浙江滬杭甬高速公路股份有限公司
ZHEJIANG EXPRESSWAY CO., LTD.

STOCK CODE 0576

Striving For Excellence

2022
ANNUAL REPORT

Striving For Excellence

ANNUAL REPORT

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Definitions

Articles of Association	articles of association of the Company
Associate	has the meaning ascribed to it under the Listing Rules
Audit Committee	the audit committee of the Company
Board	the board of directors of the Company
China Merchants Expressway	China Merchants Expressway Network & Technology Holdings Co., Ltd. (招商局公路網絡科技控股股份有限公司), a joint stock limited company established in the PRC on December 18, 1993, whose shares are listed on the Shenzhen Stock Exchange
Company or Zhejiang Expressway	Zhejiang Expressway Co., Ltd., a joint stock limited company incorporated in the PRC with limited liability on March 1, 1997
Communications Group	Zhejiang Communications Investment Group Co., Ltd. (浙江省交通投資集團有限公司), a state-controlled enterprise established in the PRC, on December 29, 2001 and the controlling shareholder of the Company
Communication Holding	Zhejiang Communication Investment Holding Group Co., Ltd. (浙江省交投控股集團有限公司), a wholly-owned subsidiary of Communications Group
Connected Person	has the meaning ascribed to it under the Listing Rules
Controlling Shareholder	has the meaning ascribed to it under the Listing Rules
De'an Co	Deqing County De'an Highway Construction Co., Ltd. (德清縣德安公路建設有限責任公司), a 80.1% owned subsidiary of the Company, which is established with Zhejiang Hongtu Transportation Construction Company (浙江交工宏途交通建設有限公司) for PPP Project in Deqing County
Directors	the directors of the Company
GDP	gross domestic product
Group	the Company and its subsidiaries
H Shares	the overseas listed foreign shares of Rmb1.00 each in the share capital of the Company which are primarily listed on the Hong Kong Stock Exchange and traded in Hong Kong dollars since May 15, 1997
Hanghui Co	Zhejiang Hanghui Expressway Co., Ltd. (浙江杭徽高速公路有限公司), a 51% owned subsidiary of the Company
HangNing Co	Zhejiang HangNing Expressway Co., Ltd. (浙江杭寧高速公路有限責任公司), a 30% owned associate of the Company, which is established in the PRC with limited liability
Hangxuan Co	Zhejiang Hangxuan Expresswasy Co., Ltd. (浙江杭宣高速公路有限公司), a wholly-owned subsidiary of Communications Group
Huihang Co	Huangshan Yangtze Huihang Expressway Co., Ltd. (黃山長江徽杭高速公路有限責任公司), a wholly-owned subsidiary of the Company
Hong Kong Stock Exchange	The Stock Exchange of Hong Kong Limited
independent third party(ies)	any person(s) or company(ies) and their respective ultimate beneficial owner(s), to the best of the Directors' knowledge, information and belief having made all reasonable enquiries, are third parties independent of the Group and its connected persons in accordance with the Listing Rules
Jiaogong Group	Zhejiang Communications Construction Group Co., Ltd. (浙江交工集團股份有限公司), a company incorporated in the PRC and a non-wholly owned subsidiary of Communications Group
Jiaogong Maintenance	Zhejiang Jiaogong High-grade Expressway Maintenance Co., Ltd. (浙江交工高等級公路養護有限公司), a company established in the PRC and an indirectly non-wholly owned subsidiary of Communications Group
Jiaxiao Co	Jiaxing Jiaxiao Expressway Investment Development Co., Ltd. (嘉興市嘉蕭高速公路投資開發有限公司), a 70% owned subsidiary of Communications Group
Jiaogong Underground Construction	Zhejiang Jiaogong Underground Construction Co., Ltd. (浙江交工地下工程有限公司), a company incorporated in the PRC and a non-wholly owned subsidiary of Communications Group
Jinhua Co	Zhejiang Jinhua Yongjin Expressway Co., Ltd. (浙江金華甬金高速公路有限公司), a wholly-owned subsidiary of the Company
Listing Rules	the Rules Governing the Listing of Securities on The Stock Exchange of Hong Kong Limited
LongLiLiLong Co	Zhejiang LongLiLiLong Expressway Co., Ltd. (浙江龍麗麗龍高速公路有限公司), a wholly-owned subsidiary of the Company
Jiaxing Branch	Jiaxing Branch of Zhejiang LongLiLiLong Expressway Co., Ltd.; Zhejiang Jiaxing Expressway Co., Ltd. has been absorbed and merged by LongLiLiLong Co., and its main assets and business continued to exist under Jiaxing branch
Maintenance Co	Zhejiang Expressway Maintenance Co., Ltd. (浙江滬杭甬養護工程有限公司), a company incorporated in the PRC and an indirect non-wholly owned subsidiary of Communications Group
Ningbo Yongtaiwen Co	Zhejiang Ningbo Yongtaiwen Expressway Co., Ltd. (浙江寧波甬台溫高速公路有限公司), a limited liability company established in the PRC on April 26, 2004 and an approximately 80.45% owned subsidiary of Communications Group

North Channel Co	Zhejiang Zhoushan North Channel Co., Ltd. (浙江舟山北向大通道有限公司), a 60% owned subsidiary of Communications Group
Period	the period from January 1, 2022 to December 31, 2022
PRC	the People's Republic of China
Rmb	Renminbi, the lawful currency of the PRC
SFO	Securities and Futures Ordinance (Chapter 571, Laws of Hong Kong)
Shangsan Co	Zhejiang Shangsan Expressway Co., Ltd. (浙江上三高速公路有限公司), a limited liability company established in the PRC on January 1, 1998 which is owned as to 73.625% by the Company and 18.375% by China Merchants Expressway, respectively
Shareholders	the shareholders of the Company
Shengxin Co	Zhejiang Shaoxing Shengxin Expressway Co., Ltd. (浙江紹興嵊新高速公路有限公司), a 50% owned joint venture of the Company
Shenjiahuhang Co	Zhejiang Shenjiahuhang Expressway Co., Ltd.(浙江申嘉湖杭高速公路有限公司), a 30% owned associate of the Company
SRCB	Shanghai Rural Commercial Bank Co., Ltd. (上海農村商業銀行股份有限公司), a 4.92% owned associate of the Company
Supervisory Committee	the supervisory committee of the Company
Yangtze Financial Leasing	Yangtze United Financial Leasing Co., Ltd. (長江聯合金融租賃有限公司), a 10.61% owned associate of the Company
Linping Co	Zhejiang Linping Expressway Co., Ltd. (浙江臨平高速公路有限責任公司), formerly known as "Zhejiang Yuhang Expressway Co., Ltd." (浙江余杭高速公路有限責任公司), a 51% owned subsidiary of the Company
Zhajiasu Co	Jiaxing Zhajiasu Expressway Co., Ltd., a 55% owned subsidiary of the Company
Zhejiang Communications Finance	Zhejiang Communications Investment Group Finance Co., Ltd. (浙江省交通投資集團財務有限責任公司), a 20.08% owned associate of the Company
Zheshang Development	Zheshang Development Group Co., Ltd. (浙商中拓集團股份有限公司), a joint stock limited company established in the PRC and a 45.28% owned associate of Communications Group
Zheshang Financial	Zhejiang Zheshang Financial Holding Co., Ltd. (浙江浙商金控有限公司), is a wholly-owned subsidiary of the Communications Group, was established under the laws of the PRC with limited liability in August 2018
Zhejiang Grand Hotel	Zhejiang Grand Hotel Limited (浙江大酒店有限公司), a wholly-owned subsidiary of the Company
Zhejiang Hongtu	Zhejiang Hongtu Transportation Construction Company (浙江交工宏途交通建設有限公司), a limited liability company incorporated in the PRC and non-wholly owned by Communications Group
Zhejiang Information	Zhejiang High-speed Information Engineering Technology Ltd. (浙江高信技術股份有限公司), formerly known as Zhejiang Expressway Information Engineering Technology Co., Ltd. (浙江高速信息工程技術有限公司), a company incorporated in the PRC and a 65.85% owned subsidiary of Communications Group
Zhejiang International Hong Kong	Zhejiang Expressway International (Hong Kong) Co., Ltd. (浙江滬杭甬國際(香港)有限公司), a wholly-owned subsidiary of the Company
Zhejiang Shunchang	Zhejiang Shunchang High-grade Expressway Maintenance Co., Ltd. (浙江順暢高等級公路養護有限公司), a limited liability company established in the PRC and a non-wholly owned subsidiary of Communications Group
Zheshang FoF	Zhejiang Zheshang Transform and Upgrade Fund of Funds Partnership (Limited Partnership), a 24.99% owned associate of the Company
Zheshang Securities	Zheshang Securities Co., Ltd. (浙商證券股份有限公司), a 54.7892% owned subsidiary of the Shangsan Co
Zhejiang Commercial	Zhejiang Commercial Group Co., Ltd. (浙江省商業集團有限公司), a company established in the PRC and a subsidiary of Communications Group
Zhejiang Zheqi	Zhejiang Zheqi Industrial Co., Ltd. (浙江浙期實業有限公司), a company established in the PRC, an indirectly non-wholly owned subsidiary of the Company
Zhoushan Co	Zhejiang Zhoushan Bay Bridge Co., Ltd.(浙江舟山跨海大橋有限公司), a 51% owned subsidiary of the Company
ZJIC	Zhejiang Institute of Communications Co., Ltd. (浙江數智交院科技股份有限公司) a joint stock limited company established in the PRC and a 55.08% owned subsidiary of Communications Group

Company Profile

Zhejiang Expressway is a listed company principally engaging in investing in, developing and operating of high-grade roads as well as securities business. The Company was incorporated on March 1, 1997 as an infrastructure company of the Zhejiang Provincial Government for investing in, developing and operating expressways and Class 1 roads in Zhejiang Province. The securities business is carried out by its subsidiary Zheshang Securities, which was listed on the Shanghai Stock Exchange (SH Stock Code: 601878) in June 2017.

Major assets operated by the Group include eight expressways namely the 248 km Shanghai-Hangzhou-Ningbo Expressway, the 141 km Shangsan Expressway, the 70 km Jinhua section of Ningbo-Jinhua Expressway, the 122 km Hanghui Expressway, the 82 km Huihang Expressway, the 46 km Zhoushan Bay Bridge, the 222 km LongLiLiLong Expressways and the 50km Zhajiasu Expressway. Among which, apart from Huihang Expressway which is situated within Anhui Province in the PRC, the rest of the seven expressways are situated within Zhejiang Province in the PRC. As at December 31, 2022, total assets of the Company and its subsidiaries amounted to Rmb186,405.52 million.

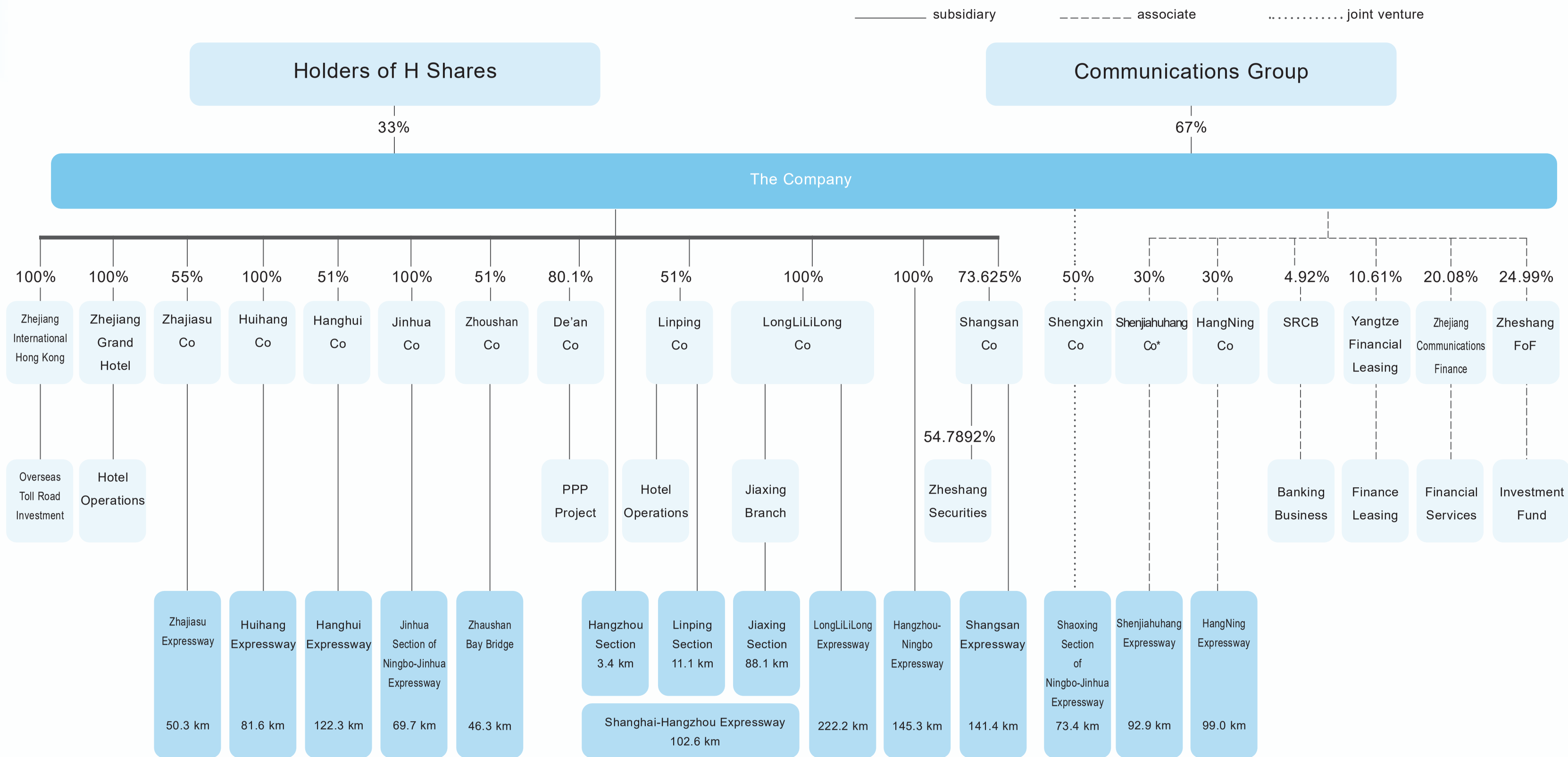
Incorporated on December 29, 2001, Communications Group, the controlling shareholder of the Company, is a state-controlled communications company established by the Zhejiang Provincial Government. It mainly operates a diversity of businesses, such as investment, operations, maintenance, toll collection and ancillary services of expressways; construction and building of transportation project, ocean and coastal transport; as well as real estates. On July 11, 2016, Zhejiang Provincial Party Committee and Zhejiang Provincial Government carried out a merger and restructuring of Communications Group and Zhejiang Railroad Investment Group Co., Ltd.. In July 2018, Zhejiang Provincial Party Committee and Zhejiang Provincial Government carried out a merger and restructuring of Communication Group and Zhejiang Commercial Group Co., Ltd.. Upon merger and restructuring, Communications Group will be responsible for the investment and financing, construction, operation and management of transport related fundamental facilities including expressways, railroads, key cross-region mass transit railways and integrated transport hubs.

The H Shares of the Company, which represent approximately 33% of the issued share capital of the Company, were listed on the Hong Kong Stock Exchange on May 15, 1997, and the Company subsequently obtained a secondary listing on the London Stock Exchange on May 5, 2000.

With a solid foundation built on the Group's expressway business, the Company will expand its main businesses scale, enhance its core competitiveness, and grow its financial and securities business so as to increase its profit contribution to the Group. Looking ahead, the Company will seize sound investment opportunities to acquire new projects, and strive to develop the Company into an international investment holdings company with a primary focus on transportation infrastructure investment and operation.

Corporate Structure of the Group

Set out below is the corporate and business structure of the Group as at March 31, 2023:



* Due to the issuance of private REITs, the entire equity interests in Shenjiahuhang Co have been transferred to the Asset-backed Special Program. Shenjiahuhang Co will no longer be consolidated to the consolidated financial statement of the Company since December 2, 2022, and has become a 30% owned associate of the Company.

Review of Major Corporate Events

1. On January 20, 2022, the absorption and merger of Zhejiang Jiaxing Expressway Co., Ltd. ("Jiaxing Company") by LongLiLiLong Co was completed and the main assets and business of Jiaxing Company were transferred to "Jiaxing Branch of Zhejiang LongLiLiLong Expressway Co., Ltd.".

2. On March 9, 2022, the consortium formed by the Company and five other companies, including China Merchants Expressway, entered into a termination protocol with the Turkish company IC Ictas to terminate the Turkey project.

3. On March 24, 2022, the Company announced its 2021 annual results.

4. On April 29, 2022, the Company announced its 2022 first quarterly results.

5. On May 5, 2022, the Company issued Rmb1,400 million of mid-term notes at the coupon rate of 2.97% in the interbank market; subsequently on July 11, 2022, the Company issued Rmb1,600 million of mid-term notes at the coupon rate of 2.80%. The issuances have been approved at the first extraordinary general meeting of 2022 held on March 18, 2022.

6. On June 30, 2022, the Company held its 2021 annual general meeting to approve, inter alia, the payment of a dividend of Rmb37.5 cents per share, the reappointment of Deloitte Touche Tohmatsu Certified Public Accountants as Hong Kong auditor of the Company, the reappointment of Pan-China Certified Public Accountants LLP as the PRC auditor of the Company, the increase in the annual caps for the Deposit Services under the New Financial Services Agreement with Zhejiang Communications Finance to Rmb3 billion; the grant of general mandate to the Board to issue, allot and deal with additional H Shares of not more than 20% of the issued H Shares of the Company, and the amendment to the Articles of Association in order to cater for the possible future arrangements for the full circulation of H shares of the Company, which has been approved on the Domestic Shares Class Meeting and H Shares Class Meeting held on the same day.

7. On August 24, 2022, the Company announced its 2022 interim results.

   On the same date, the Board approved the Company to operate and manage Zhoudai Bridge and Fuchimen Bridge of Ningbo Zhoushan Port Main Passage (27.669 km) and North Connection of Qianjiang Channel (11.415 km) as entrusted by North Channel Co and Jiaxiao Co, respectively.

8. On September 19, 2022, the Company entered into an equity transfer agreement with Shenjiahuhang Co to acquire 51% of equity interests in Zhoushan Co at the audited net asset value of Zhoushan Co as at 30 June 2022.

9. On October 11, 2022, the Company held its second extraordinary general meeting of 2022, for the independent shareholders to approve the approximately Rmb13.17 billion of new registered capital of Shangsan Co, among which the Communications Group will contribute approximately RMB9.70 billion to subscribe for approximately RMB1.76 billion new registered capital of Shangsan Co. The relevant capital increase agreement was signed on November 29, 2022, and the payments of capital increase is expected to be made on or before December 31, 2024.

10. On October 31, 2022, the Company announced its 2022 third quarterly results.

11. On November 25, 2022, the Company successfully issued the Asset-backed Special Program for the CICC-Zhejiang Expressway-Shenjiahuhang Co of Rmb6.317 billion, which has become the largest infrastructure private REITs project in the market to date.

12. On December 7, 2022, Shangsan Co, a subsidiary of the Company, entered into a share transfer agreement with conditions with Commercial Group, pursuant to which Shangsan Co will acquire 15.30% equity interests of Zheshang Insurance at the consideration of Rmb790.245 million. As at the date of this report, the share transfer agreement has not taken effect.

13. On December 22, 2022, the Company held its third extraordinary general meeting of 2022 to elect Mr. YANG Xudong as a non-executive Director and Mr. JIN Chaoyang ceased to be a non-executive Director, a member of the Audit Committee and a member of the Remuneration Committee; and to approve the amendment to the Articles of Association, in which the original requirement of a material acquisition or sale shall be passed by a majority of not less than two-thirds of the Directors was amended to be passed by a simple majority of the Directors.

14. On December 29, 2022, the Board approved the Company to operate and manage the Lin'an to Jiande Section of Linjin Expressway (85.5 km) as entrusted by Hangxuan Co, and the entrustment management agreement was signed on the same date.

15. On March 30, 2023, the Company together with Zhejiang Grand Hotel entered into an entrusted management agreement with Communication Holding in order to entrust Communication Holding to operate and manage the hotel located at No.595 Yan'an Road, Gongshu District, Hangzhou City, held by Zhejiang Grand Hotel.

Particulars of Major Road Projects

Expressway	Percentage of Ownership	Length in Kilometers	Number of Lanes	Number of Toll Stations	Number of Service Areas	Start of Operation	Remaining Years of Operation
Shanghai-Hangzhou Expressway							
– Jiaxing Section	100%	88.1	8	7	2	1998	6
– Linping Section	51%	11.1	6	1	0	1995-1998	6
– Hangzhou Section	100%	3.4	4	1	0	1995	6
Hangzhou-Ningbo Expressway							
– Hangzhou to Hongken section	100%	15.7	4	1	0	1992	5
– Hongken to Duantang section	100%	123.4	8	11	2	1995	5
– Duantang to Dazhujia section	100%	6.2	4	1	0	1996	5
Shangsan Expressway	73.625%	141.4	4	11	3	2000	8
Ningbo-Jinhua Expressway							
– Jinhua Section	100%	69.7	4	7	1	2005	8
Hanghui Expressway							
– Changyu Section	51%	36.7	4	5	1	2004	7
– Changhang Section	51%	85.6	4	8	1	2006	9
Huihang Expressway	100%	81.6	4	4	2	2004	11
Zhoushan Bay Bridge	51%	46.3	4	8	1	2009	12
LongLi Expressway	100%	119.8	4	9	3	2006	9
LiLong Expressway							
– Liandu Section	100%	22.97	4	2	0	2007	10
– Other Sections	100%	79.47	4	5	1	2006	9
Zhajiasu Expressway	55%	50.28	4	4	1	2002	8

CURRENT TOLL RATES ON THE EXPRESSWAYS UNDER THE GROUP

1. Passenger vehicle classification and toll rates

Toll for passenger vehicles = Entrance fee + Mileage fee x Actual mileage traveled + Tunnel (bridge) superimposed toll

Class	Classification standard	Toll rates of expressways in Zhejiang Province for passenger vehicles		Toll rates of Huihang Expressway for passenger vehicles
		Mileage fee (Rmb/vehicle/km)	Entrance fee (Rmb/trip)	Mileage fee (Rmb/vehicle/km)
Class 1	≤ 9 seats (with a length less than 6m)	0.40	5	0.45
Class 2	10-19 seats (with a length less than 6m) Passenger car trailer	0.40	5	0.8
Class 3	≤39 seats (with a length no less than 6m)	0.80	10	1.1
Class 4	≥40 seats (with a length no less than 6m)	1.20	15	1.3

Note: For Shanghai-Hangzhou-Ningbo Expressway, the mileage fee for class 1 and class 2 passenger vehicles is Rmb0.45/vehicle/km.

2. Truck and special motor vehicle classification and toll rates

Toll for trucks and special motor vehicles = Mileage fee x Actual mileage traveled + Tunnel (bridge) superimposed toll

Class	Classification standard	Toll rates of expressways in Zhejiang Province for trucks and special motor vehicles (Rmb/vehicle/km)	Toll rates of Huihang Expressway for trucks and special motor vehicles (Rmb/vehicle/km)
Class 1	2 axles (with a length less than 6m and maximum authorized total weight less than 4,500kg)	0.45	0.45
Class 2	2 axles (with a length no less than 6m or maximum authorized total weight no less than 4,500kg)	0.841	0.9
Class 3	3 axles	1.321	1.35
Class 4	4 axles	1.639	1.7
Class 5	5 axles	1.675	1.85
Class 6	6 axles or above (inclusive)	1.747	2.2

Notes:

1. Total number of axles includes floating axles.

2. For trucks with 6 axles above running on Huihang Expressway, toll rates of trucks with each additional axle shall be calculated at 1.1 times of the standard rate for Class 6 trucks; whereas toll rates of trucks with 10 axles or above shall be calculated at the standard rate for trucks with 10 axles.

Financial and Operating Highlights

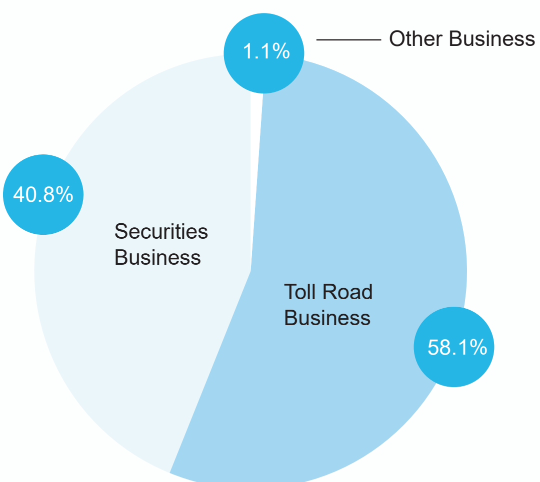
RESULTS

	Year ended December 31,				
	2018 Rmb'000 (Restated)	2019 Rmb'000 (Restated)	2020 Rmb'000 (Restated)	2021 Rmb'000	2022 Rmb'000
Revenue	11,837,093	12,617,094	12,451,534	16,262,601	14,898,730
Profit Before Tax	4,661,797	5,298,330	4,533,614	8,164,125	7,542,261
Income Tax Expense	(1,108,239)	(1,351,157)	(1,160,027)	(1,873,961)	(1,039,051)
Profit for the year	3,553,558	3,947,173	3,373,587	6,290,164	6,503,210
Profit for the year attributable to :					
Owners of the Company	3,074,140	3,243,392	2,416,395	4,762,431	5,378,866
Non-controlling interests	479,418	703,781	957,192	1,527,733	1,124,344
Basic Earnings Per Share (EPS) (Rmb cents)	70.78	74.68	55.64	109.65	123.85
Diluted EPS (Rmb cents)	66.67	72.21	55.19	102.50	117.62

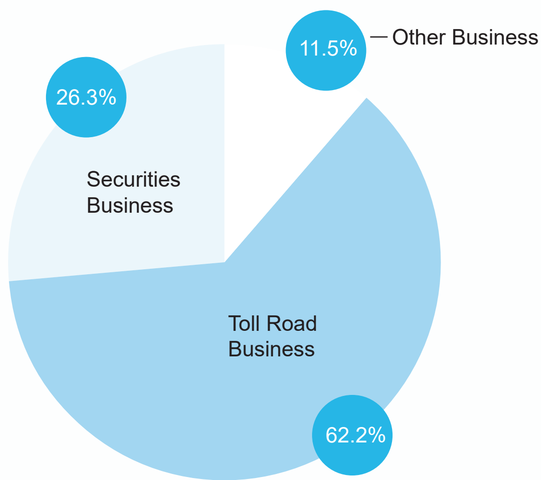
RETURN ON EQUITY (ROE)

	2018 (Restated)	2019 (Restated)	2020 (Restated)	2021	2022
ROE	15.3%	18.2%	10.2%	17.5%	17.4%

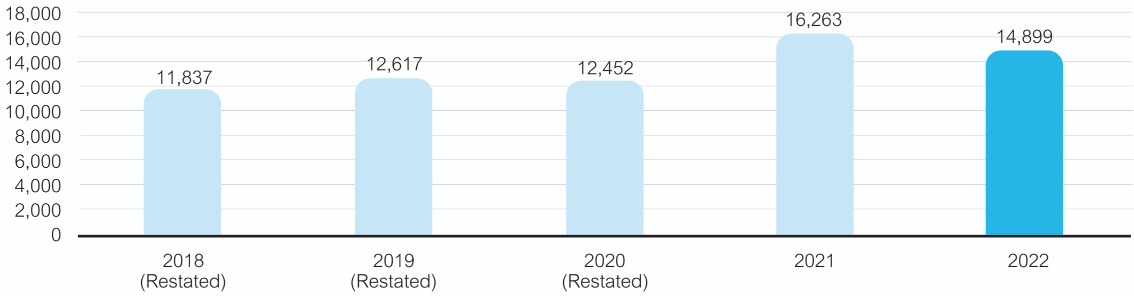
Segmental Revenue / 2022



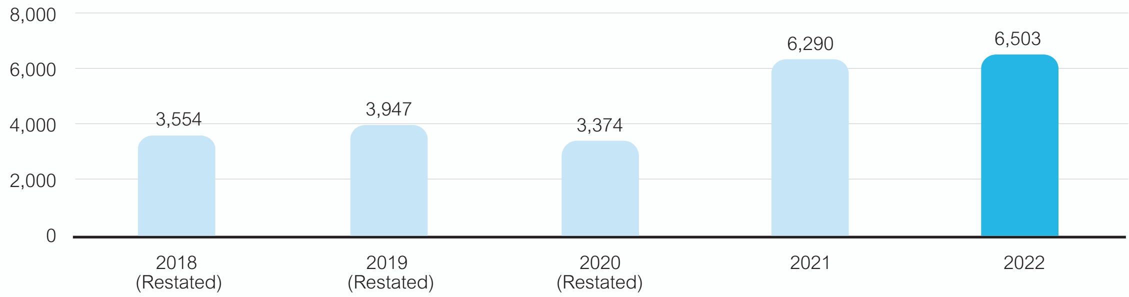
Segmental Net Profit / 2022



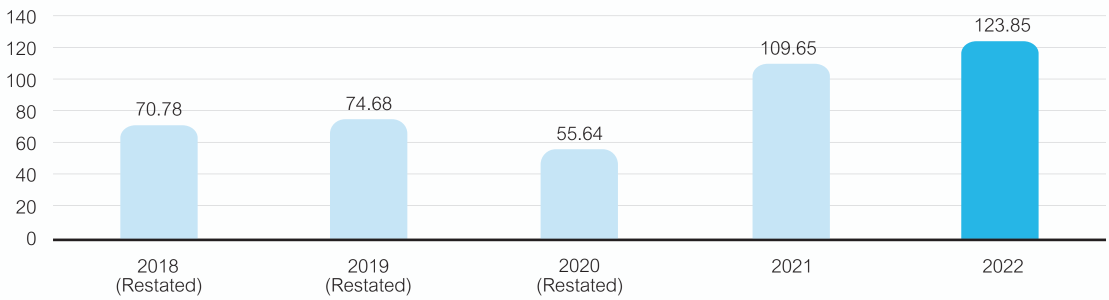
Revenue / Rmb Million



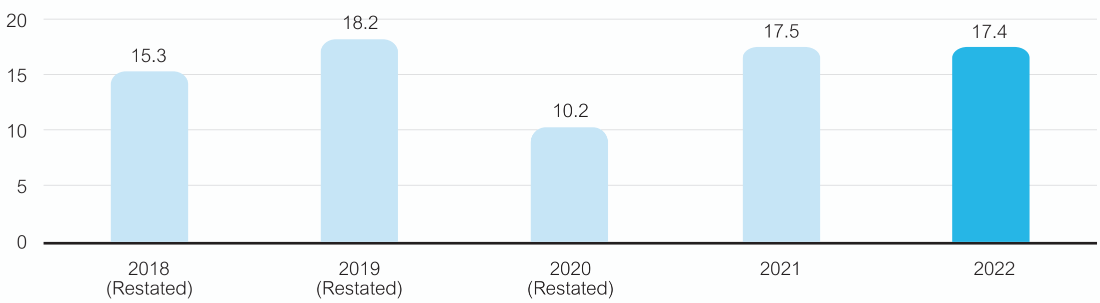
Net profit / Rmb Million



Basic EPS / Rmb Cents



ROE / %



YU Zhihong
Chairman

Chairman's Statement

Dear Shareholders,

On behalf of the Board of Directors, it is my pleasure to present the annual results of Zhejiang Expressway Co., Ltd., and its subsidiaries (collectively referred to as "the Group") for the year 2022.

In 2022, under the impact of multiple unfavorable factors such as complex international situation, domestic epidemic, high temperature and drought, China intensified its efforts in macro control, achieved new results in high-quality development and maintained a general stable situation in society and economy. According to the statistics, total national economy exceeded RMB120 trillion in 2022, an increase of 3.0% compared to the previous year. Zhejiang Province, where the major business of the Group is located, continued to open-up. New impetus grew continuously, market prices maintained stable, people's livelihood was strongly ensured, and the GDP grew 3.1% over the previous year.

During the Period, guided by keynote of "Breaking bottleneck, competing in performance and dedication, establishing model, standard and benchmark", the Group promoted various key work in an orderly manner, and presented a good momentum of progress in stability and robust potential in its overall development. However, under the influence of the recurrent epidemic and external macro pressures, the Group's core toll road business recorded toll revenue of RMB8,660.33 million, representing a year-on-year decrease of 9.9%. Revenue from the securities business recorded a slight decline, but the development trend remains positive and unchanged due to its broadly future growth potential. During the Period, total revenue of the Group decreased by 8.4% year on year to RMB14,898.73 million, profit attributable to owners of the Company increased by 12.9% year on year to RMB5,378.87 million, and ROE (return on equity) was 17.4%. The Board of Directors recommended a dividend of RMB37.5 cents per share, an indication of the Group's ability to provide long-term stable shareholder returns.

Chairman's Statement

The Group focused on the development direction of "specialization, market-orientation and digital transformation", innovated its main industry development and made improvement on an ongoing basis. In terms of digital reform, the Group continued to strengthen its digital development capabilities, completed intelligent transformation of Shanghai-Hangzhou-Ningbo Expressway, took the lead in developing the "Intelligent Driving Forward (智在行)" APP and launched it at Zhejiang International Intelligent Transportation Expo; developed diversified scenarios such as "Zhejiang Expressway Digital Management Platform (浙道雲)" and "Super Intelligent Office System (智鼎管家)", which provided strong support for scientific decision-making in business operations and reducing the burden of grassroots. At the same time, in terms of capital operation, the Group successfully issued medium-term notes of RMB3 billion in the interbank market, which continuously utilized low-cost financing channels.

During the Period, the Russia-Ukraine conflict and the US Federal Reserve's interest rate increase have had a huge impact on the global capital market. China's capital market also showed a poor performance, with the overall transaction activity decreasing. In the face of multiple adverse factors, Zheshang Securities continued to optimize and adjust its business layout, constantly consolidated the core competitiveness of its business, steadily improved its overall market position and outperformed the industry. During the Period, the securities business recorded revenue of RMB6,080.38 million, representing a year-on-year decrease of 5.0%.

It is also worth mentioning that the investment value of the Group is favored by renowned institutions, benefiting from continuous and stable cash dividends. At the same time, financing channels of the Group have also been expanded further, and in particular, Shenjiahuhang private REITs was successfully issued with a project size of RMB6,317 million, which has become the largest infrastructure private REITs project in the market to date.

Everything in the past Year of Tiger is a prologue and the new Year of Rabbit is inspiring. As we look ahead, the year of 2023 is a crucial year to carry out the 14th Five-Year Plan, where both opportunities and challenges exist. Only by working together with one mind can we create new achievements. The Group will continue to reform and innovate and build up its development advantages through implementation of high-quality and sustainable development concept to bring various work to a new level.

The business of expressway is the mainstay of the Group. We will play demonstrative roles in market-oriented operation, creation of service brands and innovation-driven development, and strive to improve and refine our main business, so as to cultivate advantages and distinction. The Group will strive to build a first-class level of bridge management and maintenance technology innovation hub, and actively explore new profit growth points. In terms of capital operations, the Group will take the Hanghui Expressway public REITs platform as a breakthrough, continue to study the innovative ways to improve the securitization level of assets, and focus on innovative low-cost financing channels, improve the debt structure, reduce financial costs, and make every effort to maximize the equity value.

On behalf of the Board, I would like to thank our shareholders, business partners, customers, management team and employees for your support. As we look ahead, we will unite and work hard to dauntlessly and persistently move forward with tenacious perseverance to realize the mutual development of the Company and employees, and create a new prospect of high-quality development, thus creating greater value for our shareholders.

YU Zhihong
Chairman

March 27, 2023

YUAN Yingjie
Executive Director and
General Manager

Management Discussion and Analysis

BUSINESS REVIEW

In 2022, with the combined impact of Russia-Ukraine conflict, obstructed supply chain and high inflation, the global economic growth slowed down significantly. The reoccurrence of the domestic epidemic and the downward real estate cycle led to more pressures of contracted demand, disrupted supply and weakening expectation. Facing a number of unexpected challenges, the government efficiently coordinated epidemic prevention and control with economic and social development, by optimizing and adjusting such measures according to the circumstances at different times. In 2022, the national economy gradually recovered after short-term fluctuations, with a year-on-year increase of 3.0% in the annual GDP. In order to effectively cope with the epidemic, Zhejiang Province has implemented a series of policies to help enterprises overcome difficulties, so as to facilitate the economy to stabilize generally. In 2022, the Province's GDP increased by 3.1% year-on-year.

During the Period, toll revenue of the Group's expressways showed a significant year-on-year decrease due to the resurgence of the epidemic, while the overall revenue of securities business declined slightly due to the impact of capital market condition. During the Period, total revenue of the Group was Rmb14,898.73 million, representing a decrease of 8.4% year-on-year, of which Rmb8,660.33 million was generated by the nine major expressways operated by the Group (2021: Rmb9,607.20 million), representing 58.1% of total revenue. Revenue generated by the securities business was Rmb6,080.38 million (2021: Rmb6,403.02 million), representing 40.8% of the total revenue.

Constantly Improving Market-Oriented Operation Capabilities, Providing Long-term Stable Value Returns to Shareholders

Guided by keynote of “Breaking bottleneck, competing in performance and dedication, establishing model, standard and benchmark”, the Group promoted various key work in an orderly manner, constantly improved market-oriented operation capabilities, and presented a good momentum of progress in stability and robust potential in its overall development. The Board of Directors recommended a dividend of RMB37.5 cents per share, an indication of the Group’s ability to provide long-term stable shareholder returns.

A breakdown of the Group's revenue for the Period is set out below:

	2022 Rmb'000	2021 Rmb'000	% change
Toll road operation revenue	8,660,333	9,607,199	-9.9%
Shanghai-Hangzhou-Ningbo Expressway	3,971,714	4,288,494	-7.4%
Shangsan Expressway	984,737	1,225,287	-19.6%
Jinhua section, Ningbo-Jinhua Expressway	466,326	542,069	-14.0%
Hanghui Expressway	593,918	641,440	-7.4%
Huihang Expressway	134,512	151,287	-11.1%
Shenjiahuhang Expressway	619,166	777,938	-20.4%
Zhoushan Bay Bridge	827,693	933,884	-11.4%
LongLiLiLong Expressways	672,645	718,344	-6.4%
Zhajiasu Expressway	389,622	328,456	18.6%
Securities business revenue	6,080,383	6,403,024	-5.0%
Commission and fee income	3,689,947	4,155,663	-11.2%
Interest income	2,390,436	2,247,361	6.4%
Other operation revenue	158,014	252,378	-37.4%
Hotel and catering	88,143	113,526	-22.4%
Public-Private Partnership	69,871	138,852	-49.7%
Total revenue	14,898,730	16,262,601	-8.4%

Toll Road Operations

During the Period, as downward pressure on the PRC economy increased, the overall traffic volume and toll revenue of the Group's expressways decreased significantly year-on-year. The performance varied among different sections of the Group's expressways due to various factors.

With policies to pay the tolls by relevant local governments, Class-1 passenger vehicles with ETC registration were able to travel for free on the Jindong Section of the Ningbo-Jinhua Expressway, Tongxiang West to Leidian Section of the Shenjiahuhang Expressway, and the Haining Section of the Shanghai-Hangzhou Expressway, thereby spurring the passenger vehicles traffic volume growth on relevant expressways. Since July 1, 2022, the ban on semi-trailers has been terminated on the East- and West-Route of Hangzhou Ring Expressway, which has contributed to the semi-trailers traffic volume growth on the relevant sections of the Shanghai-Hangzhou-Ningbo Expressway and the Shenjiahuhang Expressway.

Continuously Strengthen Digital Development Capabilities and Striving to Expand Low-cost Financing Channels

The Group focused on the development direction of "specialization, market-orientation and digital transformation", innovated its main industry development and made improvement on an ongoing basis. In terms of digital reform, the Group continued to strengthen its digital development capabilities, completed intelligent transformation of Shanghai-Hangzhou-Ningbo Expressway. At the same time, in terms of capital operation, the Group successfully issued RMB6.317 billion private REITs in respect of Shenjiahuhang Expressway, which further revitalized asset inventories and broadened financing channels.

However, the reoccurrence of the epidemic and strict epidemic prevention and control measures had a significant adverse impact on the Group's toll operation. The sporadic outbreaks of the epidemic in Shanghai, Zhejiang Province and surrounding region since March 2022 had a serious impact on the traffic volume of the Group's expressways, as relevant epidemic prevention authorities have further intensified the control of the epidemic. In particular, the traffic volume of Shanghai-Hangzhou Expressway, Zhajiasu Expressway and Shenjiahuhang Expressway saw a substantial year-on-year decrease as the above expressways are located in epidemic-affected areas such as Shanghai and Jiaxing. Meanwhile, since the public was less keen on travel under the epidemic, the traffic volume of Zhoushan Bay Bridge and Huihang Expressway had a considerable year-on-year decrease. Since May 2022, with relented impact of the epidemic, the traffic volume of expressways of the Group has gradually recovered, though the recovery process has been impeded by sporadic outbreaks of the epidemic from time to time. During the period, the traffic volume of Ningbo-Jinhua Expressway had a significant decrease due to the outbreak of the epidemic in Jinhua in August. Even as the epidemic prevention and control policy has been fully eased up since December 2022, the public travel demand has dropped notably due to fear of infection, resulting in a sharp drop in the traffic volume of expressways of the Group once again.

In addition, the changes in road network and adjustment of tolling policy also had a negative impact on the traffic volume and toll revenue of the relevant expressways. The Hangzhou-Taizhou High-speed Railway opened on January 8, 2022, and the Hangzhou-Shaoxing-Taizhou Expressway fully opened to traffic on February 11, 2022, leading to a substantial diversion of traffic volume on Shangsan Expressway. The discount rate of tolls to 15% for trucks from Zhejiang Province with ETC registrations has been implemented since January 1, 2022 on Zhajiasu Expressway, which has adversely affected toll revenue. Since the fourth quarter of 2022, in addition to continuing to implement the existing toll reduction policies for toll roads nationwide, truck tolls have been reduced by another 10% across the board, which had a negative impact on the toll revenue of the Group to some extent.

Steadily Improving in Complicated Environment by Optimizing the Business Configuration of Zheshang Securities

In the face of multiple adverse factors, Zheshang Securities continued to optimize and adjust its business configuration, constantly consolidated the core competitiveness of its business, steadily improved its overall market position and outperformed the industry.

Looking back at 2022, the Group actively responded to the reoccurrence of the epidemic, and consistently enhanced its market-oriented operation capability to boost the steady development of its toll road operation. In terms of operation and management, the Group completed the intelligent transformation of Shanghai-Hangzhou-Ningbo Expressway and continued to improve its capability of digital reform; intensified the construction of intelligent toll stations, remediated congestions and integrated construction to effectively improve the operation efficiency of road network; and promoted differentiated toll collection solutions, “Expressway + Tourism” and other marketing programs to further enhance the measures to attract more traffic onto the Group’s expressways. Regarding investment and financing, the Group implemented the preliminary work to ensure that the reconstruction and expansion of its expressways are methodically advanced; successfully issued RMB6.317 billion private REITs in respect of Shenjiahuhang Expressway to further revitalize its asset inventories; and successfully issued RMB3 billion medium-term notes to continuously utilize financing channels at low costs.

During the Period, total toll revenue from the 248km Shanghai-Hangzhou-Ningbo Expressway, the 141km Shangsan Expressway, the 70km Jinhua Section of the Ningbo-Jinhua Expressway, the 122km Hanghui Expressway, the 82km Huihang Expressway, the 93km Shenjiahuhang Expressway, the 46km Zhoushan Bay Bridge, the 222km LongLiLiLong Expressway and the 50km Zhajiasu Expressway was Rmb8,660.33 million.

Implementing the High-quality and Sustainable Development Concept and Making Effort to Maximize the Equity Value

The Group will continue to reform and innovate and build up its development advantages through implementation of high-quality and sustainable development concept to bring various work to a new level. The Group will take the Hanghui Expressway public REITs platform as a breakthrough, continue to study the innovative ways to improve the securitization level of assets, and focus on innovative low-cost financing channels, and make every effort to maximize the equity value.

During the Period, the daily average traffic volume in full-trip equivalents, toll revenue and the corresponding year-on-year change on the Group's expressways are listed below:

The Group's Expressway Sections	Daily Average Traffic Volume (in Full-Trip Equivalents)	year-on-year change	Toll Revenue (Rmb million)	year-on-year change
Shanghai-Hangzhou-Ningbo Expressway	67,314	-8.94%	3,971.71	-7.4%
– Shanghai-Hangzhou Section	59,241	-17.65%		
– Hangzhou-Ningbo Section	73,209	-2.88%		
Shangsan Expressway	27,383	-19.14%	984.74	-19.6%
Jinhua Section, Ningbo-Jinhua Expressway	26,698	-13.58%	466.33	-14.0%
Hanghui Expressway	23,152	-4.18%	593.92	-7.4%
Huihang Expressway	8,629	-7.12%	134.51	-11.1%
Shenjiahuhang Expressway	29,958	-13.23%	619.17	-20.4%
Zhoushan Bay Bridge	20,349	-8.26%	827.69	-11.4%
LongLiLiLong Expressways	12,947	-8.02%	672.65	-6.4%
Zhajiasu Expressway	31,470	-16.99%	389.62	18.6%

Note: 1. Zhajiasu Expressway was consolidated into the Group's consolidated financial statements from May 2021. The year-on-year change of toll revenue of Zhajiasu Expressway in the above table is calculated based on the figures from May to December 2021.

2. Upon the issuance of private REITs, the entire equity interests in Shenjiahuhang Co were transferred to the asset-backed special program. Shenjiahuhang Co has no longer been included in the scope of the consolidated financial statements of the Group since December 2, 2022. The toll revenue of Shenjiahuhang Expressway in the above table is calculated based on the figures from January 1, 2022 to December 2, 2022.

Management Discussion and Analysis

Securities Business

In 2022, the evolving Russia-Ukraine conflict, the subsequent energy crisis in Europe and the continuous interest rate hikes by the US Federal Reserve had a significant impact on the global capital market. China's economy was under downward pressure due to the reoccurrence of the epidemic. Both internal and external factors led to sluggish domestic capital market, and the overall trading was less active, with a decrease in major indices to various extents. Facing multiple unfavorable factors, and by closely focusing on annual business objectives, Zheshang Securities has constantly optimized its business configuration and constantly improved the level of its compliance risk control, so that all businesses have developed steadily on the whole. However, due to drastic fluctuations in the capital market, the revenue from securities investment business and investment banking business showed a considerable decrease, resulting in a decline in the overall performance of Zheshang Securities.

During the Period, Zheshang Securities achieved certain objectives in capital operation. The mixed ownership reform plan of Zheshang Futures Co., Ltd. was completed on schedule, bringing in strategic investors by way of capital increase, raising a total of approximately Rmb1.73 billion. The successful issuance of Rmb7.0 billion convertible bonds will effectively support the development of capital-driven business.

During the Period, Zheshang Securities recorded a total revenue of Rmb6,080.38 million, a decrease of 5.0% year-on-year, of which, commission and fee income decreased 11.2% year-on-year to Rmb3,689.95 million, and interest income from the securities business was Rmb2,390.43 million, an increase of 6.4% year-on-year. In addition, securities investment gains of Zheshang Securities included in the consolidated statement of profit or loss and other comprehensive income of the Group was Rmb679.73 million (2021: Rmb1,835.56 million).

Hotel and Catering Business

In 2022, as the domestic epidemic resurged repeatedly, and the demand for business travel and offline consumption was severely suppressed, the operating results of the two hotels of the Group continued to be under pressure.

Zhejiang Grand Hotel, owned by Zhejiang Grand Hotel Limited (a 100% owned subsidiary of the Company), recorded revenue of Rmb23.49 million for the Period (2021: Rmb45.45 million), representing a significant decrease as compared with the same period of last year, mainly due to the impact of the epidemic as well as the business renovation implemented during the Period, leading to the inability to carry out certain business operations normally for the time being.

Grand New Century Hotel, owned by Zhejiang Linping Expressway Co., Ltd. (a 51% owned subsidiary of the Company), recorded revenue of Rmb64.66 million for the Period (2021: Rmb68.08 million).

Long-Term Investments

Zhejiang Shaoxing Shengxin Expressway Co., Ltd. ("Shengxin Co", a 50% owned joint venture of the Company) operates the 73.4km Shaoxing Section of the Ningbo-Jinhua Expressway. During the Period, the average daily traffic volume in full-trip equivalents was 24,654, representing a decrease of 9.03% year-on-year. Toll revenue was Rmb469.88 million (2021: Rmb504.47 million). During the Period, the joint venture recorded a net profit of Rmb99.54 million (2021: Rmb112.50 million).

Zhejiang HangNing Expressway Co., Ltd. (a 30% owned associate of the Company) owns the 99km HangNing Expressway. During the Period, the associate company recorded a net profit of Rmb207.84 million (February to December 2021: Rmb188.89 million).

Zhejiang Communications Investment Group Finance Co., Ltd. (a 20.08% owned associate of the Company) derived income mainly from interest, fees and commissions for providing financial services, including arranging loans and receiving deposits, for Zhejiang Communications Investment Group Co., Ltd., the controlling shareholder of the Company, and its subsidiaries. During the Period, the associate company recorded a net profit of Rmb850.88 million (2021: Rmb890.25 million).

Yangtze United Financial Leasing Co., Ltd. (a 10.61% owned associate of the Company) is primarily engaged in the financial leasing business, the transferring and receiving of financial leasing assets, fixed-income securities investment, and other businesses approved by the China Banking and Insurance Regulatory Commission. During the Period, the associate company recorded a net profit of Rmb579.46 million (2021: Rmb440.11 million).

Management Discussion and Analysis

Shanghai Rural Commercial Bank Co., Ltd. (a 4.86% owned associate of the Company) is primarily engaged in the commercial banking business, including deposits, short-, medium-, and long-term loans, domestic and overseas settlements and other businesses that are approved by the China Banking and Insurance Regulatory Commission. As at the date of this report, the associate company has not yet released its audited financial data for the year 2022.

Zhejiang Zheshang Transform and Upgrade Fund of Funds Partnership (Limited Partnership) (a 24.99% owned associate of the Company) is primarily engaged in equity investments, investment management and investment consultation. During the Period, the share of net loss of the associate attributable to the Company was Rmb40.99 million (2021: net profit of Rmb178.44 million).

FINANCIAL ANALYSIS

The Group adopts a prudent financial policy with an aim to provide Shareholders of the Company with sound returns over the long term.

During the Period, profit attributable to owners of the Company was Rmb5,378.87 million, representing an increase of 12.9% year-on-year, basic earnings per share was Rmb123.85 cents, representing an increase of 12.9% year-on-year, diluted earnings per share was Rmb117.62 cents, representing an increase of 14.8% year-on-year, and return on owners' equity was 17.4%, representing a decrease of 0.6% year-on-year.

Liquidity and financial resources

As at December 31, 2022, current assets of the Group amounted to Rmb146,128.78 million in aggregate (December 31, 2021: Rmb130,843.32 million), of which bank balances, clearing settlement fund, deposits and cash accounted for 16.6% (December 31, 2021: 13.5%), bank balances and clearing settlement fund held on behalf of customers accounted for 33.4% (December 31, 2021: 29.3%), financial assets at FVTPL accounted for 30.0% (December 31, 2021: 34.7%) and loans to customers arising from margin financing business accounted for 12.0% (December 31, 2021: 14.8%). The current ratio (current assets over current liabilities) of the Group as at December 31, 2022 was 1.40 (December 31, 2021: 1.30). Excluding the effect of the customer deposits arising from the securities business, the resultant current ratio of the Group (current assets less bank balances and clearing settlement fund held on behalf of customers over current liabilities less balance of accounts payable to customers arising from securities business) was 1.80 (December 31, 2021: 1.60).

The amount of financial assets at FVTPL included in current assets of the Group as at December 31, 2022 was Rmb43,789.94 million (December 31, 2021: Rmb45,445.71 million), of which 75.5% was invested in bonds, 4.3% was invested in stocks, 10.0% was invested in equity funds, and the rest were invested in structured products, trust products and so on.

During the Period, net cash from the Group's operating activities amounted to Rmb7,641.37 million. The currency mix in which cash and cash equivalents are held has not substantially changed as compared to the same period last year.

The Directors do not expect the Company to experience any problems with liquidity and financial resources in the foreseeable future.

	As at December 31,	
	2022 Rmb'000	2021 Rmb'000
Cash and cash equivalents	23,917,236	17,153,977
Restricted bank balances and cash	70,179	132,090
Time deposits	203,632	413,843
Financial assets at fair value through profit or loss	43,789,944	45,445,711
Total	67,980,991	63,145,621

Management Discussion and Analysis

Borrowings and solvency

As at December 31, 2022, total liabilities of the Group amounted to Rmb136,195.86 million (December 31, 2021: Rmb131,873.66 million), of which 12.6% was bank and other borrowings, 2.6% was short-term financing note, 17.1% was bonds payable, 17.5% was financial assets sold under repurchase agreements and 35.6% was accounts payable to customers arising from securities business.

