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# 越秀交通基建有限公司

## Yuexiu Transport Infrastructure Limited

*(Incorporated in Bermuda with limited liability)*

**(Stock code: 01052)**

## 2020 ANNUAL RESULTS ANNOUNCEMENT

### CHAIRMAN'S STATEMENT

#### Operating Results and Dividend

During the year ended 31 December 2020 (the "Reporting Year"), the Group recorded revenue of RMB2,920 million, representing a year-on-year decrease of 3.4%. Profit attributable to shareholders amounted to RMB160 million, representing a year-on-year decrease of 85.9%. The decrease in revenue and profit was mainly due to the COVID-19 pandemic ("COVID-19 pandemic") and the implementation of 79-day Toll Fee Exemption measures in response to the pandemic prevention and control.

The Board has recommended the payment of a final dividend for 2020 of HK\$0.07 per share, which is equivalent to RMB0.0584 per share, the annual dividend payout ratio of 2020 is 60.9%.

### ANNUAL REVIEW

#### Macro-Economy and Regulatory Environment of the Sector

According to the forecast by International Monetary Fund in January 2021, the global economic growth rate in 2020 was expected to be -3.5%. The outbreak of COVID-19 pandemic started at the beginning of 2020 and it has quickly spread around the world. Accordingly, various governments have taken pandemic prevention and control measures which have led to different degrees of restrictions on travel and business production activities and hence the global economy was adversely affected. Under the complicated and harsh external environment, the Chinese government has coordinated various tasks for the prevention and control of the pandemic as well as economic development, and promoted the resumption of work and production with implementation of efficient and strong prevention and control measures. China is a global leader in terms of both prevention and control effectiveness and economic performance.

During the Reporting Year, the transportation industry faced serious challenges due to the outbreak of the COVID-19 pandemic, and the industry, fortunately, could still achieve fruitful results of the prevention and control of the pandemic in different phases, which ensured safe trips of residents and promoted the high quality development of transportation steadily. In the Reporting Period, the fixed asset investment in transportation was expected to be RMB 3,475.2 billion, representing a year-on-year growth of 7.1%. The road cargo volume maintained positive growth for eight consecutive months from May to December, and returned to the same level as that of corresponding period of last year. Relevant statistics show that, since the cancellation of the provincial borders toll stations on January 1 2020, the linked transportation system has been running smoothly with ETC utilization rate exceeding 67% and the average vehicle speed increasing by 16%, leading to the reduction of the average daily traffic congestion and improvement of travel efficiency.

### **Business Development**

During the Reporting Year, the Ministry of Transport of China extended the implementation of toll exemption for small passengers cars with seven seats or less during the spring festival holiday by 9 days apart from the original plan, and implemented a temporary measures of toll fee exemption for cars on toll roads across the country from 17 February to 5 May 2020 (79 toll-free days in total) (the “Temporary Toll Exemption Measures”), in response to the need for prevention and control of COVID-19 epidemic. As a result, the Group’s operating results were affected. However, since the resumption of toll from 00:00 on 6 May 2020, most of the Group’s projects have recorded growth, which partially offset the negative impact of the interim loss.

As announced in the official website of the Ministry of Transport, the PRC Government will, in accordance with the requirements of the relevant laws and regulations, study on the issue of related supporting and protective policies to safeguard the legitimate interest of the users, creditors, investors and operators of toll roads in a coordinated manner. Currently, Guangxi Zhuang Autonomous Region is the first region to increase the operation period of all toll road projects in the region by 79 days (which is the same duration as the toll fee exemption period). It is expected that other provinces will also introduce relevant compensation plans gradually in the future, and the Group will closely monitor the relevant development.

The Group has always pursued a prudent financial policy while developing its businesses, which laid a solid foundation. As a result, the Group can continue to maintain sufficient liquidity and stable financial situation and to withstand the impact of the COVID-19 pandemic and the Temporary Toll Exemption Policy, and domestic internal credit rating agencies also maintain the Group’s existing investment grade credit rating. The Group can also consolidate and fully leverage its competitive advantage of low-cost debt financing, continue to optimize its debt structure through restructuring, and reduce its finance costs.

## **FUTURE PROSPECT AND OUTLOOK**

### **Macroeconomic Prospects and Outlook of the Industry**

Since the development and widespread application of a new coronavirus vaccine takes time, the global outbreak prevention and control is still crucial. In China, although the pandemic is broadly under control, there are still scattered cases and outbreak of epidemic, which would continue to affect the mobilization of people, production and business engagement. As a result, recovery of global economy will be a long process.

Although the external environment facing by China's economy remains complex and volatile, full of challenges and uncertainty, the foundation for maintaining a long-term stable and positive development trend remains unchanged. It is expected that continued, stable and sustainable macro-economic strategies and active fiscal policy and healthy monetary policy will be implemented in China, in order to provide sufficient support to the resumption of a stable growth of real economy and promote high quality development of our economy and society.

Since the first expressway, Huija Expressway, completed and commenced operation in 1988, the PRC has made remarkable achievements in expressway construction in less than 50 years. The mileage of operating expressways is nearly 150,000 kilometers, ranking first in the world. The latest published "14th Five-Year Plan for National Economic and Social Development of the People's Republic of China" ("14th Five-Year Plan") and "Outline of the National Comprehensive Three-dimensional Transportation Network Plan" ("Outline") proposed a development goal of accelerating the construction of a strong transportation nation. The Outline also stated that the total mileage of the national expressway network will reach approximately 160,000 kilometers in 2035, which implied that the mileage from newly built expressways will continue to increase.

A well-developed national expressway network is an important cornerstone for healthy development of the national economy. Despite the various challenges, the fundamental characteristics of the expressway industry remain unchanged. There are favorable factors such as the rapid development of the PRC's logistics market (data shows that the compound annual growth rate of the total value of the PRC's social logistics reached 10.09% from 2010 to 2019), the dominant role of road transportation in social freight transportation mode (representing 73% in 2019) and the huge base and growth potential of car ownership. All these are the main driving forces for the steady growth of expressway assets. Moreover, as the expressway projects have entered into their mature stage, they can bring stable and sustainable cash flow, which can attract investors who pursue stable returns and better meet the needs of insurance and bank wealth management products under the current macroeconomic background. Hence, stable financial support will be provided for the development of the expressway industry.

### **Development Strategies and investment opportunities**

During the 14th Five-Year Plan period, the Group will still focus on the development of its major business of toll expressways and strive to achieve a long-term, sustainable and quality development by continuously deepening its engagement in the Guangdong-Hong Kong-Macau Greater Bay Area and the central core regions (such as Henan, Hubei, Hunan and other provinces with large population and labor force) and pursuing mergers and acquisitions of high-quality projects. In the current macroeconomic environment, high-quality expressway projects with stable returns are attractive, and the competition for mergers and acquisitions is becoming fierce. Therefore, the Group will make full use of its parent company's resource platform in the process of business development to develop its major business of toll expressways through the mode of "Parent company incubation-acquisition of listed company" ("incubation-injection mode"). In 2019, the Group completed the acquisition of three projects, namely Hancui Expressway, Han'e Expressway and Daguangan Expressway in Hubei, through the incubation-injection mode to achieve a breakthrough development. The experience accumulated will also help the Group acquire more quality resources through this mode in the future.

On 19 December 2020, Guangzhou Yuexiu Holdings Limited ("Guangzhou Yuexiu Group" or "Parent Company"), through its wholly-owned subsidiary Henan Yuexiu Lanwei Expressway Company Limited ("Yuexiu Lanwei Company"), acquired the toll collection right of Henan Lanwei Expressway ("Lanwei Expressway") in a judicial bidding at the consideration of RMB2.483 billion. Lanwei Expressway is a section of the Rizhao-Nanyang Expressway ("Rinan Expressway"), one of the 28 national planned core highways, and is also an important component of the "Five vertical roads, four horizontal roads and four corridors" expressway network planned by Henan Province.

Lanwei Expressway, which starts in Lankao County, Kaifeng City, Henan Province, passes through Tongxu County and ends at Weishi County, intersects with Lianhuo Expressway, Zhengmin Expressway and Daguang Expressway, and is directly connected to Henan Weixu Expressway, a project wholly-owned by the Group. Lanwei Expressway is an important corridor connecting Henan Province and Shandong Province. Lanwei Expressway has a total length of 61.03 kilometers. It was constructed in accordance with the construction standard of a two-way four-lane expressway with a designed speed of 120 kilometers per hour. According to the approval granted by the Henan Provincial Government, the operating period will be expired on 1 July 2034, and the remaining operation term is about 13 years. In recent years, the Group has actively pursued mergers and acquisitions of high-quality projects in the central core area. Given the geographic location of Lanwei Expressway, it is in line with the Group's regional development strategy and is expected to have a positive effect in strengthening the Group's major business of toll expressways.

As at the date of this announcement, the Group has started to move forward the potential acquisition of the Lanwei Expressway (“Potential Acquisition”), including commencement of due diligence, traffic volume assessment and valuation, etc. However, the results of the due diligence, traffic volume assessment and valuation are not yet available. and no terms have been agreed for the Potential Acquisition. Also, the Group has not entered into any formal agreement with respect to the Potential Acquisition. The Board of Directors will issue further announcements in accordance with the Listing Rules and applicable laws when appropriate. Since Guangzhou Yuexiu Group is a connected person of the Group, based on currently available information, if the Potential Acquisition is materialized, it may constitute a notifiable and connected transaction of the Company under the Listing Rules **(The aforementioned disclosure of the Potential Acquisition is made by the Group pursuant to the Inside Information Provisions under Part XIVA of the Securities and Futures Ordinance (Cap 571 of the Laws of Hong Kong) and Rule 13.09(2)(a) of the Listing Rules).**

In addition, on 7 August 2020, the CSRC released Guidelines for Publicly Offered Infrastructure Securities Investment Funds (for Trial Implementation) (the “Guideline”), which provided legal basis for the domestic pilot scheme of the infrastructure REITs. The Group will capture the opportunities brought by the introduction of the new policy and strive to become one of the pilot companies for the REITs. This would be our starting point for utilizing positive interaction of the two platforms, opening up the channel for capital circulation and implementing innovation of new business models, to promote the business to the high quality and sustainability stage, with premium toll expressways in developed regions or region with high growth potential as the core, and create continuous and stable returns to our shareholders.

#### **APPRECIATION**

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

## CONSOLIDATED INCOME STATEMENT

For the year ended 31 December 2020

	Note	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Revenue	3	<b>2,919,838</b>	3,023,221
Cost of services	5, 6	<b>(1,360,577)</b>	(1,011,137)
Construction income under service concession upgrade services		<b>307,235</b>	298,276
Construction costs under service concession upgrade services		<b>(307,235)</b>	(298,276)
Other income, gains and losses - net	4	<b>25,145</b>	179,374
General and administrative expenses	5, 6	<b>(246,942)</b>	(271,819)
<b>Operating profit</b>		<b>1,337,464</b>	1,919,639
Finance income	7	<b>26,359</b>	40,800
Finance costs	7	<b>(805,757)</b>	(411,217)
Share of result of a joint venture		<b>56,533</b>	88,739
Share of results of associates		<b>67,822</b>	262,484
<b>Profit before income tax</b>		<b>682,421</b>	1,900,445
Income tax expense	8	<b>(278,085)</b>	(305,402)
<b>Profit for the year</b>		<b>404,336</b>	1,595,043
<b>Attributable to:</b>			
Shareholders of the Company		<b>160,491</b>	1,137,590
Non-controlling interests		<b>243,845</b>	457,453
		<b>404,336</b>	1,595,043
Earnings per share for profit attributable to the shareholders of the Company		<b>RMB</b>	<b>RMB</b>
Basic and diluted earnings per share	9	<b>0.0959</b>	0.6799

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2020

	2020	2019
	<i>RMB'000</i>	<i>RMB'000</i>
<b>Profit for the year</b>	<b>404,336</b>	1,595,043
<b>Other comprehensive income</b>		
<i>Items that may be reclassified to profit or loss</i>		
Currency translation differences	592	(164)
Release of currency translation differences upon liquidation of a subsidiary	—	(18,000)
Cash flow hedges – movement in hedging reserve	6,637	(2,377)
Other comprehensive income/(loss) for the year	7,229	(20,541)
<b>Total comprehensive income for the year</b>	<b>411,565</b>	1,574,502
<b>Total comprehensive income attributable to:</b>		
Shareholders of the Company	167,720	1,117,049
Non-controlling interests	243,845	457,453
	<b>411,565</b>	1,574,502

## CONSOLIDATED BALANCE SHEET

As at 31 December 2020

	Note	31 December 2020 RMB'000	31 December 2019 RMB'000
<b>ASSETS</b>			
<b>Non-current assets</b>			
Intangible operating rights		31,712,956	32,369,121
Goodwill		632,619	632,619
Property, plant and equipment		53,099	52,321
Investment properties		37,144	39,923
Right-of-use assets		30,021	10,528
Investment in a joint venture		487,605	471,055
Investments in associates		1,536,113	1,399,621
Derivative financial instruments		—	1,697
Other non-current receivables	11	—	22,916
		<u>34,489,557</u>	<u>34,999,801</u>
<b>Current assets</b>			
Trade receivables	12	204,361	175,028
Other receivables, deposits and prepayments	12	157,678	160,255
Amount due from an associate		—	27,729
Cash and cash equivalents		1,516,004	1,435,062
		<u>1,878,043</u>	<u>1,798,074</u>
<b>Total assets</b>		<u><b>36,367,600</b></u>	<u><b>36,797,875</b></u>
<b>EQUITY</b>			
Equity attributable to the shareholders of the Company			
Share capital		147,322	147,322
Reserves		10,277,569	10,424,333
		<u>10,424,891</u>	<u>10,571,655</u>
<b>Non-controlling interests</b>		<u>3,228,854</u>	<u>3,057,095</u>
<b>Total equity</b>		<u><b>13,653,745</b></u>	<u><b>13,628,750</b></u>



