and flexibility of financing by using various means of financing, such as bank loans and other interest-bearing loans.

Subsidiaries within the Group are responsible for their own cash flow forecasts. On the basis of summarizing the cash flow forecasts of subsidiaries, the Headquarters Finance Department continuously monitors the short-term and long-term capital needs at the group level to ensure the maintenance of adequate cash reserves and marketable securities that can be realized at any time; at the same time, it continuously monitors whether it meets the requirements of loan agreements and obtains credit lines from major financial institutions to meet the short-term and long-term capital needs. On the date of statement of financial position, the uncounted contract cash flows of the Group's financial liabilities are shown as follows:

The following table summarizes the maturity analysis of financial liabilities based on contractual undiscounted cash flows:

2019

	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Financial liabilities					
Short-term loans	370,162,473.64	-	-	-	370,162,473.64
Bills payable	131,749,731.69	-	-	-	131,749,731.69
Accounts payable	970,759,025.09	-	-	-	970,759,025.09
Other accounts payable	3,019,015,161.98	-	-	-	3,019,015,161.98
Long-term payables	98,290,940.00	684,593,228.22	1,652,148,680.00	-	2,435,032,848.22
Non-current liabilities due within one year (Note 1)	391,275,533.44	-	-	-	391,275,533.44
Long-term loans	403,848,321.25	1,050,893,600.40	2,489,738,078.98	9,269,556,793.17	13,214,036,793.80
Bonds payable	181,491,925.00	3,274,351,925.00	1,715,842,200.00	-	5,171,686,050.00
Lease liabilities	-	30,136,992.71	63,717,425.33	40,050,537.77	133,904,955.81
Total	**5,566,593,112.09**	**5,039,975,746.33**	**5,921,446,384.31**	**9,309,607,330.94**	**25,837,622,573.67**

VIII. Financial instruments and risks (continued)

3. Risks of financial instruments (continued)

Liquidity risk (continued)

The following table summarizes the maturity analysis of financial liabilities based on contractual undiscounted cash flows: (continued)

2018

	Within 1 year	1 to 2 years	2 to 5 years	More than 5 years	Total
Financial liabilities					
Short-term loans	117,985,914.13	-	-	-	117,985,914.13
Account payable	714,905,820.77	-	-	-	714,905,820.77
Other accounts payable	2,396,828,896.75	-	-	-	2,396,828,896.75
Non-current liabilities due within one year(Note 1)	287,789,992.30	-	-	-	287,789,992.30
Long-term loans	321,210,763.45	805,857,090.07	3,441,526,794.37	7,858,874,086.76	12,427,468,734.65
Bonds payable	180,517,300.00	180,517,300.00	4,955,319,500.00	-	5,316,354,100.00
Total	**4,019,238,687.40**	**986,374,390.07**	**8,396,846,294.37**	**7,858,874,086.76**	**21,261,333,458.60**

Note 1: Including long-term loans maturing within one year, long-term payables maturing within one year.

In view of the stable and abundant operating cash flows, sufficient credit lines and appropriate financing arrangements to meet debt repayment and capital expenditure, the management of the Group believes that there is no significant liquidity risk in the Group.

VIII. Financial instruments and risks (continued)

3. Risks of financial instruments (continued)

Market risk

Interest rate risk

The Group's exposure to the risk of changes in market interest rates primarily relates to the Group's long-term borrowing with floating interest rates.

The table below demonstrates the sensitivity analysis of the impact (of floating rate borrowings) on the net profit when reasonable and possible fluctuations of interest rate occurred, under the assumption that other variables were held constant.

2019

	Increase/(decrease) in basis points	Increase/(decrease) in net profit	Total increase/(decrease) in equity
RMB	100/(100)	(67,073,117.61)/ 67,073,117.61	(67,073,117.61)/ 67,073,117.61

2018

	Increase/(decrease) in basis points	Increase/(decrease) in net profit	Total increase/(decrease) in equity
RMB	100/(100)	(66,600,950.65)/ 66,600,950.65	(66,600,950.65)/66,600,950.65

VIII. Financial instruments and risks (continued)

3. Risks of financial instruments (continued)

Market risk (continued)

Foreign exchange risk

The following table provides a sensitivity analysis of exchange rate risk, reflecting the impact on net gains and losses (due to changes in the fair value of monetary and monetary liabilities) in the event of a reasonable and possible change in the exchange rates of the United States dollar and HKD under the assumption that all other variables on the date of statement of financial position remain constant.

2019

	Exchange rate	Net profit or loss	Total shareholders' equity
	Increase/ (Decrease is shown with "-")	Increase/ (Decrease is shown with "-")	Increase/ (Decrease is shown with "-")
Depreciation of RMBagainst USD	10%	-3,350,265.13	-3,350,265.13
Appreciation of RMBagainst USD	-10%	3,350,265.13	3,350,265.13
Depreciation of RMBagainst HKD	10%	-3,277,600.19	-3,277,600.19
Appreciation of RMBagainst HKD	-10%	3,277,600.19	-3,277,600.19

2018

	Exchange rate	Net profit or loss	Total shareholders' equity
	Increase/ (Decrease is shown with "-")	Increase/ (Decrease is shown with "-")	Increase/ (Decrease is shown with "-")
Depreciation of RMBagainst USD	10%	-1,889,388.05	-1,889,388.05
Appreciation of RMBagainst USD	-10%	1,889,388.05	1,889,388.05
Depreciation of RMBagainst HKD	10%	8,533,888.58	8,533,888.58
Appreciation of RMBagainst HKD	-10%	-8,533,888.58	-8,533,888.58

The Group pays attention to research on exchange rate risk management policies and strategies. To avoid the exchange rate risk of repayment of the principal and interest of bonds payable in USD, the Group has entered into a Forex swap contract with the bank. For details, please refer to Note V.2.

VIII. Financial instruments and risks (continued)

4. Capital management

The primary objectives of the Group's capital management are to safeguard the Group's ability to continue as a going concern and to maintain healthy capital ratios in order to support its business and maximise shareholders' value.

The Group manages its capital structure and makes adjustments to it in light of changes in economic conditions and the risk characteristics of the underlying assets. To maintain or adjust the capital structure, the Group may adjust the dividend payment to shareholders, repurchase shares or issue new shares. The Group is not subject to any externally imposed capital requirements. No changes were made in the objectives, policies or processes for managing capital during the year ended 31 December 2019 and the year ended 31 December 2018.

The Group monitors capital using a debt-to-asset ratio, which is total liabilities divided by total assets. The Group's debt-to-asset ratio as at the end of the reporting period was as follows:

	31 December 2019	31 December 2018
Total assets	44,923,734,271.98	41,100,850,328.23
Total liabilities	24,200,462,012.14	21,561,097,600.88
Debt-to-asset ratio	53.87%	52.46%

IX. Fair value disclosure

All assets and liabilities for which fair value is measured or disclosed in the financial statements are categorised within the fair value hierarchy, described as follows, based on the lowest level input that is significant to the fair value measurement as a whole:

Level 1: Based on quoted prices (unadjusted) in active markets for identical assets or liabilities

Level 2: In addition to the input value of the first level, the input value of the relevant asset or liability is directly or indirectly observable.