As at December 31, 2022, total interest-bearing borrowings of the Group amounted to Rmb49,696.86 million, representing a decrease of 8.1% compared to that as at December 31, 2021. The borrowings comprised outstanding balances of domestic commercial bank loans of Rmb13,156.85 million, borrowings from other domestic financial institutions of Rmb2,260.58 million, borrowings from other domestic institutions of Rmb1,692.76 million, short-term financing note of Rmb2,511.35 million, beneficial certificates of Rmb2,102.29 million, mid-term notes of Rmb3,048.45 million, subordinated bonds of Rmb6,479.32 million, corporate bonds of Rmb10,912.18 million, asset backed securities of Rmb1,821.01 million, convertible bond denominated in Rmb is Rmb3,923.67 million, and convertible bond denominated in Euro that equivalents to Rmb1,788.40 million. Of the interest-bearing borrowings, 68.6% was not payable within one year.

As at December 31, 2022, the Group's borrowings from domestic commercial banks bore annual fixed interest rates ranged from 3.30% to 7.08%, annual floating interest rates ranged from 3.0% to 4.7%, the annual fixed interest rates of other domestic institutions were 3.0% and 4.5%, and the annual fixed interest rates of a domestic financial institution ranged from 3.5% to 4.13%, the annual floating interest rate was 4.13%. As at December 31, 2022, the annual fixed interest rates for short-term financing notes were 1.83% and 2.50%. The annual floating interest rates of beneficial certificates ranged from 1.9% to 13.0%, the annual fixed rate is 4.1%. The annual fixed interest rate for mid-term notes were 2.8% and 2.97%. The annual fixed annual interest rates for subordinated bonds ranged from 3.5% to 4.18%. The annual fixed interest rate for corporate bond ranged from 1.638% to 3.49%. The annual coupon rate for convertible bond denominated in Rmb was 0.2%. The annual coupon rate for convertible bond denominated in Euro was nil.

	Gross amount Rmb'000	Maturity Profile Within 1 year Rmb'000	2-5 years inclusive Rmb'000	Beyond 5 years Rmb'000
Floating rates				
Borrowings from domestic commercial banks	12,311,486	1,588,030	5,006,092	5,717,364
Borrowings from a domestic financial institution	1,017,790	92,232	412,848	512,710
Beneficial Certificates	1,010,460	1,010,460	–	–
Asset backed securities	1,821,006	–	–	1,821,006
Fixed rates				
Borrowings from domestic commercial banks	845,360	845,360	–	–
Borrowings from a domestic financial institution	1,242,794	696,794	546,000	–
Borrowings from domestic institutions	1,692,760	1,692,760	–	–
Short-term financing notes	2,511,352	2,511,352	–	–
Beneficial Certificates	45,213	45,213	–	–
Long-term Beneficial Certificates	1,046,616	1,046,616	–	–
Subordinated bonds	6,479,319	3,379,319	3,100,000	–
Corporate bonds	10,912,176	2,643,860	8,268,316	–
Mid-term notes	3,048,452	48,452	3,000,000	–
Convertible bonds	5,712,073	4,719	1,791,392	3,915,962
Total as at December 31, 2022	49,696,857	15,605,167	22,124,648	11,967,042
Total as at December 31, 2021	54,048,372	20,712,670	21,772,917	11,562,785

Total interest expenses and profit before interest and tax for the Period amounted to Rmb1,770.01 million and Rmb9,312.27 million, respectively. The interest cover ratio (profit before interest and tax over interest expenses) stood at 5.3 (corresponding period of 2021: 5.2 times).

	2022 Rmb'000	2021 Rmb'000
Profit before interest and tax	9,312,269	10,106,658
Interest expenses	1,770,008	1,942,533
Interest cover ratio	5.3	5.2

Management Discussion and Analysis

As at December 31, 2022, the asset-liability ratio (total liabilities over total assets) of the Group was 73.1% (December 31, 2021: 74.8%). Excluding the effect of customer deposits arising from the securities business, the resultant asset-liability ratio (total liabilities less balance of accounts payable to customers arising from securities business over total assets less bank balances and clearing settlement fund held on behalf of customers) of the Group was 63.7% (December 31, 2021: 68.0%).

Capital structure

As at December 31, 2022, the Group had Rmb50,209.66 million in total equity, Rmb106,954.98 million in fixed-rate liabilities, Rmb16,160.74 million in floating-rate liabilities, and Rmb13,080.14 million in interest-free liabilities, representing 26.9%, 57.4%, 8.7% and 7.0% of the Group's total capital, respectively. The gearing ratio, which is computed by dividing the total liabilities less accounts payable to customers arising from the securities business by total equity, was 174.8% as at December 31, 2022 (December 31, 2021: 211.2%).

	As at December 31, 2022		As at December 31, 2021	
	Rmb'000	%	Rmb'000	%
Total equity	50,209,662	26.9%	44,423,025	25.2%
Fixed rate liabilities	106,954,982	57.4%	100,209,191	56.8%
Floating rate liabilities	16,160,742	8.7%	18,124,872	10.3%
Interest-free liabilities	13,080,138	7.0%	13,539,594	7.7%
Total	186,405,524	100.0%	176,296,682	100.0%
Long-term interest-bearing liabilities	34,416,042	18.5%	33,695,918	19.1%
Gearing ratio 1 (note)	174.8%		211.2%	
Gearing ratio 2 (note)	68.5%		75.9%	
Asset-liabilities ratio 1 (note)	73.1%		74.8%	
Asset-liabilities ratio 2 (note)	63.7%		68.0%	

Note:

Gearing ratio 1 represents the total liabilities less balance of accounts payable to customers arising from securities business to the total equity; Gearing ratio 2 represents the total amount of the long-term interest-bearing liabilities to the total equity; Asset-liabilities ratio 1 represents total liabilities to total assets; Asset-liabilities ratio 2 represents total liabilities less balance of accounts payable to customers arising from securities business to total assets less bank balances and clearing settlement fund held on behalf of customers.

Capital expenditure commitments and utilization

During the Period, capital expenditure of the Group totaled Rmb1,711.94 million. Amongst the total capital expenditure of the Group, Rmb80.00 million was incurred for acquiring equity investments, Rmb140.44 million was incurred for acquisition and construction of properties and ancillary facilities, and Rmb1,491.50 million was incurred for purchase and construction of equipment and facilities.

As at December 31, 2022, the capital expenditure committed by the Group amounted to Rmb5,730.97 million in total. Amongst the remaining balance of total capital expenditure committed by the Group, Rmb860.25 million will be used for acquiring equity investments, Rmb1,156.29 million will be used for acquisition and construction of properties, Rmb1,214.43 million for acquisition and construction of equipment, facilities and ancillary facilities, Rmb2,500.00 million for reconstruction and expansion projects of existing expressways.

The Group will first consider financing the above-mentioned capital expenditure commitments with internal resources, and then will comprehensively consider using debt financing and equity financing to meet any shortfalls.

Contingent liabilities and pledge of assets

Pursuant to the Board resolution of the Company dated November 16, 2012, the Company and Shaoxing Communications Investment Group Co., Ltd. (the other joint venture partner that holds 50% equity interest in Shengxin Co) provided Shengxin Co with joint guarantee for its bank loans of Rmb2.20 billion, in accordance with their proportionate equity interests in Shengxin Co. During the Period, Rmb230.00 million of the bank loans had been repaid. As at December 31, 2022, the remaining bank loan balance was Rmb643.00 million.

Zhejiang Zhoushan Bay Bridge Co., Ltd., a subsidiary of the Company, pledged their rights of toll on expressway for their bank borrowing, and as at December 31, 2022, the remaining bank loan balance was Rmb5,721.75 million.

Deqing County De'an Highway Construction Co., Ltd., a subsidiary of the Company, pledged its trade receivables for its bank borrowing, and as at December 31, 2022, the remaining bank loan balance was Rmb552.62 million.

Zhejiang LongLiLiLong Expressway Co., Ltd., a subsidiary of the Company, pledged its right of toll on expressway for its bank and other borrowing, and as at December 31, 2022, the remaining bank and other borrowing balance was Rmb4,639.56 million.

Management Discussion and Analysis

Jiaxing Zhajiasu Expressway Co., Ltd., a subsidiary of the Company, pledged its right of toll on expressway for its bank borrowing, and as at December 31, 2022, the remaining bank loan balance was Rmb1,519.92 million.

Except for the above, as at December 31, 2022, the Group did not have any other contingent liabilities, pledge of assets or guarantees.

Foreign exchange exposure

During the Period, save for (i) dividend payments to the holders of H shares in Hong Kong dollars; (ii) Zheshang International Financial Holding Co., Limited. (a wholly owned subsidiary of Zheshang Securities) operating in Hong Kong; (iii) issuance of the zero coupon convertible bond with a principal amount of Euro230 million in Hong Kong capital market in January 2021, which will be due in January 2026; and (iv) issuance of the senior fixed-rate bonds with a principal amount of USD470 million in Hong Kong capital market in July 2021, which will be due in July 2026 and has an coupon rate of 1.638%; the Group's principal operations were transacted and booked in Renminbi.

During the Period, the Group has not used financial instruments for hedging purpose.

Use of proceeds from convertible bond

The Company issued a zero coupon convertible bond due 2026 in an aggregate principal amount of Euro230.00 million on January 20, 2021, to improve the debt structure, increase liquidity to meet financial and operational needs and enhance the investment capability of the Group. After deducting cost of issue of approximately Euro1.00 million, the net proceeds from the issuance of the convertible bond were approximately Euro229.00 million, and were used to repay existing borrowings.

OUTLOOK

Looking forward to 2023, the Russia-Ukraine conflict is not expected to end soon, and it is uncertain whether China-US relations can develop steadily. The state of global trade is becoming grimmer, with rising stagflation risk for the world economy. Chinese economy will continue to face external uncertainties and instability. However, with the continued optimization of epidemic prevention and control policies in China, the impact of the epidemic on Chinese economy will be significantly reduced, and the production and living order will resume at a faster pace. In addition, as the policy to stabilize economy growth continues to take effect, Chinese economy is expected to recover steadily in 2023. The overall traffic volume and toll revenue of expressways of the Group are expected to achieve a higher growth rate due to general improvement in economy and low base effect.

The Group will focus more on market-oriented operation of its core expressway business, and deepen reform and innovation, so as to build a standard-bearer enterprise based on professionalism, market-orientation and digital-transformation. It will continue to strengthen the management of congestion on road sections with heavy traffic flows, and focus on deepening road condition improvement and environment management of commuting roads for the Hangzhou Asian Games, constantly improving its expertise to ensure safe and smooth traffic flow. The Group will actively explore differentiated toll collection modes, and exploit various “Expressway+” marketing projects such as new energy vehicles and coordinating with neighboring scenic spots, to persistently enhance its market-oriented development capabilities. In addition, it will build a digital-based platform of “Super Intelligent-Zhejiang Expressway”, and accelerate the physical operation of intelligent expressways, to continuously enhance the level of digital technology innovation.

In 2023, with the full implementation of registration-based IPO system for share issuance and further deepening of reform and opening up of the capital market, the securities business will face new opportunities and challenges. Zheshang Securities will speed up the cultivation and recruiting of investment banking professionals and teams, and fully improve the production capacity of investment banking business. It will also accelerate customer development from various channels, and advance the transformation and development of traditional brokerage business. In addition, Zheshang Securities will further diversify investment products and innovate investment methods, to fully improve the stable profitability of securities investment business. It will construct a coordinated business development system at a faster pace, to facilitate the company to steadily enter top tier in the industry.

In the face of the complex and volatile domestic and international circumstances, the Group will adhere to market-orientation and continue to strengthen its expressway business and optimize its securities and finance business leveraging on its internal resource advantage. The management will thoroughly observe the changes in the market environment and the industry development trend, and by fully leveraging on the functions of the listing platform, actively research and innovate the financing channels in the capital market. The Company will explore new opportunities of market-based mergers and acquisitions of expressways to continuously expand its core business, and intensify the development and utilization of resources along expressways to promote steady expansion of related industries. It will also make every effort to advance the reconstruction and expansion of expressways, facilitating the sustainable development of its core expressway business.

Management Discussion and Analysis

HUMAN RESOURCES

In 2022, the Group's human resources management focused on key reform projects on organization, team and mechanism, and strived to give full play to the driving and guiding role of cadres and talents in strategy implementation, business development, mechanism innovation and shaping of capabilities to provide strong organizational and team support for the transformation and upgrading of the Company.

During the Period, the Group developed and issued the Five-Year Action Plan for Talent Development and the Action Plan for Deepening Reform in 2022, step-by-step advancing the optimization of organizational structure and functions, and further enhancing top-level human resources planning. It continued to deepen the internal income allocation reform and authorization allocation mechanism, focusing on the combination of process evaluation and result evaluation as well as short-term evaluation and long-term evaluation, and continuously strived to strengthen the market-based salary allocation. The Group has a clear selection and employment orientation, boldly selecting outstanding young cadres and increasing the competitive selection of cadres. It increased the efforts in recruitment of urgently-needed professionals and enhanced employer brand value to provide support for organizational value growth and talent development. Centering on digital transformation, leadership enhancement and full knowledge empowerment, the Group built an all-round and multi-level training system, boosting the construction of a learning-oriented organization and continuously improving the integrated skills of employees.

As at December 31, 2022, there were 9,143 employees within the Group, amongst whom 4,175 mainly worked in the related positions of the toll road operation business and 4,968 worked in the related positions of the securities business.

DISCLOSURE RELATING TO TCFD

The Group has been a long-term supporter of sustainable development, and is committed to addressing climate change. For information on the Company's performance in addressing climate-related issues, please refer to "Climate Change" in Chapter "Environment" of the Company's 2022 Environmental, Social and Governance Report.

The Company is made aware of its responsibility to make climate-related financial disclosures consistent with the Recommendations and Recommended Disclosures of the Taskforce on Climate-related Financial Disclosures (TCFD), which is a new requirement for standard listed companies on the London Stock Exchange in accordance with the procedures set out in the Financial Conduct Authority of the United Kingdom (the "**FCA**") Listing Rules.

At the same time, the Company is also assessing whether the current volume of trading of the Company's shares on the London Stock Exchange justifies the costs related to such listing and admission to trading.

If the Directors determine that it is in the best interests of all shareholders to aggregate transactions on the Hong Kong Exchange only, any delisting of the Company's shares from the London Stock Exchange will be subject to engagement with shareholders, consultation with the FCA and in accordance with the procedures set out in the FCA's Listing Rules.

Principal Risks and Uncertainties

TOLL ROAD BUSINESS RISKS

Economic Environment

Currently, the Russia-Ukraine conflict is still evolving, and the energy crisis in Europe is still severe. Whether Sino-US relations can improve is still full of uncertainty. The global political and economic landscape is undergoing profound changes, and the risk of stagflation in the world economy is rising. Although the epidemic prevention and control measures have relaxed in China, the foundation of economic recovery is still not solid, and there is still great pressures from shrinking demand, interrupted supply and weaker expectations. The sustained recovery of China's economy still faces multiple risks and challenges arising from both internal and external sources. Given that the expressway toll collection business is closely related to the macroeconomy, the performance of the Group's expressways is expected to be uncertain in terms of traffic volume and toll revenue.

Roads Competition

The Group's expressways will be negatively affected by the diversion to the surrounding road networks and traffic control measures. The Hangzhou–Shaoxing–Taizhou Expressway has been fully opened to traffic since February 2022, which is expected to cause continuous traffic volume diversion to the Group's adjacent Shaoxing Section of the Hangzhou-Ningbo Expressway and the parallel Shangsan Expressway. The opening of the Hangzhou-Taizhou High-speed Railway in January 2022 is expected to have a continuous negative impact on the passenger vehicles traffic volume of the Shangsan Expressway of the Group. Traffic control measures may be implemented in Hangzhou and surrounding expressways during the Hangzhou Asian Games, which will adversely affect the traffic flow on the Group's relevant expressways. Therefore, there is no assurance that the toll revenue of the Group's expressways will not be negatively affected in the future.

Toll Policy

As approved by the Zhejiang Provincial Government, the toll roads across the province continue to implement a 5% discount on tolls for all vehicles with ETC devices, and the state-owned expressway sections within the province continue to implement a 15% discount on tolls for all qualified trucks with ETC in-vehicle device in the province. From February 3, 2023 to August 3, 2023, the state-owned expressway sections within the province will offer a 15% discount on tolls for Class-3 and Class-4 passenger vehicles with ETC in-vehicle device. In February 2023, the Ministry of Transport of the PRC announced the Key Areas of Legal System on Transportation in 2023, indicating that it would actively coordinate with the legislative review of the Administrative Regulations on Toll Roads. Accordingly, there are certain possibilities of policy revisions and adjustments in the expressway operation industry. Therefore, there is no assurance that the operating results of the Group's expressway business will not be adversely affected in the future.

SECURITIES BUSINESS RISKS

Market Fluctuations

The securities business is highly susceptible to market fluctuations and may experience periods of high volatility accompanied by reduced liquidity. It may be materially affected by economic and other factors such as the global market conditions; the availability and cost of capital; the liquidity of the global markets; the level and volatility of stock prices, commodity prices and interest rates; currency values and other market indices; inflation; natural disasters; acts of war or terrorism; as well as investor sentiment and confidence in the financial markets. There is no assurance as to whether our securities business will be adversely affected by fluctuations in the market, or whether our securities business will continue to contribute to our overall profit margin.

Regulation of the Securities Business

We are subject to extensive regulations in the PRC that govern how we conduct our securities business, and we are subject to risks of intervention by the PRC regulatory authorities. We could be fined, prohibited from engaging in some of our business activities or subject to limitations or conditions on our business activities, among other things. Significant regulatory actions against us could have material adverse impacts on our financial position, cause us significant reputational harm, or harm our business prospects. New laws, regulations or changes in the enforcement of existing laws or regulations applicable to our clients may also adversely affect our business.

FINANCIAL RISKS

For financial risks and uncertainties of the Group, please see notes 5, 52 and 53 to the Consolidated Financial Statements.

Principal Risks and Uncertainties

STATEMENT OF RESPONSIBILITY FROM THE DIRECTORS WITH RESPECT TO THE ANNUAL REPORT AND THE COMPANY'S ACCOUNTS

The Directors of the Company, whose names and functions are listed on pages 55 to 66, duly confirm that to the best of their knowledge:

– the consolidated financial statements prepared and subject to disclosure under the Hong Kong Financial Reporting Standards issued by the Hong Kong Institute of Certified Public Accountants give a true and fair view of the assets, liabilities, financial position and profit of the Group, and cover the enterprises that have been consolidated into the Company; and

– the "Management Discussion and Analysis" section included in this annual report includes a fair review of the development and performance of the business and the position of the Group, covers the enterprises that have been consolidated into the Company and describes the principal risks and uncertainties faced by the Group.

During the Period and up to the date of this report, there has been no occurrence of significant events that would have a material impact on the normal operation of the Group.

By Order of the Board
Tony ZHENG
Company Secretary

Hangzhou, Zhejiang Province, the PRC
March 27, 2023

Corporate Governance Report

CORPORATE GOVERNANCE PRACTICES

To govern the daily functioning of the Board of Directors of the Company, the Company has adopted its own Guidelines on Corporate Governance that closely followed the principles of good Corporate Governance Code ("CG Code") in Appendix 14 to the Listing Rules (available at www.hkex.com.hk).

During the Period, the Company has complied with all mandatory disclosure requirements and code provisions in the CG Code and adopted the recommended best practices in the CG Code as and when applicable. The Directors of the Company have been informed that the latest amendment to the Listing Rules and CG Code will be adopted and applied for the daily operation of the Company.

DIRECTORS' SECURITIES TRANSACTIONS

The Company has adopted the Rules on Securities Dealings ("Rules on Securities Dealings") for the Directors, supervisors, senior management personnel and other employees of the Company on terms no less exacting than the required standard set out in the Model Code for Securities Transactions by Directors of Listed Issuers (the "Model Code") set out in Appendix 10 to the Listing Rules.

Upon specific inquiries to all the Directors, the Company's Directors have confirmed their respective compliance with the required standards for securities transactions by Directors as set out in the Model Code and the Rules on Securities Dealings of the Company.

BOARD OF DIRECTORS OF THE COMPANY (THE "BOARD")

The Chairman of the Company during the Period was:
Mr. YU Zhihong

The executive Directors of the Company during the Period were:
Mr. CHEN Ninghui
Mr. YUAN Yingjie (General Manager)

The non-executive Directors of the Company during the Period were:
Mr. YANG Xudong (Appointed, with effect from December 22, 2022)
Mr. JIN Chaoyang (Resigned, with effect from December 22, 2022)
Mr. FAN Ye
Mr. HUANG Jianzhang

Corporate Governance Report

The independent non-executive Directors of the Company during the Period were:
Mr. PEI Ker-Wei
Ms. LEE Wai Tsang, Rosa
Mr. CHEN Bin

During the Period, the Board held a total of 13 meetings. Individual attendances by the directors (as indicated by the number of meetings attended/number of relevant meetings held during their tenure) are as follows:

	Attendance in person	Attendance by proxy	Attendance through communication
Mr. YU Zhihong (Chairman)	5/13	2/13	6/13
Mr. CHEN Ninghui	7/13		6/13
Mr. YUAN Yingjie (General Manager)	5/13	2/13	6/13
Mr. JIN Chaoyang (Resigned)	2/12	5/12	5/12
Mr. YANG Xudong			1/1
Mr. FAN Ye	7/13		6/13
Mr. HUANG Jianzhang	3/13	4/13	6/13
Mr. PEI Ker-Wei	7/13		6/13
Ms. LEE Wai Tsang, Rosa	7/13		6/13
Mr. CHEN Bin	1/13	6/13	6/13

During the Period, the Company held four shareholders' general meetings, one H shareholders' class meeting and one domestic shareholders' class meeting. The meetings were chaired by the Chairman, and all executive Directors were present at the meetings. Meanwhile, the Company actively encouraged independent non-executive Directors to attend shareholders' meetings. Individual attendances by the Directors (as indicated by the number of meetings attended/number of relevant meetings held during their tenure) are as follows:

	Attendance
Mr. YU Zhihong (Chairman)	6/6
Mr. CHEN Ninghui	6/6
Mr. YUAN Yingjie (General Manager)	6/6
Mr. JIN Chaoyang (Resigned)	6/6
Mr. YANG Xudong	
Mr. FAN Ye	6/6
Mr. HUANG Jianzhang	6/6
Mr. PEI Ker-Wei	1/6
Ms. LEE Wai Tsang, Rosa	1/6
Mr. CHEN Bin	6/6

The Board is charged with duties as well as given powers that are expressly specified in the Articles of Association of the Company, the scope of which mainly includes, amongst others: to determine the business plans and investment proposals of the Company; to prepare the annual financial budget and final accounts of the Company; to determine the dividend policy of the Company; to appoint or dismiss senior managerial officers of the Company as well as to determine their remuneration; and to draw up proposals for any material acquisition or sale by the Company.

To assist the Board to effectively discharge its duties, the Board has set up the Audit Committee, the Nomination Committee, the Remuneration Committee, and the Strategic Committee.

Under the Corporate Governance, the Board plays a key role in all aspects and works closely with the management. While the Board fully retains its power to decide on matters within its scope of duties and powers, relevant preparation and drawing up of work plans or proposals are usually delegated to the management.

The Company has complied with the requirements under Rules 3.10(1), (2) and 3.10A of the Listing Rules regarding the appointment of independent non-executive Directors, with three independent non-executive Directors appointed, at least one of whom possessing the appropriate professional qualification or accounting or related financial management expertise and the number of independent non-executive Directors (three) appointed represents at least one-third of Board members of the Company (a total of nine).

Pursuant to Rule 3.13 of the Listing Rules, the Company had specifically inquired with all three independent non-executive Directors and received their respective annual confirmation of independence. Each of the three independent non-executive Directors of the Company confirmed that they and their immediate family members had complied with the requirements of the guidelines regarding independence under Rule 3.13 of the Listing Rules during the Period. The Company continues to consider the independent non-executive Directors to be independent.

There were no financial, business, family or other material or relevant relationships between members of the Board, including that between the Chairman and the General Manager of the Company.

Corporate Governance Report

Each newly appointed Director receives induction on the first occasion of his or her appointment, so as to ensure that he or she has appropriate understanding of the business and operations of the Company and that he or she is fully aware of his or her responsibilities and obligations under the Listing Rules and relevant regulatory requirements. Directors are also regularly updated on the Group's business and industry environments where appropriate in the management's monthly reports to the Board as well as briefings and materials circulated to the Board before a Board meeting.

In addition, during the Period, the Company has arranged for all its executive and non-executive Directors to undergo continuous trainings designed to develop and refresh their knowledge and skills so as to ensure that their contribution to the Board remains informed and relevant. However, as the management considers that the independent non-executive Directors of the Company are very experienced, knowledgeable and resourceful, the Company has not arranged any professional briefings or training programs for its independent non-executive Directors and has decided to leave it to the independent non-executive directors to undergo the trainings as they see fit.

The Company has formulated the "Rules of Procedure for the Board of Directors" and the "Procedure for Seeking Independent Professional Advice by Directors" to ensure that the directors have the right and channels to seek independent professional advice. Meanwhile, the opinions of each director are respected and the directors are allowed to retain their individual opinions, thus helping the Board to obtain independent views and opinions. During the Period, the above mechanisms were implemented effectively.

CHAIRMAN AND GENERAL MANAGER

During the Period, Mr. YU Zhihong served as the Chairman and Mr. YUAN Yingjie served as the General Manager of the Company. The roles of Chairman and General Manager are fully segregated as expressly set out in the Articles of Association of the Company.

NON-EXECUTIVE DIRECTORS

Terms for the non-executive Directors of current session of the Board started on July 1, 2021 and will expire on June 30, 2024.

SPECIAL COMMITTEES UNDER THE BOARD

The Board has set up the Audit Committee, the Nomination Committee, the Remuneration Committee, and the Strategic Committee. Roles and functions for each committee are specified in its terms of reference, details of which can be found under the "Corporate Governance" section on the Company's website.

During the Period, Mr. JIN Chaoyang resigned from the positions as a non-executive Director, a member of the Audit Committee and a member of the Remuneration Committee of the Company on December 22, 2022, and Mr. YANG Xudong was appointed as a non-executive Director of the Company on December 22, 2022, and Mr. HUANG Jianzhang was appointed as a member of the Audit Committee and a member of the Remuneration Committee on January 19, 2023.

After the above adjustments, the composition of each of the special committees of the Board is as follows:

The Audit Committee of the Company comprises of the three independent non-executive directors and two non-executive directors, namely Mr. PEI Ker-Wei, Ms. LEE Wai Tsang, Rosa, Mr. CHEN Bin, Mr. FAN Ye and Mr. HUANG Jianzhang, of whom Mr. PEI Ker-Wei serves as the chairman of the Audit Committee.

The Nomination Committee of the Company comprises of the Chairman of the Board, the three independent non-executive directors and one non-executive director, namely Mr. YU Zhihong, Mr. PEI Ker-Wei, Ms. LEE Wai Tsang, Rosa, Mr. CHEN Bin and Mr. FAN Ye, of whom Mr. YU Zhihong serves as the chairman of the Nomination Committee.

The Remuneration Committee of the Company comprises of the three independent non-executive directors and two non-executive directors, namely, Mr. PEI Ker-Wei, Ms. LEE Wai Tsang, Rosa, Mr. CHEN Bin, Mr. FAN Ye and Mr. HUANG Jianzhang, of whom Mr. PEI Ker-Wei serves as the chairman of the Remuneration Committee.

The Strategic Committee of the Company mainly comprises of the Chairman of the Board and the two executive directors, namely Mr. YU Zhihong, Mr. CHEN Ninghui and Mr. YUAN Yingjie as well as Mr. Tony ZHENG, Ms. RUAN Liya, Mr. ZHANG Jingzhong and several outside experts and advisors, of whom Mr. YU Zhihong serves as the chairman of the Strategic Committee.

Corporate Governance Report

During the Period, the Audit Committee held a total of four meetings. Individual attendances by the members of the Audit Committee (as indicated by the number of meetings attended/number of meetings held during their tenure) are as follows:

	Attendance in person	Attendance by proxy
Mr. PEI Ker-Wei	4/4	
Ms. LEE Wai Tsang, Rosa	4/4	
Mr. CHEN Bin		4/4
Mr. JIN Chaoyang (Resigned)	1/4	3/4
Mr. FAN Ye	3/4	

At the meetings held during the Period, the Audit Committee reviewed financial statements for the quarterly, interim and annual results, and discussed the matters such as the internal audit, the effectiveness of internal control system and the improvement of total risk management of the Company and the effectiveness of the Company's internal audit function.

During the Period, the Nomination Committee held a total of two meetings. Individual attendances by the members of the Nomination Committee (as indicated by the number of meetings attended/number of meetings held during their tenure) are as follows:

	Attendance in person	Attendance by proxy	Attendance through communication
Mr. YU Zhihong			2/2
Mr. PEI Ker-Wei			2/2
Ms. LEE Wai Tsang, Rosa			2/2
Mr. CHEN Bin			2/2
Mr. FAN Ye			2/2

During the Period, the Nomination Committee discussed, considered and approved the nomination of the proposed candidates for non-executive Directors and Deputy General Manager of the Company by way of telecommunication. Thereafter, the proposed candidates for non-executive directors of the Company were approved by the Board of Directors and the shareholders' general meeting, and the proposed candidates for Deputy General Manager of the Company were approved by the Board of Directors.

During the Period, the Remuneration Committee did not hold any meeting. The remuneration policy for Directors and senior management formulated by the Remuneration Committee, as well as the tenure system and contract management system for management had continued to play an effective role during the Period.

During the Period, the Strategic Committee did not hold any meeting.

The Board of the Company is responsible for developing and reviewing the Company's corporate governance policies and practices, and monitoring the Company's compliance with the CG Code and its disclosure in this report; the Board reviews and monitors the training and continuous professional development of Directors and senior management through the works of human resources department, and reviews and monitors the Company's policies and practices in relation to the compliance with legal and regulatory requirements through the works of the discipline inspection and supervision office and the Audit and Legal Department.

The Directors have all confirmed their responsibility for preparing the accounts, and that there were no significant uncertain events or conditions which would have a material impact on the Company's ability to continue to operate as a going concern.

DIVERSIFICATION OF BOARD MEMBERS

The Company believes that the diversification of Board members is one of the key elements to maintain the Company's competitive advantage, improve business performances, and promote the Company's continued development. When determining the composition of the Board, the Company takes into consideration a number of aspects to diversify the Board members, including but not limited to gender, age, culture, education background, professional experience, work and living background, knowledge and skills, etc..

The Board of the Company attaches great importance to female directors, with the gender ratio of male and female members of 89% and 11% respectively. The board will take opportunities to increase the proportion of female members over time as and when suitable candidates are identified. For information on the gender ratio of all employees (including senior management), please refer to the "Employment" section of in Chapter 3 "Society" of the Company's 2022 Environmental, Social and Governance Report.

Corporate Governance Report

The Board members of the Company have skills in multiple professional fields, such as accounting, finance, management, transportation, construction engineering and computer science, with related experience in different professional sectors. The diversified backgrounds of the Board is beneficial to the corporate governance, and related experiences satisfy the requirements for the Company's business development, which helps the Company to make important decisions.

The age distribution of the Board members of the Company is between 41 and 66. The Board members with different age groups can provide diversified sight of views and opinions.

NOMINATION POLICY

The Company's Nomination Committee is responsible for assessing the Board's structure, number of members and a diversified composition, introducing right talents when appropriate to enrich the Board, providing recommendation or suggestion on the candidates to serve as new directors of the Company to the Board when needed and assessing the independence of independent non-executive Directors. The assessment as well as recommendation or suggestion above would have fully taken into consideration any pros and cons to the diversification of Board members and new perspectives, skills, expertise and experience given to the Board. (Please refer to "the Terms of Reference for Nomination Committee" under the "Corporate Governance" section on the Company's website for details)

AUDITORS' REMUNERATION

During the Period, the Company paid approximately Rmb4.37 million and Rmb1.64 million to Deloitte Touche Tohmatsu Certified Accountants (the Hong Kong auditor) and Zhejiang Pan-China Certified Public Accountants LLP (the PRC auditor), respectively, for the audit services they rendered in 2022. Besides, the Company paid approximately Rmb0.31 million and Rmb0.08 million to Deloitte Touche Tohmatsu Certified Accountants (the Hong Kong auditor) and Zhejiang Pan-China Certified Public Accountants LLP (the PRC auditor), respectively, for other assurance service provided.

SECRETARY TO THE BOARD

During the Period, the Secretary to the Board helped the Company maintain a sound and effective corporate governance framework, reviewed risk management and internal control systems to ensure regulatory compliance, and provided compliance advice to the Board and senior management in the decision making process. The Secretary to the Board also complied with the requirements of Rule 3.29 under the Listing Rules regarding undergoing relevant professional trainings.

DIRECTORS, SUPERVISORS AND GENERAL MANAGER'S INTERESTS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at December 31, 2022, none of the Directors, Supervisors and General Manager had any interests or short positions in the shares, underlying shares or debentures of the Company or any of its associated corporations (within the meaning of Part XV of the SFO) as recorded in the register required to be kept pursuant to Section 352 of the SFO, or as otherwise notified to the Company and the Stock Exchange pursuant to the Model Code.

INTERESTS AND SHORT POSITIONS OF OTHER PERSONS IN SHARES AND UNDERLYING SHARES OF THE COMPANY

As at December 31, 2022, the interests and short positions of other persons in the shares and underlying shares of the Company as recorded in the register required to be kept by the Company pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange are set out below:

Substantial Shareholders	Capacity	Total interests held in ordinary shares of the Company	Percentage of the issued share capital of the Company (Domestic Shares)
Communications Group	Beneficial Owner	2,909,260,000	100%

Corporate Governance Report

Substantial Shareholders	Capacity	Total interests held in ordinary shares of the Company	Percentage of the issued share capital of the Company (H Shares)
China Merchants Expressway	Beneficial Owner	258,132,000 (L)	18.00%
Citigroup Inc.	Interest of controlled corporations	121,941,520 (L) 24,899,185 (S) 97,051,548 (P)	8.50% 1.73% 6.76%
JPMorgan Chase & Co.	Person having a security interest in shares	117,682,966 (L) 28,788,669 (S) 52,206,257 (P)	8.20% 2.00% 3.64%
BlackRock, Inc	Interest of controlled corporations	105,791,082 (L) 3,662,000 (S)	7.38% 0.26%
Cohen & Steers Capital Management, Inc.	Investment manager	72,593,997 (L)	5.06%
Cohen & Steers, Inc	Interest of controlled corporations	72,023,822 (L)	5.02%

The letter “L” denotes a long position. The letter “S” denotes a short position. The letter “P” denotes an interest in a lending pool.

Save as disclosed above, as at December 31, 2022, no other persons had any interests or short positions in the shares or underlying shares of the Company that were required to be recorded pursuant to Section 336 of the SFO, or as otherwise notified to the Company and the Stock Exchange.

SHAREHOLDERS’ RIGHTS

According to the Articles of Association of the Company, the shareholders, alone or in aggregate, holding more than 3% of the shares of the Company can make a temporary proposal and submit the same in writing to the Board of Directors ten days prior to the date of the general meeting. The Board shall notify other shareholders within two days upon the receipt of the proposal, and submit such temporary proposal to the general meeting for consideration. The contents of the temporary proposal shall be within the scope of power of a general meeting, and include a clear subject and specific matters to be resolved.

Shareholders who individually or collectively hold more than 10% of the Company's shares may request in writing to convene an extraordinary general meeting. In this case, the Board shall convene an extraordinary general meeting within two months upon receipt of the written request.

Written requests, proposals and enquiries may be sent to the Company through the contact details listed on page 287 of this report.

INVESTOR RELATIONS

The Board of the Company is committed to ensuring that all shareholders and investors have equal and timely access to information about the Company so as to enable them to accurately assess the Company's fair value. Such information is available through multiple channels including financial reports, shareholders' meetings, regular and irregular announcements, the Hong Kong Stock Exchange's website (www.hkexnews.hk) and the Company's own website (www.zjec.com.cn).

Activities such as investor and analyst briefings, one-on-one meetings, conference calls, roadshows, and press conferences are held regularly by senior management of the Company, particularly after each publication of its results announcement.

Great importance is also attached to maintaining clear and effective communication channels with investors as part of the Company's bid to enhance its transparency and to promote the investors' understanding of all lines of its business. Any parties who wish to learn more about the Company may do so via the contact details listed below:

Mr. Tony Zheng
Company Secretary
Tel: 86-571-87987700
Fax: 86-571-87950329
Email: zhenghui@zjec.com.cn

During the Period, the Company effectively implement the Shareholders' communication policy. The Company maintains close contact with domestic and overseas investors, and through the two-way communication mechanism of information disclosure and investor Q&A, the Company can timely understand the hot topics of market concerns while increasing investors' understanding of the Company and transmitting its investment value, providing information and reference for the Company's relevant decisions.

Corporate Governance Report

During the Period, the last shareholders' meeting of the Company took place at 10:00 a.m. on Thursday, December 22, 2022 at the headquarters of the Company. Details of this extraordinary general meeting of the shareholders were set out in the announcement dated December 22, 2022 on resolutions passed at the extraordinary general meeting of the shareholders.

The next shareholders' general meeting of the Company is expected to be held in May 2023 with exact date and matters for consideration to be specified in the notice of the shareholders' general meeting when it is issued.

The Company has an issued share capital of 4,343,114,500 shares comprising of domestic shares and foreign shares listed overseas (H shares). The domestic shares are held by Communications Group as to 2,909,260,000 shares, representing approximately 67% of the total issued capital of the Company. The remaining 1,433,854,500 shares are H shares, representing approximately 33% of the total issued capital of the Company. As at the date of this report, based on the information that is publicly available to the Company and to the best of the Directors' knowledge, there was a sufficient prescribed public float of the issued shares of the Company under the Listing Rules.

DIVIDEND POLICY

The Company has been consistently attaching great importance to the return for those shareholders who support the Company's development for a long term, by sharing its development results, maintaining a stable dividend payout level and striving to keep the absolute dividend payout relatively steady. During the Period, the dividend payout ratio accounted for approximately 30.3% of the distributable profits of the Company for the year. Details of the dividend payout will be announced after the 2022 annual general meeting of the Company.

RISK MANAGEMENT AND INTERNAL CONTROL

The Company has an internal control system that aims to protect assets, preserve accounting and financial information, as well as to ensure the truthfulness of financial statements, including the establishment of functional departments and units, defining duties and responsibilities, the execution of management systems and quality control mechanisms, and the management system on environment, occupational health and safety. With the system, the Company is capable of taking necessary steps to react to possible changes in its businesses as well as external operating environment. Throughout the operating process, the Company's internal control measures are being continuously enhanced, fulfilled and are deemed effective.

The Company has established an anti-corruption and whistle blowing policy. For details, please refer to "Anti-Corruption" in Chapter 3 "Society" of the Company's 2022 Environmental, Social and Governance Report.

The Company attaches great importance to risk management, by perfecting its risk management mechanism and relevant regulations, improving risk reporting mechanism, and refining its risk management manual. It also assigns the responsibilities for risk management to all branches and departments, conducts risk investigation and assessment, as well as develops risk mitigation plans and takes risk control measures in response to major risks faced by the Company.

The Company's Audit Committee is charged with the duties of monitoring and reviewing internal controls, and directs monitoring activities. Aside from reviewing the annual audit reports by external auditors, the committee also reviews the effectiveness of internal control system and risk management mechanism by reviewing the internal special audit and risk investigation on the Company's core businesses conducted by the Company's Audit and Legal Department on a regular basis. During the year, the Audit Committee focused on the implementation of the annual budget, and the use of safety funds and traffic safety and construction projects of the Company. The Audit and Legal Department carried out specific audit into these issues and monitored rectifications thereof, thus ensuring the effective functioning of the Company's management systems.

Corporate Governance Report

The Directors of the Company carried out a review on the effectiveness of the Company's internal control system on an annual basis, covering all material aspects of internal control, including financial control, operational control, compliance control and risk management functions. The internal control system of the Company was deemed to be effective and sufficient, and there were no material breaches in the internal control system that might have an impact to shareholders' rights and interests. The risk management of the Company was deemed to be effective and controllable. The risk management and internal control system is designed to manage rather that eliminate the risk of failure to achieve business objectives and reasonable but no absolute assurance can be provided against material misstatement.

DISCLOSURE OF INSIDE INFORMATION

The Company has developed a disclosure policy to provide a general guide to its directors, supervisors, senior management and relevant employees in handling confidential information, monitoring information disclosure and responding to enquiries. Control procedures have been implemented to ensure that unauthorized access to and use of inside information are strictly prohibited.

MANAGEMENT FUNCTIONS

The management functions of the Board and the management are expressly stipulated in the Articles of Association of the Company. Pursuant to the Articles of Association of the Company, the management of the Company is assigned the functions to be in charge of the production and business operation of the Company, to organize the execution of resolutions of the Board, to procure the implementation of annual business plans and investment programs of the Company, to develop plans for the establishment of internal management structure of the Company, to prepare the basic management systems of the Company, and to formulate basic rules and regulations of the Company, etc..

SIGNIFICANT EVENTS OCCURRED AFTER THE END OF THE FINANCIAL YEAR

Since the end of the Period and up to the date of this report, there has not been any significant event that would have a material impact on the Company.

Directors, Supervisors and Senior Management Profiles

Mr. YU Zhihong
Chairman

Born in 1964, is a graduate from the Department of Electro-mechanic Engineering, Zhejiang University, and holds a Master's Degree in management from the Management Institute of Zhejiang University.

Starting from 1985, Mr. Yu Zhihong worked at Xiushui Township in Xiucheng District of Jiaxing City as Deputy Manager of Township Industrial Company and Deputy Head of Township, from 1987 successively served as Secretary to Xiucheng District Office, Secretary of the Xiucheng District Youth League, Deputy Party Secretary and Party Secretary of Tanghui Township in Xiucheng District, from 1995 working as Deputy Director, Deputy Party Secretary, Director and then Party Secretary of Management Committee for the Economic Development Zone of Jiaxing City, from 2005 as Party Secretary of Haining City and as Member of Party Standing Committee of Jiaxing City, from 2010 as Deputy Mayor of Hangzhou City, Party Secretary of Qianjiang New Development Zone's Construction Committee, and then Party Secretary of Xiaoshan District, Member of Party Standing Committee of Hangzhou City, and he became the Deputy Party Secretary and then Mayor of Shaoxing City since 2013.

Mr. Yu Zhihong assumed the positions of Chairman and Party Secretary of Zhejiang Communications Investment Group Co., Ltd. since October 2016, and became Member of Zhejiang Provincial Party Committee since June 2017. Since January 2023, he became a deputy director of the Social Development Affairs Committee of the 14th National People's Congress of Zhejiang Province.

Mr. CHEN Ninghui
Executive Director

Born in 1963, a postgraduate at the Party School of the Communist Party of China, graduated from Arizona State University, the United States with a Master's Degree in Business Administration and a Senior Economist.

Mr. Chen has worked since 1981. He had served at Zhejiang Urban and Rural Construction Material Equipment Co., Ltd. (formerly known as the Material Equipment Division of the Department of Development of Zhejiang Province) as General Manager, Chairman and Party Secretary; Zhejiang Communications Investment Industrial Development Corporation as Chairman and Party Secretary; Zhejiang Communications Investment Group Co., Ltd. as Assistant General Manager; Zhejiang Communications Investment Property Group Co., Ltd. as Chairman and Party Secretary, and etc..

Mr. Chen is currently an Executive Director and Party Secretary of the Company.

Directors, Supervisors and Senior Management Profiles

Mr. YUAN Yingjie

Executive Director

Born in 1976, is a senior engineer. He obtained a Bachelor's degree of Engineering in Highways and Urban Roads from Xi'an University of Highway Traffics, and both Master and doctorate degrees of Engineering in Roads and Railways Engineering from Chang'an University.

Since 2004, Mr. Yuan has worked in Zhejiang Highway Management Bureau and Zhejiang Department of Transportation. Since 2014, he was deputy director of Construction Management Office of Zhejiang Department of Transportation. From 2017, he was deputy director of chief engineer office of Zhejiang Communications Investment Group Co., Ltd.. From 2018, he was deputy general manager of the expressway construction department, deputy general manager and general manager of the expressway management department of Zhejiang Communications Investment Group Co., Ltd.. Since May 2022, he was a Deputy General Manager and a Member of the Party Committee of Zhejiang Communications Investment Group Co., Ltd..

He is currently an Executive Director, General Manager and Deputy Party Committee Secretary of the Company.

Mr. YANG Xudong
Non-Executive Director

Born in 1973, is a senior engineer. He graduated from Highway School of Chang'an University with a Doctoral Degree in Road and Railway Engineering.

He is currently the Director and General Manager of China Merchants Expressway. Mr. Yang also serves as Deputy Chairman of Guangxi Wuzhou Communications Co., Ltd., Director of Anhui Expressway Co., Ltd., Deputy Chairman of Shanxi Communications Industry Development Group Co., Ltd.. He served as Deputy General Manager of China Merchants Expressway, Chairman of China Merchants & China Railway Holdings Co., Ltd.,, and General Manager of Guangxi Huatong Expressway Co., Ltd., Guangxi Guiwu Expressway Guiyang Section Investment Construction Co., Ltd., Guangxi Guixing Expressway Investment Construction Co., Ltd. and Guilin Harbour Contruction Expressway Co., Ltd..

Mr. JIN Chaoyang

Non-Executive Director

Born in 1970, a senior engineer, is a university graduate from Changsha University of Science and Technology in Highway Engineering.

Mr. Jin began work in December 1989. He served as Deputy General Manager and Party Committee Member of Zhejiang JinLiWen Expressway Co., Ltd.; General Manager of Safety Supervision and Management Department of Zhejiang Communications Investment Group Co., Ltd.; Director, General Manager and Deputy Party Secretary of Hangzhou City Expressway Co., Ltd.; Deputy Chairman, Deputy General Manager and Deputy Party Secretary of Zhejiang Communications Investment Expressway Operation Management Co., Ltd.; General Manager of Expressway Management Department of Zhejiang Communications Investment Group Co., Ltd..

Mr. Jin has ceased to be a Non-executive Director of the Company since 22 December 2022.

Mr. FAN Ye

Non-Executive Director

Born in 1982, an economist, graduated from Zhejiang University with a Doctorate in Economy.

Since 2010, Mr. Fan has served at the Investment Development Department of Zhejiang Economy Construction Investment Co., Ltd.. Since 2013, he has served at the Railway Transportation Department of Zhejiang Economy Construction Investment Co., Ltd., and served as Assistant General Manager, General Manager of the New Industry Department of CSR Hangzhou Rail Transit Co., Ltd.. Since 2014, Mr. Fan has served as Deputy General Manager of Zhejiang Economy Construction Investment Co., Ltd., and since 2018 he has been the Deputy General Manager of Zhejiang Communications Investment Property Group Co., Ltd.. Since 2020, he has served as General Manager of the Industrial Investment Management Department (I) of Zhejiang Communications Investment Group Co., Ltd..

Mr. Fan is currently the General Manager of the Strategic Development Department of Zhejiang Communications Investment Group Co., Ltd..

Directors, Supervisors and Senior Management Profiles

Mr. HUANG Jianzhang

Non-Executive Director

Born in 1980, a senior economist, graduated from Zhejiang University majoring in Business Management with a Master's Degree in Management.

Mr. Huang began work in March 2005. He served as Deputy General Manager of Juhua Holdings Co., Ltd.; Manager of the Securities Department of Zhejiang Juhua Co., Ltd.; Assistant Director and Deputy Director of the Board Secretary's Office of Zhejiang Expressway Co., Ltd.; Deputy Manager (in charge of the work) and Manager of the Investment and Development Department of Zhejiang Expressway Co., Ltd..

Mr. Huang is currently the Deputy General Manager of the Strategic Development Department of Zhejiang Communications Investment Group Co., Ltd..

Mr. PEI Ker-Wei

Independent Non-Executive Director

Born in 1957, is a full Professor of Accountancy at the School of Accountancy at the W. P. Carey School of Business Arizona State University. Mr. Pei received his Ph.D. Degree in Accounting from University of North Texas in 1986.

He served as the Chairman of the Globalization Committee of the American Accounting Association in 1997 and as the President of the Chinese Accounting Professors Association – North America from 1993 to 1994.

Mr. Pei currently also serves as an Independent Director of Want Want China Holdings Limited (HK 00151), Zhong An Group Limited (HK 00672) and AIM Vaccine Co., Ltd. (HK 06660).

Ms. LEE Wai Tsang, Rosa

Independent Non-Executive Director

Born in 1977, Ms. Lee has over 18 years of experience in the financial sector. She holds a Master of Science in Finance from Boston College and MBA from University of Chicago.

Ms. Lee is a licensed person for asset management under the Securities and Futures Ordinance ("SFO"). Ms. Lee is a Director of Grand Investment (Bullion) Limited and Tianjin Yishang Friendship Holdings Company Ltd. Ms. Lee is a Chief Investment Officer of Datang Corporation Capital Holding Co., Ltd..

Ms. Lee was an Executive Director of Grand Investment International Ltd (stock code: 1160) from 2005 to 2018 and was appointed as its Chairman from 2013 to 2017. Ms. Lee also served as a Director of Grand Finance Group Company Ltd from 2005 to 2019.

Mr. CHEN Bin

Independent Non-Executive Director

Born in 1967, graduated from University of South China in Computer Science. He also holds a second Bachelor's Degree from Chongqing University in Management Engineering.

Mr. Chen worked at Tianshi Network Company of TCL Group as Deputy General Manager from 1998 to 2005, at Webex Group in the USA as General Manager of China Investment from 2005 to 2006, and at Cybernaut China Investment Fund as Senior Partner from 2006 to 2008. Mr. Chen has become Chairman and Founding Partner of Zhejiang Cybernaut Investment Management Co., Ltd. since 2008.

Directors, Supervisors and Senior Management Profiles

Mr. ZHENG Ruchun

Supervisor Representing Shareholders

Born in 1962, is a professorial senior accountant. He graduated from Jiangxi College of Finance and Economics with a Bachelor's degree in Accounting in 1985, and obtained an EMBA degree from Arizona State University in 2014.

From 1985 to 1988, Mr. Zheng worked as a teacher in the accounting department of Jiangxi College of Finance and Economics. From 1988 to 2002, he worked as deputy section chief of the finance department and section chief of the collection department of Zhejiang Highway Management Bureau. From 1998 to 2005, he worked as director of the comprehensive accounting department and assistant to the general commander in the highway construction headquarters of Jinliwen Expressway. From 2005 to 2019, he worked as deputy general manager, general manager, chairman of the board and secretary of the party committee of Zhejiang Jinliwen Expressway Co., Ltd.. From 2019 to 2022, he had served as the deputy chief accountant of Zhejiang Communications Investment Group Co., Ltd..

Mr. LU Xinghai

Supervisor Representing Employees

Born in 1967, graduated from the Psychology Department of Hangzhou University with a Doctoral Degree in the Management Psychology. He is a senior economist.

Mr. Lu had served as the Manager of Human Resources Department of Hangzhou Zhongcui Food Co., Ltd. and Deputy Manager of Human Resources Department of the Company.

Mr. Lu is currently the Director of Party and Masses Work Department and a Supervisor Representing Employees of the Company.

Mr. WANG Yubing

Supervisor Representing Employees

Born in 1969, graduated from Shanghai University of Finance and Economics with a Bachelor's Degree. He is a senior accountant.

He started his career in 1991 and worked at the audit office of East China Investigation and Design Institute. He had served as Head of Finance Department of Hangzhou KFC Ltd, Principal Accountant of Finance Department of Zhejiang Liantong Leasing Co., Ltd.. Then he had served as Supervisor in the Financial Planning Department, Supervisor in the Internal Audit Department, Assistant Manager and Deputy Manager of the Audit and Legal Department in the Company.

He is currently the Manager of Audit and Legal Department and a Supervisor Representing Employees of the Company.

Directors, Supervisors and Senior Management Profiles

Ms. HE Meiyun

Independent Supervisor

Born in 1964, is a Senior Economist. She graduated from the Zhejiang University in 1986 with a Bachelor Degree in Education and later received an Executive Master of Business Admiration (EMBA) in Cheung Kong Graduate School of Business.

Ms. He had served as the Secretary of Youth League Committee at the Hangzhou Business School and as a Secretary to the Board, Deputy General Manager, General Manager and Vice Chairman at Baida Group Co., Ltd., a company listed on the Shanghai Stock Exchange. Ms. He also served as a General Manager of Ping An Securities Company Limited, Zhejiang Branch, Executive Deputy Director of the Professional Secretarial Committee to the board of directors of Zhejiang Provincial Listed Company Association, Deputy Secretary General of Hangzhou Joint Stock Promotion Association, an Independent Director of Lanzhou Minbai Co., Ltd., and an Independent Director of Xilinmen Co., Ltd.. Ms. He currently serves as Vice Chairman of Zhejiang Shiqiang Group Co., Ltd., a Member of the Equity Investment and M&A Committee of Zhejiang Merchants Association, a Supervisor of Zhejiang M&A Federation, an Independent Director of Gujia Home Furnishing Co., Ltd. and an Independent Director of Gree Real Estate Co., Ltd..

Mr. WU Qingwang

Independent Supervisor

Born in 1965, a PRC Lawyer. He graduated from Hangzhou University with a Bachelor Degree in Law in 1989 and later received a Master's Degree and a Doctoral Degree in Civil and Commercial Law in Southwest University of Political Science and Law in 1995 and 2004, respectively.