	Note	<b>31 December 2020 RMB'000</b>	31 December 2019 RMB'000
<b>LIABILITIES</b>			
<b>Non-current liabilities</b>			
Borrowings		12,321,643	14,134,151
Notes payable		2,492,974	996,522
Corporate bonds		—	1,907,554
Contract liabilities and deferred revenue		332,860	351,213
Deferred income tax liabilities		3,300,573	3,244,298
Lease liabilities		19,510	350
Derivative financial instruments		13,365	—
		<u>18,480,925</u>	<u>20,634,088</u>
<b>Current liabilities</b>			
Borrowings		977,300	1,305,148
Corporate bonds		1,909,152	—
Amount due to a non-controlling interest of a subsidiary		1,611	1,611
Amounts due to holding companies		153	331
Amount due to a joint venture		—	2,490
Trade and other payables and accrued charges	13	1,219,362	1,115,038
Contract liabilities and deferred revenue		22,309	22,309
Lease liabilities		10,511	10,488
Derivative financial instruments		10,677	—
Current income tax liabilities		81,855	77,622
		<u>4,232,930</u>	<u>2,535,037</u>
<b>Total liabilities</b>		<u><u>22,713,855</u></u>	<u><u>23,169,125</u></u>
<b>Total equity and liabilities</b>		<u><u>36,367,600</u></u>	<u><u>36,797,875</u></u>

## Notes

### 1 BASIS OF PREPARATION

#### (i) Compliance with HKFRSs and HKCO

The consolidated financial statements of the Group have been prepared in accordance with Hong Kong Financial Reporting Standards (“HKFRSs”) issued by the Hong Kong Institute of Certified Public Accountants and disclosure requirements of the Hong Kong Companies Ordinance (“HKCO”) (Cap. 622).

#### (ii) Going concern consideration

As at 31 December 2020, the Group’s current liabilities exceeded its current assets by RMB2,354,887,000. The Group’s current liabilities primarily comprise of current borrowings, corporate bonds and other payable and accrued charges of RMB977,300,000, RMB1,909,152,000 and RMB1,146,130,000 respectively. Notwithstanding the above, the directors of the Company are confident that the Group will be able to meet its liabilities as they fall due in the next twelve months, taking into account the forecast cash flows including the banking facilities available, and the Medium Term Notes of RMB1 billion and Corporate Bonds of RMB1 billion issued in January 2021. Accordingly, these consolidated financial statements have been prepared on a going concern basis.

#### (iii) Historical cost convention

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

#### (iv) New standards, amendments to standards and interpretation

The Group has applied the following new standards, amendments, improvement and interpretation for the first time for their annual reporting period commencing 1 January 2020:

HKAS 1 and HKAS 8 (Amendments)	Definition of material
HKFRS 3 (Amendments)	Definition of a business
HKFRS 9, HKAS 39 and HKFRS 7 (Amendments)	Hedge accounting (amendments)
Conceptual Framework for Financial Reporting 2018	Revised Conceptual Framework for Financial Reporting

The above new standards, amendments, improvement and interpretation effective for the financial year beginning 1 January 2020 do not have a material impact on the Group.

The following new standards, amendments, improvement and interpretation have been issued but are not effective for the financial year beginning 1 January 2020 and have not been early adopted:

<b>New standards, amendments, improvement and interpretation</b>		<b>Effective for accounting periods beginning on or after</b>
Amendments to annual improvements project	Annual improvements 2018-2020 cycle	1 January 2022
HKAS 1 (Amendments)	Classification of Liabilities as Current or Non-current	1 January 2023
HKAS 16 (Amendments)	Property, Plant and Equipment: Proceeds before intended use	1 January 2022
HKAS 37 (Amendments)	Onerous Contracts – Cost of Fulfilling a Contract	1 January 2022
HKFRS 3 (Amendments)	Reference to the Conceptual Framework	1 January 2022
HKFRS 17	Insurance contracts	1 January 2023
HKFRS 10 and HKAS 28 (Amendments)	Sale or contribution of assets between an investor and its associate or joint venture	To be announced

Management considers that the adoption of the above mentioned new standards, amendments and interpretation at their respective effective dates are not expected to have a material impact on the Group in the current or future reporting periods.

## **2 CRITICAL ACCOUNTING ESTIMATES AND JUDGEMENTS**

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

Following the outbreak of Coronavirus Disease 2019 (the “COVID-19 outbreak”) in early 2020, a series of precautionary and control measures have been and continued to be implemented across China, including extension of the Chinese New Year holiday nationwide, postponement of work resumption after the Chinese New Year holiday in some regions, certain level of restrictions and controls over the travelling of people and traffic arrangements.

According to “the Notice on Toll Roads Going Toll-Free During the Period of Precautionary and Control in relation to the outbreak of COVID-19” (the “Notice”) issued by the Ministry of Transport of the PRC, all of the expressways and bridge projects controlled or invested in by the Group were toll free from 17 February 2020 till 5 May 2020 (the “Toll Fee Exemption”). Basically, all of the Group’s revenue are generated from the expressways and bridge projects as operated by the Group and the operations of the Group’s joint venture and associates are also subject to this Toll Fee Exemption. Since 6 May 2020, all the expressways and bridges of the Group have resumed normal toll collection.

The overall financial performance of the Group for the year ended 31 December 2020 was affected by the Toll Fee Exemption.

### 3 SEGMENT INFORMATION

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

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

In 2020, the presentation of reportable segments of the Group are revised as certain other income from the toll roads operations are reclassified from “Other income, gains and losses – net” to “Revenue” as the CODM believes the revised classification could provide better presentation to the user of the financial information to evaluate the Group’s operating performance from toll roads operations. The comparative figures were not restated.

	<b>Toll roads operations RMB’000</b>	<b>All other segments RMB’000</b>	<b>Total RMB’000</b>
<b>Year ended 31 December 2020</b>			
Revenue (from external customers)			
– Toll revenue	2,872,041	—	2,872,041
– Other toll operating income	11,590	—	11,590
– Income from service area and gas station	36,207	—	36,207
	<u>2,919,838</u>	<u>—</u>	<u>2,919,838</u>
Amortisation of intangible operating rights	(949,918)	—	(949,918)
Depreciation of			
– property, plant and equipment	(15,292)	(761)	(16,053)
– right-of-use assets	(10,187)	—	(10,187)
Compensation from government	1,071	—	1,071
Government subsidy	16,373	—	16,373
	<u>1,339,780</u>	<u>(2,316)</u>	<u>1,337,464</u>
Operating profit/(loss)			
Finance income	26,359	—	26,359
Finance costs	(805,757)	—	(805,757)
Share of result of a joint venture	56,533	—	56,533
Share of results of associates	67,822	—	67,822
	<u>684,737</u>	<u>(2,316)</u>	<u>682,421</u>
Profit/(loss) before income tax			
Income tax expense	(278,085)	—	(278,085)
	<u>406,652</u>	<u>(2,316)</u>	<u>404,336</u>
<b>Profit/(loss) for the year</b>			

	Toll roads operations RMB'000	All other segments RMB'000	Total RMB'000
Year ended 31 December 2019			
Revenue (from external customers)	3,023,221	—	3,023,221
Amortisation of intangible operating rights	(640,588)	—	(640,588)
Depreciation of			
– property, plant and equipment	(16,481)	(797)	(17,278)
– right-of-use assets	(11,141)	—	(11,141)
Compensation from government	54,308	—	54,308
Gain on liquidation of a subsidiary	37,689	—	37,689
Government subsidy	37,988	—	37,988
	<u>1,920,579</u>	<u>(940)</u>	<u>1,919,639</u>
Operating profit/(loss)	1,920,579	(940)	1,919,639
Finance income	40,800	—	40,800
Finance costs	(411,217)	—	(411,217)
Share of result of a joint venture	88,739	—	88,739
Share of results of associates	262,484	—	262,484
	<u>1,901,385</u>	<u>(940)</u>	<u>1,900,445</u>
Profit/(loss) before income tax	1,901,385	(940)	1,900,445
Income tax expense	(305,402)	—	(305,402)
	<u>1,595,983</u>	<u>(940)</u>	<u>1,595,043</u>
Profit/(loss) for the year	1,595,983	(940)	1,595,043
<b>As at 31 December 2020</b>			
Total segment assets	<b>36,259,700</b>	<b>107,900</b>	<b>36,367,600</b>
Addition to non-current assets	<b>311,847</b>	—	<b>311,847</b>
Total segment assets include:			
Investment in a joint venture	<b>487,605</b>	—	<b>487,605</b>
Investments in associates	<b>1,455,653</b>	<b>80,460</b>	<b>1,536,113</b>
	<u>(22,637,538)</u>	<u>(76,317)</u>	<u>(22,713,855)</u>
Total segment liabilities	(22,637,538)	(76,317)	(22,713,855)
As at 31 December 2019			
Total segment assets	36,763,324	34,551	36,797,875
Acquisition of subsidiaries	15,306,894	—	15,306,894
Addition to non-current assets	273,610	—	273,610
Total segment assets include:			
Investment in a joint venture	471,055	—	471,055
Investments in associates	1,395,121	4,500	1,399,621
	<u>(23,168,963)</u>	<u>(162)</u>	<u>(23,169,125)</u>
Total segment liabilities	(23,168,963)	(162)	(23,169,125)
Total segment liabilities include:			
Amount due to a joint venture	(2,490)	—	(2,490)

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

Revenue relating to toll roads operations is recognised at a point in time.

There are no differences from the last annual consolidated financial statements in the basis of segmentation or in the basis of measurement of segment profit or loss except for the reclassification of certain other income from toll roads operations as detailed above.

#### 4 OTHER INCOME, GAINS AND LOSSES - NET

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Fair value (loss)/gain on investment properties	<b>(1,312)</b>	842
Gain on disposal of property, plant and equipment	<b>720</b>	111
Compensation for expressways and bridges damages	<b>7,362</b>	5,244
Compensation from government (note a)	<b>1,071</b>	54,308
Handling income from toll fee collection (note d)	<b>—</b>	980
Management service income	<b>2,778</b>	2,234
Income from service area and gas station (note d)	<b>—</b>	24,952
Gain on liquidation of a subsidiary (note b)	<b>—</b>	37,689
Government subsidy (note c)	<b>16,373</b>	37,988
Others	<b>(1,847)</b>	15,026
	<b><u>25,145</u></b>	<u>179,374</u>

Notes:

- (a) The amount mainly represented compensation from government on requisition of land and demolition of plants and other greening facilities.
- (b) In November 2019, the Group had completed the voluntary liquidation of a subsidiary, Shaanxi Jinxiu Transport Co. Limited, resulting in a gain on liquidation of approximately RMB37,689,000.
- (c) The amount mainly represented an one-off non-assets related government subsidy of RMB7,162,000 received from the Guangzhou Municipal Bureau of Commerce and RMB6,460,000 from the Wuhan Municipal Bureau of Commerce in 2020 (2019: RMB37,988,000 received from the Guangzhou Municipal Bureau of Commerce).
- (d) The income from service area and gas station and other toll operating income are reclassified to “Revenue” in 2020 (note 3).

## 5 EXPENSES BY NATURE

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

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Taxes and surcharges	15,074	14,949
Amortisation of intangible operating rights	949,918	640,588
Depreciation of		
– Property, plant and equipment	16,053	17,278
– Right-of-use assets	10,187	11,141
Employee benefit expense (note 6)	320,039	331,841
Toll highways and bridges maintenance expenses	139,151	104,177
Toll highways and bridges operating expenses	102,257	96,780
Auditor's remuneration		
– Audit services	3,300	2,924
– Non-audit services	3,143	5,787
Legal and professional fee	14,572	24,309

## 6 EMPLOYEE BENEFIT EXPENSE

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Staff costs (including directors' emoluments)		
– Wages and salaries	251,676	253,142
– Pension costs (defined contribution plan) (note)	6,251	18,864
– Social security costs	29,890	11,210
– Staff welfare and other benefits	32,222	48,625
Total employee benefit expense	320,039	331,841

Employee benefit expenses of RMB145,690,000 (2019: RMB143,660,000) and RMB174,349,000 (2019: RMB188,181,000) are included in “cost of services” and “general and administrative expenses” respectively in the consolidated income statement.

Note:

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

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

There was no forfeited contribution as at 31 December 2020 (2019: Nil). No forfeited contribution was utilised during the year (2019: Nil). Contributions totalling RMB6,251,000 (2019: RMB18,864,000) were payable to the fund during the year.