Level 3: Unobservable inputs for the underlying asset or liability.

1. Financial assets and liabilities measured at fair value

2019

	Fair value measurement using			
	Quoted price in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	Total
Consecutive fair value measurement				
Transactional financial assets	62,689,444.00	-	-	62,689,444.00
Other non-current financial assets	-	-	217,939,080.00	217,939,080.00
Total	**62,689,444.00**	-	**217,939,080.00**	**280,628,524.00**

2018

	Fair value measurement using			
	Quoted price in active markets	Significant observable inputs	Significant unobservable inputs	
	Level 1	Level 2	Level 3	Total
Consecutive fair value measurement				
Transactional financial assets	45,103,194.00	-	-	45,103,194.00
Other non-current financial assets	-	-	180,438,820.00	180,438,820.00
Total	**45,103,194.00**	**-**	**180,438,820.00**	**225,542,014.00**

The fair value of the Group's non-listed equity is estimated using the market method. The Group believes that the fair value and its changes based on valuation techniques are reasonable and are the most appropriate value on 31 December 2019.

The Group entered into derivative financial instrument contracts with multiple counterparties (mainly with high credit rating financial institutions). The Group's derivative financial instruments are forward foreign exchange contracts. The fair value of the transactional financial assets held by the Group is determined based on the forward interest rate in the active markets as at 31 December 2019.

During the year, there were no transfers of fair value measurements between Level 1 and Level 2 and no transfers into or out of Level 3.

X. Related party relationships and related party transactions

1. General information of the parent company:

Name	Place of registration	Nature of business	Registered capital	Interest held	Voting rights
Shenzhen International	Bermuda	Investment holding	HKD2,000,000,000.00	51.561%	51.561%

The parent company of the Company is Shenzhen Investment Holding Company, which is the controlling shareholder of Shenzhen International. The Company's ultimate controlling party is Shenzhen SASAC.

2. Information about subsidiaries

The information about the subsidiaries is set out in Note VII.1.

3. Information about associates

The information about associates is set out in Note VII.2.

The situation of the associated enterprises that have related party transactions with the company in the current year or have related party transactions with the Company in the previous period is as follows:

Item	Relationship with the Group
Consulting Company	Associate
Huayu Company	Associate
Nanjing Third Bridge Company	Associate
GZ W2 Company	Associate
Jiangzhong Company	Associate
Yangmao Company	Associate
United Land Company	Associate

4. Information about other related parties

Item	Relationship with the Group
Shenzhen Baotong Highway Construction and Development Limited ("Baotong Company")	Parent company's wholly-owned subsidiary
Shenzhen International Logistics Development Co., Ltd. ("Shenzhen International Logistics Company")	Parent company's wholly-owned subsidiary
Shenzhen International South-China Logistics Co., Ltd. ("SC Logistics Company")	Parent company's wholly-owned subsidiary
Guizhou Pengbo Investment Co., Ltd. ("Guizhou Pengbo")	Parent company's wholly-owned subsidiary
Shenzhen Shen International Modern City Logistics Port Co., Ltd.	Parent company's wholly-owned subsidiary
Shenzhen Longda Expressway Company Limited ("Longda Company")	Parent company's wholly-owned subsidiary
Xin Tong Chan Company	Shareholder of the Company
Union Electronics	Others
Huayu Investment Group	Others
Changsha Ring Road Construction and Development Co., Ltd. ("Changsha Ring Road Company")	Others

X. Related party relationships and related party transactions (continued)

5. Related party transactions

(1) Rendering of or receiving services

Procurement of goods / receipt of labor

Name of related party	Nature of transaction	2019	2018
United Electronic Company (a)	Receiving integrated toll system settlement services	20,315,992.51	17,460,709.44
Consulting Company (b)	Accepted project management services	18,839,298.70	64,662,557.21
Others (c)	Receiving power supply services and others	320,289.30	350,693.52

(a) The Guangdong Provincial People's Government has designated United Electronics to take charge of the sub-account management of highway tolls across the province and unified management of non-cash settlement systems. The Company and its subsidiaries have signed a series of agreements with United Electronic Company and entrusted it to provide toll settlement services for Meiguan Expressway, Jihe Expressway, Qinglian Expressway, Yanjiang Expressway and Shuiguan Expressway operated by the Group. The service periods end on the expiry dates of operating periods of the individual toll roads. The related service charges are determined by the commodity price bureau of the Guangdong Province.

(b) The Group has entered into management service contracts with Consulting Company to provide for construction consulting and testing services for the Outer Ring project and other roads of the Group.

(c) Advertising Company, a subsidiary of the Company, received the supply of water and electricity and power supply services for its advertising boards from SC Logistics Company, Xin Tong Chan Company, Huayu Company, Longda Company. The respective transaction amounts were not disclosed as they were not material.

Procurement of goods / receipt of labor

Name of related party	Nature of transaction	2019	2018
Others (a)	Supply water and electricity for office and others	1,682,612.26	1,316,451.50

(a) The Group provides hydropower resource services and other services to Xintongchan Company, Huayu Investment Group, Huayu Company, United Electronics, Consulting Company, Shenzhen International and Longda Company. The hydropower resource service is calculated based on the price paid to the water supply and power supply agency. Because the amount is small, it is not listed separately.

(2) Transfer of assets to a related party

Name of related party	Nature of transaction	2019	2018
Shenzhen Shen International Modern City Logistics Port Co., Ltd.	Land expropriation compensation	-	7,620,000.00

X. Related party relationships and related party transactions (continued)

5. Related party transactions (continued)

(3) Related party trusteeship / contractual operation / situation of outsourcing

The company's entrusted management / contracting situation table:

Entrusting party	Entrusted party	Type of entrustment	Date of the commencement of the trusteeship	Date of the termination of the trusteeship	The basis of pricing for the trusteeship	Custody income / contracting income recognized during the year
Baotong Company(a)	The Company	Equity trusteeship	1 January 2019	31 December 2019	Negotiated price	8,273,584.90

The Company was entrusted by Baotong Company to operate and manage Longda Expressway based on an agreement of equity trusteeship. Renewed the entrusted management contract, the contract stipulates that the entrustment period is from January 1, 2019 to 31 December 2019. Pursuant to the agreement, the management service fee is RMB8,770,000.00 per year including tax. In the current period, the Company recognized revenue related to the transaction amounting to RMB8,273,584.90 (2018: RMB16,981,132.08).