Mr. Wu had worked in Chun'an Justice Bureau since 1989 and in Zhejiang Securities Co., Ltd. from 1995 to 1996. Mr. Wu has been working in Zhejiang Xinyun Law Firm and is currently a Partner, specializing in civil and commercial litigation, arbitration and project negotiation. Mr. Wu is on the Panel of Arbitrators in China International Economic and Trade Arbitration Commission and Shanghai International Economic and Trade Arbitration Commission.

Other Members of Senior Management

Mr. Tony H. ZHENG

Born in 1969, Mr. Zheng graduated from University of California at Berkeley with a BS Degree in Civil Engineering in 1995.

Mr. Zheng joined the Company in June 1997, and had served as Deputy Director of the Secretarial Office to the Board, Assistant Company Secretary, Director of the Secretarial Office to the Board and Director of Hong Kong Representative Office of the Company.

Mr. Zheng is currently the Deputy General Manager and Company Secretary of the Company. He also serves as a Director of Taiping Science and Technology Insurance Co., and Zhejiang International Hong Kong.

Mr. LI Wei

Born in 1969, graduated from Lanzhou Jiaotong University with a Bachelor's Degree in engineering. Mr. Li studied logistics management at Dresden University of Technology in Germany from 2004 to 2005. He is a senior engineer.

Mr. Li started his career in July 1991, and served as Deputy Director of Jinhua Administrative Branch, Office Director and Vice Chairman of Labor Union of Zhejiang JinLiWen Expressway Co., Ltd. He also worked as Deputy General Manager and a Member of the Party Committee in Zhejiang ShenSuZheWan Expressway Co., Ltd., and Deputy General Manager of Zhejiang ShenJiaHuHang Expressway Co., Ltd., Zhejiang Expressway Logistics Co., Ltd., Zhejiang Ningbo YongTaiWen Expressway Co., Ltd., Zhejiang Taizhou YongTaiWen Expressway Co., Ltd., Zhejiang Zhoushan Bay Bridge Co., Ltd. and Zhejiang Zhoushan Northbound Expressway Co., Ltd., and served as Deputy General Manager and a Member of the Party Committee in Zhejiang JinLiWen Expressway Co., Ltd..

Mr. Li is currently the Deputy General Manager and a Party Committee Member of the Company.

Directors, Supervisors and Senior Management Profiles

Ms. ZHANG Xiuhua

Born in 1969, Ms. Zhang is a Senior Economist, and the Deputy General Manager of the Company. Ms. Zhang graduated from Chongqing Jiaotong University majoring in transportation management with a bachelor's degree in science, and obtained a master's degree in business administration from Zhejiang University in 2006.

From July 1991 to February 1997, she worked in the Operation Division of the Zhejiang Provincial Expressway Executive Commission. She has worked in the Company since March 1997, and served as Assistant Manager, Deputy Manager, Manager of the Operation Department and Assistant to General Manager.

Ms. Zhang is currently the Deputy General Manager and a Party Committee Member of the Company.

Mr. WANG Bingjiong

Born in 1967, graduated from the Party School of the Communist Party of China majoring in business administration. He has a title of Engineer.

Mr. Wang has worked since 1989. He had served as Deputy General Manager at the Expressway Administration Department of Zhejiang Communications Investment Group Co., Ltd..

Mr. Wang is currently the Deputy General Manager and a Party Committee Member of the Company.

Mr. WU Xiangyang

Born in 1972, a professor-level senior engineer, having a Master Degree in engineering from Chang'an University and a Bachelor Degree in engineering from Harbin University of Civil Engineering and Architecture.

Mr. Wu started his career in 1996, and served as Assistant Manager of the Project Maintenance Department and Assistant General Manager of the Traffic Operation Management Department of Zhejiang Communications Investment Group Co., Ltd., Deputy Chief Commissioner of Hangzhou Regional Construction Commission, Hangzhou-Shaoxing Sectional Construction Commission for West Parallel Expressway of Hangzhou Ring Road, Lin'an-Jiande Sectional Construction Commission of Lin'an-Jinhua Expressway and Construction Commission of Zhejiang Jiande-Jinhua Expressway. He also worked as Deputy General Manager and a Member of the Party Committee in Hangzhou City Expressway Co., Ltd., and Deputy General Manager in Zhejiang LinJin Expressway Co., Ltd. and Zhejiang HangXuan Expressway Co., Ltd..

Mr. Wu is currently the Deputy General Manager and Party Committee Member of the Company.

Mr. Zhao Dongquan

Born in 1972, a senior engineer, having a Bachelor Degree in Civil Engineering from Zhejiang University of Technology.

Mr. Zhao started his career in August 1993, and served as Director of the Engineering Department of Xiaoshan Headquarter of Hangzhou-Jinhua-Quzhou Expressway, Deputy Director of the Hangzhou–Shaoxing Administrative Office at Hangjinqu Branch of Zhejiang Communications Investment Group Co., Ltd., Deputy Chief Commissioner of Hangzhou–Shaoxing Sectional of Hangzhou-Jinhua-Quzhou Expressway Widening Project Commission, Director of the Supervision and Executive Center at Hangjinqu Branch, Deputy General Manager of the Traffic Operation Management Department and Deputy General Manager of Management Department of Zhejiang Communications Investment Group Co., Ltd..

Mr. Zhao is currently the Deputy General Manager and Party Committee Member of the Company.

Directors, Supervisors and Senior Management Profiles

Ms. RUAN Liya

Chief Financial Officer

Born in 1983, a senior economist, graduated from Zhejiang University with a Master Degree in Science.

Ms. Ruan started her career in 2007, and served as Investment Director of Zhejiang Jinji Real Estate Co., Ltd. She also worked in Zhejiang Communications Investment Group Co., Ltd. as Director and Assistant Manager of Investment Development Department, as well as Assistant General Manager and Deputy General Manager of Strategic Development and Legal Affairs Department.

Ms. Ruan is currently the Chief Financial Officer and Party Committee Member of the Company.

Mr. MA Ting

Chairman of Labor Union

Born in 1982, graduated from the Electronic Information School of Zhejiang Sci-Tech University with a Bachelor Degree of Engineering in Electronic Information Engineering.

Mr. Ma started his career in August 2005. He served as the deputy office director of the Supervision and Executive Center at Hangjinqu Branch, the assistant to the Office Director and the deputy director of the Party Committee Affairs Department (News Center) of Zhejiang Communications Investment Group Co., Ltd..

Mr. Ma is currently a Party Committee Member, Secretary of the Disciplinary Inspection Commission and Chairman of the Labor Union of the Company.

Report of the Directors

The Directors of the Company hereby present their report and the audited financial statements of the Group for the year ended December 31, 2022.

PRINCIPAL ACTIVITIES

The principal activities of the Group comprise the operation, management of high grade roads, as well as provision of security broking service and proprietary securities trading.

BUSINESS REVIEW

A review of the business of the Group and analysis of the Group's performance using key performance indicators is provided in the section headed "Management Discussion and Analysis" of this annual report.

In addition, discussions on the Group's environmental policies and performance and an account of the Group's key relationships with its employees, customers, suppliers and others that have a significant impact on the Group and on which the Group's success depends are provided in the Company's 2022 Environmental, Social and Governance Report.

SEGMENT INFORMATION

During the Period, the entire revenue and segment profit of the Group were derived from the PRC. Accordingly, no further analysis of the revenue and segment profit by geographical area is presented. An analysis of the Group's revenue and segment profit by principal activities for the year ended December 31, 2022 is set out in note 7 to the financial statements.

RESULTS AND DIVIDENDS

The Group's profit for the year ended December 31, 2022 and the state of financial position at that date are set out in the financial statements on pages 110 to 281.

The Directors have recommended the payment of a dividend of Rmb0.375(approximately HK$0.420) per share in the year of 2022. The final dividend is subject to shareholders' approval at the 2022 annual general meeting of the Company and is expected to be paid on or around June 30, 2023. This recommendation has been incorporated in the financial statements as an allocation of retained earnings within the capital and reserves section in the consolidated statement of financial position. The dividend payout ratio reached 30.3% during the Period. Further details of the dividends are set out in note 16 to the financial statements.

Report of the Directors

FIVE YEAR SUMMARY FINANCIAL INFORMATION

The following is a summary of the published consolidated results, and of the assets, liabilities and non-controlling interests of the Group prepared on the basis set out in the notes below.

	Year ended December 31,				
Results	2022 Rmb'000	2021 Rmb'000	2020 Rmb'000 (Restated)	2019 Rmb'000 (Restated)	2018 Rmb'000 (Restated)
Revenue	14,898,730	16,262,601	12,451,534	12,617,094	11,837,093
Operating costs	(8,857,926)	(9,521,482)	(8,038,467)	(7,378,876)	(6,485,466)
Gross profit	6,040,804	6,741,119	4,413,067	5,238,218	5,351,627
Securities investment gains	679,734	1,835,563	1,611,873	1,402,684	512,449
Other income and gains and losses	2,093,933	733,071	425,319	270,298	419,093
Administrative expenses	(172,616)	(173,447)	(147,839)	(143,720)	(128,363)
Other expenses and impairment losses	(131,443)	(51,972)	(374,624)	(106,285)	(62,850)
Share of profit of associates	752,086	966,075	688,029	652,824	350,578
Share of profit of a joint venture	49,771	56,249	16,282	34,941	30,037
Finance costs	(1,770,008)	(1,942,533)	(2,098,493)	(2,050,630)	(1,810,774)
Profit before tax	7,542,261	8,164,125	4,533,614	5,298,330	4,661,797
Income tax expense	(1,039,051)	(1,873,961)	(1,160,027)	(1,351,157)	(1,108,239)
Profit for the year	6,503,210	6,290,164	3,373,587	3,947,173	3,553,558
Profit for the year attributable to owners of the Company	5,378,866	4,762,431	2,416,395	3,243,392	3,074,140
Profit for the year attributable to non-controlling interests	1,124,344	1,527,733	957,192	703,781	479,418
Earnings per share					
Basic (Rmb cents)	123.85	109.65	55.64	74.68	70.78
Diluted (Rmb cents)	117.62	102.50	55.19	72.21	66.67

Assets and liabilities	Year ended December 31, 2022 Rmb'000	2021 Rmb'000	2020 Rmb'000 (Restated)	2019 Rmb'000 (Restated)	2018 Rmb'000 (Restated)
Total assets	186,405,524	176,296,682	135,446,697	110,637,256	100,147,241
Total liabilities	136,195,862	131,873,657	98,500,704	82,442,275	70,543,447
Net Assets	50,209,662	44,423,025	36,945,993	28,194,981	29,603,794

Notes:

1. The consolidated results of the Group for the four years ended December 31, 2021 have been abstracted from the Company's annual report on March 24, 2022, while those for the year ended December 31, 2022 were prepared based on the consolidated statement of profit or loss and other comprehensive income as set out on page 110 of the financial report.

2. The 2022 basic earnings per share is based on the profit attributable to owners of the Company for the year ended December 31, 2021 of Rmb5,378,866,000 (2021: Rmb4,762,431,000) and the 4,343,114,500 (2021: 4,343,114,500) ordinary shares in issue during the year.

   The 2022 diluted earnings per share is based on the profit for the purpose of diluted earnings per share attributable to owners of the Company for the year ended December 31, 2022 of Rmb5,427,261,000 (2021: Rmb4,702,924,000) and the 4,614,399,000 (2021:4,588,176,000) weighted average number of ordinary shares for the purpose of diluted earnings per share during the year.

MAJOR CUSTOMERS AND SUPPLIERS

In the year under review, the five largest customers and suppliers of the Group accounted for less than 30% of the total turnover and purchases, respectively.

None of the directors of the Company or any of their associates or any shareholders (which, to the best knowledge of the directors, own more than 5% of the Company's issued share capital) had any beneficial interest in the Group's five largest customers.

DONATION

During the year, the total amount of donation made by the Group is Rmb12,981,000 for charitable or other purposes.

Report of the Directors

PROPERTY, PLANT AND EQUIPMENT

Details of movements in property, plant and equipment of the Group during the year are set out in note 18 to the financial statements.

CAPITAL COMMITMENTS

Details of the capital commitments of the Group as at December 31, 2022 are set out in note 51 to the financial statements.

RESERVES

Details of movements in the reserves of the Group during the year are set out in the consolidated statement of changes in equity on page 115 to the financial statements.

DISTRIBUTABLE RESERVES

As at December 31, 2022, before the proposed final dividend, the Company's reserves available for distribution by way of cash or in kind, as determined based on the lower of the amount determined under PRC accounting standards and the amount determined under HKGAAP, amounted to Rmb8,826,688,000. In addition, in accordance with the Company Law of the PRC, the amount of approximately Rmb3,645,726,000 standing to the credit of the Company's share premium account as prepared in accordance with the PRC accounting standards was available for distribution by way of capitalization issues.

TRUST DEPOSITS

As at December 31, 2022, other than the deposits placed with a non-bank financial institution of Rmb2,941,840,000 the Group's deposits have been placed with commercial banks in the PRC and the Group has not encountered any difficulty in the withdrawal of funds.

PURCHASE, REDEMPTION OR SALE OF THE LISTED SECURITIES OF THE COMPANY

Neither the Company nor any of its subsidiaries purchased, redeemed or sold any of the Company's listed securities during the Period.

DIRECTORS

The Directors of the Company during the Period and as at the date of this report are:

CHAIRMAN

Mr. YU Zhihong

EXECUTIVE DIRECTORS

Mr. CHEN Ninghui
Mr. YUAN Yingjie

NON-EXECUTIVE DIRECTORS

Mr. YANG Xudong (Appointed on December 22, 2022)
Mr. JIN Chaoyang (Resigned on December 22, 2022)
Mr. FAN Ye
Mr. HUANG Jianzhang

INDEPENDENT NON-EXECUTIVE DIRECTORS

Mr. PEI Ker-Wei
Ms. LEE Wai Tsang, Rosa
Mr. CHEN Bin

DIRECTORS' AND SENIOR MANAGEMENT'S BIOGRAPHIES

Biographical details of the Directors of the Company and the senior management of the Group are set out on pages 55 to 66 in the Company's annual report.

Report of the Directors

DIRECTORS' SERVICE CONTRACTS

Mr. JIN Chaoyang has entered into a service agreement with the Company, with effect from July 1,2021 to June 30,2024. The agreement was terminated on December 22, 2022.

Mr. YANG Xudong has entered into a service agreement with the Company, with effect from December 22,2022 to June 30,2024.

Other Directors of the Company have entered into service agreements with the Company, with effect from July 1, 2021 to June 30, 2024.

Save as disclosed above, none of the Directors and Supervisors has entered into any service agreement with the Company which is not terminable by the Company within one year without payment of compensation, other than statutory compensation.

DIRECTORS' AND SUPERVISORS' INTERESTS IN CONTRACTS

As at December 31, 2022 or during the Period, none of the Directors or Supervisors had a material interest, either directly or indirectly, in any contract of significance to the business of the Group to which the Company, its holding company, or any of its subsidiaries or fellow subsidiaries was a party.

DIRECTORS, SUPERVISORS AND CHIEF EXECUTIVE'S RIGHTS TO SUBSCRIBE FOR SHARES OR DEBENTURES

At no time during the year were there rights to acquire benefits by means of the acquisition of shares in or debentures of the Company granted to any Director, Supervisor and chief executive or their respective spouse or minor children, or were any such rights exercised by them; or was the Company, its holding company, or any of its subsidiaries or fellow subsidiaries a party to any arrangement to enable any such persons to acquire such rights in any other body corporate.

SHARE CAPITAL

There were no movements in the Company's issued share capital during the Period.

PRE-EMPTIVE RIGHTS

There is no provision for pre-emptive rights in the Company's Articles of Association or the laws of the PRC which would require the Company to offer new shares on a pro rata basis to existing Shareholders.

DIRECTORS' AND CONTROLLING SHAREHOLDERS' INTERESTS IN COMPETING BUSINESS

Save for their respective interests in the Group, none of the directors and controlling shareholders of the Company was interested in any business which competes or is likely to complete with the businesses of the Group for the Period.

CONTRACT OF SIGNIFICANCE WITH CONTROLLING SHAREHOLDERS

Save as disclosed in this annual report, there is no contract of significance entered into between the Company, or one of its subsidiary companies, and a controlling shareholder or any of its subsidiaries.

TAXATION AND TAX RELIEF

According to a Notice issued jointly by PRC Ministry of Finance and State Administration of Taxation regarding individual income tax policies (Caishuizi [1994] No.020), the dividend incomes received by foreign individuals from a foreign-invested enterprise are exempt from individual income tax.

As stipulated by a Notice issued by the PRC State Administration of Taxation in relation to the withholding and payment of enterprise income tax by Chinese resident enterprises for payment of dividend to H shareholders Who are overseas non-resident enterprises (Guoshuihan [2008] No.897), the Company as a Chinese resident enterprises is required to withhold 10% enterprise income tax when it distributes dividends for the year 2008 and thereafter to all non-resident enterprise holders of H shares of the Company (including HKSCC Nominees Limited, other nominees, trustees or other entities and organizations, who will be deemed as non-resident enterprise holders of H shares) whose names appear on the H share register of members of the Company on the record date.

Dividends payable to the Shareholders who are mainland individual investors or corporate investors investing in the H Shares via the Shanghai-Hong Kong Stock Connect or the Shenzhen-Hong Kong Stock Connect will be paid in Rmb by China Securities Depository and Clearing Corporation Limited Shanghai Branch ("CSDC Shanghai Branch") or Shenzhen Branch ("CSDC Shenzhen Branch") as entrusted by the Company.

Report of the Directors

According to the requirements of the "Notice on Taxation Policies Concerning the Shanghai-Hong Kong Stock Connect Pilot Program (Finance Tax[2014] No. 81《(關於滬港股票市場交易互聯互通機制試點有關税收政策的通知》(財税[2014]81號)) and "Notice on Taxation Policies Concerning the Shenzhen-Hong Kong Stock Connect Pilot Program (Finance Tax[2016] No.127)及《關於深港股票市場交易互聯互通機制試點有關税收政策的通知》(財税[2016]127號) jointly published by the Ministry of Finance, State Administration of Taxation and China Securities Regulatory Commission, the Shanghai-Hong Kong Stock Connect and the Shenzhen-Hong Kong Stock Connect tax arrangements are as follows: (i) for Chinese Mainland individual investors who invest in the H Shares via the Shanghai-Hong Kong Stock Connect or the Shenzhen-Hong Kong Stock Connect, the Company will withhold individual income tax at the rate of 20% in the distribution of final dividend. Individual investors may, by producing valid tax payment proofs, apply to the competent tax authority of China Securities Depository and Clearing Company Limited for tax credit relating to the withholding tax already paid abroad; and (ii) for Chinese Mainland securities investment funds that invest in the H Shares via the Shanghai-Hong Kong Stock Connect or the Shenzhen-Hong Kong Stock Connect, the Company will withhold individual income tax in the distribution of final dividend pursuant to the foregoing provisions.

For Chinese mainland corporate investors that invest in the H Shares via the Shanghai-Hong Kong Stock Connect or the Shenzhen-Hong Kong Stock Connect, the Company will not withhold the income tax in the distribution of final dividend and such investors shall file the tax returns on their own.

Under current practice of the Hong Kong Inland Revenue Department, no tax is payable in Hong Kong in respect of dividends paid by the Company.

Shareholders of the Company are taxed and/or enjoy tax relief in accordance with the aforementioned regulations.

SUFFICIENCY OF PUBLIC FLOAT

Based on the information that is publicly available to the Company and within the knowledge of the Directors, as at the latest practicable date prior to the issue of this annual report, the Company has maintained sufficient amount of public float as required under the Listing Rules.

DIRECTORS' PERMITTED INDEMNITY PROVISION

The Company purchased appropriate liability insurance coverage for the directors, supervisors and senior management members of the Group during the year ended December 31, 2022 against all actions, costs, charges, losses, damages and expenses which they or any of them may sustain or incur in connection with their duties or the exercise of their powers.

AUDITORS

Deloitte Touche Tohmatsu Certified Public Accountants Hong Kong, who has served as the Company's Hong Kong auditors since 2005, will retire and a resolution for their re-appointment as Hong Kong auditors of the Company will be proposed at the forth coming annual general meeting of the Shareholders.

By Order of the Board
YU Zhihong
Chairman

Hangzhou, Zhejiang Province, the PRC
March 27, 2023

Report of Supervisory Committee

During the Period, the Supervisory Committee duly performed its supervisory responsibilities, and safeguarded the legitimate interests of the shareholders and the Company in accordance with relevant rules and regulations under the Company Law of the PRC, the Company's Articles of Association and the Rules of Procedure of the Supervisory Committee.

Main tasks undertaken by the Supervisory Committee during the Period were to assess and supervise lawfulness and appropriateness of the activities of the Directors, General Manager and other senior management of the Company in their business decision-making and daily management processes, through a combination of activities including holding meetings of the Supervisory Committee and sitting in on general meetings of shareholders and meetings of the Board. The Supervisory Committee discussed and reviewed the financial statements to be submitted by the Board to the general meeting of shareholders after carefully examining the operating results and the financial position of the Company.

During the Period, the Supervisory Committee held a total of two supervisory meetings, and attended seven Board meetings and four general meetings, and had no objection to the contents of the reports and proposals submitted by the Board of the Company to the general meetings of shareholders for consideration. The Supervisory Committee considered that the Company's operations were in strict compliance with the Company Law, the Company's Articles of Association and the relevant national provisions, that all decision-making procedures were legitimate, and that the Company had sound internal control functions and personnel and all operating activities were regulated in an orderly manner. The Supervisory Committee of the Company supervised the implementation of the resolutions passed at the general meetings of shareholders, and believed that the Board of the Company was able to conscientiously implement the relevant resolutions of general meetings. The management of the Company has earnestly executed the relevant decisions and plans of the Board. The Company has effectively responded to the continued resurgence of the epidemic, persistently deepened the reform amid challenges and difficulties, steadily promoted the market-based operation and innovative development of its core business, and accelerated the promotion of the intelligent upgrading and transformation as well as the materialization of intelligent expressway.

The Supervisory Committee has reviewed the financial statements of the Company for 2022 prepared by the Board for submission to the general meeting of shareholders, and concluded that the financial statements accurately reflected the financial position of the Company in 2022, and complied with the relevant laws, regulations and the Company's Articles of Association. The Company maintained a relatively stable dividend payout, providing satisfactory returns to its shareholders.

During the Period, the Supervisory Committee considered that the connected transactions of the Company were fair and reasonable without prejudice to the interests of the shareholders and the Company.

During the Period, the members of the Board, General Manager and other senior management of the Company complied with their fiduciary duties and acted in good faith and diligently while performing their responsibilities. There was no incident of abuse of power or infringement of the interests of shareholders or employees.

The Supervisory Committee is satisfied with the performance across various lines of business achieved by the Board and the management of the Company during the Period.

By the order of the Supervisory Committee
ZHENG Ruchun
Chairman of the Supervisory Committee

Hangzhou, Zhejiang Province, the PRC
March 27, 2023

Connected Transactions

During the year ended December 31, 2022, the Company had the following non-exempt connected transactions and continuing connected transactions.

CONNECTED TRANSACTIONS

1. Project Design Contract

On February 17, 2022, the information center of the Company (a branch office of the Company) and ZJIC entered into a project design contract (the "**Project Design Contract**"), pursuant to which the information center of the Company agreed to engage ZJIC for the provision of various services in relation to phase II of the designing project for the intelligent upgrade and transformation of the Shanghai-Hangzhou-Ningbo Expressway for a term of one year commencing from the date of the Project Design Contract subject to the terms and conditions provided therein. The consideration under the Project Design Contract was Rmb4,997,910. Please refer to the announcement of the Company dated February 17, 2022 for details.

Communications Group, which holds approximately 67% of the issued share capital of the Company, is a controlling shareholder of the Company. ZJIC is a 55.08% owned subsidiary of Communications Group, and therefore it is a connected person of the Company. As a result, the transactions under the Project Design Contract constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 and Rule 14A.82 of the Listing Rules, as the transactions contemplated under the Project Design Contract were required to be aggregated with agreements entered into or completed within a 12-month period prior to the date of the Project Design Contract between or among the Company and its relevant subsidiaries and ZJIC in relation to survey and designing services (the "**Previous Transactions**") for the calculation of relevant percentage ratios to determine the classification of the transactions contemplated under the Project Design Contract.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Project Design Contract, after aggregating with the Previous Transactions was more than 0.1% but less than 5%, the transactions under the Project Design Contract were subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

2. Construction Agreement for the Renovation of Jiaxing Service Area Plaza of Shanghai-Hangzhou Expressway

On May 13, 2022, Jiaxing Branch entered into a construction service agreement (the "**Construction Agreement**") with a consortium comprising Jiaogong Group and Jiaogong Underground Construction (collectively as the "**Consortium**") as the contractor and Zhejiang Commercial as the contracting party, pursuant to which the Consortium agreed to undertake the construction work for the renovation of Jiaxing Service Area Plaza of Shanghai-Hangzhou Expressway for a total consideration of Rmb26,151,435, of which the maximum amount of construction fees payable by Jiaxing Branch to the Consortium is RMB17,788,100. All construction work should be completed within 100 calendar days from the construction commencement date agreed between the parties. Please refer to the announcement of the Company dated May 13, 2022 for details.

Each of Jiaogong Group and Jiaogong Underground Construction is an indirectly non-wholly owned subsidiaries of Communications Group, and is therefore connected person of the Company. As a result, the transaction under the Construction Agreement constituted a connected transaction for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transaction under the Construction Agreement was more than 0.1% but less than 5%, the transaction under the Construction Agreement was subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Connected Transactions

3. Bonds Block Trade Agreements

On June 15, 2022, Shangsan Co entered into separate bonds block trade agreements (the "**Bonds Block Trade Agreements**") with Zhejiang Communications Finance and Zheshang Financial, respectively, pursuant to which, convertible bonds issued by Zheshang Securities in the principal amount of Rmb950,000,000 and Rmb150,000,000 would be transferred to Zhejiang Communications Finance and Zheshang Financial on agreed completion day therein, respectively. The aggregate consideration under the Bonds Block Trade Agreements should be not more than Rmb1,200,000,00, where Zhejiang Communications Finance and Zheshang Financial would each settle part of the consideration in proportion to the principal amount of convertible bonds acquired by them respectively. Please refer to the announcement of the Company dated June 15, 2022 for details.

Zhejiang Communications Finance is a non-wholly owned subsidiary of the Communications Group and Zheshang Financial is a wholly-owned subsidiary of the Communications Group, therefore each of Zhejiang Communications Finance and Zheshang Financial is a connected person of the Company. As a result, the transactions under the Bonds Block Trade Agreements constituted connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions under the Bonds Block Trade Agreements was more than 0.1% but less than 5%, the transactions under the Bonds Block Trade Agreements were subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

4. Project Contracts

On June 30, 2022, the Company and the relevant subsidiaries and ZJIC entered into the following project contracts (the "**Project Contracts**"): (i) the accident-prone areas improvement contracts (the "**Accident-Prone Areas Improvement Contracts**"), pursuant to which the Company and the relevant subsidiary agreed to engage ZJIC for the provision of various services in relation to the traffic accident-prone areas improvement projects of certain parts of Xinchang to Baihe Section of Changtai Expressway and Hongken Hub of Hangzhou Bay Ring Expressway for a contract period of two months at the consideration of Rmb14,394,660; (ii) the system update design contracts (the "**System Upgrade Design Contracts**"), pursuant to which the Company and its various subsidiaries agreed to engage ZJIC for the provision of various services in relation to the mechanical and electrical system upgrade design project of the Group for a term of 12 months, at the consideration of not more than Rmb4,302,998; and (iii) the capacity expansion research contracts (the "**Capacity Expansion Research Contracts**", together with the Accident-Prone Areas Improvement Contracts and the System Upgrade Design Contracts, referred hereinafter as the "**Project Contracts**"), pursuant to which the Company and its various subsidiaries agreed to engage ZJIC for the provision of various services relating to the heavy traffic sections expansion research projects of Hangzhou Liuxia to Yuqian Section of the Hanghui Expressway, Hangzhou Hongken to Ningbo High Bridge Section of the Hangzhou-Ningbo Expressway, Fengjing to Shenshi Section of the Shanghai-Kunming Expressway, southern section of the Zhajiasu Expressway and the Shenjiahuhang Expressway with a term until completion of the research projects at the consideration of Rmb4,180,000. The aggregated consideration under the Project Contracts amounted to Rmb22,877,658. Please refer to the announcements of the Company dated June 30, 2022 and July 15, 2022 for details.

As set out above, ZJIC is a connected person of the Company and the transactions under the Project Contracts constituted connected transactions for the Company under Chapter 14A of the Listing Rules. Rule 14A.81 and Rule 14A.82 of the Listing Rules also apply to the calculation of relevant percentage ratios to determine the classification of the transactions contemplated under the Project Contracts, where transactions contemplated under the Project Contracts were required to be aggregated with agreements entered into or completed within a 12-month period prior to the date of the Project Contracts between or among the Company and its relevant subsidiaries and ZJIC in relation to survey and designing services, including the transactions under the Project Design Contract.

Connected Transactions

As the highest applicable percentage ratio calculated pursuant to the Listing Rules in respect of the transactions under the Project Contracts, after aggregating with the agreements entered into or completed within a 12-month period prior to the date of the Project Contracts between or among the Company and its relevant subsidiaries and ZJIC in relation to survey and designing services, was more than 0.1% but less than 5%, the transactions under the Project Contracts were subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

5. Project Construction Agreements

On July 15, 2022, the Company entered into the project construction agreements (the "**Project Construction Agreements**") with Zhejiang Information and Qiantong Zhilian, pursuant to which the Company agreed to engage Zhejiang Information and Guizhou Qiantong Zhilian Technology Co., Ltd. (貴州黔通智聯科技股份有限公司), which is an independent third party, for the provision of mechanical and electrical engineering services in relation to phase II of the construction project for the intelligent upgrade and transformation of the Shanghai-Hangzhou-Ningbo Expressway, of which the construction work shall be completed within three months. The total service fees payable by the Company under the Project Construction Agreements amounted to Rmb53,518,608, out of which Rmb32,077,869 is payable to Zhejiang Information. Please refer to the announcement of the Company dated July 15, 2022 for details.

Zhejiang Information, as a 65.85% owned subsidiary of Communications Group, is a connected person of the Company and as a result, the transactions contemplated under the Project Construction Agreements constituted connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, connected transactions with the same connected person or parties who are connected with one another may be aggregated. As the highest applicable percentage ratio calculated pursuant to the Listing Rules in respect of the transactions under the Project Construction Agreements, after aggregating with the agreements entered into or completed within a 12-month period prior to the date of the Project Construction Agreements between or among the Company and its relevant subsidiaries and Zhejiang Information in relation to provision of information technology services and mechanical and electrical engineering services, was more than 0.1% but less than 5%, the transactions under the Project Construction Agreements were subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

6. Project Improvement Agreements

On September 26, 2022, the Company and its relevant subsidiaries entered into the following project improvement agreements (the "**Project Improvement Agreements**") with ZJIC: (i) the traffic congestion project improvement agreement (the "**Traffic Congestion Project Improvement Agreement**"), pursuant to which ZJIC agreed to undertake the project to improve the traffic congestion of certain expressways owned by the Group for a service period of 45 days for a consideration of Rmb4,934,122; (ii) the traffic safety comprehensive project improvement agreement (the "**Traffic Safety Comprehensive Project Improvement Agreement**"), pursuant to which ZJIC agreed to improve the ancillary traffic safety equipment and eliminate potential safety risks of Jiaxing Section of Shanghai-Hangzhou Expressway, Zhajiasu Expressway and Shenjiahuhang Expressway for a service period of 60 days for a consideration of Rmb4,071,021; (iii) traffic signs upgrade agreement (the "**Traffic Signs Upgrade Agreement**"), pursuant to which ZJIC will upgrade and enhance the recognizability of part of road signs and improving the overall image of Shaoxing Section of Hangzhou-Ningbo Expressway, Shangsan Expressway and Ningbo-Jinhua Expressway for a service period of 60 days for a consideration of Rmb2,766,191. The total service fees payable by the Group to ZJIC would be Rmb11,771,334 pursuant to the Project Improvement Agreement. Please refer to the announcement of the Company dated September 26, 2022 for details.

Connected Transactions

ZJIC, as a 55.08% owned subsidiary of Communications Group, is a connected person of the Company and as a result, the transactions under the Project Improvement Agreements constituted connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 and Rule 14A.82 of the Listing Rules, the respective transactions contemplated under the Project Improvement Agreements are required to be aggregated with the previous transactions which were entered into or completed within a 12-month period prior to the date of the Project Improvement Agreements between or among the Group and ZJIC, in relation to the provision of surveying and design services, for the calculation of the relevant percentage ratio to determine the classification of the transactions contemplated under the Project Improvement Agreements.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Project Improvement Agreements, after aggregating with the previous transactions which were entered into or completed within a 12-month period with ZJIC, in relation to the provision of surveying and design services, was more than 0.1% but less than 5%, the transactions under the Project Improvement Agreements will be subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

7. Capital Increase Agreement

On November 29, 2022, Shaoxing City Shangyu District Transportation Group Investment Co., Ltd.*(紹興市上虞區交通投資有限公司) (the "**Shangyu Transportation**"), China Merchants Expressway and Tiantai State Capital Operation Co., Ltd.*(天臺縣國有資本經營有限公司) (the "**Tiantai State Capital**", with Shangyu Transportation and China Merchants Expressway collectively as the "**Existing Shareholders**"), the Company, Shangsan Co, and Communications Group entered into a capital increase agreement (the "**Capital Increase Agreement**"), pursuant to which the registered capital of Shangsan Co would be increased from approximately Rmb5.38 billion up to the maximum amount of Rmb7.77 billion, of which Communications Group and the Existing Shareholders will contribute in the aggregate amount of up to Rmb13.17 billion for the capital increase (the "**Capital Increase**"). Communications Group shall subscribe for the new registered capital of approximately Rmb1.76 billion, being the amount of new registered capital which the Company was originally entitled to subscribe. China Merchants Expressway, Tiantai State Capital and Shangyu Transportation shall subscribe for up to Rmb440,000,000, Rmb120,000,000 and Rmb70,000,000 new registered capital of Shangsan Co, respectively. Please refer to the announcements of the Company dated June 15, 2022 and November 30, 2022 and the circular dated September 21, 2022 for details.

China Merchants Expressway holds approximately 18.38% of the equity interest in Shangsan Co and thus is a connected person of the Company at the subsidiary level by virtue of being a substantial shareholder of Shangsan Co. As a result, China Merchants Expressway's participation in the Capital Increase constituted a connected transaction of the Company under Chapter 14A of the Listing Rules. By virtue of Rule 14A.101 of the Listing Rules, since (1) China Merchants is a connected person at the subsidiary level, (2) the Board has approved the participation of China Merchants Expressway in the proposed Capital Increase; and (3) the independent non-executive Directors have confirmed that the terms of the proposed Capital Increase, including the participation of China Merchants Expressway, are fair and reasonable and is on normal commercial terms or better and in the interests of the Company and the Shareholders as a whole, the participation of China Merchants Expressway in the proposed Capital Increase is subject to the reporting and announcement requirement but exempt from the circular, independent financial advice and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

Connected Transactions

Communications Group, being the controlling shareholder of the Company, is a connected person of the Company. As a result, the Communications Group's participation in the Capital Increase contemplated under the proposed Capital Increase Agreement constitutes a connected transaction of the Company under Chapter 14A of the Listing Rules. As one or more of the applicable percentage ratios for the transactions under the Capital Increase Agreement were over 25% but less than 75%, Communications Group's participation in the Capital Increase is subject to the reporting, announcement and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

8. Share Transfer Agreement

On December 7, 2022, Shangsan Co entered into a share transfer agreement (the "**Share Transfer Agreement**") with Zhejiang Commercial Group Co., Ltd.* (浙江省商業集團有限公司) (the "**Zhejiang Commercial Group**"), pursuant to which Zhejiang Commercial Group conditionally agreed to sell and Shangsan Co conditionally agreed to acquire all the 15.30% shares held by Zhejiang Commercial Group in Zheshang Property and Casualty Insurance Company Limited* (浙商財產保險股份有限公司) ("**Zheshang Insurance**") for a consideration of Rmb790,245,000.

Zhejiang Commercial Group is a wholly-owned subsidiary of Communications Group and therefore Zhejiang Commercial Group is a connected person of the Company. As a result, the transactions under the Share Transfer Agreement constituted connected transactions of the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio of the transactions under the Share Transfer Agreement was higher than 0.1% but lower than 5%, the transactions under the Share Transfer Agreement were subject to the announcement and reporting requirements but exempt from independent shareholders' approval requirements in accordance with the relevant requirements under Chapter 14A of the Listing Rules.

9. Construction Agreements

On December 8, 2022, the Company and its relevant subsidiaries entered into the following construction agreements with Zhejiang Information (the "**Construction Agreements**"): (i) the scenario planning system construction agreement (the "**Scenario Planning System Construction Agreement**"); and (ii) the expressway intelligent toll stations construction agreement (the "**Expressway Intelligent Toll Stations Construction Agreement**"), pursuant to which Zhejiang Information would be engaged to provide structured solutions based on the traffic incident response plans and the intelligent scenario system and intelligent upgrade of toll stations and automatic toll collection lanes construction services, respectively. The work under the Scenario Planning System Construction Agreement should be completed within three months commencing from the date thereof, and the work under the Expressway Intelligent Toll Stations Construction Agreement should be completed within two months commencing from the date thereof.

The transactions with Zhejiang Information under the Construction Agreements constituted connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rules 14A.81 and 14A.82 of the Listing Rules, connected transactions with the same connected person or parties who are connected with one another may be aggregated. As the highest applicable percentage ratio calculated pursuant to the Listing Rules in respect of the transactions under the Construction Agreements, after aggregating with the transactions entered into or completed within a 12-month period prior to the date of the Construction Agreements between or among the Group and Zhejiang Information in relation to the provision of information technology services and mechanical and electrical engineering services, was more than 0.1% but less than 5%, the transactions under the Construction Agreements were subject to the reporting and announcement requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Connected Transactions

CONTINUING CONNECTED TRANSACTIONS

1. Construction Service Agreements

On June 21, 2019, De'an Construction as employer entered into a construction service agreement and its supplemental agreement (the "**Construction Service Agreements**") with Zhejiang Hongtu as contractor in relation to the provision of construction services for the Public-Private-Partnership (PPP) projects in respect of the construction of bridges, tunnels and public service station from Deqing County to the juncture between Deqing County and Anji County for a total consideration of Rmb809,315,640 (the "**Total Consideration**"). The term of the Construction Service Agreements, which is the construction period, is 36 months. Please refer to the announcement and the supplemental announcement of the Company dated June 21, 2019 and July 2, 2019 respectively for details.

On March 27, 2020, the Company entered into a supplemental agreement to revise the annual caps for the Construction Service Agreements to the amount of Rmb380,000,000 for the two years ending 31 December 2021 (the "**Revised Annual Caps**") whilst the Total Consideration remained unchanged. In determining the Revised Annual Caps, the Company has considered the amount exceeded the previous annual caps, the actual construction progress, the estimated costs and the expected completion of PPP project construction in 2021. Please refer to the announcement dated March 27, 2020 for details.

Zhejiang Hongtu is an indirect non-wholly owned subsidiary of Communications Group. As such, Zhejiang Hongtu is a connected person of the Company and, as a result, the transactions under the Construction Service Agreements constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of the transactions contemplated under the Construction Service Agreements was more than 0.1% but less than 5%, transactions under the Construction Service Agreements were subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

During the Period, the total service fees paid by the De'an Construction to Zhejiang Hongtu in respect of the construction services under the Construction Service Agreements was Rmb0.

2. Deposit Services with Zhejiang Communications Finance

Pursuant to the financial services agreement dated March 18, 2019 (the "**Financial Services Agreement**") together with a supplemental agreement entered into between the Company and Zhejiang Communications Finance, pursuant to which Zhejiang Communications Finance agreed to provide the Company and its subsidiaries with a range of financial services including the provisions of certain deposit services (the "**Deposit Services**") for a term of three years commencing from March 30, 2019, subject to the terms and conditions provided therein. Please refer to the announcement of the Company dated March 18, 2019 and the circular dated April 15, 2019 for details.

Since the Financial Services Agreement expired on March 29, 2022, on March 25, 2022, the Company entered to the new financial services agreement (the "**New Financial Services Agreement**"), together with a supplemental agreement on a later date, among others, to revise the annual caps for the Deposit Services to Rmb3,000,000,000 (including any interest accrued thereon) (the "**Financial Services Supplemental Agreement**"), with Zhejiang Communications Finance for renewal of the terms of the Financial Services Agreement for a term of three years commencing from March 30, 2022 and ending March 29, 2025. Save as otherwise provided, all terms and conditions under the Financial Services Agreement remained substantially unchanged. Please refer to the announcement of the Company dated March 25, 2022 for details.

As the issued share capital of Zhejiang Communications Finance is owned as to 79.92% and 20.08% by Communications Group and the Company, respectively, Zhejiang Communications Finance is a connected person of the Company. As such, under the Chapter 14A of the Listing Rules, the provision of Deposit Services under the New Financial Services Agreement and the Financial Services Supplemental Agreement constituted a continuing connected transaction for the Company.

Connected Transactions

Pursuant to the New Financial Services Agreement, the Deposit Services to be provided by Zhejiang Communications Finance to the Company and its subsidiaries include the current deposit, time deposit, call deposit and agreement deposit services. The Deposit Services will be provided under the New Financial Services Agreement on a non-exclusive basis and the Company and its subsidiaries are entitled to determine whether to accept the Deposit Services provided by Zhejiang Communications Finance or decide to accept deposit services provided by other financial institutions. The Company and its subsidiaries are not obliged to accept any Deposit Services provided by Zhejiang Communications Finance.

The interest rate to be paid by Zhejiang Communications Finance for the deposits of the Company and its subsidiaries with Zhejiang Communications Finance shall be determined based on the prevailing deposit interest rate promulgated by the People's Bank of China for the same period and should not be lower than the deposit interest rates offered by major commercial banks in the PRC for comparable deposits of comparable periods. The maximum amount of the daily deposit balance (including any interest accrued thereon) for the deposits of the Company and its subsidiaries with Zhejiang Communications Finance shall not be more than Rmb1,200,000,000 and Rmb3,000,000,000 respectively under the New Financial Services Agreement and the Financial Services Supplemental Agreement during the term thereof.

As the highest applicable percentage ratio in respect of the Deposit Services under the New Financial Services Agreement was more than 0.1% but less than 5%, such transaction was subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

Meanwhile, as the highest applicable percentage ratio in respect of the revised annual caps for the Deposit Services under the Financial Services Supplemental Agreement was more than 5% but less than 25%, such transaction constituted a non-exempt continuing connected transaction subject to the reporting, announcement, annual review and independent shareholders' approval requirements under Chapter 14A of the Listing Rules.

During the Period, the maximum amount of the daily deposit balance (including any interest accrued thereon) for the deposits of the Company and its subsidiaries with Zhejiang Communications Finance under the New Financial Services Agreement together with the Financial Services Supplemental Agreement amounted to Rmb2,974,883,000.

3. Road Maintenance Agreements

i. 2019 Daily Road Maintenance Agreements

a. Daily Road Maintenance (First Contract Section) Agreements 2019

On December 27, 2019, various management offices of the Company, Jiaxing Branch of LongLiLiLong Co, Hanghui Co, and Huihang Co separately entered into a series of agreements with Maintenance Co (the "**Daily Road Maintenance (First Contract Section) Agreements 2019**"), pursuant to which Maintenance Co agreed to provide day-to-day maintenance services including road patrol, inspection of the maintenance status of pavements and roadbeds, pavement diseases treatment, greening and sloping, maintenance of safety facilities, and bridge maintenance ("**Maintenance Services**") to four expressways operated by the Group, namely the Shanghai-Hangzhou-Ningbo Expressway, the Shangsan Expressway, the Hanghui Expressway and the Huihang Expressway. The term of the Daily Road Maintenance (First Contract Section) Agreements 2019 is three years from January 1, 2020 to December 31, 2022. The annual service fees payable by the Group to Maintenance Co shall be Rmb68,111,019, which amount to Rmb204,333,057 in total from 2020 to 2022. Please refer to the announcement of the Company dated December 27, 2019 for details.

Connected Transactions

b. *Daily Road Maintenance (Second Contract Section) Agreements 2019*

On December 27, 2019, each of Shenjiahuhang Co and Zhoushan Co entered into an agreement with Jiaogong Maintenance (the "**Daily Road Maintenance (Second Contract Section) Agreements 2019**"), pursuant to which Jiaogong Maintenance agreed to provide Maintenance Services to two expressways operated by the Group, namely the Shenjiahuhang Expressway and the Zhoushan Bay Bridge. The term of the Daily Road Maintenance (Second Contract Section) Agreements is three years from January 1, 2020 to December 31, 2022. The annual service fees payable by the Group to Jiaogong Maintenance in 2020 shall be Rmb27,158,624. The annual service fees payable by the Group to Jiaogong Maintenance in 2021 and 2022 shall be Rmb26,334,280 respectively. Please refer to the announcement of the Company dated December 27, 2019 for details.

c. *Daily Road Maintenance (Third Contract Section) Agreements 2019*

On December 27, 2019, each of Jinhua Co and Xintian Management Office entered into an agreement with Zhejiang Shunchang (the "**Daily Road Maintenance (Third Contract Section) Agreements**"), pursuant to which Zhejiang Shunchang agreed to provide Maintenance Services to three expressways operated by the Group, namely Xintian Section of the Shangsan Expressway, Jinhua Section of the Ningbo-Jinhua Expressway and Yiwu Section of the Yidong Expressway. The term of the Daily Road Maintenance (Third Contract Section) Agreements is three years from January 1, 2020 to December 31, 2022. The annual service fees payable by the Group to Zhejiang Shunchang shall be Rmb22,076,202 in 2020, 2021 and 2022 respectively. Please refer to the announcement of the Company dated December 27, 2019 for details.

Each of Maintenance Co, Jiaogong Maintenance and Zhejiang Shunchang is an indirect subsidiary of Communications Group. As such, each of Maintenance Co, Jiaogong Maintenance and Zhejiang Shunchang was a connected person of the Company and the respective transactions contemplated under the Daily Road Maintenance (First Contract Section) Agreements 2019, the Daily Road Maintenance (Second Contract Section) Agreements 2019 and the Daily Road Maintenance (Third Contract Section) Agreements 2019 (collectively the "**2019 Daily Road Maintenance Agreements**") constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

The proposed annual cap on the aggregate service fees payable by the Group under the 2019 Daily Road Maintenance Agreements for the financial years ending December 31, 2022 was RMB120,000,000. During the Period, the total service fees paid by the Group in respect of the Maintenance Services under the 2019 Daily Road Maintenance Agreements amounted to Rmb104,133,000.

Connected Transactions

ii. 2022 Dedicated Road Maintenance Agreements

On April 1, 2022, the Company and its various subsidiaries and LongLiLiLong Co entered into the following agreements:

a. the Company and its various subsidiaries entered into (i) the dedicated road maintenance agreements (the "**Dedicated Road Maintenance (First Contract Section) Agreements**") with Jiaogong Maintenance, pursuant to which Jiaogong Maintenance agreed to undertake dedicated maintenance projects to four expressways operated by the Group, namely the Jiaxing and Ningbo Section of the Shanghai-Hangzhou-Ningbo Expressway, the Shenjiahuhang Expressway, the Zhoushan Bridge and the Zhajiasu Expressway for a term ending on December 31, 2022; (ii) the dedicated road maintenance agreements (the "**Dedicated Road Maintenance (Second Contract Section) Agreements**") with Zhejiang Shunchang, pursuant to which Zhejiang Shunchang agreed to undertake dedicated maintenance projects to five expressways operated by the Group, namely the Hangzhou and Shaoxing Section of the Shanghai-Hangzhou-Ningbo Expressway, the Shangsan Expressway, the Jinhua Section of the Ningbo-Jinhua Expressway, the Hanghui Expressway and the Huihang Expressway for a term ending on December 31, 2022; and

b. LongLiLiLong Co entered into (i) the dedicated road maintenance agreements (the "**Dedicated Road Maintenance (Third Contract Section) Agreements**") with Zhejiang Shunchang, pursuant to which Zhejiang Shunchang agreed to undertake the dedicated maintenance projects to the Quzhou Section of LongLiLiLong Expressway owned by the Group for a term of seven months ending on October 31, 2022; (ii) the dedicated road maintenance agreements (the "**Dedicated Road Maintenance (Fourth Contract Section) Agreements**") with Jiaogong Maintenance, pursuant to which Jiaogong Maintenance agreed to undertake the dedicated maintenance projects to the Lishui Section of LongLiLiLong Expressway owned by the Group for a term of seven months ending on October 31, 2022; and (iii) the single column bridge reinforcement agreements (the "**Single Column Bridge Reinforcement Agreements**") with Zhejiang Shunchang, pursuant to which Zhejiang Shunchang agreed to undertake the single column bridge reinforcement projects to the Lishui Section of LongLiLiLong Expressway owned by the Group for a term of five months ending on August 31, 2022. Please refer to the announcement of the Company dated April 1, 2022 for details.

Each of Jiaogong Maintenance and Zhejiang Shunchang is an indirect subsidiary of Communications Group. Therefore, each of Jiaogong Maintenance and Zhejiang Shunchang is a connected person of the Company and as a result, the respective transactions contemplated under the Dedicated Road Maintenance (First Contract Section) Agreements, the Dedicated Road Maintenance (Second Contract Section) Agreements, the Dedicated Road Maintenance (Third Contract Section) Agreements, the Dedicated Road Maintenance (Fourth Contract Section) Agreements and the Single Column Bridge Reinforcement Agreements (collectively as the "**Dedicated Road Maintenance Agreements**") constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Connected Transactions

The proposed annual cap on the aggregate service fees of the Dedicated Road Maintenance (First Contract Section) Agreements and the Dedicated Road Maintenance (Second Contract Section) Agreements payable by the Group for the financial year ending December 31, 2022 is Rmb420,000,000. The proposed annual cap on the aggregate service fees of the Dedicated Road Maintenance (Third Contract Section) Agreements, the Dedicated Road Maintenance (Fourth Contract Section) Agreements and the Single Column Bridge Reinforcement Agreements payable by LongLiLiLong Co for the financial year ending December 31, 2022 is Rmb85,000,000. In aggregate, the proposed annual cap of the Dedicated Road Maintenance Agreements payable by the Group for the financial year ending December 31, 2022 is Rmb505,000,000.

Pursuant to Rule 14A.81 to Rule 14A.83 of the Listing Rules, continuing connected transactions with the same connected person or parties who are connected with one another may be aggregated. As the highest applicable percentage ratio in respect of the aggregated annual caps for transactions contemplated under the Dedicated Road Maintenance Agreements, after aggregating with the 2019 Daily Road Maintenance Agreements, was more than 0.1% but less than 5%, the transactions under Dedicated Road Maintenance Agreements were subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

During the Period, the total service fees paid by the Group under the Dedicated Road Maintenance (First Contract Section) Agreements and Dedicated Road Maintenance (Second Contract Section) Agreements amounted to Rmb366,922,000 and the total service fees paid by LongLiLiLong Co under the Dedicated Road Maintenance (Third Contract Section) Agreements, the Dedicated Road Maintenance (Fourth Contract Section) Agreements and the Single Column Bridge Reinforcement Agreements amounted to Rmb83,382,000.

4. Expressway Mechanical and Electrical System Maintenance Agreements

On May 31, 2021, LongLiLiLong Co, entered into the expressway mechanical and electrical system maintenance agreements with Zhejiang Information (the "**Expressway Mechanical and Electrical System Maintenance Agreements**"), pursuant to which LongLiLiLong Co agreed to purchase, and Zhejiang Information agreed to provide, certain expressway mechanical and electrical system maintenance services. The term of the Expressway Mechenical and Electrical System Maintenance Agreements is for three years ending May 30, 2024. The annual service fees payable by LongLiLiLong Co to Zhejiang Information would be Rmb4,829,647.84, which amount to Rmb14,488,943.52 in total for three years.

The annual cap on the aggregate service fees payable by LongLiLiLong Co under Expressway Mechanical and Electrical System Maintenance Agreements was Rmb5,000,000. During the Period, the total service fees paid by LongLiLiLong Co to Zhejiang Information in respect of the transactions under the Expressway Mechanical and Electrical System Maintenance Agreements amounted to Rmb2,428,000.

As set out above, Zhejiang Information is a connected person of the Company and as a result, the transactions under the Expressway Mechanical and Electrical System Maintenance Agreements constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 to Rule 14A.83 of the Listing Rules, the respective transactions contemplated under the Expressway Mechanical and Electrical System Maintenance Agreements were required to be aggregated with the respective transactions contemplated under the agreements entered into between or among the Group and Zhejiang Information in relation to mechanical and electrical engineering services dated March 16, 2020, October 14, 2020, December 16, 2020 respectively.

Connected Transactions

As the highest applicable percentage ratios in respect of the transactions contemplated under the Expressway Mechanical and Electrical System Maintenance Agreements, after aggregating such previous agreements, were more than 0.1% but less than 5%, the transactions under the Expressway Mechanical and Electrical System Maintenance Agreements were subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

5. Entrusted Management Agreements

(i) 2021 Entrusted Management Agreements

On December 13, 2021, the Company entered into the entrusted management agreements with branch and subsidiaries of the Communications Group (the "**2021 Entrusted Management Agreements**"), pursuant to which each of Shensuzhewan Branch, Ningbo Yongtaiwen Co and Santongdao South Connection Co shall entrust the Company to take over the operation and management of (i) Zhejiang Section of the Shensuzhewan Expressway, (ii) Xiwu to Xinwu Section of Ningbo Yongtaiwen Expressway; and (iii) South Connection of Qianjiang Channel, respectively. The term of the 2021 Entrusted Management Agreement is three years. Please refer to announcement of the Company dated December 13, 2021 for details.

