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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)

2021 ANNUAL RESULTS ANNOUNCEMENT

CHAIRMAN'S STATEMENT

OPERATING RESULTS AND DIVIDEND

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

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

ANNUAL REVIEW

Marco-Economy and Regulatory Environment of the Sector

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

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

Business Development

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

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

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

FUTURE PROSPECT AND OUTLOOK

Macroeconomic Prospects

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

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

Traffic Sector Prospects

In December 2021, the Central Committee of the Chinese Communist Party and the State Council issued the “14th Five-Year Plan for the Development of Modern Comprehensive Transportation System” (《「十四五」現代綜合交通運輸體系發展規劃》). The Development Plan clearly targets that by 2025, the comprehensive transportation will basically achieve integrated development and transportation development will move towards world-class level. Looking forward to 2035, a modern, high-quality national comprehensive three-dimensional transportation network that is convenient and smooth, economical and efficient, safe and reliable, green and intensive, intelligent and advanced will be basically established, and the “National 123 Travel Traffic Circle” (1-hour commute in metropolitan areas, 2-hour access to urban agglomeration, and 3-hour coverage of major cities nationwide) and the “Global 123 Express Cargo Flow Circle” (1-day delivery of express cargo in China, 2-day delivery in neighboring countries, and 3-day delivery in major cities worldwide) will be basically established, and a strong transportation country will then be built. With the rising income levels and the increasing travel demand, room for growth in car ownership, steady growth in freight transport along with the social economy development, the operating performance of expressway assets remains promising. On 18 January 2022, the National Development and Reform Commission emphasized the need for appropriate advancement in policy development in response to the macro-control policy in 2022, with a focus on infrastructure investment and acceleration of progress of major projects under the “14th Five-Year Plan”. It is expected to bring more investment opportunities in infrastructure projects.

Development Strategies and Investment Opportunities

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

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

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

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

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

APPRECIATION

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

CONSOLIDATED STATEMENT OF PROFIT OR LOSS

For the year ended 31 December 2021

	Notes	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Revenue	2	3,702,276	2,919,838
Cost of services	4,5	(1,479,030)	(1,360,577)
Construction income under service concession upgrade services		179,847	307,235
Construction costs under service concession upgrade services		(179,847)	(307,235)
Other income, gains and losses – net	3	800,120	25,145
General and administrative expenses	4,5	(369,664)	(246,942)
Operating profit		2,653,702	1,337,464
Finance income	6	43,884	26,359
Finance costs	6	(743,027)	(805,757)
Share of result of a joint venture, net of tax		76,917	56,533
Share of results of associates, net of tax		186,874	67,822
Profit before income tax		2,218,350	682,421
Income tax expense	7	(425,656)	(278,085)
Profit for the year		1,792,694	404,336
Attributable to:			
Shareholders of the Company		1,464,984	160,491
Non-controlling interests		327,710	243,845
		1,792,694	404,336
		<i>RMB</i>	<i>RMB</i>
Earnings per share for profit attributable to the shareholders of the Company	8		
Basic earnings per share		0.8756	0.0959
Diluted earnings per share		0.8752	0.0959

CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the year ended 31 December 2021

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

CONSOLIDATED STATEMENT OF FINANCIAL POSITION

As at 31 December 2021

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

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

NOTES

1 BASIS OF PREPARATION

(i) Compliance with HKFRSs and HKCO

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

(ii) Going concern consideration

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

(iii) Historical cost convention

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

(iv) New standards, amendments to standards

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

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

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

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

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

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

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

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

2 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.

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

	Toll roads operations <i>RMB'000</i>	All other segments <i>RMB'000</i>	Total <i>RMB'000</i>
Year ended 31 December 2020			
Revenue (from external customers)			
– Toll revenue	2,872,041	–	2,872,041
– Other toll operating income	11,590	–	11,590
– Income from service area and gas station	36,207	–	36,207
	<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)
Other compensation income	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, net of tax	56,533	–	56,533
Share of results of associates, net of tax	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>
	Toll roads operations <i>RMB'000</i>	All other segments <i>RMB'000</i>	Total <i>RMB'000</i>
Assets and liabilities			
As at 31 December 2021			
Total segment assets	35,563,329	97,779	35,661,108
Addition to non-current assets	193,736	1,702	195,438
Total segment assets include:			
Investment in a joint venture	481,431	–	481,431
Investments in associates	2,015,237	64,260	2,079,497
Total segment liabilities	(21,188,074)	(285)	(21,188,359)
As at 31 December 2020			
Total segment assets	36,259,700	107,900	36,367,600
Addition to non-current assets	311,847	–	311,847
Total segment assets include:			
Investment in a joint venture	487,605	–	487,605
Investments in associates	1,455,653	80,460	1,536,113
Total segment liabilities	<u>(22,637,538)</u>	<u>(76,317)</u>	<u>(22,713,855)</u>