7 FINANCE INCOME/(COSTS)

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Bank interest income	23,627	28,168
Interest income on other non-current receivables	2,732	5,932
Others	—	6,700
	<hr/>	<hr/>
Finance income	<b>26,359</b>	40,800
	<hr/> <hr/>	<hr/> <hr/>
Interest expenses:		
– Bank borrowings	(614,783)	(275,762)
– Other borrowing	(7,364)	(6,918)
– Bank facility fees	(4,143)	(5,035)
– Loan from a joint venture	(6,389)	(5,128)
– Loans from non-controlling interests of certain subsidiaries	(191)	(1,155)
– Loan from a fellow subsidiary	—	(22,921)
– Notes payable	(78,819)	(3,035)
– Corporate bonds	(67,087)	(67,727)
– Lease liabilities	(975)	(976)
– Others	(15,719)	(6,142)
Exchange loss on bank borrowings	—	(9,742)
Net other exchange loss	(10,287)	(6,676)
	<hr/>	<hr/>
Finance costs	<b>(805,757)</b>	(411,217)
	<hr/> <hr/>	<hr/> <hr/>



## 8 INCOME TAX EXPENSE

- (a) No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group had no assessable income subject to Hong Kong profits tax during the year (2019: Nil).
- (b) During the year ended 31 December 2020, PRC enterprises income tax was provided on the profits of the Group's subsidiaries, associates and joint venture in the PRC in accordance with the Corporate Income Tax Law of China. The applicable principal income tax rate for the year ended 31 December 2020 is 25% (2019: 25%). Guangzhou North Second Ring Transport Technology Company Limited ("GNSR"), a subsidiary of the Group, has been recognised as an eligible entity in 2019 to enjoy three years' preferential tax treatment of income tax, at a preferential income tax rate of 15%, started from 2018. Since GNSR had already settled the income tax at 25% for 2018, the Group had recognised the tax refund of RMB95,916,000 during the year ended 31 December 2019. Guangxi Yuexiu Cangyu Expressway Company Limited, a subsidiary of the Group, has been recognised as an eligible entity to enjoy preferential tax treatment of income tax, at a preferential income tax rate of 15%, started from 2013 to 2030.

In addition, dividend distribution out of profit of foreign-invested enterprises earned after 1 January 2008 is subject to withholding income tax at a rate of 5% or 10%. During the year, withholding income tax was provided for undistributed profits of certain of the Group's subsidiaries and associates in the PRC at a rate of 5% or 10% (2019: 5% or 10%).

As at 31 December 2020, deferred tax liabilities of RMB85,863,000 (2019: RMB58,712,000) was not recognised in respect of withholding tax on the unremitted earnings of certain entities in the PRC, as these earnings are expected to be reinvested in the PRC.

- (c) The amount of income tax charged to the consolidated income statement represents:

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Current income tax		
PRC enterprise income tax	<b>221,810</b>	388,398
Refund of PRC enterprise income tax (note b)	<b>—</b>	(95,916)
	<b>221,810</b>	292,482
Deferred income tax	<b>56,275</b>	12,920
	<b>278,085</b>	305,402

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

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Profit before income tax	<b>682,421</b>	1,900,445
Less: share of results of associates	<b>(67,822)</b>	(262,484)
Less: share of result of a joint venture	<b>(56,533)</b>	(88,739)
	<b>558,066</b>	1,549,222
Calculated at a tax rate of 25% (2019: 25%)	<b>139,517</b>	387,306
Income not subject to tax	<b>(3,105)</b>	(1,912)
Expenses not deductible for tax purposes	<b>64,929</b>	38,493
Profit of subsidiaries with preferential tax treatment (note (i))	<b>(73,328)</b>	(106,305)
Tax losses not recognised (note (ii))	<b>124,749</b>	34,726
Utilisation of previously unrecognised tax losses	—	(7,151)
Over provision in the prior year	<b>(3,731)</b>	(479)
Refund of PRC enterprise income tax (note b)	—	(95,916)
Withholding tax on undistributed profits of subsidiaries and associates	<b>29,054</b>	56,640
Income tax expense	<b>278,085</b>	305,402

Notes:

- (i) Two subsidiaries of the Group enjoy three years' and eighteen years' preferential tax treatment of income tax respectively, at a preferential income tax rate of 15%.
- (ii) Deferred income tax assets are recognised for tax losses carried forward to the extent that the realisation of the related tax benefit through future taxable profits is probable. The Group did not recognise deferred income tax assets of approximately RMB244,017,000 (2019: RMB193,621,000) in respect of unused losses amounting to approximately RMB976,069,000 (2019: RMB774,484,000). Unused tax losses of approximately RMB160,454,000 (2019: RMB297,411,000) will be expired in 1 year and the remaining unused tax losses will be expired prior to 2025.

## 9 EARNINGS PER SHARE

Basic and diluted earnings per share are calculated by dividing the profit attributable to shareholders of the Company by the weighted average number of ordinary shares in issue during the year.

	2020	2019
Profit attributable to shareholders of the Company (RMB'000)	<u>160,491</u>	<u>1,137,590</u>
Weighted average number of ordinary shares in issue ('000)	<u>1,673,162</u>	<u>1,673,162</u>
Basic and diluted earnings per share (RMB)	<u>0.0959</u>	<u>0.6799</u>

The diluted earnings per share for the year ended 31 December 2020 equals to the basic earnings per share as there are no potential dilutive ordinary shares in issue during the year (2019: Nil).

## 10 DIVIDENDS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Interim, paid, nil (2019: HKD0.18 equivalent to approximately RMB0.16) per share	—	271,042
Final, proposed, of HKD0.07 equivalent to approximately RMB0.06 (2019: HKD0.21 equivalent to approximately RMB0.19) per share	<u>97,706</u>	<u>314,484</u>
	<u>97,706</u>	<u>585,526</u>

The final dividend was proposed after the balance sheet date and has not been recognised as a liability at the balance sheet date.

## 11 OTHER NON-CURRENT RECEIVABLES

Non-current receivables represent the non-current portion of the present value of consideration receivable, discounted at a rate of 5.32% in relation to the disposal of the Group's toll operating rights of Xiang Jiang Bridge II in 2009.

As at 31 December 2020, the total remaining balance of the consideration receivable (all in current portion) is approximately RMB25.9 million (2019: RMB50.4 million, including current and non-current portion) which will be settled by 2 half yearly instalments until the end of its concessionary period, i.e. 30 November 2021. As at 31 December 2020, approximately RMB25.9 million will be received within 1 year (2019: approximately RMB22.9 million will be received more than 1 year) from the balance sheet date according to the repayment schedule, which has been included in "Trade and other receivables, deposits and prepayments".

The fair value of consideration receivable (all in current portion) of approximately RMB26.3 million (2019: RMB51.8 million, including current and non-current portion) is estimated by discounting remaining balance of RMB27.1 million (2019: RMB54.6 million) at the applicable current interest rate of 4.35% (2019: 4.63%) and is categorised as level 2 under the fair value hierarchy.

## 12 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

	2020 <i>RMB'000</i>	2019 <i>RMB'000</i>
Trade receivables	204,361	175,028
Other receivables, deposits and prepayments	157,678	160,255
	<u>362,039</u>	<u>335,283</u>

As at 31 December 2020, trade receivables were all aged below 30 days (2019: 30 days) by invoice date.

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

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

### 13 TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
Trade payables	<b>73,232</b>	47,303
Other payables and accrued charges	<b>789,828</b>	808,655
Construction related accruals and payables	<b>356,302</b>	259,080
	<b><u>1,219,362</u></b>	<u>1,115,038</u>

The ageing analysis of trade payables by invoice date is as follows:

	<b>2020</b>	2019
	<b><i>RMB'000</i></b>	<i>RMB'000</i>
0 - 30 days	<b>8,073</b>	11,058
31 - 90 days	<b>1,412</b>	—
Over 90 days	<b>63,747</b>	36,245
	<b><u>73,232</u></b>	<u>47,303</u>

Trade and other payables and accrued charges are mainly denominated in RMB except for other payables of approximately RMB20.1 million (2019: RMB8.6 million) which were denominated in HKD and the carrying amounts approximated their fair values.

## MANAGEMENT DISCUSSION AND ANALYSIS

### BUSINESS REVIEW

#### Summary Information of Operating Toll Roads and Bridges

	Toll Mileage (km)	Width (lanes)	Toll Station(s)	Road Type	Attributable Interests (%)	Remaining Operating Term (year)
<b>Subsidiaries</b>						
GNSR Expressway	42.5	6	6	Expressway	60.00	12
Cangyu Expressway	22.0	4	0 <sup>(1)</sup>	Expressway	100.00	10
Jinxiong Expressway	23.9	4	2 <sup>(1)</sup>	Expressway	60.00 <sup>(2)</sup>	10
Han-Xiao Expressway	38.5	4	2	Expressway	100.00	16
Changzhu Expressway	46.5	4	5	Expressway	100.00	20
Weixu Expressway	64.3	4	2	Expressway	100.00	15
Suiyuan Expressway	98.1	4	4	Expressway	70.00	20
Hancai Expressway	36.0	4/6 <sup>(3)</sup>	2	Expressway	67.00	18
Han'e Expressway	54.8	4	5	Expressway	100.00	22
Daguangnan Expressway	107.1	4	6 <sup>(1)</sup>	Expressway	90.00	22
<b>Associates and Joint Venture</b>						
GWSR Expressway	42.1	6	2 <sup>(4)</sup>	Expressway	35.00	10
Humen Bridge	15.8	6	4	Suspension Bridge	27.78 <sup>(5)</sup>	9
Northern Ring Road	22.0	6	8	Expressway	24.30	3
Shantou Bay Bridge	6.5	6	3	Suspension Bridge	30.00	8
Qinglian Expressway	215.2	4	15 <sup>(1)</sup>	Expressway	23.63	14

*Notes:*

- (1) According to the “Notice of the General Office of the State Council on Publishing the Implementation Plan of the Promotion of the Toll Road System Reform and Cancellation of Expressway Provincial Border Toll Stations” (《國務院辦公廳關於印發深化收費公路制度改革取消高速公路省界收費站實施方案的通知》) and related technical plans, all provincial expressway toll stations across the country were cancelled since 1 January 2020. Existing toll stations at provincial borders of projects operated by the Group, namely, Cangyu Expressway, Jinxiong Expressway, Daguangnan Expressway and Qinglian Expressway, were removed as scheduled, as a result of which toll can be collected without requiring vehicles to stop and pay when they went across the relevant provinces.

- (2) The percentage of equity interest attributable to the Group was 60%; profit sharing ratio: 90% in 2012 and before, 40% from 2013 to 2015, 60% in 2016 and thereafter.
- (3) There are 6 lanes at the section from Miliang Shan to Wuhan Outer Ring Road, and 4 lanes on the remaining expressway.
- (4) From 1 January 2020, the toll station has been linked with Foshan First Ring Highway (Northern Extension Line), and the toll station at the linking point has been abolished; and the another toll station has been abolished from 10 October 2020.
- (5) The profit-sharing ratio was 18.446% from 2010 onwards.

## TOLL SUMMARY OF TOLL ROADS AND BRIDGES

For the twelve months ended 31 December 2020<sup>(1)</sup>

	Average daily toll revenue				Average daily toll traffic volume	
	Full year of 2020 <sup>(2)</sup> (RMB/day)	Y-O-Y Change %	July to December in 2020 <sup>(3)</sup> (RMB/day)	Y-O-Y Change %	July to December in 2020 <sup>(3)</sup> (Vehicle/day)	Y-O-Y Change %
<b>Subsidiaries</b>						
GNSR Expressway	3,167,671	-5.0%	3,534,847	0.9%	297,280	6.6%
Cangyu Expressway	191,081	10.8%	217,004	35.8%	12,489	66.5%
Jinxiong Expressway	255,251	0.5%	287,394	11.1%	45,254	18.8%
Han-Xiao Expressway	531,433	6.6%	577,930	9.6%	32,675	11.9%
Changzhu Expressway	719,099	4.8%	811,420	11.6%	77,895	17.7%
Weixu Expressway	1,006,934	-11.5%	1,069,673	-8.3%	23,676	-6.2%
Suiyuan Expressway	1,815,021	-3.7%	1,983,232	1.3%	33,252	32.9%
Hancai Expressway	624,042	-8.3%	685,278	1.4%	47,929	3.8%
Han'e Expressway	512,791	6.3%	586,097	21.7%	41,220	15.8%
Daguangnan Expressway	1,183,791	25.8%	1,293,057	32.2%	30,017	19.4%
<b>Associates and Joint Venture</b>						
GWSR Expressway	1,523,218	-4.6%	1,759,180	5.0%	110,815	19.7%
Humen Bridge	1,563,862	-45.0%	1,800,641	-12.4%	70,251	-4.4%
Northern Ring Road	1,870,943	-10.2%	2,029,494	-3.3%	382,534	1.9%
Shantou Bay Bridge	472,515	-15.5%	532,868	-7.7%	30,703	6.4%
Qinglian Expressway	2,301,103	0.3%	2,453,410	8.8%	53,893	9.3%

*Notes:*

- (1) Since the cancellation of the provincial borders toll stations on January 1, 2020, due to the COVID-19 outbreak and the instability of the new system at the initial stage of operation, the supervisory authorities of the provinces (municipalities) where the projects are located were unable to provide accurate data of toll traffic volume from January to June 2020, the Group will mainly disclose the full-year toll revenue and its year-on-year changes for 2020, the toll revenue and the year-on-year changes for July to December 2020 and the toll traffic volume and the year-on-year changes for July to December 2020.
- (2) National toll fees of small passengers vehicles on toll roads were waived from 0:00 on 24 January 2020 to 24:00 on February 8 (extended by 9 days on the original basis) during the 2020 Spring Festival Holiday according to the “Notice of the Work Related to Exempting Toll Fee for Small Passengers Vehicles During the 2020 Spring Festival Holiday” (關於做好二〇二〇年春節假期免收小型客車通行費有關工作的通知), the “Notice of Extension for the Free Toll Period of Small Passengers Vehicles During the 2020 Spring Festival Holiday” (關於延長二〇二〇年春節假期小型客車免費通行時段的通知) and the “Notice of Extension for the Period of Exempting Toll Fee of Small Passengers Vehicles on Toll Roads during the Spring Festival Holiday” (關於延長春節假期收費公路免收小型客車通行費時段的通告). According to the “Notice on Waiver of Tolls on Toll Roads During the Prevention and Control of Epidemic Caused by the Novel Coronavirus Pneumonia” (《關於新冠肺炎疫情防控期間免收收費公路車輛通行費的通告》), toll fee for all vehicles on toll roads nationwide was exempted from 0:00 on 17 February 2020 until the end of the disease prevention and control. According to the “Announcement on Resumption of Toll Collection for Toll Roads” (《關於恢復收費公路收費的公告》), toll collection for legally approved toll roads is resumed from 0:00 a.m. on 6 May 2020 (79 toll-free days in total). All projects of the Group have been resumed for normal toll collection. The average daily toll revenue of the Group throughout 2020 was calculated based on the number of calendar days of the whole year (366 days) less the number of the days exempting toll fees (79 days), which is equivalent to 287 days. However, the average daily toll revenue throughout 2019 was also calculated based on the calendar days throughout the year (365 days).
- (3) The average daily toll revenue and the average daily traffic volume of the Group during July to December 2020 was calculated based on the numbers of calendar days during July to December (184 days), and the average daily toll revenue and the average daily traffic volume during July to December 2019 was also calculated based on 184 days.