The proposed annual cap on the aggregate entrusted management service fees of the 2021 Entrusted Management Agreements for the each of the three years from July 1, 2021 to June 30, 2024 shall not exceed Rmb10,000,000.

As each of Shensuzhewan Branch, Ningbo Yongtaiwen Co and Santongdao South Connection Co is a branch or subsidiary of Communications Group and thus is a connected person of the Company and as a result, the respective transactions contemplated under the 2021 Entrusted Management Agreements constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 to Rule 14A.83 of the Listing Rules, continuing connected transactions with the same connected person or parties who are connected with one another may be aggregated. As the highest applicable percentage ratio in respect of the aggregated annual cap for transactions contemplated under the 2021 Entrusted Management Agreements and the previous continuing connected transactions of the same nature with Communications Group and its subsidiaries is more than 0.1% but less than 5%, the transactions contemplated under the 2021 Entrusted Management Agreements were subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

During the Period, the total entrusted management service fees to be received by the Company under the 2021 Entrusted Management Agreements amounted to Rmb9,213,000.

(ii) 2022 Entrusted Management Agreements

a. Entrusted Management Agreements with North Channel Co and Jiaxiao Co

On September 21, 2022, the Company entered into the entrusted management agreements with each of North Channel Co and Jiaxiao Co (the "**Entrusted Management Agreements with North Channel Co and Jiaxiao Co**"), pursuant to which each of North Channel Co and Jiaxiao Co shall entrust the Company to take over the operation and management of (i) Zhoudai Bridge and Fuchimen Bridge of Ningbo Zhoushan Port Main Passage until June 30, 2024; and (ii) North Connection of Qianjiang Channel until June 29, 2024, respectively. Please refer to announcements of the Company dated September 21 and December 8, 2022 for details.

The proposed annual cap on the aggregate entrusted management service fees of the Entrusted Management Agreements with North Channel Co and Jiaxiao Co for the each of the three years from June 30, 2021 to June 30, 2024 shall not exceed Rmb3,000,000.

Connected Transactions

As each of North Channel Co and Jiaxiao Co is a non-wholly owned subsidiary of Communications Group and thus is a connected person of the Company. As a result, the respective transactions under the Entrusted Management Agreements with North Channel Co and Jiaxiao Co constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rules 14A.81 to 14A.83 of the Listing Rules, connected transactions with the same connected person or parties who are connected with one another may be aggregated. As the highest applicable percentage ratio in respect of the transactions contemplated under the Entrusted Management Agreements with North Channel Co and Jiaxiao Co, after aggregating with the previous continuing connected transaction with Communications Group and its subsidiaries in relation to entrusted management services, was more than 0.1% but less than 5%, the transactions contemplated under the Entrusted Management Agreements with North Channel Co and Jiaxiao Co were subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

During the Period, the total amount of the entrusted management under the Entrusted Management Agreements with North Channel Co and Jiaxiao Co amounted to Rmb822,000.

b. *Entrusted Management Agreement with Hangxuan Co*

On December 29, 2022, the Company entered into an entrusted management agreement with Hangxuan Co (the “**Entrusted Management Agreement with Hangxuan Co**”), pursuant to which Hangxuan Co shall entrust the Company to take over the operation and management of Lin’an to Jiande Section of Linjin Expressway. Please refer to announcement of the Company dated December 29, 2022 for details.

The proposed annual cap on the entrusted management service fees of the Entrusted Management Agreement with Hangxuan Co during the term of entrusted management commencing from December 30, 2022 and ending to June 30, 2024 shall not exceed Rmb3,500,000.

As Hangxuan Co is a wholly owned subsidiary of Communications Group and thus is a connected person of the Company. As a result, the respective transaction under the Entrusted Management Agreement with Hangxuan Co constituted continuing connected transaction for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rules 14A.81 to 14A.83 of the Listing Rules, connected transactions with the same connected person or parties who are connected with one another may be aggregated. As the highest applicable percentage ratio in respect of the transactions contemplated under the Entrusted Management Agreement with Hangxuan Co, after aggregating with the previous continuing connected transaction with Communications Group and its subsidiaries in relation to entrusted management services, including but not limited to the 2021 Entrusted Management Agreements and Entrusted Management Agreements with North Channel Co and Jiaxiao Co, was more than 0.1% but less than 5%, the transaction contemplated under the Entrusted Management Agreement with Hangxuan Co was subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders’ approval requirement under Chapter 14A of the Listing Rules.

Connected Transactions

During the Period, the total amount of the entrusted management under the Entrusted Management Agreement with Hangxuan Co amounted to Rmb0.

6. Framework Agreement

On March 24, 2022, Zhejiang Zheqi and Zheshang Development, entered into a framework agreement (the "**Framework Agreement**"), pursuant to which Zhejiang Zheqi and Zheshang Development Group will be involved in, among others, (i) bulk commodity sale and purchase transactions and (ii) over-the-counter (OTC) derivatives transactions for a term of three years commencing from the date of the Framework Agreement. The annual cap of the bulk commodity sale and purchase transactions under the Framework Agreement for each of the three years ending March 23, 2025 shall not exceed Rmb800,000,000. The annual cap on the maximum aggregate annual amount of accumulated nominal principal for the OTC derivatives transactions under the Framework Agreement for each of the three years ending March 23, 2025 shall not exceed Rmb1,200,000,000. Please refer to the announcement of the Company dated March 25, 2022 and April 19, 2022 for details.

Zheshang Development is a 45.28% owned associate of Communications Group and Zhejiang Zheqi is an indirect non-wholly owned subsidiary of the Company. Therefore, Zheshang Development is a connected person of the Company. As a result, the transactions contemplated under the Framework Agreement constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

As the highest applicable percentage ratio in respect of each of the bulk commodity sale and purchase transactions and the OTC derivatives transactions under the Framework Agreement was more than 0.1% but less than 5%, the entering into of each of the bulk commodity sale and purchase transactions and the OTC derivatives transactions under the Framework Agreement was subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

During the Period, the total amount of (i) the bulk commodity sale transactions; (ii) purchase transactions; and (iii) the OTC derivatives transactions under the Framework Agreement amounted to Rmb329,367,000, Rmb447,327,000 and Rmb1,193,266,000, respectively.

7. The Guardrail Agreements

On July 29, 2022, the Company and its subsidiaries entered into the Guardrail Agreements (the "**Guardrail Agreements**") with Zhejiang Shunchang, Maintenance Co and Jiaogong Maintenance, respectively, pursuant to which (i) Zhejiang Shunchang agreed to undertake the guardrail revamp and upgrade projects in respect of three expressways operated by the Group, namely the Shaoxing Section of the Shanghai-Hangzhou-Ningbo Expressway, the Jinhua Section of the Ningbo-Jinhua Expressway and the Xintian Section and Shangsheng Section of the Shangsan Expressway for the consideration of Rmb272,989,078; (ii) Maintenance Co agreed to undertake the guardrail revamp and upgrade projects in respect of two expressways operated by the Group, namely the Jiaxing Section of the Shanghai-Hangzhou-Ningbo Expressway and Section 1 of the Shenjiahuhang Expressway for a consideration of Rmb139,509,352; and (iii) Jiaogong Maintenance agreed to undertake the guardrail revamp and upgrade projects in respect of three expressways operated by the Group, namely the Zhoushan Bay Bridge, the Ningbo Section of the Shanghai-Hangzhou-Ningbo Expressway and Section 2 of the Shenjiahuhang Expressway for the consideration of Rmb167,271,629. All the construction work shall be completed within five months.

The proposed annual cap on the aggregate service fees of the Guardrail Agreements payable by the Group for the financial year ending December 31, 2022 is Rmb600,000,000.

Each of Zhejiang Shunchang, Maintenance Co and Jiaogong Maintenance is an indirect subsidiary of Communications Group. Therefore, each of Zhejiang Shunchang, Maintenance Co and Jiaogong Maintenance is a connected person of the Company and as a result, the transactions contemplated under the Guardrail Agreements constituted continuing connected transactions for the Company under Chapter 14A of the Listing Rules.

Pursuant to Rule 14A.81 to Rule 14A.83 of the Listing Rules, the respective transactions contemplated under the Guardrail Agreements are required to be aggregated, all of which were continuing connected transactions entered into with the associates of the same connected person (i.e. Communications Group) and are with the same nature.

Connected Transactions

As the highest applicable percentage ratio in respect of the aggregated annual cap for transactions contemplated under the Guardrail Agreements was more than 0.1% but less than 5%, the transactions under the Guardrail Agreements were subject to the reporting, announcement and annual review requirements but exempt from the independent shareholders' approval requirement under Chapter 14A of the Listing Rules.

During the Period, the total service fees paid by the Group under the Guardrail Agreements amounted to Rmb520,041,000.

The independent non-executive Directors have reviewed the continuing connected transactions described above and confirmed that such continuing connected transactions have been entered into:

a) in the ordinary and usual course of business of the Group;

b) on normal commercial terms or on terms no less favourable to the Group than terms available to or from independent third parties; and

c) in accordance with the relevant agreement governing them on terms that are fair and reasonable and in the interests of the Shareholders as a whole.

The Company's auditor was engaged to report on the Group's continuing connected transactions in accordance with Hong Kong Standard on Assurance Engagements HKSAE3000 "Assurance Engagements Other Than Audits or Reviews of Historical Financial Information" and with reference to Practice Note 740 "Auditor's Letter on Continuing Connected Transactions under the Hong Kong Listing Rules" issued by the Hong Kong Institute of Certified Public Accountants. The auditors have issued their unqualified letter containing their findings and conclusions in respect of the continuing connected transactions in accordance with the Rule 14A.56 of the Listing Rules. A copy of the auditor's letter has been provided to the Stock Exchange.

During the year, details of the related party transactions and continuing related party transactions under the accounting standards for this report that the Company and its subsidiaries have entered into with Communications Group and its subsidiaries that constituted connected transactions and continuing connected transactions to be disclosed under the Listing Rules are set out in note 57 to the consolidated financial statements. The Company has complied with the disclosure requirements in respect of such connected transactions and continuing connected transactions in accordance with Chapter 14A of the Listing Rules.

Independent Auditor's Report

Deloitte. 德勤

TO THE MEMBERS OF ZHEJIANG EXPRESSWAY CO., LTD.
浙江滬杭甬高速公路股份有限公司
(Incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Zhejiang Expressway Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 110 to 281, which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Independent Auditor's Report

Key audit matter	How our audit addressed the key audit matter
Determination of consolidation scope of structured entities	
We identified the determination of consolidation scope of structured entities, which invested by the Group's securities operation segment (defined in Note 7), as a key audit matter due to significant judgement applied by management in determining whether a structured entity is required to be consolidated by the Group and the significance of these balances to the Group's consolidated financial statements as a whole. The Group held interests as investor or acted as fund manager in various structured entities including collective asset management schemes, investment funds and limited partnership enterprises. As disclosed in Note 5 to the consolidated financial statements, to determine whether a structured entity should be consolidated, the management applied significant judgement in determining whether the Group has power over the structured entities, and assess whether the combination of investments it held together with its remuneration and credit enhancement creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates the Group controlled the structured entities. As disclosed in Notes 44 and 59 to the consolidated financial statements, as at December 31, 2022, the total assets of the consolidated structured entities amounted to Rmb3,661,442 thousands and the total assets of the unconsolidated structured entities managed by the Group's securities operation segment amounted to Rmb103,411,981 thousands, respectively.	Our procedures in relation to the management's determination of consolidation scope of structured entities included: • Testing and evaluating key controls of the management in determining the consolidation scope of structured entities; • Examining, on a sample basis, the documents and information used by the management in assessing the consolidation criteria of structured entities against the related agreements and other related service agreements of structured entities newly established, invested or with changes in proportion of ownership interests or contractual terms during the year; • Assessing management judgement in determining the scope for consolidation and, on a sample basis, assessing the conclusion about whether a structured entity should be consolidated or not.

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Independent Auditor's Report

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Ma Hing Fai.

Deloitte Touche Tohmatsu
Certified Public Accountants
Hong Kong
March 27, 2023

Consolidated Statement of Profit or Loss and Other Comprehensive Income

For the year ended December 31, 2022

	NOTES	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Revenue	6	14,898,730	16,262,601
Including: interest income under effective interest method		2,390,436	2,247,361
Operating costs		(8,857,926)	(9,521,482)
Gross profit		6,040,804	6,741,119
Securities investment gains	8	679,734	1,835,563
Other income and gains and losses	9	2,093,933	733,071
Administrative expenses		(172,616)	(173,447)
Other expenses		(119,701)	(117,363)
Impairment losses under expected credit loss model, net of reversal	10	(11,742)	65,391
Share of profit of associates		752,086	966,075
Share of profit of a joint venture		49,771	56,249
Finance costs	11	(1,770,008)	(1,942,533)
Profit before tax	12	7,542,261	8,164,125
Income tax expense	13	(1,039,051)	(1,873,961)
Profit for the year		6,503,210	6,290,164
Other comprehensive income			
Items that may be reclassified subsequently to profit or loss:			
Fair value loss on debt instruments measured at fair value through other comprehensive income		(9,055)	–
Impairment loss for debt instruments at fair value through other comprehensive income		1,108	–
Income tax impact relating to items that may be reclassified subsequently to profit or loss		1,987	–
Exchange differences on translation of financial statements of foreign operations		21,787	(4,963)
Share of other comprehensive (loss)/income of an associate, net of related income tax		(736)	43,607
Other comprehensive income for the year, net of income tax		15,091	38,644
Total comprehensive income for the year		6,518,301	6,328,808

For the year ended December 31, 2022

	NOTES	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Profit for the year attributable to:			
Owners of the Company		5,378,866	4,762,431
Non-controlling interests		1,124,344	1,527,733
		6,503,210	6,290,164
Total comprehensive income attributable to:			
Owners of the Company		5,384,448	4,803,862
Non-controlling interests		1,133,853	1,524,946
		6,518,301	6,328,808
Earnings per share	17		
Basic (Rmb cents)		123.85	109.65
Diluted (Rmb cents)		117.62	102.50

Consolidated Statement of Financial Position

At December 31, 2022

	NOTES	12/31/2022 Rmb'000	12/31/2021 Rmb'000
NON-CURRENT ASSETS			
Property, plant and equipment	18	5,419,682	5,019,619
Right-of-use assets	19	621,953	666,686
Expressway operating rights	20	19,797,341	26,053,256
Goodwill	21	86,867	86,867
Other intangible assets	22	347,051	303,350
Interests in associates	24	10,059,641	9,675,046
Interest in a joint venture	25	440,345	440,574
Financial assets at fair value through profit or loss ("FVTPL")	26	209,439	363,878
Debt instruments at fair value through other comprehensive income	27	570,257	–
Other receivables and prepayments	30	1,118,363	1,216,289
Financial assets held under resale agreements	31	189,000	10,000
Deferred tax assets	46	1,416,809	1,617,799
		40,276,748	45,453,364
CURRENT ASSETS			
Inventories		606,285	371,714
Trade receivables	28	554,368	467,892
Loans to customers arising from margin financing business	29	17,557,268	19,394,130
Other receivables and prepayments	30	3,347,368	1,379,105
Dividends receivable		44	128
Derivative financial assets	38	1,000,756	613,718
Financial assets at FVTPL	26	43,789,944	45,445,711
Debt instruments at fair value through other comprehensive income	27	250,683	–
Financial assets held under resale agreements	31	6,086,210	7,078,206
Bank balances and clearing settlement fund held on behalf of customers	32	48,744,803	38,392,804
Bank balances, clearing settlement fund, deposits and cash			
– Restricted bank balances and cash	33	70,179	132,090
– Time deposits with original maturity over three months	33	203,632	413,843
– Cash and cash equivalents	33	23,917,236	17,153,977
		146,128,776	130,843,318

	NOTES	12/31/2022 Rmb'000	12/31/2021 Rmb'000
CURRENT LIABILITIES			
Placements from other financial institutions	34	700,000	500,000
Accounts payable to customers arising from securities business	35	48,449,595	38,069,350
Trade payables	36	1,159,833	1,387,533
Tax liabilities		419,684	1,305,228
Other taxes payable		377,435	916,269
Other payables and accruals	37	8,868,740	5,872,066
Contract liabilities		161,381	204,214
Derivative financial liabilities	38	554,357	451,368
Bank and other borrowings	39	4,915,176	2,316,307
Short-term financing note payable	40	3,567,025	7,940,702
Bonds payable	41	7,118,247	10,455,661
Convertible bonds	42	4,719	–
Financial assets sold under repurchase agreements	43	23,825,242	25,250,426
Financial liabilities at FVTPL	44	1,057,642	2,925,391
Lease liabilities	45	119,678	105,699
		101,298,754	97,700,214
NET CURRENT ASSETS		44,830,022	33,143,104
TOTAL ASSETS LESS CURRENT LIABILITIES		85,106,770	78,596,468
NON-CURRENT LIABILITIES			
Bank and other borrowings	39	12,195,014	14,427,610
Bonds payable	41	16,189,322	17,193,430
Convertible bonds	42	5,707,354	1,714,662
Deferred tax liabilities	46	481,066	477,525
Lease liabilities	45	324,352	360,216
		34,897,108	34,173,443
		50,209,662	44,423,025

Consolidated Statement of Financial Position

At December 31, 2022

	NOTES	12/31/2022 Rmb'000	12/31/2021 Rmb'000
CAPITAL AND RESERVES			
Share capital	47	4,343,115	4,343,115
Reserves		26,575,175	22,807,227
Equity attributable to owners of the Company		30,918,290	27,150,342
Non-controlling interests	48	19,291,372	17,272,683
		50,209,662	44,423,025

The consolidated financial statements on pages 110 to 281 were approved and authorised for issue by the board of directors on March 27, 2023 and are signed on its behalf by:

DIRECTOR
CHEN Ninghui

DIRECTOR
YUAN Yingjie

Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

	Attributable to owners of the Company											
	Share capital Rmb'000	Share premium Rmb'000	Statutory reserve Rmb'000 (Note i)	Capital reserve Rmb'000	Investment revaluation reserve Rmb'000	Share of differences arising on translation Rmb'000	Dividend reserve Rmb'000	Special reserves Rmb'000 (Note ii)	Retained profits Rmb'000	Sub-total Rmb'000	Non-controlling interests Rmb'000	Total Rmb'000
At December 31, 2021	4,343,115	3,355,621	5,639,087	1,712	19,447	(1,667)	1,628,668	6,915,988	5,248,371	27,150,342	17,272,683	44,423,025
Profit for the year	–	–	–	–	–	–	–	–	5,378,866	5,378,866	1,124,344	6,503,210
Other comprehensive income/(loss) for the year	–	–	–	–	(3,140)	8,722	–	–	–	5,582	9,509	15,091
Total comprehensive income/(loss) for the year	–	–	–	–	(3,140)	8,722	–	–	5,378,866	5,384,448	1,133,853	6,518,301
Issuance of Convertible Bond 2022 by a subsidiary (Note 42)	–	–	–	–	–	–	–	–	–	–	476,257	476,257
Conversion of Convertible Bond 2022 of a subsidiary (Note 42)	–	–	–	–	–	–	–	–	–	–	(10)	(10)
Deemed partial disposal of interest in a subsidiary upon conversion of Convertible Bond 2022	–	–	–	–	–	–	–	6	–	6	101	107
Capital injection of a subsidiary	–	–	–	–	–	–	–	12,162	–	12,162	817,839	830,001
Dividend declared to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(409,351)	(409,351)
2021 dividend (Note 16)	–	–	–	–	–	–	(1,628,668)	–		(1,628,668)	–	(1,628,668)
Proposed 2022 dividend	–	–	–	–	–	–	1,628,668	–	(1,628,668)	–	–	–
Transfer to reserves	–	–	327,425	–	–	–	–	–	(327,425)	–	–	–
At December 31, 2022	4,343,115	3,355,621	5,966,512	1,712	16,307	7,055	1,628,668	6,928,156	8,671,144	30,918,290	19,291,372	50,209,662

Consolidated Statement of Changes in Equity

For the year ended December 31, 2022

	Attributable to owners of the Company											
	Share capital Rmb'000	Share premium Rmb'000	Statutory reserve Rmb'000 (Note i)	Capital reserve Rmb'000	Investment revaluation reserve Rmb'000	Share of differences arising on translation Rmb'000	Dividend reserve Rmb'000	Special reserves Rmb'000 (Note ii)	Retained profits Rmb'000	Sub-total Rmb'000	Non-controlling interests Rmb'000	Total Rmb'000
At January 1, 2021	4,343,115	3,355,621	5,392,584	1,712	(24,160)	509	1,541,806	6,637,942	2,361,111	23,610,240	13,335,753	36,945,993
Profit for the year	–	–	–	–	–	–	–	–	4,762,431	4,762,431	1,527,733	6,290,164
Other comprehensive income/(loss) for the year	–	–	–	–	43,607	(2,176)	–	–	–	41,431	(2,787)	38,644
Total comprehensive income/(loss) for the year	–	–	–	–	43,607	(2,176)	–	–	4,762,431	4,803,862	1,524,946	6,328,808
Acquisition of a subsidiary	–	–	–	–	–	–	–	–	–	–	631,350	631,350
Acquisition of minority interests of a subsidiary	–	–	–	–	–	–	–	(33)	–	(33)	(9)	(42)
Disposal of a subsidiary and listing of REITs	–	–	–	–	–	–	–	(263,625)	–	(263,625)	(229,747)	(493,372)
Non-public A shares issuance by a subsidiary	–	–	–	–	–	–	–	541,704	–	541,704	2,259,405	2,801,109
Dividend declared to non-controlling interests	–	–	–	–	–	–	–	–	–	–	(249,015)	(249,015)
2020 dividend (Note 16)	–	–	–	–	–	–	(1,541,806)	–	–	(1,541,806)	–	(1,541,806)
Proposed 2021 dividend	–	–	–	–	–	–	1,628,668	–	(1,628,668)	–	–	–
Transfer to reserves	–	–	246,503	–	–	–	–	–	(246,503)	–	–	–
At December 31, 2021	4,343,115	3,355,621	5,639,087	1,712	19,447	(1,667)	1,628,668	6,915,988	5,248,371	27,150,342	17,272,683	44,423,025

Notes:

(i) Statutory reserves comprise:

(a) Statutory surplus reserve

In accordance with the Company Law of the People's Republic of China (the "PRC") and the respective articles of association of the Company and its subsidiaries (collectively the "Entities"), the Entities are required to allocate 10% of the profit after tax, as determined in accordance with the PRC accounting standards and regulations applicable to the Entities, to the statutory surplus reserve until such reserve reaches 50% of the registered capital of the respective Entities. Subject to certain restrictions set out in the Company Law of the PRC and the respective articles of association of the Entities, part of the statutory surplus reserve may be converted to increase the respective Entities' capital.

(b) General risk reserve

In accordance with the Finance Regulation for Financial Enterprises, securities companies are required to allocate 10% of the profit after tax, as determined in accordance with the PRC accounting standards and regulations, to the general risk reserve. This general risk reserve may be used to cover potential losses on risk exposures.

(c) Transaction risk reserve

In accordance with the Securities Law of the PRC, securities companies are required to allocate not less than 10% of the profit after tax, as determined in accordance with the PRC accounting standards and regulations, to the transaction risk reserve. This transaction risk reserve may be used to cover potential losses on securities transactions.

(ii) Special reserves mainly comprise:

(a) Other reserve which was arising from the Group's change of interests in subsidiaries. Amount represented the difference between the carrying value of net assets attributable to the Group acquired and the payment consideration arising from acquisition, or the dilute gain or loss of interests in subsidiaries.

(b) Other reserve which was arising from the spin-off and offering of shares by Zheshang Securities Co., Ltd. ("Zheshang Securities") in prior years.

(c) Other reserve which was arising from the Group's change of interest in an associate. Amount represented the difference between the carrying value of net assets attributable to the Group arising from the associate's ownership interest change in its subsidiaries other than those recognized in profit or loss or other comprehensive income.

(d) Merger reserve which was arising from the acquisition of subsidiaries under common control using the merger accounting method. This includes the capital of the combining entities at their existing book values since the first date they were under common control and were reduced by the Group's payment of cash consideration to the controlling party.

Consolidated Statement of Cash Flows

For the year ended December 31, 2022

	NOTE	Year ended 12/31/2022 Rmb'000	Year ended 12/31/2021 Rmb'000
Profit before tax		7,542,261	8,164,125
Adjustments for:			
Finance costs		1,770,008	1,942,533
Interest income from financial institutions		(142,358)	(119,027)
Interest income from debt instruments at FVTOCI		(11,505)	–
Foreign exchange loss/(gain)		286,160	(136,629)
Share of profit of associates		(752,086)	(966,075)
Share of profit of a joint venture		(49,771)	(56,249)
Depreciation of property, plant and equipment		554,686	508,183
Amortisation of expressway operating rights		2,621,008	2,550,036
Depreciation of right-of-use assets		133,805	92,484
Amortisation of other intangible assets		75,491	67,762
Impairment losses under expected credit loss model, net of reversal			
– debt instruments at FVTOCI		1,108	–
– trade receivables and other receivables		21,389	(6,817)
– advance to customers arising from margin financing business		(1,521)	13,157
– financial assets held under resale agreements		(9,234)	(71,731)
Allowance for write-down of inventories		6,898	7,000
Loss on disposal of property, plant and equipment		1,436	6,433
Loss/(Gain) on disposal of expressway operating rights		18,434	(53,789)
Gain on disposal of a subsidiary	50	(1,881,262)	–
Gain on disposal of an associate		–	(5,521)
(Gain)/Loss arising from deemed disposal of associates		(22,062)	46,705
Gain on decrease in fair value in respect of derivative component of Convertible Bond		(31,951)	(27,453)

		Year ended 12/31/2022 Rmb'000	Year ended 12/31/2021 Rmb'000
Operating cash flows before movements in working capital		10,130,934	11,955,127
Increase in inventories		(241,469)	(7,989)
Increase in trade receivables		(87,940)	(93,543)
Decrease in contract asset		–	1,007,618
Decrease/(increase) in loans to customers arising from margin financing business		1,838,383	(4,393,858)
(Increase)/decrease in other receivables and prepayments		(1,880,644)	578,036
Decrease/(Increase) in financial assets at FVTPL		1,877,936	(16,407,372)
Decrease in financial assets held under resale agreements		822,230	105,996
Decrease/(increase) in restricted bank balance		61,911	(108,104)
Increase in bank balances and clearing settlement fund held on behalf of customers		(10,351,999)	(11,301,988)
Increase in net derivative financial assets		(284,049)	(134,148)
Increase in placements from other financial institutions		200,000	100,000
Increase in accounts payable to customers arising from securities business		10,380,245	11,015,298
(Decrease)/increase in trade payables		(226,211)	200,264
(Decrease)/increase in other taxes payable		(538,834)	468,371
(Decrease)/increase in contract liabilities		(42,833)	124,983
Increase/(decrease) in other payables and accruals		3,181,325	(415,623)
(Decrease)/increase in financial liabilities at FVTPL		(1,867,749)	14,666
(Decrease)/increase in financial assets sold under repurchase agreements		(1,425,184)	13,725,339
Cash generated from operations		11,546,052	6,433,073
Income taxes paid		(1,966,682)	(1,752,542)
Interest paid		(1,937,998)	(1,857,536)
NET CASH FROM OPERATING ACTIVITIES		7,641,372	2,822,995

Consolidated Statement of Cash Flows

For the year ended December 31, 2022

	NOTE	Year ended 12/31/2022 Rmb'000	Year ended 12/31/2021 Rmb'000
INVESTING ACTIVITIES			
Interest received		145,583	114,114
Dividends received from associates and a joint venture		497,691	587,372
Investment in associates		(80,000)	(73,419)
Proceed from disposal of associates		–	11,676
Withdrawal of investment in associates		30,439	51,498
Proceeds on disposal of property, plant and equipment		7,590	11,024
Proceeds on disposal of expressway operating rights		10,744	64,902
Purchases of property, plant and equipment		(1,482,722)	(884,599)
Purchases of other intangible assets		(102,758)	(71,429)
Purchase of			
– financial assets at FVTPL		(67,730)	–
– debt instruments at FVTOCI		(818,491)	–
Net cashflow on acquisition of a subsidiary		–	(678,986)
Net cashflow on disposal of a subsidiary	50	2,206,798	–
Net cashflow on disposal of subsidiaries before acquisition		–	351,648
New entrusted loans originated		–	(180,000)
Withdrawl of entrusted loans		2,400,000	–
Placement of time deposits		–	(150,000)
Withdrawal of time deposits		200,000	249,757
Investment made by infrastructure real estate investment trusts		(14,900)	–
Withdrawl of investment made by infrastructure real estate investment trusts		14,900	–
NET CASH FROM/(USED IN) INVESTING ACTIVITIES		2,947,144	(596,442)

For the year ended December 31, 2022

	NOTE	Year ended 12/31/2022 Rmb'000	Year ended 12/31/2021 Rmb'000
FINANCING ACTIVITIES			
Dividends paid		(1,632,065)	(1,533,306)
Dividends paid to non-controlling shareholders		(409,351)	(249,065)
New bank and other borrowings raised		6,764,713	25,643,315
Repayment of bank and other borrowings		(6,578,386)	(30,573,649)
New entrusted loans raised		2,788,954	56,173
Repayment of entrusted loans		(1,156,173)	(250,000)
New issue of bonds payable, including assets-backed bonds		8,500,000	13,682,282
Repayment of bonds payable		(12,806,310)	(6,135,700)
Proceed from issuance of Convertible Bond		4,350,789	1,810,675
Issue costs of Convertible Bond		(1,489)	(6,716)
Issue of short-term financing note payable		8,401,470	24,663,840
Repayment of short-term financing note payable		(12,764,370)	(23,027,100)
Repayments of lease liabilities		(134,827)	(100,369)
Repayment of Convertible bonds		–	(773)
Capital deduction by non-controlling interests in respect of a subsidiary		–	(493,414)
Capital injection by non-controlling interests in respect of a subsidiary		–	2,801,109
Capital injection by non-controlling interests		830,001	–
NET CASH (USED IN)/FROM FINANCING ACTIVITIES		(3,847,044)	6,287,302
NET INCREASE IN CASH AND CASH EQUIVALENTS		6,741,472	8,513,855
CASH AND CASH EQUIVALENTS AT JANUARY 1		17,153,977	8,645,085
Effect of foreign exchange rate changes		21,787	(4,963)
CASH AND CASH EQUIVALENTS AT DECEMBER 31	33	23,917,236	17,153,977

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

1. CORPORATE INFORMATION

Zhejiang Expressway Co., Ltd. (the "Company") was established in the People's Republic of China (the "PRC") with limited liability on March 1, 1997. The H shares of the Company ("H Shares") were subsequently listed on The Stock Exchange of Hong Kong Limited (the "Stock Exchange") on May 15, 1997.

All of the H Shares of the Company were admitted to the Official List of the United Kingdom Listing Authority (the "Official List"). Dealings in the H Shares on the London Stock Exchange commenced on May 5, 2000.

On July 18, 2000, with the approval of the Ministry of Foreign Trade and Economic Co-operation of the PRC, the Company changed its business registration into a Sino-foreign joint stock limited company.

In the opinion of the directors of the Company (the "Directors"), the immediate and ultimate holding company of the Company is Zhejiang Communications Investment Group Co., Ltd. (the "Communications Group"), a state-owned enterprise established in the PRC.

The addresses of the registered office and principal place of business of the Company are disclosed in the corporate information section of the annual report.

The consolidated financial statements are presented in Renminbi ("Rmb"), which is also the functional currency of the Company.

The Company is an investment holding company. The Company and its subsidiaries (collectively referred to as the "Group") during the current year are involved in the following principal activities:

(a) the operation, maintenance and management of high grade roads;

(b) the provision of securities and future broking services, margin financing and securities lending services, securities underwriting and sponsorship services, asset management, advisory services and proprietary trading;

(c) the hotel operation, construction service of a high grade road, investment in other financial institutions and other ancillary services.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs")

Amendments to HKFRSs that are mandatorily effective for the current year

In the current year, the Group has applied the following amendments to HKFRSs issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") for the first time, which are mandatorily effective for the Group's annual periods beginning on or after 1 January 2022 for the preparation of the consolidated financial statements:

Amendments to HKFRS 3	Reference to the Conceptual Framework
Amendment to HKFRS 16	Covid-19-Related Rent Concessions beyond June 30, 2021
Amendments to HKAS 16	Property, Plant and Equipment – Proceeds before Intended Use
Amendments to HKAS 37	Onerous Contracts – Cost of Fulfilling a Contract
Amendments to HKFRSs	Annual Improvements to HKFRSs 2018 – 2020

The application of the amendments to HKFRSs in the current year has had no material impact on the Group's financial positions and performance for the current and prior years and/or on the disclosures set out in these consolidated financial statements.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective

The Group has not early applied the following new and amendments to HKFRSs that have been issued but are not yet effective:

HKFRS 17 (including the October 2020 and February 2022 Amendments to HKFRS 17)	Insurance Contracts[1]
Amendments to HKFRS 10 and HKAS 28	Sale or Contribution of Assets between an Investor and its Associate or Joint Venture[2]
Amendments to HKFRS 16	Lease Liability in a Sale and Leaseback[3]
Amendments to HKAS 1	Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)[3]
Amendments to HKAS 1	Non-current Liabilities with Covenants[3]
Amendments to HKAS 1 And HKFRS Practice Statement 2	Disclosure of Accounting Policies[1]
Amendments to HKAS 8	Definition of Accounting Estimates[1]
Amendments to HKAS 12	Deferred Tax related to Assets and Liabilities arising from a Single Transaction[1]

1 Effective for annual periods beginning on or after January 1, 2023.

2 Effective for annual periods beginning on or after a date to be determined.

3 Effective for annual periods beginning on or January 1, 2024.

Except for the new and amendments to HKFRSs mentioned below, the directors of the Company anticipate that the application of all other new and amendments to HKFRSs will have no material impact on the consolidated financial statements in the foreseeable future.

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020)

The amendments provide clarification and additional guidance on the assessment of right to defer settlement for at least twelve months from reporting date for classification of liabilities as current or non-current, which:

- specify that the classification of liabilities as current or non-current should be based on rights that are in existence at the end of the reporting period. Specifically, the amendments clarify that:

  (i) the classification should not be affected by management intentions or expectations to settle the liability within 12 months; and

  (ii) if the right is conditional on the compliance with covenants, the right exists if the conditions are met at the end of the reporting period, even if the lender does not test compliance until a later date; and

- clarify that if a liability has terms that could, at the option of the counterparty, result in its settlement by the transfer of the entity's own equity instruments, these terms do not affect its classification as current or non-current only if the entity recognises the option separately as an equity instrument applying HKAS 32 *Financial Instruments: Presentation*.

In addition, Hong Kong Interpretation 5 was revised as a consequence of the Amendments to HKAS 1 to align the corresponding wordings with no change in conclusion.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

2. APPLICATION OF AMENDMENTS TO HONG KONG FINANCIAL REPORTING STANDARDS ("HKFRSs") (Continued)

New and amendments to HKFRSs in issue but not yet effective (Continued)

Amendments to HKAS 1 Classification of Liabilities as Current or Non-current and related amendments to Hong Kong Interpretation 5 (2020) (Continued)

Accounted separately as host debt and derivative components

As at 31 December 2022, the Group's outstanding convertible instruments include counterparty conversion options that do not meet equity instruments classification by applying HKAS 32 *Financial Instruments: Presentation*. The Group classified as current or non-current based on the earliest date in which the Group has the obligation to redeem these instruments through cash settlement. The host debt component is measured at amortised cost with carrying amount of Rmb1,480,135,000 and the derivative component (including the conversion options) is measured at fair value with carrying amount of Rmb308,266,000 as at 31 December 2022, both of which are classified as non-current as set out in Note 42. Upon the application of the amendments, in addition to the obligation to redeem through cash settlement, the transfer of equity instruments upon the exercise of the conversion options that do not meet equity instruments classification also constitute settlement of the convertible instruments. Given that the conversion options are exercisable anytime, the host liability and the derivative component amounting to Rmb1,788,401,000 would be reclassified to current liabilities as the holders have the option to convert within twelve months.

Amendments to HKAS 12 Deferred Tax related to Assets and Liabilities arising from a Single Transaction

The amendments narrow the scope of the recognition exemption of deferred tax liabilities and deferred tax assets in paragraphs 15 and 24 of HKAS 12 Income Taxes so that it no longer applies to transactions that, on initial recognition, give rise to equal taxable and deductible temporary differences.

As disclosed in Note 4 to the consolidated financial statements, for leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 requirements to the relevant assets and liabilities separately. Temporary differences on initial recognition of the relevant assets and liabilities are not recognised due to application of the initial recognition exemption.

Upon the application of the amendments, the Group will recognise a deferred tax asset (to the extent that it is probable that taxable profit will be available against which the deductible temporary difference can be utilised) and a deferred tax liability for all deductible and taxable temporary differences associated with the right-of-use assets and the lease liabilities.

The amendments are effective for the Group's annual reporting periods beginning on 1 January 2023. As at 31 December 2022, the carrying amounts of right-of-use assets and lease liabilities which are subject to the amendments amounted to Rmb435,900,000 and Rmb444,030,000 respectively. The cumulative effect of initially applying the amendments will be recognised as an adjustment to the opening balance of retained earnings (or other component of equity, as appropriate) at the beginning of the earliest comparative period presented.

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS

The consolidated financial statements have been prepared in accordance with HKFRSs issued by the HKICPA. For the purpose of preparation of the consolidated financial statements, information is considered material if such information is reasonably expected to influence decisions made by primary users. In addition, the consolidated financial statements include applicable disclosures required by the Rules Governing the Listing of Securities on the Stock Exchange of Hong Kong Limited ("Listing Rules") and by the Hong Kong Companies Ordinance.

The consolidated financial statements have been prepared on the historical cost basis, except for certain financial instruments that are measured at fair values at the end of each reporting period, as explained in the accounting policies below.

Historical cost is generally based on the fair value of the consideration given in exchange for goods and services.

Fair value is the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date, regardless of whether that price is directly observable or estimated using another valuation technique. In estimating the fair value of an asset or a liability, the Group takes into account the characteristics of the asset or liability if market participants would take those characteristics into account when pricing the asset or liability at the measurement date. Fair value for measurement and/or disclosure purposes in these consolidated financial statements is determined on such a basis, except for share-based payment transactions that are within the scope of HKFRS 2 *Share-based Payment*, leasing transactions that are accounted for in accordance with HKFRS 16, and measurements that have similarities to fair value but are not fair value, such as net realisable value in HKAS 2 *Inventories* or value in use in HKAS 36 *Impairment of Assets*.

For financial instruments which are transacted at fair value and a valuation technique that unobservable inputs is to be used to measure fair value in subsequent periods, the valuation technique is calibrated so that the results of the valuation technique equals the transaction price.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

3. BASIS OF PREPARATION OF CONSOLIDATED FINANCIAL STATEMENTS (Continued)

In addition, for financial reporting purposes, fair value measurements are categorised into Level 1, 2 or 3 based on the degree to which the inputs to the fair value measurements are observable and the significance of the inputs to the fair value measurement in its entirety, which are described as follows:

- Level 1 inputs are quoted prices (unadjusted) in active markets for identical assets or liabilities that the entity can access at the measurement date;

- Level 2 inputs are inputs, other than quoted prices included within Level 1, that are observable for the asset or liability, either directly or indirectly; and

- Level 3 inputs are unobservable inputs for the asset or liability.

4. SIGNIFICANT ACCOUNTING POLICIES

Basis of consolidation

The consolidated financial statements incorporate the financial statements of the Company and entities (including structured entities) controlled by the Company and its subsidiaries. Control is achieved when the Company:

- has power over the investee;

- is exposed, or has rights, to variable returns from its involvement with the investee; and

- has the ability to use its power to affect its returns.

The Group reassesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

When the Group has less than a majority of the voting rights of an investee, it has power over the investee when the voting rights are sufficient to give it the practical ability to direct the relevant activities of the investee unilaterally. The Group considers all relevant facts and circumstances in assessing whether or not the Group's voting rights in an investee are sufficient to give it power, including:

- the size of the Group's holding of voting rights relative to the size and dispersion of holdings of the other vote holders;
- potential voting rights held by the Group, other vote holders or other parties;
- rights arising from other contractual arrangements; and
- any additional facts and circumstances that indicate that the Group has, or does not have, the current ability to direct the relevant activities at the time that decisions need to be made, including voting patterns at previous shareholders' meetings.

When the Group is an investor of a fund in which the Group also acts as a fund manager, the Group will determine whether it is a principal or an agent for the purpose of assessing whether the Group controls the relevant fund.

An agent is a party primarily engaged to act on behalf and for the benefit of another party or parties (the principal(s)) and therefore does not control the investee when it exercises its decision-making authority. In determining whether the Group is an agent to the fund, the Group would assess:

- the scope of its decision-making authority over the investee;
- the rights held by other parties;
- the remuneration to which it is entitled in accordance with the remuneration agreements; and
- the decision maker's exposure to variability of returns from other interests that it holds in the investee.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Specifically, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of profit or loss and other comprehensive income from the date the Group gains control until the date when the Group ceases to control the subsidiary.

Profit or loss and each item of other comprehensive income are attributed to the owners of the Company and to the non-controlling interests. Total comprehensive income of subsidiaries is attributed to the owners of the Company and to the non-controlling interests even if this results in the non-controlling interests having a deficit balance.

Where necessary, adjustments are made to the financial statements of subsidiaries to bring their accounting policies in line with the Group's accounting policies.

All intragroup assets and liabilities, equity, income, expenses and cash flows relating to transactions between members of the Group are eliminated in full on consolidation.

Non-controlling interests in subsidiaries are presented separately from the Group's equity therein, which represent present ownership interests entitling their holders to a proportionate share of net assets of the relevant subsidiaries upon liquidation.

Change in the Group's interests in existing subsidiaries

Changes in the Group's interests in subsidiaries that do not result in the Group losing control over the subsidiaries are accounted for as equity transactions. The carrying amounts of the Group's relevant components of equity and the non-controlling interests are adjusted to reflect the changes in their relative interests in the subsidiaries, including re-attribution of relevant reserves between the Group and the non-controlling interests according to the Group's and the non-controlling interests' proportionate interests.

Any difference between the amount by which the non-controlling interests are adjusted, and the fair value of the consideration paid or received is recognised directly in equity and attributed to owners of the Company.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Basis of consolidation (Continued)

Change in the Group's interests in existing subsidiaries (Continued)

When the Group loses control of a subsidiary, the assets and liabilities of that subsidiary and non-controlling interests (if any) are derecognised. A gain or loss is recognised in the profit or loss and is calculated as the difference between (i) the aggregate of the fair value of the consideration received and the fair value of any retained interest and (ii) the carrying amount of the assets (including goodwill), and liabilities of the subsidiary attributable to the owners of the Company. All amounts previously recognised in other comprehensive income in related to that subsidiary are accounted for as if the Group had directly disposed of the related assets or liabilities of the subsidiary (i.e., reclassified to profit or loss or transferred to another category of equity as specified/ permitted by applicable HKFRSs). The fair value of any investment retained in the former subsidiary at the date when control is lost is regarded as the fair value on initial recognition for subsequent accounting under HKFRS 9 Financial Instruments or, when applicable, the cost on initial recognition of an investment in an associate or a joint venture.

Business combinations or asset acquisitions

Optional concentration test

The Group can elect to apply an optional concentration test, on a transaction-by-transaction basis, that permits a simplified assessment of whether an acquired set of activities and assets is not a business. The concentration test is met if substantially all of the fair value of the gross assets acquired is concentrated in a single identifiable asset or group of similar identifiable assets. The gross assets under assessment exclude cash and cash equivalents, deferred tax assets, and goodwill resulting from the effects of deferred tax liabilities. If the concentration test is met, the set of activities and assets is determined not to be a business and no further assessment is needed.

Asset acquisitions

When the Group acquires a group of assets and liabilities that do not constitute a business, the Group identifies and recognises the individual identifiable assets acquired and liabilities assumed by allocating the purchase price first to financial assets/financial liabilities at the respective fair values, the remaining balance of the purchase price is then allocated to the other identifiable assets and liabilities on the basis of their relative fair values at the date of purchase. Such a transaction does not give rise to goodwill or bargain purchase gain.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations

A business is an integrated set of activities and assets which includes an input and a substantive process that together significantly contribute to the ability to create outputs. The acquired processes are considered substantive if they are critical to the ability to continue producing outputs, including an organised workforce with the necessary skills, knowledge, or experience to perform the related processes or they significantly contribute to the ability to continue producing outputs and are considered unique or scarce or cannot be replaced without significant cost, effort, or delay in the ability to continue producing outputs.

Acquisitions of businesses, other than business combination under common control, are accounted for using the acquisition method. The consideration transferred in a business combination is measured at fair value, which is calculated as the sum of the acquisition-date fair values of the assets transferred by the Group, liabilities incurred by the Group to the former owners of the acquiree and the equity interests issued by the Group in exchange for control of the acquiree. Acquisition-related costs are generally recognised in profit or loss as incurred.

For business combinations in which the acquisition date is on or after 1 January 2022, the identifiable assets acquired and liabilities assumed must meet the definitions of an asset and a liability in the Conceptual Framework for Financial Reporting 2018 issued in June 2018 (the "Conceptual Framework") except for transactions and events within the scope of HKAS 37 or HK(IFRIC)-Int 21, in which the Group applies HKAS 37 or HK(IFRIC)-Int 21 instead of the Conceptual Framework to identify the liabilities it has assumed in a business combination. Contingent assets are not recognised.

At the acquisition date, the identifiable assets acquired and the liabilities assumed are recognised at their fair value, except that:

- deferred tax assets or liabilities, and assets or liabilities related to employee benefit arrangements are recognised and measured in accordance with HKAS 12 *Income Taxes* and HKAS 19 *Employee Benefits* respectively;

- liabilities or equity instruments related to share-based payment arrangements of the acquiree or share-based payment arrangements of the Group entered into to replace share-based payment arrangements of the acquiree are measured in accordance with HKFRS 2 *Share-based Payment* at the acquisition date (see the accounting policy below);

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Business combinations or asset acquisitions (Continued)

Business combinations (Continued)

- assets (or disposal groups) that are classified as held for sale in accordance with HKFRS 5 *Non-current Assets Held for Sale and Discontinued Operations* are measured in accordance with that standard; and

- lease liabilities are recognised and measured at the present value of the remaining lease payments (as defined in HKFRS 16) as if the acquired leases were new leases at the acquisition date, except for leases for which (a) the lease term ends within 12 months of the acquisition date; or (b) the underlying asset is of low value. Right-of-use assets are recognised and measured at the same amount as the relevant lease liabilities, adjusted to reflect favourable or unfavourable terms of the lease when compared with market terms.

Goodwill is measured as the excess of the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree, and the fair value of the acquirer's previously held equity interest in the acquiree (if any) over the net amount of the identifiable assets acquired and the liabilities assumed as at acquisition date. If, after re-assessment, the net amount of the identifiable assets acquired and liabilities assumed exceeds the sum of the consideration transferred, the amount of any non-controlling interests in the acquiree and the fair value of the acquirer's previously held interest in the acquiree (if any), the excess is recognised immediately in profit or loss as a bargain purchase gain.

Non-controlling interests that are present ownership interests and entitle their holders to a proportionate share of the relevant subsidiary's net assets in the event of liquidation are initially measured at the non-controlling interests' proportionate share of the recognised amounts of the acquiree's identifiable net assets or at fair value. The choice of measurement basis is made on a transaction-by-transaction basis. Other types of non-controlling interests are measured at their fair value.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Merger accounting for business combination involving businesses under common control

The consolidated financial statements incorporate the financial statements items of the combining businesses in which the common control combination occurs as if they had been combined from the date when the combining or businesses first came under the control of the controlling party.

The net assets of the combining or businesses are consolidated using the existing book values from the controlling party's perspective. No amount is recognised in respect of goodwill or bargain purchase gain at the time of common control combination.

The consolidated statement of profit or loss and other comprehensive income includes the results of each of the combining entities or businesses from the earliest date presented or since the date when the combining or businesses first came under the common control, where this is a shorter period.

The comparative amounts in the consolidated financial statements are presented as if the businesses had been combined at the beginning of the previous reporting period or when they first came under common control, whichever is shorter.

Goodwill

Goodwill arising on an acquisition of a business is carried at cost as established at the date of acquisition of the business (see the accounting policy above) less accumulated impairment losses, if any.

For the purposes of impairment testing, goodwill is allocated to each of the Group's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination, which represent the lowest level at which the goodwill is monitored for internal management purpose and not larger than an operating segment.

A cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment annually or more frequently when there is indication that the unit may be impaired. For goodwill arising on an acquisition in a reporting period, the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated is tested for impairment before the end of that reporting period. If the recoverable amount is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit (or group of cash-generating units).

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Goodwill (Continued)

On disposal of the relevant cash-generating unit or any of the cash-generating unit within the group of cash generating units, the attributable amount of goodwill is included in the determination of the amount of profit or loss on disposal. When the Group disposes of an operation within the cash-generating unit (or a cash generating unit within a group of cash-generating units), the amount of goodwill disposed of is measured on the basis of the relative values of the operation (or the cash-generating unit) disposed of and the portion of the cash-generating unit (or the group of cash-generating units) retained.

The Group's policy for goodwill arising on the acquisition of associates and joint venture is described below.

Investments in associates and a joint venture

An associate is an entity over which the Group has significant influence. Significant influence is the power to participate in the financial and operating policy decisions of the investee but is not control or joint control over those policies.

A joint venture is a joint arrangement whereby the parties that have joint control of the arrangement have rights to the net assets of the joint arrangement. Joint control is the contractually agreed sharing of control of an arrangement, which exists only when decisions about the relevant activities require unanimous consent of the parties sharing control.

The results and assets and liabilities of associates and joint ventures are incorporated in these consolidated financial statements using the equity method of accounting. The financial statements of associates and joint ventures used for equity accounting purposes are prepared using uniform accounting policies as those of the Group for like transactions and events in similar circumstances. Under the equity method, an investment in an associate or a joint venture is initially recognised in the consolidated statement of financial position at cost and adjusted thereafter to recognise the Group's share of the profit or loss and other comprehensive income of the associate or joint venture. Changes in net assets of the associate/joint venture other than profit and loss and other comprehensive income are not accounted for unless such changes resulted in changes in ownership interest held by the Group. When the Group's share of losses of an associate or a joint venture exceeds the Group's interest in that associate or joint venture (which includes any long-term interests that, in substance, form part of the Group's net investment in the associate or joint venture), the Group discontinues recognising its share of further losses. Additional losses are recognised only to the extent that the Group has incurred legal or constructive obligations or made payments on behalf of the associate or joint venture.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and a joint venture (Continued)

An investment in an associate or a joint venture is accounted for using the equity method from the date on which the investee becomes an associate or a joint venture. On acquisition of the investment in an associate or a joint venture, any excess of the cost of the investment over the Group's share of the net fair value of the identifiable assets and liabilities of the investee is recognised as goodwill, which is included within the carrying amount of the investment. Any excess of the Group's share of the net fair value of the identifiable assets and liabilities over the cost of the investment, after reassessment, is recognised immediately in profit or loss in the period in which the investment is acquired.

The Group assesses whether there is an objective evidence that the interest in an associate or a joint venture may be impaired. When any objective evidence exists, the entire carrying amount of the investment (including goodwill) is tested for impairment in accordance with HKAS 36 as a single asset by comparing its recoverable amount (higher of value in use and fair value less costs of disposal) with its carrying amount. Any impairment loss recognised is not allocated to any asset, including goodwill, that forms part of the carrying amount of the investment. Any reversal of that impairment loss is recognised in accordance with HKAS 36 to the extent that the recoverable amount of the investment subsequently increases.

When the Group ceases to have significant influence over an associate or joint control over a joint venture, it is accounted for as a disposal of the entire interest in the investee with a resulting gain or loss being recognised in profit or loss.

Changes in the Group's interests in associates and joint ventures

The Group continues to use the equity method when an investment in an associate becomes an investment in a joint venture or an investment in a joint venture becomes an investment in an associate. There is no remeasurement to fair value upon such changes in ownership interests.

When the Group reduces its ownership interest in an associate or a joint venture but the Group continues to use the equity method, the Group reclassifies to profit or loss the proportion of the gain or loss that had previously been recognised in other comprehensive income relating to that reduction in ownership interest if that gain or loss would be reclassified to profit or loss on the disposal of the related assets or liabilities.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Investments in associates and a joint venture (Continued)

Changes in the Group's interests in associates and joint ventures (Continued)

Acquisition of additional interests in associates or joint ventures

When the Group increases its ownership interest in an associate or a joint venture but the Group continues to use the equity method, goodwill is recognised at acquisition date if there is excess of the consideration paid over the share of carrying amount of net assets attributable to the additional interests in associates or joint ventures acquired. Any excess of share of carrying amount of net assets attributable to the additional interests in associates or joint ventures acquired over the consideration paid are recognised in the profit or loss in the period in which the additional interest are acquired.

Revenue from contracts with customers

The Group recognises revenue when (or as) a performance obligation is satisfied, i.e. when "control" of the goods or services underlying the particular performance obligation is transferred to the customer.