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

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

Toll revenue and other toll operating income

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

Income from service area and gas station

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

3 OTHER INCOME, GAINS AND LOSSES – NET

	2021	2020
	<i>RMB'000</i>	<i>RMB'000</i>
Gain on disposal of a subsidiary (note 12)	960,976	–
Impairment of intangible operating right (note a)	(97,302)	–
Impairment of investment in an associate (note b)	(128,186)	–
Fair value gain/(loss) on investment properties	1,404	(1,312)
(Loss)/gain on disposal of property, plant and equipment	(211)	720
Compensation for expressways and bridges damages	28,432	7,362
Other compensation income (note c)	10,824	1,071
Management service income	6,035	2,778
Government subsidy (note d)	14,169	16,373
Others	3,979	(1,847)
	800,120	25,145

Notes:

- (a) During the year, the average daily toll traffic volume and average daily toll revenue of Jinxiong Expressway recorded a decrease, which was mainly due to the diversion of the Jinshi Expressway. An impairment test for the intangible operating right of Jinxiong Expressway was performed and an impairment loss of RMB97,302,000 was recognised for the current year (2020: nil). The recoverable amount of the cash-generating unit was determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by management covering the remaining concession period of Jinxiong Expressway with budgeted revenue growth rate of 4% to 6% per annum.
- (b) During the year, the forecast future toll traffic volume and toll revenue of Guangdong Humen Bridge Co., Ltd. is expected to record a decrease, which was mainly due to the overhaul and diversion of Shenzhong tunnel and Shiziyang tunnel in the coming years. An impairment test for the investments in Guangdong Humen Bridge Co., Ltd was performed and an impairment loss of RMB128,186,000 against investment in associate was recognised for the current year (2020: nil). The recoverable amount of the investments was determined based on a value-in-use calculation using cash flow projections based on financial budgets approved by management covering the remaining concession period of Guangdong Humen Bridge Co., Ltd. with budgeted revenue growth rate of -18% to 10% per annum excluding the growth rates in the year of performing significant repair and maintenance.

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

4 EXPENSES BY NATURE

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Taxes and surcharges	19,073	15,074
Amortisation of		
– Intangible operating rights	1,061,270	949,918
– Other intangible asset	1,884	–
Depreciation of		
– Property, plant and equipment	13,844	16,053
– Right-of-use assets	11,001	10,187
Employee benefit expense (note 5)	437,441	320,039
Toll highways and bridges maintenance expenses	121,334	139,151
Toll highways and bridges operating expenses	105,737	102,257
Auditor's remuneration		
– Audit services	2,700	3,300
– Non-audit services	386	3,143
Legal and professional fees	34,580	14,572
	<u>34,580</u>	<u>14,572</u>

5 EMPLOYEE BENEFIT EXPENSE

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

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

Notes:

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

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

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

6 FINANCE INCOME/(COSTS)

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

7 INCOME TAX EXPENSE

- (a) No provision for Hong Kong profits tax has been made in the consolidated financial statements as the Group had no assessable income subject to Hong Kong profits tax during the year (2020: Nil).
- (b) During the year ended 31 December 2021, PRC 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 2021 is 25% (2020: 25%). Guangzhou North Second Ring Transport Technology Company Limited (“GNSR”), a subsidiary of the Group, has been recognised as an eligible entity in 2019 to enjoy three years' preferential tax treatment of income tax, at a preferential income tax rate of 15%, started from 2018. During the year ended 31 December 2021, the preferential tax treatment of income tax has been extended to the year ended 31 December 2023. Guangxi Yuexiu Cangyu Expressway Company Limited, a subsidiary of the Group, has been recognised as an eligible entity to enjoy preferential tax treatment of income tax, at a preferential income tax rate of 15%, started from 2013 and extended to the year ended 31 December 2030 during the year ended 31 December 2020.