(4) Related Leases

(a) As a lessor:

Item	Assets leased	2019	2018
Consulting and United Electronic Company Company	Office building	440,838.12	656,122.21

(b) As a lessee:

Item	Assets leased	2019	2018
Longda, Xintongchan, South China Logistics and Huayu	Billboard land use rights	823,154.84	3,150,451.59

The individual transaction amounts were not disclosed as they were not material.

*(5) Remuneration of key management personnel

Item	2019	2018
Remuneration of key management personnel	16,128,606.19	17,828,837.00

Key management personnel include directors, supervisors and senior management personnel. The Company had a total of 21 members of key management personnel (2018: 24) during the year.

Note: The above table does not include: (a) Director Hu Wei and supervisor Wang Zengjin received bonuses of RMB 161,800 and RMB 370,200 in 2018; (b) Directors Liao Xiangwen, Wen Liang and senior managers Gong Taotao and Sun Ce , Huang Binan, Wen Powei, Zhao Guiping, Chen Shouyi, and Luo Yan received the long-term incentive bonuses that should be issued in 2018 and received in 2019.The pre-tax amounts were 386,600 yuan, 117,700 yuan, 197,300 yuan, and 343,500 yuan. , 358,800 yuan, 358,800 yuan, 158,800 yuan, 113,200 yuan and 358,800 yuan.

X. Related party relationships and related party transactions (continued)

5. Related party transactions (continued)

*(5) Remuneration of key management personnel (continued)

(a) Remuneration of directors and supervisors

The remuneration of each director and supervisor in 2019 is as follows:

Name	Remuneration	Wages	Bonuses	Total
Hu Wei*	-	708,000.00	292,000.00	1,000,000.00
Liao Xiangwen*	-	741,000.00	573,000.00	1,314,000.00
Wen Liang*	-	292,860.00	572,875.00	865,735.00
Wang Zengjin*	210,000.00	-	-	210,000.00
Cai Shuguang	210,000.00	-	-	210,000.00
Wen zhaohua	210,000.00	-	-	210,000.00
Chen Xiaolu	210,000.00	-	-	210,000.00
Bai hua	-	249,364.00	175,775.00	425,139.00
Xin Jian*	-	249,364.00	175,775.00	425,139.00

The remuneration of each director and supervisor in 2018 is as follows:

Name	Remuneration	Wages	Bonuses	Total
Hu Wei*	-	708,000.00	782,000.00	1,490,000.00
Liao Xiangwen*	-	585,500.00	855,200.00	1,440,700.00
Wu Yade (resigned)*	-	660,800.00	735,100.00	1,395,900.00
Wang Zengjin*	-	623,000.00	803,000.00	1,426,000.00
Cai Shuguang	210,000.00	-	-	210,000.00
Wen zhaohua	210,000.00	-	-	210,000.00
Chen Xiaolu	210,000.00	-	-	210,000.00
Bai hua	188,137.00	-	-	188,137.00
Xin Jian*	-	193,500.00	258,900.00	452,400.00

* Remuneration of directors and supervisors has been reflected in the remuneration of key management personnel.

X. Related party relationships and related party transactions (continued)

5. Related party transactions (continued)

*(5) Remuneration of key management personnel (continued)

(a) Remuneration of Directors and Supervisors (continued)

During the year, the meeting allowance (before tax) for Chairman Hu Wei, Executive Director and President Liao Xiangwen(Executive Director since March 2019), Executive Director and Chief Financial Officer Wen Liang, Directors Chen Yan, Chen Yuanjun, Fan Zhiyong, Chen Kai, Cai Shuguang, Wen Zhaohua, Chen Xiaolu, Bai Hua, and Supervisors Wang Zengjin and Xin Jian was RMB8,000.00, RMB12,000.00, RMB9,500.00, RMB9,000.00, RMB8,000.00, RMB9,000.00, RMB9,000.00, RMB10,000.00, RMB12,000.00, RMB11,000.00, RMB11,000.00, RMB8,000.00, RMB8,000.00, respectively. Among them, Chairman Hu Wei, Executive Director and President Liao Xiangwen, Executive Director and Chief Financial Officer Wen Liang, Directors Chen Yan, Chen Yuanjun, Fan Zhiyong, Chen Kai and Supervisor Wang Znegjin waived the meeting allowance receivable for the year.

During the year, Chairman Hu Wei, Executive Director and President Liao Xiangwen, Executive Director and Chief Financial Officer Wen Liang(Executive Director since March 2019), Supervisor Wang Zengjin and Xin Jian were entitled to the pension scheme contributions of RMB123,349.00 (2018: RMB156,415.56), RMB122,761.00 (2018: RMB145,220.56), RMB45,023.00 (2018: RMB0), RMB120,195.00 (2018: RMB143,629.56) and RMB37,648.00 (2018: RMB58,824.12), respectively.

In addition, Chairman Hu Wei, Executive Director and President Liao Xiangwen, Executive Director and Chief Financial Officer Wen Liang(Executive Director since March 2019), Supervisor Wang Zengjin and Xin Jian also obtained other benefits and allowances, including medical care contribution and others, with amounts of RMB110,097.06 (2018: RMB79,184.44), RMB110,097.06 (2018: RMB79,179.44), RMB55,275.52 (2018: RMB0), RMB110,847.06 (2018:RMB79,970.44) and RMB99,727.43 (2018: RMB64,975.88), respectively.

(b) The top five highest paid members of the management team

During the year, the top five highest paid members of the Group including 2 director and supervisor (2018: 2 directors), whose remuneration was reflected in the above table. The total amount of remuneration of the remaining 3 highest paid members (2018: 3) is as follows:

	2019	2018
Basic salary, bonus, housing subsidy and other subsidies	4,239,307.18	4,942,082.32
Pension	349,128.00	427,117.68
Total	**4,588,435.18**	**5,369,200.00**

	2019	2018
Salary range:		
HKD0 to1,000,000	-	-
HKD1,000,001 to 1,500,000	-	-
HKD1,500,001 to 2,000,000	3	1
HKD2,000,001 and above	-	2

X. Related party relationships and related party transactions (continued)

5. Related party transactions (continued)

(6) Borrowings from/to related parties

Borrowings from related parties：

Related party		Amount of borrowings	Annual interest rate	Inception date	Due date
GZ W2 Company (a)	Note V.32(v)	67,500,000.00	4.275%	2018/9/30	2021/9/20
GZ W2 Company (b)	Note V.32(v)	37,500,000.00	4.275%	2019/12/26	2022/11/28
Jiangzhong Company (c)	Note V.32(v)	60,000,000.00	3.915%	2018/11/27	2023/11/27
Xin Tong Chan Company(d)	/	2,000,000,000.00	4.35%	2019/4/26	2019/4/30
United Land Company(e)	/	277,830,000.00	3.65%	2019/4/23	2020/4/22
United Land Company(f)	Note V.34(b)	514,500,000.00	3.65%	2019/8/1	2022/7/24
United Land Company(f)	Note V.34(b)	328,800,000.00	3.65%	2019/10/29	2022/7/24
United Land Company(f)	Note V.34(b)	220,000,000.00	3.65%	2019/11/27	2022/7/24
United Land Company(f)	Note V.34(b)	555,660,000.00	3.65%	2019/12/24	2022/7/24

(a) In September 2018, the Company signed an entrusted loan contract with Guangzhou West Second Ring Company and Industrial and Commercial Bank of China Co., Ltd. Guangzhou Miaoqian Straight Street Sub-branch. Guangzhou West Second Ring Company entrusted the Industrial and Commercial Bank of China Guangzhou Miaoqian Straight Street Sub-branch to issue entrusted loans of RMB67,500,000.00 to the Company. The loan will be used for the daily business activities of the Company. The loan term is 3 years and the annual interest rate of the loans is 10% lower than the benchmark interest rate for the corresponding term of the loans announced by the People's Bank of China on the withdrawal date. During the year, the Company confirmed the relevant interest expense of RMB2,925,702.93.