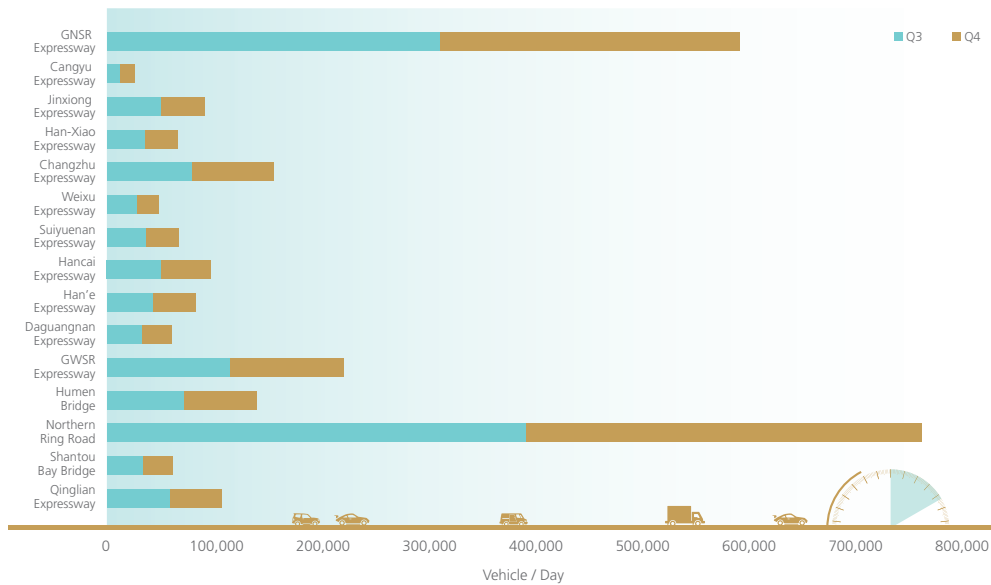


## Toll Roads and Bridges

### Quarterly analysis of average daily toll traffic volume for 2020

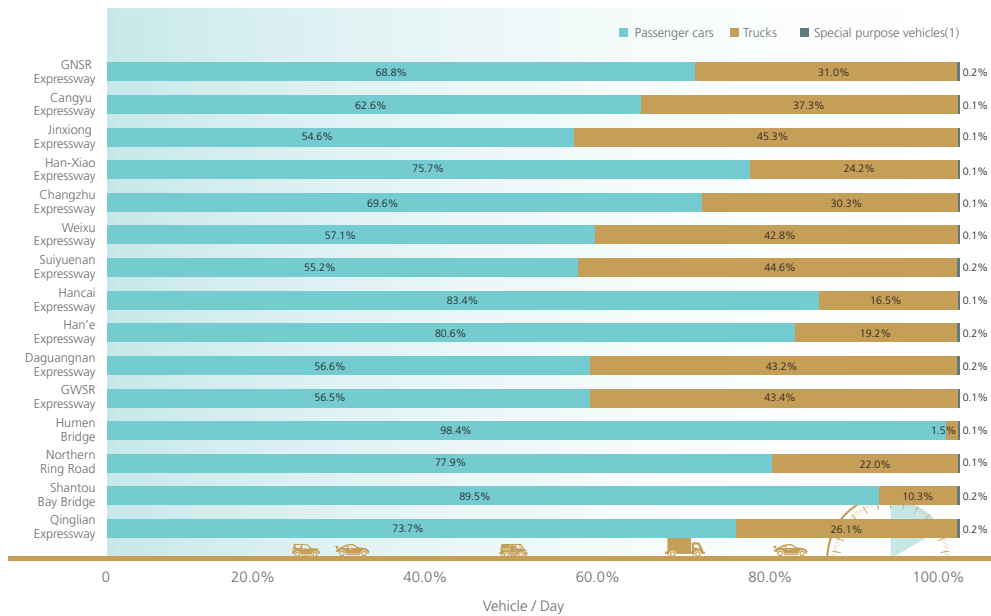
	<b>Average daily toll traffic volume of the Third quarter in 2020 (vehicle/day)</b>	<b>Average daily toll traffic volume of the Fourth quarter in 2020 (vehicle/day)</b>
<b>Subsidiaries</b>		
GNSR Expressway	310,968	283,592
Cangyu Expressway	11,049	13,929
Jinxiong Expressway	48,767	41,741
Han-Xiao Expressway	33,936	31,415
Changzhu Expressway	78,723	77,067
Weixu Expressway	26,257	21,094
Suiyuanan Expressway	35,420	31,085
Hancai Expressway	49,390	46,468
Han'e Expressway	41,651	40,790
Daguangnan Expressway	31,046	28,988
<b>Associates and Joint Venture</b>		
GWSR Expressway	113,300	108,330
Humen Bridge	71,345	69,157
Northern Ring Road	392,392	372,676
Shantou Bay Bridge	31,987	29,418
Qinglian Expressway	57,881	49,905

### Quarterly analysis of average daily toll traffic volume for 2020



### Vehicle type analysis (by traffic volume)

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



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

## SUMMARY OF OPERATING PERFORMANCE

### MACROECONOMIC ENVIRONMENT

During the Reporting Period, coronavirus battered China's economy. However, with the gradual resumption of work and production, China's economy has recovered steadily, showing a trend of going downward first and then upward. According to the information released by the National Bureau of Statistics, the gross domestic product (GDP) throughout 2020 amounted to RMB101,598.6 billion, representing a year-on-year increase of 2.3%. On a quarterly basis, there was a year-on-year GDP decrease of 6.8% for the first quarter, an increase of 3.2% for the second quarter, an increase of 4.9% for the third quarter and an increase of 6.5% for the fourth quarter.

As economic activities gradually returned to normal level, main index of the sector showed an improving trend. Investment on fixed assets of expressway construction amounted to RMB2,256.9 billion from January to November 2020, representing a year-on-year increase of 11.5%. In January to December 2020, Highway passenger and cargo turnover decreased by 47.6% and increased by 0.9% year-on-year, respectively.

During the Reporting Period, domestic car ownership maintained a steady growth momentum. As at 31 December 2020, domestic car ownership reached 281 million vehicles, representing a year-on-year increase of 8.1%.

The projects invested and operated by the Group are distributed throughout Guangdong, Tianjin, Guangxi, Hunan, Hubei and Henan. The GDP of these regions throughout 2020 increased by 2.3%, increased by 1.5%, increased by 3.7%, increased by 3.8%, decreased by 5.0% and increased by 1.3% year-on-year, respectively.

(Unit: RMB100 million)

	<b>Guangxi</b>						
	<b>Guangdong</b>	<b>Tianjin</b>	<b>Guangxi</b>	<b>Hunan</b>	<b>Hubei</b>	<b>Henan</b>	
	<b>National</b>	<b>Province</b>	<b>Municipality</b>	<b>Region</b>	<b>Province</b>	<b>Province</b>	<b>Province</b>
GDP for the year 2020	1,015,986	110,761	14,084	22,157	41,781	43,443	54,997
GDP changes for the year 2020	2.3%	2.3%	1.5%	3.7%	3.8%	-5.0%	1.3%
GDP changes for the year 2019	6.1%	6.2%	4.8%	6.0%	7.6%	7.5%	7.0%

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

## REGULATORY ENVIRONMENT OF THE SECTOR

During the Reporting Year, to cope with COVID-19, the Central Government of China has adopted a series of prevention and control measures, including: implementation of toll exemption for small passengers vehicles on toll roads from 0:00 on 24 January 2020 to 24:00 on February 8 (extended by 9 days apart from the original plan) during the 2020 Spring Festival Holiday according to the “Notice of the Work Related to Exempting Toll Fee for Small Passengers Vehicles During the 2020 Spring Festival Holiday” (《關於做好二〇二〇年春節假期免收小型客車通行費有關工作的通知》), the “Notice of Extension for the toll-free Period of Small Passengers Vehicles During the 2020 Spring Festival Holiday” (《關於延長二〇二〇年春節假期小型客車免費通行時段的通知》) and the “Notice of Extension for the toll-free Period of Small Passengers Vehicles on Toll Roads during the Spring Festival Holiday” (《關於延長春節假期收費公路免收小型客車通行費時段的通知》). According to the “Notice of Exempting Toll Fees on Toll Roads During the Period of Prevention and Control of Novel Coronavirus” (《關於新冠肺炎疫情防控期間免收收費公路車輛通行費的通知》), toll fee on the toll roads were exempted across the country from 0:00 on 17 February 2020 to the end of the disease prevention and control work. According to the “Announcement of the Resumption of the Collection of Toll Fee on Toll Roads” (《關於恢復收費公路收費的公告》), all projects of the Group have resumed to normal toll collection from 0:00 on 6 May 2020. In addition, in order to actively cooperate with the epidemic prevention and control work, all projects of the Group actively take various measures, such as disinfection of the office space and toll station area, establishment of prevention and control isolation areas and body temperature detection points, priority access for the emergency relief vehicles and maintaining close communication with local hygiene and health authorities.

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

During the Reporting Year, the Group implemented policies of differentiating expressway toll collection in the provinces (cities) where its projects operate to further lower the truck fee collection standard, which will affect toll revenue of each project in short term.

During the Reporting Year, according to the “Notice of the General Office of the State Council on Publishing the Implementation Plan of the Promotion of the Toll Road System Reform and Cancellation of Expressway Provincial Border Toll Stations” (《國務院辦公廳關於印發深化收費公路制度改革取消高速公路省界收費站實施方案的通知》) and related technical plans, all provincial expressway toll stations across the country were closed since 1 January 2020 as scheduled. The Group actively responded to the request of cancellation of provincial toll stations from competent authorities of the industry and carried out the relevant measures, such as the construction of ETC gantry systems, the renovation of ETC lanes and the installation of non-stop weight inspection systems for projects operated by the Group. Existing toll stations at provincial borders of projects operated by the Group, namely, Cangyu Expressway, Jinxiong Expressway, Daguangnan Expressway and Qinglian Expressway, were removed as scheduled, and system switching and co-network operation were successfully achieved.

During the Reporting Year, in accordance with the industry standard of “Vehicle Classification of the Toll Highway” implemented on January 1, 2020, in the regions where the Group’s investment and operation projects are located, all vehicles are classified into three categories in a standardized way: passenger cars, trucks, and special purpose vehicles.

## **BUSINESS IMPROVEMENTS AND INNOVATIONS**

During the Reporting Year, the Group continued to enhance the capability on ensuring smooth traffic flow and operational management capability, and further enhanced its road traffic efficiency and service capacity. We actively conducted adjustment and optimization of toll collection facilities and equipment, and ensured stable operation of the toll collection equipment and systems for various projects. We continued to strengthen safety production and promoted the construction of safety production governance system and capability. We built up innovative systems, pushed for accreditation of high-tech enterprises and set up a high-level platform for innovation and development cooperation. We made great efforts to develop comprehensive maintenance and renovation as well as construction project management and control capabilities, and continued to carry out the application of new technologies, materials, processes and equipment. The road maintenance technology named “Long-life rehabilitation pavement construction and maintenance technology and long-term service performance verification and evaluation” was awarded the first prize of science and technology of China Highway And Transportation Society. We actively promote the adoption of information technologies, and effectively enhance the information synergy capabilities. Moreover, we shall continue to enhance our staff development system and provide a solid foundation for the Company’s long-term development.

## **PROGRESS OF INVESTMENT**

During the Reporting Year, the Group continued to focus on high-quality expressway projects of large and medium sizes in order to strengthen its core business. With its base in Guangdong, Hong Kong and Macau Greater Bay Area, the Group actively looked for and acquired expressways which have a balanced operating cash flow from central and western provinces with developed economy so as to expand its business scale, and would also seek for development opportunities of infrastructure facility projects with stable cash flows. In addition, the Company is actively preparing the project of the REITs (immovable property investment trusts) and strives to become the pilot company.

During the Reporting Year, the Group also completed the capital injection of RMB76 million to Guangzhou Pazhou Port Company Limited, which constructs and operates the Guangzhou Pazhou Port Project and is 45% owned by the Group. The capital injected was mainly utilized in the first phase of construction of the Guangzhou Pazhou Port Project. The construction of the main body in the first phase of the Project will be completed by the end of the year.