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

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

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

	2021 <i>RMB'000</i>	2020 <i>RMB'000</i>
Current income tax		
PRC enterprise income tax	480,970	221,810
Deferred income tax	(55,314)	56,275
	<u>425,656</u>	<u>278,085</u>

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

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

Note:

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

8 EARNINGS PER SHARE

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

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

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

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

9 DIVIDENDS

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

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

10 TRADE AND OTHER RECEIVABLES, DEPOSITS AND PREPAYMENTS

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

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

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

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

11 TRADE AND OTHER PAYABLES AND ACCRUED CHARGES

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

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

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

12 DISPOSAL OF A SUBSIDIARY

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

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

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

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

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)
SUBSIDIARIES						
GNSR Expressway	42.5	6	6	Expressway	60.00	11
Cangyu Expressway	22.0	4	0	Expressway	100.00	9
Jinxiong Expressway	23.9	4	2	Expressway	60.00	9
Changzhu Expressway	46.5	4	5	Expressway	100.00	19
Weixu Expressway	64.3	4	2	Expressway	100.00	14
Suiyuan Expressway	98.1	4	4	Expressway	70.00	19
Hancai Expressway	36.0	4/6 ⁽¹⁾	2	Expressway	67.00	17
Han'e Expressway	54.8	4	5	Expressway	100.00	21
Daguangan Expressway	107.1	4	6	Expressway	90.00	21
ASSOCIATES AND JOINT VENTURE						
Han-Xiao Expressway ⁽²⁾	38.5	4/6 ⁽²⁾	2	Expressway	30.00	15
GWSR Expressway	42.1	6	2	Expressway	35.00	9
Humen Bridge	15.8	6	4	Suspension Bridge	27.78 ⁽³⁾	8
Northern Ring Road	22.0	6	8	Expressway	24.30	2
Shantou Bay Bridge	6.5	6	3	Suspension Bridge	30.00	7
Qinglian Expressway	215.2	4	15	Expressway	23.63	13

Notes:

- (1) There are 6 lanes at the section from Miliang Shan to Wuhan Outer Ring Road, and 4 lanes on the remaining expressway.
- (2) The Group successfully completed the spin-off of Hubei Hanxiao Expressway for the public offering of REIT and had it listed in Shenzhen Stock Exchange on 14 December 2021. Hubei Hanxiao is no longer a subsidiary of the Group. There are 6 lanes at the sections of Airport North Extension as well as from Taoyuanji interchange to Hengdian interchange. There are 4 lanes for other sections.
- (3) The profit-sharing ratio was 18.446% from 2010 onwards.

TOLL SUMMARY OF TOLL ROADS AND BRIDGES

For the twelve months ended 31 December 2021⁽¹⁾

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

Notes:

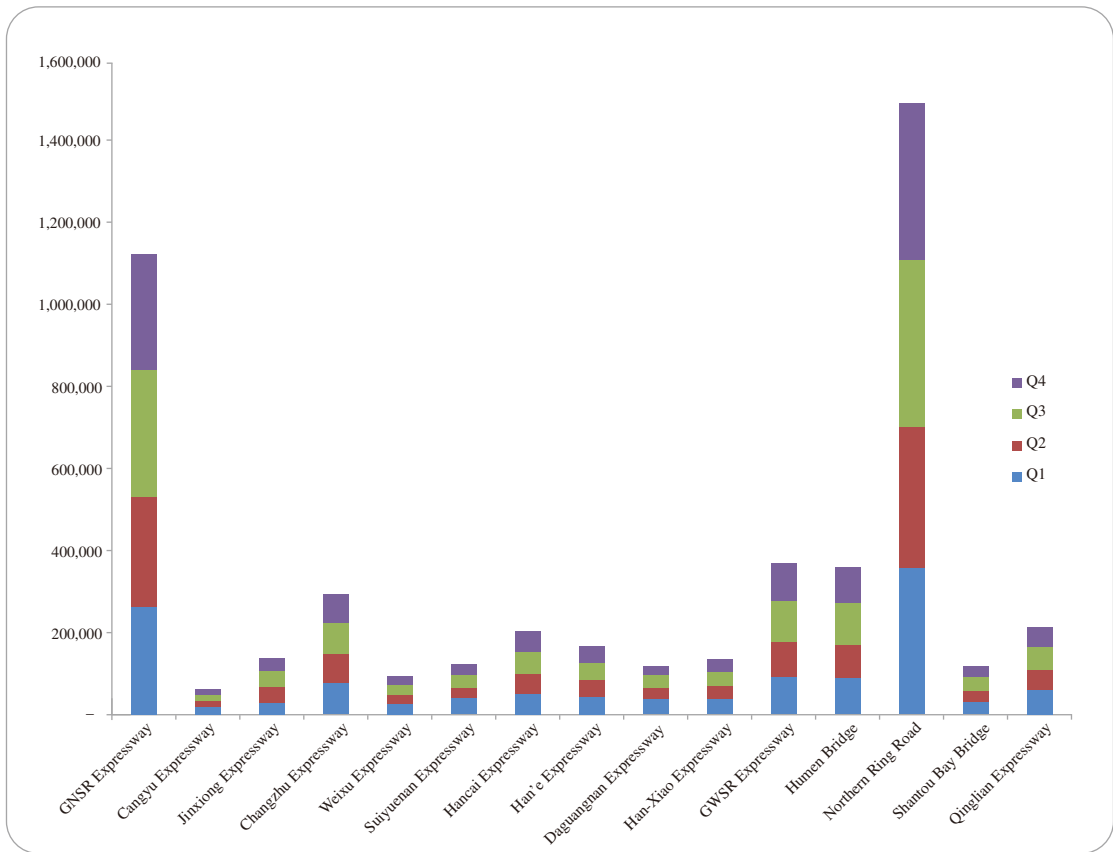
- (1) Since the closure of the provincial border toll stations on 1 January 2020 due to the outbreak of COVID-19 and the instability of the new system at its initial stage of operation, the industry supervising authorities of the provinces (municipalities) where the projects are located were unable to provide accurate data of toll traffic volume for the full year of 2020, and thus the Group is unable to disclose the toll traffic volume and its year-on-year changes.
- (2) Average daily toll revenue does not include value-added tax.