A performance obligation represents a good or service (or a bundle of goods or services) that is distinct or a series of distinct goods or services that are substantially the same.

Control is transferred over time and revenue is recognised over time by reference to the progress towards complete satisfaction of the relevant performance obligation if one of the following criteria is met:

- the customer simultaneously receives and consumes the benefits provided by the Group's performance as the Group performs;

- the Group's performance creates or enhances an asset that the customer controls as the Group performs; or

- the Group's performance does not create an asset with an alternative use to the Group and the Group has an enforceable right to payment for performance completed to date.

Otherwise, revenue is recognised at a point in time when the customer obtains control of the distinct good or service.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

A contract asset represents the Group's right to consideration in exchange for goods or services that the Group has transferred to a customer that is not yet unconditional. It is assessed for impairment in accordance with HKFRS 9. In contrast, a receivable represents the Group's unconditional right to consideration, i.e. only the passage of time is required before payment of that consideration is due.

A contract liability represents the Group's obligation to transfer goods or services to a customer for which the Group has received consideration (or an amount of consideration is due) from the customer.

A contract asset and a contract liability relating to the same contract are accounted for and presented on a net basis.

Contracts with multiple performance obligations (including allocation of transaction price)

For contracts that contain more than one performance obligations, the Group allocates the transaction price to each performance obligation on a relative stand-alone selling price basis, except for the allocation of discounts and variable consideration.

The stand-alone selling price of the distinct good or service underlying each performance obligation is determined at contract inception. It represents the price at which the Group would sell a promised good or service separately to a customer. If a stand-alone selling price is not directly observable, the Group estimates it using appropriate techniques such that the transaction price ultimately allocated to any performance obligation reflects the amount of consideration to which the Group expects to be entitled in exchange for transferring the promised goods or services to the customer.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Over time revenue recognition: measurement of progress towards complete satisfaction of a performance obligation

Input method

The progress towards complete satisfaction of a performance obligation is measured based on input method, which is to recognise revenue on the basis of the Group's efforts or inputs to the satisfaction of a performance obligation relative to the total expected inputs to the satisfaction of that performance obligation, that best depict the Group's performance in transferring control of goods or services.

Variable consideration

For contracts that contain variable consideration, the Group estimates the amount of consideration to which it will be entitled using either (a) the expected value method or (b) the most likely amount, depending on which method better predicts the amount of consideration to which the Group will be entitled.

The estimated amount of variable consideration is included in the transaction price only to the extent that it is highly probable that such an inclusion will not result in a significant revenue reversal in the future when the uncertainty associated with the variable consideration is subsequently resolved.

At the end of each reporting period, the Group updates the estimated transaction price (including updating its assessment of whether an estimate of variable consideration is constrained) to represent faithfully the circumstances present at the end of the reporting period and the changes in circumstances during the reporting period.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Existence of significant financing component

In determining the transaction price, the Group adjusts the promised amount of consideration for the effects of the time value of money if the timing of payments agreed (either explicitly or implicitly) provides the customer or the Group with a significant benefit of financing the transfer of goods or services to the customer. In those circumstances, the contract contains a significant financing component. A significant financing component may exist regardless of whether the promise of financing is explicitly stated in the contract or implied by the payment terms agreed to by the parties to the contract.

For contracts where the period between payment and transfer of the associated goods or services is less than one year, the Group applies the practical expedient of not adjusting the transaction price for any significant financing component.

For advance payments received from customers before the transfer of the associated goods or services in which the Group adjusts for the promised amount of consideration for a significant financing component, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The relevant interest expenses during the period between the advance payments were received and the transfer of the associated goods and services are accounted for on the same basis as other borrowing costs.

For contracts where the Group transferred the associated goods or services before payments from customers in which the Group adjusts for the promised amount of consideration for significant financing components, the Group applies a discount rate that would be reflected in a separate financing transaction between the Group and the customer at contract inception. The Group recognises interest income during the period between the payment from customers and the transfer of the associated goods or services.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Revenue from contracts with customers (Continued)

Principal versus agent

When another party is involved in providing goods or services to a customer, the Group determines whether the nature of its promise is a performance obligation to provide the specified goods or services itself (i.e. the Group is a principal) or to arrange for those goods or services to be provided by the other party (i.e. the Group is an agent).

The Group is a principal if it controls the specified good or service before that good or service is transferred to a customer.

The Group is an agent if its performance obligation is to arrange for the provision of the specified good or service by another party. In this case, the Group does not control the specified good or service provided by another party before that good or service is transferred to the customer. When the Group acts as an agent, it recognises revenue in the amount of any fee or commission to which it expects to be entitled in exchange for arranging for the specified goods or services to be provided by the other party.

Property, plant and equipment

Property, plant and equipment are tangible assets that are held for use in the production or supply of goods or services, or for administrative purposes (other than properties under construction as described below), are stated in the consolidated statement of financial position at cost, less subsequent accumulated depreciation and subsequent accumulated impairment losses, if any.

Properties in the course of construction for production, supply or administrative purposes are carried at cost, less any recognised impairment loss. Costs include any costs directly attributable to bringing the asset to the location and condition necessary for it to be capable of operating in the manner intended by management and, for qualifying assets, borrowing costs capitalised in accordance with the Group's accounting policy. Depreciation of these assets, on the same basis as other property assets, commences when the assets are ready for their intended use.

Depreciation is recognised so as to write off the cost of assets (other than properties under construction) less their residual values over their estimated useful lives, using the straight-line method. The estimated useful lives, residual values and depreciation method are reviewed at the end of each reporting period, with the effect of any changes in estimate accounted for on a prospective basis.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Property, plant and equipment (Continued)

The estimated useful life and annual depreciation rate (except for construction in progress), after taking into account the residual value, adopted by the Group are set out below:

	Estimated useful life	Annual depreciation rate
Leasehold land and buildings	20 – 50 years	1.9% – 4.9%
Hotel	30 years	3.2%
Ancillary facilities	10 – 30 years	3.2% – 9%
Communication and signaling equipment	5 years	19.4%
Motor vehicles	5 – 8 years	12.1% – 19.4%
Machinery and equipment	5 – 8 years	12.1% – 19.4%

An item of property, plant and equipment is derecognised upon disposal or when no future economic benefits are expected to arise from the continued use of the asset. Any gain or loss arising on the disposal or retirement of an item of property, plant and equipment is determined as the difference between the sales proceeds and the carrying amount of the asset and is recognised in profit or loss.

Intangible assets

Intangible assets acquired separately

Intangible assets with finite useful lives that are acquired separately are carried at cost less accumulated amortisation and any accumulated impairment losses. Amortisation for intangible assets with finite useful lives is recognised on a straight-line basis over their estimated useful lives. The estimated useful life and amortisation method are reviewed at the end of each reporting period, with the effect of any changes in estimate being accounted for on a prospective basis. Intangible assets with indefinite useful lives that are acquired separately are carried at cost less any subsequent accumulated impairment losses.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Intangible assets (Continued)

Intangible assets acquired in a business combination

Intangible assets acquired in a business combination are recognised separately from goodwill are initially recognised at their fair value at the acquisition date (which is regarded as their cost).

Subsequent to initial recognition, intangible assets acquired in a business combination with finite useful lives are reported at cost less accumulated amortisation and any accumulated impairment losses, on the same basis as intangible assets that are acquired separately. Intangible assets with indefinite useful lives are carried at cost less any subsequent accumulated impairment losses.

An intangible asset is derecognised on disposal, or when no future economic benefits are expected from use or disposal. Gains and losses arising from derecognition of an intangible assets are measured at the difference between the net disposal proceeds and the carrying amount of the asset and are recognised in profit or loss in the period when the asset is derecognised.

Expressway operating rights under service concession arrangements

When the Group has a right to charge for usage of concession infrastructure, it recognises concession intangible assets based on fair value of the consideration paid upon initial recognition. Subsequent costs incurred on expressway widening projects and upgrading services are recognised as additional costs of the expressway operating rights. The concession intangible assets representing expressway operating rights are carried at cost less accumulated amortisation and any accumulated impairment losses, if any.

The concession intangible assets are amortised to write-off their cost over their expected useful lives in the remaining concession period on a straight-line basis.

Costs in relation to the day-to-day servicing, repairs and maintenance of the expressway infrastructures are recognised as expenses in the periods in which they are incurred.

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above)

At the end of each reporting period, the Group reviews the carrying amounts of its property, plant and equipment, right-of-use assets, and intangible assets with finite useful lives to determine whether there is any indication that those assets have suffered an impairment loss. If any such indication exists, the recoverable amount of the asset is estimated in order to determine the extent of the impairment loss (if any). Intangible assets with indefinite useful lives are tested for impairment at least annually, and whenever there is an indication that they may be impaired.

The recoverable amount of property, plant and equipment, right-of-use assets, and intangible assets are estimated individually, when it is not possible to estimate the recoverable amount of an individual asset individually, the Group estimates the recoverable amount of the cash-generating unit to which the asset belongs.

In testing a cash-generating unit for impairment, corporate assets are allocated to the relevant cash-generating unit when a reasonable and consistent basis of allocation can be established, or otherwise they are allocated to the smallest group of cash generating units for which a reasonable and consistent allocation basis can be established. The recoverable amount is determined for the cash-generating unit or group of cash-generating units to which the corporate asset belongs, and is compared with the carrying amount of the relevant cash-generating unit or group of cash-generating units.

Recoverable amount is the higher of fair value less costs of disposal and value in use. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset (or a cash-generating unit) for which the estimates of future cash flows have not been adjusted.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Impairment on property, plant and equipment, right-of-use assets and intangible assets other than goodwill (see the accounting policy in respect of goodwill above) (Continued)

If the recoverable amount of an asset (or a cash-generating unit) is estimated to be less than its carrying amount, the carrying amount of the asset (or the cash-generating unit) is reduced to its recoverable amount. For corporate assets or portion of corporate assets which cannot be allocated on a reasonable and consistent basis to a cash-generating unit, the Group compares the carrying amount of a group of cash-generating units, including the carrying amounts of the corporate assets or portion of corporate assets allocated to that group of cash-generating units, with the recoverable amount of the group of cash-generating units. In allocating the impairment loss, the impairment loss is allocated first to reduce the carrying amount of any goodwill (if applicable) and then to the other assets on a pro-rata basis based on the carrying amount of each asset in the unit or the group of cash-generating units. The carrying amount of an asset is not reduced below the highest of its fair value less costs of disposal (if measurable), its value in use (if determinable) and zero. The amount of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit or the group of cash-generating units. An impairment loss is recognised immediately in profit or loss.

Where an impairment loss subsequently reverses, the carrying amount of the asset (or cash-generating unit or a group of cash-generating units) is increased to the revised estimate of its recoverable amount, but so that the increased carrying amount does not exceed the carrying amount that would have been determined had no impairment loss been recognised for the asset (or a cash-generating unit or a group of cash-generating units) in prior years. A reversal of an impairment loss is recognised immediately in profit or loss.

Cash and cash equivalents

Cash and cash equivalents presented on the consolidated statement of financial position include:

(a) cash, which comprises of cash on hand and demand deposits, excluding bank balances that are subject to regulatory restrictions that result in such balances no longer meeting the definition of cash; and

(b) cash equivalents, which comprises of short-term (generally with original maturity of three months or less), highly liquid investments that are readily convertible to a known amount of cash and which are subject to an insignificant risk of changes in value. Cash equivalents are held for the purpose of meeting short-term cash commitments rather than for investment or other purposes.

For the purposes of the consolidated statement of cash flows, cash and cash equivalents consist of cash and cash equivalents as defined above.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Inventories

Inventories include properties held for sale, consumables and parts for toll road operation, maintenance and hotel service and those commodities held for sale arising from the securities business.

Inventories are stated at the lower of cost and net realisable value. Cost of properties held for sale includes the costs of land, development expenditure incurred and, where appropriate, borrowing costs capitalised. Costs of other inventories are calculated using the weighted average method. Net realisable value represents the estimated selling price for inventories less all estimated costs of completion and costs necessary to make the sale. Costs necessary to make the sale include incremental costs directly attributable to the sale and non-incremental costs which the Group must incur to make the sale.

Lease

Definition of a lease

A contract is, or contains, a lease if the contract conveys the right to control the use of an identified asset for a period of time in exchange for consideration.

For contracts entered into or modified on or after the date of initial application of HKFRS 16 or arising from business combinations, the Group assesses whether a contract is or contains a lease based on the definition under HKFRS 16 at inception, modification date or acquisition date, as appropriate. Such contract will not be reassessed unless the terms and conditions of the contract are subsequently changed.

The Group as lessee

Short-term leases and leases of low-value assets

The Group applies the short-term lease recognition exemption to leases of properties that have a lease term of 12 months or less from the commencement date and do not contain a purchase option. It also applies the recognition exemption for lease of low-value assets. Lease payments on short-term leases and leases of low-value assets are recognised as expense on a straight-line basis over the lease term.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease (Continued)

The Group as lessee (Continued)

Right-of-use assets

The cost of right-of-use asset includes:

- the amount of the initial measurement of the lease liability;
- any lease payments made at or before the commencement date, less any lease incentives received;
- any initial direct costs incurred by the Group; and
- an estimate of costs to be incurred by the Group in dismantling and removing the underlying assets, restoring the site on which it is located or restoring the underlying asset to the condition required by the terms and conditions of the lease, unless those costs are incurred to produce inventories.

Right-of-use assets are measured at cost, less any accumulated depreciation and impairment losses, and adjusted for any remeasurement of lease liabilities.

Right-of-use assets in which the Group is reasonably certain to obtain ownership of the underlying leased assets at the end of the lease term are depreciated from commencement date to the end of the useful life. Otherwise, right-of-use assets are depreciated on a straight-line basis over the shorter of its estimated useful life and the lease term.

The Group presents right-of-use assets as a separate line item on the consolidated statement of financial position.

Refundable rental deposits

Refundable rental deposits paid are accounted under HKFRS 9 *Financial Instruments* and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments and included in the cost of right-of-use assets.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease (Continued)

The Group as lessee (Continued)

Lease liabilities

At the commencement date of a lease, the Group recognises and measures the lease liability at the present value of lease payments that are unpaid at that date. In calculating the present value of lease payments, the Group uses the incremental borrowing rate at the lease commencement date if the interest rate implicit in the lease is not readily determinable.

The lease payments include:

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

Variable lease payments that reflect changes in market rental rates are initially measured using the market rental rates as at the commencement date. Variable lease payments that do not depend on an index or a rate are not included in the measurement of lease liabilities and right-of-use assets, and are recognised as expense in the period on which the event or condition that triggers the payment occurs.

After the commencement date, lease liabilities are adjusted by interest accretion and lease payments.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease (Continued)

The Group as lessee (Continued)

Lease liabilities (Continued)

The Group remeasures lease liabilities (and makes a corresponding adjustment to the related right-of-use assets) whenever:

- the lease term has changed or there is a change in the assessment of exercise of a purchase option, in which case the related lease liability is remeasured by discounting the revised lease payments using a revised discount rate at the date of reassessment.

- the lease payments change due to changes in market rental rates following a market rent review, in which cases the related lease liability is remeasured by discounting the revised lease payments using the initial discount rate.

The Group presents lease liabilities as a separate line item on the consolidated statement of financial position.

Lease modifications

The Group accounts for a lease modification as a separate lease if:

- the modification increases the scope of the lease by adding the right to use one or more underlying assets; and

- the consideration for the leases increases by an amount commensurate with the stand-alone price for the increase in scope and any appropriate adjustments to that stand-alone price to reflect the circumstances of the particular contract.

For a lease modification that is not accounted for as a separate lease, the Group remeasures the lease liability based on the lease term of the modified lease by discounting the revised lease payments using a revised discount rate at the effective date of the modification.

The Group accounts for the remeasurement of lease liabilities by making corresponding adjustments to the relevant right-of-use asset. When the modified contract contains a lease component and one or more additional lease or non-lease components, the Group allocates the consideration in the modified contract to each lease component on the basis of the relative stand-alone price of the lease component and the aggregate stand-alone price of the non-lease components.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease (Continued)

The Group as a lessor

Classification and measurement of leases

Leases for which the Group is a lessor are classified as finance or operating leases. Whenever the terms of the lease transfer substantially all the risks and rewards incidental to ownership of an underlying asset to the lessee, the contract is classified as a finance lease. All other leases are classified as operating leases.

Leases for which the Group is a lessor are all classified as operating leases for the reporting periods.

Rental income from operating leases is recognised in profit or loss on a straight-line basis over the term of the relevant lease. Initial direct costs incurred in negotiating and arranging an operating lease are added to the carrying amount of the leased asset, and such costs are recognised as an expense on a straight-line basis over the lease term. Variable lease payments for operating leases that depend on an index or a rate are estimated and included in the total lease payments to be recognised on a straight-line basis over the lease term. Variable lease payments that do not depend on an index or a rate are recognised as income when they arise.

Rental income which is derived from the Group's ordinary course of business is presented as other income.

Allocation of consideration to components of a contract

When a contract includes both leases and non-lease components, the Group applies HKFRS 15 *Revenue from Contracts with Customers* ("HKFRS 15") to allocate consideration in a contract to lease and non-lease components. Non-lease components are separated from lease component on the basis of their relative stand-alone selling prices.

Refundable rental deposits

Refundable rental deposits received are accounted for under HKFRS 9 and initially measured at fair value. Adjustments to fair value at initial recognition are considered as additional lease payments from lessees.

Lease modification

Changes in considerations of lease contracts that were not part of the original terms and conditions are accounted for as lease modifications, including lease incentives provided through forgiveness or reduction of rentals.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Lease (Continued)

The Group as a lessor (Continued)

Lease modification (Continued)

The Group accounts for a modification to an operating lease as a new lease from the effective date of the modification, considering any prepaid or accrued lease payments relating to the original lease as part of the lease payments for the new lease.

Foreign currencies

In preparing the financial statements of each individual group entity, transactions in currencies other than the functional currency of that entity (foreign currencies) are recognised at the rates of exchange prevailing at the dates of the transactions. At the end of the reporting period, monetary items denominated in foreign currencies are retranslated at the rates prevailing at that date.

Exchange differences arising on the settlement of monetary items, and on the retranslation of monetary items, are recognised in profit or loss in the period in which they arise.

For the purposes of presenting the consolidated financial statements, the assets and liabilities of the Group's operations are translated into the presentation currency of the Group (i.e. Rmb) using exchange rates prevailing at the end of each reporting period. Income and expenses items are translated at the average exchange rates for the period, unless exchange rates fluctuate significantly during the period, in which case the exchange rates at the date of transactions are used. Exchange differences arising, if any, are recognised in other comprehensive income and accumulated in equity under the heading of share of differences arising on translation (attributed to non-controlling interests as appropriate).

Borrowing costs

Borrowing costs directly attributable to the acquisition, construction or production of qualifying assets, which are assets that necessarily take a substantial period of time to get ready for their intended use or sale, are added to the cost of those assets, until such time as the assets are substantially ready for their intended use or sale.

Any specific borrowing that remain outstanding after the related asset is ready for its intended use or sale is included in the general borrowing pool for calculation of capitalisation rate on general borrowings. Investment income earned on the temporary investment of specific borrowings pending their expenditure on qualifying assets is deducted from the borrowing costs eligible for capitalisation.

All other borrowing costs are recognised in profit or loss in the period in which they are incurred.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Government grants

Government grants are not recognised until there is reasonable assurance that the Group will comply with the conditions attaching to them and that the grants will be received.

Government grants are recognised in profit or loss on a systematic basis over the periods in which the Group recognises as expenses the related costs for which the grants are intended to compensate. Specifically, government grants whose primary condition is that the Group should purchase, construct or otherwise acquire non-current assets are recognised as deferred income in the consolidated statement of financial position and transferred to profit or loss on a systematic and rational basis over the useful lives of the related assets.

Government grants related to income that are receivable as compensation for expenses or losses already incurred or for the purpose of giving immediate financial support to the Group with no future related costs are recognised in profit or loss in the period in which they become receivable. Such grants are presented under other income.

Retirement benefit costs

Payments to defined contribution retirement benefit plans are recognised as an expense when employees have rendered services entitling them to the contributions.

Termination benefits

A liability for a termination benefit is recognised at the earlier of when the Group entity can no longer withdraw the offer of the termination benefit and when it recognises any related restructuring costs.

Short-term employee benefits

Short-term employee benefits are recognised at the undiscounted amount of the benefits expected to be paid as and when employees rendered the services. All short-term employee benefits are recognised as an expense unless another HKFRS requires or permits the inclusion of the benefit in the cost of an asset.

A liability is recognised for benefits accruing to employees (such as wages and salaries, annual leave and sick leave) after deducting any amount already paid.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation

Income tax expense represents the sum of the tax currently payable and deferred tax.

The tax currently payable is based on taxable profit for the year. Taxable profit differs from profit before tax because of items of income or expense that are taxable or deductible in other years and items that are never taxable or deductible. The Group's liability for current tax is calculated using tax rates that have been enacted or substantively enacted by the end of the reporting period.

Deferred tax is recognised on temporary differences between the carrying amounts of assets and liabilities in the consolidated financial statements and the corresponding tax bases used in the computation of taxable profit. Deferred tax liabilities are generally recognised for all taxable temporary differences. Deferred tax assets are generally recognised for all deductible temporary differences to the extent that it is probable that taxable profits will be available against which those deductible temporary differences can be utilised. Such deferred tax assets and liabilities are not recognised if the temporary difference arises or from the initial recognition (other than in a business combination) of assets and liabilities in a transaction that affects neither the taxable profit nor the accounting profit. In addition, deferred tax liabilities are not recognised if the temporary difference arises from the initial recognition of goodwill.

Deferred tax liabilities are recognised for taxable temporary differences associated with investments in subsidiaries and interests in associates and a joint venture, except where the Group is able to control the reversal of the temporary difference and it is probable that the temporary difference will not reverse in the foreseeable future. Deferred tax assets arising from deductible temporary differences associated with such investments and interests are only recognised to the extent that it is probable that there will be sufficient taxable profits against which to utilise the benefits of the temporary differences and they are expected to reverse in the foreseeable future.

The carrying amount of deferred tax assets is reviewed at the end of the reporting period and reduced to the extent that it is no longer probable that sufficient taxable profits will be available to allow all or part of the asset to be recovered.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Taxation (Continued)

Deferred tax assets and liabilities are measured at the tax rates that are expected to apply in the period in which the liability is settled or the asset is realised, based on tax rate (and tax laws) that have been enacted or substantively enacted by the end of the reporting period.

The measurement of deferred tax liabilities and assets reflects the tax consequences that would follow from the manner in which the Group expects, at the end of the reporting period, to recover or settle the carrying amount of its assets and liabilities.

For the purposes of measuring deferred tax for leasing transactions in which the Group recognises the right-of-use assets and the related lease liabilities, the Group first determines whether the tax deductions are attributable to the right-of-use assets or the lease liabilities.

For leasing transactions in which the tax deductions are attributable to the lease liabilities, the Group applies HKAS 12 *Income Taxes* requirements to right-of-use assets and lease liabilities separately. Temporary differences on initial recognition of the relevant right-of-use assets and lease liabilities are not recognised due to application of the initial recognition exemption. Temporary differences arising from subsequent revision to the carrying amounts of right-of-use assets and lease liabilities, resulting from remeasurement of lease liabilities and lease modifications, that are not subject to initial recognition exemption are recognised on the date of remeasurement or modification.

Deferred tax assets and liabilities are offset when there is a legally enforceable right to set off current tax assets against current tax liabilities and when they relate to income taxes levied to the same taxation authority.

Current and deferred tax are recognised in profit or loss, except when they relate to items that are recognised in other comprehensive income or directly in equity, in which case, the current and deferred tax are also recognised in other comprehensive income or directly in equity respectively. Where current tax or deferred tax arises from the initial accounting for a business combination, the tax effect is included in the accounting for the business combination.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments

Financial assets and financial liabilities are recognised when a group entity becomes a party to the contractual provisions of the instrument. All regular way purchases or sales of financial assets are recognised and derecognised on a trade date. Regular way purchases or sales are purchases or sales of financial assets that require delivery of assets within the time frame established by regulation or convention in the market place.

Financial assets and financial liabilities are initially measured at fair value except for trade receivables arising from contracts with customers which are initially measured in accordance with HKFRS 15. Transaction costs that are directly attributable to the acquisition or issue of financial assets and financial liabilities (other than financial assets or financial liabilities at fair value through profit or loss ("FVTPL")) are added to or deducted from the fair value of the financial assets or financial liabilities, as appropriate, on initial recognition. Transaction costs directly attributable to the acquisition of financial assets or financial liabilities at FVTPL are recognised immediately in profit or loss.

The effective interest method is a method of calculating the amortised cost of a financial asset or financial liability and of allocating interest income and interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash receipts and payments (including all fees and points paid or received that form an integral part of the effective interest rate, transaction costs and other premiums or discounts) through the expected life of the financial asset or financial liability, or, where appropriate, a shorter period, to the net carrying amount on initial recognition.

Interest income which are derived from the Group's ordinary course of business are presented as revenue.

Financial assets

Classification and subsequent measurement of financial assets

Financial assets that meet the following conditions are subsequently measured at amortised cost:

- the financial asset is held within a business model whose objective is to collect contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

Notes to the Consolidated Financial Statements

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

Financial assets that meet the following conditions are subsequently measured at fair value through other comprehensive income ("FVTOCI"):

- the financial asset is held within a business model whose objective is achieved by both selling financial assets and collecting contractual cash flows; and

- the contractual terms give rise on specified dates to cash flows that are solely payments of principal and interest on the principal amount outstanding.

All other financial assets are subsequently measured at FVTPL, except that at the date of initial recognition of a financial asset the Group may irrevocably elect to present subsequent changes in fair value of an equity investment in other comprehensive income if that equity investment is neither held for trading nor contingent consideration recognised by an acquirer in a business combination to which HKFRS 3 *Business Combinations* applies.

A financial asset is held for trading if:

- it has been acquired principally for the purpose of selling in the near term; or

- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or

- it is a derivative that is not designated and effective as a hedging instrument.

In addition, the Group may irrevocably designate a financial asset that are required to be measured at the amortised cost as measured at FVTPL if doing so eliminates or significantly reduces an accounting mismatch.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Classification and subsequent measurement of financial assets (Continued)

(i) Amortised cost and interest income

Interest income is recognised using the effective interest method for financial assets measured subsequently at amortised cost. For financial instruments other than purchased or originated credit-impaired financial assets, interest income is calculated by applying the effective interest rate to the gross carrying amount of a financial asset, except for financial assets that have subsequently become credit-impaired (see below). For financial assets that have subsequently become credit-impaired, interest income is recognised by applying the effective interest rate to the amortised cost of the financial asset from the next reporting period. If the credit risk on the credit impaired financial instrument improves so that the financial asset is no longer credit-impaired, interest income is recognised by applying the effective interest rate to the gross carrying amount of the financial asset from the beginning of the reporting period following the determination that the asset is no longer credit-impaired.

(ii) Debt instruments/receivables classified as at FVTOCI

Subsequent changes in the carrying amounts for debt instruments/receivables classified as at FVTOCI as a result of interest income calculated using the effective interest method, and foreign exchange gains and losses are recognised in profit or loss. All other changes in the carrying amount of these debt instruments/receivables are recognised in other comprehensive income and accumulated under the heading of FVTOCI reserve. Impairment allowances are recognised in profit or loss with corresponding adjustment to other comprehensive income without reducing the carrying amounts of these debt instruments/receivables. When these debt instruments/receivables are derecognised, the cumulative gains or losses previously recognised in other comprehensive income are reclassified to profit or loss.

(iii) Financial assets at FVTPL

Financial assets that do not meet the criteria for being measured at amortised cost or FVTOCI or designated as FVTOCI are measured at FVTPL.

Financial assets at FVTPL are measured at fair value at the end of each reporting period, with any fair value gains or losses recognised in profit or loss. The net gain or loss recognised in profit or loss includes any dividend or interest earned on the financial asset and is included in the “securities investment gains” line item.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9

The Group performs impairment assessment under expected credit loss ("ECL") model on financial assets (including trade receivables, loans to customers arising from margin financing business, bank balances, clearing settlement fund, deposits and cash, pledged bank deposit, bank balances and clearing settlement fund held on behalf of customers, financial assets held under agreements and other receivables), which are subject to impairment under HKFRS 9. The amount of ECL is updated at each reporting date to reflect changes in credit risk since initial recognition.

Lifetime ECL represents the ECL that will result from all possible default events over the expected life of the relevant instrument. In contrast, 12-month ECL ("12m ECL") represents the portion of lifetime ECL that is expected to result from default events that are possible within 12 months after the reporting date. Assessments are done based on the Group's historical credit loss experience, adjusted for factors that are specific to the debtors, general economic conditions and an assessment of both the current conditions at the reporting date as well as the forecast of future conditions.

The Group always recognises lifetime ECL for trade receivables. The ECL on these assets are assessed collectively using a provision matrix with appropriate groupings.

For all other instruments, the Group measures the loss allowance equal to 12m ECL, unless when there has been a significant increase in credit risk since initial recognition, in which case the Group recognises lifetime ECL. The assessment of whether lifetime ECL should be recognised is based on significant increases in the likelihood or risk of a default occurring since initial recognition.

(i) Significant increase in credit risk

In assessing whether the credit risk has increased significantly since initial recognition, the Group compares the risk of a default occurring on the financial instrument as at the reporting date with the risk of a default occurring on the financial instrument as at the date of initial recognition. In making this assessment, the Group considers both quantitative and qualitative information that is reasonable and supportable, including historical experience and forward-looking information that is available without undue cost or effort.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

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

- an actual or expected significant deterioration in the financial instrument's external (if available) or internal credit rating;
- significant deterioration in external market indicators of credit risk, e.g. a significant increase in the credit spread, the credit default swap prices for the debtor;
- existing or forecast adverse changes in business, financial or economic conditions that are expected to cause a significant decrease in the debtor's ability to meet its debt obligations;
- an actual or expected significant deterioration in the operating results of the debtor;
- an actual or expected significant adverse change in the regulatory, economic, or technological environment of the debtor that results in a significant decrease in the debtor's ability to meet its debt obligations.

Irrespective of the outcome of the above assessment, the Group presumes that the credit risk has increased significantly since initial recognition when contractual payments are more than 30 days past due, unless the Group has reasonable and supportable information that demonstrates otherwise.

Despite the aforegoing, the Group assumes that the credit risk on a debt instrument has not increased significantly since initial recognition if the debt instrument is determined to have low credit risk at the reporting date. A debt instrument is determined to have low credit risk if i) it has a low risk of default, ii) the borrower has a strong capacity to meet its contractual cash flow obligations in the near term and iii) adverse changes in economic and business conditions in the longer term may, but will not necessarily, reduce the ability of the borrower to fulfil its contractual cash flow obligations. The Group considers a debt instrument to have low credit risk when it has an internal or external credit rating of 'investment grade' as per globally understood definitions.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(i) Significant increase in credit risk (Continued)

The Group regularly monitors the effectiveness of the criteria used to identify whether there has been a significant increase in credit risk and revises them as appropriate to ensure that the criteria are capable of identifying significant increase in credit risk before the amount becomes past due.

(ii) Definition of default

For internal credit risk management, the Group considers an event of default occurs when information developed internally or obtained from external sources indicates that the debtor is unlikely to pay its creditors, including the Group, in full (without taking into account any collaterals held by the Group).

Irrespective of the above, the Group considers that default has occurred when a financial asset is more than 90 days past due unless the Group has reasonable and supportable information to demonstrate that a more lagging default criterion is more appropriate.

(iii) Credit-impaired financial assets

A financial asset is credit-impaired when one or more events of default that have a detrimental impact on the estimated future cash flows of that financial asset have occurred. Evidence that a financial asset is credit impaired includes observable data about the following events:

(a) significant financial difficulty of the issuer or the borrower;

(b) a breach of contract, such as a default or past due event;

(c) the lender(s) of the borrower, for economic or contractual reasons relating to the borrower's financial difficulty, having granted to the borrower a concession(s) that the lender(s) would not otherwise consider;

(d) it is becoming probable that the borrower will enter bankruptcy or other financial reorganisation; or

(e) the disappearance of an active market for that financial asset because of financial difficulties; or

(f) the purchase or origination of a financial asset at a deep discount that reflects the incurred credit losses.

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(iv) Write-off policy

The Group writes off a financial asset when there is information indicating that the counterparty is in severe financial difficulty and there is no realistic prospect of recovery. Financial assets written off may still be subject to enforcement activities under the Group's recovery procedures, taking into account legal advice where appropriate. A write-off constitutes a derecognition event. Any subsequent recoveries are recognised in profit or loss.

(v) Measurement and recognition of ECL

The measurement of ECL is a function of the probability of default ("PD"), loss given default ("LGD") (i.e. the magnitude of the loss if there is a default) and the exposure at default ("EAD"). The assessment of the PD and LGD is based on historical data and forward-looking information. Estimation of ECL reflects an unbiased and probability-weighted amount that is determined with the respective risks of default occurring as the weights. The Group uses a practical expedient in estimating ECL on trade receivables using a provision matrix taking into consideration historical credit loss experience, adjusted for forward looking information that is available without undue cost or effort.

Generally, the ECL is the difference between all contractual cash flows that are due to the Group in accordance with the contract and the cash flows that the Group expects to receive, discounted at the effective interest rate determined at initial recognition.

For a financial guarantee contract, the Group is required to make payments only in the event of a default by the debtor in accordance with the terms of the instrument that is guaranteed. Accordingly, the ECL is the present value of the expected payments to reimburse the holder for a credit loss that it incurs less any amounts that the Group expects to receive from the holder, the debtor or any other party.

For ECL on financial guarantee contracts for which the effective interest rate cannot be determined, the Group will apply a discount rate that reflects the current market assessment of the time value of money and the risks that are specific to the cash flows but only if, and to the extent that, the risks are taken into account by adjusting the discount rate instead of adjusting the cash shortfalls being discounted.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Impairment of financial assets subject to impairment assessment under HKFRS 9 (Continued)

(v) Measurement and recognition of ECL (Continued)

Lifetime ECL for trade receivables and other receivables are considered on a collective basis taking into consideration past due information and relevant credit information such as forward looking macroeconomic information.

For collective assessment, the Group takes into consideration the following characteristics when formulating the grouping:

- Past-due status;
- Nature, size and industry of debtors; and
- External credit ratings where available.

The grouping is regularly reviewed by management to ensure the constituents of each group continue to share similar credit risk characteristics.

Interest income is calculated based on the gross carrying amount of the financial asset unless the financial asset is credit impaired, in which case interest income is calculated based on amortised cost of the financial asset.

Except for investments in debt instruments/receivables that are measured at FVTOCI and financial guarantee contracts, the Group recognises an impairment gain or loss in profit or loss for all financial instruments by adjusting their carrying amounts, with the exception of trade receivables, loans to customers arising from margin financing business, other receivables, financial assets held under resale agreements, pledged bank deposit, bank balances and clearing settlement fund held on behalf of customers, and bank balances, clearing settlement fund, deposits and cash where the corresponding adjustment is recognised through a loss allowance account. For investments in debt instruments that are measured at FVTOCI, the loss allowance is recognised in other comprehensive income and accumulated in the FVTOCI reserve without reducing the carrying amount of these debt instruments/receivables. Such amount represents the changes in the FVTOCI reserve in relation to accumulated loss allowance.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial assets (Continued)

Derecognition/modification of financial assets

The Group derecognises a financial asset only when the contractual rights to the cash flows from the asset expire, or when it transfers the financial asset and substantially all the risks and rewards of ownership of the asset to another entity. If the Group retains substantially all the risks and rewards of ownership of a transferred financial asset, the Group continues to recognise the financial asset and also recognises a collateralised borrowing for the proceeds received.

On derecognition of a financial asset measured at amortised cost, the difference between the asset's carrying amount and the sum of the consideration received and receivable is recognised in profit or loss.

A modification of a financial asset occurs if the contractual cash flows are renegotiated or otherwise modified.

When the contractual terms of a financial asset are modified, the Group assesses whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received, and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial asset, after reducing gross carrying amount that has been written off.

For non-substantial modifications of financial assets that do not result in derecognition, the carrying amount of the relevant financial assets will be calculated at the present value of the modified contractual cash flows discounted at the financial assets' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial assets and are amortised over the remaining term. Any adjustment to the carrying amount of the financial asset is recognised in profit or loss at the date of modification.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity

Classification as debt or equity

Debt and equity instruments are classified as either financial liabilities or as equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument.

Equity instruments

An equity instrument is any contract that evidences a residual interest in the assets of the Group after deducting all of its liabilities. Equity instruments issued by the Group are recognised at the proceeds received, net of direct issue costs.

Financial liabilities

All financial liabilities are subsequently measured at amortised cost using the effective interest method or at FVTPL.

Financial liabilities at FVTPL

Financial liabilities are classified as at FVTPL when the financial liability is (i) held for trading or (ii) it is designated as at FVTPL.

A financial liability is held for trading if:

- it has been acquired principally for the purpose of repurchasing it in the near term; or
- on initial recognition it is a part of a portfolio of identified financial instruments that the Group manages together and has a recent actual pattern of short-term profit-taking; or
- it is a derivative, except for a derivative that is a financial guarantee contract or a designated and effective hedging instrument.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial liabilities at FVTPL (Continued)

A financial liability other than a financial liability held for trading may be designated as at FVTPL upon initial recognition if:

- such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise; or

- the financial liability forms part of a group of financial assets or financial liabilities or both, which is managed and its performance is evaluated on a fair value basis, in accordance with the Group's documented risk management or investment strategy, and information about the grouping is provided internally on that basis; or

- it forms part of a contract containing one or more embedded derivatives, and HKFRS 9 permits the entire combined contract (asset or liability) to be designated as at FVTPL.

For financial liabilities that are designated as at FVTPL, the amount of change in the fair value of the financial liability that is attributable to changes in the credit risk of that liability is recognised in other comprehensive income, unless the recognition of the effects of changes in the liability's credit risk in other comprehensive income would create or enlarge an accounting mismatch in profit or loss. For financial liabilities that contain embedded derivatives, such as convertible bond, the changes in fair value of the embedded derivatives are excluded in determining the amount to be presented in other comprehensive income. Changes in fair value attributable to a financial liability's credit risk that are recognised in other comprehensive income are not subsequently reclassified to profit or loss; instead, they are transferred to retained profits upon derecognition of the financial liability.

Financial liabilities at amortised cost

Financial liabilities including accounts payable to customers arising from securities business, trade payables, other payables, dividends payable, bank and other borrowings, placements from other financial institutions, short-term financing note payable, financial assets sold under repurchase agreements, bonds payable and convertible bond are subsequently measured at amortised cost, using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Financial guarantee contracts

Financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payments when due in accordance with the terms of a debt instrument. Financial guarantee contract liabilities are measured initially at their fair values. It is subsequently measured at the higher of:

- the amount of the loss allowance determined in accordance with HKFRS 9; and
- the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Convertible bond contains debt and derivative components

A conversion option that will be settled other than by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Group's own equity instruments is a conversion option derivative.

At the date of issue, both the debt component and derivative components are recognised at fair value. In subsequent periods, the debt component of the Convertible Bond 2021 carried at amortised cost using the effective interest method. The derivative component is measured at fair value with changes in fair value recognised in profit and loss.

Transaction costs that relate to the issue of the convertible bond are allocated to the debt and derivative components in proportion to their relative fair values. Transactions costs relating to the derivative component are charged to profit or loss immediately. Transaction costs relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the convertible bond using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial liabilities and equity (Continued)

Convertible bond contains equity component

The component parts of the convertible bond are classified separately as financial liability and equity in accordance with the substance of the contractual arrangements and the definitions of a financial liability and an equity instrument. A conversion option that will be settled by the exchange of a fixed amount of cash or another financial asset for a fixed number of the Company's own equity instruments is an equity instrument.

At the date of issue, the fair value of the liability component (including any embedded non-equity derivatives features) is estimated by measuring the fair value of similar liability that does not have an associated equity component.

A conversion option classified as equity is determined by deducting the amount of the liability component from the fair value of the compound instrument as a whole. This is recognised and included in equity, net of income tax effects, and is not subsequently remeasured. In addition, the conversion option classified as equity will remain in equity until the conversion option is exercised, in which case, the balance recognised in equity will be transferred to share premium. In case of convertible bond issued by a subsidiary, the equity component of the subsidiary is classified as and grouped under non-controlling interests by the Group on consolidation. Where the conversion option remains unexercised at the maturity date of the convertible bond, the balance recognised in equity will be transferred to reserve. No gain or loss is recognised in profit or loss upon conversion or expiration of the conversion option.

Transaction costs that relate to the issue of the convertible bonds are allocated to the liability and equity components in proportion to the allocation of the gross proceeds. Transaction costs relating to the equity component are charged directly to equity. Transaction costs relating to the liability component are included in the carrying amount of the liability portion and amortised over the period of the convertible bonds using the effective interest method.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Derivative financial instruments

Derivatives are initially recognised at fair value at the date derivative contracts are entered into and are subsequently remeasured to their fair value at the end of each reporting period. The resulting gain or loss is recognised in profit or loss immediately, unless the derivative is designated and effective as a hedging instruments, in which event the timing of recognition in profit or loss depends on the nature of the hedge relationship.

Embedded derivatives

Derivatives embedded in hybrid contracts that contain financial asset hosts within the scope of HKFRS 9 are not separated. The entire hybrid contract is classified and subsequently measured in its entirety as either amortised cost or fair value as appropriate.

Derivatives embedded in non-derivative host contracts that are not financial assets within the scope of HKFRS 9 are treated as separate derivatives when they meet the definition of a derivative, their risks and characteristics are not closely related to those of the host contracts and the host contracts are not measured at FVTPL.

Generally, multiple embedded derivatives in a single instrument that are separated from the host contracts are treated as a single compound embedded derivative unless those derivatives relate to different risk exposures and are readily separable and independent of each other.

Financial assets held under resale agreements

Financial assets held under resale agreements where the Group acquires financial assets which will be resold at a predetermined price at a future date under resale agreements, the cash advanced by the Group is recognised as secured loans and receivables and presented as amounts held under resale agreements in the consolidated statement of financial position. The difference between the purchase and resale consideration is amortised over the period of the respective agreements using the effective interest method and is included in interest income.

Financial assets sold subject to agreements with a commitment to repurchase at a specific future date and price are not derecognised in the consolidated statement of financial position. The proceeds from selling such assets are presented under “financial assets sold under repurchase agreements” in the consolidated statement of financial position. The difference between the selling price and repurchasing price is recognised as interest expense during the term of the agreement using the effective interest method.

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Securities lending arrangement

The Group lends investment securities to clients and requires cash and/or equity securities from customers held as collaterals under such securities lending agreements. The cash collaterals arisen from these are included in "accounts payable to customers arising from securities business". For those securities held by the Group and lent to client that do not result in the derecognition of financial assets, they are included in financial assets at FVTPL.

Financial guarantee contracts

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the terms of a debt instrument. Financial guarantee contracts issued by the Group are initially measured at their fair values and are subsequently measured at the higher of:

(i) the amount of obligation under the contract, as determined in accordance with HKFRS 9; and

(ii) the amount initially recognised less, where appropriate, cumulative amortisation recognised over the guarantee period.

Derecognition/modification of financial liabilities

The Group derecognises financial liabilities when, and only when, the Group's obligations are discharged, cancelled or have expired. The difference between the carrying amount of the financial liability derecognised and the consideration paid and payable is recognised in profit or loss.

When the contractual terms of a financial liability are modified, the Group assess whether the revised terms result in a substantial modification from original terms taking into account all relevant facts and circumstances including qualitative factors. If qualitative assessment is not conclusive, the Group considers that the terms are substantially different if the discounted present value of the cash flows under the new terms, including any fees paid net of any fees received and discounted using the original effective interest rate, is at least 10 per cent different from the discounted present value of the remaining cash flows of the original financial liability. The above said fees include only those paid or received between the borrower and the lender, including fees paid or received by either the borrower or lender on the other's behalf. Accordingly, such exchange of debt instruments or modification of terms is accounted for as an extinguishment, any costs or fees incurred are recognised as part of the gain or loss on the extinguishment. The exchange or modification is considered as non-substantial modification when such difference is less than 10 per cent.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

4. SIGNIFICANT ACCOUNTING POLICIES (Continued)

Financial instruments (Continued)

Financial guarantee contracts (Continued)

For non-substantial modifications of financial liabilities that do not result in derecognition, the carrying amount of the relevant financial liabilities will be calculated at the present value of the modified contractual cash flows discounted at the financial liabilities' original effective interest rate. Transaction costs or fees incurred are adjusted to the carrying amount of the modified financial liabilities and are amortised over the remaining term. Any adjustment to the carrying amount of the financial liability is recognised in profit or loss at the date of modification.

Offsetting a financial asset and a financial liability

A financial asset and a financial liability are offset and the net amount presented in the consolidate statement of financial position when, and only when, the Group currently has a legally enforceable right to set off the recognized amounts; and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

Provisions

Provisions are recognised when the Group has a present obligation (legal or constructive) as a result of a past event, it is probable that the Group will be required to settle the obligation, and a reliable estimate can be made of the amount of the obligation.

The amount recognised as a provision is the best estimate of the consideration required to settle the present obligation at the end of the reporting period, taking into account the risks and uncertainties surrounding the obligation. When a provision is measured using the cash flows estimated to settle the present obligation, its carrying amount is the present value of those cash flows (where the effect of the time value of money is material).

When some or all of the economic benefits required to settle a provision are expected to be recovered from a third party, a receivable is recognised as an asset if it is virtually certain that reimbursement will be received and the amount of the receivable can be measured reliably.

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY

Critical judgements in applying accounting policies

The followings are the critical judgements, apart from those involving estimations (see below), that the Directors has made in the process of applying the Group's accounting policies and that have the most significant effect on the amounts recognised in the consolidated financial statements.

Determination of consolidation scope of structured entities

All facts and circumstances must be taken into consideration in the assessment of whether the Group, as a fund manager and/or an investor, controls a structured entity. The principle of control sets out the following three elements of control: (a) power over these entities; (b) exposure, or rights, to variable returns from involvement with these entities; and (c) the ability to use power over these entities to affect the amount of the investor's returns. The Group reassesses whether or not it controls a structured entity if facts and circumstances indicate that there are changes to one or more of the three elements of control listed above.

For collective asset management schemes and investment funds where the Group involves as a manager and/or an investor, the Group considers the scope of its decision-making authority and assesses whether the combination of investments it holds, if any, together with its remuneration and credit enhancements creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates that the Group is a principal. The collective asset management schemes and investment funds are consolidated if the Group acts in the role of principal.

For asset-backed special program ("ABS Program") where the Group involves as an investor while providing operational service in relation to the underlying assets. In the evaluation of whether the Group has power over the ABS Program, the following factors are taken into consideration: (a) the relevant activities of the ABS Program and decision-making process to direct them; (b) the scope of the Group's decision-making authority, in terms of the Group's share percentage within subordinated class of the ABS Program, responsibilities for the daily operation of the underlying assets pursuant to an operation service agreement, and other rights and responsibilities in relation to the ABS Program; (c) substantive rights exercisable by other parties in the ABS Program. Besides, in the evaluation of variable returns from involvement with the ABS Program, the Group mainly considers its level of rewards and risks exposed, including the investment return of the subordinated class, service rewards and commitment from the operational service provided in relation to the underlying assets and other commitments.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty

The following are the key assumptions concerning the future, and other key sources of estimation uncertainty at the end of the reporting period that have a significant risk of causing a material adjustment to the carrying amounts of assets within the next financial year.

Impairment of goodwill

Determining whether goodwill is impaired requires an estimation of the recoverable amount use of the cash-generating units (or group of cash-generating units) to which goodwill has been allocated, which is the higher of the value in use or fair value less cost of disposal. The value in use calculation requires the Group to estimate the future cash flows expected to arise from the cash-generating unit (or a group of cash-generating units) and a suitable discount rate in order to calculate the present value. Where the actual future cash flows are less than expected, or change in facts and circumstances which results in downward revision of future cash flows or upward revision of discount rate, an impairment loss may arise.

As at December 31, 2022, the carrying amount of goodwill is Rmb86,867,000 (without accumulated impairment loss) (2021: Rmb86,867,000 (without accumulated impairment loss)). Details of the impairment testing are disclosed in Note 23.

Measurement of ECL for loans to customers arising from margin financing business and financial assets held under resale agreements

The Group estimates the amount of loss allowance for ECL on its loans to customers arising from margin financing business and financial assets held under resale agreements. Asset's carrying amount and the present value of estimated future cash flows with the consideration of expected future credit loss are taken into account for determining the loss allowance amount. The assessment of the credit risk of loans to customers arising from margin financing business and financial assets held under resale agreements involves high degree of estimation and uncertainty. When the actual future cash flows are less than expected or more than expected, a material impairment loss or a material reversal of impairment loss may arise, accordingly.

The following significant judgements and estimations are required in applying the accounting requirements for measuring the ECL:

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Measurement of ECL for loans to customers arising from margin financing business and financial assets held under resale agreements (Continued)

Significant increase of credit risk

ECL are measured as an allowance equal to 12-month ECL for stage 1 assets, or lifetime ECL assets for stage 2 or stage 3 assets. An asset moves to stage 2 when its credit risk has increased significantly since initial recognition. In assessing whether the credit risk of an asset has significantly increased, the Group takes into account qualitative and quantitative reasonable and supportable forward-looking information. Refer to Note 53 for more details.

Establishing groups of assets with similar credit risk characteristics

When ECLs are measured on a collective basis, the financial instruments are grouped on the basis of shared risk characteristics. Refer to Note 53 for details of the characteristics considered in this judgement. The Group monitors the appropriateness of the credit risk characteristics on an ongoing basis to assess whether they continue to be similar. This is required in order to ensure that should credit risk characteristics change there is appropriate re-segmentation of the assets. This may result in new portfolios being created or assets moving to an existing portfolio that better reflects the similar credit risk characteristics of that group of assets. Assets move from 12-month to lifetime ECLs when there is a significant increase in credit risk, but it can also occur within portfolios that continue to be measured on the same basis of 12-month or lifetime ECLs but the amount of ECL changes because the credit risk of the portfolios differ.

Models and assumptions used

The Group uses various models and assumptions in measuring fair value of financial assets as well as in estimating ECL. Judgement is applied in identifying the most appropriate model for each type of assets, as well as for determining the assumptions used in these models, including assumptions that relate to key drivers of credit risk. Refer to Note 53(b) for more details on ECL and Note 53(c) for more details on ECL measurement.

Forward-looking information

When measuring ECL the Group uses reasonable and supportable forward-looking information, which is based on assumptions for the future movement of different economic drivers and how these drivers will affect each other. Refer to Note 53(b) for more details.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

5. CRITICAL ACCOUNTING JUDGEMENT AND KEY SOURCES OF ESTIMATION UNCERTAINTY (Continued)

Key sources of estimation uncertainty (Continued)

Measurement of ECL for loans to customers arising from margin financing business and financial assets held under resale agreements (Continued)

PD

PD constitutes a key input in measuring ECL. PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions.

LGD

LGD is an estimate of the loss arising on default. It is based on the difference between the contractual cash flows due and those that the lender would expect to receive, taking into account cash flows from collateral and integral credit enhancements.

Fair value measurements and valuation processes

Some of the Group's assets and liabilities are measured at fair value for financial reporting purposes. The board of directors of the Group has set up a valuation team, which is headed up by the Chief Financial Officer of the Group, to determine the appropriate valuation techniques and inputs for fair value measurements.

The Group uses various valuation techniques to determine the fair value of financial instruments which are not quoted in an active market. Valuation techniques include the use of discounted cash flows analysis, models or other valuation methods as appropriate. To the extent practical, models use only observable data; however areas such as credit risk of the Group and the counterparty, volatilities and correlations require management to make estimates. Changes in assumptions about these factors could affect the estimated fair value of financial instruments.

6. REVENUE

(i) Disaggregation of revenue from contracts with customers

Segments	Year ended 12/31/2022 Toll operation Rmb'000	Year ended 12/31/2022 Securities operation Rmb'000	Year ended 12/31/2022 Others Rmb'000	Year ended 12/31/2021 Toll operation Rmb'000	Year ended 12/31/2021 Securities operation Rmb'000	Year ended 12/31/2021 Others Rmb'000
Types of goods or services						
Toll operation	8,660,333	–	–	9,607,199	–	–
Securities operation						
Asset management services	–	420,826	–	–	380,141	–
Securities and futures commission	–	2,490,292	–	–	2,691,159	–
Investment banking services	–	778,829	–	–	1,084,363	–
	–	3,689,947	–	–	4,155,663	–
Others						
Hotel operating and catering services	–	–	88,143	–	–	113,526
Revenue from PPP project	–	–	69,871	–	–	138,852
	–	–	158,014	–	–	252,378
Total	8,660,333	3,689,947	158,014	9,607,199	4,155,663	252,378
Timing of revenue recognition						
A point in time	8,660,333	3,689,947	88,143	9,607,199	4,155,663	113,526
Over time	–	–	69,871	–	–	138,852
Total	8,660,333	3,689,947	158,014	9,607,199	4,155,663	252,378

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

6. REVENUE (Continued)

(i) Disaggregation of revenue from contracts with customers (Continued)

Set out below is the reconciliation of the revenue from contracts with customers with the amounts disclosed in the segment information.