## **Possible Risk Exposure**

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

### **Risk of Sectoral and Economic Policies**

Risk analysis: The “Regulation on the Administration of Toll Roads” will further strengthen the reform of the toll road system. The downward pressure on the domestic macro economy has increased, and the adjustment of the transportation structure has continued, which may affect the transportation demand, particularly the freight demand. In line with the prevention and control of the COVID-19 pandemic, the toll roads were exempted for 79 days nationwide, with the corresponding compensation policy not yet released in the provinces (cities) where the Group’s projects operate (except for Guangdong and Guangxi). In order to further lower the costs of logistics, certain local governments had launched highway toll reduction measures, for example, some provinces had implemented the pilot program of differentiated highway toll collection at different times, while others had implemented concessionary toll reduction policy for freight vehicles on state-owned highways. Industry standardized management has been further strengthened, and the road access requirements and maintenance standards continue to improve. From short term perspective, those measures bring pressure on the operation and management, income and costs of the Company.

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

### **Risk of Changes in the Planning of Road Networks**

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

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

## **PERFORMANCE OF EXPRESSWAYS AND BRIDGES**

During the Reporting Year, due to COVID-19 and related prevention and control measures (e.g. Spring Festival holiday was extended for 9 days apart from the original plan, expressway tolls were exempted for 79 days nationwide, etc.), the toll revenue of projects of the Group were significantly affected, generally representing a year-on-year downward or slowdown in growth rate of the characteristics. During July to December, the toll revenue and the toll traffic volume of each project of the Group in general recorded positive recovering trend.

## Subsidiaries

### *GNSR Expressway*

During the Reporting Year, the average daily toll revenue was RMB3,168,000, representing a decrease of 5% when compared with 2019. During July to December, the average toll revenue was RMB 3,535,000, representing an increase of 0.9% when compared with July to December 2019. The average daily traffic volume was 297,280 vehicles, representing an increase of 6.6% when compared with July to December 2019.

### *Cangyu Expressway*

During the Reporting Year, the average daily toll revenue was RMB191,000, representing an increase of 10.8% when compared with 2019. During July to December, the average toll revenue was RMB 217,000, representing an increase of 35.8% when compared with July to December 2019. The average daily traffic volume was 12,489 vehicles, representing an increase of 66.5% when compared with July to December 2019.

The year-on-year increase of daily toll revenue in the Reporting Year was mainly attributable to the increase in traffic volume on this road section since September 2020 as a result of the implementation of traffic control for construction undertaken in closed section of Guangkun Expressway (for the section between Liujiing and Xingye and from Nanning to Yulin, the traffic control has now ended; for the section from Yulin towards Nanning, the traffic control was implemented since 15 December).

### *Jinxiong Expressway*

During the Reporting Year, the average daily toll revenue was RMB255,000, representing an increase of 0.5% when compared with 2019. During July to December, the average toll revenue was RMB 287,000, representing an increase of 11.1% when compared with July to December 2019. The average daily traffic volume was 45,254 vehicles, representing an increase of 18.8% when compared with July to December 2019.

The year-on-year increase of daily toll revenue in the Reporting Year was mainly attributable to the increase in traffic volume of small vehicles since the resumption of toll collection.

### *Han-Xiao Expressway*

During the Reporting Year, the average daily toll revenue was RMB531,000, representing an increase of 6.6% when compared with 2019. During July to December, the average toll revenue was RMB 578,000, representing an increase of 9.6% when compared with July to December 2019. The average daily traffic volume was 32,675 vehicles, representing an increase of 11.9% when compared with July to December 2019.

The year-on-year increase of daily toll revenue in the Reporting Year was mainly attributable to the increase in traffic volume of small vehicles since the resumption of toll collection.

### *Changzhu Expressway*

During the Reporting Year, the average daily toll revenue was RMB719,000, representing an increase of 4.8% when compared with 2019. During July to December, the average toll revenue was RMB 811,000, representing an increase of 11.6% when compared with July to December 2019. The average daily traffic volume was 77,895 vehicles, representing an increase of 17.7% when compared with July to December 2019.

The year-on-year increase of daily toll revenue in the Reporting Year was mainly attributable to the traffic diversion to this road section as a result of the construction undertaken in roads in the surrounding area.

### *Weixu Expressway*

During the Reporting Year, the average daily toll revenue was RMB1,007,000, representing a decrease of 11.5% when compared with 2019. During July to December, the average toll revenue was RMB 1,070,000, representing a decrease of 8.3% when compared with July to December 2019. The average daily traffic volume was 23,676 vehicles, representing a decrease of 6.2% when compared with July to December 2019.

The daily toll revenue recorded substantial year-on-year decrease during the Reporting Year, which was mainly due to the two-way traffic control on pile no. K97 at Yanling Section of Lan-Nan Expressway (S83) on 14 November 2020 (subsequently changed to one-way traffic control since 15 November/two-way traffic resumed on half section since 15 December) caused by traffic accidents on local roads.

### *Suiyuanan Expressway*

During the Reporting Year, the average daily toll revenue was RMB1,815,000, representing a decrease of 3.7% when compared with 2019. During July to December, the average toll revenue was RMB 1,983,000, representing an increase of 1.3% when compared with July to December 2019. The average daily traffic volume was 33,252 vehicles, representing an increase of 32.9% when compared with July to December 2019.

### *Hancai Expressway*

During the Reporting Year, the average daily toll revenue was RMB624,000, representing a decrease of 8.3% when compared with 2019. During July to December, the average toll revenue was RMB 685,000, representing an increase of 1.4% when compared with July to December 2019. The average daily traffic volume was 47,929 vehicles, representing an increase of 3.8% when compared with July to December 2019.



### *Han'e Expressway*

During the Reporting Year, the average daily toll revenue was RMB513,000, representing an increase of 6.3% when compared with 2019. During July to December, the average toll revenue was RMB 586,000, representing an increase of 21.7% when compared with July to December 2019. The average daily traffic volume was 41,220 vehicles, representing an increase of 15.8% when compared with July to December 2019.

The year-on-year increase of daily toll revenue in the Reporting Year was mainly attributable to the traffic diversion to this road section resulting from the implementation of traffic control for the construction undertaken from the parallel Wuhuang Expressway (which was completed in the end of October 2020).

### *Daguangnan Expressway*

During the Reporting Year, the average daily toll revenue was RMB1,184,000, representing an increase of 25.8% when compared with 2019. During July to December, the average toll revenue was RMB 1,293,000, representing an increase of 32.2% when compared with July to December 2019. The average daily traffic volume was 30,017 vehicles, representing an increase of 19.4% when compared with July to December 2019.

The year-on-year increase of daily toll revenue in the Reporting Year was mainly attributable to a lower income base in the corresponding period last year due to the maintenance works at Nanshibi Tunnel at the Wuning, Jiangxi to north Ji'an section of Daqing-Guangzhou Expressway (which was completed in August 2019).

## **Associates and Joint Venture**

### *GWSR Expressway*

During the Reporting Year, the average daily toll revenue was RMB1,523,000, representing a decrease of 4.6% when compared with 2019. During July to December, the average toll revenue was RMB 1,759,000, representing an increase of 5.0% when compared with July to December 2019. The average daily traffic volume was 110,815 vehicles, representing an increase of 19.7% when compared with July to December 2019.

### *Humen Bridge*

During the Reporting Year, the average daily toll revenue was RMB1,564,000, representing a decrease of 45.0% when compared with 2019. During July to December, the average toll revenue was RMB1,801,000, representing a decrease of 12.4% when compared with July to December 2019. The average daily traffic volume was 70,251 vehicles, representing a decrease of 4.4% when compared with July to December 2019.

The daily toll revenue recorded substantial year-on-year decrease in the Reporting Year mainly due to diversion upon commencement of operation of Nansha Bridge since April 2019, truck and passenger vehicle with 40 seats or above restrictions on Humen Bridge since August 2019 and traffic control resulting from the vortex vibration phenomenon on Humen Bridge during 5 to 15 May 2020.

### *Northern Ring Road*

During the Reporting Year, the average daily toll revenue was RMB1,871,000, representing a decrease of 10.2% when compared with 2019. During July to December, the average toll revenue was RMB 2,029,000, representing a decrease of 3.3% when compared with July to December 2019. The average daily traffic volume was 382,534 vehicles, representing an increase of 1.9% when compared with July to December 2019.

The daily toll revenue recorded substantial year-on-year decrease in the Reporting Year mainly due to the continuous impact of the implementation of restrictions on certain heavy trucks on this road section.

### *Shantou Bay Bridge*

During the Reporting Year, the average daily toll revenue was RMB473,000, representing a decrease of 15.5% when compared with 2019. During July to December, the average toll revenue was RMB 533,000, representing a decrease of 7.7% when compared with July to December 2019. The average daily traffic volume was 30,703 vehicles, representing an increase of 6.4% when compared with July to December 2019.

The daily toll revenue recorded substantial year-on-year decrease in the Reporting Year mainly due to the traffic diversion of certain trucks resulting from implementation of toll exemption of the Queshi Bridge (which is parallel to Shantou Bay Bridge) since 1 January 2020.

### *Qinglian Expressway*

During the Reporting Year, the average daily toll revenue was RMB2,301,000, representing an increase of 0.3% when compared with 2019. During July to December, the average toll revenue was RMB2,453,000, representing an increase of 8.8% when compared with July to December 2019. The average daily traffic volume was 53,893 vehicles, representing an increase of 9.3% when compared with July to December 2019.

The daily toll revenue recorded year-on-year increase in the Reporting Year mainly due to the increase in the traffic volume of small vehicles upon the resumption of toll collection.

## FINANCIAL REVIEW

### Key operating results figures

	Reporting Year	2019	Change
	RMB'000	RMB'000	%
Revenue	<b>2,919,838</b>	3,023,221	-3.4
Gross profit	<b>1,559,261</b>	2,012,084	-22.5
Operating profit	<b>1,337,464</b>	1,919,639	-30.3
Earnings before interests, tax, depreciation and amortisation (“EBITDA”) <sup>(1)</sup>	<b>2,452,006</b>	2,956,565	-17.1
Finance costs	<b>(805,757)</b>	(411,217)	95.9
Share of result of a joint venture	<b>56,533</b>	88,739	-36.3
Share of results of associates	<b>67,822</b>	262,484	-74.2
Profit attributable to shareholders of the Company	<b>160,491</b>	1,137,590	-85.9
Basic and diluted earnings per share	<b>RMB0.0959</b>	RMB0.6799	-85.9
Dividend	<b>97,706</b>	585,526	-83.3

<sup>(1)</sup> EBITDA includes share of results of associates and a joint venture and excludes non-cash gains and losses.

### I. Overview of operating results

The Group's revenue decreased by 3.4 percent to RMB2,919.8 million and profit attributable to shareholders of the Company decreased by 85.9 percent to RMB160.5 million in 2020 (“Reporting Year”).

The decrease in the Group's revenue was mainly attributed to implementation of temporary toll exemption measures which are free toll of small passengers vehicles during Spring Festival holiday was extended for 9 days on original basis and exempted tolls collection for 79 days nationwide from 17 February 2020 to 5 May 2020. The impact caused by the temporary toll exemption measures was partially offset by the full year consolidation of the revenue of three newly acquired Expressways in Hubei Province (consolidated to the Group since 8 November 2019).

In the Reporting Year, the profit attributable to shareholders of the Company decreased by RMB977.1 million mainly due to decrease in net profit from projects (including the controlled and non-controlled projects) of RMB727.3 million and increase in corporate finance costs of RMB245.4 million. Apart from the decrease in revenue, the decrease in net profit from projects resulted from increase in amortisation of intangible operating rights and finance costs at project level in light of full year consolidation of the three newly acquired Expressways in Hubei Province. During the period of temporary toll exemption measures, the amortisation of intangible operating rights is still required to be recorded. The increase in corporate finance costs mainly resulted from the acquisition of three expressways in Hubei Province in November 2019, with the increase in average external debt balance in the Reporting Year.

The Directors have recommended the payment of final dividend for 2020 of HK\$0.07 which is equivalent to approximately RMB0.0584 (2019: HK\$0.21 which was equivalent to approximately RMB0.1880) per share. No interim dividend was declared during the Reporting Year (2019: HK\$0.18 which was equivalent to approximately RMB0.1620) per share, the total dividend for the year ended 31 December 2020 amounts to HK\$0.07 which is equivalent to approximately RMB0.0584 (2019: HK\$0.39 which was equivalent to approximately RMB0.3500) per share, representing a dividend payout ratio of 60.9 percent (2019: 51.5 percent).

## II. Analysis of operating results

### **Revenue**

The Group recorded total revenue of RMB2,919.8 million in the Reporting Year, which comprised total toll revenue of RMB2,872.0 million and other revenue related to normal toll roads operation of RMB47.8 million.

### **Toll revenue**

The Group recorded total toll revenue of RMB2,872.0 million in the Reporting Year, representing a decrease of 5.0 percent as compared with 2019. The decrease was mainly due to the impact of temporary toll exemption measures. Daguangnan Expressway, Hancai Expressway and Han'e Expressway were consolidated to the Group on 8 November 2019. Excluding the consolidation of toll revenue of the three newly acquired expressways in Hubei province in November 2019, the Group's toll revenue decreased by 24.1 percent to RMB2,206.0 million in the Reporting Year. The detailed review on the toll revenue of each expressways and bridges were shown in "Business Review – Performance of Expressways and Bridges".