- (3) National toll fees of small passengers vehicles on toll roads were waived from 0:00 on 24 January 2020 to 24:00 on 8 February (extended by 9 days on the original basis) during the 2020 Spring Festival Holiday according to the “Notice of the Work Related to Exempting Toll Fee for Small Passengers Vehicles During the 2020 Spring Festival Holiday” (關於做好二〇二〇年春節假期免收小型客車通行費有關工作的通知), the “Notice of Extension for the Free Toll Period of Small Passengers Vehicles During the 2020 Spring Festival Holiday” (關於延長二〇二〇年春節假期小型客車免費通行時段的通知) and the “Notice of Extension for the Period of Exempting Toll Fee of Small Passengers Vehicles on Toll Roads during the Spring Festival Holiday” (關於延長春節假期收費公路免收小型客車通行費時段的通知). According to the “Notice on Waiver of Tolls on Toll Roads During the Prevention and Control of Epidemic Caused by the Novel Coronavirus Pneumonia” (《關於新冠肺炎疫情防控期間免收收費公路車輛通行費的通知》), toll fee for all vehicles on toll roads nationwide was exempted from 0:00 on 17 February 2020 until the end of the disease prevention and control. According to the “Announcement on Resumption of Toll Collection for Toll Roads” (《關於恢復收費公路收費的公告》), toll collection for legally approved toll roads is resumed from 0:00 a.m. on 6 May 2020 (79 toll-free days in total). All projects of the Group have been resumed for normal toll collection. The average daily toll revenue of the Group for the full year of 2021 was calculated based on the calendar days of the full year (365 days), and the average daily toll revenue of the Group for the full year of 2020 was calculated based on the number of calendar days in the full year (366 days) less the number of the days exempting toll fees (79 days), which is equivalent to 287 days.