(b) In December 2019, the company signed an entrusted loan contract with Guangzhou West Second Ring Company and Industrial and Commercial Bank of China Guangzhou Miaoqian Zhijie Sub-branch. The Guangzhou West Second Ring Company entrusted the Industrial and Commercial Bank of China, Guangzhou Miaoqian Zhijie Sub-branch to issue an entrusted loan of RMB37,500,000.00 to the Company This will be used for the company's daily business activities. The loan is 3 years, and the annual interest rate of the loan is 10% lower than the benchmark loan interest rate of the corresponding term announced by the People's Bank of China on the date of withdrawal. During the year, the company confirmed interest expenses of RMB26,718.95 for this loan.

(c) In November 2018, the Company signed an entrusted loan contract with Jiangzhong Company and Industrial and Commercial Bank of China Co., Ltd. Guangzhou Ring City Sub-branch. Jiangzhong Company entrusted the Industrial and Commercial Bank of China Guangzhou Ring City Sub-branch to issue entrusted loan of RMB60,000,000.00 to the Company. The loan will be used for the daily procurement of materials for the maintenance and repair of road pavements and facilities. The term of the loan is 5 years, and the annual interest rate of the loan is 10% lower than the benchmark one-year term loan interest rate announced by the People's Bank of China on the date of withdrawal. During the year, the Company confirmed interest expense of RMB2,381,625.00 for this loan.

(d) In April 2019, the Company signed a loan contract with Xin Tong Chan Company, and the contract stipulated that Xin Tong Chan Company would lend RMB2,000,000,000.00 to the Company. The amount will be used to inject capital into Coastal Company, and the loan term is not more than one month. The annual interest rate of the loan is the one-year loan benchmark interest rate announced by the People's Bank of China. In the current period, the Company confirmed the relevant interest expense of RMB710,301.37.

X. Related party relationships and related party transactions (continued)

6. Related party transactions (continued)

(6) Borrowings from/to related parties

(e) In April 2019, the Company and United Land Company signed a loan agreement, which stipulated that United Land company provided borrowings of RMB277,830,000.00 to the Company. The loan period is one year and the annual interest rate of the loan is 3.65%. In the current period, the Company acknowledged the relevant interest expense of RMB7,029,099.00.

(f) In July 2019, the Company and United Land Company signed a loan agreement, which stipulated that United Land Company provided borrowings of not exceeding RMB2,058 million to the Company. The loan period is three year and the annual interest rate of the loan is 3.65%. In the current period, the Company acknowledged the relevant interest expense of RMB11,148,698.00.

(7) Other related party transactions

Name of related party	Nature of transaction	2019	2018
Shenzhen International United Land Company	Reduced capital	644,706.26	45,048,752.66
Shenzhen International United Land Company	Interest on reduced capital	-	2,205,000,000.00
Shenzhen International United Land Company	Property compensation of Meiguan	-	225,087,871.50
Shenzhen International Logistics Company	Logistics land compensation	-	2,134,260.50

The related transactions mentioned above in items (2), (3), (4.(b)) and (7) also constitute connected transactions or continuing connected transactions as defined in Chapter 14A of the Hong Kong Listing Rules.

6. Receivables due from and payables due to related parties

(1) Receivable items

		31 December 2019		31 December 2018	
Item	Related parties	Ending balance	Provision for bad debts	Ending balance	Provision for bad debts
Accounts receivable	Baotong Company	2,295,854.23	-	2,295,854.23	-
Accounts receivable	Longda Company	-	-	1,298.18	-
Other receivables	Longda Company	110,000.00	-	110,000.00	-
Other receivables	Changsha Ring Road Company	88,556.58	-	88,556.58	-
Other receivables	Consulting Company	84,050.00	-	84,050.00	-
Other receivables	Huayu Company	20,000.00	-	20,000.00	-
Other receivables	United Land Company	-	-	606,662,489.40	-
Advances	Consulting Company	1,248,751.13	-	4,693,984.06	-
Advances	United Electronic Company	60,526.80	-	-	-
Other non-current assets	United Land Company	342,599,500.00	-	342,599,500.00	-

X. Related party relationships and related party transactions (continued)

6. Receivables due from and payables due to related parties

(2) Payable items

Item	Related parties	31 December 2019	31 December 2018
Accounts payable	Consulting Company	3,983,139.38	2,441,328.80
Accounts payable	United Electronic Company	136,082.90	-
Accounts payable	Xin Tong Chan Company	80,279.25	-
Accounts payable	Longda company	40,916.69	27,900.00
Accounts payable	Huayu Company	13,500.00	210,357.15
Accounts payable	SC Logistics Company	2,107.80	1,607.80
Other payables	United Land Company	296,007,797.00	-
Other payables	Consulting Company	19,907,626.54	15,021,943.16
Other payables	United Electronic Company	591,084.13	579,209.79
Other payables	Guizhou Pengbo	515,680.55	610,216.91
Other payables	Longda Company	458,985.21	-
Other payables	West 2 Company	114,890.63	18,540,984.48
Other payables	Jianzhong Company	71,775.00	71,775.00
Other payables	Xin Tong Chan Company	5,000.00	5,000.00
Other payables	Nanjing Third Bridge Company	-	4,196,531.79
Long-term payables	United Land Company	1,618,960,000.00	-

7. Commitments to related parties

The following table presents the commitment that had been contracted but not yet recognized on the statement of financial position:

(1) Receiving service

	31 December 2019	31 December 2018
Consulting Company	22,106,438.74	37,948,165.44

(2) Investment commitment

On 31 December 2019, the Group’s investment commitment to a related party were RMB537,085,914.05 (2018: RMB698,500,000.00). The investment commitment is the Company’s commitment to increase capital for Yangmao’s renovation and expansion project.

(3) Equity acquisition commitments

As at 31 December 2019, the Group had no equity acquisition commitments.