### **Analysis of toll revenue by each controlled project**

Controlled Projects	Percentage		Percentage		Change
	Reporting Year RMB'000	of total toll revenue %	2019 RMB'000	of total toll revenue %	
GNSR Expressway	909,122	31.7	1,217,129	40.3	-25.3
Suiyuanan Expressway	520,911	18.1	687,671	22.7	-24.2
Daguangnan Expressway	339,748	11.8	57,292	1.9	493.0
Weixu Expressway	288,990	10.1	415,395	13.7	-30.4
Changzhu Expressway	206,381	7.2	250,345	8.3	-17.6
Hancai Expressway	179,100	6.2	31,631	1.0	466.2
Han-Xiao Expressway	152,521	5.3	181,990	6.0	-16.2
Han'e Expressway	147,171	5.1	26,151	0.9	462.8
Jinxiong Expressway	73,257	2.6	92,668	3.1	-20.9
Cangyu Expressway	54,840	1.9	62,949	2.1	-12.9
Total toll revenue	<u>2,872,041</u>	<u>100.0</u>	<u>3,023,221</u>	<u>100.0</u>	-5.0

## Other revenue

In the Reporting Year, other revenue related to normal toll roads operation of RMB47.8 million mainly include the income from service area and gas station of RMB36.2 million (2019: RMB25.0 million) and handling income from toll fee collection of RMB1.8 million (2019: RMB1.0 million).

Other revenue related to normal toll roads operations is included as part of “Revenue” in the Reporting Year while it was presented in “Other income, gains and losses – net” in prior years. The said change can facilitate the review of the Group’s revenue from and related to toll road operations. The comparative figures were not restated.

## Cost of services

In the Reporting Year, the total cost of services of the Group amounted to RMB1,360.6 million (2019: RMB1,011.1 million), representing an increase of RMB349.5 million or 34.6 percent as compared with 2019. Cost ratio (cost of services/revenue) was 46.6 percent in the Reporting Year, and 13.2 percentage point higher than 2019. During the period of temporary toll exemption measures, even though no toll revenue was recognised, the amortisation of intangible operating rights was recorded in accordance with the unit-of-usage basis based on the traffic volume. The increase in cost of services was mainly due to consolidation impact of increase in RMB347.4 million cost of services during the Reporting Year from the three expressways newly acquired in Hubei Province in November 2019.

## Analysis of cost of services by each controlled project

Controlled Projects	Reporting	Percentage	Percentage		Change
	Year	of total	2019	of total	
	RMB'000	%	RMB'000	%	%
GNSR Expressway	340,095	25.0	342,502	33.9	-0.7
Suiyuanan Expressway	181,097	13.3	158,666	15.7	14.1
Daguangnan Expressway	178,295	13.1	34,990	3.5	409.6
Weixu Expressway	140,056	10.3	136,311	13.5	2.7
Changzhu Expressway	114,822	8.4	121,054	12.0	-5.1
Hancai Expressway	136,808	10.1	21,656	2.1	531.7
Han-Xiao Expressway	78,928	5.8	79,494	7.9	-0.7
Han'e Expressway	101,369	7.4	12,441	1.2	714.8
Jinxiong Expressway	56,755	4.2	65,094	6.4	-12.8
Cangyu Expressway	32,352	2.4	38,929	3.8	-16.9
Total	<u>1,360,577</u>	<u>100.0</u>	<u>1,011,137</u>	<u>100.0</u>	34.6

## Analysis of cost of services by nature

	Reporting Year RMB'000	Percentage of total %	2019 RMB'000	Percentage of total %	Change %
Amortisation of intangible operating rights	949,918	69.8	640,588	63.3	48.3
Staff costs	145,690	10.7	143,660	14.2	1.4
Toll highways and bridges operating expenses	102,257	7.5	96,780	9.6	5.7
Toll highways and bridges maintenance expenses	139,151	10.3	104,177	10.3	33.6
Taxes and surcharges	15,074	1.1	14,949	1.5	0.8
Depreciation of other fixed assets	8,487	0.6	10,983	1.1	-22.7
<b>Total</b>	<b>1,360,577</b>	<b>100.0</b>	<b>1,011,137</b>	<b>100.0</b>	<b>34.6</b>

## Gross profit

Gross profit in the Reporting Year was RMB1,559.3 million, which was RMB452.8 million lower than 2019. Gross profit margin in the Reporting Year was 53.4 percent, which was 13.2 percentage point lower than 2019.

## Analysis of gross profit by each controlled project

Controlled Projects	Reporting Year		2019	
	Gross Profit RMB'000	Gross Margin <sup>(1)</sup>	Gross Profit RMB'000	Gross Margin <sup>(1)</sup>
GNSR Expressway	575,644	62.9%	874,627	71.9%
Suiyuanan Expressway	349,936	65.9%	529,005	76.9%
Daguangnan Expressway	172,674	49.2%	22,302	38.9%
Weixu Expressway	150,670	51.8%	279,084	67.2%
Changzhu Expressway	93,087	44.8%	129,291	51.6%
Hancai Expressway	44,809	24.7%	9,975	31.5%
Han-Xiao Expressway	79,048	50.0%	102,496	56.3%
Han'e Expressway	53,040	34.4%	13,710	52.4%
Jinxiong Expressway	17,750	23.8%	27,574	29.8%
Cangyu Expressway	22,603	41.1%	24,020	38.2%
<b>Total</b>	<b>1,559,261</b>	<b>53.4%</b>	<b>2,012,084</b>	<b>66.6%</b>

<sup>(1)</sup> Gross margin = Gross profit/revenue

### ***General and administrative expenses***

The Group's general and administrative expenses in the Reporting Year amounted to RMB246.9 million, representing a decrease of 9.2 percent from RMB271.8 million in 2019, mainly due to decrease in staff cost of RMB13.8 million and legal and professional fee of RMB9.7 million in the Reporting Year.

### ***Other income, gains and losses – net***

The Group's other income, gains and losses – net was RMB25.1 million in the Reporting Year (2019: RMB179.4 million), which was 86.0 percent lower than 2019. The decrease was mainly due to (i) decrease in one-off compensation received of RMB53.2 million; (ii) decrease in government subsidy of RMB21.6 million and (iii) no gain on liquidation of a subsidiary (2019: RMB37.7 million) during the Reporting Year. There was reclassification of other revenue related to normal toll roads operations from “Other income, gains and losses – net” to “Revenue” during the Reporting Year while the comparative figures of RMB31.3 million was not restated.

### ***Finance income/Finance costs***

The Group's finance income in the Reporting Year amounted to RMB26.4 million (2019: RMB40.8 million), which was 35.4 percent lower than 2019. The decrease was mainly due to the drop in interest income from bank and other non-current receivables during the Reporting Year.

The Group's finance costs in the Reporting Year increased by 95.9 percent to RMB805.8 million as compared with RMB411.2 million in 2019, mainly due to increase in total interest expense resulting from the acquisition of the three expressways in Hubei Province in November 2019. The Group's overall weighted average interest rate in the Reporting Year was 4.15 percent (2019: 4.33 percent).

### ***Share of results of associates and a joint venture***

The Group's share of results of associates and a joint venture decreased by 64.6 percent to RMB124.4 million in the Reporting Year (2019: RMB351.2 million) due to implementation of temporary toll exemption measures.

Share of post-tax profit of Northern Ring Road in the Reporting Year decreased by 59.4 percent to RMB43.9 million. Toll revenue at the project company level decreased by 24.5 percent to RMB574.2 million in the Reporting Year. In addition to the impact brought by temporary toll exemption measures, share of post-tax profit decreased because to no prior year tax concession was recorded during the Reporting Year (2019: RMB13.8 million).

Share of post-tax profit of Humen Bridge in the Reporting Year decreased by 78.5 percent to RMB20.9 million. Toll revenue at the project company level decreased by 54.9 percent to RMB468.1 million in the Reporting Year. In addition to the impact brought by temporary toll exemption measures, the decrease was attributed to traffic diversion resulting from the commencement of operation of Nansha Bridge since April 2019, the implementation of trucks and passenger vehicles with 40 seats or above on Humen Bridge and the traffic control effective from 5 May 2020 to 15 May 2020 due to the vortex vibration effect.

Share of post-tax profit of Shantou Bay Bridge in the Reporting Year decreased by 45.3 percent to RMB17.6 million. Toll revenue at the project company level decreased by 33.4 percent to RMB135.9 million in the Reporting Year. In addition to the impact brought by temporary toll exemption measures, the decrease was attributed to traffic diversion resulting from the cancellation of toll fee for Queshi Bridge, which is parallel to Shantou Bay Bridge, since 1 January 2020.

Share of post-tax loss of Qinglian Expressway in the Reporting Year amounted to RMB7.8 million (2019: share of post-tax profit of RMB24.7 million). Toll revenue at the project company level dropped by 20.6 percent to RMB664.7 million in the Reporting Year.

Share of post-tax loss of Pazhou Port in the Reporting Year was RMB6.8 million (2019: Nil). The first phase of construction of the Pazhou Port has commenced during the Reporting Year and there was no revenue recognized in the Reporting Year. The share of post-tax loss mainly represented the general and administrative expense recorded during the Reporting Year.

Share of post-tax profit of GWSR Expressway in the Reporting Year decreased by 36.3 percent to RMB56.5 million. Toll revenue at the project company level decreased by 24.1 percent to RMB442.4 million in the Reporting Year.

**Analysis of share of results of associates and a joint venture and the revenue of their respective entities**

	Profit Sharing ratio %	Revenue		Share of results	
		Reporting Year RMB'000	YoY change %	Reporting Year RMB'000	YoY change %
<b>Associates</b>					
Northern Ring Road	24.3	<b>574,217</b>	-24.5	<b>43,862</b>	-59.4
Humen Bridge	18.446	<b>468,141</b>	-54.9	<b>20,931</b>	-78.5
Shantou Bay Bridge	30.0	<b>135,918</b>	-33.4	<b>17,613</b>	-45.3
Qinglian Expressway	23.63	<b>664,674</b>	-20.6	<b>(7,809)</b>	turned loss
Pazhou Port	45.0	<b>—</b>	—	<b>(6,775)</b>	N/A
Sub-total		<b>1,842,950</b>	-35.1	<b>67,822</b>	-74.2
<b>Joint venture</b>					
GWSR Expressway	35.0	<b>442,428</b>	-24.1	<b>56,533</b>	-36.3
Total		<b>2,285,378</b>	-33.2	<b>124,355</b>	-64.6



### ***Income tax expense***

Total income tax expense of the Group in the Reporting Year decreased by 8.9 percent to RMB278.1 million. It was because profit before tax decreased during the Reporting Year. There was no prior year tax concession recorded by GNSR Expressway (2019: RMB95.9 million) during the Reporting Year.

### ***Profit attributable to shareholders of the Company***

The Company reported profit attributable to its shareholders of RMB160.5 million in the Reporting Year, representing a decrease of 85.9 percent as compared with 2019. The decrease was mainly due to decrease in net profit from projects (including the controlled and non-controlled projects) of RMB727.3 million and increase in corporate finance costs of RMB245.4 million. Apart from the decrease in revenue, the decrease in net profit from projects resulted from increase in amortisation of intangible operating rights and finance costs at project level in light of full year consolidation of the three newly acquired Expressways in Hubei Province. During the period of temporary toll exemption measures, the amortisation of intangible operating rights is still required to be recorded. The increase in corporate finance costs mainly resulted from the acquisition of three expressways in Hubei Province in November 2019, with the increase in average external debt balance in the Reporting Year.

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

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

	<b>Reporting Year RMB'000</b>	<b>Percentage of total %</b>	<b>2019 RMB'000</b>	<b>Percentage of total %</b>	<b>Change %</b>
Net profit from controlled projects	<b>637,359</b>	<b>83.7</b>	1,137,756	76.4	-44.0
Net profit from non-controlled projects <sup>(1)</sup>	<b>124,355</b>	<b>16.3</b>	351,223	23.6	-64.6
Net profit from projects	<b>761,714</b>	<b>100.0</b>	1,488,979	100.0	-48.8
Withholding tax on PRC dividend/income	<b>(29,054)</b>		(56,640)		-48.7
Corporate expenses	<b>(177,127)</b>		(199,826)		-11.4
Corporate income/gains, net	<b>5,168</b>		44,340		-88.3
Corporate finance income	<b>10,747</b>		26,322		-59.2
Corporate finance costs	<b>(410,957)</b>		(165,585)		148.2
Profit attributable to shareholders of the Company	<b>160,491</b>		1,137,590		-85.9

<sup>(1)</sup> Representing share of results of associates and a joint venture

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

Controlled Projects	Reporting	Percentage	2019	Percentage	Change
	Year	of total		of total	
	RMB'000	%	RMB'000	%	%
GNSR Expressway	304,245	39.9	537,830	36.1	-43.4
Suiyuanan Expressway	132,480	17.4	216,714	14.6	-38.9
Weixu Expressway	103,107	13.5	199,860	13.4	-48.4
Han-Xiao Expressway	35,105	4.6	52,666	3.5	-33.3
Daguangnan Expressway	30,255	4.0	(3,372)	-0.2	turned profit
Changzhu Expressway	32,370	4.3	55,378	3.7	-41.5
Cangyu Expressway	17,594	2.3	23,422	1.6	-24.9
Hancai Expressway	15,131	2.0	4,021	0.2	276.3
Jinxiong Expressway	5,678	0.8	10,146	0.7	-44.0
Han'e Expressway	(38,606)	-5.1	760	0.1	turned loss
Xian Expressway	—	—	40,331	2.7	-100.0
Total	<u>637,359</u>	<u>83.7</u>	<u>1,137,756</u>	<u>76.4</u>	-44.0

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

Controlled Projects	Reporting	Percentage	2019	Percentage	Change
	Year	of total		of total	
	RMB'000	%	RMB'000	%	%
GNSR Expressway	304,245	52.2	537,830	36.4	-43.4
Suiyuanan Expressway	140,889	24.2	227,212	15.4	-38.0
Weixu Expressway	106,464	18.2	199,860	13.5	-46.7
Han-Xiao Expressway	44,385	7.6	60,842	4.1	-27.0
Daguangnan Expressway	(68,566)	-11.8	(15,287)	-1.0	348.5
Changzhu Expressway	8,614	1.5	45,126	3.1	-80.9
Cangyu Expressway	17,594	3.0	23,422	1.6	-24.9
Hancai Expressway	(24,562)	-4.2	(770)	-0.1	3,089.9
Jinxiong Expressway	6,020	1.0	10,146	0.7	-40.7
Han'e Expressway	(76,050)	-13.0	(2,505)	-0.2	2,935.9
Xian Expressway	—	—	40,331	2.7	-100.0
Total	<u>459,033</u>	<u>78.7</u>	<u>1,126,207</u>	<u>76.2</u>	-59.2

In the Reporting Year, net profit from non-controlled projects (analysis shown in the aforementioned table “Analysis of share of results of associates and a joint venture and the revenue of their respective entities”) has decreased by 64.6 percent to RMB124.4 million as compared with 2019.