TOLL ROADS AND BRIDGES

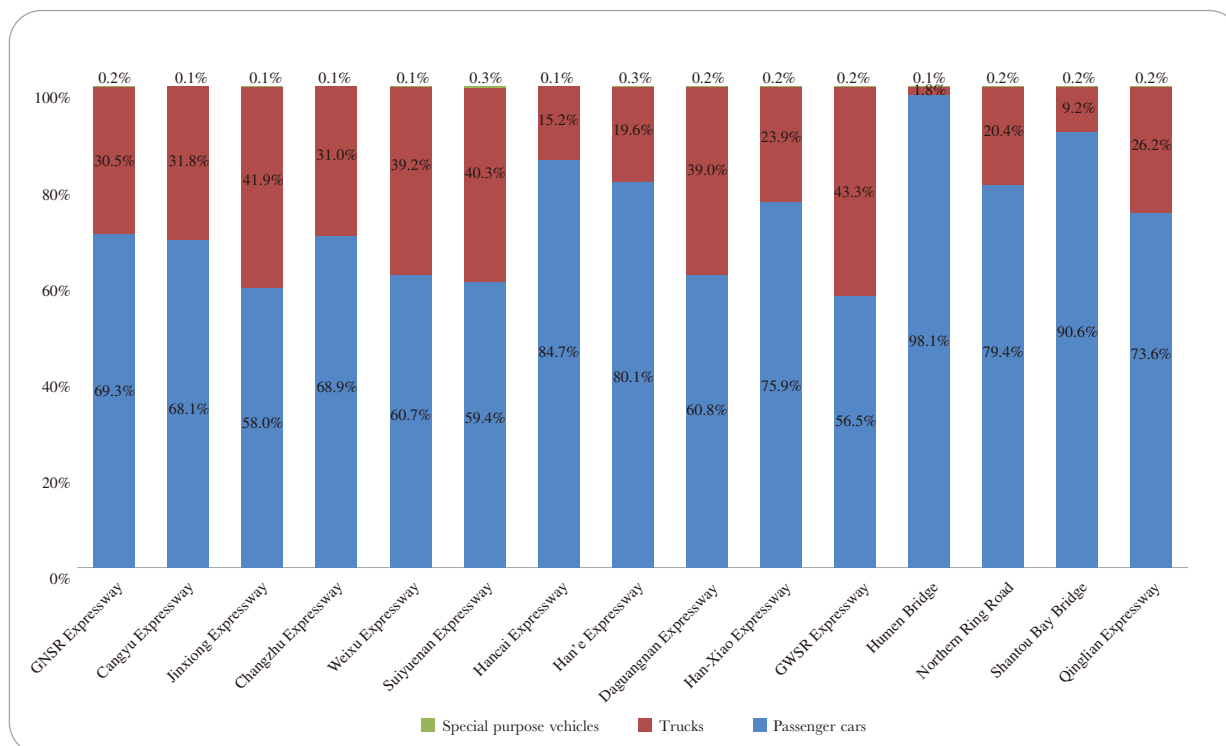
Quarterly analysis of average daily toll traffic volume for 2021

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



VEHICLE TYPE ANALYSIS (BY TRAFFIC VOLUME)

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



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

SUMMARY OF OPERATING PERFORMANCE

MACROECONOMIC ENVIRONMENT

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

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

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

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

(Unit: RMB100 million)

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

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

REGULATORY ENVIRONMENT OF THE SECTOR

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

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

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

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

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

BUSINESS IMPROVEMENTS AND INNOVATIONS

During the Reporting Year, the Group proactively expanded the source of revenue. Firstly, the Group continued to commence combined marketing strategies including "navigating and introducing traffic, linking scenic spots, optimizing road signs, advertising and promoting, ensuring smooth traffic flow" to attract traffic and increase toll revenue. Secondly, the Group continued to reinforce the idea of "Expressway+" as well as actively enhanced the quality of service area in the expressway and promoted the liquidation and utilization of resources such as lands along the expressway and billboards to diversify its source of revenue. Thirdly, the Group strengthened its routine inspection and prohibited tax evasion and tax avoidance. In addition, the Group optimized various contingency mechanisms on an ongoing basis to ensure

smooth operation, carried out unmanned charging pilot scheme, optimized service quality and increased the efficiency and service level of expressway and toll stations. It also put more effort in the maintenance, adjustment and optimization of key toll collection facilities and equipment, so as to ensure a stable operation. Several indicators including ETC calculation successful rate and car plate automatic identification rate were better than the industry averages.

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

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

PROGRESS OF INVESTMENT

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

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

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

POSSIBLE RISK EXPOSURE

During the Reporting Year, the Group further improved the comprehensive risk management system which covered all aspects of corporate strategies, operation 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 in 2020, with the corresponding compensation policy not yet released in some provinces. In order to lower the costs of logistics, the State ministries issued the “Comprehensive Promotion on the Implementation Scheme of Differentiated Highway Toll Collection” (《全面推廣高速公路差異化收費實施方案》) to further promote the standard deviation of expressway truck rates. Some local governments had released concessionary toll reduction policy for freight vehicles to reduce truck toll rates. The road access requirements and maintenance standards continue to improve. From short term perspective, those measures bring pressure on the operation and management, income and costs of the Company.