XI. Commitments and contingencies

1. Significant commitments

In addition to the related party commitments disclosed in Note X.7, the important commitments of the Group are as follows:

(1) Capital commitments

(a) Capital commitments approved by management but not yet contracted at the end of the reporting period:

	31 December 2019	31 December 2018
Expressway construction projects	2,424,579,036.04	2,516,026,680.10

(b) Capital commitments contracted by management but not provided for at the end of the reporting period:

	31 December 2019	31 December 2018
Real estate & highway development projects	2,593,259,206.36	3,496,089,939.74
Purchase payment	529,703,309.52	-
Total	**3,122,962,515.88**	**3,496,089,939.74**

(2) Investment commitments

On 31 December 2019, in addition to the related party commitments disclosed in Note X.7, the Group had no investment commitments.

2. Contingencies

(1) Significant contingencies at the end of the reporting period:

(a) The Company was entrusted by the Shenzhen Committee of the Exchange to manage Nanping Project Phase II. According to the contractual construction entrusted management contract, the Company has provided the Shenzhen Committee of the Exchange with an irrevocable performance bank guarantee of RMB15,000,000.00.

(b) The Company was entrusted by the Longhua District Construction and Engineering Bureau of Shenzhen to carry out a "dual upgrade" comprehensive road improvement project - Da Fu Road (Gui Yue Road - Gui Xiang Road project) and Jianshe Road (Bu Long Road - East Second Ring Road) and the Longhua District Golf Boulevard (Guanlan Avenue – Huanguan nan Road) renovation project. According to the terms of the entrustment management contract, the Company has provided a non-cancellable performance bank guarantee letter of RMB50,170,000.00 to the Longhua District Construction and Engineering Bureau of Shenzhen.

(c) The Company was entrusted by the Shenzhen Transportation Utilities Management Office to manage four Highways (Nanguang, Yanba, Yanpai and Longda expressway) in 2019. According to the contractual construction entrusted management contract, the Company has provided the Shenzhen Transportation Utilities Management Office with an irrevocable performance bank guarantee of RMB9,710,000.00

(d) The Company was entrusted by the Shenzhen Ecological Environment Bureau to manage the Ecological Science and Technology Industrial Park Infrastructure and Supporting Projects of Shenzhen-Shantou special cooperation zone. According to the contractual construction entrusted management contract, the Company has provided the Shenzhen Ecological Environment Bureau with an irrevocable performance bank guarantee of RMB22,660,000.00

(e) As at 31 December 2019, the Group provided a stage-and-combined liability guarantee of RMB650,916,623.18 to the bank for its house mortgage loans granted by the bank to the Group's property buyers. Under the terms of the guarantee, the Group is responsible for paying the outstanding mortgage loans and any accrued interest and penalties owed to the banks by the buyers in arrears if the buyers default in the mortgage payments and the Group can then receive legal ownership of the property. The Group's guarantee period expires from the date on which the bank granted the mortgage loan to acquire certain individual property ownership certificates from property buyers of the Group. Management believes that if the payment is in arrears, the net realisable value of the property is sufficient to cover the outstanding mortgage loans together with any accrued interest and penalties, and no provision is made for these guarantees.

XII. Events after the end of the reporting period

1. On 8 January 2020, Environmental Company(a subsidiary of the Company) and Bioland Environmental Technologies Corp.,Ltd. ("Bioland Environmental") and its original shareholders Zhengzhou Cida Environmental Protection Technology Co., LTD., Beijing Shuiqi Lande Technology Co., Ltd, ShiJunYing, ShiJunHua, jointly signed on the "Acquisition of Bioland Environmental Technologies Corp.,ltd. No more than 68.1045% shares of the Capital Increase and Share Transfer Agreement". According to the agreement, the transaction will take place in two stages. In the first phase, Environmental Company will acquire a total of 12.5 million shares (53.2067% of the total share capital of the Company after the issuance of additional shares) by acquiring 40 million shares held by the seller and subscribing to the newly issued 85 million shares. In the second phase, the original shareholder shall transfer not more than 35 million shares of Bioland Environmental to the Environmental Company (subject to the number of shares transferred) no later than April 25, 2020 according to their actual situation. The above share transfer and issue price is RMB5.06 per share. Upon completion of the transaction, the company will eventually receive up to 16 million shares of Bioland Environmental, with a total consideration of up to RMB80.96 million and a shareholding of up to 68.1045%. On 20 January 2020, Environmental Company has acquired 12.5 million shares of Bioland Environmental, holding 53.2067%. Bioland Environmental has become the holding subsidiary of the Company.

2. On January 10, 2020, the board of directors reviewed and approved the proposal for the non-public issuance of no more than 300 million H shares with a par value of 1.00 yuan each. The issue object is proposed for Shenzhen International Holding Limited (the controlling shareholder of the Company) and/or its designated subsidiaries other than the company and the company's holding subsidiaries, and other qualified investors of non-affiliated persons The aforesaid proposals need to be submitted to the shareholders' general meeting, the A-share class shareholders' meeting, and the H-share class shareholders' meeting for deliberation.

3. Since the outbreak of the Coronavirus Disease 2019 ("COVID-19"), the prevention and control of the COVID-19 has been going on throughout the country. On 15 February 2020, the Ministry of Transport issued the "Notice on exemption of Toll Road During COVID-19 Prevention and Control Period." The period of toll fees exemption is from 0:00 on 17 February 2020 to the end of the epidemic prevention and control work. The Group's highway revenue in 2020 is expected to be adversely affected by the toll-free policy. At the same time, the Ministry of Transport stated that relevant supporting policies will be issued to protect the legitimate rights and interests of toll road users, creditors, investors and operators. As at the date of this report, the relevant supporting policies have not been issued. Due to the inability to determine the end time of the epidemic and related supporting safeguard policies, it is temporarily impossible to estimate the amount of impact of this event on the Group.

4. Pursuant to the general mandate for the issuance of bond financing instruments granted to the Board by the Company's 2018 Shareholders' General Meeting, the Company has applied to the China Interbank Market Dealers Association for the registration and issuance of RMB2 billion ultra-short-term financing bonds and has been approved. According to the "Notification of Acceptance of Registration" (Zhongshi Xie Note [2020] SCP31) issued by the Association of Dealers, the registered amount of the company's ultra-short-term financing bonds was RMB2 billion, and the registration amount was from the date of the "Acceptance of Registration" Valid for 2 years. The company issued the first ultra short-term financing bonds of 2020 from March 16 to March 17, 2020, with a scale of RMB1 billion and a maturity of 180 days. Its main purpose is to repay interest-bearing debt and supplement working capital.