	Year ended 12/31/2022 Rmb'000	Year ended 12/31/2021 Rmb'000
Toll operation	8,660,333	9,607,199
Securities operation	3,689,947	4,155,663
Others	158,014	252,378
Revenue from contracts with customers	12,508,294	14,015,240
Interest under effective interest method	2,390,436	2,247,361
Total revenue	14,898,730	16,262,601

(ii) Performance obligations for contracts with customers

Toll operation

Revenue arising from toll operation is recognised at a point in time when the vehicles exit the toll expressway, of which the Group operates part or all of it.

The revenue from toll operation is based on the toll rates determined by government authorities. It is settled by government agencies on a monthly basis.

Hotel operation and catering services

In respect of hotel operation and catering services, the Group recognises the revenue at a point in time when the services are provided.

High grade road construction service

The Group provides high grade road construction service to a customer. Such service is recognised as a performance obligation satisfied over time as the Group creates or enhances an asset that the customer controls as the asset is created or enhanced. By reference to completion of the transaction assessed on the basis of the actual costs incurred up to the end of year as a percentage of total estimated costs for the contract, revenue is recognised for the construction service based on the stage of completion of the contract using the input method.

The Group's construction contract includes payment schedules which require stage payments over the operation period of 10 years after the construction is completed.

6. REVENUE (Continued)

(ii) Performance obligations for contracts with customers (Continued)

Asset management services

The Group provides asset management services in respect of wealth management products, and is entitled to management fees of these products for its services rendered to customers. Performance obligation is satisfied over the term of respective wealth management products. Management fees of wealth management products are recognised to the extent that it is highly probable that such recognition will not result in a significant revenue reversal in the future when the uncertainty associated with the quantum of management fees is subsequently resolved. Therefore, in practice the variable management fees can only be recognised upon dividend distribution, withdrawal of investors or liquidation of products.

Most contracts with customers have original expected duration of less than one year and therefore information about their remaining performance obligations is not disclosed.

Securities brokerage services

Commission and fee income arising from securities brokerage services is recognised at a point in time when the service is provided and performance obligation is satisfied when the brokerage of customers' securities, futures or options contracts dealing is completed. Fees are usually received shortly after the service is provided.

Investment banking services

The Group provides financial advisory services to its customers. The Group recognises the revenue at a point in time when the services are provided. They are usually collected within one month when they become due.

The Group provides sponsoring and underwriting services to its customers for issue of equity or debt instruments to investors. Performance obligation is satisfied when the issue of these equity or debt instruments are completed. Sponsoring and underwriting fees became due when certain milestones are met during the issue process and at completion of the issues. They are usually collected within one month when they become due.

(iii) Transaction price allocated to the remaining performance obligation for contracts with customers

There is no material unsatisfied or partially unsatisfied remaining performance obligations as at December 31, 2022.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

7. OPERATING SEGMENTS

Information reported to the General Manager of the Company, being the chief operating decision maker, for the purposes of resource allocation and assessment of segment performance focuses on types of goods or services delivered or provided.

Specifically, the Group's reportable and operating segments under HKFRS 8 are as follows:

(i) Toll operation - the operation and management of high grade roads and the collection of the expressway tolls.

(ii) Securities operation - the securities and future broking, margin financing and securities lending, securities underwriting and sponsorship, asset management, advisory services and proprietary trading.

(iii) Others - hotel operation, high grade road construction, investment in other financial institutions and other ancillary services.

Segment revenue and results

The following is an analysis of the Group's revenue and results by reportable and operating segment:

For the year ended December 31, 2022

	Toll operation Rmb'000	Securities operation Rmb'000	Others Rmb'000	Total Rmb'000
Revenue – external customers	8,660,333	6,080,383	158,014	14,898,730
Segment profit	4,041,889	1,709,964	751,357	6,503,210

7. OPERATING SEGMENTS (Continued)

Segment revenue and results (Continued)

For the year ended December 31, 2021

	Toll operation Rmb'000	Securities operation Rmb'000	Others Rmb'000	Total Rmb'000
Revenue – external customers	9,607,199	6,403,024	252,378	16,262,601
Segment profit	3,194,046	2,372,970	723,148	6,290,164

The accounting policies of the operating segments are the same as the Group's accounting policies described in Note 4. Segment profit represents the profit after tax of each operating segment. This is the measure reported to the chief operating decision maker for the purposes of resource allocation and performance assessment.

Segment assets and liabilities

The following is an analysis of the Group's assets and liabilities by reportable and operating segment:

	Segment assets		Segment liabilities	
	12/31/2022 Rmb'000	12/31/2021 Rmb'000	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Toll operation	39,363,170	41,373,465	(25,795,642)	(29,592,173)
Securities operation	137,584,981	125,941,428	(109,660,591)	(101,422,949)
Others	9,370,506	8,894,922	(739,629)	(858,535)
Total segment assets (liabilities)	186,318,657	176,209,815	(136,195,862)	(131,873,657)
Goodwill	86,867	86,867	–	–
Consolidated assets (liabilities)	186,405,524	176,296,682	(136,195,862)	(131,873,657)

Segment assets and segment liabilities represent the assets and liabilities of the subsidiaries operating in the respective reportable and operating segment.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

7. OPERATING SEGMENTS (Continued)

Other segment information

Amounts included in the measure of segment profit/loss or segment assets:

For the year ended December 31, 2022

	Toll operation Rmb'000	Securities operation Rmb'000	Others Rmb'000	Total Rmb'000
Income tax expense	638,475	395,486	5,090	1,039,051
Interest income from financial institutions	141,652	–	706	142,358
Interest expenses	912,896	828,543	28,569	1,770,008
Impairment losses on loan to customers arising from margin financing business, recognised in profit	–	(1,521)	–	(1,521)
Impairment losses on trade receivables, net of reversal	11	1,352	101	1,464
Interests in associates	2,267,377	668,480	7,123,784	10,059,641
Interest in a joint venture	440,345	–	–	440,345
Share of profit of associates	46,135	(30,138)	736,089	752,086
Share of profit of a joint venture	49,771	–	–	49,771
Net gains arising from financial assets at FVTPL	–	744,503	–	744,503
Gain on changes in fair value in respect of the derivative component of convertible bond	31,951	–	–	31,951
Additions to non-current assets (Note)	1,444,064	285,226	30,771	1,760,061
Depreciation and amortisation	3,053,188	295,510	36,292	3,384,990
Gain on disposal of a subsidiary	1,881,262	–	–	1,881,262

7. OPERATING SEGMENTS (Continued)

Other segment information (Continued)

For the year ended December 31, 2021

	Toll operation Rmb'000	Securities operation Rmb'000	Others Rmb'000	Total Rmb'000
Income tax expense	1,152,881	718,789	2,291	1,873,961
Interest income from financial institutions	118,247	–	780	119,027
Interest expenses	981,865	928,099	32,569	1,942,533
Impairment losses on loan to customers arising from margin financing business, recognised in profit	–	13,157	–	13,157
Impairment losses on trade receivables, net of reversal	32	(955)	(26)	(949)
Interests in associates	2,362,130	739,761	6,573,155	9,675,046
Interest in a joint venture	440,574	–	–	440,574
Share of profit of associates	56,667	193,133	716,275	966,075
Share of profit of a joint venture	56,249	–	–	56,249
Net gains arising from financial assets at FVTPL	–	1,819,868	–	1,819,868
Gain on changes in fair value in respect of the derivative component of convertible bond	27,453	–	–	27,453
Additions to non-current assets (Note)	6,409,180	503,291	44,056	6,956,527
Depreciation and amortisation	2,918,751	263,107	36,607	3,218,465

Note: Non-current assets excluded financial instruments and deferred tax assets.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

7. OPERATING SEGMENTS (Continued)

Revenue from major services

An analysis of the Group's revenue, net of discounts and taxes, for the year is as follows:

	Year ended 12/31/2022 Rmb'000	Year ended 12/31/2021 Rmb'000
Toll operation revenue	8,660,333	9,607,199
Commission and fee income from securities operation	3,689,947	4,155,663
Interest income from securities operation	2,390,436	2,247,361
Hotel and catering revenue	88,143	113,526
Revenue from PPP project	69,871	138,852
	14,898,730	16,262,601

Geographical information

The Group's operations are located in the PRC. The Group's non-current assets are mainly located in the PRC (country of domicile).

All of the Group's revenue from external customers is attributed to the Group entities' country of domicile (i.e. the PRC).

Information about major customers

During the years ended December 31, 2022 and 2021, there was no individual customer with sales over 10% of the total revenue of the Group.

8. SECURITIES INVESTMENT GAINS

	Year ended 12/31/2022 Rmb'000	Year ended 12/31/2021 Rmb'000
Net gains arising from financial assets at FVTPL	744,503	1,819,868
Net gains arising from derivative financial instruments	(4,770)	184,225
Net losses arising from financial liabilities at FVTPL	(59,999)	(168,530)
	679,734	1,835,563

9. OTHER INCOME AND GAINS AND LOSSES

	Year ended 12/31/2022 Rmb'000	Year ended 12/31/2021 Rmb'000
Interest income from financial institutions	142,358	119,027
Rental income (Note i)	70,875	89,441
Gain on changes in fair value in respect of the derivative component of convertible bond	31,951	27,453
Gain on disposal of associates	–	5,521
Exchange (losses)/gains, net	(229,412)	231,659
(Losses)/gains on commodity trading, net (Note ii)	(37,237)	43,716
Management fee income	13,777	15,524
Government subsidy	72,031	51,155
Gain/(losses) arising from deemed disposal of associates	22,062	(46,705)
Gain on disposal of assets	7,333	73,460
Gain on disposal of a subsidiary (Note iii)	1,881,262	–
Others	118,933	122,820
	2,093,933	733,071

Notes:

(i) Rental income included contingent rent of Rmb1,175,000 (2021: Rmb1,363,000) recognised during the year.

(ii) The income on commodity trading amounted to Rmb11,616,371,000 (2021: Rmb9,752,811,000) with the cost of Rmb11,653,608,000 (2021: Rmb9,709,095,000). The net gains or losses on commodity trading is presented as other income and gains and losses. And the balance of inventories on commodity trading amounted to Rmb603,909,000 (2021: Rmb369,268,000) as of December 31, 2022.

(iii) With reference to Note 50, as Shenjiahuhang Expressway ceased to be a subsidiary of the Group on December 2, 2022, the difference between the net assets on that date and the consideration received was recognized as gain on disposal of a subsidiary.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

10. IMPAIRMENT LOSSES UNDER EXPECTED CREDIT LOSS MODEL, NET OF REVERSAL

	Year ended 12/31/2022 Rmb'000	Year ended 12/31/2021 Rmb'000
Impairment losses on financial assets and contract assets reversed:		
Trade receivables - goods and services	1,464	(949)
Other receivables	19,925	(5,868)
Loans to customers arising from margin financing business	(1,521)	13,157
Financial assets held under resale agreements	(9,234)	(71,731)
Debt instruments at FVTOCI	1,108	–
	11,742	(65,391)

11. FINANCE COSTS

	Year ended 12/31/2022 Rmb'000	Year ended 12/31/2021 Rmb'000
Bank and other borrowings	751,746	802,508
Short-term financing note payable	103,977	183,939
Bonds payable	767,335	875,273
Convertible Bonds	123,880	57,294
Lease liabilities	23,070	23,519
	1,770,008	1,942,533

12. PROFIT BEFORE TAX

The Group's profit before tax has been arrived at after charging:

	Year ended 12/31/2022 Rmb'000	Year ended 12/31/2021 Rmb'000
Depreciation of property, plant and equipment (included in operating costs and administrative expenses)	554,686	508,183
Depreciation of right-of-use assets	133,805	92,484
Amortisation of expressway operating rights (included in operating costs)	2,621,008	2,550,036
Amortisation of other intangible assets (included in operating costs and administrative expenses)	75,491	67,762
Total depreciation and amortisation	3,384,990	3,218,465
Staff costs (including directors and supervisors):		
– Wages, salaries and bonuses	2,744,774	3,382,037
– Pension scheme contributions	259,209	263,913
	3,003,983	3,645,950
Auditors' remuneration	10,652	11,402
Loss on disposal of property, plant and equipment	1,436	6,433
Allowance for write-down of inventories	6,898	7,000

13. INCOME TAX EXPENSE

	Year ended 12/31/2022 Rmb'000	Year ended 12/31/2021 Rmb'000
Current tax:		
PRC Enterprise Income Tax ("EIT")	1,081,139	1,810,332
Deferred tax (Note 46)	(42,088)	63,629
	1,039,051	1,873,961

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13. INCOME TAX EXPENSE (Continued)

Under the Law of the PRC on EIT and Implementation Regulation of the EIT Law, the tax rate of the PRC subsidiaries is 25%.

No Hong Kong Profits Tax has been provided as the Group has no estimated assessable profit in Hong Kong for both years.

The income tax expense for the year can be reconciled to the profit before tax per the consolidated statement of profit or loss and other comprehensive income as follows:

	Year ended 12/31/2022 Rmb'000	Year ended 12/31/2021 Rmb'000
Profit before tax	7,542,261	8,164,125
Tax at the PRC EIT rate of 25% (2021: 25%)	1,885,565	2,041,031
Tax effect of share of profit of associates	(188,022)	(241,519)
Tax effect of share of profit of a joint venture	(12,443)	(14,062)
Tax effect of tax losses not recognised	62,392	73,392
Utilisation of unused tax loss previously not recognised	(122,620)	(22,699)
Tax effect of expenses not deductible for tax purposes	34,454	101,233
Tax effect of income not subjected to tax purposes	(620,275)	(63,415)
Income tax expense for the year	1,039,051	1,873,961

14. DIRECTORS’, SUPERVISORS’ AND SENIOR MANAGEMENTS’ EMOLUMENTS

The emoluments paid or payable to each of the 10 (2021: 11) directors and 5 (2021: 6) supervisors are as follows:

	Yu Zhihong@ Rmb’000	Chen Ninghui@ Rmb’000	Luo Jianhu@ Rmb’000 (Note ii)	Yuan Yingjie@ Rmb’000 (Note iii)	Dai Benmeng^ Rmb’000 (Note iv)	Yang Xudong^ Rmb’000 (Note i)	Fan Ye^ Rmb’000	Jin Chaoyang^ Rmb’000 (Note v)	Huang Jianzhang^ Rmb’000 (Note vi)	Pei Ker-wei* Rmb’000	Lee Wai Tsang* Rmb’000	Chen Bin* Rmb’000	Zheng Ruchun# Rmb’000	He Meiyun# Rmb’000	Zhan Huagang# Rmb’000 (Note iv)	Wu Qingwang# Rmb’000	Wang Yubing# Rmb’000	Lu Xinghai# Rmb’000 (Note vi)	Total Rmb’000
2022																			
Fees																			
Salaries, allowances and benefits in kind	–	420	–	210	–	–	–	–	–	–	–	–	–	9	–	6	–	–	645
Bonuses paid and payable	–	716	–	443	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,159
Pension scheme contributions	–	37	–	19	–	–	–	–	–	–	–	–	–	–	–	–	–	–	56
Directors’ fee	–	–	–	–	–	–	–	–	–	223	223	81	–	–	–	–	–	–	527
Total emoluments	–	1,173	–	672	–	–	–	–	–	223	223	81	–	9	–	6	–	–	2,387
2021																			
Fees																			
Salaries, allowances and benefits in kind	–	506	250	280	–	–	–	–	–	–	–	–	–	9	–	4	–	–	1,049
Bonuses paid and payable	–	543	455	70	–	–	–	–	–	–	–	–	–	–	–	–	–	–	1,068
Pension scheme contributions	–	33	14	19	–	–	–	–	–	–	–	–	–	–	–	–	–	–	66
Directors’ fee	–	–	–	–	–	–	–	–	–	204	204	82	–	–	–	–	–	–	490
Total emoluments	–	1,082	719	369	–	–	–	–	–	204	204	82	–	9	–	4	–	–	2,673

@ Executive directors. The emoluments shown above were for their services in connection with the management of the affairs of the Company and the Group.

^ Non-executive directors. The emoluments shown above were for their services as directors of the Company or its subsidiaries.

* Independent non-executive directors. The emoluments shown above were for their services as directors of the Company.

Supervisors. The emoluments shown above were for their services as supervisors of the Company.

Notes:

(i) Appointed on December 22, 2022.

(ii) Resigned on May 19, 2021.

(iii) Mr. Yuan Yingjie was appointed as the executive director on July 1, 2021.

(iv) Resigned on July 1, 2021.

(v) Appointed on July 1,2021; Resigned on December 22,2022

(vi) Appointed on July 1,2021;

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14. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENTS' EMOLUMENTS (Continued)

Bonuses paid to directors and supervisors are performance-rated and are determined by the Remuneration Committee of the Company, which comprises three independent non-executive directors. No directors or supervisors waived any emoluments and no incentive was paid to any directors or supervisors as an inducement to join the Company and no compensation for loss of office was paid to any directors, supervisors, past directors or past supervisors during both years.

The emoluments paid or payable to each of the other 8 (2021: 7) senior managements are as follows:

	Zheng Hui Rmb'000	Zhang Xiuhua Rmb'000	Wang Bingjiong Rmb'000	Li Wei Rmb'000	Wu Xiangyang Rmb'000	Ruan Liya Rmb'000	Ma Ting Rmb'000 (Note ii)	Zhao Dongquan Rmb'000 (Note i)	Total Rmb'000
Year ended December 31, 2022									
Salaries, allowances and benefits in kind	357	357	357	357	357	357	357	213	2,712
Bonuses paid and payable	559	668	614	804	614	757	325	–	4,341
Pension scheme contributions	37	37	37	37	37	37	37	16	275
Total emoluments	953	1,062	1,008	1,198	1,008	1,151	719	229	7,328
Year ended December 31, 2021									
Salaries, allowances and benefits in kind	430	430	430	430	430	430	80	–	2,660
Bonuses paid and payable	415	468	415	191	178	232	5	–	1,904
Pension scheme contributions	33	33	33	33	33	33	6	–	204
Total emoluments	878	931	878	654	641	695	91	–	4,768

Notes:

(i) Appointed on May 26, 2022.

(ii) Appointed on September 17, 2021.

Bonuses paid to senior managements are performance-rated and are determined by the board of directors.

14. DIRECTORS', SUPERVISORS' AND SENIOR MANAGEMENTS' EMOLUMENTS (Continued)

No senior management waived any emoluments and no incentive was paid to any senior management as an inducement to join the Company and no compensation for loss of office was paid to any senior management, past senior management during both years. Bonuses are determined by reference to the individual performance of the senior managements.

15. EMPLOYEES' EMOLUMENTS

The emoluments of the five highest paid individuals in the Group are as follows:

	Year ended 12/31/2022 Rmb'000	Year ended 12/31/2021 Rmb'000
Salaries, allowances and benefits in kind	17,353	16,595
Bonuses paid and payable (Note)	42,818	67,898
Pension scheme contributions	508	419
	60,679	84,912

Note: The bonuses paid and payable are determined by reference to the performance of the relevant business of the Group for the years ended December 31, 2022 and 2021.

No emoluments nor incentive was waived as an inducement to join the Company and no compensation for loss of office was paid to any five highest paid individuals in the Group during both years. Bonuses are determined by reference to the individual performance of the five highest paid individuals in the Group.

The five individuals with the highest emoluments in the Group during the year included 5 non-director employees.

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15. EMPLOYEES' EMOLUMENTS (Continued)

Their emoluments are within the following bands:

	No. of individuals	
	Year ended 12/31/2022	Year ended 12/31/2021
HK$8,500,000 to HK$9,800,000 (equivalent to Rmb7,593,050 to Rmb8,754,340)	1	–
HK$12,200,000 to HK$12,900,000 (equivalent to Rmb10,898,260 to Rmb11,523,570)	2	–
HK$13,500,000 to HK$15,550,000 (equivalent to Rmb12,059,550 to Rmb13,890,800)	1	1
HK$17,300,000 to HK$18,000,000 (equivalent to Rmb15,454,090 to Rmb16,079,400)	1	1
HK$21,000,000 to HK$21,500,000 (equivalent to Rmb18,759,300 to Rmb19,205,950)	–	1
HK$22,500,000 to HK$23,000,000 (equivalent to Rmb20,099,250 to Rmb20,545,900)	–	1
HK$25,500,000 to HK$26,000,000 (equivalent to Rmb22,779,150 to Rmb23,225,800)	–	1

16. DIVIDENDS

	Year ended 12/31/2022 Rmb'000	Year ended 12/31/2021 Rmb'000
Dividends recognised as distribution during the year: 2021 – Rmb37.5 cents (2021: 2020 - Rmb35.5 cents)	1,628,668	1,541,806

Dividend of Rmb37.5 cents per share in respect of the year ended December 31, 2022 (2021: dividend of Rmb37.5 cents per share in respect of the year ended December 31, 2021) in the total amount of Rmb1,628,668,000 (2021: Rmb1,628,668,000) has been proposed by the Directors and is subject to approval by the shareholders in the annual general meeting.

17. EARNINGS PER SHARE

The calculation of the basic and diluted earnings per share attributable to the owners of the Company is based on the following data:

Earnings figures are calculated as follows:

	Year ended 12/31/2022 Rmb'000	Year ended 12/31/2021 Rmb'000
Profit for the year attributable to owners of the Company	5,378,866	4,762,431
Earnings for the purpose of basic earnings per share	5,378,866	4,762,431
Effect of dilutive potential ordinary shares arising from convertible bond:		
Interest expense	68,617	57,294
Exchange loss(gain) (net of income tax)	27,805	(89,348)
Gain on changes in fair value on derivative component	(31,951)	(27,453)
Adjustment to the share of profit of subsidiaries based on dilution of their earnings per share	(16,076)	–
Earnings for the purpose of diluted earnings per share	5,427,261	4,702,924

	Year ended 12/31/2022 '000	Year ended 12/31/2021 '000
Number of shares		
Number of ordinary shares for the purpose of basic earnings per share	4,343,115	4,343,115
Effect of dilutive potential ordinary shares arising from convertible bond	271,284	245,061
Weighted average number of ordinary shares for the purpose of diluted earnings per share	4,614,399	4,588,176

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18. PROPERTY, PLANT AND EQUIPMENT

	Leasehold land and buildings Rmb'000	Hotel Rmb'000	Ancillary facilities Rmb'000	Communication and signaling equipment Rmb'000	Motor vehicles Rmb'000	Machinery and equipment Rmb'000	Construction in progress Rmb'000	Total Rmb'000
COST								
At January 1, 2021	2,321,646	858,153	1,433,659	2,738,875	175,155	652,815	352,775	8,533,078
Acquired on acquisition of a subsidiary and a business	35,131	–	–	16,406	638	1,635	–	53,810
Additions	30,800	–	4,646	51,965	14,135	111,896	788,393	1,001,835
Transfer	4,187	–	570,851	20,716	(336)	3,271	(600,125)	(1,436)
Disposals	(3,457)	(4,017)	–	(69,744)	(12,458)	(49,795)	(1,376)	(140,847)
At December 31, 2021	2,388,307	854,136	2,009,156	2,758,218	177,134	719,822	539,667	9,446,440
Additions	398	–	112,942	126,041	36,386	151,526	1,038,578	1,465,871
Transfer	20,785	–	713,986	169,645	–	39,306	(943,722)	–
Disposals	(15,956)	(1,495)	(59,038)	(70,415)	(14,124)	(40,712)	–	(201,740)
Disposal of a subsidiary	(385,362)	–	(97,286)	(295,452)	(11,547)	(9,542)	(58,087)	(857,276)
At December 31, 2022	2,008,172	852,641	2,679,760	2,688,037	187,849	860,400	576,436	9,853,295
DEPRECIATION AND IMPAIRMENT								
At January 1, 2021	847,324	199,581	711,649	1,764,819	114,713	407,769	–	4,045,855
Provided for the year	111,928	28,817	50,870	216,004	14,422	86,142	–	508,183
Transfer	–	–	–	–	(274)	274	–	–
Disposals	(3,456)	(806)	–	(67,061)	(11,798)	(44,096)	–	(127,217)
At December 31, 2021	955,796	227,592	762,519	1,913,762	117,063	450,089	–	4,426,821
Provided for the year	77,256	27,879	130,418	199,378	13,990	105,765	–	554,686
Disposals	(6,788)	(356)	(34,656)	(63,827)	(13,346)	(36,308)	–	(155,281)
Disposal of a subsidiary	(164,473)	–	(7,380)	(212,451)	(4,976)	(3,333)	–	(392,613)
At December 31, 2022	861,791	255,115	850,901	1,836,862	112,731	516,213	–	4,433,613
CARRYING VALUES								
At December 31, 2022	1,146,381	597,526	1,828,859	851,175	75,118	344,187	576,436	5,419,682
At December 31, 2021	1,432,511	626,544	1,246,637	844,456	60,071	269,733	539,667	5,019,619

The property, plant and equipment are mainly located in the PRC.

19. RIGHT-OF-USE ASSETS

	Leasehold lands Rmb'000	Leased properties Rmb'000	Total Rmb'000
COST			
At January 1, 2022	222,098	694,845	916,943
Addition	–	94,998	94,998
Decrease	(831)	(37,733)	(38,564)
At December 31, 2022	221,267	752,110	973,377
DEPRECIATION			
At January 1, 2022	20,446	229,811	250,257
Addition	15,024	118,781	133,805
Decrease	(256)	(32,382)	(32,638)
At December 31, 2022	35,214	316,210	351,424
CARRYING VALUES			
At December 31, 2022	186,053	435,900	621,953
At January 1, 2022	201,652	465,034	666,686

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Expense relating to short-term leases	3,593	17,321
Total cash outflow for leases	154,671	158,962

Total cash outflow for leases includes payments of principle and interest portion of lease liabilities, short-term leases and payments of lease payments on or before lease commencement date (including leasehold lands).

The Group leases various offices for its operations. Lease contracts are entered into for term of 12 months to 10 years. Lease terms are negotiated on an individual basis and contain a wide range of different terms and conditions. In determining the lease term and assessing the length of the non-cancellable period, the Group applies the definition of a contract and determines the period for which the contract is enforceable.

The amounts of the Group's lease liabilities and interest expense of lease liabilities are disclosed in Note 45 and Note 11, respectively. For the year ended December 31, 2022, the lease agreements do not impose any covenants other than the security interests in the leased assets that are held by the lessor. Leased assets may not be used as security for borrowing purposes.

As at December 31, 2022, the Group did not enter into any lease that is not yet commenced.

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20. EXPRESSWAY OPERATING RIGHTS

	Rmb'000
COST	
At January 1, 2021	57,126,364
Acquired on acquisition of a subsidiary	2,782,873
Disposals	(110,473)
At December 31, 2021	59,798,764
Acquired on acquisition of a subsidiary	–
Disposals	(80,130)
Disposal of a subsidiary	(7,967,683)
At December 31, 2022	51,750,951
AMORTISATION	
At January 1, 2021	31,266,806
Charge for the year	2,550,036
Disposals	(71,334)
At December 31, 2021	33,745,508
Charge for the year	2,621,008
Disposals	(40,986)
Disposal of a subsidiary	(4,371,920)
At December 31, 2022	31,953,610
CARRYING VALUES	
At December 31, 2022	19,797,341
At December 31, 2021	26,053,256

20. EXPRESSWAY OPERATING RIGHTS (Continued)

The above expressway operating rights were granted by the Zhejiang Provincial Government and Anhui Provincial Government for a period ranging from 25 to 30 years. During the expressway concessionary period, the Group has the rights of operations and management of Shanghai-Hangzhou-Ningbo Expressway, Shangsan Expressway, Jinhua Section of the Ningbo-Jinhua Expressway, Hanghui Expressway, Huihang Expressway, Shenjiahuhang Expressway and Zhoushan Bay Bridge, LongLi Expressway and LiLong Expressway, Zhajiasu Expressway and the toll-collection rights thereof. With reference to Note 50, as Shenjiahuhang Expressway ceased to be a subsidiary of the Group from December 2, 2022, thus the expressway operating right of Shenjiahuhang Expressway was disposed from Group accordingly.

The Group is required to manage and operate the expressways in accordance with the regulations promulgated by the Ministry of Communication and relevant government authorities. Upon the end of the respective concession service periods, the toll expressways and their toll station facilities without residual value, will be returned to the grantors at nil consideration. The expressway operating rights were amortised using the straight-line basis over the useful life attributable to the Group.

21. GOODWILL

	Rmb'000
COST AND CARRYING VALUES	
At January 1, 2021, December 31, 2021 and December 31, 2022	86,867

Particulars regarding impairment testing on goodwill are disclosed in Note 23.

Notes to the Consolidated Financial Statements

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22. OTHER INTANGIBLE ASSETS

	Customer bases Rmb'000	Securities/ futures firm licenses Rmb'000	Trading seats Rmb'000	Software Rmb'000	Total Rmb'000
COST					
At January 1, 2021	101,147	63,083	3,480	352,186	519,896
Acquired on acquisition of a subsidiary and a business	61,910	–	–	570	62,480
Additions	–	–	–	100,495	100,495
Transfer	–	–	–	1,081	1,081
Disposals	–	–	–	(23,077)	(23,077)
At December 31, 2021	163,057	63,083	3,480	431,255	660,875
Additions	–	–	–	119,192	119,192
Disposals	–	–	–	(40)	(40)
At December 31, 2022	163,057	63,083	3,480	550,407	780,027
AMORTISATION					
At January 1, 2021	98,009	–	–	214,819	312,828
Charge for the year	15,516	–	–	52,246	67,762
Disposals	–	–	–	(23,065)	(23,065)
At December 31, 2021	113,525	–	–	244,000	357,525
Charge for the year	12,386	–	–	63,105	75,491
Disposals	–	–	–	(40)	(40)
At December 31, 2022	125,911	–	–	307,065	432,976
CARRYING VALUES					
At December 31, 2022	37,146	63,083	3,480	243,342	347,051
At December 31, 2021	49,532	63,083	3,480	187,255	303,350

The securities/futures firm licenses of the securities operation are considered by the management of the Group to have indefinite useful lives because they can be renewed at minimal cost.

The trading seats of the securities operation are considered by the management of the Group to have an indefinite useful life because there is no economic or regulatory limit to their useful life.

Software are amortised on a straight-line basis over three to five years.

Particulars of the impairment testing on intangible assets with indefinite useful lives are disclosed in Note 23.

23. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES

For the purposes of impairment testing, goodwill and other intangible assets with indefinite useful lives set out in Notes 21 and 22 have been allocated to four individual cash generating units ("CGUs"), comprising two subsidiaries in toll operation segment and two subsidiaries in securities operation segment. The carrying amounts of goodwill and other intangible assets as at December 31, 2022 and 2021 allocated to these units are as follows:

	Goodwill		Securities/futures firm licenses		Trading seats	
	12/31/2022 Rmb'000	12/31/2021 Rmb'000	12/31/2022 Rmb'000	12/31/2021 Rmb'000	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Toll operation						
– Zhejiang Jiaxing Expressway Co., Ltd. ("Jiaxing Co")	75,137	75,137	–	–	–	–
– Zhejiang Shangsan Expressway Co., Ltd. ("Shangsan Co")	10,335	10,335	–	–	–	–
Securities operation						
– Zheshang Securities	–	–	51,783	51,783	2,080	2,080
– Zheshang Futures	1,395	1,395	11,300	11,300	1,400	1,400
	86,867	86,867	63,083	63,083	3,480	3,480

The basis of the recoverable amounts of the above CGUs and their major underlying assumptions are summarised below:

Jiaxing Co and Shangsan Co

The recoverable amounts of CGUs of Jiaxing Co and Shangsan Co are determined based on value in use calculations. The key assumptions for the value in use calculations relate to discount rates, growth rates, and expected changes in toll revenue and direct costs during the forecast period. Those calculations use cash flow projections based on financial budgets approved by the management covering a five-year period and the discount rates the management considered appropriate. No growth rate has been assumed beyond the five-year period up to the remaining toll road operating rights which are 6 years (2021: 7 years) and 8 years (2021: 9 years) for Jiaxing Co and Shangsan Co, respectively. Management believes that any reasonably possible change in any of these assumptions would not cause the aggregate carrying amount of Jiaxing Co's and Shangsan Co's goodwill to exceed their aggregate recoverable amounts.

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23. IMPAIRMENT TESTING ON GOODWILL AND INTANGIBLE ASSETS WITH INDEFINITE USEFUL LIVES (Continued)

Zheshang Securities and Zheshang Futures

The recoverable amounts of CGUs of Zheshang Securities and Zheshang Futures are determined based on value in use calculations. The key assumptions for the value in use calculations relate to the discount rates, growth rates and profit margin during the forecast period. Those calculations use cash flow projections based on financial budgets approved by the management covering a five-year period with discount rates management believes appropriate. Growth rates beyond the five-year period is assumed to be 1% (2021: 1%). Management believes that any reasonably possible change in any of these assumptions would not cause the carrying amount of Zheshang Securities and Zheshang Futures' goodwill and other intangible assets to exceed their aggregate recoverable amounts.

During the years ended December 31, 2022 and 2021, the management of the Group determines that there are no impairment of any of its CGUs containing goodwill and other intangible assets with indefinite useful lives.

24. INTERESTS IN ASSOCIATES

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Cost of investment in associates	7,880,487	7,812,133
Share of post-acquisition profit and other comprehensive income, net of dividends received	2,179,154	1,862,913
	10,059,641	9,675,046
Fair value of listed investments (Note)	2,753,623	3,155,301

Note: The fair value of the listed investments is determined based on the quoted market bid price multiplied by the quantity of shares held by the Group.

24. INTERESTS IN ASSOCIATES (Continued)

At December 31, 2022 and 2021, the Group had interests in the following associates:

Name of entities	Form of business structure	Place of registration and operation	Percentage of equity interest and voting right attributable to the Group 12/31/2022 %	12/31/2021 %	Principal activities
Zheshang Fund Management Co., Ltd. ("Zheshang Fund") (Note i)	Corporate	The PRC	25	25	Asset fund management
Zhejiang Communications Investment Group Finance Co., Ltd. ("Zhejiang Communications Finance") (Note ii)	Corporate	The PRC	20.08	20.08	Finance and investment
Yangtze United Financial Leasing Co., Ltd. ("Yangtze United Financial Leasing") (Note iii)	Corporate	The PRC	10.61	10.61	Provision of financial leasing services
Zhejiang Zheshang Innovation Capital Management Co., Ltd. ("Zheshang Innovation Capital Management")	Corporate	The PRC	40	40	Investment management and consulting
Taiping Science and Technology Insurance Co., Ltd. ("Taiping Insurance") (Note iv)	Corporate	The PRC	8.77	15	Science and technology related insurance
Pujiang JuJinFengAn Investment Management LP ("FengAn Investment") (Note v)	Partnership	The PRC	17.86	17.86	Investment management
Zheshang FoF for Industry Transformation and Upgrading LP ("Zheshang FoF") (Note vi)	Partnership	The PRC	24.99	24.99	Investment management and consulting
Zhejiang Concord Property Investment Co., Ltd. ("Zhejiang Concord Property") (Note vii)	Corporate	The PRC	45	45	Investment and real estate development
Shanghai Rural Commercial Bank Co., Ltd ("SRCB") (Note viii)	Corporate	The PRC	4.86	4.85	Commercial banking
Zhejiang Hangning Expressway Co., Ltd. ("Zhejiang Hangning") (Note ix)	Corporate	The PRC	30	30	Expressway
Zheshang Zhongtuo Zheqi Supply Chain Management (Zhejiang) Co., Ltd. ("Zhongtuo Zheqi")	Corporate	The PRC	20	20	Supply Chain Management
CICC-Shenjiahuhang Expressway asset-backed special program ("ABS Program") (Note x)	Corporate	The PRC	30	–	Expressway

All of the above associates are accounted for using the equity method in these consolidated financial statements.

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24. INTERESTS IN ASSOCIATES (Continued)

Notes:

(i) The Group is able to exercise significant influence over Zheshang Fund because it has the power to appoint one out of four directors of that company under the provisions stated in the Articles of Association of that company.

On August 14, 2014, Zheshang Securities, together with one of the shareholders of Zheshang Fund, Yangshengtang Co., Ltd., auctioned off their respective 25% equity interest (totalling 50%) in Zheshang Fund. The hammer price reached at Rmb414,000,000 offered by Tonglian Capital Management Co., Ltd. ("Tonglian Capital"), another shareholder of Zheshang Fund which is independent to the Group, and Zheshang Securities will receive a consideration of Rmb207,000,000 accordingly.

As at December 31, 2022, the disposal transaction has not been completed and the refundable deposit of Rmb207,000,000 (2021: Rmb207,000,000) in respect of such transfer reversed by Zheshang Securities was included in other payables in Note 37.

The Directors consider the disposal required approval by China Securities Regulatory Commission and equity transfer registration, which was a lengthy process and they are not able to estimate the timing when and whether such approval would be granted. The amount of deposit received would be refundable to Tonglian Capital if the transfer eventually cannot be completed.

(ii) The Group is able to exercise significant influence over Zhejiang Communications Finance because it has the power to appoint one out of six directors of that company under the provisions stated in the Articles of Association of that company.

(iii) The Group was able to exercise significant influence over Yangtze United Financial Leasing because it has the power to appoint one out of eight directors of that company under the provisions stated in the Articles of Association of that company.

(iv) The Group's percentage of entity interest in Taiping Insurance decreased from 15% to 8.77% due to equity dilution from not participating in the capital injection during the year. The Group is still able to exercise significant influence over Taiping Insurance because it has the power to appoint one out of nine directors of that company after the capital injection.

(v) As general partner and the executive partner of FengAn Investment, the management considers the Group has significant influence over the investees.

(vi) As a limited partner of Zheshang FoF, the management considers the Group has significant influence over the investees. 24.99% is the percentage of capital commitment subscribed by the Group, the Group recognise share of profit based on the capital account allocation provided by Zheshang FoF.

(vii) The Group is able to exercise significant influence over Zhejiang Concord Property because it has the power to appoint Chief financial officer of Zhejiang Concord Property under the provisions stated in the Articles of Association of that company.

24. INTERESTS IN ASSOCIATES (Continued)

Notes: (Continued)

(viii) The Group acquired 851,200 shares of SRCB during the year and the percentage of entity interest in SRCB slightly increased from 4.85% to 4.86% during the year ended December 31, 2022. The Group can exercise significant influence over SRCB because it has the power to appoint one out of six directors of SRCB.

(ix) The Group is able to exercise significant influence over Zhejiang Hangning because it has the power to appoint two out of nine directors of that company under the provisions stated in the Articles of Association of that company.

(x) In November, 2022, The Group together with other professional institutional investors entered into the asset management agreement with China International Capital Corporation Limited("CICC") as the fund manager of the ABS Program. The Group subscribed Rmb75,000,000 of the subordinated class of the ABS Program and continued to provide operational service in relation to the underlying assets, upon which the Group can exercise significant influence over the ABS Program. See Note 50 for more details.

Summarised financial information of material associates

Summarised financial information in respect of each of the Group's material associates is set out below. The summarised financial information below represents amounts shown in the associate's financial statements prepared in accordance with HKFRSs.

All of these associates are accounted for using the equity method in these consolidated financial statements.

Zhejiang Hangning

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Current assets	492,302	745,877
Non-current assets	7,413,984	8,053,523
Current liabilities	(528,276)	(908,000)
Non-current liabilities	(16,031)	(17,634)

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24. INTERESTS IN ASSOCIATES (Continued)

Zhejiang Hangning (Continued)

	Year ended 12/31/2022 Rmb'000	Period from 01/27/2021 to 12/31/2021 Rmb'000
Revenue	1,477,813	1,327,624
Profit from continuing operations	207,838	188,889
Profit for the year	207,838	188,889
Total comprehensive income for the year	207,838	188,889
Dividends received from the associate during the year	215,887	379,537

Reconciliation of the above summarised financial information to the carrying amount of the interest in Zhejiang Hangning recognised in the consolidated financial statements:

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Net asset of the associate	7,361,979	7,873,766
Proportion of the Group's ownership interest in Zhejiang Hangning	30.00%	30.00%
Carrying amount of the Group's interest in Zhejiang Hangning	2,208,594	2,362,130

Zhejiang Communications Finance

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Current assets	11,787,116	16,780,190
Non-current assets	44,227,839	37,331,146
Current liabilities	(47,913,360)	(46,558,026)
Non-current liabilities	(43,834)	(40,138)

24. INTERESTS IN ASSOCIATES (Continued)

Zhejiang Communications Finance (Continued)

	Year ended 12/31/2022 Rmb'000	Year ended 12/31/2021 Rmb'000
Revenue	1,918,456	1,936,522
Profit from continuing operations	850,884	890,246
Profit for the year	850,884	890,246
Total comprehensive income for the year	850,884	890,246
Dividends received from the associate during the year	61,504	38,137

Reconciliation of the above summarised financial information to the carrying amount of the interest in Zhejiang Communications Finance recognised in the consolidated financial statements:

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Net asset of the associate	8,057,761	7,513,172
Proportion of the Group's ownership interest in Zhejiang Communications Finance	20.08%	20.08%
Carrying amount of the Group's interest in Zhejiang Communications Finance	1,617,998	1,508,645

Aggregate information of associates that are not individually material

	Year ended 12/31/2022 Rmb'000	Year ended 12/31/2021 Rmb'000
The Group's share of profit from continuing operations	518,878	730,626
The Group's share of other comprehensive (loss)/income	(736)	43,607
The Group's share of total comprehensive income	518,142	774,233
Aggregate carrying amount of the Group's interests in these associates	6,233,049	5,804,271

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25. INTEREST IN A JOINT VENTURE

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Unlisted investment in a joint venture, at cost less impairment	373,470	384,325
Share of post-acquisition gain, net of dividends received	66,875	56,249
	440,345	440,574

At December 31, 2022 and 2021, the Group had interest in the following joint venture:

Name of entity	Form of business structure	Place of registration and operation	Percentage of equity interest and voting right attributable to the Group		Principal activity
			12/31/2022 %	12/31/2021 %	
Zhejiang Shaoxing Shengxin Expressway Co., Ltd. ("Shengxin Co")	Corporate	The PRC	50	50	Management of the Shaoxing section of the Ningbo-Jinhua Expressway

25. INTEREST IN A JOINT VENTURE (Continued)

Summarised financial information in respect of the Group's interest in Shengxin Co which is accounted for using the equity method at the end of the reporting period is set out below. This represents amounts shown in the joint venture's financial statements prepared in accordance with HKFRSs:

Shengxin Co

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Current assets	134,330	208,469
Non-current assets	1,463,019	1,640,425
Current liabilities	(37,949)	(54,571)
Non-current liabilities	(678,711)	(913,176)
The above amounts of assets and liabilities include the following:		
Cash and cash equivalents	133,463	207,902
Current financial liabilities (excluding trade and other payables and provisions)	(798)	(1,176)
Non-current financial liabilities (excluding trade and other payables and provisions)	(643,000)	(873,000)

	Year ended 12/31/2022 Rmb'000	Year ended 12/31/2021 Rmb'000
Revenue	471,290	509,756
Profit for the year	99,541	112,499
Total comprehensive income for the year	99,541	112,499
The above profit for the year includes the following:		
Depreciation and amortisation	(185,821)	(185,853)
Interest income	4,881	3,309
Interest expense	(34,287)	(44,642)
Income tax expense	(33,052)	(37,505)

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25. INTEREST IN A JOINT VENTURE (Continued)

Reconciliation of the above summarised financial information to the carrying amount of the interest in Shengxin Co recognised in the consolidated financial statements:

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Net asset of the joint venture	880,689	881,147
Proportion of the Group's ownership interest in Shengxin Co	50.00%	50.00%
Carrying amount of the Group's interest in Shengxin Co	440,345	440,574

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Financial assets mandatorily measured at FVTPL:		
– Debt securities	33,061,869	35,168,720
– Equity securities (Note i, ii)	1,977,229	3,437,793
– Funds	6,991,819	5,699,301
– Other investments (Note iii)	1,968,466	1,503,775
	43,999,383	45,809,589
Analysed as:		
– Listed (Note iv)	7,520,937	8,487,589
– Unlisted	36,478,446	37,322,000
	43,999,383	45,809,589
Analysed for reporting purposes as:		
Current assets	43,789,944	45,445,711
Non-current assets	209,439	363,878
	43,999,383	45,809,589

26. FINANCIAL ASSETS AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Notes:

(i) The restricted shares with a legally enforceable restriction that prevents the Group to dispose of within a specified period amounted to approximately Rmb270,990,000 as at December 31, 2022 (2021: Rmb575,544,000). The fair values of these securities have taken into account the relevant features including the restrictions.

(ii) As at December 31, 2022, the Group has entered into securities lending arrangement with clients that resulted in the transfer of financial assets at fair value through profit or loss with a total fair value of Rmb 20,755,531 (2021: Rmb7,324,331) to external clients. Since the arrangement will be settled by the securities with the same quantity lent, the economic risks and benefits of those securities are not transferred and it does not result in derecognition of the financial assets.

(iii) Other investments mainly represent investments in collective asset management schemes issued and managed by the Group, wealth management products issued by banks and targeted asset management schemes (or trust investments) managed by non-bank financial institutions, which mainly invest in debt securities, publicly traded equity securities listed in the PRC. The Group has committed to hold its investments in collective asset management schemes that managed by the Group till the end of the investment period.

(iv) Securities and funds traded on the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Hong Kong Stock Exchange and other stock exchanges are included in the “Listed” category.

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27. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Analysed by type of issuers:		
– Corporate entities (Note i)	820,940	–
	820,940	–
Analysed as:		
– Listed (Note ii)	128,529	–
– Unlisted	692,411	–
	820,940	–
Analysed for reporting purposes as:		
Current assets	250,683	–
Non-current assets	570,257	–
	820,940	–
Expected credit losses	1,108	–

Notes:

(i) As at 31 December 2022, the fair value of securities of the Group which have been placed as collateral for financial assets sold under repurchase agreements was Rmb430,958,000 (31 December 2021: Nil).

(ii) Securities and funds traded on the Shanghai Stock Exchange, the Shenzhen Stock Exchange, the Hong Kong Stock Exchange and other stock exchanges are included in the "Listed" category.

The following table shows reconciliation of loss allowances that have been recognised for debt instruments at fair value through other comprehensive income.

	12m ECL Rmb'000	Lifetime ECL (not credit-impaired) Rmb'000	Lifetime ECL (credit-impaired) Rmb'000	Total Rmb'000
As at January 1 2022	–	–	–	–
Changes in the loss allowance:				
– Charged to profit or loss	1,108	–	–	1,108
As at December 31 2022	1,108	–	–	1,108

27. DEBT INSTRUMENTS AT FAIR VALUE THROUGH OTHER COMPREHENSIVE INCOME (Continued)

The table below details the credit risk exposures of the debt instruments at fair value through other comprehensive income, which are subject to ECL assessment.

	12m ECL Rmb'000	Lifetime ECL (not credit-impaired) Rmb'000	Lifetime ECL (credit-impaired) Rmb'000	Total Rmb'000
As at December 31, 2022				
Gross carrying amount	820,940	–	–	820,940

28. TRADE RECEIVABLES

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Trade receivables		
– contracts with customers	560,701	473,691
Less: Allowance for credit losses	(6,333)	(5,799)
	554,368	467,892
Trade receivables (before allowance for credit losses) comprise:		
Fellow subsidiaries	13,072	19,996
Third parties	547,629	453,695
	560,701	473,691

The Group has no credit period granted to its trade customers of toll operation business. The Group's trade receivable balance for toll operation is toll receivables from the respective expressway fee settlement centre of Zhejiang Province and Anhui Province, Transportation Bureau of Linping County of Hangzhou, Transportation Bureau of Hangzhou, Transportation Bureau of Yiwu, Transportation Bureau of Linan of Hangzhou, Transportation Bureau of Huzhou, Transportation Bureau of Jiaxing, etc.

In respect of the Group's asset management service, security commission and financial advisory service operated by Zheshang Securities, trading limits are set for customers. The Group seeks to maintain tight control over its outstanding accounts receivable in order to minimise credit risk. Overdue balances are regularly monitored by the management.

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28. TRADE RECEIVABLES (Continued)

The following is an aged analysis of trade receivables net of allowance for credit losses presented based on the invoice date at the end of the reporting period, which approximated the respective revenue recognition dates:

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Within 3 months	349,646	335,308
3 months to 1 year	181,217	121,753
1 to 2 years	21,025	7,554
Over 2 years	2,480	3,277
	554,368	467,892

Movement of allowance for credit losses

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
At the beginning of the year	5,799	6,748
Impairment recognised for the year	1,569	104
Amount reversed during the year	(105)	(1,053)
Written off	(930)	–
At the end of the year	6,333	5,799

29. LOANS TO CUSTOMERS ARISING FROM MARGIN FINANCING BUSINESS

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Loans to margin clients	17,568,948	19,407,330
Less: Impairment allowance	(11,680)	(13,200)
	17,557,268	19,394,130

The Group has provided customers with margin financing and security lending for securities transactions, the credit facility limits to margin clients are determined by the discounted market value of the pledged securities accepted by the Group or the market value of cash collaterals.

29. LOANS TO CUSTOMERS ARISING FROM MARGIN FINANCING BUSINESS (Continued)

All of the loans to margin clients which are secured by the underlying pledged securities are interest bearing. The Group maintains a list of approved stocks for margin lending at a specified loan to collateral ratio. Any excess in the lending ratio will trigger a margin call which the customers have to make good of the shortfall. The Group has the right to process forced liquidation if the customer fails to make good of the shortfall within a short period of time.

As at December 31, 2022, loans to customers under the margin financing and securities lending activities carried out in the PRC were secured by the customers' securities and cash collaterals. The undiscounted market value of the security collaterals was amounted to Rmb 50,528,176,000 (2021: Rmb58,393,758,000). Cash collateral of Rmb 2,417,634,000(2021: Rmb2,359,943,000) received from clients was included in accounts payable to customers arising from securities business in Note 35.

No aged analysis is disclosed as in the opinion of the Directors, the aged analysis does not give additional value in view of the nature of business of securities margin financing.

The following table shows reconciliation of loss allowances that has been recognised for loans to customers arising from margin financing business.

	12m ECL Rmb'000	Lifetime ECL (not credit-impaired) Rmb'000	Lifetime ECL (credit-impaired) Rmb'000	Total Rmb'000
As at January 1, 2021	33	10	–	43
– Transfer to 12m ECL	2	(2)	–	–
– Transfer to Lifetime ECL (credit-impaired)	–	(3,178)	3,178	–
– Charged to profit or loss	8,599	4,558	–	13,157
As at December 31, 2021	8,634	1,388	3,178	13,200
– Transfer to 12m ECL	53	(53)	–	–
– Transfer to Lifetime ECL (not credit-impaired)	(293)	293	–	–
– Charged to profit or loss	821	(73)	(2,268)	(1,520)
As at December 31, 2022	9,215	1,555	910	11,680

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29. LOANS TO CUSTOMERS ARISING FROM MARGIN FINANCING BUSINESS (Continued)

The tables below detail the credit risk exposures of the Group's loans to customers arising from margin financing business, which are subject to ECL assessment.

	12m ECL Rmb'000	Lifetime ECL (not credit-impaired) Rmb'000	Lifetime ECL (credit-impaired) Rmb'000	Total Rmb'000
As at December 31, 2022 Gross carrying amount	16,753,901	812,627	2,420	17,568,948
As at December 31, 2021 Gross carrying amount	18,894,618	509,534	3,178	19,407,330

30. OTHER RECEIVABLES AND PREPAYMENTS

Non-Current

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Entrusted loan	180,000	180,000
Receivables from government cooperation projects	938,363	1,036,289
	1,118,363	1,216,289

Current

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Prepayments	332,281	147,104
Trading deposits (Note i)	2,621,739	876,744
Receivables from government cooperation projects	150,320	152,805
Others	243,028	202,452
	3,347,368	1,379,105

Note:

(i) Trading deposits mainly represent over-the-counter option deposit and equity swap deposit.

31. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Analysed by collateral type:		
Bonds	2,466,160	4,517,739
Stock securities	3,919,744	2,690,395
	6,385,904	7,208,134
Less: Impairment allowance	(110,694)	(119,928)
	6,275,210	7,088,206
Analysed by market:		
Inter bank market	8,000	508,802
Shanghai/Shenzhen Stock Exchange	6,377,904	6,699,332
	6,385,904	7,208,134
Less: Impairment allowance	(110,694)	(119,928)
	6,275,210	7,088,206
Analysed for reporting purposes as:		
Current assets	6,086,210	7,078,206
Non-current assets	189,000	10,000
	6,275,210	7,088,206

The collaterals include both equity and debt securities listed in the PRC. As at December 31, 2022, the fair value of equity securities and debt securities held as collaterals was Rmb10,837,092,000 (2021: Rmb9,460,073,000) and Rmb3,362,016,000 (2021: Rmb4,626,964,000), respectively.

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31. FINANCIAL ASSETS HELD UNDER RESALE AGREEMENTS (Continued)

The following table shows reconciliation of loss allowances that has been recognised for financial assets held under resale agreements.

	12m ECL Rmb'000	Lifetime ECL (not credit-impaired) Rmb'000	Lifetime ECL (credit-impaired) Rmb'000	Total Rmb'000
As at January 1, 2021	11,182	477	180,000	191,659
– Transfer to 12m ECL	318	(318)	–	–
– Charged to profit or loss	8,926	2,931	(83,588)	(71,731)
As at December 31, 2021	20,426	3,090	96,412	119,928
– Transfer to lifetime ECL (not credit-impaired)	(2,515)	2,515	–	–
– Transfer to 12m ECL	2,888	(2,888)	–	–
– Charged to profit or loss	(10,036)	2,743	(1,941)	(9,234)
As at December 31, 2022	10,763	5,460	94,471	110,694

The tables below detail the credit risk exposures of the Group's financial assets held under resale agreements, which are subject to ECL assessment.