At the corporate level, the withholding tax on PRC dividend/income decreased by RMB27.6 million, mainly because the decrease in profit from PRC subsidiaries during the Reporting Year led to corresponding decrease in withholding tax provided. The corporate expense decreased by RMB22.7 million mainly due to decrease in staff cost and legal and professional fee during the Reporting Year. In addition, the corporate finance cost increased by RMB245.4 million mainly due to increase in average external debt balance in the Reporting Year as compared with that of 2019 due to the acquisition of three expressways in Hubei Province in November 2019. The corporate income/gain decreased by RMB39.2 million mainly due to decrease in government subsidy of RMB28.5 million granted for the additional investment in Guangdong Province during the Reporting Year. The corporate finance income decreased by RMB15.6 million mainly due to the drop in interest income from bank and other non-current receivables at corporate level during the Reporting Year.

### ***Final dividend***

The Directors have recommended the payment of final dividend for 2020 of HK\$0.07 which is equivalent to approximately RMB0.0584 (2019: HK\$0.21 which was equivalent to approximately RMB0.1880) per share payable to shareholders whose names appear on the register of members of the Company on 11 June 2021. Subject to the approval of shareholders at the Annual General Meeting to be held on 2 June 2021, the final dividend will be paid on or about 29 June 2021. No interim dividend was declared during the Reporting Year (2019: HK\$0.18 which was equivalent to approximately RMB0.1620) per share, the total dividend for the year ended 31 December 2020 amounts to HK\$0.07 which is equivalent to approximately RMB0.0584 (2019: HK\$0.39 which was equivalent to approximately RMB0.3500) per share, representing a dividend payout ratio of 60.9 percent (2019: 51.5 percent).

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

### III. Analysis of financial position

#### Key financial position figures

	Reporting Year RMB'000	2019 RMB'000	Change %
Total assets	<b>36,367,600</b>	36,797,875	-1.2
Total liabilities	<b>22,713,855</b>	23,169,125	-2.0
Cash and cash equivalents	<b>1,516,004</b>	1,435,062	5.6
Total debts	<b>17,731,090</b>	18,356,703	-3.4
Of which: bank borrowings	<b>12,874,275</b>	14,520,385	-11.3
Other borrowing	<b>200,000</b>	700,000	-71.4
Corporate bonds	<b>1,909,152</b>	1,907,554	0.1
Notes payable	<b>2,492,974</b>	996,522	150.2
Current ratio	<b>0.4 times</b>	0.7 times	
EBITDA interest coverage	<b>3.1 times</b>	7.6 times	
Equity attributable to the shareholders of the Company	<b>10,424,891</b>	10,571,655	-1.4

#### *Assets, Liabilities and Equity*

As at 31 December 2020, the Group's total assets amounted to RMB36.4 billion which was 1.2 percent lower than the balance as at 31 December 2019. The Group's total assets comprised mainly of intangible operating rights of RMB31.7 billion (31 December 2019: RMB32.4 billion); investments in a joint venture and associates of RMB2.0 billion (31 December 2019: RMB1.9 billion); and cash and cash equivalents of RMB1.5 billion (31 December 2019: RMB1.4 billion).

As at 31 December 2020, the Group's total liabilities amounted to RMB22.7 billion which was 2.0 percent lower than the balance as at 31 December 2019. The Group's total liabilities comprised mainly of bank borrowings of RMB12.9 billion (31 December 2019: RMB14.5 billion); other borrowing of RMB0.2 billion (31 December 2019: RMB0.7 billion); corporate bonds of RMB1.9 billion (31 December 2019: RMB1.9 billion); notes payable of RMB2.5 billion (31 December 2019: RMB1.0 billion); loans from non-controlling interests of RMB77.7 million (31 December 2019: RMB71.9 million); loan from a joint venture of RMB147.0 million (31 December 2019: RMB147.0 million); and deferred income tax liabilities of RMB3.3 billion (31 December 2019: RMB3.2 billion).

As at 31 December 2020, the Group's total equity increased by RMB25.0 million to RMB13.7 billion (31 December 2019: RMB13.6 billion), of which RMB10.4 billion was attributable to the shareholders of the Company (31 December 2019: RMB10.6 billion).

## Analysis of major assets, liabilities and equity items

Items	Reporting	2019	Change
	Year RMB'000	RMB'000	%
<b>Total assets</b>	<b>36,367,600</b>	36,797,875	-1.2
Approximately 90.0 % of which:			
Intangible operating rights	<b>31,712,956</b>	32,369,121	-2.0
Investments in a joint venture and associates	<b>2,023,718</b>	1,870,676	8.2
Cash and cash equivalents	<b>1,516,004</b>	1,435,062	5.6
<b>Total liabilities</b>	<b>22,713,855</b>	23,169,125	-2.0
Approximately 90.0 % of which:			
Bank borrowings – due within 1 year	<b>878,482</b>	805,148	9.1
– long-term portion	<b>11,995,793</b>	13,715,237	-12.5
Other borrowing – due within 1 year	—	500,000	-100.0
– long-term portion	<b>200,000</b>	200,000	-
Corporate bonds – due within 1 year	<b>1,909,152</b>	—	N/A
– long-term portion	—	1,907,554	-100.0
Notes payable – long-term portion	<b>2,492,974</b>	996,522	150.2
Loans from non-controlling interests – due within 1 year	<b>4,318</b>	—	N/A
– long-term portion	<b>73,350</b>	71,914	2.0
Loan from a joint venture – due within 1 year	<b>94,500</b>	—	N/A
– long-term portion	<b>52,500</b>	147,000	-64.3
Deferred income tax liabilities	<b>3,300,573</b>	3,244,298	1.7
<b>Total equity</b>	<b>13,653,745</b>	13,628,750	0.2
Of which: Equity attributable to the shareholders			
of the Company	<b>10,424,891</b>	10,571,655	-1.4

### Cash flows

It has been the primary objective of the Group to focus on preventing risk and improving liquidity. The Group has maintained an appropriate level of cash on hand so as to prevent liquidity risk. As at the end of the Reporting Year, the Group's cash and cash equivalents amounted to RMB1,516.0 million which was 5.6 percent higher than the level at 31 December 2019. The Group's cash was deposited in commercial banks, with no deposit in non-bank institutions.

## Analysis of cash flow movement

	<b>Reporting Year RMB'000</b>	2019 RMB'000
Net cash generated from operating activities	<b>2,103,180</b>	2,142,061
Net cash used in investing activities	<b>(238,526)</b>	(5,512,808)
Net cash (used in)/generated from financing activities	<b>(1,782,840)</b>	2,413,653
Increase/(decrease) in cash and cash equivalents	<b>81,814</b>	(957,094)
Cash and cash equivalents at 1 January	<b>1,435,062</b>	2,393,222
Effect of exchange rate changes on cash and cash equivalents	<b>(872)</b>	(1,066)
Cash and cash equivalents at 31 December	<b><u>1,516,004</u></b>	<u>1,435,062</u>

Net cash generated from operating activities during the Reporting Year amounted to RMB2,103.2 million (2019: RMB2,142.1 million), which was the sum of cash generated from operations of RMB2,320.8 million (2019: RMB2,429.2 million) and no refund of PRC enterprise income tax (2019: RMB95.9 million) less PRC enterprise income tax and withholding tax paid of RMB217.6 million (2019: RMB383.0 million).

Net cash used in investing activities during the Reporting Year amounted to RMB238.5 million (2019: RMB5,512.8 million). The outflow was mainly capital expenditures of RMB338.1 million (2019: RMB5,967.0 million). The inflow mainly consisted of dividend distributions from associates and a joint venture of RMB47.3 million (2019: RMB400.6 million); interest received in aggregate of RMB23.6 million (2019: RMB28.2 million); proceeds from compensation arrangement of RMB27.5 million (2019: RMB25.4 million) and proceeds from disposal of property, plant and equipment of RMB1.2 million (2019: Nil).

Net cash used in financing activities during the Reporting Year amounted to RMB1,782.8 million (2019: net cash generated of RMB2,413.7 million). The outflow mainly included repayment of bank borrowings of RMB2,389.7 million (2019: RMB1,833.1 million); repayment of other borrowings of RMB500.0 million (2019: Nil); payment of finance costs and related fees of RMB755.3 million (2019: RMB306.4 million); dividend paid to the shareholders of the Company of RMB314.5 million (2019: RMB617.3 million); dividend paid to non-controlling interests of RMB72.1 million (2019: RMB351.6 million); repayments of loans from non-controlling interest of subsidiaries of RMB4.6 million (2019: RMB28.1 million); payment for lease liabilities (including interest) of RMB11.4 million (2019: RMB11.8 million); nil repayment of loan from a fellow subsidiary (2019: RMB850.0 million) and nil repayment of corporate bonds (2019: RMB90.0 million) was made. The inflow mainly included the drawdown of bank borrowings of RMB771.0 million (2019: RMB5,453.0 million); net proceed from notes payable of RMB1,493.8 million (2019: RMB996.4 million) and nil addition of loan from a joint venture (2019: RMB52.5 million).

### ***Current ratio***

The current ratio (current assets over current liabilities) as at 31 December 2020 was 0.4 times (31 December 2019: 0.7 times). As at 31 December 2020, current assets balance was RMB1,878.0 million (31 December 2019: RMB1,798.1 million) and current liabilities balance was RMB4,232.9 million (31 December 2019: RMB2,535.0 million). Cash and cash equivalents were the major components of the Group's current assets and amounted to RMB1,516.0 million as at 31 December 2020 (31 December 2019: RMB1,435.1 million). The Group's current liabilities as at 31 December 2020 mainly included short-term external debts (i.e. maturities within one year) of RMB2,787.6 million (31 December 2019: RMB1,305.1 million), which consisted of bank borrowings of RMB878.4 million and corporate bonds of RMB1,909.2 million (31 December 2019: bank borrowings of RMB805.1 million and other borrowings of RMB500.0 million). Management will continue to take a prudent approach to effectively match capital and debt commitments with the existing cash, future operating cash flow and cash return from investments to manage liquidity risk.

### ***EBITDA interest coverage and other financial ratios***

EBITDA interest coverage for the year ended 31 December 2020 was 3.1 times (31 December 2019: 7.6 times) which was measured as the ratio of earnings before interests, tax, depreciation and amortisation ("EBITDA") to interest expenses (profit and loss impact).

EBITDA to total external debt ratio for the year ended 31 December 2020 was 14.0 percent (31 December 2019: 16.3 percent) which was measured as the ratio of EBITDA to the aggregate balance of bank borrowings, other borrowing, corporate bonds and notes payable ("total external debts").

Profit before interest and income tax interest coverage for the year ended 31 December 2020 was 1.9 times (31 December 2019: 5.9 times) which was measured as the ratio of profit before interest and tax to interest expenses (profit and loss impact).

Cash interest coverage for the year ended 31 December 2020 was 4.1 times (31 December 2019: 9.0 times) which was measured as the ratio of cash generated from operating activities and interest expense (cashflow impact) to interest expenses (cashflow impact).

### ***Capital expenditures and investments***

During the Reporting Year, total capital expenditures amounted to RMB338.1 million (2019: RMB5,967.0 million). Capital expenditures related to intangible operating rights and fixed assets included (1) payments of construction costs of toll highways and bridges upgrade services of RMB247.4 million (2019: RMB120.7 million) and (2) purchase of property, plant and equipment of RMB14.7 million (2019: RMB4.7 million). During the Reporting Year, there was a capital injection in an associate, Guangzhou Pazhou Port Company Limited, of RMB76.0 million (2019: Nil) and no payments for considerations to acquisition of subsidiaries, net of cash acquired (2019: RMB5,841.6 million) during the Reporting Year. Apart from the aforementioned, no material capital expenditure was incurred during the Reporting Year. Going forward, the management believes that the Group's steady operating cash flow and appropriate financing arrangements can satisfy its future capital expenditures and investments needs.