5. On 12 November 2019, the China Securities Regulatory Commission issued the "Review of Approval for the Public Issuance of Corporate Bonds by Shenzhen Expressway Co., Ltd. to Qualified Investors" (CSRC License [2019] No. 2262) approving the issuance of no more than RMB 5 billion Corporate bonds. The company has announced on 17 March 2020 that it will publicly issue Shenzhen Expressway Co., Ltd.'s 2020 corporate bonds (Phase 1) (Epidemic prevention and control bonds). The issue size in this period is no more than RMB 2 billion. The price is RMB 100 each and the bond has a maturity of 5 years, with the issuer's option to adjust the coupon rate and the investor's option to sell back are attached at the end of the third year,.

6. On 17 March 2020, Meihua Company, a wholly-owned subsidiary of the Company, entered into an equity transfer agreement A with Shenzhen International Co., Ltd. ("Shenzhen International Hong Kong"). On the same day, the company signed an equity transfer agreement B with Shenzhen International Logistics and Shenzhen International Hong Kong. According to the above two equity transfer agreements, the Group will transfer 48% of the equity of Shenzhen International Financial Leasing Co., Ltd. ("Financial Leasing Company") at a price of RMB 151.69 million. After the transaction is completed, the Group may appoint three of the five directors in accordance with the articles of association of the financial leasing company. Therefore, the financial leasing company will become the company's holding subsidiary, and its financial statements will be included in the scope of the company's consolidated financial statements. As of the disclosure date of this statement, the equity merger has not been completed.

XIII. Other significant matters

1. Segment information

(1) Recognition and accounting policies of reportable segments:

The reporting segment of the Group is a business unit that provides different services. Since various businesses require different technologies and market strategies, the Group independently manages the production and operation activities of the reporting segment and evaluates its operating results to decide to allocate resources to it and evaluate its performance.

The Group has only one reportable segment, i.e. toll road segment, which takes charge of operation and management of toll roads in Mainland China.

Other businesses principally comprise the provision of construction management services, advertising services, property development, wind power generation, wind power generator assembling and saing and other services. The Group has no inter-segment transfers. These businesses cannot be separated into reportable segments.

(2) Segment information

2019	Toll road	Others	Unallocated	Total
Revenue from external customers	4,569,454,414.90	1,616,370,697.07	-	6,185,825,111.97
Cost of service	2,270,903,104.28	1,228,635,054.40	-	3,499,538,158.68
Interest income	10,828,844.85	11,681,061.21	27,316,197.15	49,826,103.21
Interest expenses	546,211,740.91	53,683,343.77	-	599,895,084.68
Share of profits of associates	219,855,987.47	679,828,312.92	-	899,684,300.39
Gains on disposal of assets	386,045.39	-	-	386,045.39
Asset impairment loss	552,000,000.00	-	-	552,000,000.00
Credit impairment loss	-	-1,129,098.22	-	-1,129,098.22
Depreciation and amortization	1,466,254,785.96	66,639,498.40	14,256,888.27	1,547,151,172.63
Total profit	1,510,059,314.19	1,119,214,546.02	-185,040,136.40	2,444,233,723.81
Income tax expense	-146,249,560.18	117,273,765.98	-63,273,703.76	-92,249,497.96
Net profit	1,656,308,874.38	1,001,940,780.04	-121,766,432.65	2,536,483,221.77
31 December 2019				
Total assets	31,632,196,803.97	13,106,226,365.97	185,311,102.04	44,923,734,271.98
Total liabilities	18,961,176,468.90	3,152,003,093.01	2,087,282,450.23	24,200,462,012.14
2019				
Long-term equity investments in associates	1,508,731,533.68	7,197,557,808.05	-	8,706,289,341.73
Increase in original value of non-current assets other than financial assets, long-term equity investments and deferred income tax assets	2,160,792,538.28	1,845,638,308.36	6,580,238.04	4,013,011,084.68

XIII. Other significant matters (continued)

1. Segment information (continued)

(2) Segment information (continued)

2018	Toll road	Others	Unallocated	Total
Revenue from external customers	5,066,387,436.63	740,720,595.15	-	5,807,108,031.78
Cost of service	2,389,981,090.59	468,230,841.17	-	2,858,211,931.76
Interest income	14,314,487.69	9,353,245.23	52,843,675.55	76,511,408.47
Interest expenses	963,017,374.65	22,506,638.28	-	985,524,012.93
Share of profits of associates	276,491,290.75	244,465,097.74	-	520,956,388.49
Gains on disposal of assets	2,227,050,978.93	-	75,400.25	2,227,126,379.18
Credit impairment loss	14,115.84	-250,000.00	-	-235,884.16
Depreciation and amortization	1,627,480,036.46	10,547,584.38	6,380,627.55	1,644,408,248.39
Total profit	4,195,074,964.42	474,014,746.95	-123,912,144.82	4,545,177,566.55
Income tax expense	906,389,918.52	60,057,065.55	-	966,446,984.07
Net profit	3,288,685,045.90	413,957,681.40	-123,912,144.82	3,578,730,582.48
31 December 2018				
Total assets	32,289,918,074.55	8,677,531,402.72	133,400,850.96	41,100,850,328.23
Total liabilities	20,159,143,807.87	1,217,714,915.76	184,238,877.25	21,561,097,600.88
2018				
Long-term equity investments in associates and joint ventures	1,451,780,693.90	6,407,327,803.72	-	7,859,108,497.62
Addition of non-current assets other than financial assets, long-term equity investments and deferred tax assets	1,522,896,729.07	9,742,695.22	2,637,159.47	1,535,276,583.76

(3) Other information

The Group’s revenue from external customers and the total non-current assets other than financial assets and deferred tax assets are all derived from the PRC. The Group did not generate revenue from sales to any single customer that reached or exceeded 10% of the Group's revenue for the year.

XIII. Other significant matters (continued)

2. Leases

(1) As lessor

The Group leases out some parking spaces, and the lease period is not a regular period, forming an operating lease. According to the lease contract, the rent needs to be adjusted every year according to the market rent situation. In 2019, the Group's income from rental of houses and buildings was RMB2,735,601.28. Leased houses and buildings are listed in investment real estate, see Note V.15.

The Group also leases highway billboards and service areas, with leases ranging from 1 to 10 years, forming operating leases.

<u>Operating lease</u>

	2019
Rental income	22,315,960.50

According to the lease contract with the lessee, the minimum lease payments for non-revoking leases are as follows:

	2019
Within 1 year (including 1 year)	14,059,747.56
1 to 2 years (including 2 years)	8,395,822.86
2 to 3 years (including 3 years)	4,531,476.19
3 to 4 years (including 4 years)	3,453,380.95
4 to 5 years (including 4 years)	3,207,036.19
Over 5 years	951,200.00
Total	34,598,663.75

XIII. Other significant matters (continued)

2. Leases (continued)

(2) As lessee

	2019
Interest expenses on lease liabilities (Note V. 49)	14,227,011.48
Short-term lease expenses that are accounted for in the current period using simplified processing	2,293,594.19
Low-value asset lease expenses (other than short-term leases) that are accounted for in the current period	546,755.76
Income from sublease of right-of-use assets	2,287,794.17
Total lease-related cash outflows (Note V. 59 (7))	1,444,833,383.14
Related profit or loss from repayment of lease liabilities in advance (Note V. 49)	22,492,284.97

The leased assets leased by the Group include the houses and buildings, transportation equipment and other equipment used in the operating process. The lease periods of houses and buildings and machinery and equipment are usually 1 to 22 years. Transportation equipment and other equipment are usually leased for one to three years. A few lease contracts contain options for renewal and termination.