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

Risk of Changes in the Planning of Road Networks

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

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

PERFORMANCE OF EXPRESSWAYS AND BRIDGES

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

SUBSIDIARIES

GNSR Expressway

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

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

Cangyu Expressway

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

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

Jinxiong Expressway

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

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

Changzhu Expressway

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

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

Weixu Expressway

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

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

Suiyuanan Expressway

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

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

Hancai Expressway

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

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

Han'e Expressway

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

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

Daguangnan Expressway

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

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

ASSOCIATES AND JOINT VENTURE

Han-Xiao Expressway

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

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

GWSR Expressway

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

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

Humen Bridge

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

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

Humen Bridge was also affected by the temporary control measures in the relevant areas of Guangdong due to epidemic prevention in May and December 2021.

Northern Ring Road

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

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

Shantou Bay Bridge

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

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

Qinglian Expressway

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

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

FINANCIAL REVIEW

Key operating results figures

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

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

I. Overview of operating results

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

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

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

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

II. Analysis of operating results

Revenue

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

Toll revenue

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

Analysis of toll revenue by each controlled project

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

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

Other revenue

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

Cost of services

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

Analysis of cost of services by each controlled project

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

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

Analysis of cost of services by nature

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

Gross profit

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

Analysis of gross profit by each controlled project

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

⁽¹⁾ Gross margin = Gross profit/revenue

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

General and administrative expenses

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

Other income, gains and losses – net

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

Finance income/Finance costs

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

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

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

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

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

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

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

Income tax expense

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

Profit attributable to shareholders of the Company

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

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

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

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

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

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

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

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

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

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

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

Final dividend

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

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

III. Analysis of financial position

Key financial position figures

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

* excluding interest payable

Assets, Liabilities and Equity

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

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

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

Analysis of major assets, liabilities and equity items

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

* excluding interest payable

Cash flows

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

Analysis of cash flow movement

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

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

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

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

Current ratio

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

EBITDA interest coverage and other financial ratios

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

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

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

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

Capital expenditures and investments

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

Capital structures

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

Analysis of capital structures

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

* excluding interest payable

Financial ratios

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

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

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

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

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

Financing structures

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

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

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

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

* excluding interest payable

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

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

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

Foreign-currency denominated assets and liabilities

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

IV. Capital commitments and contingent liabilities

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

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

V. Employees

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

INVESTOR RELATIONS REPORT

INVESTOR RELATIONS AND COMMUNICATIONS

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

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

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

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

- Provided feedback of investors' enquiries in a timely manner through e-mail, telephone and other forms, and released monthly operational data to investors on regular basis.
- Initiated in-depth communication with investors and industry researchers in the form of online meetings.

- Communicated with domestic and worldwide investors through launching activities such as press conferences for results announcement, participating in results roadshows, industry seminars, which included:

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

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

Bloomberg Business Weekly:

Listed Enterprises of the Year 2021

Quamnet.com:

Outstanding Investment and Development of Infrastructure 2021

ARC Awards for Annual Reports:

Honors Awards 2021

CONSISTENT RETURN TO SHAREHOLDERS

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

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

CORPORATE GOVERNANCE

Throughout the year ended 31 December 2021, the Company has complied with the code provisions as set out in the Corporate Governance Code.

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 statement of financial position, consolidated statement of profit or loss, consolidated statement of comprehensive income and the related notes thereto for the year ended 31 December 2021 as set out in the preliminary announcement have been agreed by the Group's auditor, Ernst & Young, to the amounts set out in the Group's audited consolidated financial statements for the year ended 31 December 2021. The work performed by Ernst & Young in this respect did not constitute an assurance engagement in accordance with Hong Kong Standards on Auditing, Hong Kong Standards on Review Engagements or Hong Kong Standards on Assurance Engagements issued by the Hong Kong Institute of Certified Public Accountants and consequently no assurance has been expressed by Ernst & Young 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 Thursday, 26 May 2022 to Tuesday, 31 May 2022, both days inclusive, during which period no transfer of shares will be registered. For the purpose of ascertaining the shareholders' eligibility to participate in the forthcoming annual general meeting of the Company to be held on 31 May 2022, all transfers of shares accompanied by the relevant share certificates must be lodged for registration with the Company's Hong Kong branch share registrar, Tricor Abacus Limited at Level 54, Hopewell Centre, 183 Queen's Road East, Hong Kong, no later than 4:30 p.m. on Wednesday, 25 May 2022.

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

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

Hong Kong, 8 March 2022

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

Executive Directors: *LI Feng (Chairman), HE Baiqing, CHEN Jing and CAI Minghua*

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