## ***Capital structures***

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

### **Analysis of capital structures**

	<b>Reporting Year RMB'000</b>	2019 RMB'000
Total external debts		
Bank borrowings	<b>12,874,275</b>	14,520,385
Other borrowing	<b>200,000</b>	700,000
Corporate bonds <sup>(1)</sup>	<b>1,909,152</b>	1,907,554
Notes payable <sup>(2)</sup>	<b>2,492,974</b>	996,522
Loans from non-controlling interests	<b>77,668</b>	71,914
Loan from a joint venture	<b>147,000</b>	147,000
Amount due to a joint venture	<b>—</b>	2,490
Lease liabilities	<b>30,021</b>	10,838
	<hr/>	<hr/>
Total debts	<b>17,731,090</b>	18,356,703
Less: cash and cash equivalents	<b>(1,516,004)</b>	(1,435,062)
	<hr/>	<hr/>
Net debt	<b>16,215,086</b>	16,921,641
	<hr/>	<hr/>
Total Equity	<b>13,653,745</b>	13,628,750
Of which: Equity attributable to the shareholders of the Company	<b>10,424,891</b>	10,571,655
	<hr/>	<hr/>
Total capitalization (Net debt + Total equity)	<b>29,868,831</b>	30,550,391
	<hr/>	<hr/>
<b><i>Financial ratios</i></b>		
Gearing ratio (net debt/total capitalization)	<b>54.3%</b>	55.4%
Debt to Equity ratio (net debt/total equity)	<b>118.8%</b>	124.2%
Total liabilities/Total assets ratio	<b>62.5%</b>	63.0%



(1) Basic summary information of corporate bonds:

	<b>RMB300 million five-year corporate bonds (Phase 1)</b>	<b>RMB700 million seven-year corporate bonds (Phase 1)</b>	<b>RMB200 million five-year corporate bonds (Phase 2)</b>	<b>RMB800 million seven-year corporate bonds (Phase 2)</b>
Drawdown date:	22 March 2016	22 March 2016	28 October 2016	28 October 2016
Principal:	RMB290 million	RMB700 million	RMB120 million	RMB800 million
Principal repayment date:	21 March 2021	21 March 2023	26 October 2021	26 October 2023
Coupon rate (per annum):	4.10%	3.38%	3.60%	3.18%
Upcoming interest payment date:	21 March 2021	21 March 2021	26 October 2021	26 October 2021
Stock Exchange:	The Shanghai Stock Exchange	The Shanghai Stock Exchange	The Shanghai Stock Exchange	The Shanghai Stock Exchange

(2) Basic summary information of notes payable:

	<b>RMB1,000 million three-year medium term notes (2019 Phase 1)</b>	<b>RMB1,000 million three-year medium term notes (2020 Phase 1)</b>	<b>RMB500 million three-year medium term notes (2020 Phase 2)</b>
Drawdown date:	2 December 2019	10 January 2020	14 August 2020
Principal:	RMB1,000 million	RMB1,000 million	RMB500 million
Principal repayment date:	2 December 2022	10 January 2023	14 August 2023
Coupon rate (per annum):	3.58%	3.47%	3.54%
Upcoming interest payment date:	2 December 2021	10 January 2021	14 August 2021
Organization:	National Association of Financial Market Institutional Investors	National Association of Financial Market Institutional Investors	National Association of Financial Market Institutional Investors

## ***Financing structures***

In a way to ensure that the Group is carrying out its financing activities at a safe leverage level, the Company is keeping a close watch on the Group's overall borrowing structure from time to time, so as to optimize its debt portfolio further. In order to effectively maintain a cost-efficient funding to its overall funding needs, the Group will, on one hand, continue to maintain close banking relationship with financial institutions both in Hong Kong and China to capitalize on the different levels of liquidity offered by, and to take advantage of the cost differentials, not only of these two markets but also of international markets; and on the other hand, strike a balance between lowering the interest rate and mitigating exchange risk exposure. As at the end of the Reporting Year, the Group's total debts comprised bank borrowings, other borrowing, corporate bonds, notes payable, loans from non-controlling interests, loan from a joint venture and lease liabilities. Debt with foreign exchange risk exposure as at 31 December 2020 was approximately RMB419.8 million (31 December 2019: approximately RMB445.5 million), where such exposure was managed with the forward contract dated 20 June 2019.

As at 31 December 2020, the Group's total external debts in aggregate were RMB17.5 billion (31 December 2019: RMB18.1 billion) which consisted of bank borrowings of RMB12.9 billion (31 December 2019: RMB14.5 billion), other borrowing of RMB0.2 billion (31 December 2019: RMB0.7 billion), corporate bonds of RMB1.9 billion (31 December 2019: RMB1.9 billion) and notes payable of RMB2.5 billion (31 December 2019: RMB1.0 billion). Onshore and offshore debts ratio was 92.7 percent and 7.3 percent (31 December 2019: 95.2 percent and 4.8 percent). Secured external debt ratio was 43.1 percent (31 December 2019: 50.6 percent). The effective interest rate of total external debt at 31 December 2020 was 4.00 percent (31 December 2019: 4.34 percent). Of the bank borrowings, RMB11.8 billion was at floating rates and RMB1,094.3 million was at fixed rates with the overall effective interest rate of 4.08 percent at 31 December 2020 (31 December 2019: 4.37 percent). Other borrowing was at fixed rate with the effective interest rate of 6.4 percent at 31 December 2020. Corporate bonds (in four forms) were at fixed rates with coupon rates of 4.10 percent, 3.38 percent, 3.60 percent and 3.18 percent respectively with overall effective interest rate at 3.55 percent as at 31 December 2020 (31 December 2019: 3.55 percent). Notes payable (in three tranches) was at fixed rates with coupon rate of 3.58 percent, 3.47 percent and 3.54 percent respectively with overall effective interest rate at 3.73 percent as at 31 December 2020 (31 December 2019: 3.78 percent).

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

	<b>Reporting Year Percentage of total</b>	2019 Percentage of total
Source		
Onshore	<b>92.7%</b>	95.2%
Offshore	<b>7.3%</b>	4.8%
	<b>100.0%</b>	100.0%
Repayment term		
Within 1 year	<b>16.0%</b>	7.2%
1 to 2 year	<b>16.6%</b>	16.5%
More than 2 years and less than 5 years	<b>39.4%</b>	38.9%
Above 5 years	<b>28.0%</b>	37.4%
	<b>100.0%</b>	100.0%
Currency		
RMB	<b>97.6%</b>	97.5%
HKD	<b>2.4%</b>	2.5%
	<b>100.0%</b>	100.0%
Interest rate		
Fixed	<b>32.6%</b>	23.5%
Floating	<b>67.4%</b>	76.5%
	<b>100.0%</b>	100.0%
Terms of credit		
Secured	<b>43.1%</b>	50.6%
Unsecured	<b>56.9%</b>	49.4%
	<b>100.0%</b>	100.0%
Financing method		
Direct financing	<b>25.2%</b>	16.0%
Indirect financing	<b>74.8%</b>	84.0%
	<b>100.0%</b>	100.0%

Loans from non-controlling interests of certain subsidiaries were unsecured, interest-free and denominated in RMB. The carrying amounts of these loans approximated their fair values, calculated based on cash flows discounted at a rate of 4.35 percent (2019: 4.35 percent) per annum.

Loans from non-controlling interests of certain subsidiaries are repayable between one and two years, except for loan of RMB4.3 million which is due within one year.

Loans from a joint venture was unsecured, interest bearing at an annual rate of People's Bank of China Benchmark Interest Rates minus 10%, denominated in RMB and repayable in 2021 and 2022.

Amount due to a joint venture was unsecured, interest-free, repayable on demand and denominated in RMB.

#### ***Foreign-currency denominated assets and liabilities***

The Group's businesses are principally conducted in the PRC and its functional currency is RMB. Except that certain fund-raising exercises were conducted in Hong Kong, all of its revenue, operating expenses, capital expenditures and approximately 97.6 percent (2019: 97.5 percent) of its external debts are denominated in RMB. As at the end of the Reporting Year, the Group's foreign-currency denominated assets and liabilities mainly include external debt of HK\$498.8 million (equivalent to approximately RMB419.8 million). The Group had entered into forward contracts to hedge the foreign exchange risk. As the foreign exchange market is still volatile, the Group will continue to keep track of developments in the foreign exchange market, strike a balance between interest rate cost and foreign exchange risk, optimize its debt structure and control its foreign currency exposure.

#### **IV. Capital commitments and contingent liabilities**

As at 31 December 2020, the Group had capital commitments related to intangible operating rights and property, plant and equipment, of which approximately RMB159.7 million was contracted but not provided for.

Except for the aforementioned, the Group had no material capital commitments as at 31 December 2020. There were no significant contingent liabilities as at 31 December 2020.

#### **V. Employees**

As at 31 December 2020, the Group had approximately 2,009 employees of whom about 1,775 were directly engaged in the daily operation, management and supervision of toll projects. The Group remunerates its employees largely based on industry practice, including contributory provident funds and other staff benefits.

## INVESTOR RELATIONS REPORT

### INVESTOR RELATIONS AND COMMUNICATIONS

The Group is committed to maintaining a high level of corporate governance and continues to improve its communication mechanism with the capital market. In this regards, the Group maintains effective communication with its shareholders and an open dialogue with investors and industry researchers to ensure the provision and dissemination of transparent, timely and accurate information to the market, including monthly operational data for each project and strategic business developments, in compliance with the rules.

On the basis of strict compliance with requirements on information disclosure of the regulatory authorities, the Group, including executive directors and senior management, continued to proactively communicate with its investor relations team to meet and exchange views with shareholders, potential investors and industry researchers regularly, and was frequently invited by various investment banks to attend various domestic and overseas investment conferences. In response to the need to reduce social contacts for pandemic prevention and control, the Group held more than 100 investor meetings with institutional investors and industry analysts through virtual meetings and webinars during the Reporting Year to maintain good communication with the market, disseminate positive information and stabilize market confidence. In the process of communication, the Group extensively collected feedback from investors and used it as a reference for improving its governance and management standards.

During the Reporting Year, a number of well-known domestic and international investment banks, including HSBC, HTSC and DBS Bank, issued research coverage reports on the Group, giving positive comments and organizing capital market promotions for the Company, which have fully demonstrated the Group's popularity and influence in the capital market.

<b>Month</b>	<b>Meeting</b>	<b>Organizer</b>
March	2019 Annual results roadshow	HSBC
June	2019 Annual results roadshow	Mizuho Securities
June	UBS Asia Pacific Industrial Online Company Day	UBS Securities
June	2020 Summer Online Strategy Conference	HTSC
August	2020 Interim results roadshow	HTSC
August	2020 Interim results roadshow	HSBC
October	2020 Interim results roadshow	DBS Vickers Securities
October	JP Asia Credit Investment Forum	JP Morgan Chase

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

**Economic Digest:**

Hong Kong Outstanding Enterprise 2020  
Outstanding Enterprise Award 2020

**Bloomberg Business Weekly:**

Listed Enterprises of the Year 2020

**ARA Australian Reporting Awards:**

Australian Annual Report Awards: Bronze Award

**CONSISTENT INVESTOR RETURN**

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

	<b>2014</b>	<b>2015</b>	<b>2016</b>	<b>2017</b>	<b>2018</b>	<b>2019</b>	<b>2020</b>
Earnings per share (RMB)	0.3642	0.318	0.5491	0.5666	0.6300	0.6799	0.0959
Dividend per share (HKD)	0.28	0.28	0.33	0.36	0.39	0.39	0.07
Dividend payout ratio	61.0%	72.2%	52.5%	52.4%	53.6%	51.5%	60.9%

**CORPORATE GOVERNANCE**

Throughout the year ended 31 December 2020, the Company has complied with the code provisions as set out in the Corporate Governance Code, with the exception of code provision A.4.1.

#### **Code Provision A.4.1**

Code Provision A.4.1 stipulates that non-executive directors should be appointed for a specific term, subject to re-election. None of the non-executive directors of the Company is appointed for a specific term. However, all the non-executive directors of the Company are subject to retirement by rotation at the annual general meeting of the Company in accordance with the Company's Bye-Laws. All the non-executive directors of the Company had retired by rotation and have been re-elected during the past three years.

#### **REVIEW OF ANNUAL RESULTS**

The annual results announcement has been reviewed by the audit committee of the Company.

The figures in respect of the Group's consolidated balance sheet, consolidated income statement, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2020 as set out in the preliminary announcement have been agreed by the Group's auditor, PricewaterhouseCoopers, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2020. The work performed by PricewaterhouseCoopers 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 PricewaterhouseCoopers on the preliminary announcement.

#### **PURCHASE, SALE OR REDEMPTION OF THE COMPANY'S SHARES**

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

## **CLOSURE OF REGISTER OF MEMBERS**

The register of members of the Company will be closed from Friday, 28 May 2021 to Wednesday, 2 June 2021, both days inclusive, during which period no transfer of shares will be registered. For the purpose of ascertaining the shareholders' eligibility to participate in the forthcoming annual general meeting of the Company to be held on 2 June 2021, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Thursday, 27 May 2021.

In addition, the register of members of the Company will be closed from Wednesday, 9 June 2021 to Friday, 11 June 2021, both days inclusive, for the purpose of ascertaining the shareholders' entitlement to the final dividend. In order to qualify for the final dividend, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Abacus Limited, no later than 4:30 p.m. on Tuesday, 8 June 2021.

By Order of the Board  
**Yuexiu Transport Infrastructure Limited**  
**LI Feng**  
*Chairman*

Hong Kong, 9 March 2021

*As at the date of this announcement, the Board comprises:*

*Executive Directors:* *LI Feng (Chairman), HE Baiqing, CHEN Jing and XIE Yanhui*

*Independent Non-executive Directors:* *FUNG Ka Pun, LAU Hon Chuen Ambrose and CHEUNG Doi Shu*