Significant operating lease (only applicable in 2018)

According to the lease contract with the lessor, the minimum lease payments for non-revoking leases are as follows:

	2018
Within 1 year (including 1 year)	33,304,089.10
1 to 2 years (including 2 years)	33,095,227.29
2 to 3 years (including 3 years)	21,898,763.22
Over 3 years	78,849,466.88
Total	**167,147,546.49**

Sale and leaseback transaction

In order to meet the capital requirements, the Group will use the sale and leaseback form of financing for the Damaoqi project wind farm for a lease period of 24 months.

	2019
Cash inflows from sale and leaseback transactions	673,000,000.00
Cash out of sale and leaseback transactions	26,022,898.75

Other lease information

For right-of-use assets, see Note V.18; for simplified treatment of short-term leases and leases of low-value assets, see Note III.29; for lease liabilities, see Note V.36.

XIV. Notes to the Company's financial statements

1. Accounts receivable

(1) The aging of accounts receivable according to the recognition date is analysed below:

	2019	2018
Within 1 year	11,331,676.56	16,492,239.55
1 to 2 years	-	-
2 to 3 years	-	-
Over 3 years	4,838,866.44	4,838,866.44
Sub-total	**16,170,543.00**	**21,331,105.99**

(2) Accounts receivable are analyzed by category as follows:

	2019			
	Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance
Receivables that are subject to provision by group with similar credit risk characteristics	16,170,543.00	100.00	-	-
Group 1	4,838,866.44	29.92	-	-
Group 2	11,331,676.56	70.08	-	-
Total	**16,170,543.00**	**100.00**	**-**	**-**

The aging of group 2 according to the recognition date is analyzed below：

2019			
	Estimated default book balance	Expected credit loss rate (%)	Expected credit loss over the duration
Within 1 year	11,331,676.56	-	-
Total	**11,331,676.56**	**-**	**-**

XIV. Notes to the Company's financial statements (continued)

1. Accounts receivable (continued)

(2) Accounts receivable are analyzed by category as follows (continued):

	2018			
	Ending balance		Provision for bad debts	
	Amount	% of total balance	Amount	% of total balance
Receivables that are subject to provision by group with similar credit risk characteristics	21,331,105.99	100.00	-	-
Group 1	5,663,466.45	26.55	-	-
Group 2	15,667,639.54	73.45	-	-
Total	**21,331,105.99**	**100.00**	**-**	**-**

The aging of group 2 according to the recognition date is analyzed below：

2018			
	Estimated default book balance	Expected credit loss rate (%)	Expected credit loss over the duration
Within 1 year	15,667,639.54	-	-
Total	**15,667,639.54**	**-**	**-**

(3) Accumulated accounts receivable from the five largest debtors:

	Balance	Provision for bad debts	% of total balance
Total accumulated accounts receivable from the five largest debtors at 31 December 2019	16,163,313.05	-	99.96
Total accumulated accounts receivable from the five largest debtors at 31 December 2018	20,339,859.04	-	95.35

2. Other receivables

(1) Other receivables are classified as follows:

	2019	2018
Interest receivable	6,449,336.44	2,367,187.50
Dividends receivable	450,000,000.00	450,000,000.00
Other receivables	549,346,573.39	2,026,988,171.40
Total	**1,005,795,909.83**	**2,479,355,358.90**

XIV. Notes to the Company's financial statements (continued)

2. Other receivables (continued)

(2) The aging of other receivables according to the recognition date is analyzed below:

	2019	2018
Within 1 year	483,144,327.89	2,433,147,267.78
1 to 2 years	476,608,031.77	197,499.95
2 to 3 years	181,085.27	4,361,802.69
Over 3 years	45,862,464.90	41,648,788.48
Total	**1,005,795,909.83**	**2,479,355,358.90**

(3) The changes in the ending balance and provision for bad debts are as follows:

2019

	The first stage Expected credit loss over the next 12 months	
	Ending balance	Provision for bad debts
Beginning balance	2,479,355,358.90	-
Additions	133,587,973.25	-
Reduction	1,607,147,422.32	-
Ending balance	1,005,795,909.83	-

2018

	The first stage Expected credit loss over the next 12 months	
	Ending balance	Provision for bad debts
Beginning balance	369,260,529.15	-
Additions	4,021,088,901.02	-
Reduction	1,910,994,071.27	-
Ending balance	2,479,355,358.90	-

XIV. Notes to the Company's financial statements (continued)

2. Other receivables (continued)

(4) Other receivables by nature are analyzed as follows:

Nature	2019	2018
Dividends receivable	450,000,000.00	450,000,000.00
Loans receivable	378,789,412.68	414,881,251.66
Advances receivable	155,992,169.78	70,152,987.30
Receivable due to cancellation of toll stations in Yanpai and Yanba sections	11,170,906.19	-
Three Expressways-old station operation compensation receivable	-	932,672,618.97
Shenzhen International United Land Company	-	606,662,489.40
Interest receivable	6,449,336.44	2,367,187.50
Others	3,394,084.74	2,618,824.07
Total	**1,005,795,909.83**	**2,479,355,358.90**

(5) As at 31 December 2019, the five largest other receivables are analyzed as follows:

2019

Categories	Nature	31 December 2019	Aging	% of total balance	Balance of provision for bad debts
Mei Wah Company	Dividends receivable	450,000,000.00	1-2 years	44.74	-
Nanjing Wind Power	Loans	300,000,000.00	Within 1 year	29.83	-
Coastal Company	Advances receivable	52,366,897.15	Within 1 year	5.21	-
Qinglong Company	Loans	50,000,000.00	Within 1 year	4.97	-
Mei Wah Company	Advances receivable	41,750,067.95	Over 3 years	4.15	-
Total	**/**	**894,116,965.10**	**/**	**88.90**	**-**

2018

Categories	Nature	31 December 2018	Aging	% of total balance	Balance of provision for bad debts
Shenzhen Transportation Bureau	The taxes for Three Expressways borne by the government	932,672,618.97	Within 1 year	37.62	-
Shenzhen International United Land Company	Reduction of other receivables	606,662,489.40	Within 1 year	24.47	-
Mei Wah Company	Dividends receivable	450,000,000.00	Within 1 year	18.15	-
Yichang Company	Loans	260,000,000.00	Within 1 year	10.49	-
Qinglong Company	Loans	130,000,000.00	Within 1 year	5.24	-
Total	**/**	**2,379,335,108.37**	**/**	**95.97**	**-**