	12m ECL Rmb'000	Lifetime ECL (not credit-impaired) Rmb'000	Lifetime ECL (credit-impaired) Rmb'000	Total Rmb'000
As at December 31, 2022 Gross carrying amount	5,925,679	365,754	94,471	6,385,904
As at December 31, 2021 Gross carrying amount	7,001,992	109,730	96,412	7,208,134

32. BANK BALANCES AND CLEARING SETTLEMENT FUND HELD ON BEHALF OF CUSTOMERS

For the Group's securities operation carried out by Zheshang Securities, the Group receives and holds money deposited by customers (including other institutions). These customers' money is maintained in one or more segregated bank accounts. The Group has recognised the corresponding accounts payable to respective customers and other institutions.

Bank balances and clearing settlement fund held on behalf of customers carry interest at market rates which range from 0.3% to 5.45% (2021: 0.3% to 3.40%) per annum.

Bank balances and clearing settlement fund held on behalf of customers that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	HKD Rmb'000	USD Rmb'000
As at December 31, 2022	190,674	289,578
As at December 31, 2021	57,912	215,778

33. BANK BALANCES, CLEARING SETTLEMENT FUND, DEPOSITS AND CASH

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Time deposits with original maturity over three months	203,632	413,843
Restricted bank balances and cash (Note)	70,179	132,090
Unrestricted bank balances and cash	22,308,298	16,153,110
Time deposits with original maturity of less than three months	1,608,938	1,000,867
Cash and cash equivalents	23,917,236	17,153,977
	24,191,047	17,699,910

Note: The restricted bank deposits include the bank acceptance deposits, fund management risk reserve, collective asset management schemes deposits and margin deposits.

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33. BANK BALANCES, CLEARING SETTLEMENT FUND, DEPOSITS AND CASH (Continued)

Bank balances carry interest at the average market rate is 0.41% (2021: 0.35%) per annum. Time deposits carry interest at fixed rates ranging from 3% to 5.19% (2021: 3.13% to 4.13%) per annum.

Bank balances, clearing settlement fund, deposits and cash that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	HKD Rmb'000	USD Rmb'000
As at December 31, 2022	35,198	572,996
As at December 31, 2021	65,743	1,852,198

34. PLACEMENTS FROM OTHER FINANCIAL INSTITUTIONS

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Due to banks	700,000	500,000

As at December 31, 2022, the effective interest rates bearing on the outstanding amount of due to banks vary from 1.94% to 2.47% (December 31, 2021: 2.22% to 3.33%) per annum. The amount of due to banks were repayable within seven days from the end of the reporting period.

35. ACCOUNTS PAYABLE TO CUSTOMERS ARISING FROM SECURITIES BUSINESS

The amounts mainly represent money held on behalf of clients at the banks and clearing houses by the Group.

The amounts also include payables for securities/futures business as well as cash collaterals from customers for securities lending and/or margin financing arrangement.

The majority of the accounts payable balance is repayable on demand except where certain accounts payable to brokerage clients represent margin deposits received from clients for their trading activities under normal course of business. No aged analysis is disclosed as in the opinion of the Directors, an aged analysis does not give any additional value in view of the nature of the business.

35. ACCOUNTS PAYABLE TO CUSTOMERS ARISING FROM SECURITIES BUSINESS (Continued)

As at December 31, 2022, Rmb 2,417,634,000 (2021: Rmb 2,359,943,000) cash collaterals have been received from clients for securities lending or margin financing arrangement, of which under normal course of business. Only the excess amounts over the required margin deposits stipulated are repayable on demand.

Accounts payable to customers arising from securities business that are denominated in currencies other than the functional currency of the respective group entities are set out below:

	HKD Rmb'000	USD Rmb'000
As at December 31, 2022	190,485	289,577
As at December 31, 2021	52,524	209,517

36. TRADE PAYABLES

Trade payables mainly represent the payables for the expressway improvement projects and construction of high grade road. The following is an aged analysis of trade payables presented based on the invoice date:

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Within 3 months	655,734	875,632
3 months to 1 year	139,613	114,352
1 to 2 years	102,852	87,079
2 to 3 years	39,269	62,461
Over 3 years	222,365	248,009
	1,159,833	1,387,533

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37. OTHER PAYABLES AND ACCRUALS

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Accrued payroll and welfare	1,531,953	1,441,632
Advances	37,756	41,712
Advance payments for settlement from securities business	217,977	132,296
Advance payment of futures insurance	7,196	7,196
Trading deposit and settlement (Note)	5,766,292	2,577,793
Deposit received for disposal of an associate	207,000	207,000
Retention payable	121,308	120,027
Pledge deposit for warehouse receipt	203,959	164,438
Compensations for highway crossing	53,045	58,509
Clearing funds payables	190,430	372,137
Toll collected on behalf of other toll roads	4,352	3,866
Futures risk reserve	159,464	142,853
Government subsidies from removal of expressway toll station on provincial borders	61,488	93,374
Deferred income	65,905	80,628
Notes payable	–	192,400
Balance payable of share purchase	27,500	27,500
Others	213,115	208,705
	8,868,740	5,872,066

Note: Trading deposits mainly represent over-the-counter option deposit and equity swap deposit.

38. DERIVATIVE FINANCIAL ASSETS/LIABILITIES

	12/31/2022		
	Nominal Amount Rmb'000	Assets Rmb'000	Liabilities Rmb'000
Equity swap	6,238,751	221,865	122,368
OTC option	60,907,168	590,511	328,571
Commodity options	1,858,477	34,717	12,579
Others (see below)	78,313,967	153,663	90,839
	147,318,363	1,000,756	554,357

	12/31/2021		
	Nominal Amount Rmb'000	Assets Rmb'000	Liabilities Rmb'000
Equity swap	8,183,477	420,162	239,853
Others (see below)	55,751,856	193,556	211,515
	63,935,333	613,718	451,368

Note:

Others include stock index futures, treasury futures, commodity futures, interest rate swap ("IRS") and other options.

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in stock index futures, treasury futures and commodity futures were settled daily. Accordingly, the net position of them in derivative instruments were nil at December 31, 2022 and 2021.

Under the daily mark-to-market and settlement arrangement, any gains or losses of the Group's position in IRS were settled daily in the corresponding payments or receipts were included in "clearing settlement funds" as at December 31, 2022. Accordingly, the net position of the IRS contracts in derivative instruments was nil at December 31, 2022 (2021: nil).

For IRS contracts, commodity futures and other options in mainland China not under the daily mark-to-market and settlement arrangement are presented gross at the end of reporting period.

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39. BANK AND OTHER BORROWINGS

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Loans from banks, secured (Note i)	11,488,637	14,462,553
Loans from banks, unsecured	1,668,209	71,859
Loans from related parties, secured (Note i)	1,017,790	1,121,317
Loans from related parties, unsecured (Notes 57(i), 57(ii))	2,935,554	1,088,188
	17,110,190	16,743,917
Carrying amount repayable:		
Within one year	4,915,176	2,316,307
More than one year but not exceeding two years	1,906,410	1,430,830
More than two years but not more than five years	4,058,530	4,020,000
More than five years	6,230,074	8,976,780
	17,110,190	16,743,917
Less: Amounts due within one year	(4,915,176)	(2,316,307)
Amounts shown under non-current liabilities	12,195,014	14,427,610
The bank and other borrowings comprise:		
Fixed-rate borrowings	3,780,914	1,160,047
Variable-rate borrowings	13,329,276	15,583,870
	17,110,190	16,743,917

The range of effective interest rates (which are also agreed to contract interest rates) on the Group's borrowings are as follows:

	12/31/2022	12/31/2021
Effective interest rate:		
Fixed-rate borrowings	3.00%-7.08%	3.00%-4.85%
Variable-rate borrowings	3.00%-4.70%	4.08%-4.70%

Note:

i As at December 31, 2022, the Group pledged the following assets for these secured loans from financial institutions: (i) other receivables with an aggregate carrying value of Rmb1,088,683,000 (2021: Rmb1,189,094,000) and (ii) expressway operating rights of Zhoushan Bay Bridge, LongLi Expressway and Lilong Expressway, and Zhajiasu Expressway (2021: expressway operating rights of Zhoushan Bay Bridge, Shenjiahuhang Expressway, LongLi Expressway and Lilong Expressway, and Zhajiasu Expressway) and (iii) security collaterals from loans to customers arising from margin financing business.

40. SHORT-TERM FINANCING NOTE PAYABLE

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Unsecured:		
Short-term financing bonds	2,511,352	6,526,561
Beneficial certificates	1,055,673	1,414,141
Total	3,567,025	7,940,702

As at December 31, 2022, the short-term financing bonds bears an interest rate at 1.83% to 2.50% (2021: short-term financing bonds bears an interest rate at 2.61% to 2.80%), the yields of all the outstanding beneficial certificates were between 1.90% to 13.00% (2021: 3.00% to 19.00%).

41. BONDS PAYABLE

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Corporate and subordinated bonds without redemption option (Note i, ii)	18,438,111	21,643,896
Medium-term notes (Note iii)	3,048,452	3,062,374
Asset-backed securities (Note iv)	–	814,402
Infrastructure real estate investment trusts (Note v)	1,821,006	2,128,419
	23,307,569	27,649,091
Less: Bonds due within 1 year	(7,118,247)	(10,455,661)
Amounts shown under non-current liabilities	16,189,322	17,193,430

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

41. BONDS PAYABLE (Continued)

Notes:

(i) This balance represented 4 corporate bonds, 6 subordinated bonds and 1 beneficial certificate (2021: 4 corporate bonds, 9 subordinated bonds and 1 beneficial certificate) due by year 2023 to 2026 (2021: 2022 to 2026) issued by Zheshang Securities, without redemption option, with fixed interest rates ranging from 2.10% to 4.18% (2021: 2.70% to 4.60%) per annum.

(ii) On July 14, 2021, the Group issued the 1.638% Bonds due 2026 in the aggregate principal amount of US$470,000,000. The Bonds will bear interest from and including 14 July 2021 at the rate of 1.638% per annum, payable semi-annually in arrear on 14 January and 14 July in each year.

(iii) This balance represented 2 medium-term notes due by year 2025 issued by the Company with fixed interest rates 2.80% and 2.97% per annum.

(iv) On September 23, 2019, the Group issued asset-backed securities which backed by expressway operating rights and advertisement rights in relation to the Anhui section of Huihang expressway (Anhui section). The asset-backed securities were issued with a financing period of 15 years and carrying coupon rate of 3.7% per annum. In September 2022, after the Group, as the original interest owner, redeemed the outstanding senior class of the securities amounted to Rmb756,900,000 while holding all of the subordinated class, the whole asset-backed special program was terminated.

(v) On June 21, 2021, the Group issued infrastructure real estate investment trusts (the “REITs”) with the underlying expressway operating rights in relation to the Hangzhou section of Hanghui Expressway. The Group held 51% of the share of the REITs, with an operational period of 20 years. The REITs made distribution in June 2022 as per announcement.

42. CONVERTIBLE BONDS

Convertible Bond 2021

On January 20, 2021, the Company issued a zero coupon convertible bond due 2026 in an aggregate principal amount of Euro230,000,000. The Convertible Bond 2021 is listed on the Stock Exchange (the "Stock Exchange").

The principal terms of the Convertible Bond 2021 are set out below:

(1) Conversion right

The Convertible Bond 2021 will, at the option of the holder (the "Bondholders 2021"), be convertible (unless previously redeemed, converted or purchased and cancelled) on or after March 2, 2021 up to January 10, 2026 into fully paid ordinary shares with a par value of Rmb1.00 each at an initial conversion price (the "Conversion Price 2021") of HK$8.83 per H share and a fixed exchange rate of HK$9.5145 to Euro1.00 (the "Fixed Exchange Rate"). The Conversion Price 2021 is subject to the anti-dilutive adjustments and certain events including mainly: share consolidation, subdivision or re-classification, capitalisation of profits or reserves, capital distributions, rights issues of shares or options over shares, rights issues of other securities and issues at less than current market price. The latest Conversion Price 2021 was HK$7.80 per H share.

(2) Redemption

(i) Redemption at maturity

Unless previously redeemed, converted or purchased and cancelled as provided herein, the Company will redeem each Convertible Bond 2021 at 100 percent of its outstanding principal amount on the maturity date of January 20, 2026 (the "Maturity Date 2021").

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42. CONVERTIBLE BONDS (Continued)

Convertible Bond 2021 (Continued)

(2) Redemption (Continued)

(ii) Redemption at the option of the Company

The Company may, having given not less than 30 nor more than 60 days' notice, redeem the Convertible Bond 2021 in whole and not some only at 100 percent of their outstanding principal amount as at the relevant redemption date.

(a) at any time after January 20, 2024 but prior to the Maturity Date 2021, provided that no such redemption may be made unless the closing price of an H share translated into Euro at the prevailing rate applicable to each Stock Exchange business day, for any 20 Stock Exchange business days within a period of 30 consecutive Stock Exchange business days, the last of such Stock Exchange business day shall occur not more than 10 days prior to the date upon which notice of such redemption is given, was, for each such 20 Stock Exchange business days, at least 130 percent of the Conversion Price 2021(translated into Euro at the Fixed Exchange Rate); or

(b) if at any time the aggregate principal amount of the Convertible Bond 2021 outstanding is less than 10 percent of the aggregate principal amount originally issued.

(iii) Redemption at the option of the bondholders

The Company will, at the option of the Bondholders, redeem whole or some of that holder's bond on January 20, 2024 (the "Put Option Date") at their outstanding principal amount on that Date.

The Convertible Bond 2021 comprises two components:

(a) Debt component was initially measured at fair value amounted to Euro 183,297,000 (equivalent to Rmb1,443,009,000). It is subsequently measured at amortised cost by applying effective interest rate method after considering the effect of the transaction costs. The effective interest rate used is 4.74%.

(b) Derivative component comprises conversion right of the bondholders, redemption option of the Company, and redemption option of the bondholders.

Transaction costs totalling Rmb8,427,515 that relate to the issue of the Convertible Bond 2021 are allocated to the components (including conversion right and redemption options) in proportion to their respective fair values.

42. CONVERTIBLE BONDS (Continued)

Convertible Bond 2021 (Continued)

(2) Redemption (Continued)

(iii) Redemption at the option of the bondholders (Continued)

Transaction costs amounting to approximately Rmb1,711,247 relating to the derivative component were charged to profit or loss during the year ended December 31, 2021. Transaction costs amounting to approximately Rmb6,716,268 relating to the debt component are included in the carrying amount of the debt portion and amortised over the period of the Convertible Bond 2021 using the effective interest method.

The derivative component was measured at fair value with reference to valuation carried out by a firm of independent professional valuers.

The movement of the debt and derivative components of the Convertible Bond 2021 for the years ended December 31, 2022 and 2021 is set out as below:

	Debt component at amortised cost		Derivative components at FVTPL		Total	
	Euro'000	Rmb'000	Euro'000	Rmb'000	Euro'000	Rmb'000
Issuance on January 20, 2021	183,297	1,443,009	46,703	367,666	230,000	1,810,675
Issue cost	(853)	(6,716)	–	–	(853)	(6,716)
Exchange realignment	–	(119,100)	–	–	–	(119,100)
Interest charge	7,930	57,252	–	–	7,930	57,252
Gain on changes in fair value	–	–	421	(27,449)	421	(27,449)
As at December 31, 2021	190,374	1,374,445	47,124	340,217	237,498	1,714,662
Exchange realignment	–	37,073	–	–	–	37,073
Interest charge	9,027	68,617	–	–	9,027	68,617
Gain on changes in fair value	–	–	(5,594)	(31,951)	(5,594)	(31,951)
As at December 31, 2022	199,401	1,480,135	41,530	308,266	240,931	1,788,401

No conversion or redemption of the Convertible Bond 2021 has occurred up to December 31, 2022. The detailed key inputs the valuers use to calculate the fair value of the derivative component refer to Note 53(c).

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42. CONVERTIBLE BONDS (Continued)

Convertible Bond 2022

On June 14, 2022, Zheshang Securities, a subsidiary of the Company, issued a convertible bond due 2028 (the "Maturity Date 2022") in an aggregate principal amount of Rmb7,000,000,000 (the "Convertible Bond 2022"). The Convertible Bond 2022 is listed and trading on Shanghai Stock Exchange. The coupon rate is 0.2% per annum for the first year, 0.4% per annum for the second year, 0.6% per annum for the third year, 1.0% per annum for the fourth year, 1.5% per annum for the fifth year, 2.0% per annum for the sixth year, and will be paid annually.

Out of the principal amount of Rmb7,000,000,000, Rmb3,833,185,000 was subscribed by Zhejiang Shangsan Expressway Co., Ltd. ("Shangsan Co"), another subsidiary of the Group. The principal terms of the Convertible Bond 2022 are set out below:

(1) Conversion right

The Convertible Bond 2022 will, at the option of the holders (the "Bondholders 2022"), be convertible (unless previously redeemed, converted or purchased and cancelled) during the period from December 20, 2022 up to June 13, 2028, into fully paid ordinary shares of Zheshang Securities with a par value of Rmb1.00 each at an initial conversion price (the "Conversion Price 2022") of Rmb10.49 per share. The initial conversion price will be adjusted when Zheshang Securities distributes stock dividends, capitalises common reserves into share capital, issues new shares(excluding the increase in share capital due to the conversion of the Convertible Bond 2022 issued) or places new shares, distributes cash dividend.

When the share price of Zheshang Securities is less than 80% of the conversion price for any 15 business days within a period of 30 consecutive business days prior to the maturity date of the Convertible Bond 2022 (the "Maturity Date 2022"), the board of directors of Zheshang Securities has the right to propose a downward revision resolution on conversion price, and submits it to the shareholder's meeting of Zheshang Securities for approval. As at December 31, 2022, the latest conversion price was Rmb10.32 per share.

42. CONVERTIBLE BONDS (Continued)

Convertible Bond 2022 (Continued)

(2) Redemption

(i) Redemption at maturity

Zheshang Securities will redeem all outstanding Convertible Bond 2022 at 106 percent of its outstanding principal amount (including the last instalment of interest payment) within five business days from the Maturity Date 2022.

(ii) Redemption on conditions

During the conversion period of the Convertible Bond 2022, upon the occurrence of any of the following two conditions, Zheshang Securities is entitled to redeem all or part of the outstanding Convertible Bond 2022 based on the par value and interest in arrears;

(a) During the conversion period of the Convertible Bond 2022, for any 15 business days within a period of 30 consecutive business days, the closing share price of Zheshang Securities is not less than 130 percent (including 130 percent) of the conversion price;

(b) When the aggregate principal amount of the outstanding Convertible Bond 2022 is less than Rmb30,000,000.

Convertible Bond 2022 contains a liability component and an equity component. At initial recognition, the equity component of the Convertible Bond 2022 was separated from the liability component. As the Convertible Bond 2022 was issued by a subsidiary of the Company and is convertible into that subsidiary's own shares, the equity element is considered as non-controlling interests. The effective interest rate of the liability component is 3.3564% per annum.

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42. CONVERTIBLE BOND (Continued)

Convertible Bond 2022 (Continued)

(2) Redemption (Continued)

(ii) Redemption on conditions (Continued)

Changes in the liability and equity component of the Convertible Bond 2022 since the issuance of Convertible Bond 2022 to December 31, 2022 are set out as below:

	Liability Component Rmb'000	Equity Component Rmb'000	Total Rmb'000
Issuance on June 14, 2022	2,856,082	310,732	3,166,814
Issue cost	(12,782)	(1,387)	(14,169)
Interest charge	71,825	–	71,825
Addition (Note i)	1,008,644	166,912	1,175,556
Conversion into shares (Note ii)	(97)	(10)	(107)
Net position	3,923,672	476,247	4,399,919

Notes:

(i) During the year ended December 31, 2022, Shangsan Co disposed the Convertible Bond 2022 held on hand with the principal amount of Rmb1,117,838,000. Upon the disposal, this balance is no longer an intragroup assets and liabilities which were eliminated in full on consolidation, and is considered as an addition during the year.

(ii) During the year ended December 31, 2022, the bondholders converted part of the Convertible Bond 2022 with a principal amount of Rmb106,000 to the shares of Zheshang Securities.

As at December 31, 2022, Zheshang Securities had not exercised the redemption rights.

43. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Analysed as collateral type:		
Bonds	23,825,242	25,250,426
Analysed by market:		
Shanghai/Shenzhen Stock Exchange	5,766,118	6,679,719
Inter-bank market	18,059,124	18,570,707
	23,825,242	25,250,426

As at December 31, 2022 and 2021, the above financial assets sold under repurchase agreements include those repurchase agreements entered into with qualified investors, with maturities within 1 year.

Sales and repurchase agreements are transactions in which the Group sells a security and simultaneously agrees to repurchase it (or an asset that is substantially the same) at a fixed price on a future date. Since the repurchase prices are fixed, the Group is still exposed to substantially all the credit risks and market risks and rewards of those securities sold. These securities are not derecognised from the financial statements but regarded as "collateral" for the liabilities because the Group retains substantially all the risks and rewards of these securities. The cash proceed received is recognised as financial liability.

As at December 31, 2022 and 2021, the Group enters into repurchase agreements with certain counterparties. The proceeds from selling such securities are presented as financial assets sold under repurchase agreements. Because the Group sells the contractual rights to the cash flows of the securities, it does not have the ability to use the transferred securities during the term of the arrangement.

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43. FINANCIAL ASSETS SOLD UNDER REPURCHASE AGREEMENTS (Continued)

The following tables provides a summary of carrying amounts and fair values related to transferred financial assets that are not derecognised in their entirety and the associated liabilities as at December 31, 2022 and December 31, 2021.

	Financial assets at FVTPL Rmb'000	Financial assets at FVTOCI Rmb'000	Total Rmb'000
As at December 31, 2022			
Carrying amount of transferred assets	25,303,293	430,958	25,734,251
Carrying amount of associated liabilities	(16,485,206)	(334,413)	(16,819,619)
Net position	8,818,087	96,545	8,914,632
As at December 31, 2021			
Carrying amount of transferred assets	23,808,367	–	23,808,367
Carrying amount of associated liabilities	(20,592,937)	–	(20,592,937)
Net position	3,215,430	–	3,215,430

44. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Financial liabilities held for trading:		
– Securities	915,407	1,057,170
– Funds	60,636	146,017
Financial liabilities designated at FVTPL:		
– Financial liabilities arising from consolidation of structured entities (Note)	81,599	1,722,204
	1,057,642	2,925,391

44. FINANCIAL LIABILITIES AT FAIR VALUE THROUGH PROFIT OR LOSS (Continued)

Note: Financial liabilities designated at FVTPL arising from consolidation of structured entities represent the third party unit holders' interests in the consolidated structure schemes and funds. Interests in these consolidated structured entities directly held by the Group amounted to fair value of Rmb2,391,869,000 and Rmb5,530,042,000 at December 31, 2022 and 2021, respectively. The total assets of the consolidated structured entities amounted to Rmb3,661,442,000 and Rmb8,716,481,000 at December 31, 2022 and 2021, respectively.

The Group has designated these liabilities as FVTPL, as in the opinion of the management, such designation eliminates or significantly reduces a measurement or recognition inconsistency that would otherwise arise.

45. LEASE LIABILITIES

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Lease liabilities payables		
Within one year	119,678	105,699
Within a period of more than one year but no more than two years	93,225	89,081
Within a period of more than two years but no more than five years	193,989	197,133
Within a period of more than five years	37,138	74,002
	444,030	465,915
Less: Amounts due for settlement with 12 months shown under current liabilities	(119,678)	(105,699)
Amount due for settlement after 12 months shown under non-current liabilities	324,352	360,216

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46. DEFERRED TAXATION

For the purpose of presentation in the consolidated statement of financial position, certain deferred tax assets and liabilities have been offset. The following is the analysis of the deferred tax balances for financial reporting purposes:

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Deferred tax assets	1,416,809	1,617,799
Deferred tax liabilities	(481,066)	(477,525)
	935,743	1,140,274

The following are the major deferred tax liabilities and assets recognised and movements thereon during the current and prior years:

	Changes in fair value of financial instruments carried at fair value Rmb'000	Difference in tax and accounting depreciation of property plant and equipment and expressway operating rights Rmb'000	Fair value adjustment of long term assets arising from business combination Rmb'000	Temporary differences of accrued expenses and impairment losses and tax losses Rmb'000	Total Rmb'000
At January 1, 2021	(51,467)	973,299	(160,034)	441,605	1,203,403
Charge (credit) to profit or loss	(112,075)	(1,748)	13,973	36,221	(63,629)
Transfer in through acquisition of a subsidiary	–	–	–	500	500
At December 31, 2021	(163,542)	971,551	(146,061)	478,326	1,140,274
Charge (credit) to profit or loss	62,220	(78,324)	12,627	45,565	42,088
Charge to other comprehensive income	2,264	–	–	(277)	1,987
Transfer out through disposal of a subsidiary	–	(200,322)	–	(48,284)	(248,606)
At December 31, 2022	(99,058)	692,905	(133,434)	475,330	935,743

46. DEFERRED TAXATION (Continued)

As at December 31, 2022, the Group had unused tax losses of approximately Rmb2,118,100,000 (2021: Rmb2,478,153,000) for which deferred tax was not recognised due to uncertainty of future taxable income. The amount of unrecognized tax loss expired in 2022 was approximately Rmb119,141,000. The expiry dates of the unrecognised tax losses are listed as below.

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
2022	–	416,372
2023	418,124	586,552
2024	478,586	514,179
2025	667,480	669,703
2026	304,342	291,347
2027	249,568	–
	2,118,100	2,478,153

47. SHARE CAPITAL

	Number of shares 12/31/2021 and 2022 '000	Share capital 12/31/2021 and 2022 Rmb'000
Registered, issued and fully paid:		
Domestic shares of Rmb1 each	2,909,260	2,909,260
H Shares of Rmb1 each	1,433,855	1,433,855
	4,343,115	4,343,115

The domestic shares are not currently listed on any stock exchange.

The H Shares have been listed on the Stock Exchange since May 15, 1997. The H Shares were admitted to the Official List on May 5, 2000 and their dealings on the London Stock Exchange commenced on the same day.

All the domestic shares and H Shares rank pari passu with each other as to dividends and voting rights.

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48. NON-CONTROLLING INTERESTS

The summarised financial information in respect of the Group's subsidiary that has material non-controlling interests, namely Shangsan Co and its subsidiaries, Linping Co, and Zhajiasu Co (as defined in Note 58) at the end of the reporting period are set out below. The summarised financial information below represents amounts before intragroup elimination with the Company.

Shangsan Co and its subsidiaries

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Current assets	136,360,358	126,357,545
Non-current assets	4,887,621	4,262,788
Current liabilities	96,961,620	89,709,890
Non-current liabilities	12,600,288	12,030,520
Equity attributable to owners of the Company	14,049,531	13,304,880
Non-controlling interests	17,636,540	15,575,043
Revenue	7,075,848	7,639,294
Expenses	(4,913,813)	(4,780,619)
Profit for the year Other comprehensive income (expense) for the year	2,162,035 15,827	2,858,675 (4,963)
Total comprehensive income for the year	2,177,862	2,853,712
Profit attributable to owner of the Company Profit attributable to non-controlling interests	1,005,941 1,156,094	1,388,075 1,470,600
	2,162,035	2,858,675
Total comprehensive income attributable to owner of the Company Total comprehensive income attributable to non-controlling interests	1,012,259 1,165,603	1,384,421 1,469,291
	2,177,862	2,853,712

48. NON-CONTROLLING INTERESTS (Continued)

Shangsan Co and its subsidiaries (Continued)

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Dividends paid to non-controlling shareholders	(493,565)	(310,813)
Net cash inflow/(outflow) from operating activities	4,215,003	(553,914)
Net cash outflow from investing activities	(1,198,936)	(302,029)
Net cash (outflow)/inflow from financing activities	(1,979,915)	5,589,135
Net cash inflow	1,036,152	4,733,192

Linping Co

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Current assets	676,505	586,757
Non-current assets	596,113	629,164
Current liabilities	94,284	90,761
Non-current liabilities	5,543	5,899
Equity attributable to owners of the Company	598,123	570,823
Non-controlling interests	574,668	548,438
Revenue	195,206	207,339
Expenses	(119,109)	(132,874)
Profit for the year	76,097	74,465
Profit and total comprehensive income		
– attributable to owner of the Company	38,809	37,977
– attributable to non-controlling interests	37,288	36,488
	76,097	74,465
Dividends paid to non-controlling shareholders	(11,058)	(11,058)
Net cash inflow from operating activities	49,883	123,562
Net cash (outflow)/inflow from investing activities	(4,987)	5,341
Net cash outflow from financing activities	(22,567)	(22,566)
Net cash inflow	22,329	106,337

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48. NON-CONTROLLING INTERESTS (Continued)

Zhajiasu Co

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Current assets	119,901	477,272
Non-current assets	2,813,460	2,830,330
Current liabilities	377,218	388,106
Non-current liabilities	1,236,999	1,518,320
Equity attributable to owners of the Company	725,529	770,647
Non-controlling interests	593,615	630,529
Revenue	389,622	328,456
Expenses	(471,654)	(330,280)
Loss for the year	(82,032)	(1,824)
Profit and total comprehensive income		
– attributable to owner of the Company	(45,118)	(1,003)
– attributable to non-controlling interests	(36,914)	(821)
	(82,032)	(1,824)
Dividends paid to non-controlling shareholders	–	–
Net cash inflow from operating activities	267,472	275,104
Net cash inflow/(outflow) from investing activities	71,097	(8,002)
Net cash outflow from financing activities	(365,994)	(252,727)
Net cash inflow	(27,425)	14,375

49. RETIREMENT BENEFITS SCHEMES

The employees of the Group are members of the state-managed retirement benefits scheme operated by the PRC government. To supplement this existing retirement benefits scheme, the Group adopted a corporate annuity scheme in accordance with relevant rules and regulations. The Group is required to contribute a certain percentage of payroll costs to these retirement benefits schemes to fund the benefits. The only obligation of the Group with respect to these retirement benefits schemes is to make the specified contributions.

No forfeited contributions are available to reduce the contribution payable in future years.

50. DISPOSAL OF A SUBSIDIARY

The Group appointed China International Capital Corporation Limited(“CICC”) as the fund manager of the ABS Program during the year to launch an asset-backed special program(“ABS Program”). The Group entered into equity transfer agreement with CICC to transfer the entire equity interests in Shenjiahuhang Expressway as the underlying assets for the ABS Program at a consideration amounted to Rmb2,943,000,000. The difference between the consideration received and net assets of Shenjiahuhang Expressway on December 2, 2022 was recognized as disposal gain in other income and gains and losses.

The Group, as the original interest owner of the underlying assets, also subscribed Rmb75,000,000 subordinated class of the ABS Program in November, 2022 which accounted for 30% of the total subordinated class and around 1.19% of the total size of the ABS Program. Upon completion of the equity transfer agreement and revision of Articles of Association by December 2, 2022, the Group can no longer exercise power over Shenjiahuhang Expressway and thus Shenjiahuhang Co ceased to be a subsidiary of the Group.

Meanwhile, the Group continued to provide daily operational service in relation to the underlying assets pursuant to an operation service agreement for the ABS Program.

	Rmb’000
Consideration received:	
Cash received	2,943,000
Total consideration received	2,943,000

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

50. DISPOSAL OF A SUBSIDIARY (Continued)

	12/02/2022 Rmb'000
Analysis of assets and liabilities over which control was lost:	
NON-CURRENT ASSETS	
Property, plant and equipment	464,663
Expressway operating rights	3,595,763
Deferred tax assets	248,606
CURRENT ASSETS	
Trade receivables	13,123
Other receivables and prepayments	2,247
Cash and cash equivalents	736,202
CURRENT LIABILITIES	
Trade payables	84,367
Other taxes payable	3,428
Other payables and accruals	45,717
Bank and other borrowings	611,754
NON-CURRENT LIABILITIES	
Bank and other borrowings	3,253,600
Net assets disposed of	(1,061,738)
Gain on disposal of a subsidiary:	
Consideration received	2,943,000
Net assets disposed of	(1,061,738)
Gain on disposal	1,881,262
Net cash inflow arising on disposal:	
Cash consideration	2,943,000
Less: bank balances and cash disposed of	(736,202)
	2,206,798

51. COMMITMENTS

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Authorised but not contracted for:		
– Purchase of machinery and equipment	1,214,428	1,897,477
– Acquisition and construction of properties	1,156,293	1,516,880
– Reconstruction and expansion projects of existing expressways	2,500,000	–
Contracted for but not provided:		
– Equity investments	860,245	210,000
Total	5,730,966	3,624,357

52. CAPITAL RISK MANAGEMENT

The Group manages its capital to ensure that entities in the Group will be able to continue as a going concern while maximising the return to shareholders through the optimisation of the debt and equity balance. The Group's overall strategy remains unchanged from prior year.

The capital structure of the Group consists of net debt, which includes the borrowings and lease liabilities disclosed in Notes 39, 40, 41, 42, 43 and 45, net of cash and cash equivalents and equity attributable to owners of the Company, comprising issued share capital, reserves and retained profits.

The Directors review the capital structure on a regular basis. As part of this review, the Directors consider the cost of capital and the risks associated with each class of capital. Based on recommendations of the Directors, the Group will balance its overall capital structure through the payment of dividends and new share issues as well as the issue of new debt or the redemption of existing debt.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

53. FINANCIAL INSTRUMENTS

(a) Categories of financial instruments

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Financial assets		
Financial assets at FVTPL	43,999,383	45,809,589
Financial assets at FVTOCI	820,940	–
Derivative financial assets	1,000,756	613,718
Financial assets at amortised cost	101,267,146	85,481,232
Financial liabilities		
Derivative financial liabilities	554,357	451,368
Financial liabilities at FVTPL	1,057,642	2,925,391
Convertible Bonds		
– derivative component	308,266	340,217
Financial liabilities at amortised cost	123,927,738	119,496,753

(b) Financial risk management objectives and policies

The Group's major financial instruments include trade receivables, loans to customers arising from margin financing business, other receivables, derivative financial assets, financial assets at FVTPL, financial assets held under resale agreements, bank balances, clearing settlement fund held on behalf of customers, pledged bank deposits, clearing settlement fund, deposits and cash, placements from other financial institutions, accounts payable to customers arising from securities business, trade payables, other payables, derivative financial liabilities, bank and other borrowings, short-term financing note payable, bonds payable, convertible bond and financial guarantee, financial assets sold under repurchase agreements, financial liabilities at FVTPL. Details of the financial instruments are disclosed in respective notes. The risks associated with these financial instruments include market risk (interest rate risk, currency risk, and other price risk), credit risk and impairment assessment, and liquidity risk. The policies on how to mitigate these risks are set out below. The management manages and monitors these exposures to ensure appropriate measures are implemented on a timely and effective manner.

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk

(i) Interest rate risk

The Group is exposed to fair value interest rate risk in relation to loans to customers arising from margin financing business, financial assets held under resale agreements, fixed-rate time deposits, placements from other financial institutions, fixed-rate bank and other borrowings, fixed rate short-term financing note payable, bonds payable, debt component of convertible bonds, financial assets sold under repurchase agreements and financial liabilities at FVTPL (see Notes 29,31,33,34,39,40,41,42,43 and 44 for details).

The Group is also exposed to cash flow interest rate risk in relation to variable-rate bank balances and clearing settlement fund held on behalf of customers, bank balances, clearing settlement fund, deposits and bank and other borrowings (see Notes 32, 33 and 39 for details).

The Group currently does not have an interest rate risk hedging policy as the management considers the Group is not exposed to significant interest rate risk. The management will continue to monitor interest rate risk exposure and consider hedging against it should the need arise.

The Group's exposures to interest rates on financial liabilities are detailed in the liquidity risk management section of this note.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(i) Interest rate risk (Continued)

Sensitivity analysis

The sensitivity analyses below have been determined based on the exposure to interest rates for non-derivative instruments, comprising variable-rate bank balances and clearing settlement fund held on behalf of customers, bank balances, clearing settlement fund, deposits and bank and other borrowings at the end of the reporting period.

The analysis is prepared assuming the balances outstanding at the end of the reporting period were outstanding for the whole year. A 50 basis points (2021: 50 basis points) increase or decrease represents the management's assessment of the reasonably possible change in interest rates.

If interest rates had been 50 basis points (2021: 50 basis points) higher/lower and all other variables were held constant, the Group's post-tax profit for the year ended December 31, 2022 would have increased/decreased by Rmb223,524,000(2021: Rmb151,908,000). This was mainly attributable to the Group's exposure to interest rates on its variable-rate bank balances and clearing settlement fund.

(ii) Currency risk

Several subsidiaries of the Group have foreign currency denominated monetary assets and liabilities, which expose the Group to foreign currency risk.

The carrying amounts of the Group's foreign currency denominated monetary assets and liabilities at the end of the reporting date are as follows:

	Assets		Liabilities	
	12/31/2022 Rmb'000	12/31/2021 Rmb'000	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Hong Kong dollar ("HKD")	225,872	123,655	190,485	52,524
United States dollar ("USD")	862,574	2,067,976	3,562,939	3,206,096
Euro dollar ("EUR") (Note)	–	–	1,788,401	1,714,661

Note: Amount represented both the debt and derivative component of the Convertible Bond 2021.

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(ii) Currency risk (Continued)

Sensitivity analysis

The Group is mainly exposed to USD and EUR relative to Rmb. The following table details the Group's sensitivity to a 10% (2021: 10%) increase and decrease in Rmb against the relevant foreign currencies. 10% (2021: 10%) is the sensitivity rate used when reporting foreign currency risk internally to key management personnel and represents the management's assessment of the reasonably possible change in foreign exchange rates. The sensitivity analysis includes only outstanding foreign currency denominated monetary items and adjusts their translation at the end of the reporting period for a 10% (2021: 10%) change in foreign currency rates. A positive number below indicates an increase in post-tax profit where Rmb strengthen 10% (2021: 10%) against the relevant currency. For a 10% (2021: 10%) weakening of Rmb against the relevant currency, there would be an equal and opposite impact on the profit and other equity and the balances below would be negative. The impact of HKD is not presented, since the outstanding monetary items denominated in HKD is not significant and their impact is immaterial.

	USD impact		EUR impact	
	12/31/2022 Rmb'000	12/31/2021 Rmb'000	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Profit or loss	202,527	85,359	134,130	128,600

In the management's opinion, the sensitivity analysis is unrepresentative of the inherent foreign exchange risk as the year end exposure does not reflect the exposure during the year.

(iii) Other price risk

The Group is exposed to equity and debt security price risk in relation to its financial assets at FVTPL, derivative financial assets and liabilities and financial liabilities at FVTPL.

The Group currently does not have a price risk hedging policy and the management will continue to monitor price risk exposure and consider hedging against it should the need arise.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Other price risk (Continued)

Sensitivity analysis

For financial instruments other than derivative component of Convertible Bond 2022

The sensitivity analyses below have been determined based on the exposure to equity and debt security price risks at the reporting date.

If the prices of the respective equity and debt instruments had been 5% (2021: 5%) higher/lower,

- post-tax profit for the year ended December 31, 2022 would have increased/decreased by Rmb1,649,977,000 as a result of the changes in fair value of financial assets at FVTPL.

- post-tax profit for the year ended December 31, 2021 would have increased/decreased by Rmb1,717,860,000 as a result of the changes in fair value of financial assets at FVTPL.

For derivative component of Convertible Bond 2021

The price risk in 2021 came from the derivative component of Convertible Bond 2021.

The exposure to foreign currency exchange rate of the Convertible Bond 2021 had been covered in Note 53(b)(ii) already.

Conversion option derivatives of Convertible Bond 2021

1) Changes in share price

If the share price of the Company had been 10% (2021:10%) higher/lower while all other input variables of the valuation models were held constant, the Group's profit for the year would have (decreased) increased as follows:

	Year ended 12/31/2022 Rmb'000	Year ended 12/31/2021 Rmb'000
Higher by 10%	(61,517)	(88,363)
Lower by 10%	35,379	67,532

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Market risk (Continued)

(iii) Other price risk (Continued)

Sensitivity analysis (Continued)

Conversion option derivatives of Convertible Bond 2021 (Continued)

2) Changes in volatility

If the volatility to the valuation model had been 10% (2021:10%) higher/lower while all other variables were held constant, the Group's profit for the year would have (decreased)/increased as follows:

	Year ended 12/31/2022 Rmb'000	Year ended 12/31/2021 Rmb'000
Higher by 10%	(17,962)	(21,901)
Lower by 10%	12,818	27,873

Credit risk and impairment assessment

As at December 31, 2022, the Group's maximum exposure to credit risk which will cause a financial loss to the Group due to failure to discharge an obligation by the counterparties provided by the Group is arising from the carrying amount of the respective recognised financial assets as stated in the consolidated statement of financial position and the amount of contingent liability in relation to financial guarantee issued by the Group as disclosed in Note 56.

The credit risk on liquid funds, representing bank balance, clearing settlement fund, deposits and cash is limited because the counterparties are state-owned banks or banks with high credit ratings assigned by international credit-rating agencies.

Other items under the Group's different operations with credit risk and corresponding impairment assessment are set out below:

Toll operation and high grade road construction service

The Group performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances arising from toll operation on collective basis and contract asset on individual basis, using life-time ECL under the simplified approach.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

The Group has no credit period granted to its trade customers of toll operation. All the Group's trade receivable balances for toll operation and contract asset, upon the conditions satisfied, are receivable from the government-operated organisations. In this regard, the Directors consider that the credit risk is low as the Group has no history of loss experience with the government-operated organisations in the past. No significant ECL was recognised as at December 31, 2022 and 2021.

Securities operation

The Group's securities operation currently faces credit risk primarily from loans to customers arising from margin financing business, and financial assets held under resale agreements which are secured by clients' securities or deposits held as collateral. It refers to the risk of loss arising from the debtor's failure to meet its contractual obligations in a timely manner.

i) Credit risk management

Credit risk from loans to customers arising from margin financing business and financial assets held under resales agreements mainly including the debtor falsifying the application, failing to repay debts, violating the agreement, violating regulatory discipline of trading behaviour, and providing collateral that involves law dispute, etc. The Group management authorises professional personnel to examine and approve the credit limit of these businesses, as well as adjust such credit limit in accordance with the regular assessment of the debtor's repayment capacity. Risk management division oversights the collaterals and usage of related credit limit, and initiates margin call if necessary. Once the debtor fail to enhance the collateral to the account, the credit risk will be controlled by liquidating the pledged securities.

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Securities operation (Continued)

ii) Measurement of ECL

Since January 1, 2018, The Group has applied the ECL model to measure the expected credit losses for applicable financial assets mainly including loans to customers arising from margin financing business and financial assets held under resale agreements.

The group has used the “3 stage” ECL model to assess the credit losses when its credit risk has increased significantly since initial recognition:

(i) An asset moves to stage 1 where there has low risk of default or has not been a significant increase in credit risk and that are not credit impaired. The Group will continuously monitor its credit risk;

(ii) An asset moves to stage 2 where there has been a significant increase in credit risk since initial recognition but that are not credit impaired. The Group does not see it as an impairment loss occurred instrument;

(iii) An asset moves to stage 3 when impairment losses occurred; and

(iv) The loss impairment for financial instruments in stage 1 is anticipated credit losses for the next 12 months, which correspond to the amount of anticipated credit losses for the entire life time resulting from possible defaults within the next 12 months. In the second or third stage, the expected credit losses of financial instruments are measured for the entire life time and the expected credit losses are recorded.

The factors the Group considers whether credit risk increases significantly refer to Note 5. In particular, for loans to customers arising from margin financing business and financial assets held under resale agreement, the Group generally believes that when the loan to collateral ratio determined by fair value reaches the warning line, the credit risk increases significantly and needs to be transferred to “stage 2”, and when the loan to collateral ratio determined by fair value reaches the liquidation line or expect there would be loss after closing the position mandatorily, it will be transferred to “stage 3”.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Securities operation (Continued)

ii) Measurement of ECL (Continued)

The Group uses PD, EAD and LGD to measure credit risks:

(i) PD is an estimate of the likelihood of default over a given time horizon, the calculation of which includes historical data, assumptions and expectations of future conditions;

(ii) EAD is the amount that the Group should be repaid at the time of default in the next 12 months or throughout the remaining life; and

(iii) LGD is an estimate of the loss arising on default. The Group estimates LGD based on the history of recovery rates and considers the recovery of any collateral that is integral to the financial asset, taking into account forward-looking economic assumptions where relevant.

The expected credit losses are measured based on the probability weighted results of PD, EAD and LGD.

The assessment of significant increase in credit risk and the measurement of ECL all involve forward-looking information. When considering macroeconomic forward-looking adjustments, the Group simulates optimistic, extremely optimistic, pessimistic, and extremely pessimistic scenarios by adjusting the coefficients of the baseline scenario, and assigns corresponding weights. Through the analysis of historical data, the Group identifies the key economic indicators affecting the credit risk and ECL of each asset portfolio.

The Group regularly forecasts the economic condition by selecting various indicators within the macroeconomic indicator pool to make a sound estimation of the ECL.

In order to determine the relationship between these economic indicators and the default probability as well as the default loss rate, the Group constructs an econometric model to determine the impact of historical changes in these indicators on the PD and LGD.

The Group makes forward-looking estimation of the ECL based on the scenario reflecting key economic indicators above. The Group accrues the credit loss provisions for the next 12 months for financial assets in Stage 1, and accrues the credit loss provisions for the whole life for those financial assets in Stage 2 and Stage 3. The Group has classified exposures with similar risk characteristics when calculating anticipated credit loss impairment in a portfolio. During the classification, the Group obtained sufficient information to ensure its statistical reliability.

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Other operations

In respect of the Group's other operations, the management of the Group has delegated a team responsible for determination of credit limits and credit approvals. Other monitoring procedures are in place to ensure that follow-up action is taken to recover overdue debts. The Group did not experience significant credit loss on its other operations, and performs impairment assessment under ECL model upon application of HKFRS 9 on trade balances based on provision matrix. In this regard, the Directors consider that the Group's credit risk is significantly reduced.

The Group's internal credit risk grading assessment comprises the following categories:

Internal credit rating	Description	Trade receivables/ contract asset	Other financial assets/other items (Note)
Low risk (stage 1)	The counterparty has a low risk of default and does not have any past-due amounts	Lifetime ECL - not credit-impaired	12-month ECL
Doubtful (stage 2)	There have been significant increases in credit risk since initial recognition through information developed internally or external resources	Lifetime ECL - not credit-impaired	Lifetime ECL - not credit-impaired
Loss (stage 3)	There is evidence indicating the asset is credit-impaired	Lifetime ECL - credit-impaired	Lifetime ECL - credit-impaired
Write-off	There is evidence indicating that the debtor is in severe financial difficulty and the Group has no realistic prospect of recovery	Amount is written off	Amount is written off

Note: Other financial assets include loans to customers arising from margin financing business, bank balances, clearing settlement fund, deposits and cash, pledged bank deposit, bank balances and clearing settlement fund held on behalf of customers, financial assets held under agreements and other receivables.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Other operations (Continued)

The table below details the credit risk exposures of the Group's financial assets, contract asset and financial guarantee contracts, which are subject to ECL assessment:

	Notes	External credit rating	Internal credit rating	12-months or lifetime ECL	12/31/2022 Gross carrying amount Rmb'000	12/31/2021 Gross carrying amount Rmb'000
Financial assets						
Debt instruments at FVTOCI	27	N/A	Low risk	Lifetime ECL	820,940	–
Trade receivables (Note i)	28					
– toll operation		N/A	Low risk	Lifetime ECL	240,557	138,335
– securities operation		N/A	Low risk	Lifetime ECL	309,700	323,221
– others		N/A	Low risk	Lifetime ECL	10,444	12,135
Loans to customers arising from margin financing business						
– securities operation	29	N/A	Low risk	12-month ECL	16,753,901	18,894,618
			Doubtful	Lifetime ECL – not credit-impaired	815,047	509,534
			Loss	Lifetime ECL – credit-impaired	–	3,178
Bank balances, clearing settlement fund, deposit and cash	33	AA to AAA	Low risk	12-month ECL	24,191,047	17,699,910
Bank balances and clearing settlement fund held on behalf customers						
– securities operation	32	AA	Low risk	12-month ECL	48,744,803	38,392,804
Financial assets held under resale agreements						
– securities operation	31	N/A	Low risk	12-month ECL	5,925,679	7,001,992
			Doubtful	Lifetime ECL – not credit-impaired	365,754	109,730
			Loss	Lifetime ECL – credit-impaired	94,471	96,412
Other receivables	30	N/A	Low risk	12-month ECL	4,173,061	2,468,229
Other items						
Financial guarantee contracts (Note ii)						
– toll operation	56	N/A	Low risk	12-month ECL	321,899	437,088

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Credit risk and impairment assessment (Continued)

Other operations (Continued)

Notes:

i. During the year ended December 31, 2022, the Group provided ECL on trade receivables by Rmb6,333,000 (2021: Rmb5,799,000).

ii. For financial guarantee contracts, the gross carrying amount represents the maximum amount the Group has guaranteed under the respective contracts.

Concentration of credit risk

As at December 31, 2022, other than the concentration of credit risk on trade receivables and financial guarantee contract amounting to Rmb560,701,000 (2021: Rmb473,691,000), and Rmb321,899,000(2021: Rmb437,088,000), respectively, of which these balances were only limited and concentrated to a few counterparties, the Group does not have any other significant concentrations of credit risk.

There are also no concentration risks on its margin financing business and financial assets held under resale agreements as at December 31, 2022 and 2021 respectively as the Group has a large number of clients who are dispersed.

The Group's concentration of credit risk by geographical location is mainly in the PRC.

Liquidity risk

Most of the bank balances, clearing settlement fund, pledged bank deposits and cash at December 31, 2022 and 2021 were denominated in Rmb which is not a freely convertible currency in the international market. The exchange rate of Rmb is regulated by the PRC government and the remittance of these Rmb funds out of the PRC is subject to foreign exchange controls imposed by the PRC government.

The Group closely monitors its cash position resulting from its operations and maintains a level of cash and cash equivalents deemed adequate by the management to enable the Group to meet in full its financial obligations as they fall due for the foreseeable future.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

The following table details the Group's remaining contractual maturity for its non-derivative financial liabilities. Liquidity risk analysis below excludes derivative component of Convertible Bond 2021 as the settlement of which does not involve cash settlement. The table has been drawn up based on the undiscounted cash flows of financial liabilities based on the earliest date on which the Group can be required to pay. The table includes both interest and principal cash flows.

Liquidity tables

	Weighted average interest rate %	On demand or less than 3 months Rmb'000	3 months - 1 year Rmb'000	1 - 3 years Rmb'000	3 - 5 years Rmb'000	Over 5 years Rmb'000	Total undiscounted cash flows Rmb'000	Carrying amount at year end Rmb'000
2022								
Non-derivative financial liabilities								
Accounts payable to customers arising from securities business	–	48,449,595	–	–	–	–	48,449,595	48,449,595
Trade payables	–	1,159,833	–	–	–	–	1,159,833	1,159,833
Other payables	–	404,477	–	–	–	–	404,477	404,477
Bank and other borrowings								
– fixed rate	3%-7.08%	110,198	3,553,046	565,046	–	–	4,228,290	3,780,914
– variable rate	3%-4.70%	228,932	1,255,827	3,119,075	3,084,087	7,381,250	15,069,171	13,329,276
Short-term financing note payable	3.17%	3,468,558	210,789	–	–	–	3,679,347	3,567,025
Financial assets sold under repurchase agreements	3.68%	23,831,743	–	–	–	–	23,831,743	23,825,242
Placements from other financial institutions	2.20%	700,300	–	–	–	–	700,300	700,000
Bonds payable	3.32%	92,209	7,587,916	10,361,235	5,976,450	1,387,522	25,405,332	23,307,569
Convertible Bonds								
– debt component	3.36%-4.74%	–	13,501	70,000	1,655,135	7,419,967	9,158,603	5,403,807
Lease liabilities	3.62%-5.35%	12,771	107,172	208,708	127,024	50,631	506,306	444,030
Financial guarantee	–	321,899	–	–	–	–	321,899	–
Financial liabilities at fair value through profit or loss	–	976,043	81,599	–	–	–	1,057,642	1,057,642
		79,756,558	12,809,850	14,324,064	10,842,696	16,239,370	133,972,538	125,429,410

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity tables (Continued)

	Weighted average interest rate %	On demand or less than 3 months Rmb'000	3 months - 1 year Rmb'000	1 - 3 years Rmb'000	3 - 5 years Rmb'000	Over 5 years Rmb'000	Total undiscounted cash flows Rmb'000	Carrying amount at year end Rmb'000
2021								
Non-derivative financial liabilities								
Accounts payable to customers arising from securities business	–	38,069,350	–	–	–	–	38,069,350	38,069,350
Trade payables	–	1,387,533	–	–	–	–	1,387,533	1,387,533
Other payables	–	581,288	–	–	–	–	581,288	581,288
Bank and other borrowings								
– fixed rate	3.00%-4.85%	15,822	943,158	237,985	–	–	1,196,965	1,160,047
– variable rate	4.08%-4.70%	161,029	1,833,503	2,997,838	4,076,973	9,943,315	19,012,658	15,583,870
Short-term financing note payable	2.95%	4,376,556	3,620,898	–	–	–	7,997,454	7,940,702
Financial assets sold under repurchase agreements	4.40%	25,262,817	–	–	–	–	25,262,817	25,250,426
Placements from other financial institutions	2.57%	500,277	–	–	–	–	500,277	500,000
Bonds payable	3.55%	107,884	10,978,990	9,428,491	6,707,351	3,097,548	30,320,264	27,649,091
Convertible Bonds								
– debt component	4.74%	–	–	–	1,374,445	–	1,374,445	1,374,445
Lease liabilities	3.62%-5.35%	–	109,802	183,044	144,905	96,881	534,632	465,915
Financial guarantee	–	437,088	–	–	–	–	437,088	–
Financial liabilities at fair value through profit or loss	–	1,057,171	1,868,220	–	–	–	2,925,391	2,925,391
		71,956,815	19,354,571	12,847,358	12,303,674	13,137,744	129,600,162	122,888,058

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For the year ended December 31, 2022

53. FINANCIAL INSTRUMENTS (Continued)

(b) Financial risk management objectives and policies (Continued)

Liquidity risk (Continued)

Liquidity tables (Continued)

The amounts included above for financial guarantee contracts are the maximum amounts the Group could be required to settle under the arrangement for the full guaranteed amount if that amount is claimed by the counterparty to the guarantee. Based on expectations at the end of the reporting period, the Group considers that it is more likely than not that no amount will be payable under the arrangement. However, this estimate is subject to change depending on the probability of the counterparty claiming under the guarantee which is a function of the likelihood that the financial receivables held by the counterparty which are guaranteed suffer credit losses.