XIV. Notes to the Company’s financial statements (continued)

3. Long-term equity investments

Item	2019			2018		
	Carrying amount	Impairment provided in current year	Net book amount	Carrying amount	Impairment provided in current year	Net book amount
Subsidiaries	16,452,364,720.93	678,765,149.21	15,773,599,571.72	11,940,843,929.37	678,765,149.21	11,262,078,780.16
Joint ventures and associates	3,967,922,683.17	-	3,967,922,683.17	3,405,269,465.55	-	3,405,269,465.55
Total	**20,420,287,404.10**	**678,765,149.21**	**19,741,522,254.89**	**15,346,113,394.92**	**678,765,149.21**	**14,667,348,245.71**

XIV. Notes to the Company's financial statements (continued)

3. Long-term equity investments (continued)

(1) Investments in subsidiaries

Investee	31 December 2018	Additional injection	Reduction of the year	31 December 2019	Cash dividend declared	Impairment provided on 31 December 2019
Airport-Heao Eastern Company	579,610,371.65	-	102,311,514.19	477,298,857.46	325,229,065.61	-
Meiguan Company	523,057,283.42	-	1,797,141.08	521,260,142.34	44,203,419.33	-
Qinglong Company	101,477,197.16	-	-	101,477,197.16	120,000,000.00	-
Advertising Company	3,325,000.01	-	-	3,325,000.01	-	-
Mei Wah Company	831,769,303.26	-	-	831,769,303.26	-	-
Qinglian Company	1,385,448,900.00	-	-	1,385,448,900.00	-	678,765,149.21
Outer Ring Company	100,000,000.00	-	-	100,000,000.00	-	-
Expressway Investment Company	380,000,000.00	-	-	380,000,000.00	-	-
Environment Company	4,460,000,000.00	540,000,000.00	-	5,000,000,000.00	-	-
Operation Development Company	28,500,000.00	-	-	28,500,000.00	-	-
Shenchang Company	67,851,316.78	-	34,570,553.84	33,280,762.94	-	-
Yichang Company	1,270,000,000.00	-	-	1,270,000,000.00	-	-
Construction and Development Company	28,500,000.00	-	-	28,500,000.00	-	-
Shenshan Company	5,100,000.00	10,200,000.00	-	15,300,000.00	-	-
Coastal Company	1,487,939,407.88	4,100,000,000.00	-	5,587,939,407.88	-	-
Fund Management Company	9,500,000.00	-	-	9,500,000.00	-	-
Baotou Nanfeng	-	0.67	-	0.67	-	-
Total	**11,262,078,780.16**	**4,650,200,000.67**	**138,679,209.11**	**15,773,599,571.72**	**489,432,484.94**	**678,765,149.21**

XIV. Notes to the Company's financial statements (continued)

3. Long-term equity investments (continued)

(2) Investments in joint ventures and associates

The detailed information about joint ventures and associates is set out in Note V.14. The company directly holds 2.92% of Guizhou Bank, except for the investments in associates namely Guizhou Hengtongli Property Company and Derun Environment, the investments in associates are held by the Company.

4. Revenue and costs of services:

Item	2019		2018	
	Revenue	Cost	Revenue	Cost
Main businesses	667,662,764.59	136,187,766.16	1,382,757,210.57	265,101,918.95
Other businesses	179,795,923.67	168,579,102.04	171,883,183.06	130,255,601.99
Total	**847,458,688.26**	**304,766,868.20**	**1,554,640,393.63**	**395,357,520.94**

5. Investment income:

Item	2019	2018
Investment income from long-term equity investments in associates under the equity method	705,905,909.94	217,814,470.12
Investment income from long-term equity investments in associates under the cost method	489,432,484.94	1,183,157,178.84
Investment income from non-current financial assets	30,125,114.76	6,859,719.35
Investment income from financial products	57,896.09	-
Investment gain/loss from foreign exchange swap	26,860,000.00	-49,740,000.00
Realized income from downstream trading (a)	22,402,839.33	-
Total	1,274,784,245.06	**1,358,091,368.31**

(a) The group's consolidated level offsets the asset disposal income of the shareholding part from compensation for office building property of Meiguan company by United Land Compnay in 2018, during the year, the income from United Land Company construction project was realized, and the Group's realized profit of RMB22,091,980.80 according to the proportion of the sold properties of United Land Company and interest RMB310,858.53..

XV. Supplementary information

1. Detailed list of non-recurring profit or loss items

Item	Amount	Note
Income from entrusted management services	8,214,015.10	Income from entrusted management services provided to Longda Company in the current year.
Investment income from financial products	1,441,847.76	
Liquidating income in foreign currency swaps	26,860,000.00	
Interest income accrued from loan to a non-financial entity	595,434.57	Interest income accrued from loan reduction to United Land Company
Changes in fair value of foreign currency swaps	17,586,250.00	To mitigate the exchange rate risk, the Group entered into foreign exchange swap arrangements for the bond with a principal value of USD300 million, and related gains on change in fair value were recognized during the current year.
Changes in fair value of other non-current financial assets	37,500,260.00	This year's fair value change proceeds from shares of Water Planning & Design Institute Company and United Electronic Company.
Gains on disposal of non-current assets	386,045.39	Gains on disposal of cars from the headquarters
Changes in fair value from merging the subsidiaries under common control	26,000,000.00	Income from adjustment of Shuiguan Expressway's acquisition contingent consideration
Equity transfer of a subsidiary	262,207,206.28	The 100% equity and debts of four subsidiaries including Guizhou Shengbo were transferred, and the equity transfer income was recognized.
Financial income from paid capital lease in advance	22,492,284.97	Financial income from paid capital lease once in advance of Baotou Nanfeng
Income and expenditure other than those mentioned above	175,940.45	
Impact of minority interests	-58,859,917.14	
Impact of income tax	-88,741,749.89	
Total	**255,857,617.49**	

Basis for preparation of the detailed list of non-recurring profit or loss items:

Under the requirements in Explanatory Announcement No.1 on Information Disclosure by Companies Offering Securities to the Public – Non-Recurring Profits or Losses [2008] ("Explanatory announcement No.1") from the CSRC, non-recurring profit or loss refers to transactions that are not directly relevant to the normal business operations, or that are relevant to ordinary business, but are so extraordinary that would have an influence on users of the financial statements making proper judgments on the performance and profitability of an enterprise.

2. Return on net assets and earnings per share

Profit for the reporting period	Weighted average return on net assets (%)	Earnings per share	
		Basic earnings per share	Diluted earnings per share
Net profit attributable to ordinary owners of the Company	14.14%	1.146	1.146
Net profit after deducting non-recurring profit or loss attributable to ordinary owners of the Company	12.62%	1.029	1.029