The amounts included above for variable interest rate instruments for non-derivative financial liabilities are subject to change if changes in variable interest rates differ to those estimates of the interest rates determined at the end of the reporting period.

As at December 31, 2022 and 2021, the Group has not entered into any master netting arrangements with counterparties. The collaterals of which, such as financial assets held under resale agreement, financial assets at FVTPL, loans to customers arising from margin financing business, placements from other financial institutions and financial assets sold under repurchase agreements, financial liabilities FVTPL, etc., are disclosed in the corresponding notes, which are generally not on the net basis in financial position. However, the risk exposure associated with favourable contracts is significantly reduced by the collaterals received by the Group which could be recovered to the extent if a default occurs, in respect of the outstanding receivable amounts from the counterparty.

The analysis above does not include the cash flow of derivatives, which do not have material impact on the cash flow of the Group.

53. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments

This note provides information about how the Group determines fair values of various financial assets and financial liabilities.

Fair value measurements recognised in the statement of financial position that are measured at fair value on a recurring basis

Some of the Group's financial assets and financial liabilities are measured at fair value at the end of each reporting period. The following table gives information about how the fair values of these financial assets and financial liabilities are determined (in particular, the valuation technique(s) and inputs used).

If there is a reliable market quote for a financial instrument, the fair value of the financial instrument is measured based on quoted market price. If a reliable quoted market price is not available, the fair value of the financial instrument is estimated using valuation techniques. For the fair value of financial instruments categorised within Level 2, the valuation techniques applied include discounted cash flow, recent transaction price and net asset value method. The significant observable inputs used in the valuation techniques used for Level 2 include future cash flows estimated based on applying the interest yield curves, net asset values determined with reference to observable (quoted) prices of underlying investment portfolio, contractual terms, forward interest rates and forward exchanges.

For financial instruments categorised within Level 3, fair values are determined by using valuation techniques, including valuation methods such as discounted cash flow model, comparable company analysis, the option pricing model, net asset value method and recent financing price method. Determinations to classify fair value measures within Level 3 are generally based on the significance of the unobservable inputs to the overall fair value measurement. The following table presents the valuation techniques and inputs used for the major financial instruments in Level 3.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

53. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

Financial instruments	Fair value hierarchy	Valuation technique(s) and key input(s)	Significant unobservable input(s)	Relationship of unobservable input(s) to fair value
Equity securities	Level 3	The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability. This discount is determined by option pricing model.	Discount for lack of marketability.	The higher the discount, the lower the fair value.
			The volatility of the share prices of the securities.	The higher the volatility, the lower the fair value.
Debt investments	Level 3	The fair value is determined with reference to the quoted market prices with an adjustment of discount for lack of marketability.	Discount rate	The higher the discount, the lower the fair value.
Other investments	Level 3	The fair value is determined with reference to the net asset value of the underlying investments with an adjustment of discount for the credit risk of counterparty.	Discount rate	The higher the discount, the lower the fair value.
Other investments	Level 3	Calculated based on pricing/yield such as price-to earnings (P/E) of comparable companies with an adjustment of discount for lack of marketability.	P/E multiples	The higher the multiples, the higher the fair value.
			Discount for lack of marketability.	The higher the discount, the lower the fair value.
Interests attributable to other holders of consolidated structured entities	Level 3	The fair value is determined with reference to the net asset value of the structured entities, calculated based on pricing/yield of comparable companies with an adjustment of discount for lack of marketability.	P/E multiples	The higher the multiples, the higher the fair value.
			Discount for lack of marketability.	The higher the discount, the lower the fair value.
Derivative component of Convertible Bond	Level 3	Binomial option pricing model	Expected volatility (28.34%) taking into account the actual historical share price of the Company over the same time period as the Convertible Bond's remaining time to maturity	The higher the expected volatility, the higher the fair value.
OTC options	Level 3	The option pricing model is used which is calculated based on the option exercise price, the price and volatility of the underlying equity instrument, the option exercise time, and the risk-free interest rate.	The volatility of the underlying equity instrument for option	The higher volatility of the underlying equity instrument, the greater impact on the fair value.

There were no transfer between Level 1 and Level 2 during the year.

53. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

As at December 31, 2022

	Level 1 Rmb'000	Level 2 Rmb'000	Level 3 Rmb'000	Total Rmb'000
Financial assets at FVTPL				
– Equity securities	1,626,768	79,471	270,990	1,977,229
– Funds	1,183,099	5,808,720	–	6,991,819
– Debt investments	4,440,080	28,617,288	4,500	33,061,868
– Asset management schemes	–	1,732,338	–	1,732,338
– Trust products	–	–	154,799	154,799
– Unlisted equity investments	–	–	81,330	81,330
Sub-total	7,249,947	36,237,817	511,619	43,999,383
Debt instruments at FVTOCI	128,529	692,411	–	820,940
Derivative assets	–	375,529	625,227	1,000,756

	Level 1 Rmb'000	Level 2 Rmb'000	Level 3 Rmb'000	Total Rmb'000
Financial liabilities at FVTPL				
– Securities	904,187	11,220	–	915,407
– Fund	–	60,636	–	60,636
– Structured entities	–	81,587	12	81,599
Sub-total	904,187	153,443	12	1,057,642
Derivative component of Convertible Bond 2021	–	–	308,266	308,266
Derivative liabilities	–	212,997	341,360	554,357

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For the year ended December 31, 2022

53. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

As at December 31, 2021

	Level 1 Rmb'000	Level 2 Rmb'000	Level 3 Rmb'000	Total Rmb'000
Financial assets at FVTPL				
– Equity securities	2,853,872	8,377	575,544	3,437,793
– Funds	278,633	5,420,668	–	5,699,301
– Debt investments	5,007,228	30,026,702	134,790	35,168,720
– Asset management schemes	–	1,234,138	–	1,234,138
– Trust products	–	–	258,437	258,437
– Unlisted equity investments	–	–	11,200	11,200
Sub-total	8,139,733	36,689,885	979,971	45,809,589
Derivative assets	–	494,961	118,757	613,718

	Level 1 Rmb'000	Level 2 Rmb'000	Level 3 Rmb'000	Total Rmb'000
Financial liabilities at FVTPL				
– Securities	1,048,381	8,789	–	1,057,170
– Fund	–	146,017	–	146,017
– Structured entities	–	1,722,186	18	1,722,204
Sub-total	1,048,381	1,876,992	18	2,925,391
Derivative component of Convertible Bond 2021	–	–	340,217	340,217
Derivative liabilities	–	327,692	123,676	451,368

53. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

The following tables represent the changes in Level 3 financial assets at FVTPL during the years ended December 31, 2022 and 2021, respectively. For the changes in Level 3 derivative component of Convertible Bond 2022 during the year ended December 31, 2022 and 2021, please refer to Note 42.

For the year ended December 31, 2022

Financial assets at FVTPL:

	Trust products Rmb'000	Restricted shares Rmb'000	Unlisted equity investments Rmb'000	Debts Rmb'000	Total Rmb'000
At beginning of the year	258,437	575,544	11,200	134,790	979,971
Additions	56,396	44,009	67,730	–	168,135
Disposal	(160,034)	(206,876)	–	(130,290)	(497,200)
Transfer out	–	(145,297)	–	–	(145,297)
Changes in fair value changes	–	3,610	2,400	–	6,010
At end of the year	154,799	270,990	81,330	4,500	511,619

	Total Rmb'000
Total gains/(losses) for assets held at the end of the year	
– unrealised gains/(losses) recognised in profit or loss for FVTPL	114,761

Unrealised gains/(losses) recognised in profit or loss for FVTPL are disclosed in Note 8. Derivative assets and liabilities categorised as Level 3 are mainly generated by new purchases this year.

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For the year ended December 31, 2022

53. FINANCIAL INSTRUMENTS (Continued)

(c) Fair value measurements of financial instruments (Continued)

For the year ended December 31, 2021

Financial assets at FVTPL:

	Trust products Rmb'000	Restricted shares Rmb'000	Unlisted equity investments Rmb'000	Debts Rmb'000	Total Rmb'000
At beginning of the year	356,417	120,389	80,323	13,500	570,629
Additions	242,653	196,300	–	225,913	664,866
Disposal	(293,006)	–	(69,123)	–	(362,129)
Changes in fair value changes	(47,627)	258,855	–	(104,623)	106,605
At end of the year	258,437	575,544	11,200	134,790	979,971

Derivative assets and liabilities categorised as Level 3 are mainly generated by new purchases this year.

	As at 12/31/2022		As at 12/31/2021	
	Carrying amount Rmb'000	Fair value Rmb'000	Carrying amount Rmb'000	Fair value Rmb'000
Debt component of Convertible Bond 2021	1,480,135	1,343,040	1,374,445	1,714,661
Debt component of Convertible Bond 2022	3,923,672	3,929,596	–	–

The fair value of the debt component of Convertible Bond 2022 and Convertible Bond 2021 as at December 31, 2022 and December 31, 2021 are under level 3 category and was determined by the Directors with reference to the valuation performed by a firm of independent professional valuers. The fair value of the debt component of Convertible Bond 2022 and Convertible Bond 2021 are determined by discounted cash flow using the inputs including estimated cash flows over the remaining terms of the Convertible Bond 2022 and Convertible Bond 2021 and discount rate that reflected the credit risk of the Company.

54. RECONCILIATION OF LIABILITIES ARISING FROM FINANCING ACTIVITIES

The table below details changes in the Group's liabilities arising from financing activities, including both cash and non-cash. Liabilities arising from financing activities are those for which cash flows were or future cash flows will be, classified in the Group's consolidated statement of cash flows as cash flows from financing activities.

	Dividends payable Rmb'000	Bank and other borrowings Rmb'000	Bonds payable Rmb'000	Convertible Bonds Rmb'000	Lease Liabilities Rmb'000	Short-term financing note payable Rmb'000	Total Rmb'000
At January 1, 2021	50	19,974,360	20,068,147	766	390,240	6,306,716	46,740,279
Financing cash flows	(1,782,371)	(5,124,161)	7,546,582	1,803,186	(107,963)	1,636,740	3,972,013
Operating cash flows	–	(834,283)	(824,821)	–	(4,145)	(186,693)	(1,849,942)
Non-cash changes							
Acquisition of a subsidiary	–	2,017,697	–	–	–	–	2,017,697
New lease entered	–	–	–	–	164,264	–	164,264
Fair value adjustment	–	–	–	(27,453)	–	–	(27,453)
Exchange realignment	(8,500)	(92,204)	(16,090)	(119,131)	–	–	(235,925)
Accrued dividend	1,790,821	–	–	–	–	–	1,790,821
Interest expenses	–	802,508	875,273	57,294	23,519	183,939	1,942,533
At December 31, 2021	–	16,743,917	27,649,091	1,714,662	465,915	7,940,702	54,514,287
At January 1, 2022	–	16,743,917	27,649,091	1,714,662	465,915	7,940,702	54,514,287
Financing cash flows	(2,041,416)	1,819,108	(4,306,310)	3,851,944	(134,827)	(4,362,900)	(5,174,401)
Operating cash flows	–	(739,227)	(1,078,777)	–	(5,126)	(114,754)	(1,937,884)
Non-cash changes							
Disposal of a subsidiary	–	(1,465,354)	–	–	–	–	(1,465,354)
New lease entered	–	–	–	–	94,998	–	94,998
Fair value adjustment	–	–	–	(31,951)	–	–	(31,951)
Exchange realignment	3,397	–	276,230	37,073	–	–	316,700
Accrued dividend	2,038,019	–	–	–	–	–	2,038,019
Interest expenses	–	751,746	767,335	123,880	23,070	103,977	1,770,008
Interest expenses adjustment due to bond disposal	–	–	–	16,562	–	–	16,562
Conversion into shares	–	–	–	(97)	–	–	(97)
At December 31, 2022	–	17,110,190	23,307,569	5,712,073	444,030	3,567,025	50,140,887

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For the year ended December 31, 2022

55. OPERATING LEASES

The Group as lessor

The Group leased their service areas and communication ducts and part of spare office premises under operating lease arrangements. Leases are negotiated for terms ranging from 1 to 25 years and rentals are fixed annually.

At the end of the reporting period, the Group had contracted with tenants for the following future minimum lease payments:

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Within one year	61,817	76,411
In the second to fifth year inclusive	149,833	208,861
After five years	30,765	152,190
	242,415	437,462

For certain of the Group's service areas, the rental income is variable and being calculated at the higher of a pre-agreed percentage of revenue of the relevant service areas made by the lessees or the minimum lease payments. The commitment above represented the minimum lease payments from lessees only and do not include any contingent rent elements.

56. CONTINGENT LIABILITIES AND LITIGATION

(a) Financial guarantee given to bank

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Guarantees given to bank, in respect of a joint venture	321,899	437,088

The Group provided a financial guarantee to Shengxin Co, a 50% owned joint venture of the Group, in favour of a bank for 50% of its outstanding bank borrowings and interest, and accrued off-balance sheet provision in light of the financial guarantee. As at December 31, 2022, the bank borrowings of Shengxin Co and accrued interest amounted to Rmb643,798,000 (2021: Rmb874,176,000). The Directors consider that the fair value of the guarantee is insignificant at initial recognition and default by the guaranteed party is not probable, therefore the provision under ECL model for financial guarantee contract is not material as at December 31, 2022 and 2021.

(b) Litigation

Zheshang Securities is an indirectly non-wholly-owned subsidiary of the Company and was the lead underwriter during the issuance of the two bonds by Reward Group in 2015 and 2016. Reward Group has defaulted on the payment of the two bonds from 2018 and further declared bankruptcy in 2022 after failure in debt restructuring. During October and November 2022, institutional investors who invested in the bonds issued by Reward Group submitted Claims against intermediaries who were involved in the issuance, including Zheshang Securities at an aggregate amount of Rmb129,119,000. It's alleged that the Claims relate to misrepresentation during the issuance of two bonds.

Zheshang Securities refuted the Claims and has engaged local counsel in China to defend the Claims accordingly. Up to the date of this report, no notification has been issued by the Beijing Financial Court in respect of the hearing, and the case was not closed.

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57. RELATED PARTY TRANSACTIONS AND BALANCES

Other than disclosed elsewhere in the consolidated financial statements, during the year, the Group also entered into the following significant transactions with related parties:

(i) Transactions and balances with Communications Group and government related parties

Details of significant transactions with Communications Group are summarised below:

Borrowings

Pursuant to the entrusted loan contracts entered into between the Company and Zhejiang Highway Logistic Company Limited ("Logistic Co"), a wholly-owned subsidiary of the Communications Group, on July 22, 2022. Logistic Co agreed to provide the Company with entrusted loans amounting to Rmb53,953,817 at a fixed interest rate of 3.00% per annum, with maturity date of July 21, 2023.

Pursuant to the loan contract entered into between Shangsan Co and Communications Group on June 13, 2022, Communications Group agreed to provide Shangsan Co borrowings amounting to Rmb2,735,000,000 at a fixed interest rate of 4.5% per annum, with maturity date of December 13, 2023. Principal amount of Rmb1,100,000,000 was repaid on December 17, 2022.

	For the year ended 12/31/2022 Rmb'000	For the year ended 12/31/2021 Rmb'000
Interest expenses incurred	70,050	3,414

57. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(i) Transactions and balances with Communications Group and government related parties (Continued)

Management and Administrative services

The Company has entered into agreements with the Communications Group and its subsidiaries, pursuant to which, the Company would provide the management and administrative services for eleven toll roads, including Shensuzhewan Expressway, South Line of Qianjiang Channel, Ningbo Yongtaiwen Expressway, Hangning Expressway, Hangrao Expressway, Zhoushan Northward Channel, Jiaxing 320 National Highway, North Line of Qianjiang Channel, Linjian Expressway, Zhoudai Bridge and Fuchimen Bridge of Ningbo Zhoushan Port Main Passage and North Connection of Qianjiang Channel. According to the agreements, the Company would charge the Communications Group and its subsidiaries management fee on actual cost basis. During this year, a total management fee of Rmb13,777,059 (2021: Rmb13,599,435) has been charged.

Other transactions

	Year ended 12/31/2022 Rmb'000	Year ended 12/31/2021 Rmb'000
Toll road service area leasing income earned (Note a)	10,393	15,602
Toll road service area management fee paid (Note a)	3,353	11,200
Property leasing income earned	4,638	2,348
Road maintenance service expenses incurred	586,391	535,847
Construction cost incurred (Note b)	537,829	172,415
System development and maintenance, expressway mechanical and electrical engineering services expenses incurred	114,602	8,389
Toll road related inspection services expense incurred	8,355	8,481
Financial advisory service income earned	–	3,396
Underwriting and sponsor service income earned	–	17,547

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57. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(i) Transactions and balances with Communications Group and government related parties (Continued)

Other transactions (Continued)

Notes:

(a) Pursuant to the leasing and operation agreement entered into between Jinhua Co (as defined in Note 58), Zhejiang Hanghui Expressway Co., Ltd. ("Hanghui Co", an indirect subsidiary of the Company), Zhejiang Shenjiahuhang Expressway Co., Ltd. ("Shenjiahuhang Co"), Longlililong Co, Zhejiang Zhoushan Bay Bridge Co., Ltd. ("Zhoushan Co") and Zhejiang Commercial Group Co., Ltd. ("Zhejiang Commercial Group", a fellow subsidiary of Communications Group), the toll road service areas were leased to Zhejiang Commercial Group Co., Ltd, and Zhejiang Communications Group managed the operation of the service area in respect of the toll road service area. Such businesses began from January 1, 2011, and will be expired at the same time with the operating rights.

(b) On May 13, 2022, Jiaxing Branch entered into the Construction Agreement with Jiaogong Underground Construction, pursuant to undertake the construction work for the renovation of Jiaxing Service Area Plaza of Shanghai-Hangzhou Expressway. Each of Jiaogong Group and Jiaogong Underground Construction is an indirectly non-wholly owned subsidiary of Communications Group. On July 29, 2022, the Company and its subsidiaries entered into the Guardrail Agreements with Zhejiang Shunchang, Maintenance Co and Jiaogong Maintenance respectively, pursuant to undertake the guardrail revamp and upgrade projects in respect of eight expressways operated by the Group. Each of Zhejiang Shunchang, Maintenance Co and Jiaogong Maintenance is an indirect subsidiary of Communications Group.

Other transaction balances

In addition to the transaction balances already disclosed in the report, the other material transaction balances in relation to the transactions disclosed above with related parties are listed below.

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Other receivables	203,860	198,361
Trade payables	385,655	260,768
Other payables	156,572	148,203

57. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(i) Transactions and balances with Communications Group and government related parties (Continued)

Sales of asset management schemes and derivative contract business with Communications Group

During the year, Zheshang Securities Asset Management Co., Ltd. ("Asset Management", an indirect subsidiary of the Company) didn't sell the asset management schemes (2021: sold 59,666,928 units of the asset management schemes equivalent to Rmb91,682,100) to Zhejiang Zheshang Financial Holdings, Co., Ltd. Management fee income of Rmb234,549(2021: Rmb707,121) was earned.

During the year, Asset Management didn't sell the asset management schemes (2021: sold 80,000,000 units of the asset management schemes equivalent to Rmb80,000,000) to Zheshang Property and Casualty Insurance Company Limited. Management fee income of Rmb16,817 (2021: Rmb789,213) was earned.

During the year, Zhejiang Zheqi didn't carry out derivatives contract business with Zheshang Financial Holdings, and the investment gain or loss was nil (2021: the investment loss was Rmb8,821,528) in total.

Other transactions with government related parties

The Group operates in an economic environment currently predominated by entities directly or indirectly owned or controlled by the PRC government ("government-related entities"). In addition, the Group itself is part of a larger group of companies under the Communications Group which is controlled by the PRC government. However, due to the business nature, in respect of the Group's toll road and securities business, the Directors are of the opinion that it is impracticable to ascertain the identity of counterparties and accordingly whether the transactions are with other government-related entities in the PRC.

In addition, the Group has entered into other banking transactions, including deposit placements, borrowings and other general banking facilities, with certain banks and financial institution which are government-related entities in its ordinary course of business. In view of the nature of those banking transactions, the Directors are of the opinion that separate disclosure would not be meaningful.

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57. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(ii) Transactions and balances with associates and other related parties

Financial service provided by Zhejiang Communications Finance

The Group entered into a financial services agreement with Zhejiang Communications Finance. Pursuant to the agreement, Zhejiang Communications Finance agreed to provide the Group with the deposit services, the loan and financial leasing services, the clearing services and other financial services.

Loan advanced from Zhejiang Communications Finance

During the year, Zhejiang Communications Finance provided the Company with short-term loans with a total principal amount of Rmb600,000,000 (2021: Rmb3,800,000,000) at fixed interest rates of 3.50% per annum. During the year, a total amount of Rmb600,000,000 were repaid (2021: Rmb5,300,000,000).

During the year, Zhejiang Communications Finance provided Shangsan Co with a short-term loan with a principal amount of Rmb500,000,000 (2021: Rmb200,000,000) and fixed rate of 3.50% per annum. During the year, principal amount of the short-term loan Rmb300,000,000 (2021: Rmb200,000,000) was repaid.

During the year, Zhejiang Communications Finance provided Hanghui Co with short-term loans with an aggregated principal amount of Rmb200,000,000 (2021: Rmb500,000,000) and fixed interest rate of 3.85% and 3.60% per annum (2021: fixed interest rate of 3.85% per annum). The principal amount of short-term loans Rmb700,000,000 were repaid during the year (2021: Rmb500,000,000).

During the year, Zhejiang Communications Finance provided Zhoushan Co with short-term loans with an aggregated principal amount of Rmb160,000,000 (2021: Rmb160,000,000) and fixed rate of 3.65% and 3.75% per annum (2021: 3.82%). During the year, principal amount of short-term loans Rmb80,000,000 were repaid (2021: Rmb430,000,000).

During the year, Zhejiang Communications Finance provided Shenjiahuhang Co with short-term loans with an aggregated principal amount of Rmb2,400,000,000 (2021: Rmb400,000,000) and fixed rate of 3.60%. During the year, principal amount of short-term loans Rmb2,400,000,000 (2021: 400,000,000) were repaid.

During the year, Zhejiang Communications Finance provided LongLiLiLong Co with short-term loans with an aggregated principal amount of Rmb154,000,000 (2021: Rmb540,000,000) and fixed rate of 4.13%, per annum (2021: 4.13%). During the year, principal amount of short-term loans Rmb372,114,000 were repaid (2021: Rmb1,810,000,000).

57. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(ii) Transactions and balances with associates and other related parties (Continued)

Financial service provided by Zhejiang Communications Finance (Continued)

Loan advanced from Zhejiang Communications Finance (Continued)

During the year, Zhejiang Communications Finance provided LongLiLiLong Co with long-term loans with an aggregated principal amount of Rmb546,000,000 (2021: Rmb2,447,000,000) and fixed rate of 4.13%, per annum (2021: 4.13%). During the year, no principal amount of long-term loans were repaid (2021: Rmb1,582,096,000).

During the year, Zhejiang Communications Finance provided Zhejiang Grand Hotel with short-term loans with an aggregated principal amount of Rmb50,000,000 (2021:0) and fixed rate of 3.7% per annum. During the year, principal amount of Rmb50,000,000 were repaid.

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Outstanding loan payable balances:		
repayable within one year	789,026	904,780
1 to 5 years	958,848	625,280
over 5 years	512,710	622,510
	2,260,584	2,152,570

	Year ended 12/31/2022 Rmb'000	Year ended 12/31/2021 Rmb'000
Interest expenses incurred	99,755	175,206

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57. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(ii) Transactions and balances with associates and other related parties (Continued)

Financial service provided by Zhejiang Communications Finance (Continued)

Deposits to Zhejiang Communications Finance

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
Bank balances and cash		
– Cash and cash equivalents	2,941,840	2,460,550

	Year ended 12/31/2022 Rmb'000	Year ended 12/31/2021 Rmb'000
Interest income earned	33,672	36,463

Sales of asset management schemes with Zhejiang Communications Finance

During the year, Asset Management sold 259,864,605 units (2021: 1,043,682,551 units) (equivalent to Rmb259,999,000 (2021: Rmb1,076,889,988)) of the asset management schemes to Zhejiang Communications Finance. Management fee income of Rmb4,352,774 (2021: Rmb2,948,118) was earned.

Sales of convertible bonds with Zhejiang Communications Finance and Zheshang Financial

On June 15, 2022, the Group entered into agreements with Zhejiang Communications Finance and Zheshang Financial, respectively, in relation to the transfer of the Convertible Bond 2022 in the aggregate principal amount of Rmb1,100,000,000 at the aggregate consideration of Rmb1,174,785,000.

57. RELATED PARTY TRANSACTIONS AND BALANCES (Continued)

(ii) Transactions and balances with associates and other related parties (Continued)

Purchase/Sales of inventory from/to and derivatives contract business with Zheshang Development Group Co., Ltd. and its subsidiaries (collectively referred to as "Zheshang Development Group")

During the year, Zhejiang Zheqi purchased and sold commodities of Rmb447,327,097 (2021: Rmb56,794,907) and Rmb329,366,545 (2021: Rmb266,238,356) respectively from and to Zheshang Development Group, to operate commodity trading business.

As at December 31, 2022, Zhejiang Zheqi received deposits of Rmb30,206,224 (2021: Rmb67,153,629) from Zheshang Development Group for derivatives business. Zheshang Futures had the balance of RMB230,984,810 (2021: Nil) with the Zheshang Development Group in the accounts payable to customers arising from securities business.

During the year, Zhejiang Zheqi carried out derivatives contract business with Zheshang Development Group, and the investment gains was losses Rmb254,425,726 (2021: gains Rmb2,730,745) in total.

Zhajiasu Co provides China Merchants Expressway Network & Technology Holdings Co. Ltd. ("China Merchants Expressway", another shareholder of Zhajiasu Co) with entrusted loan

According to the entrusted loan contract signed between Zhajiasu Co and China Merchants Expressway on July 30, 2021, Zhajiasu Co provides an entrusted loan of Rmb180,000,000 at a fixed rate of 2.75% per annum. Interest income during the period was Rmb5,018,750.

Operational service provided to Shenjiahuhang Expressway in relation to the asset-backed special program ("ABS Program")

With reference to Note 50, the Group is responsible for the daily operation of the Shenjiahuhang Expressway pursuant to an operation service agreement for the ABS Program. During this year, a total service fee of Rmb85,500 (2021: Nil) has been charged.

(iii) Key management emoluments

The remuneration of the Directors, supervisors and key management personnel during the year was Rmb9,718,000 (2021: Rmb7,441,000) including retirement benefit scheme contribution of Rmb334,000 (2021: Rmb270,000) which is determined by the performance of the individuals and the market trends.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

58. PARTICULARS OF SUBSIDIARIES OF THE COMPANY

58.1 General information of subsidiaries

Name of subsidiary	Date and place of registration	Registered and paid-in capital/ share capital	Percentage of equity interest attributable to the Company				Principal activities
			Direct		Indirect		
		Rmb	12/31/2022 %	12/31/2021 %	12/31/2022 %	12/31/2021 %	
Zhejiang Linping Expressway Co., Ltd. ("Linping Co")	Note 1	75,223,000	51	51	–	–	Management of the Linping Section of the Shanghai-Hangzhou Expressway
Jiaxing Co	Note 2	359,200,000	N/A	100	N/A	–	Management of the Jiaxing Section of the Shanghai-Hangzhou Expressway
Shangsan Co	Note 3	5,380,000,000	73.625	73.625	–	–	Management of the Shangsan Expressway
Zhejiang Expressway Vehicle Towing and Rescue Services Co., Ltd. ("Towing Co")	Note 4	8,000,000	100	100	–	–	Provision of vehicle towing, repair and emergency rescue services
Zheshang Securities	Note 5	3,878,179,036	–	–	*40.3385	*40.3387	Operation of securities business
Zheshang Futures	Note 6	1,371,244,600	–	–	**39.7872	**40.3387	Operation of securities business
Zheshang Capital Management	Note 7	500,000,000	–	–	**40.3385	**40.3387	Operation of securities business
Asset Management	Note 8	1,200,000,000	–	–	**40.3385	**40.3387	Provision of asset management service
Ningbo Dongfang Jujin Investment Management Co., Ltd ("Dongfang Jujin")	Note 9	1,000,000	–	–	**40.3385	**40.3387	Provision of investment management and advisory services
Zhejiang Zheqi	Note 10	2,200,000,000	–	–	**39.7872	**40.3387	Trading of future
Zhejiang Jinhua Yongjin Expressway Co., Ltd. ("Jinhua Co")	Note 11	1,350,000,000	100	100	–	–	Management of the Jinhua Section of the Ningbo- Jinhua Expressway
Hanghui Co	Note 12	3,101,853,000	–	–	51	51	Management of the Zhejiang Section of the Hangzhou-Ruili Expressway
Hangzhou Jujin Jiawei Investment Management (Limited Partnership) ("Jujin Jiawei")	Note 13	206,103,000	–	–	**18.1635	**18.1635	Provision of investment management and advisory and private equity investments
Zheshang International Financial Holding Co., Limited	Note 14	41,591,000	–	–	**39.7872	**40.3387	Trading of future
Huihang Co	Note 15	580,000,000	100	100	–	–	Management of the Anhui Section of the Hangzhou-Ruili Expressway

58. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

58.1 General information of subsidiaries (Continued)

Name of subsidiary	Date and place of registration	Registered and paid-in capital/ share capital	Percentage of equity interest attributable to the Company				Principal activities
		Rmb	Direct		Indirect		
			12/31/2022 %	12/31/2021 %	12/31/2022 %	12/31/2021 %	
Deqing Co	Note 16	320,000,000	80.1	80.1	–	–	Construction and management
Shenjiahuhang Co	Note 17	1,720,000,000	–	100	–	–	Management of the Huzhou Section of the Huzhou-Lianhang Expressway
Zhoushan Co	Note 18	4,114,690,000	51	–	–	51	Management of the Zhoushan Bay Bridge
Zhejiang Grand Hotel	Note 19	306,662,167	100	100	–	–	Operation of hotel
Zheshang Securities Investment Co., Ltd.***	Note 20	1,000,000,000	–	–	**40.3385	**40.3387	Provision of investment management and advisory and private equity investments
LongLiLiLong Co	Note 21	8,519,856,565	100	100	–	–	Management of the LongLi Expressway and LiLong Expressway
Zhajiasu Co	Note 22	300,000,000	55	55	–	–	Management of the Zhajiasu Expressway
Zheshang International Asset Management Ltd. ("Zheshang International Asset Management")	Note 23	HKD10,000,000	–	–	**39.7872	**40.3387	Provision of asset management service

* The company is a subsidiary of Shangsan Co, a non-wholly-owned subsidiary of the Company, and, accordingly, is accounted for as a subsidiary by virtue of the Group's control over it. On June 26, 2017, Zheshang Securities has completed the Spin-off and Offering on the Shanghai Stock Exchange, resulting in the dilution of the equity interest attributed to the Company. On March 12, 2019, Zheshang Securities issued a convertible bond and the conversion of shares during the year ended December 31, 2020 resulted in the dilution of the equity interest attributed to the Company. On May 21, 2021, Zheshang Securities issued non-public A shares which resulted in the dilution of the equity interest attributed to the Company. On June 14, 2022, Zheshang Securities has issued convertible bonds, the conversion of shares resulting in the dilution of the equity interest attributed to the Company.

** These companies and partnership entities are subsidiaries of Zheshang Securities, a non-wholly-owned subsidiary of Shangsan Co, and accordingly, are accounted for as subsidiaries by virtue of the Group's control over them.

*** The English translated name is for identification only.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

58. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

58.1 General information of subsidiaries (Continued)

Note 1: Linping Co was established on June 7, 1994 in the PRC as a joint stock limited company and was subsequently restructured into a limited liability company under its current name on November 28, 1996. The Company is able to control over Linping Co because it has the power to appoint five out of nine directors of that company and under the provisions stated in the Articles of Association of that company, the passing of ordinary resolutions at the board meetings required one-half of the Directors attending the meetings. Zhejiang Yuhang Expressway Co., Ltd. has been renamed to Zhejiang Linping Expressway Co., Ltd. in 2021.

Note 2: Jiaxing Co was established on June 30, 1994 in the PRC as a joint stock limited company and was subsequently restructured into a limited liability company under its current name on November 29, 1996. Upon the shareholder's meeting resolution and business registration modification on January 20, 2022, Jiaxing Co was absorbed by LongLiLiLong Co and dissolved.

Note 3: Shangsan Co was established on January 1, 1998 in the PRC as a limited liability company. On November 29, 2022, the Group, Shangsan Co, the Existing Shareholders and Communications Group entered into a Capital Increase Agreement to increase the registered capital of Shangsan Co, and as per the revised Articles of Association on the same date, the voting right of the Group in Shangsan Co slightly decreased from 73.625% to 73.624%. As at reporting date, no capital injected from any shareholder.

Note 4: Towing Co was established on July 31, 2003 in the PRC as a limited liability company.

Note 5: Zheshang Securities was established on May 9, 2002 in the PRC as a limited liability company. On March 12, 2019, Zheshang Securities issued a convertible bond and the Group 'equity interest was diluted resulting from the conversion of shares by outside shareholders. On May 21, 2021, Zheshang Securities issued non-public A shares which resulted in the dilution of the equity interest attributed to the Company. On June 14, 2022, Zheshang Securities issued a convertible bond and the Group's equity interest of Zheshang Securities was diluted resulting from the conversion of shares by outside shareholders. See Note 42 for more details.

Note 6: Zheshang Futures was established on September 7, 1995 in the PRC as a limited liability company. During the year, the Group's percentage of entity interest in Zhejiang Futures slightly decreased from 40.3387% to 39.7872% as the result of the capital increase of Zheshang Futures. See Note 58.2 for more details.

Note 7: Zheshang Capital Management was established on February 9, 2012 in the PRC as a limited liability company.

Note 8: Asset Management was established on July 22, 2013 in the PRC as a limited liability company.

Note 9: Dongfang Jujin was established on March 25, 2014 in the PRC as a limited liability company.

Note 10: Zhejiang Zheqi was established on April 9, 2013 in the PRC as a limited liability company, and its paid-in share capital was increased by Rmb100,000,000 to Rmb200,000,000 during the year ended December 31, 2014.

58. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

58.1 General information of subsidiaries (Continued)

Note 11: Jinhua Co was established in February 2002 in the PRC as a limited liability company. Jinhua Co became a wholly owned subsidiary and directly held by the Company during the year ended December 31, 2013.

Note 12: Hanghui Co was established in December 2008 in the PRC as a limited liability company. During the year ended December 31, 2015, the Company acquired the 80.614% equity interests in Hanghui Co from Communications Group, and Hanghui Co then became a subsidiary and directly held by the Company as at December 31, 2015. In December 2015, the equity interest held by the Group increased to 88.674% as the Company has made a capital contribution to Hanghui Co. In June 2021, the Hanghui Expressway public REITs was successfully listed on the Shanghai Stock Exchange. The Company held 51% shareholder's interest indirectly after the restructure. During the restructure in light of the issuance of REITs, the Group's equity share decreased from 88.674% to 51% and thus didn't lose control over Hanghui Co. The equity transaction as a result of the restructure was accounted for under special reserves.

Note 13: Jujin Jiawei was established on April 15, 2015 in the PRC as a limited partnership. Pursuant to the partnership agreement, Dongfang Jujin is a general partner, while Zheshang Capital Management and other three individuals are limited partners of the partnership. The Directors consider that the Group has the practical ability to direct the relevant activities of Jujin Jiawei unilaterally, and it is therefore classified as a subsidiary of the Group.

Note 14: Zheshang International Financial Holding Co., Limited (previously known as Zheshang Futures (Hong Kong) Co., Limited) was established on April 23, 2015 in Hong Kong as a limited liability Company.

Note 15: Huihang Co was established in September 2000 in the PRC as a limited liability company. During the year ended December 31, 2016, the Company acquired the 100% equity interests in Huihang Co from an independent third party, and Huihang Co then became a subsidiary and directly held by the Company as at December 31, 2016.

Note 16: Deqing Co was established on April 12, 2018 in the PRC as a limited liability company. The registered capital of Deqing Co has been increased from Rmb100,000,000 to Rmb320,000,000 during the year ended December 31, 2020, of which Rmb17,421,750 was contributed by the Company, Rmb4,328,250 was contributed by Zhejiang Hongtu and the rest were converted from capital reserve.

Note 17: Shenjiahuhang Expressway was established on July 13, 2018 in the PRC as a limited liability company and was acquired from Communications Group. The Group appointed China International Capital Corporation Limited("CICC") as the fund manager of the ABS Program during the year to launch an asset-backed special program("ABS Program"). The Group entered into equity transfer agreement with CICC to transfer the entire equity interests in Shenjiahuhang Expressway as the underlying assets for the ABS Program. Upon completion of the equity transfer agreement and revision of Articles of Association on December 2, 2022, Shenjiahuhang Co ceased to be a subsidiary of the Group. See Note 50 for more details.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

58. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

58.1 General information of subsidiaries (Continued)

Note 18: Zhoushan Co was established on as a limited liability company. On July, 2018, Shenjiahuhang Expressway entered into an equity purchase agreement with Zhejiang Communications Investment Group Co., Ltd. to acquire 51% equity interest in Zhoushan Co. During the year, as part of the reorganisation for the purpose of the proposed issuance of Asset-Backed Securities("ABS"), Shenjiahuhang Co transferred its 51% of equity interests in Zhoushan Co to the Company at the audited net asset value of Zhoushan Co as at June 30, 2022 pursuant to an equity transfer agreement dated 19 September 2022. Upon which Zhoushan Co became the immediate subsidiary of the company.

Note 19: Zhejiang Grand Hotel was established on January 6, 1998 in the PRC as a limited liability company and was acquired from Communications Group. On June 5, 2019, the Company entered into an equity transfer agreement with a wholly-owned subsidiary of Communications Group to acquire 100% equity interest in Zhejiang Grand Hotel at a cash consideration of Rmb1,010,144,600.

Note 20: Zheshang Securities Investment Co., Ltd. was established on November 26, 2019 in the PRC as a limited liability company.

Note 21: LongLiLiLong Co is a limited liability company established in the PRC on April 8, 2005, and was acquired from Communications Group.

Note 22: Zhajiasu Co is a limited liability company established in the PRC on January 25, 2001, and was acquired on May 7, 2021 from two natural person shareholders.

Note 23: Zheshang International Asset Management is a limited liability company established in Hong Kong on November 15, 2021. Up to December 31,2022, the subscription has not been completed.

58. PARTICULARS OF SUBSIDIARIES OF THE COMPANY (Continued)

58.1 General information of subsidiaries (Continued)

Except that Zheshang International Financial Holding Co., Limited and Zheshang International Asset Management Ltd. are operating in Hong Kong, all of the Company's other subsidiaries are operating in Mainland China. As at December 31, 2022, Zheshang Securities has issued subordinated bonds, corporate bonds, short-term financing bonds and beneficial certificates at the total principal amount of Rmb6,400,000,000, Rmb14,499,894,000, Rmb2,500,000,000 and Rmb2,045,460,000 (2021: Rmb9,900,000,000, Rmb7,500,000,000, Rmb6,500,000,000 and Rmb2,408,360,000), respectively.

58.2 Change in ownership interest in a subsidiary

On June 14, 2022, Zheshang Securities issued convertible bonds, the conversion of 1,060 shares in December 2022 resulting in the slight dilution of the equity interest in Zheshang Securities and its subsidiaries attributed to the Company from 40.3387% to 40.3385%.

During the year, Zheshang Futures launched mixed ownership reform and introduced strategic investors. Shangsan Co, a non-wholly-owned subsidiary of the Company, subscribed Rmb899,999,780 out of the total Rmb1,729,999,800 capital increase in relation to the reform. On June 10, 2022, upon the completion of the transaction, the Group's percentage of entity interest in Zhejiang Futures and its subsidiaries decreased from 40.3387% to 39.7873%, and further decreased to 39.7872% after the conversion of shares of Zheshang Securities as above mentioned.

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

59. INTERESTS IN UNCONSOLIDATED STRUCTURED ENTITIES

Regarding securities operation segment as defined in Note 7, the Group held interests in structured entities including collective asset management schemes, investment funds and limited partnership. The Group acted as fund manager for some structured entities and had power over them during the years ended December 31, 2022 and 2021. Except for the structured entities the Group has consolidated as disclosed in Note 44, in the opinion of the Directors, the variable returns the Group exposed to over these collective asset management schemes, investment funds and limited partnership in which the Group has interests or acted as fund manager are not significant. The Group therefore did not consolidate these structured entities.

The total assets of unconsolidated funds, asset management schemes managed by securities operation segment amounted to Rmb103,411,981,000 and Rmb117,599,057,000 as at December 31, 2022 and 2021, respectively. The related management fee income for the year ended 31 December 2022 amounted to Rmb420,826,000 (31 December 2021: Rmb380,141,000).

Regarding securities operation segment, the Group classified the investments in unconsolidated funds, asset management schemes and limited partnership as financial assets at FVTPL and interests in associates. As at December 31, 2022 and 2021, the carrying amounts of the Group's interests in unconsolidated funds, asset management schemes and limited partnership are Rmb8,948,227,000 and Rmb7,203,077,000, respectively. The related management fee income and net investment gains for the year ended 31 December 2022 are disclosed in Note 6 and Note 8.

Except for the abovementioned structured entities, the Group also invested in certain ABS Program classified as interests in associates which it doesn't act as the fund manager. With regard to the ABS Program, in case that the net cash flow generated from the underlying assets was not sufficient to cover the necessary expenditures of the ABS Program as agreed and senior class holder's share that they're entitled, the Group was committed to compensating the insufficient part. At the end of each three years, the Group has the right to update a proposed return on senior class securities to the fund manager of the ABS Program just before withdrawal registering period. The fund manager accepts open-ended withdrawal and subscription of senior class securities within the withdrawal registering period, and the Group will purchase any senior class securities which have not completed open-ended withdrawal if the holders intend to within the withdrawal registering period.

60. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
NON-CURRENT ASSETS		
Property, plant and equipment	975,338	738,656
Right-of-use assets	7,800	13,951
Expressway operating rights	1,455,240	1,796,828
Other intangible assets	29,393	10,987
Interests in subsidiaries	10,691,936	13,045,033
Interests in associates	7,739,747	7,652,999
Interest in a joint venture	373,470	373,470
	21,272,924	23,631,924
CURRENT ASSETS		
Trade receivables	109,532	40,955
Amount due from subsidiaries and others	1,419,907	2,915,069
Dividends receivable	2,366,109	1,515,301
Bank balances and cash		
– Cash and cash equivalents	9,407,345	3,420,154
	13,302,893	7,891,479
CURRENT LIABILITIES		
Trade payables	232,254	181,843
Tax liabilities	57,083	407,792
Other taxes payable	22,057	21,551
Amount due to subsidiaries and others	5,893,926	4,572,163
Bonds payable	67,278	3,084,871
Bank and other borrowings	253,679	57,120
	6,526,277	8,325,340
NET CURRENT LIABILITIES	6,776,616	(433,861)
TOTAL ASSETS LESS CURRENT LIABILITIES	28,049,540	23,198,063

Notes to the Consolidated Financial Statements

For the year ended December 31, 2022

60. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY (Continued)

	12/31/2022 Rmb'000	12/31/2021 Rmb'000
NON-CURRENT LIABILITIES		
Bonds payable	6,268,315	2,990,762
Convertible Bond	1,788,401	1,714,662
Bank and other borrowings	616,360	220,000
Deferred tax liabilities	106,412	80,561
	8,779,488	5,005,985
	19,270,052	18,192,078
CAPITAL AND RESERVES		
Share capital	4,343,115	4,343,115
Reserves	14,926,937	13,848,963
	19,270,052	18,192,078

60. SUMMARY OF FINANCIAL INFORMATION OF THE COMPANY (Continued)

Movement of share capital and reserve of the Company was set out below.

	Share capital Rmb'000	Share premium Rmb'000	Statutory reserves Rmb'000	Investment revaluation reserve Rmb'000	Dividend reserve Rmb'000	Special reserves Rmb'000	Retained profits Rmb'000	Total Rmb'000
At January 1, 2021	4,343,115	3,645,726	2,364,430	(24,160)	1,541,806	83,221	4,521,713	16,475,851
Profit for the year	–	–	–	–	–	–	3,452,588	3,452,588
Other comprehensive income for the year	–	–	–	43,607	–	–	–	43,607
Total comprehensive income for the year	–	–	–	43,607	–	–	3,452,588	3,496,195
Consideration paid for acquisition of subsidiaries under common control	–	–	–	–	–	(11,797)	(226,343)	(238,140)
Acquisition of minority interests of a subsidiary	–	–	–	–	–	(42)	–	(42)
2020 dividend	–	–	–	–	(1,541,806)	–	–	(1,541,806)
Proposed dividend	–	–	–	–	1,628,668	–	(1,628,668)	–
At December 31, 2021	4,343,115	3,645,726	2,364,430	19,447	1,628,668	71,382	6,119,290	18,192,058
Profit for the year	–	–	–	–	–	–	2,707,398	2,707,398
Other comprehensive income for the year	–	–	–	(736)	–	–	–	(736)
Total comprehensive income for the year	–	–	–	(736)	–	–	2,707,398	2,706,662
2021 dividend	–	–	–	–	(1,628,668)	–	–	(1,628,668)
Proposed dividend	–	–	–	–	1,628,668	–	(1,628,668)	–
At December 31, 2022	4,343,115	3,645,726	2,364,430	18,711	1,628,668	71,382	7,198,020	19,270,052

Independent Auditor's Report

Deloitte. 德勤

(Issued by a Third Country Auditor Registered with The UK Financial Reporting Council)

TO THE MEMBERS OF ZHEJIANG EXPRESSWAY CO., LTD.
浙江滬杭甬高速公路股份有限公司
(Incorporated in the People's Republic of China with limited liability)

Opinion

We have audited the consolidated financial statements of Zhejiang Expressway Co., Ltd. (the "Company") and its subsidiaries (collectively referred to as the "Group") set out on pages 110 to 281, which comprise the consolidated statement of financial position as at December 31, 2022, and the consolidated statement of profit or loss and other comprehensive income, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes to the consolidated financial statements, including a summary of significant accounting policies.

In our opinion, the consolidated financial statements give a true and fair view of the consolidated financial position of the Group as at December 31, 2022, and of its consolidated financial performance and its consolidated cash flows for the year then ended in accordance with Hong Kong Financial Reporting Standards ("HKFRSs") issued by the Hong Kong Institute of Certified Public Accountants ("HKICPA") and have been properly prepared in compliance with the disclosure requirements of the Hong Kong Companies Ordinance.

Basis for Opinion

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

Key Audit Matters

Key audit matters are those matters that, in our professional judgment, were of most significance in our audit of the consolidated financial statements of the current period. These matters were addressed in the context of our audit of the consolidated financial statements as a whole, and in forming our opinion thereon, and we do not provide a separate opinion on these matters.

Key audit matter	How our audit addressed the key audit matter
Determination of consolidation scope of structured entities	
We identified the determination of consolidation scope of structured entities, which invested by the Group's securities operation segment (defined in Note 7), as a key audit matter due to significant judgement applied by management in determining whether a structured entity is required to be consolidated by the Group and the significance of these balances to the Group's consolidated financial statements as a whole. The Group held interests as investor or acted as fund manager in various structured entities including collective asset management schemes, investment funds and limited partnership enterprises. As disclosed in Note 5 to the consolidated financial statements, to determine whether a structured entity should be consolidated, the management applied significant judgement in determining whether the Group has power over the structured entities, and assess whether the combination of investments it held together with its remuneration and credit enhancement creates exposure to variability of returns from the activities of the collective asset management schemes and investment funds that is of such significance that it indicates the Group controlled the structured entities. As disclosed in Notes 44 and 59 to the consolidated financial statements, as at December 31, 2022, the total assets of the consolidated structured entities amounted to Rmb3,661,442 thousands and the total assets of the unconsolidated structured entities managed by the Group's securities operation segment amounted to Rmb103,411,981 thousands, respectively.	Our procedures in relation to the management's determination of consolidation scope of structured entities included: • Testing and evaluating key controls of the management in determining the consolidation scope of structured entities; • Examining, on a sample basis, the documents and information used by the management in assessing the consolidation criteria of structured entities against the related agreements and other related service agreements of structured entities newly established, invested or with changes in proportion of ownership interests or contractual terms during the year; • Assessing management judgement in determining the scope for consolidation and, on a sample basis, assessing the conclusion about whether a structured entity should be consolidated or not.

Independent Auditor's Report

Other Information

The directors of the Company are responsible for the other information. The other information comprises the information included in the annual report, but does not include the consolidated financial statements and our auditor's report thereon.

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

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

Responsibilities of Directors and Those Charged with Governance for the Consolidated Financial Statements

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

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

Those charged with governance are responsible for overseeing the Group's financial reporting process.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion solely to you, as a body, in accordance with our agreed terms of engagement, and for no other purpose. We do not assume responsibility towards or accept liability to any other person for the contents of this report. Reasonable assurance is a high level of assurance, but is not a guarantee that an audit conducted in accordance with HKSAs will always detect a material misstatement when it exists. Misstatements can arise from fraud or error and are considered material if, individually or in the aggregate, they could reasonably be expected to influence the economic decisions of users taken on the basis of these consolidated financial statements.

As part of an audit in accordance with HKSAs, we exercise professional judgment and maintain professional scepticism throughout the audit. We also:

- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, design and perform audit procedures responsive to those risks, and obtain audit evidence that is sufficient and appropriate to provide a basis for our opinion. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control.

- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Group's internal control.

- Evaluate the appropriateness of accounting policies used and the reasonableness of accounting estimates and related disclosures made by the directors of the Company.

- Conclude on the appropriateness of the directors' use of the going concern basis of accounting and, based on the audit evidence obtained, whether a material uncertainty exists related to events or conditions that may cast significant doubt on the Group's ability to continue as a going concern. If we conclude that a material uncertainty exists, we are required to draw attention in our auditor's report to the related disclosures in the consolidated financial statements or, if such disclosures are inadequate, to modify our opinion. Our conclusions are based on the audit evidence obtained up to the date of our auditor's report. However, future events or conditions may cause the Group to cease to continue as a going concern.

Independent Auditor's Report

- Evaluate the overall presentation, structure and content of the consolidated financial statements, including the disclosures, and whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation.

- Obtain sufficient appropriate audit evidence regarding the financial information of the entities or business activities within the Group to express an opinion on the consolidated financial statements. We are responsible for the direction, supervision and performance of the group audit. We remain solely responsible for our audit opinion.

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

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

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

The engagement partner on the audit resulting in the independent auditor's report is Ma Hing Fai.

Deloitte Touche Tohmatsu Certified Public Accountants LLP
Certified Public Accountants
(Registered as a Third Country Auditor with The UK Financial Reporting Council)
Shanghai, China
March 27, 2023

Corporate Information

CHAIRMAN

YU Zhihong

EXECUTIVE DIRECTORS

CHEN Ninghui
YUAN Yingjie

NON-EXECUTIVE DIRECTORS

YANG Xudong (Appointed on December 22, 2022)
JIN Chaoyang (Resigned on December 22, 2022)
FAN Ye
HUANG Jianzhang

INDEPENDENT NON-EXECUTIVE DIRECTORS

PEI Ker-Wei
LEE Wai Tsang, Rosa
CHEN Bin

SUPERVISORS

ZHENG Ruchun
HE Meiyun
WU Qingwang
LU Xinghai
WANG Yubing

COMPANY SECRETARY

Tony ZHENG

AUTHORIZED REPRESENTATIVES

YU Zhihong
YUAN Yingjie

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INVESTOR RELATIONS CONSULTANT

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Fax: 852-2815 1352

PRINCIPAL BANKERS

Industrial and Commercial Bank of China, Jiefang Road Branch
Shanghai Pudong Development Bank, Hangzhou Branch

H SHARE REGISTRAR AND TRANSFER OFFICE

Hong Kong Registrars Limited
Room 1712-1716, 17/F, Hopewell Centre
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Hong Kong

H SHARES LISTING INFORMATION

The Stock Exchange of Hong Kong Limited
Code: 0576

London Stock Exchange plc
Code: ZHEH

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Location Map of Expressways in Zhejiang Province

ZHEJIANG EXPRESSWAY CO., LTD.